

Young People's Education and Skills

Local Authority Apprenticeship Sub-group

Title **Apprenticeship Funding Reform (Technical Consultation)**

Item no: 6

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Date: 11th March 2014

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Summary	This paper summarises the Government's technical consultation on Apprenticeship funding and recommends how the Apprenticeship Sub-Group should respond.
Recommendations	The group is asked to agree to convene a special meeting of interested partners to prepare a formal response to the consultation from London Councils.

1. Background

- 1.1 As set out in "The Future of Apprenticeships in England: Implementation Plan, October 2013", the Government has now opened a technical consultation on funding reform¹.
- 1.2 The Technical Consultation supports the reform principles that the Government has agreed and key funding principles upon which consultation took place last autumn to which the Government committed in the Autumn Statement.

2. Government Principles

- 2.1 The Government's reform principles are:
- Apprenticeships should be based on simpler standards of competence that employers design.
 - There should be more rigorous assessment, including testing at the end of Apprenticeships.
 - Apprenticeship achievement should be graded.
 - There should be a stronger English and maths component.
 - Trailblazers in key sectors should be supported.
- 2.3 The funding principles are:
- Employers should contribute to the cost of training, so that they have a direct interest in the quality of training that is provided. Public funds should therefore co-finance Apprenticeships

¹ <https://www.gov.uk/government/consultations/apprenticeship-funding-reform-in-england-payment-mechanisms-and-funding-principles>

- Apprenticeships should adopt a Payment By Results (PBR) model.

2.4 The Autumn Statement announced that:

- The Government would route Apprenticeship funding directly to employers using HMRC systems;
- There will be a compulsory employer cash contribution for external training costs (excluding English and maths);
- Government would continue to contribute to the costs of training for 16-17 year-olds (and would consider 18 year-olds separately);
- There will be some caps on government funding for Apprenticeships;
- The Government agreed to the principle of PBR in Apprenticeships;
- Special arrangements should apply to small businesses.

3. Technical Consultation

3.1 The Technical Consultation was launched on 7th March 2014 and closes on 1st May 2014. Note: purdah applies from April – May this year.

3.2 The Government makes it clear in the Consultation that it is not re-opening discussion on the principles set out in paragraph 2 above and that it is only interested in issues relating to implementing these principles. The issues covered in the consultation include:

- Supporting Apprentices aged 16 and 17;
- Additional support for small businesses;
- Employer / government co-investment is set to be market driven and cover external training and assessment separately, but the precise amounts will draw on the experience of Trailblazers and there will be a maximum government contribution;
- Funding for English and maths
- PBR
- Learners with Learning Difficulties and / or Disabilities
- Higher Apprenticeships
- Application of the funding principles to specific types of providers, such as Apprenticeship Training Agencies and those specialising in work with the Armed Forces

3.3 Two payment mechanisms are set out in the consultation:

- PAYE.
- Apprenticeship Credit

The consultation explains the possible working of these mechanisms and asks for specific comments on their effects on company cash flow, costs in administration and flow of essential information to make them work. The consultation concludes with a suggested timetable for changing to either of the revised payment mechanisms and asks for suggestions on sector readiness.

4. Recommendation

4.1 The group is asked to agree to convene a special meeting of interested partners to prepare a formal response to the consultation from London Councils.