



**NEW CHALLENGES, NEW  
CHANCES : NEXT STEPS IN  
IMPLEMENTING THE FURTHER  
EDUCATION REFORM  
PROGRAMME**

Further Education Loans

AUGUST 2011



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# 1. Executive Summary

For the first time, learners in further education (FE) and training will be able to access finance on the same basis as in higher education (HE). This means that there will be a national system whereby learners can apply for a loan to meet the upfront contribution costs of their course, which will be paid directly to their college or training organisation on their behalf. Eligibility for these loans will be based on residency and the type of course being undertaken – not the financial position of the learner, their credit history or ability to repay. The loans will only be repaid once the learner has left the course and is earning more than £21,000 gross a year and any outstanding balances will be written off after 30 years. The interest paid on the loans will be linked to inflation and once the learner has left the course the interest on the loans will only increase above inflation if the learner earns more than £21,000, on a sliding scale up to inflation plus 3% for those earning more than £41,000. Table 1 of this consultation summarises the terms of the FE and HE loans.

In line with the principles of fairness and greater responsibility, public grant support will be prioritised on younger learners and those with lower skills, and loans will enable individuals to make positive decisions about how to invest in higher level skills, informed by high quality information, advice and guidance. Since the publication of *Skills for Sustainable Growth*, we have engaged with representatives of the FE and skills sector, and others including employer and learner representative bodies, on the criteria determining learner and course eligibility, periods of study and loan amounts. Drawing on expert advice, we have now agreed the model on which the loans system will be based, building on the current system for HE with adaptations to reflect the characteristics of FE. The challenge ahead will be in managing change. So we want to consult on how loans are implemented.

The introduction of loans described in this consultation only applies to England. Further education and skills is a devolved matter and therefore any decision to introduce loans in Scotland, Wales or Northern Ireland would be a matter for the respective governments. We recognise there are potential cross border considerations and we are working with the devolved administrations to consider these.

This document confirms the funding policy that will apply to FE Level 3/4 loans to cover learner contributions: covering learner and course eligibility; the method of determining loan amounts; and other key criteria; and the model on which the loans system will be based. The details of the funding policy are set out in the attached table at Annex A and the model for the loans system is described in Annex B and summarised in Table 2.

The focus of this consultation is, therefore, on how we can implement the policy and delivery model to ensure that there is an efficient and effective loans system in place. The model will need to support all training including those undertaking Apprenticeships. It is equally important that information on loans is communicated in the right way and that individuals and employers understand how they will work.

Loans will apply to all provision at Level 3/4 for those aged 24 and over, including Access to HE courses as well as Advanced and Higher Level Apprenticeships. The introduction of loans will impact on colleges, training organisations, employers and learners. Representative bodies within FE and other organisations with an interest in further education and skills, including HE institutions, also have an interest.

The model for the loans system will be finalised in December 2011, informed by responses to this consultation, following which the Skills Funding Agency and Student Loans Company (SLC) will confirm how the loans system will operate from 2013/14. The consultation responses will also help to inform the subsequent communication strategy for FE Level 3/4 loans, which will continue through the implementation phase of the project through to the launch of the system in March 2013 and beyond. A high level timeline is set out in Annex C.

## 2. Summary of Consultation Questions

### Consultation issue 1 - communications

- Q1 What information do learners, employers, colleges training organisations and careers advisers need about FE loans to cover learner contributions?
- Q2 How can we engage individuals and employers so that they make use of loans to support skills and training?
- Q3 How can we support learners who are progressing from FE to HE using loan support?
- Q4 Will the introduction of FE loans to cover learner contributions for Level 3/4 for those aged over 24 create any particular barrier(s) to access provision based on (i) race, religion or belief; (ii) disability; (iii) gender; or (iv) age?

### Consultation issue 2 – model for FE Level 3/4 loans system

- Q5 How can we minimise (additional) bureaucracy as we implement the FE loans model?
- Q6 What safeguards should be in place to ensure that learners make the best use of the loans available to them?
- Q7 Do respondents believe that payment of FE loans to colleges/training organisations should be made (i) 3 times a year (in line with HE); (ii) quarterly or (iii) monthly?
- Q8 Do respondents believe that allocations should be reassessed (i) annually but not in-year, (ii) once during the year and at the end of the year or (iii) more regularly during the year?
- Q9 In a demand-led system, what would be the most effective way of ensuring that our spend and commitments stay within the available loans budget?

Issued: 16 August 2011

Respond by: 21 October 2011

## 3. How to respond

When responding please state whether you are responding as an individual or representing the views of an organisation.

If you are responding on behalf of an organisation, please make clear whom the organisation represents by selecting the appropriate interest group on the consultation response form and, where applicable, how the views of members were assembled.

You can respond to this consultation online at the following web address [insert survey monkey link]

A copy of the Consultation Response form is enclosed, or available electronically at [www.bis.gov.uk/newchallenges](http://www.bis.gov.uk/newchallenges). If you decide to respond this way the form can be submitted by letter, fax or email to:

Andrew King  
Further Education Level 3/4 Loans  
Department for Business, Innovation and Skills  
1 Victoria Street  
London SW1H OET  
Email: [feloans@bis.gsi.gov.uk](mailto:feloans@bis.gsi.gov.uk)

Responses must be received by 21 October 2011.

A list of those organisations and individuals consulted is in Annex E. We would welcome suggestions of others who may wish to be involved in this consultation process.

## 4. Additional copies

You may make copies of this document without seeking permission. Printed copies of the consultation document can be obtained from

BIS Publications Orderline  
ADMAIL 528  
London SW1W 8YT  
Tel: 0845-015 0010  
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An electronic version can be found at [www.bis.gov.uk/newchallenges](http://www.bis.gov.uk/newchallenges).

Other versions of the document in Braille, other languages or audio-cassette are available on request.

## 5. Confidentiality & Data Protection

Information provided in response to this consultation, including personal information, may be subject to publication or release to other parties or to disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004). If you want information, including personal data that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence.

In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

## 6. Help with queries

Any enquires regarding the policy issues raised in this publication should be sent to [BIS.Correspondence@bis.gsi.gov.uk](mailto:BIS.Correspondence@bis.gsi.gov.uk) or to:

Andrew King  
Further Education Level 3/4 Loans  
Department for Business, Innovation and Skills  
1 Victoria Street  
London SW1H OET  
Email : [feloans@bis.gsi.gov.uk](mailto:feloans@bis.gsi.gov.uk)

A copy of the Code of Practice on Consultation is in Annex D.

## 7. The proposals and consultation questions

The introduction of FE loans reflects the principles set out in *Skills for Sustainable Growth* – in particular, that those who benefit more should contribute more to the costs of their learning. As with HE, prospective learners in FE will need access to the best information available about the labour market benefits of specific courses.

As far as possible, we want there to be a single system of loan support for learning across FE and HE. We want to avoid the creation of unnecessary additional bureaucracy as loans are introduced. We also want to continue to support progression from FE to HE and from Advanced to Higher Level Apprenticeships, and the growth of a more diverse market in HE. For those reasons:

- The repayment of FE loans will operate on the same, income contingent basis as loans in HE
- As with HE loans, the SLC will be responsible for the loan application and assessment as well as the payment (direct to the college/training organisation) and repayment processes, working with Her Majesty's Revenue and Customs (HMRC) on repayment
- Learners who have taken out a loan for FE and training will subsequently be able to take out a loan for HE.

However, the system of FE loans will differ from the system of loans for HE in the following ways:

- The loans will only be available to cover the learner contribution to the costs of the course and will not be available for maintenance, as set out in *Skills for Sustainable Growth*. Colleges and training organisations will be able to use support funds for learners accessing FE loans to help them address barriers to learning

- Colleges and training organisations will have freedom to determine learner contributions, which cover their costs. However, there will be an assumption that funding rates paid by the Skills Funding Agency – which will represent the maximum value of the loan to the learner – will cover the reasonable cost of delivery; and
- There will be no requirement to agree Access Agreements that might otherwise direct how income from learner contributions should be spent.

The following table summarises the conditions that will apply to FE loans, showing a comparison with similar characteristics for HE loans:

**Table 1: Comparison of FE and HE loan conditions**

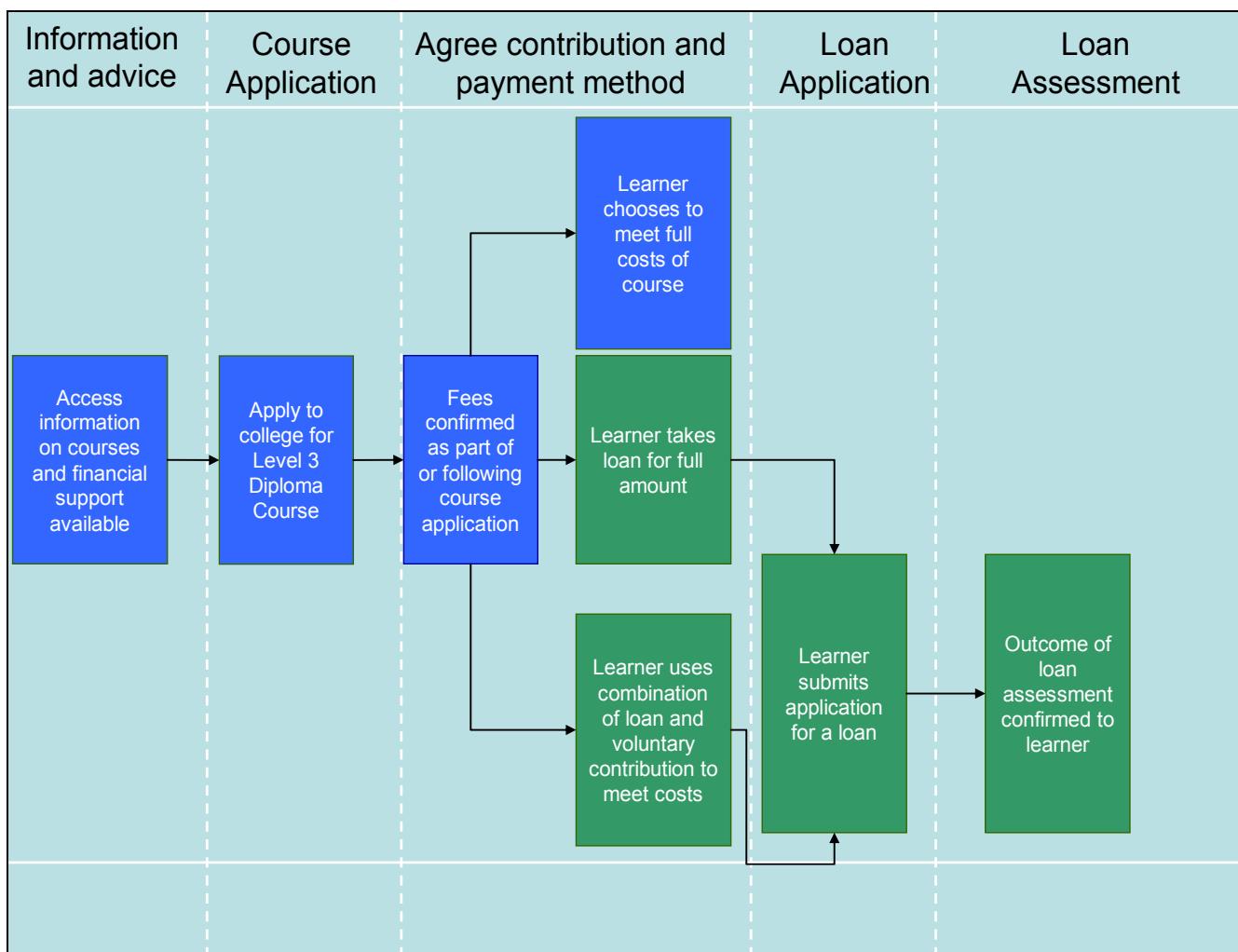
Loan Attribute	FE Loans	HE Loans
Learning type:	Level 3/4	First full degree
Loan amount:	Up to £4,000 (but dependant on funding rates)	Up to £9,000 per annum
Repayment Threshold	£21,000	£21,000
Threshold Growth	Yearly with earnings	Yearly with earnings
Repayment period:	30 years	30 years
Repayment Rate:	9% of earnings >threshold	9% of earnings >threshold
Date repayment starts:	April following learner finishing course	April following student finishing course (for full-time HE)
Interest rate for below threshold	RPI	RPI
Interest rate for threshold to £41k	Between RPI & RPI +3%%	Between RPI & RPI +3%%
Interest rate for £41k+	RPI + 3%*	RPI + 3%*

\* this interest rate will also apply during the period of the course while the learner is in training

The detailed rules governing learner and course eligibility, the calculation of loan amounts, and periods of study for FE loans are set out in the table at **Annex A**. These cover study at Level 3 and above as well as Apprenticeships. The maximum amount available as a loan for an individual course will be determined by the fully funded rate set by the Skills Funding Agency. From the 2012/13 academic year the Agency will introduce a new set of simplified funding rates. This will replace individual funding rates for each qualification with a small number of rates that will apply to all qualifications. The introduction of simplified funding rates will allow maximum loan amounts to be determined in a simple and straightforward way.

The diagrams below are illustrations of how loans could be used alongside other contributions to meet course costs – firstly for courses undertaken at an FE college or training organisation, and secondly for Apprenticeship frameworks.

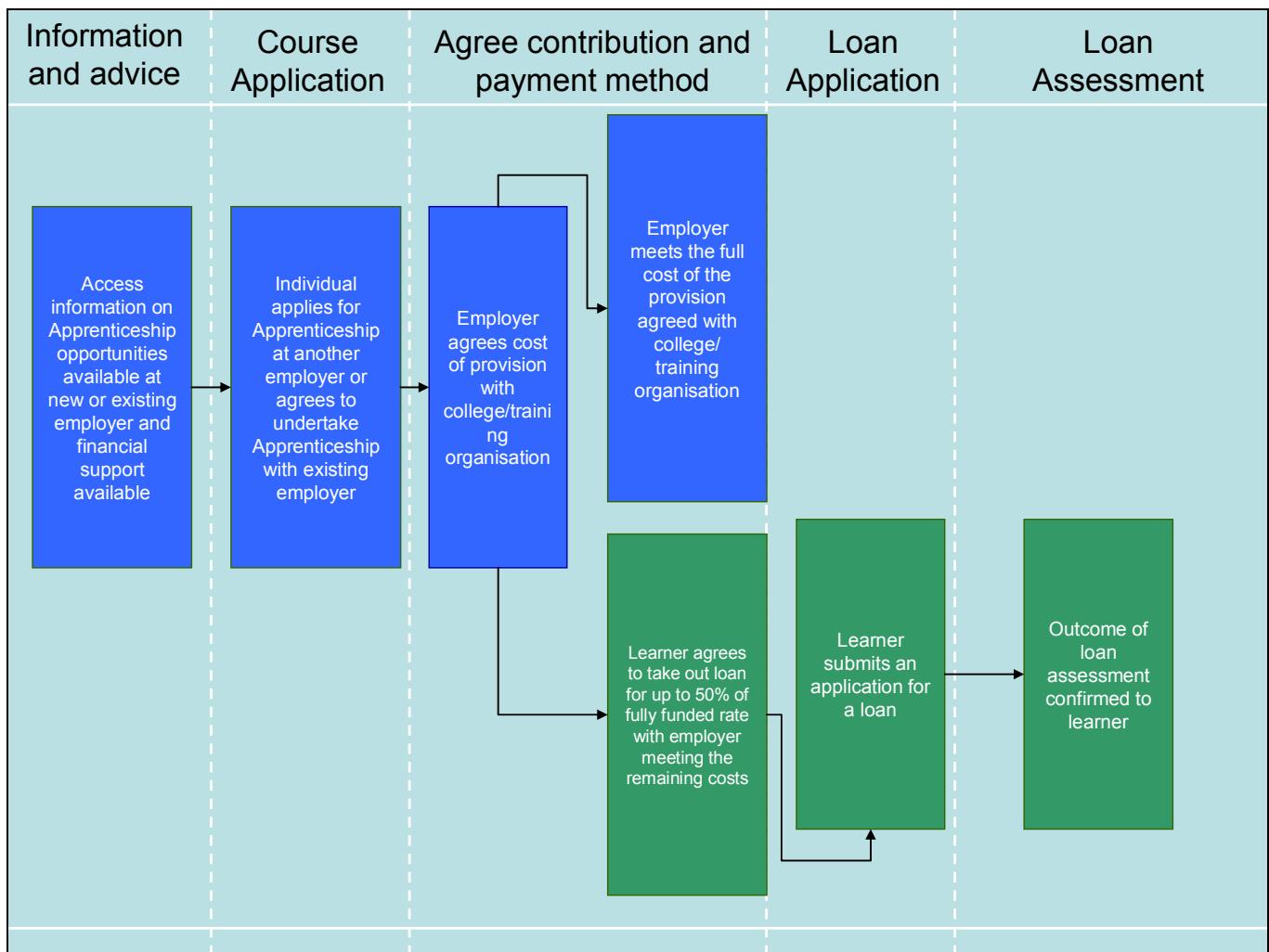
## Fig.1 – Loan for College-based or training organisation based Level 3 Diploma



Colleges and training organisations will determine the learner contribution for an individual course, as they currently do. Previously, 50% of the fully funded rate for a

course would have been paid in grant funding to the provider. The introduction of FE Level 3/4 loans (shown by the green boxes) will mean that learners have a range of options for meeting the cost of their course. As set out above, the maximum amount available as a loan for an individual course will be determined by the fully funded rate. Learners aged 24 and above in FE colleges studying at Level 3 or above will be able to cover the learner contribution themselves or with assistance from their employer, using a loan, or through a combination of the two. If the college or training organisation charges less than the fully funded rate, or if the learner has already completed elements of the qualification, the learner will take out a loan for less than the fully funded rate amount. The learner may also choose to take out a lower loan if they decide voluntarily to make an upfront contribution. There will be a minimum loan amount, reflecting the administrative overheads incurred by the SLC and HMRC. The minimum amount will also reduce the risk of over repayments by learners. The amount has yet to be finalised but is expected to be in the region of £200-£500.

## Fig.2 – Loan for Advanced (Level 3) Apprenticeship framework (for 24+ Apprentice)



For Apprenticeships, there will continue to be an assumed 50% (of the fully funded rate) contribution from the employer. This employer contribution could be made either in cash or in-kind. However, instead of 50% grant funding available from Government, a loan of 50% will be made available to the individual. This will be the first time that learners aged 24 or above may be expected to contribute toward the costs of their Apprenticeship, alongside the contribution from their employer. The college or training organisation will continue to determine the learner contribution, and it will be for the employer and individual to determine how the contribution is shared. This approach is in line with the principle of fairness set out in *Skills for Sustainable Growth*, that those who benefit most should make a greater contribution to the cost of training, as both employers and individuals benefit from undertaking an Apprenticeship. As with HE, this contribution will only be made once the individual has realised those benefits and is earning more than £21,000.

The implementation and communication of FE loans will reflect specifically the introduction of an individual contribution for adult Apprenticeships. This consultation

document includes questions about the information which learners, employers, providers and career advisers will require, and about how we can encourage the take up of loans (questions 1 and 2). Responses to these questions should take account of apprentices as well as other learners. Respondents should also consider the questions on the delivery model for Level 3/4 loans in the context of Apprenticeships, particularly whether the fluidity of employer demand requires more frequent reassessment of allocations (question 8).

Annex A also sets out the rules for periods of study for which loans will be available. The purpose of the rules is not to enforce any particular mode of study but to ensure that we do not issue open ended loans that restrict the opportunities we can offer to new learners. The principles set out will not impact on the vast majority of learners but it will be important that learners understand the implications of these rules through the information, advice and guidance they receive, as changing studies or failing to complete could result in periods of study having to be self funded.

## Consultation issue 1 – policy and communications

The implementation of loans will represent an important change for the FE and skills sector. For the first time, provision will be funded by learners in FE, and Apprentices, accessing finance provided in the form of a loan, rather than colleges and training organisations receiving a grant. This introduces a different dynamic between learners, employers and providers. For example:

- Prospective learners and Apprentices will need to fully understand the purpose, availability and conditions attached to loans; and will need to be provided with the best information about the benefits of the course they would like to undertake
- Colleges and training providers will need to take account of the availability of loans in the information they provide to prospective learners, and develop new strategies for engaging learners for whom loans could provide the opportunity to progress
- There will need to be a clear expectation that individuals and employers should contribute to the cost of training where it will provide benefits for them
- Employers will need full information about the implications of the change to loans for Apprenticeships.

Further education and training plays a critical role in helping young people and adults, including those facing disadvantage, to engage in learning, succeed and progress. We want to ensure that the distinctive mission of FE is reflected in the implementation of FE loans. Although loans will not be targeted at specific sub-groups of prospective learners, it will be important that as far as possible, the introduction of loans does not exclude learners. We have undertaken an initial screening impact assessment (Annex G) and we will undertake a full Equality Impact Assessment drawing on the information from this consultation. In order to support this assessment we are asking for responses that also comment on the potential impact on different groups of learners.

In implementing FE Level 3/4 loans, colleges and training organisations will need to consider the extent to which individuals are prepared to make higher contributions to fund their learning; and the extent to which they are prepared to take out loans to fund their learning. Historically, the collection of contributions in FE has been variable; so colleges and training organisations will need to employ effective strategies that engage prospective learners for whom loans are an option.

There is a range of evidence concerning the willingness of individuals to pay for learning, but also some evidence gaps

- A 2009 study by London Economics estimated that the average elasticity of demand for Further Education was between -0.1 and -0.2: in other words, a 10% increase in fees would reduce enrolment on courses by between 1% and 2%. This suggests that the demand for FE is relatively price inelastic
- A longitudinal evaluation of learners undertaking Level 3 courses found in 2009 that about 50% of respondents indicated they would have been prepared to pay more for their course, with a further 10-20% saying it would depend on how much more
- However, the evidence about the willingness of FE learners to take out loans is more limited. A report commissioned by the Learning and Skills Research Centre in 2006 found that one third of learners would consider taking out a loan to fund their learning
- There is limited evidence relating to the willingness of employers and Apprentices to share the costs of their training. Currently Apprenticeships are free to Apprentices (and will remain so for those under 24).

Research has already been commissioned on employer attitudes toward contributions to Apprenticeships and other work-based learning. In addition further research will be commissioned by BIS to understand in more detail the potential changes in behaviour we could see as loans are introduced for FE and training.

This new research will inform communications plans as FE Level 3/4 loans are introduced. The available evidence suggests that the take-up of FE Level 3/4 loans to cover learner contributions will depend on both the availability of **clear and transparent information** about loans and the costs and benefits of different courses; and the right **engagement** of prospective learners by colleges, training organisations and employers.

- |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Q1. What information do learners, employers, colleges/training organisations and careers advisers need about FE loans to cover learner contributions?</b></p> <p><b>Q2. How can we engage individuals and employers so that they make use of loans to support skills and training?</b></p> <p><b>Q3. How can we support learners who are progressing from FE to HE and Advanced to Higher Level Apprenticeships using loan support?</b></p> <p><b>Q4. Will the introduction of FE loans to cover learner contributions for Level 3/4 for those aged over 24 create any particular barrier to access provision based on (i) race, religion or belief, (ii) disability, (iii) gender or (iv) age?</b></p> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

## Consultation issue 2 – model for FE Level 3/4 loans system

In developing plans for implementing FE Level 3/4 loans, we have sought to build on existing and planned arrangements for HE student loans, to minimise the creation of additional systems and bureaucracy, whilst reflecting the distinctive needs and mission of the FE and skills sector.

The SLC and HMRC will play a critical role in the delivery model for FE Level 3/4 loans, just as they do for the Higher Education system. The SLC will work closely with the Skills Funding Agency to establish a system, which supports the plans set out in *Skills for Sustainable Growth*; and to ensure the assessment, payment and repayment functions operate with the flexibility required for FE and training.

The main stages of the delivery model are set out in the following table:

**Table 2: Summary of FE loans to cover learner contributions delivery model**

Stage	Lead body	Comment		Refs
		Individual based	Apprenticeship	
A: Information and advice	Skills Funding Agency	Information about FE Level 3/4 loans will need to be widely communicated, including through universal and targeted communications activity, and through the National Careers Service and Lifelong Learning Accounts. The SLC will also need to make available clear information about the terms and conditions associated with a loan.	As well as information for individuals, there will need to be information for employers through the National Apprenticeship Service. Information about loans will also need to be part of the Apprenticeship Vacancy Matching Service.	Q1 and 2  Q6
B: Approval of courses and providers	Skills Funding Agency	The Skills Funding Agency is responsible for approving courses and providers for public grant funding and the same process will apply for loan funding. The Agency will also set funding	The approval process will operate in the same way as for individual-based learning. The maximum loan amount will be 50% of the fully funded rate for the Apprenticeship	

Stage	Lead body	Comment		Refs
		Individual based	Apprenticeship	
		rates that will act as the maximum amount of loan available to learners for specific courses.	Framework.	
C: Allocation of funding, performance management and reconciliation	Skills Funding Agency	The Agency is developing a process for allocating the loan budget. The preferred approach is to use a single financial allocation, rather than a learner number allocation. The FE performance management and quality assurance system will apply in the same as they do to grant funded activity.	The loan budget will be allocated as a single budget so the preferred approach will be the same for Apprenticeships.	Q8
D: Course application	College/training provider	This will be managed by the colleges and training organisations. In doing so, achievement of prior credits will be taken into account to avoid duplication, therefore reducing the amount of loan required – this will also need to form part of the information, advice and guidance.	The application will be the same as now for Apprenticeships which includes a mix of external recruitment including through the Vacancy Matching Service as well as through internal recruitment onto Apprenticeships.	
E: Loan application	SLC	Individual learners will make applications direct to the SLC with the support of the college/training organisation. The course and loan application process will be closely linked as decisions about undertaking courses could be dependent on the outcome of the loan assessment.	Individual Apprentices will make applications direct to the SLC following discussion with the employer and college/training organisation.	
F: Assessment	SLC	The SLC will assess loan applications (which will	The assessment process will be same as for	

Stage	Lead body	Comment		Refs
		Individual based	Apprenticeship	
F: Start of loan application		require access to lists of eligible providers, courses and funding rates from the Skills Funding Agency). Confirmation of the outcome of the assessment will be communicated direct to individual.	individual-based learning.	
G: Payment	SLC	Payment will be made direct to colleges and training organisations by the SLC following receipt of attendance confirmation. The timing of payments in year is being considered as part of this consultation.	Payments will be made in the same way as for individual-based learning.	Q7
H: Change of circumstance	SLC	Colleges/training organisations and learners will be responsible for informing the SLC of any change in the learner's individual circumstances. This could result in changes to payments by the SLC or trigger a reassessment of the loan.	As for individual-based learning.	
I: Repayment	SLC/ HMRC	The SLC will pass details of those learners entering repayment to HMRC and manage the repayment process in the same way as for HE loans (this will include using the same process for any voluntary early repayments).	As for individual-based learning.	

A more detailed summary of the delivery model is set out at **Annex B**.

As this model is implemented, it will be important that the characteristics of the FE and skills sector are reflected. We are therefore consulting on some of the detailed processes which underpin the model. The model will be finalised in December 2011,

informed by the responses to this consultation. Once the model has been finalised the Skills Funding Agency and SLC will then be able to confirm the processes for managing loans that will apply from the 2013/14 academic year.

As far as possible, we want to establish a single system for FE and HE loans that will provide consistency to providers and which helps learners to progress through the system. The model on which the loans system is based will allow us to make use of existing infrastructure and minimise additional administration costs.

**Q5. How can we minimise additional bureaucracy as we implement the delivery model for FE loans to cover learner contributions?**

Colleges and training organisations assess learners before they enrol on a course, to ensure that the course is appropriate for them. This will include assessing whether, based on their prior learning, they require only part of the qualification. If so, they would require a smaller loan. There is a risk that if this assessment is not carried out effectively, there could be a duplication of funding. This would be an inefficient use of funds and may reduce the learner's perception of value in their loan.

**Q6. What safeguards should be in place to ensure that learners make the best use of the loans available to them?**

The payment of HE loans is made by the SLC to HE institutions following attendance confirmation at the start of each term (and at 3 fixed points during the year). Although we could follow this position for FE loans, there is less of a focus on academic terms in FE, which could imply a more frequent payment schedule. Making payments either quarterly or 3 times a year would mean some delay until any payments are received by the college or training organisation; but monthly payments would increase the regularity with which attendance confirmation is required. Whatever the frequency, payments will be made in the same way to all organisations and will be made in arrears following attendance confirmation that will be provided to SLC in the same way as attendance confirmation for HE.

**Q7. Do respondents believe that payment of FE loans to cover learner contributions to colleges/training organisations should be made (i) 3 times a year (in line with HE); (ii) quarterly or (iii) monthly?**

We need to make best use of funding for FE Level 3/4 loans to respond to demand from learners, whilst recognising the finite budget available. Flexibility can be particularly important for the delivery of Apprenticeships where demand from employers can be more fluid and harder to plan and predict. However, as colleges and training organisations support the establishment of a market for loans, we will need to strike a balance between a level of stability and continuing readjustment.

**Q8. Do respondents believe that FE loan allocations to colleges and training organisations should be reassessed (i) annually but not in-year, (ii) once during the year and at the end of the year or (iii) more regularly during the year?**

Although, of course, the budget available for FE loans is finite, we are determined to develop a demand-led system, shaped by employers. This means effective financial control, while still providing opportunities for individuals and apprentices to access advanced and higher-level provision.

**Q9. In a demand-led system, what would be the most effective way of ensuring that our spend and commitments stay within the available loans budget?**

## 8. What happens next?

The model for the loans system will be finalised by December 2011, informed by the responses to this consultation. They will also help to inform the subsequent communication strategy for FE loans, which will continue through the implementation phase of the project through to the launch of the system in March 2013 and beyond. A high level timeline is set out in Annex C.

# Annex A: Funding policy for FE loans

Eligibility and other criteria for FE Level 3/4 loans will be determined by the following funding policy.

Category	Policy
Loan amounts	Amount of loan will reflect funding rate for course
	Maximum amount of loan will be equal to the fully funded funding rate for a Level 3 or Level 4 course
	A minimum amount of loans will be determined based on the fixed administration costs associated with the FE loans system (£200-500)
	Learner contributions will not be regulated, but college/training provider charging policy will be reviewed after 1 year of operation
Learner eligibility	Loans available to those aged 24 and over at beginning of course
	Prisoners in custody will be eligible for loans (provided they meet other eligibility criteria)
	Eligibility will be restricted based on previous access to loans rather than previous educational attainment
Course eligibility	Loans available for Level 3 courses and above, including college based, work based and Apprenticeships – this will include programmes of A-Levels and other academic qualifications eligible for public funding (provided they are funded at least to the level of a QCF Certificate)
	Loans will be available on the same basis for full or part-time courses but spread over the number of months the training takes place
	Loans will be available at 100% of the fully funded rate payable by the Skills Funding Agency for Level 3 and above qualifications at Certificate and Diploma level (as well as academic qualifications funded at or above the level of a Certificate)
	Loans for work based learning and Apprenticeships will be 50% of the fully funded rate
	Loans for individual based learning will not be available for a different qualification at the same level; these will need to be self-funded
Period of study	Loans can fund a package of Qualifications and Credit Framework units that combine to give a full Level 3/4 Certificate or Diploma
	The maximum period allowable for loan support will be 2 years for a Level 3/4 Certificate, 3 years for a Level 3/4

Category	Policy
	Diploma, 2 years for an Advanced (Level 3) Apprenticeship framework
	The approaches to Higher (Level 4) Apprenticeships are still being developed and could involve a number of different models. We will therefore set a maximum period once further work has been carried out in this area.
	Learners who have gained a Certificate funded by a loan can progress to a Diploma in 1 year or 2 years depending on the time in which the Certificate was completed, assuming that the progression is possible e.g. in a similar subject area
	Any learning falling outside the maximum period will be self-funded
Repeat study and progression	Learners who have used a loan to fund study at Level 3 can take out a further loan to study at Level 4
	Learners can access loans for a period of repeat study provided the study aim was unchanged and the repeat study period can be completed within the maximum loan period
	Learners on an Apprenticeship framework at Level 3 or 4 can receive a loan for more than one Certificate or Diploma at the same level (studied either sequentially or concurrently depending on the framework)
	Access to HE loans support will be unaffected by any previous access to FE loans
Completing study	Learners unable to complete an Advanced or Higher Level Apprenticeship framework (due to being made unemployed) will continue to be eligible for a loan for a further Apprenticeship with a new employer or a loan to study for a Level 3 or 4 Certificate or Diploma through individual based learning

# Annex B: Detailed description of delivery model

The process which will be used to manage applications, payment and repayment for FE Level 3/4 loans is summarised below. In developing this process, we have sought to balance the need to build on existing and planned systems for HE student finance, providing better value for money, with the need for a system that reflects the characteristics of the FE and skills sector. We have also taken as a key principle the need to minimise additional bureaucracy, in line with the commitments made in *Skills for Sustainable Growth* to devolve freedom and flexibility to FE colleges and training organisations.

## A: Information, advice and guidance

In order to ensure that learners are aware of the availability of loans we will use a variety of communication channels and delivery partners. This will be captured in an overall communications plan, which will need to align with communication activity on Higher Education as well as with the Skills Funding Agency.

The National Careers Service will play an important role in advising learners about the availability of loans and careers advisers will need to have sufficient training and information to fulfil this role effectively. This will include advising about units of qualifications and how this can potentially reduce the size of the qualification individuals need to undertake and, therefore, the level of loan required.

Colleges and training organisations will also play a vital role in providing information about the availability of loans and so it will be important that there is consistency to the information that is made available to them as well as through online sources such as Lifelong Learning Accounts.

## B: Approval of Courses and Providers for public funding

The following points will be confirmed prior to loan application:

**Course Eligibility** –Level 3 (and above) Certificates and Diplomas that are eligible for public grant funding. Academic qualifications such as A Levels or Access to HE courses will be eligible provided they are approved for public funding and funded at least at the Level of a Certificate. The Skills Funding Agency is currently responsible for confirming which registered qualifications are eligible for public funding and this will apply to loans in the same way as it applies to grant funding. The database of approved courses is publicly available.

**Confirming Loan Amounts** – loan amounts for individual courses will be linked to the funding rates that will be set by the Skills Funding Agency. Each of the qualifications that are eligible for public funding will be assigned a funding rate and this will be confirmed in the Learning Aim Reference Application (LARA). It is this funding rate that will confirm the maximum amount of loan that is available for each qualification.

**Provider Eligibility** – this will be determined by those on the Approved College and Training Organisation Register (ACTOR). The Skills Funding Agency are responsible for assessing colleges and training organisations through ACTOR and an organisation wishing to be considered for grant or loan funding will need to be on ACTOR. The Skills Funding Agency will need to consider whether current ACTOR questionnaires need to be changed to take account of possible receipt of loan funding.

## C: Allocation of FE loans to colleges and training organisations

**Allocations** for loan funding will be made to individual colleges and training organisations by the Skills Funding Agency. These allocations will be made alongside any grant funding allocations but they will be separate and no virement will be allowed between the two budgets. (The process for allocation is yet to be confirmed but likely to be based on historical delivery of Level 3+ to those aged over 24).

Most loans application and all loan assessments will take place once course eligibility, provider eligibility and allocations are made. Under current timescales this is not completed until the March/April before the start of the academic year in August.

The Skills Funding Agency will also be responsible for performance management of colleges and training organisations and reconciliation of funding in response to demand. Options for reconciling learner numbers/budgets in year against provider allocations are also considered as part of the consultation.

### D: Course Application

Course applications for loan-funded study will need to be linked to the loan application stage of the process, as colleges and training organisations will need confirmation that a learner is eligible for a loan before confirming that there are places available on the course. Colleges and training organisations will also need to monitor the impact of taking on a loan-funded learner against their funding allocation. (The process for monitoring and the impact of exceeding their allocation is to be confirmed).

### E: Loan Application

The learner will apply to the SLC for a loan (normally with the support of the provider) following, or as part of, the course application process. The ability of the learner to undertake the course (and the ability of the provider to run the course) could depend on the outcome of the loan application, so it is important that assessment of the loan application is carried out as quickly as possible.

### F: Loan Assessment

The SLC will assess the loan application from the learner. This will involve:

- Confirming the learner's identity using either passport numbers or another form of identity (e.g. birth certificates)
- Confirm the provider is eligible for loan funding (by cross referencing to list of providers that Skills Funding Agency have issued allocations)
- Confirm the course is eligible for funding (by cross referencing to public database of approved courses)
- Confirm the amount of loan applied for is within the maximum available for the specific course (by cross referencing to Skills Funding Agency funding rates)
- Confirm the learner is eligible for a loan taking into account residency and previous study rules (these will need to be set out in regulations in the same way as HE student support)
- Confirm the planned period of study is within the period allowable for specific course (by reference to course start and end dates and rules over allowable length of study).

The SLC will communicate the outcome of the assessment to the learner, who will confirm to the college and training organisation that they are eligible for a loan.

## **G: Payment of loan (to college/training organisation)**

Prior to any payment being made to the college or training organisation the SLC will undertake a validation of the learner's National Insurance Number (NINO). While payment can not be made until after the validation it does not impact on the confirmation of the assessment.

The timing of payments to providers, based on confirming learner attendance, is being considered by the Skills Funding Agency, working with BIS and the SLC. One option is to pay providers at 3 specified points during the year. This is in line with the process for termly payment of HE loans. Another option would be to align with the quarterly payment points used for training organisations. The information will be provided directly to the SLC by individual colleges and training organisation in the same way as the current attendance confirmation for HE students.

## **H: Change of circumstances**

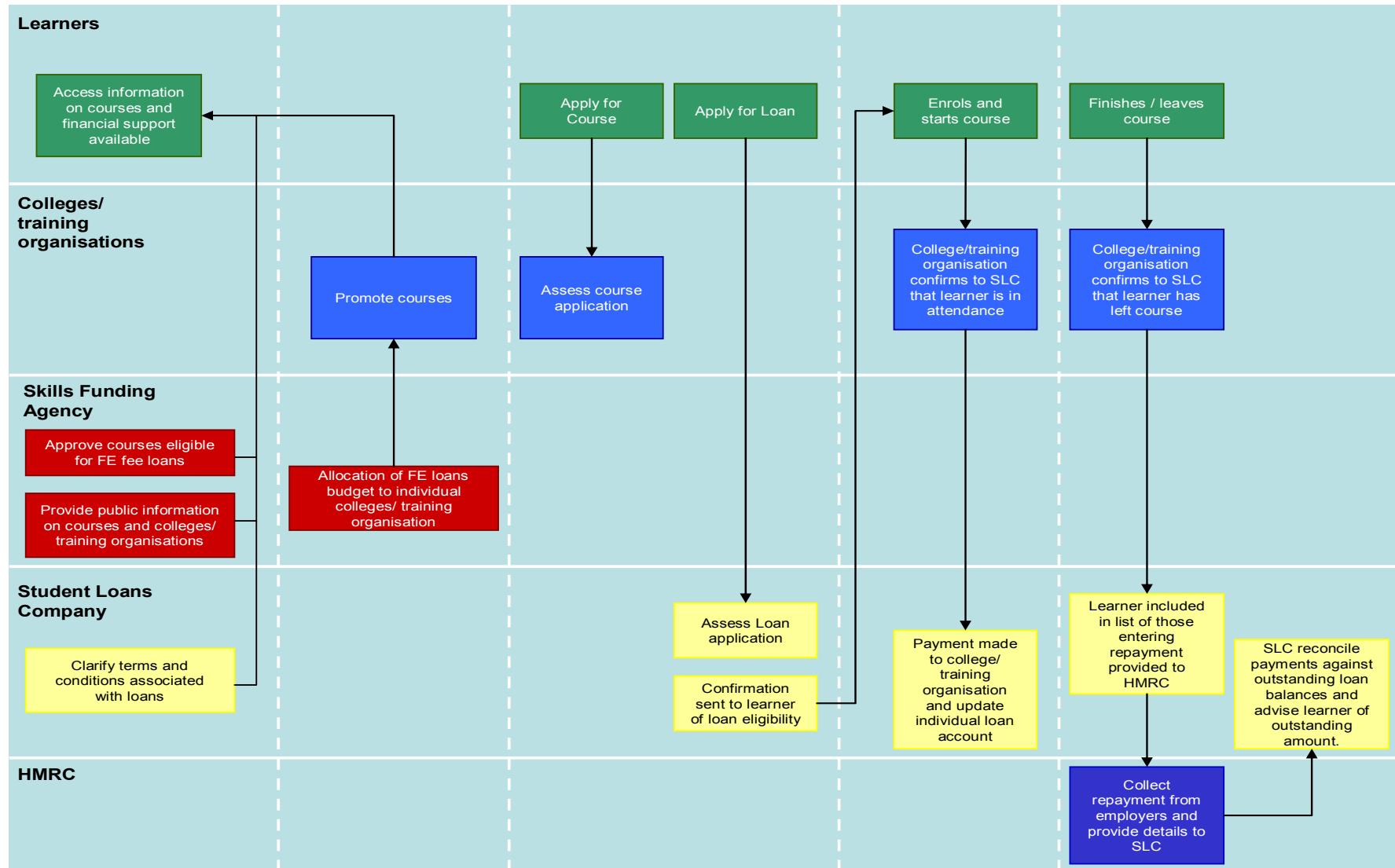
Where the learner withdraws from a course this can be communicated direct to the SLC by the learner or the provider. The college or training organisation can also confirm a withdrawal via the information provided to the Skills Funding Agency. The SLC will respond to the earliest confirmation that they receive regardless of whether this is from the learner or the college/training organisation.

The learner could remain in learning but change their college/training organisation or course. Notification of this change of circumstance would need to come from the learner and the SLC would need to confirm the eligibility of the college/training organisation and course that they transferred to. It is also possible that a change of

course could mean a higher level of loan will be available and the learner wished to apply for this. In this case, the SLC would need to confirm the amount of loan did not exceed the maximum to which the learner is entitled.

## I: Repayment

Repayment will be managed in the same way as for HE loans, and the SLC will be responsible for any interaction with borrowers. The SLC will be responsible for passing details of learners who have entered repayment (those who have left their studies) to HMRC. HMRC will instigate repayment in the same way as for HE loans for those within the tax system who are earning above the relevant threshold. For those learners who are not part of the UK tax system or are self-employed the collection regime will be the same as for HE loans. SLC will calculate interest and perform reconciliation against outstanding loan balances in the same way as HE loans.



# Annex C – Further Education Level 3/4 Loans High Level Timeline

Date	Milestone
November 2010	Government announce plans to introduce loans to cover learner contributions in <i>Skills for Sustainable Growth</i> and <i>Investing in Skills for Sustainable Growth</i>
February 2011	Level 3/4 Loans Stakeholder Reference Group established to develop policy and test delivery models
August - October 2011	Consultation on the implementation of FE loans as well as communications and behaviour change
December 2011	Model of FE Level 3/4 loans finalised informed by the responses to the consultation
May 2012	Regulations for the introduction of FE loans laid alongside HE legislation
March 2013	Loans systems launched for learners to submit loan applications
August 2013	First loan funded learner start courses

# Annex D: The Consultation Code of Practice Criteria

Formal consultation should take place at a stage when there is scope to influence policy outcome.

Consultation should normally last for at least 12 weeks with consideration given to longer timescales where feasible and sensible.

Consultation documents should be clear about the consultation process, what is being proposed, the scope to influence and the expected costs and benefits of the proposals.

Consultation exercise should be designed to be accessible to, and clearly targeted at, those people the exercise is intended to reach.

Keeping the burden of consultation to a minimum is essential if consultations are to be effective and if consultees' buy-in to the process is to be obtained.

Consultation responses should be analysed carefully and clear feedback should be provided to participants following the consultation.

Officials running consultations should seek guidance in how to run an effective consultation exercise and share what they have learned from the experience.

## Comments or complaints

If you wish to comment on the conduct of this consultation or make a complaint about the way this consultation has been conducted, please write to:

Sophia Wellington,  
BIS Consultation Co-ordinator, 1 Victoria Street,  
London SW1H 0ET  
Telephone Sophia on 020 7215 5350  
or e-mail to: [Sophia.Wellington@BIS.gsi.gov.uk](mailto:Sophia.Wellington@BIS.gsi.gov.uk)

# Annex E: List of Individuals/ Organisations consulted

A list of those organisations and individuals consulted is shown below. We would welcome suggestions of others who may wish to be involved in this consultation process.

- FE Level 3/4 Loans Reference Group – This group was established in February 2011 to provide input to the development and implementation of FE loans to cover learner contributions. It is made of colleges and training organisations, employers as well as representative bodies including the Association of Colleges, Association of Employment and Learning Providers, NUS, and NIACE.
- Employer Reference Group (ERG) – This group, consisting of employers and their representative bodies has been in place to consider the implications for employers of the skills strategy. In addition to a general discussion with the group we are also planning focused discussion with members of the group to look at the implications of loans for employers and particularly for the Apprenticeships programme.
- The online learner panel – we plan to use the panel to have a focused discussion with learners about the introduction of loans.

In addition to the consultation with the ERG, the National Apprenticeship Service will consult with local employers and Small to Medium Sized Enterprises (SME) through their Apprenticeships Ambassadors network. Other organisations (particularly colleges and training organisations) will have views on the technical detail of the model for the loans system. To discuss these issues, please contact Andrew King ([feloans@bis.gsi.gov.uk](mailto:feloans@bis.gsi.gov.uk)).

## **Annex F: Impact Assessment of Further Education Loans**

An interim economic impact assessment has been completed into Further Education loans. A further final impact assessment will be published following the end of the consultation period when policy and implementation proposals have been finalised.

You can view the document at <http://www.bis.gov.uk/assets/biscore/further-education-skills/docs/f/11-1218-further-education-loans-impact-assessment>

## **Annex G: Screening Equalities Impact Assessment**

An initial screening document has been completed in anticipation of the full equality impact assessment which will be undertaken once further research has been undertaken in 2012.

You can view the initial screening document at <http://www.bis.gov.uk/assets/biscore/further-education-skills/docs/f/11-1214-further-education-loans-equalities-assessment>

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