



Department
for Business
Innovation & Skills

**The Future of Apprenticeships in
England: Funding Reform Technical
Consultation**

Interim Statement

JULY 2014

Update on the Apprenticeship Funding Reform Technical Consultation

In “The Future of Apprenticeships in England: Funding Reform Technical Consultation”, the Government asked for views on its plans to change how Apprenticeships in England are funded. These changes are an integral part of our wider reforms to make Apprenticeships more rigorous and more responsive to the needs of employers. We want to give employers direct control of government funding, empowering them to select the training and services which best meet the needs of their apprentices and their business.

Building on the 2013 Apprenticeship funding consultation, we sought feedback on the practical implications of two different ways to route Government funding for Apprenticeship training via employers. One approach sees employers paying for training their apprentices receive and then deducting the Government’s funding contribution from their next PAYE payment. The other sees the employer paying for training via an Apprenticeship Credit account, which automatically ‘tops up’ their payment with the Government contribution.

The consultation closed on 1 May 2014 and received an excellent rate of response. Over 1400 written submissions were received, in addition to extensive feedback collected through visits, focus groups and roundtable discussions with employers, training providers and other delivery experts. We are grateful to all who took the time to share their views and are carrying out a thorough analysis of this feedback. Due to the volume of responses received, this analysis is still on going. We intend to publish the results in the autumn, along with details of which payment mechanism will be implemented, in line with the timetable set out in the consultation document.

In the meantime, our initial consideration of the consultation feedback has identified a number of common questions, on which we can offer some clarification now, pending a fuller response in the autumn:

Q. Will the new payment mechanism work for small businesses?

Yes. The Government is committed to developing a system that will be accessible and user-friendly for employers of all sizes, including micro businesses and sole traders. We are giving careful consideration to feedback from both the previous funding consultations about how cash flow pressures, administrative burdens and other potential barriers to small business participation can best be addressed. And we are continuing to involve small businesses and their representatives in the design and development of the new system, to ensure it reflects their needs and priorities.

Q. Will employers be required to meet the full cost of training upfront and claim the Government contribution at a later date?

No. Whichever payment mechanism is implemented, the employer and provider will be free to agree a mutually convenient payment schedule; and the Government

contribution can be drawn down from the point when the employer makes a payment for training or assessment.

Q. Will all apprentice employers be subject to Ofsted inspection under the new system?

No – not unless they are acting as approved training organisations in their own right and using the core Government contribution to fund in-house training for their apprentices. This is exactly the same as the current position.

Q. Will training providers still be able to assist employers with apprentice recruitment, registration and other ‘wraparound’ services?

Yes. Training providers will continue to play a vital role in supporting employers with all aspects of an Apprenticeship, as they do now. If employers want to, they will be free to ‘outsource’ the day to day management of their Apprenticeship to a training provider or a third party. This could include help with apprentice recruitment, registration, developing training plans, keeping track of training delivered and recording payments made through the new funding system.

Q. Are there plans to test out any new payment system before it is implemented?

Yes. Any new payment system will be fully prototyped and tested with live users to ensure it is simple, secure and easy to use before it is implemented. We will also consider whether a phased approach to implementation may be appropriate, building on the ‘early adopter’ approach used by the Trailblazers in developing and rolling out new employer-owned Apprenticeship standards.

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