

Apprenticeship Reform Update to Academy Partners

Update at 2nd October 2016

The Reform of Apprenticeships - Introduction

- This is an update on the webinar delivered on **8 September**
- Just **six months** from the biggest changes ever to hit vocational training
- Aim is to provide more information and give the **opportunity to ask questions**
- Reform of Apprenticeship started with the **Richard Report** (2012)
- Richard recommended that **employers are given control** of apprenticeships
- **Four years later** and this is eventually taking shape, however ...
- The whole **training sector is unclear** of what form the final changes will take
- There are clearly still **plenty of decisions** to be made by government
- The government plan to release more information sometime in **October**
- Final decisions on **funding details** are expected in **December**
- The full picture will not emerge until **February or March**

The Reform of Apprenticeships - Background

- UK government is committed to apprenticeships - every school leaver to either go to university or start an apprenticeship
- Government realises that large companies generally do not use apprenticeships to train their workforce
- Small to medium sized enterprises (SMEs) provide about half of existing apprenticeship opportunities and Independent Training Providers currently deliver 76% of all apprenticeships (colleges and employers provide the rest)
- Government thinking behind apprenticeship reform initiative is centred around getting more large companies to switch to apprenticeships
- A set of proposals were released on August 12 which set out the government thinking on apprenticeship reform that will be introduced from May 2017

The Reform of Apprenticeships – Government strategy

- The government strategy is to **force large companies** to ‘buy into’ apprenticeships by making them pay regardless of whether they use them or not
- They are doing this by introducing the **Apprenticeship Levy** (an extra tax) of 0.5% for all UK companies with an wage bill of £3 million + per annum – this will raise £3 billion
- Large companies who do not use apprenticeships will **lose this investment** and the government believe this will force large employers to switch to delivering apprenticeships to their workforce
- The government is also making big changes to apprenticeships to make them more attractive to large employers by giving them a **very big say** in the content and overall management of apprenticeships

The Reform of Apprenticeships – four main changes proposed

- Introducing **employer contributions** to pay for apprenticeship training, large employers through the Apprenticeship Levy; smaller companies by paying **10% of the cost** of training for apprentices registered at 19+ but **nothing for 16-18's**.
- Moving from the current '**Frameworks**' to '**Standards**' designed by employers not awarding organisations and training providers. Standards will be far more expensive to deliver because they rely on independent **end point assessment**
- Apprenticeship rates are being replaced by **negotiated rates** to be agreed between employers and training providers within 'bands' set by the government currently at a much lower rate. In hairdressing, the maximum proposed for 16-18 year olds will be **£4,000** but currently this is **£6,000 – a cut of over 30%**
- The government also proposes to 'open up' the market for apprenticeship delivery to encourage more employers to deliver apprenticeships to their own staff and therefore **reduce subcontracting**

The Reform of Apprenticeships – New RoAPT register

- A further change that is currently proposed is that **all** those who deliver apprenticeship training – even the smallest provider/subcontract partner – must be on the **Register of Apprenticeship Training Providers** (RoATP)
- Currently, only larger subcontractors who draw down gross funding of more than £100,000 need to be registered on the **Register of Training Organisations** (ROTO)
- **RoATP** is not the same as **ROTO**, we know it consists of three tests (we don't yet know the content of each)
 - Due diligence – legitimate business paying taxes and a good record
 - Financial health – to ensure the government's investment is secure
 - Quality, capacity, capability – ability to deliver / back up if things go wrong
- RoATP registration now opens in **late October** – originally 3 October, the delay deepens the major concerns the training industry has with RoATP

The Reform of Apprenticeships – Employer contributions

- The original plan was for employers to contribute one third of the cost of an apprenticeship – up to £2,000 each – however the government realise this would catastrophic for the uptake of apprentices – especially by **SMEs**
- The new proposal is for all non-Levy payers (including SMEs) to **not pay anything** for 16-18 year old apprentices but **pay 10%** towards the cost of those registered at 19+ (this works out at around **£300 plus VAT?** per apprentice)
- Levy paying employers (wage bill of £3 Million +) will not make any additional payments until they have used up their levy fund but then must also pay 10% for each additional apprentice they take on
- All employers will receive a ‘bonus’ of **£1,000** for employing a 16-18 apprentice – this is likely to considerably reduce the number of 16-18s available for hairdressing

The Reform of Apprenticeships – The effect of the changes

- If changes go through as proposed, the effect will be to **increase cost** and **lower income** for training providers – this will have a big impact on quality
- Large employers will also see their costs rising but, once they have used up their Levy, the government will pay up to 90% of the cost of training their apprentices
- The government's apprenticeship bill will also rise, currently this is **£1.8 billion** p/a in England, by 2020 this is due to rise to **£2.5 billion**)
- The government also proposes to **open up apprenticeship** training to encourage more employers (large and small) to deliver apprenticeships to their own staff
- If the proposals go through, lead providers and their partners could be at risk where a large part of the delivery is via subcontracting. **Cheyne Training is aware of this and is taking steps to remove the threat that this challenge presents**

The Reform of Apprenticeships – The effect on funding

- If the government plans go through unchanged, the effect on funding will be dramatic with 16-18 year old apprenticeship funding falling by around 30% from around £6,000 to £4,000 (this includes £1,000 'bonus' to the training provider) Under the proposals, employers will also receive £1,000 bonus for 16-18's
- There will be very little difference for apprentices registered after their 19th birthday – this will remain at around £3,000
- Funding for functional skills drops to £412 per skill - currently £471 for 16-18s
- Additional Learning Support (ALS) will still be made available to learners who are working below functional skills Level 1
- Many see this as forcing sectors to speed up the replacement of Frameworks by Standards – **funding for Standards is expected to be much more generous**

The Reform of Apprenticeships – Cheynes Training’s response

- The proposals were released on 12th August – the height of the holiday season. The consultation ended on 5th September, however, the government have refused to comment so far, **we have no indication of what happens next**
- We have attended webinars, workshops, meetings with other training providers and we have held **high-level discussions with SFA** at their head office to make our feelings clearly known
- We have submitted our formal response to SFA and we are also working with AELP (whose members deliver 75% of apprenticeships). AELP are meeting with the government to urge them to re-consider the changes to funding for 16-18 year olds and to remove the proposals to reduce subcontracting
- We are also looking at **potential new business models** that we believe will allow us to ‘work-around’ the proposals regarding subcontracting should these go ahead

The Reform of Apprenticeships – The response of others

- The government's proposals have been met with **growing alarm** from almost every part of the apprenticeship system – especially from existing training providers who number almost 1000 organisations
- The only organisations are in favour of change are **large companies** – who see this as an opportunity to 'pay themselves' for delivering training that they deliver anyway (but, in future, in the form of an apprenticeship)
- In addition to AELP, the Association of Colleges, the Confederation of British Industry, the Federation of Small Businesses; LSECT (who produce the sector newspaper FE Week), Learning Curve and **virtually every training organisation** feels very strongly that the proposals will simply not work
- A huge amount of lobbying has taken place and we do expect the government to water down many of the proposals, however, the **timescales are now critical**

The Reform of Apprenticeships – Timetable for reform

- The government has set a **unreasonably short timetable** for reform
- 12 August – government proposals released
- 5 September – closing date for responses to proposals – **31 days later**
- October? – new government guidelines following response to proposals
- ~~3 October~~ **30 October** – RoATP opens for applications
- ~~October~~ Nov? – invitations to non-Levy employers to deliver apprenticeships
- December? – final details on funding levels due to be released by government
- February – 1st edition of RoATP released – **3 months before new system starts**
- March – Non-Levy employers informed **if they can deliver apprenticeships**
- 1 April – Levy payers start to pay into the Levy fund
- 1 May – new apprenticeship system starts for **new registrations only**

The Reform of Apprenticeships – Cheynes Training next steps

- We will continue to work with SFA, AELP and others involved in apprenticeship reform. Like everyone, we are frustrated by the lack of direction in the reform process – as a result, our timetable may change
 - 4 October – CT Regional Training Advisor Briefing (Gatwick)
 - 5 and 10 October – CT Academy briefings (Gatwick and Southampton)
 - 12 or 27 October – CT follow-up webinar on the Reform of Apprenticeships
 - 31 October 2016 – New RoATP register opens
 - 1 November 2016 – CT at AELP Conference on the Reform of Apprenticeships
 - 9 November 2016 – CT webinar on RoATP
 - 16 November 2016 – CT follow-up webinar on the Reform of Apprenticeships
 - 14 December – CT at Future Apprenticeships workshop (London)

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