



Skills Funding
Agency

Proposals for a Register of Apprenticeship Training Providers

August 2016

Of interest to training providers that want to deliver apprenticeship training from May 2017.

Background to apprenticeship reforms

1. The government is committed to significantly increasing the quality of apprenticeships and providing employers with more control in how apprentices support their business needs. New high-quality apprenticeship standards are being designed by employers to ensure they meet the needs of each industry. To bring about the step change in the scale and quality of the apprenticeship programme that is needed, a change is also needed in the way apprenticeships are funded, increasing employer control.
2. The successful operation of the new levy system will require employers to take control over selecting the right training provider for them. There will be a new digital apprenticeship service to enable employers to search and select a training provider that is right for them. All employers will have access to this provider search facility.
3. It is therefore crucial for an employer-led apprenticeship system to be underpinned by a high-quality, flexible and responsive provider base. From May 2017, the apprenticeship provider base could change significantly: we welcome employers delivering training directly to their staff; universities delivering higher and degree apprenticeships; FE colleges and independent training providers competing in this broader market; and new types of providers entering the market.
4. We expect demand for apprenticeships to increase rapidly over the next few years, fast becoming the largest part of the vocational market. Training providers will need to be more commercial in their approach and compete for business to take advantage of the increase in demand.
5. In particular, providers need to be developing curricula that meet the needs of high-quality standards as frameworks are withdrawn, and tailoring their offer to employers' needs.
6. When the digital apprenticeship service is introduced in May 2017, levy-

paying employers ('levied employers') will purchase their apprenticeship training directly from providers using the digital apprenticeship service. This means that the SFA will no longer procure and contract with training providers for delivery of apprenticeships to levied employers. The SFA will however make payments to providers for their delivery.

7. Employers who do not pay the levy, will not use the digital apprenticeship service to pay for apprenticeship training and assessment until at least 2018.
8. We want to ensure that employers who do not pay the levy can access apprenticeships in the same way as they do now during this transitional period. To make this happen, the SFA will need to run a procurement for delivery of apprenticeship training to non-levied employers and award contracts to the successful providers. After this transitional period has ended, non-levied employers will purchase their apprenticeship training directly from training providers using the digital apprenticeship service in the same way as levied employers.
9. Whether levied or non-levied, each employer will select one 'lead' or 'main' provider per apprentice. An employer may have numerous apprentices undertaking many different apprenticeship frameworks and standards, but it is the role of the employer to determine which provider they want to train each of their apprentices. For example, the employer may want to select one provider for all of its business administration apprentices and another provider for its engineering apprentices. Equally, the employer could select one provider for some of its business administration apprentices and another provider for the remainder.

Start date for the new apprenticeship funding system

10. The levy will come into effect in April 2017. Employers will declare levy payable based on payroll year to date. Therefore the first time eligible employers will have to declare their liability to HMRC will be in May 2017 for levy due on their April payroll. Levy-paying employers will be able to see

corresponding funds in their digital accounts shortly after their final declaration to HMRC, so after 22 May. To simplify the employer experience of the new apprenticeship funding system, we are proposing that the new funding rates and rules come into effect from 1 May 2017.

11. Levy-paying employers will be able to purchase training through the new digital system from the very start of May, as the earliest payments for training will leave their digital accounts in the following month. This is because the new system will make payments to providers one month in arrears for the training they report has been delivered.
12. Those employers that do not pay the levy will continue to access the current funding system until the terms change on 1 May 2017, after which the new funding approach will come into effect.
13. The proposed new Register of Apprenticeship Training Providers would take effect from 1 May in line with this.

Why a new register is needed for apprenticeships

14. The SFA currently uses its Register of Training Organisations to obtain assurance about providers delivering many different types of publicly funded education and training. In an employer-led apprenticeship system, we recognise the need to:
 - Provide assurance to employers, as well as to the government, that is focused solely on apprenticeships;
 - Allow employers who wish to deliver training to their own employees to do so;
 - Set a high bar for providers to meet if they want to deliver apprenticeships in the future.
15. To support this change, we plan to create a Register of Apprenticeship Training Providers (RoATP). Training providers must apply to join the RoATP if they want to deliver apprenticeships to any employer from May 2017. The RoATP will provide a level of assurance to employers, but employers will

also want to assure themselves that a provider is suitable to deliver their apprenticeship programme.

16. As stated in paragraph 8 above, in addition to this, the SFA will run a procurement exercise for the delivery of apprenticeship training to non-levied employers until at least 2018, until these employers purchase training through the digital apprenticeship service. SFA will award contracts to successful providers. We expect this to be a one-off procurement, although we reserve the right to run a subsequent procurement should the need arise. More information on the timing of the procurement and the launch of the RoATP is set out in the next steps section of this paper.
17. The RoATP will be separate from the Register of Training Organisations (RoTO), which will continue to operate for the Adult Education Budget and Advanced Learner Loans. Organisations currently on the RoTO to deliver apprenticeships will need to apply to the new register if they wish to continue to deliver apprenticeships. There will be no automatic transfer from RoTO to the RoATP.
18. Our plans for the RoATP have been informed by our consultation to date with groups of employers, providers and other stakeholders, including independent training providers, FE colleges, and Higher Education Institutions.
19. We welcome feedback on the proposals contained in this document through the following [link](#).

Eligibility to apply

20. Our proposal is that any organisation that wants a role in delivering apprenticeship training from May 2017 must apply to the RoATP. This is a significant change from the current position, where subcontractors delivering less than £100,000 of SFA funded provision per year do not need to apply. We think this change is needed in a world where employers will be able to

contract directly with their chosen provider on the RoATP to deliver their apprenticeship training. It will ensure the whole provider market is visible to the employer and enable those direct relationships, which are critical to ensuring provision meets employer need and represents value for money. It will also give assurance to employers that all apprenticeship providers have met the same high bar. We anticipate that many different types of organisations will want to apply, including independent training providers, FE colleges, future college Apprenticeship Companies, universities, employers and public sector organisations.

21. In the current system, there are a number of organisations that do not deliver any apprenticeship training themselves, but act as the umbrella for the delivery of a number of other providers. In the future system, we want all employers to have a direct relationship with their training provider(s), giving them maximum control to ensure value for money and quality of provision. We therefore propose that managing agents, intermediary bodies, consortium leads, brokerage organisations or any other similar entity that does not itself deliver education and training to apprentices, should not be eligible to apply to the RoATP. This is because, in an employer-led system, it is right that employers have confidence that the organisations on the RoATP do provide apprenticeship training rather than being a route through to other training providers. This would ensure that public funds cannot be used for the costs of intermediaries, though employers could engage these types of services at their own cost.

Question: Do you agree with the proposal that all organisations wanting to deliver apprenticeship training must apply to the new RoATP, and that they must directly deliver some apprenticeship training themselves? In what instances do you think it might be difficult to move to this and why?

The future role of subcontracting in apprenticeships

22. For many years, the apprenticeship delivery market has developed around a

'lead provider' and 'subcontractor' model. This situation has evolved over time due to many factors, but in a system where employers can make their own choice of provider from the RoATP, there is a need to reconsider the role and value of subcontracting within apprenticeships.

23. Given the direct contractual relationship that levy-paying employers will now have with providers, we propose that one of the current subcontracting models, where a provider funds another provider to deliver an agreed number of full apprenticeships, in many cases to employers that the original provider has no relationship with, is now redundant. We propose that this arrangement adds no value for employers when employers will be able to select either provider directly from the RoATP.
24. We propose that the right role for subcontracting in the future is for it to be focused around meeting employer needs for flexibility and responsiveness. If agreed with an employer, a provider would be able to supplement its own delivery by bringing in expertise from supporting providers to deliver parts of apprenticeships. The expectation is that the main provider will deliver significantly more than half of each apprentice's training and at all times will maintain the relationship with the employer. We have included two illustrations of this below.
25. For instance, an employer may want an apprenticeship programme that covers more than one subject area, and the main provider it wants to work with is unable to meet in full all of the employer's requirements where this falls outside of their primary expertise. For example, the employer selects a provider to deliver training to its 20 engineering apprentices. The employer subsequently decides to employ a procurement apprentice, which the provider can only deliver in part, so engages another provider to support its training of that apprentice.
26. Alternatively, an employer may want to work with a provider that can deliver the vast majority of an apprenticeship, but does not have the expertise to

deliver all of the elements, such as a specific piece of training that is not widely available. For example, a provider is delivering maintenance technician apprenticeships for an employer. There is a need for delivery of some specialist hydraulics training as part of that, which the main provider is unable to supply. In this scenario, the main provider could appoint a supporting provider to deliver the hydraulics training, with the employer's agreement.

Question: Do you agree with the proposition that sub-contractors and supporting providers should be limited to delivering significantly less than half of each apprentice's training and therefore receiving significantly less than half of the agreed price for each apprenticeship?

Question: Do you agree that this proposition should apply to all providers, including employer-providers wishing to act as a supporting/sub-contracted provider to a main provider?

Application routes

27. As set out above, we intend to require all organisations that want to deliver apprenticeship training in the future, to apply to the RoATP. We are considering the possibility of three application routes. The majority of organisations will apply through a main application route. We are also seeking your views about the value of creating a separate application route for providers who do not have capacity and capability to deliver a full apprenticeship, but who can add value to the delivery of apprenticeships. There will also be a separate registration process for employers who want to train their own employees. These routes are discussed further below:
28. We expect the vast majority of applicants to come through the main route. Organisations will follow the **main route** if they:
 - want to be eligible for selection by levied employers to deliver apprenticeship training.

- want to participate in the SFA procurement for delivery of apprenticeship training to non-levied employers.
- have the capacity and capability to deliver all of, or the majority of, each of the frameworks and standards they offer;
- want to deliver parts of frameworks and standards under a subcontracting arrangement with another provider on the main register.

29. We understand that some organisations will only have capacity and capability to deliver parts of apprenticeships on a small scale. We are seeking views on the value of setting up a separate application route for those organisations that only want to support a main provider's delivery to an employer in this way. This would act as an entry route to the market, giving these providers the ability to scale up and apply to the main route in due course. Those successful through this supporting route would not have a direct relationship with the employer and so would not be eligible for selection by employers through the digital apprenticeship service. They would be subject to the same quality, financial health and due diligence tests as those entering the main route, but we would make the capacity and capability tests proportionate to the scale and nature of their delivery. As set out in the sub-contracting section above, they would be limited to delivering significantly less than half of each apprentice's training and therefore receive significantly less than half of the agreed price for each apprenticeship.

Question: What merit is there of having a separate 'supporting' application route for providers who only have capacity and capability to deliver parts of apprenticeships on a small scale, in support of the main provider's delivery?

30. Organisations would follow the **employer-provider route** if they are levied employers who want to deliver training solely to their own staff. We propose that this route will require employers to meet the same quality criteria, but we are looking for other criteria to be proportionate and appropriate. For example, we would not ask employer-providers to confirm details of legislation they will

be complying with through their employment of the apprentices. By 'own staff', we mean the levy-paying employer's staff, rather than staff in their wider group, supply chain or other associated businesses. They would not be eligible for selection by other levied employers to deliver apprenticeship training and would not be eligible to participate in the SFA procurement.

Question: Do you agree with the proposal for a separate application route for employers wishing to deliver to their own staff?

31. A separate employer-provider guide will be published.

Applicant tests

32. We propose that the RoATP process should have a strong focus on applicants' capability to deliver high quality apprenticeships, supported by applicants' fitness and ability to receive public funding.

33. Our intention is to ask all applicants a number of questions that will be divided into three tests:

- a. Due diligence test.
- b. Financial health test.
- c. Quality, capacity and capability tests.

34. Applicants must pass all three of the tests to be included on the RoATP. We propose that the due diligence and financial health tests remain broadly similar to those that are used currently within the Register of Training Organisations. We intend to raise the bar through a new set of quality, capacity and capability tests.

Due diligence test

35. As now, we will collect and verify factual information about the legal status of organisations applying to the RoATP, their directors and senior leaders

and compliance with legislation and regulations. This information will be broadly similar to the information we collect from applicants to the current Register of Training Organisations.

36. We will tailor our questions to fit specific circumstances where appropriate. For example, we will not ask applicants to the employer-provider route about legislation that they will already be complying with as an employer.

Financial health test

37. We propose to continue with the current approach under the Register of Training Organisations, whereby:
 - a. We have a differentiated financial health test for different groups of applicants, based on the level of risk of the applicant ceasing trading, and subsequently, the level of risk to public funds. We propose to continue to exempt colleges and public sector organisations from the financial health test due to their current low risk of insolvency. We will keep the appropriateness of this approach for colleges under review, reflecting the outcome of the current consultation on the development of an insolvency regime for the sector.
 - b. Where applicant groups are already subject to financial assurance by recognised regulatory bodies, we propose to take assurance from those bodies. We propose to continue to seek assurance from the Higher Education Funding Council for England (HEFCE) about the financial health of higher education institutions with degree-awarding powers who are funded by HEFCE, as they will already have met HEFCE's financial assurance tests.
38. For levied employers applying to the employer-provider route, we are considering our approach to the financial health test. Currently, we exempt employers from the financial health test who have an annual turnover of more than £100 million and whose funding from the SFA is

less than 5% of their annual turnover. We are considering a reduction to these thresholds because they will exceed the turnover of many levied employers.

39. For all other applicants to the main application route, including independent training providers and employers, we are proposing that:
- Those who have traded for a sufficient period to file accounts have their financial health tested through a review of their latest accounts. We will use the information contained in the accounts to test the provider against the same three key ratios as we currently use – solvency, profitability and gearing. Only providers whose financial health is assessed as ‘satisfactory’ or better, will be successful in the financial health test. We are proposing that we no longer accept supporting information, such as business plans, forecasts and management accounts, from these providers.
 - Those applicants who have not traded for a sufficient period to file accounts are asked to provide 12 months forecast figures and management accounts.
 - Organisations who are not yet trading are ineligible to apply because any information supplied cannot be substantiated, which is an insufficient basis for measuring financial health.
 - We no longer accept director or parent company guarantees in support of an application. Although we appreciate that it can be usual for commercial businesses to experience a temporary dip in financial performance, guarantees are not transparent and can result in businesses with significant ongoing dips in financial performance remaining eligible to be funded.

Question: Do you agree with our proposals for the financial health test? If not, in what areas would you suggest we amend our approach?

Quality, capacity and capability tests

40. All applicants to the RoATP, regardless of their application route, will be required to pass the quality, capacity and capability tests.
41. We propose that the quality bar should be set the same for all applicants, whereas the capacity and capability bar may differ across the application routes. For example, we would not necessarily seek to establish the capability of an applicant to the supporting provider application route to manage a full apprenticeship programme.
42. We propose to ask all applicants to set out information such as their:
 - apprenticeship training delivery model, including recruitment, off-the-job training and on-programme assessment
 - internal management and delivery arrangements, including staff CPD
 - knowledge, skills and experience of working with employers of differing sizes
 - prior experience and expertise of leaders and staff
 - MI and data management arrangements, including data security
 - arrangements for safeguarding apprentices and learner support
43. We propose to take account of recent Ofsted inspections, particularly where a provider has had their apprenticeship provision specifically graded.
44. We propose that where providers have been inspected by Ofsted, those whose effectiveness has been judged as grade 4 ('inadequate') for apprenticeship provision within the last three years should be ineligible to apply to the RoATP. We propose that those judged as grade 4 overall, but grade 3 or above on apprenticeship specific provision should be eligible to apply to the RoATP.
45. We propose that Higher Education Institutions with degree awarding powers who are funded by HEFCE should be able to include evidence from their Quality Assurance Agency (QAA) reviews, where appropriate.

Question: What specific questions should we ask providers to determine whether they are a high quality apprenticeship training provider?

Question: What evidence of quality, capacity and capability should organisations who are newly established, have no previous experience of delivering apprenticeships or do not have an Ofsted inspection or QAA review on record be asked to provide?

Question: How do we ensure there is sufficient, high quality apprenticeship provision for all employers to access through this register process?

Timeline for applications

46. We propose that the RoATP should open for applications starting in October 2016. Once in steady state, we propose it should open every three months, for a month at a time. We will publish an updated list of registered providers on GOV.UK, making it clear which provider has come through which application route and what this means for them and for employers. Each provider must re-apply every 12 months if they want to maintain their registration.
47. We will also publish key information about providers applying through the main application route, including their sectoral areas of delivery and locations through the 'Find a Provider' feature of the digital apprenticeship service.

Question: Do you agree with our proposal to open the RoATP four times a year? If not, how often should it be open and why?

Removing providers from the RoATP

48. We are proposing that training providers can be removed from the RoATP in the following circumstances:

- Ongoing investigation relating to suspicion of fraud or irregularity, or possible failure to comply with conditions of funding under an existing funding agreement or subcontract.
- Withdrawal of funding following the failure to comply with a Notice of Withdrawal of Funding, or failure to remedy a serious breach of contract within the last three years.
- Information from awarding bodies identifying significant irregularities in the award of qualifications within the last three years.
- Previous activities have resulted in significant repayment of SFA or government funding within the last two years (£100,000 or 5% of contract value, whichever is the higher). This also includes funding paid to a subcontractor to deliver education and training services funded by the SFA.
- Failure to repay funding due to the SFA or other government body, in excess of £50,000.
- Failure to repay funding due under a subcontract to deliver education and training services funded by the SFA in excess of £50,000.
- Two or more instances where the SFA or its agents has audited the provision of a lead provider and identified issues of non-compliance. This is non-compliance with conditions of funding within the last two years.
- Early termination of a funding agreement or a subcontract to deliver education and training services funded by the SFA within the last three years.

49. The SFA can remove from the RoATP any organisation which has a director, governor, senior employee, or shareholder associated with the criteria above. This also applies if they were previously a director, governor, senior

employee or shareholder in another organisation where one or more of the above criteria apply.

50. The SFA can remove from the RoATP any organisation which has a director, governor or senior employee who was dismissed for gross misconduct. This criteria is extended to those who resigned whilst suspended from employment and are subject to a disciplinary investigation concerning allegations of gross misconduct. For organisations with shareholders, this is applicable if the shareholder was previously one of its employees or employed by a predecessor body, or other government body.

51. Where a provider is judged to be inadequate for overall effectiveness, but not for apprenticeships, we propose that they should be permitted to remain on the register. We propose that we would remove them from the register if they are judged to be inadequate for overall effectiveness again at their next inspection.

We will also, working with the Institute for Apprenticeships, look to introduce standards associated with the quality of a provider's actual delivery, enabling us to remove from the RoATP providers who fall below those standards. Over time, we will want to explore the role that employer feedback can play in informing a provider's status on the RoATP.

Next steps

52. We have engaged employers, training providers and sector stakeholders throughout the development of these proposals, and will continue to do so.

53. Employers, training providers and sector stakeholders are encouraged to provide views and feedback on the content of this document.

54. You can respond by completing this [survey](#) by 5 September 2016.

55. We will use your comments to inform our ongoing development of the RoATP. It will open for applications on 3 October 2016 and our first selection of assured providers will be drawn from those who complete their applications by 4 November 2016. The first edition of the RoATP will be published by February 2017.

56. We will also invite applications in October 2016 for apprenticeship delivery for non-levied employers. Successful organisations will be told the outcome by March 2017. We expect this will be a one-off procurement, but if gaps in the market emerge, we may need to procure again.

Question: Are there any 'unintended consequences' of our planned approach and, if so, what are they and how can we avoid them?

Question: Do you have any final comments about our planned approach?



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