EXPLANATORY MEMORANDUM TO

THE FURTHER EDUCATION LOANS (AMENDMENT) REGULATIONS 2014

2014 No. 290

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 (Amendment) Regulations 2014 ('the instrument') amend the Further Education Loans Regulations 2012 ('the 2012 Regulations'). The purpose of the instrument is to remove Advanced and Higher Apprenticeship Frameworks from the list of designated courses in regulation 4(1) of the 2012 Regulations, taking them out of scope for loan funding. These Apprenticeship Frameworks will revert to public grant funding.

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

3.1 None.

4. Legislative Context

4.1 The Further Education Loans Regulations 2012 introduced, for the first time, income contingent loans for students who are 24 years old or over beginning Further Education courses at Level 3 or above from 1 August 2013. Advanced and Higher Apprenticeship Frameworks were listed as designated courses but, in response to very low initial take up of loans by these Apprenticeships, these amendments now remove them.

5. Territorial Extent and Application

5.1 The instrument applies to England only.

6. European Convention on Human Rights

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

7. Policy background

7.1 From 2013/14 the Government introduced a system of loans alongside the removal of public grant funding, for learners aged 24 and over undertaking intermediate

and higher level courses. This allowed funding to continue to support young people with low skills while maintaining access to higher level learning for others.

The Government has made £129 million available for 24+ Advanced Learning Loans in the 2013-14 financial year which notionally would support around 80,000 loans, including around 35,000 from Apprenticeships.

Data on take up of loans in the first 5 months from 1 August to 31 December showed there had been 57,181 applications. However of these, only 695 were from Advanced / Higher Apprenticeships.

Apprenticeships in the round are a high priority for the Government, delivering strong returns for individuals, employers and the economy as a whole, and are seen as a crucial ingredient for growth. The Department's "Rigour and Responsiveness" strategy (April 2013) puts Apprenticeships at the heart of our skills system and set out plans for making them more rigorous and more responsive to the needs of employers. The low take up of loan funded provision by those 24+ has led to the early decision to revert to grant / contract funding arrangements to maintain Apprenticeship take up.

8. Consultation outcome

8.1 We have not conducted any formal consultation about this change. In the original Explanatory Memorandum for the policy we said we would monitor take up and impact. This policy change is the Government's response to very low take up of loans in connection with these courses.

8.2 In the build up to loan funded courses going live from August 2013 BIS and other delivery partners (the Skills Funding Agency and National Apprenticeship Service) had been tracking learner, provider and employer 'readiness' for the loan system.

8.3 Mixed messages were received in this research. For example, people already in work and seeking to become an apprentice were more sceptical about the need to fund their own training (they saw it as their employer's responsibility) while those seeking to get into work through an apprenticeship were more open to taking out a loan when the terms and conditions were explained (in line with learners more widely).

8.4 There was also considerable variation in the views from employers but on balance the research suggested enough positive building blocks to work with in terms of improving employers' awareness, preparedness and expectations of the implementation of 24+ loans.

9. Guidance

9.1 The Student Loans Company will be writing to all those who have received or have applied for a 24+ Advanced Learning Loan to do an Apprenticeship. The letter will let them know that their course will be publicly funded and that they will not need to

repay the loan, even if payments have already been made to their college or learning provider.

9.2 The Skills Funding Agency will be providing guidance to colleges and training organisations covering how the change in funding will work.

10. Impact

10.1 We have provided a Regulatory Triage Assessment to the Regulatory Policy Committee and have received their confirmation that this appears to be deregulatory. We have also secured clearance from the Reducing Regulation Committee following Ministerial Write Round.

11. Regulating small business

11.1 The impact on business identified in the original Impact Assessment supporting the Further Education Loans Regulations 2012 also applies to small businesses. This amendment will not increase (and may actually decrease) that impact.

12. Monitoring & review

12.1 The monitoring and review of the policy promised in the original Explanatory Memorandum has led to the decision to make this amendment to the policy. We will however continue to monitor take up and impact to inform future policy development.

13. Contact

Heather Miller at the Department for Business, Innovation and Skills Tel: 0207 215 3418 or email: Heather.Miller@bis.gsi.gov.uk can answer any queries regarding the instrument.