Title: Further Education - 24+ Advanced Learning Loans **IA No:** BISVE001 **Lead department or agency:** BIS **Other departments or agencies:** SFA	**Impact Assessment (IA)** **Date:** 25/04/2014 **Stage:** Final **Source of intervention:** Domestic **Type of measure:** Secondary legislation **Contact for enquiries:** John Davies: 0114 207 5055 Simon McKee: 0207 215 6163

Summary: Intervention and Options

RPC Opinion: RPC Opinion Status

Cost of Preferred (or more likely) Option				
Total Net Present Value	**Business Net Present Value**	**Net cost to business per year** (EANCB on 2009 prices)	**In scope of One-In, Two-Out?**	**Measure qualifies as**
+£12,000m	+£3m	-£0.22m	Yes	OUT

What is the problem under consideration? Why is government intervention necessary?

Replacing previous grant funding arrangements for those aged 24+ studying at Level 3+ with income-contingent Advanced Learning Loans has substantially reduced the number of Apprenticeships in that group; meanwhile take-up of these loans for non-Apprenticeship learning in Further Education has been much higher. This suggests that loans pose a barrier to economically valuable Apprenticeship learning taking place, due to individuals' reluctance to take out these loans. A reason for this reluctance could be apprentices' expectations that employers should fund the costs (in contrast with non-Apprenticeship learning, where the employer is not typically part of the investment decision).

What are the policy objectives and the intended effects?

To the extent that individuals directly benefit from economically valuable learning, then they should fund its costs. This will provide incentives for them to choose relevant, high-quality training and to strive to achieve a positive outcome. However, this argument only holds to the extent that individuals are willing to take out such loans. The previous Impact Assessment highlighted the risk of low take-up, but in the case of Apprenticeships (although not elsewhere in Further Education) take-up has been lower than expected due to the different expectations of who should pay for learning. The introduction of loans has posed a barrier to economically valuable learning taking place, and a corresponding reduction in economic value added.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Option 0: Do nothing - Continue with Advanced Learning Loans for both Apprenticeships and non-Apprenticeship learning for those aged 24+ studying at L3+. This has been ruled out because of low take-up of loans for Apprenticeships and the associated loss of economic value added.

Option 1: Take Apprenticeships out of scope of Advanced Learning Loans and fund under grant funding arrangements. Non-Apprenticeship learning at L3+ for those aged 24+ would continue to be funded through loans. This is the preferred option as it removes loans, which are a barrier to economically valuable learning for Apprenticeships, but retains them for non-Apprenticeship learning where take-up is higher.

Option 2: Abolish Advanced Learning Loans and revert to previous grant funding arrangements for both Apprenticeships and non-Apprenticeships. This has been ruled out due to insufficient Adult Skills Budget, and because take-up for non-Apprenticeships is higher thus meeting the original policy intention.

Will the policy be reviewed? It will be reviewed. **If applicable, set review date:** 01/2015

Does implementation go beyond minimum EU requirements?			No		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	**Micro** Yes	**< 20** Yes	**Small** Yes	**Medium** Yes	**Large** Yes
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)			**Traded:** 0	**Non-traded:** 0	

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs.

Signed by the responsible SELECT SIGNATORY: Frank Bowley Date: 16/05/2014

Summary: Analysis & Evidence — Policy Option 1

Description: Take Apprenticeships out of scope of Advanced Learning Loans and revert to grant funding arrangements. This is the preferred option.

FULL ECONOMIC ASSESSMENT

Price Base Year 2012	**PV Base Year** 1314	**Time Period Years** 46	**Net Benefit (Present Value (PV)) (£m)**		
			Low:	**High:**	**Best Estimate:** +12,000

COSTS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Cost** (Present Value)
Low				
High				
Best Estimate			0	**0**

Description and scale of key monetised costs by 'main affected groups'

The government funding required to cover the extra 35,000 Apprenticeship starts in 2013-14 and 62,000 starts in 2014-15 amounts to £65m and £115m respectively. However, this will displace other learning funded by the Adult Skills Budget, so the additional costs are zero. For ease of presentation, we also assume that the other costs of learning - in terms of fees paid by individuals and employers, and output foregone - will be the same for Apprenticeships as for the learning they displace.

Other key non-monetised costs by 'main affected groups'

Any reduction in value added from the learning which is displaced by these additional Apprenticeships is taken into account in the benefits section below.

BENEFITS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Benefit** (Present Value)
Low				
High				
Best Estimate			550	**12,000**

Description and scale of key monetised benefits by 'main affected groups'

The benefits arise from the extra Advanced Apprenticeships which take place - around 35,000 in 2013-14 and 62,000 in each year from 2014-15 onwards. These generate benefits of around £21 for each pound of government investment (net of deadweight), which represents a higher return than the learning already funded by the Adult Skills Budget which they will be displacing (estimated at around £8 per pound of government investment).

Other key non-monetised benefits by 'main affected groups'

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Key assumptions/sensitivities/risks — **Discount rate (%)** 3.5,3

- We have assumed that grant funding arrangements would support 62,000 more Apprenticeship starts under the preferred option in 2014-15 (and 35,000 in 2013-14), compared to the number of publicly-funded Apprenticeships which would be undertaken under the baseline.
- Deadweight (i.e. the number of privately-funded Apprenticeships, or similar learning, which would have taken place in the absence of grant funding) is assumed to be 30%, based on the best available evidence.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			**In scope of OITO?**	**Measure qualifies as**
Costs: 0	**Benefits:** Neg	**Net:** Neg	Yes	OUT

Evidence Base (for summary sheets)

Background

Announced in the 2010 Spending Review, income-contingent Advanced Learning Loans were introduced in Further Education from 1st August 2013 for those aged 24+ and studying qualifications at Level 3 or above (L3+). This was in response to reductions in FE funding and allowed BIS to continue to make such provision available to learners, while protecting FE budgets for the most vulnerable learners (younger learners with no or low skills). The policy intention was that learners would take out an income-contingent loan to fund the full costs of non-Apprenticeship learning; in the case of Apprenticeships, the loan was limited to 50% of the cost of the 'framework', with their employer expected to pay the remainder (as was the expectation under previous grant funding arrangements). A full explanation of the policy, and its rationale, can be found in the Impact Assessment[1] published on 8th June 2012:

http://www.bis.gov.uk/assets/biscore/further-education-skills/docs/f/12-873-further-education-advanced-learning-loans-regulatory-impact.pdf

Rationale

The rationale for the introduction of loans

As outlined in the previous Impact Assessment, learning at Level 3 and above delivers substantial lifetime earnings benefits on average, and to the extent that learners benefit from learning in this way, then they should contribute towards its costs. Furthermore, if they make a direct contribution to fees, this strengthens the incentives for them to demand relevant, high-quality learning and to strive to achieve a positive outcome. This should raise the economic value of such training, and thus the value for money of investment.

To enable the introduction of Advanced Learning Loans – to provide individuals with access to finance upfront to pay for their learning – we put in place the 'Further Education Loans Regulations 2012' in July 2012. This followed a period of consultation in Summer 2011 and the preparation of full Regulatory and Equality Impact Assessments. In the Regulations, we listed a range of FE courses that were in scope ('designated') for 24+ loans. The list included Advanced and Higher Apprenticeship frameworks, because these include qualifications at Level 3 and Level 4+ respectively.

Take-up

The budget for the 2013-14 financial year was £129m, which was estimated to be sufficient to fund around 80,000 loan applications, of which we expected around 35,000 to be Apprenticeships. By the end of October, take up of loans had been strong with around 55,000 loan applications submitted in total, and further applications expected in the New Year. However, of that figure, only around 400 had been for Apprenticeships. To place this figure into context, there were 126,000 Apprenticeship starts for those aged 24+ at L3+ in the 2012/13 academic year i.e. under the previous grant funding arrangements. The published previous Impact Assessment highlighted the risk of low take-up, but with regards to Apprenticeships, it has been much lower than expected[2].

A reason for the reluctance to take out loans for Apprenticeships – especially when compared with non-Apprenticeship learning, where take-up has been much higher – could be due to the different parties involved. Essentially, Apprenticeships involve three parties – the employer, learner and provider – compared to non-Apprenticeships where the learner and provider are the only parties involved. BIS research[6] shows that most Apprentices expected the employer to play a key role in supporting their

Apprenticeship, particularly where they were doing the training at the request of the employer, to meet regulatory or legal requirements. Such apprentices felt they would not be doing the Apprenticeship without the employer paying the course fee, either because they could not afford to take out and subsequently repay a loan, or because they felt the training was focused on employer needs so they would continue to fund it. Other apprentices – those who were seeking to become an apprentice for the first time – were more motivated and willing to take a loan, but they also expected help from their employer. However, other research[7] shows that few employers were aware of 24+ Advanced Learning Loans and few knew the details of how they would work or what would be expected of them as employers. This lack of knowledge amongst employers and expectations amongst Apprentices for assistance may explain the low take up, despite the National Apprenticeship Service's (NAS) efforts to communicate this policy change to employers.

<u>The value of Apprenticeships</u>

As explained in the previous Impact Assessment, the net economic benefits of the average Apprenticeship achievement at Level 3 amount to around £100,000 over the learner's lifetime, representing a return of over £20 per pound of government investment[3]. The Department's annual surveys of Apprenticeship learners and employers also highlight the strong benefits which both parties receive from such learning[4]. For this reason, Apprenticeships are a high Ministerial priority – the Department's 'Rigour and Responsiveness' strategy[5] (April 2013) puts Apprenticeships at the heart of the skills system.

It is therefore apparent that replacing previous grant funding with Advanced Learning Loans has posed a barrier to economically valuable learning taking place, due to individuals' reluctance to take out these loans for Apprenticeships.

<u>Removal of Apprenticeships from loans</u>

Given the strong economic returns of Apprenticeships, we have made an early amendment to the Further Education Loans Regulations 2012 to take Apprenticeships out of scope of the regulations – due to very low take up over the first three months of operation. This option sees loans retained for non-Apprenticeship L3+ learning for those aged 24+, where the evidence to date (i.e. in terms of take-up) suggests that the original policy intention is being met.

<u>Wider Apprenticeship reforms</u>

From July to October 2013, the government consulted on proposed reforms to the way in which *all* Apprenticeships are funded, with a new funding system due to be introduced from 2016-17. We envisage that the Apprenticeships which are the subject of this Impact Assessment will also ultimately be covered by those new funding arrangements.

One in Two Out

The preferred option in this Impact Assessment is in-scope for 'One in, two out', because it *potentially* reduces the direct costs to businesses – through no longer having to administer the loan repayments of former Apprentices through their payroll schemes.

The previous Impact Assessment suggested that the introduction of 24+ Advanced Learning Loans would lead to a direct cost to businesses of <u>£0.8m per year</u>. However, take-up of Apprenticeships has been negligible; therefore this cost has turned out to be lower than expected, with the vast majority accounted for by non-Apprenticeship learning.

Therefore, relative to the baseline for this Impact Assessment, the direct benefits to business of removing Apprenticeships from the scope of Advanced Learning Loans will be negligible. But relative to the cost scored for OITO purposes in the previous Impact Assessment, there will be a benefit of around £0.22m per year (the derivation of which is explained later on).

Options considered

<u>Option 0: 'Do nothing' i.e. continue with Advanced Learning Loans for all individuals in FE aged 24+ studying at L3+.</u>

This is the <u>baseline</u> against which to assess the other options. Given the negligible take-up of Apprenticeships (i.e. around 400 by October 2013), we assume no publicly-funded Apprenticeships take place under this baseline (for ease of presentation).

This option has been ruled out because it delivers lower value for money compared to the preferred option, particularly in light of recent reductions in the Adult Skills Budget. The low take-up of loans has generated a barrier to economically valuable Apprenticeship training taking place. In some cases, employers may have funded Apprenticeships, or learning of a similar nature, themselves (but these would not appear in our statistics). Evidence suggests that around 30% of Apprenticeships would have taken place – funded wholly by employers – in the absence of previous public funding arrangements[8].

<u>Option 1: Remove Apprenticeships from Advanced Learning Loans and fund under grant funding arrangements (preferred option)</u>

This option removes Apprenticeships from Advanced Learning Loans, but retains such loans for non-Apprenticeship learning at L3+ for those aged 24+. This is the preferred option, because it removes the barrier to economically valuable Apprenticeship training taking place, but retains loans for other forms of learning, where take-up has been much higher and thus where the evidence to date suggests that the original policy intention is being met.

Under this option, there will therefore be significantly more Apprenticeships than under the baseline. To illustrate this, we assume there will be 62,000 more Apprenticeships in each year from 2014-15 onwards – in other words, we assume that the number of Apprenticeships which the loans budget would support (assuming full take-up) will now be funded under grant funding arrangements. Given the negligible take-up of loans for Apprenticeships to date, this amounts to around 62,000 more starts than under the baseline. Based on the same rationale, we assume 35,000 starts in the remainder of 2013-14.

Based on the evidence above that 30% of apprentices would receive similar training in the absence of public funding, this implies that 43,000 of the 62,000 starts in each year from 2014-15 onwards would be additional (around 25,000 in 2013-14). This increased number of Apprenticeships will therefore lead to a number of costs and benefits relative to the baseline – outlined below:

Costs

Government funding

The 62,000 more publicly-funded Apprenticeships in each year from 2014-15 onwards will clearly come at a cost to government. As assumed in the previous Impact Assessment, government funding amounts to £1,850 per Apprenticeship on average. This amounts to £115m for each cohort of 62,000 Apprenticeship starts from 2014-15 onwards, and £65m for the 35,000 starts in the remainder of 2013-14. Government funding therefore amounts to around £930m over the ten annual cohorts of learners.

Fees paid by employers

There will be higher employer contributions towards course costs relative to the baseline – because there will be around 62,000 more Apprenticeships in each year from 2014-15 onwards. As assumed in the previous Impact Assessment, employer contributions will amount to £1,850 per publicly-funded Apprenticeship (and double this if the employer funds it entirely themselves). Therefore:

- For the 19,000 apprentices who would have received similar training in the absence of public funding, there will be a decline in employer fee payments, as they would have otherwise paid the full fee, but now only pay half of it. The introduction of grant funding will therefore reduce employer contributions towards these Apprenticeships by around £35m.
- For the 43,000 apprentices who would have received similar training in the absence of public funding, there will be an increase in employer fee payments, because they would not have paid anything otherwise. The introduction of grant funding will therefore increase employer contributions towards these Apprenticeships by around £80m.

Therefore, for each cohort of learners from 2014-15 onwards, government contributions will be £45m higher than under the baseline (and, by the same logic, £25m higher in 2013-14). Additional employer contributions amount to £370m over the ten annual cohorts of learners.

Foregone output

The higher number of Apprenticeships compared to the baseline suggests that more output will be foregone while learning takes place. As assumed in the previous Impact Assessment, foregone output totals £7,000 per Apprenticeship on average. Therefore, foregone output amounts to around £300m for each cohort of Apprenticeships from 2014-15 onwards, and £170m for the 2013-14 cohort. Foregone output will therefore total around £2.5bn over ten annual cohorts.

Benefits

Increased value added

There are two possible approaches to measuring the value added by this additional Apprenticeship learning – either by looking at evidence on the economic benefits per Apprenticeship (approach A) or by the average pound of government investment in Apprenticeships (approach B).

Approach A

Evidence published by the Department suggests that an Advanced Apprenticeship generates benefits of £95,000 over the rest of the learner's lifetime. Assuming 70% of Apprenticeships supported are additional learning, this implies:

- An additional 25,000 Apprenticeship starts in 2013-14, and economic benefits of £2.3bn over the rest of the learners' working lives;
- An additional 43,000 Apprenticeship starts in each year from 2014-15 onwards, and economic benefits of £4.1bn over the rest of the learners' working lives.
- This implies economic benefits of around £34bn over ten annual cohorts.

Approach B

Evidence published by the Department suggests that an Advanced Apprenticeship generates economic benefits of around £30 per pound of government investment. Assuming 70% of Apprenticeship learning is additional, this figure is £21. This implies:

- That the £65m invested in Apprenticeship starts in 2013-14 will generate economic benefits of £1.4bn over the rest of the learners' working lives;
- That the £115m invested in Apprenticeship starts in 2014-15 will generate economic benefits of £2.4bn over the rest of the learners' working lives.
- Therefore, this will amount to £20bn over the lifetimes of the next ten annual cohorts.

Which approach to use?

Approach A comes out with a higher estimate than approach B because the benefits of the average Apprenticeship in approach A (i.e. £95,000) are based on a higher average cost per Apprenticeship than has been modelled for the purposes of this Impact Assessment. We therefore believe that approach B is the most defensible here – especially in the interests of being conservative.

Displacement

These additional Apprenticeships will be funded through the Adult Skills Budget and will therefore displace other learning. We assume that they will not displace other Apprenticeships nor Basic Skills given the priority attached to these areas.

As an indication of the value added by the learning we are displacing, the economic benefits generated per pound of government investment in L2 and L3 National Vocational Qualifications (NVQs) are £9 and £17 respectively – if we again assume that 70% of this learning is additional, then these figures fall to £6 and £12 respectively. A weighted average of these figures (with two-thirds at L2 and one-third at L3 – as per the latest BIS Statistical First Release) suggests net economic benefits of around £8 per pound of government investment. Had we invested into this learning instead of Apprenticeships, then:

- The £65m invested in starts in 2013-14 would generate economic benefits of £0.5bn over the rest of the learners' working lives;
- The £115m invested in starts in 2014-15 would generate economic benefits of £0.9bn over the rest of the learners' working lives;

- Therefore, this would amount to £8bn over the lifetimes of the next ten annual cohorts.

This implies that the benefits from moving this funding from L2 / L3 qualifications to Apprenticeships generates additional (i.e. taking into account the benefits of the learning displaced) benefits of £0.8bn for the 2013-14 cohort, £1.5bn for the 2014-15 cohort onwards and £12bn over ten annual cohorts.

In terms of costs, clearly there is no additional government cost because the additional Apprenticeships displace other learning funded by the Adult Skills Budget. For ease of presentation, we also assume that contributions by individuals and employers, and output foregone per pound of government investment, are the same for Apprenticeships as for the learning they displace. Therefore, the costs of moving this funding from L2 / L3 qualifications to Apprenticeships are zero.

Direct costs to businesses

The direct costs to businesses of Advanced Learning Loans are calculated using the same methodology as in the previous Impact Assessment. For ease of illustration, we explain the total costs of Advanced Learning Loans under the revised policy i.e. for non-Apprenticeships only. We then assess how this differs from the baseline and the amount scored for OITO purposes in the previous Impact Assessment.

Under this option, Apprenticeships are removed from Advanced Learning Loans, therefore the cost to businesses of administering the loan repayments will be for non-Apprenticeships only. As outlined in the previous Impact Assessment, there will be an estimated 87,000 non-Apprenticeship starts in the 2014-15 cohort based on our central estimates of loans take up. Assuming all of these move into employment and are distributed as described below, table 1 shows the maximum number of enterprises which could employ these learners, after completion of their qualification, by assuming that:

- All micro / small / medium-sized enterprises only employ one of these learners i.e. no learner is employed by the same enterprise;
- Every large enterprise employs at least one of these learners, so all large enterprises are affected by the proposal.

Table 1: Distribution of learners, by establishment size and maximum number of enterprises affected

	Learners	**Maximum Number of Enterprises**
Micro: 1 - 9 employees	16,000	16,000
Small: 10 - 49 employees	15,000	15,000
Medium: 50 – 249 employees	13,000	13,000
Large: 250+ employees	43,000	4,000
Total	**87,000**	**48,000**

It therefore implies a maximum of around 48,000 enterprises employing the learners in any given cohort. Table 2 shows the total costs – calculated on the same basis as before:

Table 2: Total costs to businesses of option 1 – 'Extreme' upper bound estimate for further refinement.

Firm Type	Number of enterprises	Mean hourly cost of personnel officer in 2014	Familiarisation time (hours)	Mean Hourly cost of IT technician in (2014)	Average time (hours)	Total Cost
Micro: Insourced	7,500	15.3	1	18.4	1	£253,000
Micro: Outsourced	8,500	15.3	0.5	18.4	0	£65,000
Small: Insourced	10,000	15.3	2	18.4	2	£674,000
Small: Outsourced	5,000	15.3	1	18.4	0	£77,000
Medium: Insourced	10,000	15.3	3	18.4	3	£1,011,000
Medium: Outsourced	3,000	15.3	2	18.4	0	£92,000
Large: Insourced	3,300	15.3	4	18.4	4	£445,000
Large: Outsourced	700	15.3	2	18.4	0	£21,000
Total	48,000					£2,638,000

This suggests that the revised direct costs to businesses of Advanced Learning Loans will be around **£2.6m** – based on the 87,000 non-Apprenticeship learners starting the affected courses in 2014-15. However, this makes a number of extreme assumptions and therefore acts as a starting point for further refinement below:

i) It assumes that all learners working in micro / small / medium-sized enterprises will be employed by a different employer and that all large enterprises employ at least one of these individuals. This is clearly an extreme assumption, but we lack information on the extent to which these former learners will be distributed across enterprises. We therefore use evidence from the National Employer Skills Survey (2009) showing the average number of apprentices employed by establishments of different sizes. This is used as an indication of the extent to which individuals may be distributed across different enterprises when they have completed their learning[9]. This reduces the number of enterprises affected from 48,000 to around 38,000, and the direct costs to businesses to around **£2.08m**.

ii) It assumes that all of the learners will be in employment and will pay back their loan. It is clear that not all learners will move into employment, and of those who do, many will not reach the £21,000 repayment threshold. This is reflected in the RAB charge of 60% which was adopted in the previous IA. Therefore if, for example, only around a half of learners pay back some money at some stage[10], this will reduce the total compliance cost to businesses to around **£890,000**, when scored in 2009 prices for OITO purposes (deflated from 2014 figures[11]). The findings are not particularly sensitive to this assumption; for example, if 60% of learners paid back some of their loan at some stage, this would raise the cost to around £1.07m. Under our central estimate of take-up, the costs to businesses would then be within the range presented at the end of this section.

iii) It assumes that none of these enterprises also employ graduates. If, for example, as few as one third also employed graduates, then this would reduce the costs to only **£600,000**. We therefore believe that a more realistic estimate of the compliance costs is **around £600,000** for 2014-15 (in the relevant price base year). This would amount to around £930,000 under our upper bound estimate of take-up.

Ongoing costs commence from 2015-16, the first year in which those who have accessed loans for FE would enter repayment. There will be two obligations for employers:

- To make the necessary salary deductions each month;
- To submit returns to HMRC annually, on the repayments deducted by the employer.

24+ Advanced Learning Loans could increase the amount of resource required in payroll administration, although the number of additional learners (i.e. in addition to existing HE loans) will be relatively small. Any impacts would disproportionately affect small businesses, who are less likely to benefit from economies of scale. The extent of these additional costs is unclear because businesses do already have systems in place and an understanding of the regulations for HE, which are broadly unchanged and will be the same for 24+ Advanced Learning Loans. Therefore, it may be possible to build upon existing structures, reducing the potential for new administrative costs.

The previously-published HE impact assessment based its costs on HMRC analysis, which suggested ongoing additional costs could be between £1-2.5m per year for 125,000 businesses affected. Therefore, for the estimated 38,000 enterprises affected by 24+ Advanced Learning Loans, the appropriate range might be £0.3-0.8m. **Our central estimate for ongoing costs is therefore around £530,000** (compared to the £770,000 scored for OITO purposes in the previous IA). For our upper bound estimate of take-up (which would imply 142,000 loan-funded learners), this cost would be around £860,000.

The change in total direct costs to businesses after taking Apprenticeships out of scope of Advanced Learning Loans is negligible in comparison to the do nothing option, because take-up of Apprenticeships was not sufficient for costs to be realised. In comparison to the costs scored for OITO purposes in the previous Impact Assessment, the total direct costs to businesses will be around £220,000 lower.

Option 2: Abolish Advanced Learning Loans and fund through grant funding arrangements

This option would abolish Advanced Learning Loans and fund all of the learning currently covered by such loans through grant funding arrangements – including for both Apprenticeships and non-Apprenticeship learning. This option has been ruled out because while it would remove loans as a barrier to economically valuable Apprenticeship learning taking place, it would also remove loans for non-Apprenticeships, where take-up is higher, and where the evidence to date suggests that the original policy intention is being met – in terms of providing individuals with upfront access to finance to fund their own economically valuable learning. Adopting grant funding for non-Apprenticeship learning as well would therefore offer lower value for money, compared to option 1, especially in light of recent reductions in the Adult Skills Budget. In light of this (and given proportionality considerations) this option has not been pursued further.

References and Footnotes

[1] BIS 24+ Advanced Learning Loans Impact Assessment
http://www.bis.gov.uk/assets/biscore/further-education-skills/docs/f/12-873-further-education-advanced-learning-loans-regulatory-impact.pdf

[2] Individualised Learner Record

[3] BIS Research Paper No. 38 'Measuring the Economic Impact of Further Education'
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/32329/11-816-measuring-economic-impact-further-education.pdf

[4] See BIS Research Paper Nos. 123 and 124 'Apprenticeships Evaluation: Employer' and 'Apprenticeships Evaluation: Learners'
https://www.gov.uk/government/publications/apprenticeships-evaluation-employer
https://www.gov.uk/government/publications/apprenticeship-survey-learners

[5] Rigour and Responsiveness in Skills Strategy (2013)
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/186830/13-960-rigour-and-responsiveness-in-skills-amended.pdf

[6] BIS Research Report No. 100. "24+ Advanced Learning Loans: Specific Learner Groups"
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/48832/13-547-24-plus-advanced-learning-loans-specific-learner-groups.pdf

[7] BIS (forthcoming) 'Tracking the impact of 24+ Advanced Learning Loans'

[8] BIS Research Paper No. 71 'Assessing the Deadweight Loss Associated with Public Investment in Education and Skills'
https://www.gov.uk/government/publications/education-and-skills-how-much-benefit-does-government-funded-training-bring

[9] While Apprenticeships are no longer in-scope of this policy, we still believe this is the best proxy to use for how former learners will be distributed across businesses.

[10] The RAB charge is 60%, implying that 40% of the initial government outlay will ultimately by repaid by learners. However, some learners will pay some money back, but just not the full amount. In this sense, we may expect more than 40% of learners to pay some money back at some stage; therefore we adopt an estimate of half for the purposes of this estimate.

[11] Using actual RPI figures for 2009, 2010, 2011, 2012, 2013 and average of independent forecasts for 2014 and 2015, as published by HM Treasury at:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/269879/GDP_Deflators_Qtrly_National_Accounts_December_2013_update.csv/preview