



The Institute of the Motor Industry (IMI) response to Apprenticeship Funding Reform Consultation

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About the Institute of the Motor Industry (IMI)

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The Institute of the Motor Industry (IMI) is the professional association for individuals working in the motor industry and the licensed Sector Skills Council for the automotive retail sector. The sector, which employs in excess of 530,000 people, is formed of over 67,000 businesses, provided a Gross Value Added (GVA) total in excess of £23 billion in 2011 and is integral to the infrastructure of the nation to help over 31 million cars, as well as vans, trucks and motorcycles continue running effectively. During 2012/13 the sector saw successful Apprenticeship completions at around 10,500 with this trend looking to be similar through to 2013/14.

Contact Details

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

No. It is The IMI's view that employers in the automotive retail sector do not want to get involved in the specifics around designing Apprenticeship content – and they certainly would not want to pay more for Apprenticeship training for a greater influence. The sector is largely made up of an SME population (85% of employers fall into the SME category) who do not wish to get involved in the specifics around the product design and content. What the sector does continue to want and need is coherent provision around Apprenticeships and qualifications that are fit-for-purpose for the job roles and relate to industry requirements. Whilst employers are happy to take part in working groups that may contribute to the design of Apprenticeship training, they are not happy to drive this forward individually, instead opting for an industry representative body to take this forward on their behalf to deliver.

We have to recognise, that with a sector so largely made of SMEs, employer focus is going to be on maintaining their core-business, and the already challenging bottom line targets and financial aspects of the business. Whilst some are likely to want to get involved in influencing the design and development of content and delivery of Apprenticeships – it is safe to say that their knowledge and wish to lead and have greater influence over Apprenticeship models will be minimal.

We also have to recognise that trying to engage all of these employers would be both time consuming and expensive. The IMI has had a great level of success in designing, developing and implementing Apprenticeship programmes on behalf of the sector (and in collaboration with the awarding organisations), and the feedback is always that the existing programmes are flexible and fit-for-purpose. The overriding message would therefore be why are we trying to fix a product that is not broken? There is no evidence to suggest that Apprenticeship programmes in the sector are not operating as they are intended and that they are delivering the real results for employers in terms of qualified, capable, employable young people entering the sector.

The IMI would also be very concerned around the proliferation of the Apprenticeship products. Who will be the gatekeeper of the Apprenticeship programmes to ensure standards and quality are maintained? Where programmes may differ between employers (with slightly different job requirements) how will it be ensured that there is equitable funding to ensure like-for-like programmes are funded equally? How will it be ensured that this funding is available to all sizes of employers, not just the large employers – particularly where there may be funding opportunities such as the Employer Ownership fund?

There are, therefore, some fundamental issues and a caveat to all responses to this consultation, which is how can we realistically make decisions on funding models when it is yet to be confirmed what the future model of Apprenticeship programmes will look like.

Employers already foot the cost for much of the Apprenticeship programme – any increase could have a very negative impact in terms of engagement and the number of apprenticeship opportunities available.

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?

Impact of greater co-investment

Ultimately, the impact could and may well be a decrease in the number of Apprenticeships offered, and the number of employers engaging with them.

The impact could, however, be different depending on the size of the organisation. For example, where the bottom line and cash flow is already tight for small or micro-sized businesses, they will really be scrutinising how and where to spend any available cash. Where they are already contributing a great deal to the learning experience they will view any greater co-investment as a negative. We have to also consider that for organisations where learners are off the work floor in a class-room learning environment that employers are having to back-fill those positions – again at cost to the employer.

There is a real balance to be struck here to ensure that employers (no matter the size) realise the long-term return on investment for them in taking on learners on the Apprenticeship programmes – especially where there may be greater co-investment. This really then goes back to the IMI's response in Question 1, which is that we must ensure that the programmes are fit-for-purpose; flexible and sector-endorsed to ensure that there are standards which are (as it currently is) embraced by the sector and to ensure that we avoid proliferation of programmes. By not doing so, safeguarding these principles (including working funding models for all) will mean that employers might seek other non-endorsed routes of training employees.

We also need to be extremely mindful of the differentiation of funding rates between the age bands (eg 16-18; 19-24; 25 plus) as it currently is. We must ensure that we are not in the position where we are disadvantaging learners within a category where there might be more of an incentive to take on learners at a specific age, or with a certain level of prior attainment or knowledge.

Engagement with training providers

Again, this might differ depending on the size of the employer. We currently see a variation of differing relationships between employers (across sectors) with learning providers. We need to be mindful of small and medium-sized enterprises, but also those employers who do not wish to be distracted from their business in terms of dealing with 'day-to-day running' around the administration of Apprenticeship funding.

Of course, where employers have the infrastructures to facilitate Apprenticeships and relationships with training providers (eg Apprenticeship/training departments) the advantages are that it puts the employers in the driving seat more to select and chose their training provider (and enter into a more competitive market). The disadvantage is that this is potentially distracting the employers from their core business.

For SMEs, however, without the training provider brokering the Apprenticeship delivery and funding for them this will be a major distraction from their core business; and a major barrier in

engaging with the Apprenticeship programmes.

We also need to consider the consequences of where an employer takes on an apprentice – but the apprentice drops out in the latter stages of the programme with a percentage of the funding being awarded at the end of the programme. This will be a cost to the employer, and not an unsubstantial cost when we look at SMEs contributing time, money and effort to the process, training etc.

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?

The IMI has very real concerns on behalf of the sector, with such a large SME population, about the proposition of the funding going directly to the employer, rather than the training providers. We feel that this presents barriers to employers meaning they will disengage from apprenticeship programmes in the sector. We have detailed these concerns below, but as the disadvantages far outweigh the advantages for the automotive retail sector we deal with these first.

Disadvantages

- We are very concerned how this model would work for SMEs, and of the potential burden this would place on employers, along with the complexity. Particularly where we are talking about employers themselves receiving funding through the PAYE system, a system which is already seen as very complex and confusing. The IMI's view is that to engage employers within the sector we need to be removing the barriers, not adding them and also introducing further work for them. We believe that the complexity around funding going to the employers will only increase the number of barriers and obstacles.
- Are employers going to have the luxury of time, money and resource to go out and investigate training providers that offer the best quality and service? Again, this is a risk – and a barrier to employers around the workload.
- It is unclear how employers who receive the funding directly will be audited? Again, this could provide real barriers where the employers have to share financial information, and indeed where they might have to host auditing visits etc (this is also a concern from the assessment model being proposed in the Doug Richard Review recommendations). Where it comes to matters of HMRC and tax, the systems, processes and records are already perceived as complex and we believe that employers would disengage if funding was received via these systems.
- The question around paying providers for components of the Apprenticeship programme and having to wait up to 3 years (programme duration) to see completion funding come through is also a barrier.
- There needs to be systems and processes in place to support and guide employers – and this would come at a cost.
- We have to carefully balance the 'cost' versus 'quality' argument, especially where this impacts on the quality of the experience of the learner. Where employers are receiving the

funding directly we have to guard against best price over quality.

Advantages

- The IMI can see that it might be good for large employers in certain sectors where they can take ownership and more control of the structure and delivery of the apprenticeship programme, and where they have the in-house teams to be able to facilitate the funding processes and administration. Of course, this model currently operates and has for sometime through the National Employer Service's Direct Contract Model. The focus for this model, however has always been on large employers and not SME or micro-businesses.
- Leading on from the tendering process, The IMI can see that there would be the option to select the best value and quality training providers – in that it would promote competition and might bring out the best delivery options (though, of course as per the final bullet point in the disadvantages above, we have to be careful that best price does not jeopardise the quality of the programme). There is already huge competition between training providers to acquire and retain manufacturer dealer network business and this lends itself to ensuring that if the manufacturer is not satisfied with the services/value, they will simply change to another provider.
- We believe that funding going directly to the employer would enable them to request training providers to 'bespoke' delivery to meet their own requirements – rather than being led down a certain route by training providers who might advocate a more 'streamlined' delivery.

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

We already see this happening in certain sectors, especially where large employers have a direct contract with the National Employer Service/National Apprenticeship Service, and this can work quite well.

The IMI has concerns, however, about how SMEs might do this effectively. It takes them away from their core business and we would question whether employers have the inclination, knowledge and capacity to do this or whether this would be another barrier to engaging in Apprenticeships. We would also need to be mindful that employers did not automatically choose cost options over quality, and that (particularly micro, small and medium-sized) employers may need impartial advice and guidance around 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?

No, the IMI does not feel that these funding principles would necessarily lead to a 'raising of the quality' and we also have a concern whether it might actually have a detrimental effect on the consistency of quality (cost v quality argument).

The quality depends on the content of the apprenticeship 'framework'/qualification; the assessment and quality of the Apprenticeship programme, not necessarily the funding. We must not lose sight that the framework and programme need to be fit-for-purpose and meet the sector, employers and learners' needs, and this as well as the funding will all contribute to the relevance and responsiveness to the business needs.

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

This is a very difficult question to answer. Currently we do not know what the programmes will look like after the Doug Richards review – and the content and structure of the programmes will have more of a fundamental effect on the learner/Apprentices, not the funding. Again, we feel it worth raising that whilst we have an indication what the proposed Doug Richards Apprenticeship model may look like, we do not know for certain. This, therefore, makes it very hard to make any predictions of the impact of the funding principle effect on the future of apprentices.

The answer should be that the funding principles should have no impact on the learner – positive or negative, but it is the programme delivery, content and outcome that will have the impact, and which should lead to the future employment of that learner. Certainly, (though this would need to be proven) as the employer has invested so much time and money on the programme, they have demonstrated that they are fully supportive of that learner and would want to keep them gainfully employed.

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Direct Payment Model

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

Many of the concerns that the IMI has around the proposed 'Model 1 Direct Payment Model' have been raised in responses to previous questions, and we have highlighted some key disadvantages around this model, particularly around the potential barriers for SMEs.

These include an increase in the work including administration, reporting, external auditing etc for the employer and a distraction from their core-business.

As we look at the models presented in the consultation document however, we found ourselves asking further questions that we believe would need further clarification (these apply to all of the models), such as:

- What do we mean by assessment body?
- Issues around the holding of the final 20% (illustrative numbers given but these could be much higher – and also depending on how expensive the programme is – eg Business Admin will be much cheaper than Engineering, and therefore that 20% of the programme cost becomes much greater).

- With the potential to have different rates attached to different ages – does this not make it even more complicated for the employer to facilitate?
- Need to define through the core model what we mean by ‘sustained and substantial’ training – is this going to be off workstation, if it is then this is going to be tough for employers, particularly SMEs ‘time is money’ and back-filling the positions.

We also have concerns around the ‘employers make payments to registered providers’ – and where we are talking about an online system being used.

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

With all the proposed models, The IMI believes there should be a period of ‘piloting’ to make sure that these systems will work before being rolled out (piloted across sectors and with different employers). It goes without saying we need to reduce bureaucracy, red-tape and administration tasks, so the system should be extremely simple to use (including any supporting IT systems).

The IMI also believes that there should be an end-to-end system that also links up with the approved body as well as employers, learning providers and certificating bodies.

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PAYE Payment model

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

The IMI has real concerns about this model and feel that the implementation will have a severely negative effect on the engagement of employers with Apprenticeship programmes, and as a result the take-up. As we feel the disadvantages far outweigh the advantages of this model we have addressed these first in our response to this question. We would not in any way support the adoption of this model for the sector, and believe that it is fraught with risk.

Disadvantages

In summary the main disadvantage we believe that would result from this model are that it is potentially complicated, bureaucratic and will scare many employers away from the Apprenticeships.

More than either of the other proposed models, we feel that this model has the greatest potential to add complication, bureaucracy, confusion and red tape to the funding process, and completely derail Apprenticeship programmes and engagement with them.

Employers are always anxious around tax and HMRC systems, and by facilitating the Apprenticeship funding by this model would present severe barriers. Tax is complicated enough, and the sector fears that Apprenticeship funding using the PAYE would certainly see

disengagement from all size employers, but particularly small and micro businesses.

We have concerns about the comment in the consultation “before [employers] submit their PAYE return, they will calculate the amount they are entitled to claim back from the Government for each apprentice”. For all size of organisation this could be massively complicated – but particularly for SMEs who, as we have already said, may already find the process of PAYE complicated. We would need to see the detail of the ‘online calculator’, but, again, we need to be mindful that this is taking the employer away from their normal business tasks and potentially increasing administrative costs.

In addition, we are really concerned about the comment in the consultation that “for some businesses, their total PAYE liability may not be sufficient to enable all of the Apprenticeship funding to be recovered – and they would therefore need to make an application to HMRC”. Again, this is a massive risk for employers, and with the potential to add confusion, work for the employer and bureaucracy.

The IMI would question whether this model removes the option of sub-contracting out the facilitation of the admin to training providers – ie employers will not want other organisations having access to their accounts and financial data? But also for auditing purposes whether the access to financial records needs to be given?

Advantages

Puts employers in the driving seat; gives them ownership and control over the funding (but this is no different to Model 1).

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

As with Question 8.

Provider Payment Model

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

Of the three models proposed, this is the preferred option of The IMI for the automotive retail sector, where there is such a large cohort of SME enterprises. Whilst it may be viewed that this model puts providers rather than employers into the ‘ownership’ of the Apprenticeships, we do not believe that this is the case. Employers will still be influencing the design, development and content of the apprenticeship programme and the training provider will still be in the position where they have to offer and deliver a quality product to the employer’s satisfaction.

What this model does, is removes much of the red tape, bureaucracy and administration burden from the employer which is very much likely to present barriers to engagement.

Advantages

This is the IMI's preferred model which can build on the current systems and processes with minimal disruption or change.

We believe that this model would also benefit all size employers across all sectors, and as we have already mentioned puts the employers at the heart of the content, structure and delivery of the programme.

Many of the large employers in the sector would also prefer to stay with the provider payment model, as head count in the main car companies is very strongly controlled often from another country/continent, and outsourcing for anything other than the core business is the norm.

The IMI would seek clarification on the sentence in the consultation, which states the 'employer makes payment to the provider as per the schedule' – which is a slight departure from how it currently is – ie the training provider can draw down the funding. Of course, it again goes without saying that any changes to the system should be thoroughly tested and communicated to support both employers and providers; and we should ensure that the system remains relatively simple and straightforward.

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

As per question 8 and 10.

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

For the IMI and the automotive retail sector the preferred model is Model 3 – Provider Payment Model.

This is for the reasons already outlined in this consultation response, but primarily the main aim it to make it easier for employers to engage with Apprenticeships – not create additional work, bureaucracy and cost.

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?

We believe that the key to ensuring an effective transition is around testing/piloting with a range of employers (across sectors) and providers, and an effective communication plan around the changes.

We also need to be clear however, what the actual Apprenticeship model and content will look like – as this could vary from sector to sector, and therefore affect the process of funding. As such we need to be clear on the application of funding rates, and the methodology used for

this.

With any changes that are made to any systems, we need to sell the virtues of these, and hopefully these messages will be around removal of red tape and additional paperwork and bureaucracy attached the funding systems and processes. Building on from this, the IMI receives feedback about the constant changing skills systems and part of the message will need to be around stability.

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

This really depends on what the Apprenticeship model and content looks like, and the very fine balance between return on investment for the employer against the contribution. As mentioned in our response to Question 1, an increasing of employer contribution may have an extremely detrimental effect on engagement and as a result on learner achievement. In addition, it may be the case there is the quality versus cost argument – which could have a negative impact on delivery models and where employers may lose confidence in the apprenticeship programmes.

We have already highlighted what we view the negatives to be with Models 1 and 2, and we believe that adopting either of these models (but particularly Model 2) will have a very serious and potentially negative impact on businesses’ engagement with Apprenticeships.