

Consultation on Funding Reform for Apprenticeships in England

Introduction

In July 2013 the Department for Business Innovation and Skills and the Department for Education published '[A Consultation on Funding Reform for Apprenticeships in England](#)'. The consultation identifies fifteen questions for which the Government is seeking responses; the deadline for responses to Government is **1 October 2013**. This briefing provides a summary of the consultation proposals and includes the consultation questions under the relevant headings of this briefing.

Background

The [Richard Review of Apprenticeships](#), commissioned by the Government and published in November 2012 recommended that employers should be given greater control over Apprenticeships. Doug Richard concluded that the quality of Apprenticeships should be increased to ensure they were rigorous and responsive to the needs of employers.

The Government accepted Doug Richard's principles for reform and published a [consultation](#) on the implementation of the principles in March 2013; a response to the consultation was submitted by Somerset ESB. The Government expects to publish an implementation plan on the reforms consulted on, in autumn 2013. In the meantime, in July 2013, the Deputy Prime Minister, Nick Clegg, [announced](#) a review of the employment, education and training of 16 to 24 year olds, which will also report to the Government in the autumn.

Consultation Proposals

The Government wants to encourage employers to have a stronger incentive to demand high quality training from providers. Currently only 11% of Apprenticeship employers make direct financial contributions to training providers for Apprenticeship training. The consultation proposes moving to a model where employers 'have stronger incentives to demand relevant, high-quality training of good value'. The consultation paper states the reforms will lead to a more normal supplier relationship between training providers and Apprentice employers. The Government sees the following principles as central features of a reformed funding system:

- The employer is the customer
- The employer co-invests
- Government does not set the price of training
- Payment on results

Question 1: Would businesses be prepared to pay more for Apprenticeship training in return for greater influence over its content and delivery?

Question 2: What would be the impact of greater co-investment on businesses' decisions to recruit and train Apprentices? And on how businesses deliver Apprenticeship training and deal with training providers?

Question 3: What are the advantages and disadvantages of placing government funding in the hands of employers, rather than paying it directly to training providers?

Question 4: Would businesses be willing to negotiate the price of training with providers, and what would help them to do this?

Question 5: Would the funding principles outlined here raise the quality of training, and its relevance and responsiveness to businesses' needs? Why? Why not?

Question 6: What would be the impact of these funding principles on the experience and future prospects of Apprentices?

The consultation proposes three different models for a new system for funding apprenticeship programmes, with the aim of identifying the 'best way to position employers as the customer'. The four elements of the proposed models, registration, training, assessment and compliance, are outlined below.

Direct Payment Model

Businesses would register Apprentices and report claims for Government funding through a new online system. Government funding is then paid directly into their bank account.

Registration

- An employer would register Apprentices through a new online system to determine whether they are eligible for funding and for how much.
- Basic information about the apprentice and the employer would be collected through this system, as well as bank account information.

Training

- The employer determines the training the Apprentice requires to reach the industry standard, in consultation with training providers and the apprentice.
- The employer decides on a registered provider to deliver the training and makes payments to the provider, according to an agreed payment schedule. These amounts are reported through the online system.
- The online system processes the employer's claim and the employer receives a payment into their bank account from the Government for the agreed support.

Assessment

- The employer chooses an assessment body for the qualification the apprentice has received training for.
- Employers pay the chosen body and report the amount to claim government funding in the same way as for training expenditure.
- Once the apprentice has been assessed as reaching the industry standard, the employer reports this through the online system. The assessment body would also confirm through the online system that the Apprentice has successfully achieved the required standard.
- A proportion of Government funding held back until successful completion would then be paid directly into the employer's bank account.

Compliance

- A compliance process will audit employers on a risked-based approach to ensure employers are claiming the correct level of funding for eligible Apprenticeships delivered by registered training providers.

Question 7: What are the advantages and disadvantages of providing government support for Apprenticeships in this way?

Question 8: How should this system be designed to ensure it is easy to engage with – for employers and training providers?

PAYE Payment Model

Businesses would register Apprentices through a new online system and then recover government funding through their PAYE return.

Registration

- An employer would register Apprentices through a new online system in the same way as in the above models.
- Employers would provide their HMRC Pay as You Earn (PAYE) reference number to allow them to recover Apprenticeship funding from the Government through the PAYE system.

Training

- As above, the employer would identify the relevant training and pay the training provider.
- Before the employer submits their PAYE return, they will calculate the amount to claim from the Government for funding, using an online calculator.
- The online calculator would determine the amount to be deducted from the PAYE return employers make to HMRC.
- If the amount to claim was greater than the amount to pay through the PAYE return, an online application for additional funding would have to be made or alternative ways of providing funding outside the PAYE process would be developed.

Assessment

- As above, the employer chooses an assessment body, pays the body and reports the amount to claim government funding through the online system
- Once confirmation through the online system is received from the assessment body, the outstanding payment for government funding withheld will be able to be recovered by the employer through their next PAYE return.

Compliance

- As in the above model.

Question 9: What are the advantages and disadvantages of providing government support for Apprenticeships in this way?

Question 10: How should this system be designed to ensure it is easy to engage with – for employers and training providers?

Provider Payment Model

Government funding would continue to be paid to training providers, but training providers would only draw this funding down when they have received the employer's financial contribution towards training.

Registration

- The employer selects a single registered provider to deliver an Apprentice's training. Some parts of the training can be subcontracted to other providers if they offer better value for money, with the agreement of the employer or training provider.
- The provider is responsible for registering the Apprentice once they have been chosen by the employer, in a similar way as under the current system.

Training

- The employer would make payments to the provider for their share of the costs of the Apprenticeship.
- Once the provider has received the employer's contribution the provider would then claim Government funding directly from the Government.

Assessment

- The employer will pay the chosen assessment body, which would then be eligible to draw down government funding in the same way as the training provider. The training provider would claim

any outstanding funding withheld, once it has reported successful achievement of the industry standard.

Compliance

- Providers will be audited to ensure they have collected employer contributions towards Apprenticeship training before drawing down the correct amount of government funding.

Question 11: What are the advantages and disadvantages of providing government support for Apprenticeships in this way?

Question 12: How should this model be designed to ensure it is easy to engage with – for employers and training providers?

The consultation outline three high-level options, however, the Government recognises the detail of the models need to be further developed, hence it is inviting views at this stage. The Government estimates that Models 1 and 2 could be operational by 2016 at the earliest, as it will require the development of a new online system. The consultation states that the Government also recognises the importance of ensuring the transition between the current system and the new system is well managed.

Question 13: All things considered, which is your preferred model and why?

Question 14: What should the government take into account when making the transition from the current system to your preferred model – or any other models?

Question 15: What impact would adopting your preferred model – and the other models – have on businesses' engagement with and approach to Apprenticeship training?