

**EXPLANATORY MEMORANDUM TO**  
**THE FURTHER EDUCATION LOANS REGULATIONS 2012**

**2012 No. 1818**

**1.** This explanatory memorandum has been prepared by the Department for Business, Innovation and Skills and is laid before Parliament by Command of Her Majesty.

**2. Purpose of the instrument**

2.1 The Further Education Loans Regulations 2012 ( S.I 2012 /xxxx) (“ the Regulations”) provide for financial support for students taking designated further education courses in respect of courses beginning on or after 1<sup>st</sup> August 2013. Loans will be available for students who are 24 years old or over and studying for qualifications at Level 3 or above.

**3. Matters of special interest to the Joint Committee on Statutory Instruments**

3.1 None

**4. Legislative Context**

4.1 Section 22 of the Teaching and Higher Education Act 1998 (“the 1998 Act”) makes provision for the Secretary of State to provide financial support for students in Further Education. Such financial support is to be provided in accordance with regulations made by the Secretary of State.

4.2 The Regulations for the main part follow the structure of The Education (Student Support) regulations 2011 which make provision for support for Higher Education. This is the first time that the power in the 1998 Act has been used to make loans for students taking further education courses. Detailed obligations regarding the repayment of the loans set out in these regulations will form part of the Education (Student Support) (Repayment) Regulations.

4.3 The Department set out in ‘New Challenges, New Chances – Further Education and Skills Reform Plan : Building a World Class Skills System’, published on 1 December 2011, how it proposed to fund Further Education following reductions in the levels of public spending in the Spending Review 2010.

**5. Territorial Extent and Application**

5.1 These Regulations apply to England.

## **6. European Convention on Human Rights**

6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

## **7. Policy background**

7.1 The changes to introduce loans for those aged 24 and over to undertake advanced and higher level further education courses were announced in November 2010, following the Comprehensive Spending Review. The loans will be repaid on an income contingent basis in the same way as the loans available in Higher Education from 2012/13. This means that they will be repaid through the tax system, once the individual has left the course and is earning over £21,000. Repayments will be 9% above this threshold irrespective of the loan amount. Interest rates will be variable according up to a maximum of RPI +3% for those earning over £41,000.

7.2 The loans cover all further education courses at advanced (Level 3) and higher (Level 4), including A Levels, Access to HE Diplomas as well as Advanced and Higher Apprenticeship Frameworks. The loans will be available to cover the costs associated with the course but not maintenance. Individual learners will be able to take out loans to cover the fees charged by the college or training organisation up to a maximum amount, which will be in line with maximum amount of public funding payable for that course as set by the Skills Funding Agency.

7.3 The loans will be available to learners aged 24 or over at the start of the course. Courses need to start on or after 1 August 2013. Learners will need to be resident in the UK and meet the same criteria as those accessing HE student support and they must also be undertaking their training in England. Loans will be available to prisoners on the same basis as they can access loans for Higher Education.

7.4 Access to loans is not based on prior attainment and there is no impact on subsequent access to HE loans where learners have taken out a loan for 24+ advanced or higher level learning. There is a limit to the number of loans that can be taken out as individuals would not be able to take out a subsequent loan to repeat the same qualification type that they had already taken out a loan for. An individual can access subsequent loans to undertake other types of courses in order to support progression up to a maximum of four, although this can be extended if they are unable to complete courses due to compelling personal reasons.

7.5 Learners will be able to transfer to a different but same type of course within the same college or training provider, with the agreement of that college or training provider. In exceptional circumstances learners can transfer to a new college or training organisation but normally this would require the learner to submit a new application for support.

7.6 Learners will submit their applications for support to the student loans company and these will be assessed and payment made to the college or training organisation on behalf of the learner following confirmation of their attendance.

## **8. Consultation outcome**

8.1 Consultation on 24+ Advanced Learning Loans was undertaken as part of the New Challenges, New Chances public consultation in August 2012. Overall there were 217 responses from representative bodies such as the National Union of Students, National Institute for Adult Continuing Education and the Trades Union Congress. There were also responses from across the FE sector including FE Colleges and independent training organisations and the representative organisations; Association of Colleges, Association of Employment and Learning Providers and the 157 Group. Individuals also responded to the consultation and a separate consultation exercise was run with the National Learner Panel. Full details of the Department's response can be found at: <http://www.bis.gov.uk/assets/biscore/further-education-skills/docs/n/11-1384-new-challenges-new-chances-summary-responses-to-consultation.pdf>

8.2 The key areas raised by respondents included:

- the need for widespread and clear information, advice and guidance on how loan funding will work for learners and providers;
- concerns about potential impact on certain groups of people;
- potential impact on progression from Further Education to Higher Education, and
- keeping bureaucracy to a minimum, the frequency of payments to providers and overall budget control.

8.3 A full programme of stakeholder engagement and communications has been planned and will include seminars for providers (led by the Skills Funding Agency and Student Loan Company); National Apprenticeship Service led events for employers and a full learner facing communication campaign beginning in September.

8.4 A more detailed analysis of issues around the impact on certain groups has been conducted using research by TNS-BMRB. The detailed findings are set out in detail in the Equality Impact Assessment [<http://www.bis.gov.uk/assets/biscore/further-education-skills/docs/f/12-872-further-education-advanced-learning-loans-equality-impact.pdf>]. Broadly though for most groups there was little evidence of disadvantage although we are doing further research into the impact on those in the 40+ age group. We are also making additional support available for loan funded learners in the form of bursaries that will be disbursed through colleges and training organisations to respond to local need and will also provide targeted support and advice for adult learners through the National Careers Service. We are also looking at how we can support those who progress from loan funded further education to loan funded higher education.

8.5 The Department, along with the Skills Funding Agency and Student Loan Company have worked closely with the Further Education sector to develop the systems

and processes for 24+ Advanced Learning Loans. This work is continuing through a Stakeholder Group that has been established jointly between the Student Loans Company and Skills Funding Agency.

8.6 As part of the quality review process for these regulations a draft was shared with external stakeholders including the National Union of Students, the National Association of Student Money Advisors as well as representatives from the FE sector. This followed a review of the regulations by the Student Loans Company and the Skills Funding Agency.

## **9. Guidance**

9.1 The Department have produced monthly briefings for the FE sector to ensure they are aware of the plans to introduce loans and understand the impact they will have. The Skills Funding Agency have also issued an introductory guide to the sector alongside a set of frequently asked questions. Seminars with the sector to explain the policy will be held in July 2012 and a learner facing campaign will begin from September 2012. Further guidance and support will be made available to colleges, training organisations and learners prior to the launch of the loans application in April 2013.

9.2 Alongside a draft of the regulations external stakeholders were provided with a reference guide to the regulations to support the quality assurance process. An updated version of this reference guide to the regulations is provided alongside the regulations.

## **10. Impact**

10.1 The Regulatory Impact Assessment that has been published for this policy sets out the cost to business of the introduction of these loans. This cost relates to the administering repayment of the loans and is estimated at around £0.8m a year. There is also a benefit to business as the introduction of loans allows for an increased number of learners, resulting in productivity-enhancing benefits, but these are indirect benefits.

10.2 The impact on the public sector is largely focused on further education colleges who will be responsible for delivering loan funded provision. They will need to ensure that learners have access to information about loans and provide details about the course to learners so they can apply to the Student Loans Company for a loan. Colleges will also need to confirm attendance to the SLC in order to trigger payment. We are therefore working closely with the sector to develop and implement the loans system to ensure that it is as straightforward as possible.

10.3 An Impact Assessment is attached to this memorandum and will be published alongside the Explanatory Memorandum on the OPSI website.

## **11. Regulating small business**

11.1 The impact identified above on business also applies to small and microbusinesses, as the method of repayment applies equally to all employers.

Administratively, it would be too costly and complex to have a different system for those employed by small businesses. There is significant time for all employers to prepare as the repayments through employers do not begin until April 2016 and so costs will not be incurred until the 2014-15 year.

**12. Monitoring & review**

12.1 We are continuing to undertake research and tracker surveys to monitor the implementation of the policy. This research will capture the views of providers as well as employers and learners. We will also monitor closely the applications from learners once the applications system has been launched to inform future developments of the policy. Outcomes of the research as well as information on applications will be made available publicly.

**13. Contact**

13.1 Andrew King at the Department for Business, Innovation and Skills Tel: 0207 215 1585 or email: [Andrew.king@bis.gsi.gov.uk](mailto:Andrew.king@bis.gsi.gov.uk) can answer any queries regarding the instrument.