

The Future of Apprenticeships in England: Funding Reform Technical Consultation - response form

A copy of the consultation on **The Future of Apprenticeships in England: Funding Reform Technical Consultation** can be found at:

www.gov.uk/government/consultations/apprenticeship-funding-reform-in-england-payment-mechanisms-and-funding-principles

You can email or post this completed response form to:

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The Department may, in accordance with the Code of Practice on Access to Government Information, make available, on public request, individual responses.

The closing date for this consultation is: **1 May 2014**

Confidentiality & Data Protection

Please read this question carefully before you start responding to this consultation. The information you provide in response to this consultation, including personal information, may be subject to publication or release to other parties. If you do not want your response published or released then make sure you tick the appropriate box.

☒ Yes, I would like you to publish or release my response

☐ No, I don't want you to publish or release my response

Your details

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Please tick the box below that best describes you as a respondent to this consultation

☐ Business representative organisation

☐ Independent Training Provider

☐ College

☐ Awarding Organisation

☐ School

☐ Charity or social enterprise

☐ Individual

☐ Legal representative

☐ Local government

☐ Large business (over 250 staff)

☐ Medium business (50 to 250 staff)

☐ Small business (10 to 49 staff)

- ☐ Micro business (up to 9 staff)
- ☐ Professional body
- ☐ Trade union or staff association

X Other (please describe)

London Councils represents all 32 London boroughs, the City of London, the Metropolitan Police Authority and the London Fire and emergency Planning Authority. London Councils is committed to fighting for more resources for London and getting the best possible deal for London's 33 councils. We develop policy, lobby government and others, and run a range of services designed to make life better for Londoners.

A number of these questions are directed at employers of apprentices. However, responses to those questions are welcome from all types of organisation.

Funding principles

Question 1: Whilst the principles of the new funding system are now firm, please detail any issues relating to their implementation that you believe need to be taken into account and, if so, how?

London boroughs have two critical roles in Apprenticeships:

1. As employers, local authorities employ significant numbers of Apprentices in a number of different occupations. London boroughs have created over 3,700 apprenticeships in the four years up to 2012/13 and collectively employ around 700 apprenticeships at any one time;
2. By working with their suppliers, local developers and small businesses, local authorities exercise considerable influence on employment practices in their localities. London boroughs encourage and help their suppliers and local businesses to take on apprentices and consequently have first-hand knowledge of the barriers employers face.

We do not concur that the results of the July 2013 consultation provide a firm endorsement of the principles of the new funding system. Both in terms of the volume of responses from businesses (just 80 received) and the level of support for the government's proposals (less than half of those responding agreed with the options the direct payment or PAYE models), the previous consultation does not provide a strong mandate for untested change.

"Employers in general were satisfied with the amount of influence they had over the content, structure, and assessment of the training which comprised the Apprenticeship and were not actively looking to increase the amount of influence they had over these features. Many employers, especially those which had a relatively high degree of engagement with the Apprenticeship system, had achieved, over the years, a good fit between the strictures of the Apprenticeship framework and the needs of their business needs"

Employer Routed Funding: Employer Responses to Funding Reform (BIS Research report No 161); Hogarth T, Adams L, Gambin L, Garnett E & Winterbottom M; Department for Business Innovation and Skills. HM Government; London; March 2014 [Executive Summary]

We consider this consultation to be premature for the following reasons:

- Not enough time has been given for the Trailblazers to truly test some of the underlying principles of the reform
- The options proposed are insufficiently developed and would benefit from additional, detailed piloting so that the impact of change can be better assessed. London Councils is especially concerned at the potential for destabilising apprenticeships at a time when there is the need for greater effort to promote their benefits; particularly as part of Raising the Participation Age

London Councils is disappointed that, in this consultation, insufficient regard has been paid to our earlier submission:

- A 'one size fits all' funding approach is not suitable for a diverse economy. Government should pilot a flexible funding model that incentivises all employers and does not negatively impact the growth and quality of the apprenticeship programme.
- Apprenticeship programmes for 16 to 19 year olds should remain fully funded.
- Any funding model should be piloted before implementation to allow for the early identification and prevention of unintended consequences of reforms that impact on the quality of provision.
- All employers in receipt of public funds and responsible for its use should be audited to prevent poor use of funds.

While London Councils supports the principle of employers having greater influence over apprenticeships, the proposed options here could lead to unintended consequences, including:

- Our discussions with local authorities and providers (who have extensive links with employers) and the Federation of Small Businesses [FSB] confirm the risk that there will be reduced employer demand for apprenticeships, particularly among small employers, because of the additional bureaucracy involved. Both payment options proposed involve changes and investment in a new system. The PAYE model requires a system upgrade and may result in increased costs for employers. The Apprenticeship credit model requires separate registration. London boroughs, as large employers, are concerned that the increased bureaucracy and cost (as many outsource their payment systems) will reduce the number of apprenticeships managers in their organisations are willing to take on;
- Reducing the quality of apprenticeships, as providers persuade employers that they can provide the least expensive option;
- Employers being reluctant to take on apprentices from more disadvantaged backgrounds, given that it is proposed that a proportion of their funding will be held back upon successful completion of a final assessment (a proposal about which some concern has been expressed during discussions with the FSB);
- Increasing the risk to providers, especially smaller “niche” providers – changing the funding system in this way reduces financial viability and jeopardises their ability not just to deliver apprenticeships, but other programmes as well.
- Increased risk to Raising the Participation Age – the combined effects of reduced employer demand, reduced quality and a diminished supplier base materially affects Local Authorities’ fulfilment of their statutory duties to ensure adequacy and sufficiency of places and the September Guarantee.

*“If faced with the prospect of co-investing in Apprenticeships at a level equivalent to 20 or 50 per cent of the funding currently provided by Government employers provided a range of views about how this would affect their Apprenticeship programme. In general, at the 20 per cent level, employers thought that at best it would have no impact on their training and at worst it would reduce the number of apprentices they trained. **Some employers commented that at this level it may lead them to withdraw from Apprenticeships.***

At the 50 per cent level of co-investment, at best there would be a reduction in the number of apprentices trained and at worst it would result in employers withdrawing from Apprenticeships. Many employers said that at 50 per cent they would strategically review their continued involvement in Apprenticeships and explore whether more cost effective options were available”

Employer Routed Funding: Employer Responses to Funding Reform (BIS Research report No 161); Hogarth T, Adams L, Gambin L, Garnett E & Winterbottom M; Department for Business Innovation and Skills. HM Government; London; March 2014 [Executive Summary]

Both of the options proposed have their flaws and we are not convinced that these can be eliminated without testing.

We have further concerns about the impact of changes in the level of funding, especially for 16-17 year-olds, and the withdrawal of area uplift funding, which is of particular concern in London where delivery costs outstrip those in other parts of the country.

While the government has committed to make additional payments for small employers and towards the costs of training a 16-17 year-old apprentice, the lack of detail about these payments makes it difficult to judge if these would reduce the impact of the unintended consequences outlined above.

Question 2: Please comment on how, or to what extent, the new funding principles and mechanism can be applied in practice to ATAs, authorised non-employed apprentices and the Armed Forces.

We are concerned that the government has not taken the opportunity to pilot its proposals with ATAs before proceeding with this consultation, particularly as ATAs are proving to be an effective mechanism through which small businesses and specific sectors can engage apprentices.

Payment mechanism options – eligibility and registration

In respect of questions 3-17 inclusive, we do not agree that the results of the earlier consultation provide a firm endorsement of either of the proposed mechanisms and the lack of detail about the options makes it difficult to comment on them.

Question 3: What sort of information would you need at the outset from a new employer website for Apprenticeship registration and funding, to give you the certainty to employ an apprentice?

Question 4: When, relative to recruiting an apprentice, would you want to know how much funding you would be eligible for?

Question 5: How can data collection requirements be minimised in the reformed funding system?

Payment mechanism options - PAYE model

In respect of questions 3-17 inclusive, we do not agree that the results of the earlier consultation provide a firm endorsement of either of the proposed mechanisms and the lack of detail about the options makes it difficult to comment on them.

Question 6: How would the PAYE model impact on the cash flow of your organisation?

Question 7: If you have multiple payrolls or outsource your payroll, how would the PAYE model work for your organisation?

Question 8a: Do you envisage additional charges for the PAYE model, such as through the update of payroll software?

Yes ☐

No ☐

Don't know ☒

Please explain your response:

Question 8b: Do you already have to regularly update the software you use and pay for those updates?

Yes ☐

No ☐

Don't know ☒

Please provide details of costs:

Question 9a: If you have multiple apprentices, how easy would it be for you to calculate your PAYE deductions?

Easy ☐

Reasonably easy ☐

Difficult ☐

Don't know ☒

Please explain your response:

Question 9b: How confident are you that you would be able to calculate the correct deductions?

Very confident ☐

Reasonably confident ☐

Not confident ☐

Don't know ☒

Please explain your response:

Question 9c: If you did make an error, are you confident that it would be simple to resolve?

Very confident ☐ **Reasonably confident** ☐ **Not confident** ☐ **Don't know** x

Please explain your response:

Payment mechanism options - PAYE model for employers who do not make sufficient PAYE payments:

In respect of questions 3-17 inclusive, we do not agree that the results of the earlier consultation provide a firm endorsement of either of the proposed mechanisms and the lack of detail about the options makes it difficult to comment on them.

Question 10a: How easy would you find the process of reimbursement funding?

Very easy ☐ **Reasonably easy** ☐ **Difficult** ☐ **Don't know** x

Please explain your response:

Question 10b: What impact would this have on your organisation's finances?

Question 10c: Would this impact on your decision to employ an apprentice?

Yes ☐ **No** ☐ **Don't know** x

Please explain your response:

Question 11: Are there any other issues you would like to raise in connection with the PAYE model more generally? If so, please provide details.

Payment mechanism options - Apprenticeship Credit model:

In respect of questions 3-17 inclusive, we do not agree that the results of the earlier consultation provide a firm endorsement of either of the proposed mechanisms and the lack of detail about the options makes it difficult to comment on them.

Experiences of other online accounts and services

Question 12a: Do you already use online accounts, payment gateways and electronic payments (in purchasing training or any other service or product for your organisation)?

Yes ☐ **No** ☐ **Don't know** x

Question 12b: What could be learnt in the design of an Apprenticeship Credit from any existing online accounts and payment gateways that you use?

Question 13: What is most important to you in relation to setting up an online account e.g. simplicity, security etc?

Setting up your Apprenticeship Credit account

Question 14: Would you want to set up your Apprenticeship Credit account before or after negotiating and agreeing training with a training provider?

Before ☐

After ☐

Don't know ☒

Please explain your response:

Making payments into your Apprenticeship Credit account and paying training providers from your Apprenticeship Credit account

Question 15: What might determine the frequency of your payments into the Apprenticeship Credit account?

Question 16: How would the Apprenticeship Credit account affect your cash flow?

Question 17: Are there any other issues you would like to raise in connection with the Apprenticeship Credit model in particular? If so, please provide details.

Assurance

Question 18: What factors need to be taken into account in the development of an approved register?

Great care must be taken not to confuse a Register that supports procurement activity and genuine assessment of quality. The Approved Register mentioned in the consultation document provides some assurances on integrity and business practices; it was not designed primarily as an instrument for assuring the quality of education and training. Similarly, there have been other initiatives in the past that have tried to introduce substitute measures (such as 'success rates' or feedback) for the quality of teaching and learning, but these have proved to be ineffective. We are sceptical that an 'Approved Register', along the lines envisaged in the consultation, will be fit-for-purpose and more thought is needed on how to make more reliable sources of information, such as Ofsted reports, more relevant to Apprenticeship provision and more easily understood by employers, parents and young people. Supplementary data should be very specific to the delivery of Apprenticeship programmes.

Question 19: How can burdens on employers be minimised whilst providing assurance for the funding systems and enabling good budget management?

While the system should be simple to operate, the principle should hold firm that responsibility for quality follows the funding, as does primary accountability for its use. Simplicity must not override this principle. Past experience shows this to have been the fundamental flaw in other 'employer-led' systems such as Train to Gain and Individual learning Accounts / Training Credits – recipients of Public Money need to be audited properly.

Question 20: What support should government provide to help employers manage the relationship with their training providers to protect their investment and that of the government?

We are greatly concerned at the possibility of a growth in 'brokers' or managing agents who will divert resources away from the front-line. Providers will inevitably take some resource currently used in delivering quality programmes and use it instead for promotion – this is regrettable and will only serve to delay the type of improvements that Apprenticeships desperately need.

Testing the funding principles with Trailblazers

Question 21: What information or support needs to be provided by government and its agencies to employers so that the funding principles can be tested via the first standard-based Apprenticeships?

The Trailblazers should have been given more time to test the funding mechanisms more fully and, in particular, for them to include extensive working with SMEs.

Helping employers, providers and other stakeholders prepare for full implementation

Question 22: What needs to be included in a sector readiness programme for all employers, providers and other stakeholders to support full implementation of reformed Apprenticeships?

We doubt whether the level of support currently provided by Relationship Managers is sustainable, given the degree of change being implemented in the SFA / NAS during its current reorganisation. London Councils is keen that the government pilots this proposed change on a smaller scale first, paying particular attention to the impact on small businesses; overall take-up of apprenticeships; and take-up of apprenticeships by disadvantaged young people and learners with disabilities. This would inform the content of a sector readiness programme.

Transition from frameworks to standards

Question 23: Please detail any particular funding issues or concerns that you believe need to be taken into account during the transition period.

Thank you for taking the time to let us have your views on this consultation. We do not acknowledge receipt of individual responses unless you tick the box below.

Please acknowledge this reply ✓

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