



## Department for Business, Innovation & Skills

### The Future of Apprenticeships in England: Funding Reform Technical Consultation – Government Response

#### Our Ambitions for Apprenticeship Reforms

We are committed to making England's apprenticeship programme the best in the world. The focus of our reforms is to make apprenticeships more rigorous and responsive to employers. We are already putting employers in the driving seat in designing apprenticeships so that they focus on exactly the skills and knowledge that is required in the future workforce. This in turn will make apprenticeships more attractive to more employers and continue to deliver strong returns for both individuals and the economy. Our reforms are underpinned by the principle that the purchasing power for investing in apprenticeship training should also lie with the employer - giving them direct control of funding will ensure that they can be informed and demanding customers of training, with providers responding more closely to their requirements.

Our reforms have caught the imagination and enthusiasm of employers. Just over a year after its initial launch, our Trailblazers programme already involves over 1,000 employers who have designed more than 70 published apprenticeship standards and supported over 300 starts on these new standards.

Employers leading the development of apprenticeship standards is an essential and powerful part of our reforms, but it is not the whole story. I also want employers to have control of apprenticeship funding; and a simple, accessible system for recruiting and training apprentices. This will give them the freedom to select the training and services that best meet their needs, helping to grow both their businesses and the productivity and long-term employment prospects of their apprentices. We know that employers broadly agree with that principle: earlier this year, organisations representing over 500,000 businesses signed an open letter setting out this view<sup>1</sup>.

#### The Response to Our Technical Consultation

In *The Future of Apprenticeships in England: Funding Reform Technical Consultation* (March 2014), we sought feedback on implementation of the principles underpinning the new funding model. We also consulted on two mechanisms for directing payments to employers: the PAYE system, which would deduct the Government contribution from an employer's PAYE payment; and an Apprenticeship Credit model, which would automatically top up an employer's payment with the Government contribution.

I am delighted that so many individuals and organisations took the time to respond to the consultation. I particularly welcome the continued engagement of employers in the process – their responses made up 955 of the 1459 total respondents. Nearly half of all responses came from small and micro businesses, whose involvement will be vital to the continued success of apprenticeships.

To ensure transparency and continue the open policy process that we have begun, we are publishing today a summary of the responses to the consultation. The responses show that there was no clear preference for either of the proposed payment mechanisms and a number of specific concerns were raised with features of them both. I understand the apprehension from many

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<sup>1</sup> <http://www.telegraph.co.uk/comment/letters/10807977/Employers-need-to-control-the-funds-to-make-apprenticeships-useful.html>

employers, especially small businesses, about any potential administrative burdens or negative impact on cash flow. In the context of the Government's ambitions to grow and improve the programme, I will not introduce bureaucracy that will make it more difficult for employers to offer apprenticeships.

### **Next Steps**

Giving employers direct control of apprenticeship funding remains a core and non-negotiable part of our reforms. It is central to driving the right behaviour in the system. However, based on the feedback to the consultation, we have concluded that further detailed design work is needed before we can reach a final decision on which funding mechanism will be taken forward to meet our shared aim of more high quality apprenticeships, where employers hold the purchasing power. We will continue to undertake this further work with you, in an open and collaborative way.

Since the funding consultation, we have published details of a funding model that we are trialling with new employer-designed apprenticeship standards in the 2014/15 academic year and we will continue this trial in 2015/16 to ensure that we can learn fully from this model<sup>2</sup>. Under the trial model, Government pays £2 for every £1 the employer invests in their apprentice's training. I know that some respondents to the consultation raised concerns about the inclusion of compulsory cash co-investment in the funding model. The principle that employers should make a cash contribution towards the cost of their apprentices' training remains a significant part of our reform of apprenticeships, but I will ensure that the new funding model is implemented so that it is simple, efficient and appealing to employers of all size – including businesses taking on an apprentice for the first time.

### **Conclusion**

These are ambitious reforms that will have a positive impact over generations. We need to take the time to get them right, ensuring administrative burdens can be kept to a minimum.

Funding reform remains a critical part of our pledge to make England's apprenticeship system one of the best in the world by making it more rigorous and responsive to the needs of employers. This must be developed alongside the new employer-led standards and independent, rigorous assessments that are being introduced by our Trailblazers. It is only by enacting these reforms as a whole package that we will realise our ultimate goal.

Nick Boles MP

Minister for Skills and Equalities



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<sup>2</sup> <https://www.gov.uk/government/publications/future-of-apprenticeships-in-england-guidance-for-trailblazers>