

A Guide to Further Education Loans for colleges and training organisations

December 2011

Of interest to colleges, training organisations and employers (as Apprenticeship providers)

A Guide to Further Education Loans for colleges, training organisations and employers (as Apprenticeship providers)

Introduction

- 1 This briefing provides colleges, training organisations and employers (as Apprenticeship providers) with an introduction to Further Education (FE) Loans, including who will be eligible for the FE Loans and the courses for which individuals will be able to use them. For the purpose of this document the term training organisations includes employers (as Apprenticeship providers).
- 2 Further briefing and support for colleges and training organisations will be provided in 2012, prior to the launch of the FE Loans system in March 2013. This will include:
 - Formal guidance to colleges and training organisations, covering how the FE Loans system will work, a description of the processes that will be involved, and the roles of the different players involved in delivery.
 - A programme of business change support delivered by the Learning and Skills Improvement Service (LSIS).
- 3 There will also be a programme of communications activity to inform potential learners about the availability of FE Loans, and set out the terms and conditions very clearly. We expect this activity to be in place by the start of the 2012/13 academic year, in preparation for the introduction of FE Loans in the 2013/14 academic year.

Background

- 4 Following the *New Challenges, New Chances* consultation earlier this year, the Government confirmed in the [Further Education and Skills System Reform Plan](#) published on 1 December 2011 that FE Loans will be introduced from the 2013/14 academic year.
- 5 The introduction of FE Loans will provide support for those aged 24 and over to access advanced (Level 3) and higher (Level 4) Further Education courses and Apprenticeships from the 2013/14 academic year.
- 6 Government will continue to grant fund courses for younger learners (those aged under 24) and individuals with skills needs below Level 3. This will continue to represent the vast majority of the overall funding for further education and training, with the FE Loans budget representing about a tenth of this budget.
- 7 Government has provided a budget of £129 million in the 2013-14 financial year and £398 million in the 2014-15 financial year for FE Loans.
- 8 For the first time FE Loans will give learners in further education access to financial support similar to that which is available in higher education for tuition costs, from the Student Loans Company. This means rather than an individual having to pay for their course upfront they have the option of accessing an FE Loan that they will only start to repay once they have left the course and are earning over £21,000.
- 9 Individuals who are qualified at Level 3 and above experience benefits, including increased wages, compared to those who are not qualified at

that level. Therefore, it is fair that we should ask those individuals to make a greater contribution to the costs of their courses – although the FE Loans system means they will only start making that contribution after they have finished their training and are earning more than £21,000.

- 10 The funding policy for FE Loans was developed in consultation with college and training organisation representatives, and the Association of Colleges and the Association of Employment and Learning Providers, alongside other organisations as part of the FE Loans Stakeholder Reference Group established by BIS.
- 11 BIS and the Agency will continue to consult with colleges and training organisations as the processes involved in delivering FE Loans are finalised.

Supporting the programme of change for colleges and training organisations

- 12 The introduction of FE Loans is a significant reform for the FE sector, and colleges and training organisations will need to factor the availability of FE Loans into their business plans.
- 13 The Agency will issue formal guidance to colleges and training organisations, setting out in detail how the FE Loans system will operate and the roles of colleges and training organisations within the system. We expect this guidance to be issued in the New Year.
- 14 BIS and the Agency will also be working with the LSIS to develop a business change support programme for the sector, helping colleges and training organisations prepare for the introduction of FE Loans. We expect the support programme to be available from Spring 2012.
- 15 The FE Loans system will be launched in March 2013, at which point learners can apply for an FE Loan in advance of courses starting in the 2013/14 academic year.
- 16 BIS also expects to publish a final Impact Assessment and Equality Impact Assessment of FE Loans by April 2012. This follows the publication of a draft Impact Assessment and a Screening Equality Impact Assessment alongside the *New Challenges, New Chances* consultation in August.
- 17 Finally, whilst the introduction of FE Loans does not require primary legislation, secondary legislation will be required similar to that required for HE student support. We expect this secondary legislation to be laid in Parliament in Summer 2012.

Further questions

- 18 If you have a question which is not answered by this guide, or the attached Frequently Asked Questions; or you have any feedback; please email the Skills Funding Agency at the following address:
FEloans@skillsfundingagency.bis.gov.uk

Frequently Asked Questions

Roles and Responsibilities

Who applies for the FE Loan?

- The individual will apply for the FE Loan and it will be assessed by the Student Loans Company (SLC), once the application has been approved the individual **and** college/training organisation will be informed.

What will the college and training organisation role be in promoting and advising individuals about FE Loans?

- As a college or training organisation you will need to work with the individual to identify a suitable learning programme to meet their identified needs as per your current processes. The individual will need to understand the cost of this programme and their options for funding this. You will not be expected to offer any financial advice to the learner but you can signpost them to further information about FE Loans.
- Should the individual decide to apply for an FE Loan, they will need to access relevant information from you such as your UKPRN and the learning aim reference for their qualification prior to making an application to the SLC.

Eligibility

Who is eligible for an FE Loan?

- Individuals who are:
 - aged 24 or over at the start of their course;
 - resident in the UK;
 - have not previously had an FE Loan to do the same type and level of qualification.
- FE Loans will not be means tested and any individual who meets the criteria above will be able to apply for an FE Loan irrespective of their current employment status.

Which qualifications and Apprenticeship frameworks are eligible for FE Loan funding?

- Qualifications and Apprenticeship frameworks at Level 3 or above **and** equivalent to or larger than a QCF Certificate.
- A-levels.
- Access to HE courses.

Why are you restricting the courses that are eligible for FE Loans?

- It is right that this investment is focused on those courses that will improve employability and deliver the greatest personal benefits. For this reason only those qualifications that have been approved for public funding by the Agency will be eligible for FE Loans funding. Within this, learners will have a free choice of course subject to availability.
- All eligible qualifications or Apprenticeship frameworks must be approved for public funding and listed on the Learning Aims Reference Application (LARA) at the point of application.

Can an individual access an FE Loan for a unit or an award on the QCF?

- Providing loans for low cost individual units or awards on the QCF would not be good value for money. So FE Loans are only available for learners undertaking full qualifications.

- However, the expectation is that where appropriate, the sector will use the flexibilities of the Qualification and Credit Framework (QCF) through the continued use of credit accumulation and transfer (CAT) which can maximise any previous investment and reduce learner fees while still ensuring the learner achieves a full qualification.

Will access to FE Loans be restricted on the basis of prior study?

- FE Loans will not be restricted on the basis of prior attainment, so if an individual is already qualified at Level 3 or higher then that would not prevent them from receiving an FE Loan. However, if an individual has already received an FE Loan then they would not be eligible to receive a further FE Loan for the same type of qualification at the same level. Additional FE Loans would be available for different types of qualifications or at different levels to support progression.

Fees and learner support

Will fee remission continue for all first level 3 courses?

- No, grant funding will be removed from the start of the 2013/14 academic year for all new Level 3 and above starts for those aged 24 and over. Existing learners on a Level 3 programme will continue to be grant funded until completion of that specific programme.

What value of FE Loan can the individual access?

- FE Loans will be capped at the Agency's published funding rate. However, the amount of FE Loan required could vary depending on:
 - the fee you charge the individual; or
 - whether the individual chooses to fund the course in full with a FE Loan or has access to alternative funding (i.e. from an employer or personal investment).
- For Apprenticeships, there will a continued assumed contribution from the employer, at 50 per cent minimum of the fully funded rate. This employer contribution can be made either in cash or in kind.

Will there be any support funds available for individuals accessing FE Loans?

- We recognise that the availability of FE Loans needs to be complemented by other forms of support, including financial support. The Government is continuing to consolidate funding streams into Discretionary Learner Support funds which can be used flexibly by colleges to meet the needs of their learners.
- BIS and the Agency are exploring how progression from FE and training to HE can best be supported. Further information will be provided in the New Year.

What does the introduction of FE Loans mean for Professional and Career Development Loans?

- BIS and the Agency are considering the way in which FE Loans and Professional and Career Development Loans (PCDLs) could support progression to higher level skills. PCDLs provide support for a range of courses including those courses which are not eligible for FE or HE Loans. We are therefore planning to review the PCDL scheme once FE Loans have been introduced.

Budget and performance management process

How will the FE Loan be paid?

- Both the learner and the college or training organisation will be informed when an FE Loan application has been approved. Once the learner has started the course, confirmation of attendance will need to be given by the college or training organisation via an online portal.
- The SLC on behalf of the learner will pay the FE Loan, directly to the college or training organisation. Payments will be made in regular instalments over the planned period of study.

How will colleges and training organisations know the availability of the FE Loans budget at an institutional level?

- The Agency will issue an indicative FE Loans allocation to each college or training organisation. The Agency is consulting a small number of providers on how best to allocate the FE Loans budget to ensure provider and learner discussions regarding financial options can take place with confidence.

How will colleges and training organisations be performance managed?

- The Agency will confirm the performance management approach for FE Loans in the formal guidance to be issued in the New Year. To inform this decision, the Agency is consulting a small number of providers to develop an approach which optimises use of the budget whilst ensuring the quality of delivery.
- Whilst the SLC will make all payments to the provider the Agency will manage the distribution of the budget and the performance management of colleges and training organisations. The SLC and the Agency will work very closely together to deliver FE Loans.

Re-payment

How will the FE Loan be repaid?

- Repayments will be automatically deducted from the individual's earnings through the tax system. There will be no role for colleges and training organisations in the repayment process of the FE Loan.
- Repayments will be made at 9 per cent of earnings above £21,000. Therefore, if an individual earns £25,000 a year their FE Loan repayments would equate to around £360 a year or £30 a month. These repayments will be linked to earnings rather than FE Loan amount, so regardless of how much a learner owes, the payments will be the same.
- If earnings fall below £21,000 repayments will stop and only re-start when earnings increase to more than £21,000.
- Individuals will also have the opportunity to make voluntary payments if they choose so.

When will the FE Loans be repaid?

- Repayments will start from the April after the individual has completed their course and when they are earning more than £21,000 a year. This will also apply in an individual has withdrawn from their course.
- If the individual never earns more than £21,000 they will never have to repay any of the FE Loan and after 30 years the FE Loan will be written off.

How much interest will be charged on the FE Loans?

- Interest will be charged at the Retail Price Index (RPI) +3 per cent during the period of study, and up until the April after they leave the course. From this point interest is linked to earnings and will be:
 - RPI for those earning less than £21,000 a year;
 - On a sliding scale between RPI and RPI +3 per cent for earnings between £21,000 and £41,000 a year;
 - RPI +3 per cent for individuals earning more than £41,000 a year.

Skills Funding Agency
Cheylesmore House
Quinton Road
Coventry CV1 2WT
T 0845 377 5000
F 024 7682 3675
www.bis.gov.uk/skillsfundingagency

BIS | Department for Business
Innovation & Skills

© Skills Funding Agency

Published by the Skills Funding Agency

Extracts from this publication may be reproduced for non-commercial, educational or training purposes on condition that the source is acknowledged and the findings are not misrepresented.

This publication is available in electronic form on the Skills Funding Agency website: www.bis.gov.uk/skillsfundingagency

If you require this publication in an alternative format please contact the Skills Funding Agency
Help Desk: 0845 377 5000

Skills Funding Agency – P – 110241