

The Future of Apprenticeships in England: Funding Reform Technical Consultation - response form

A copy of the consultation on **The Future of Apprenticeships in England: Funding Reform Technical Consultation** can be found at:

www.gov.uk/government/consultations/apprenticeship-funding-reform-in-england-payment-mechanisms-and-funding-principles

You can email or post this completed response form to:

Postal Address:

BIS/DfE Joint Apprenticeships Unit
Department for Business Innovation and Skills
Orchard 1
1 Victoria Street
London
SW1H 0ET

Email: apprenticeships.consultation@bis.gsi.gov.uk

The Department may, in accordance with the Code of Practice on Access to Government Information, make available, on public request, individual responses.

The closing date for this consultation is: **1 May 2014**

Confidentiality & Data Protection

Please read this question carefully before you start responding to this consultation. The information you provide in response to this consultation, including personal information, may be subject to publication or release to other parties. If you do not want your response published or released then make sure you tick the appropriate box.

- Yes, I would like you to publish or release my response
- No, I don't want you to publish or release my response

Your details

Name: James Stockdale

Organisation (if applicable): The Institute of the Motor Industry (IMI)

Address: Fanshaws, Brickendon, Hertford, SG13 8PQ

Telephone: (01992) 511521

Email: Jamess@theimi.org.uk

Please tick the box below that best describes you as a respondent to this consultation

- Business representative organisation
- Independent Training Provider
- College
- Awarding Organisation
- School
- Charity or social enterprise
- Individual
- Legal representative
- Local government
- Large business (over 250 staff)
- Medium business (50 to 250 staff)
- Small business (10 to 49 staff)

- Micro business (up to 9 staff)
- Professional body
- Trade union or staff association
- Other (please describe)

A number of these questions are directed at employers of apprentices. However, responses to those questions are welcome from all types of organisation.

Funding principles

Question 1: Whilst the principles of the new funding system are now firm, please detail any issues relating to their implementation that you believe need to be taken into account and, if so, how?

As the Professional Body for the Automotive Retail sector, the IMI represents circa 67,000 organisations operating in the sector, of which 80% of these fall into the micro and SME demographic. We believe that the proposals still need thoroughly investigating and testing to ensure that they are fit-for-purpose for the all employer sizes, and do not present barriers to engagement with Apprenticeship programmes. From speaking with employers, and particularly micro and SME employers, there is a real fear when it is mooted that funding for Apprenticeship programmes 1) might involve the HMRC and tax systems, and that 2) a proportion of the funding is held until the end of the programme, meaning that the employer may have to enter into complicated contracting arrangements with the provider. Holding a large majority of the funding to the end of the programme – and where programmes may be in 3 years in duration, puts a real risk into the equation for employers – particularly where they are brokering a contract with learning providers.

In addition, we also feel that there is a risk around the end of programme assessment. If a learner is not successful, there should be ample opportunity for learners to complete the end of programme assessment without the distraction of the ‘completion funding’ hanging over the employer/training provider. Our thoughts are that the ‘completion funding’ be kept to a smaller percentage.

We welcome the thinking around the ‘Apprenticeship Credit’ solution, but absolutely feel that this needs further investigation and piloting to ensure that it is fit-for-purpose for the employers.

In addition, we believe that the introduction of a co-investment for 16-18 year olds could also provide a barrier to employers taking on apprentices within this age category. Feedback is that, generally, 16-18 year olds simply have not developed the employability skills, and so employers are more likely to go for age 18 plus. Therefore the funding incentive for 16-18 year olds is key to ensure that this age group are not discriminated against in the recruitment processes for the Apprenticeship vacancies, because it may be perceived they need more support than a 19 plus learner.

What we also believe needs much further thought, are the systems by which funding rates are applied to the newly designed standards. The assessment, delivery etc might be very different from one Apprenticeship standard to another and across sectors, and care must be taken in arriving at the application of funding rates to ensure that they are appropriate for the Apprenticeship standard – but that there are also effective benchmarks across

sectors – otherwise we may find that learning providers are picking up certain Apprenticeship standards and not others.

To continue with the engagement of SMEs in Apprenticeship programme delivery, we welcome that there is a commitment to provide micro and SME employers with additional funding to support them in taking on apprentices. With all of these changes, what is absolutely key is effective communication to employers around the changes to the mechanisms, and we believe that this is particularly the case with employers of all sizes where there is not the appetite to get involved in the detail – but there will be the need to ‘hide-the-wiring’ and keep it simple. Not an easy task where we start talking about HMRC PAYE and tax systems. Effective communication is key.

Question 2: Please comment on how, or to what extent, the new funding principles and mechanism can be applied in practice to ATAs, authorised non-employed apprentices and the Armed Forces.

The IMI has no real experience of ATAs within the sector, and so cannot comment or respond to this question authoritatively. One observation would be, however, that with a big percentage of the funding at the end of the programmes, how do we ensure that there is minimal risk for ATAs – and that there isn’t a selection process that may discriminate against certain learners? Particularly where some programmes are of 3 year length. As with employers, there are the obvious thoughts and concerns around the effective cash-flow to support the Apprenticeship programme.

Payment mechanism options – eligibility and registration

Question 3: What sort of information would you need at the outset from a new employer website for Apprenticeship registration and funding, to give you the certainty to employ an apprentice?

What is critical is the advice and guidance that support and guide the employers through systems and processes for taking on an apprentice. This almost needs to be a simple step-by-step guide. It should also contain details of the Apprenticeship standards available so that employers can ascertain the most appropriate standards for which they want to recruit an apprentice. There should also be links to further support, and, we would suggest links to professional bodies, such as the IMI, who can also offer support, advice and guidance.

Details on how to engage with learning providers would also be needed, as well as a description of the role – and potentially a useful checklist for choosing and engaging with learning providers.

We also believe that for SMEs detail should be given on the additional funding that might be available to them in taking on an apprentice.

What is key is that the website breaks down any barriers around complexity of the system – and gives the activity of recruiting and taking on an apprentice as a simple and straightforward process.

In addition, the website should be used to advertise the benefits to employers of taking on apprentices. The IMI recently conducted some independently validated research looking at the return on investment to employers of taking on an apprentice, and found that there

was a 300% return in some cases to the employers of taking on an apprentice in terms of what it added to the bottom line (for the automotive retail sector). It is key that the website sells this sort of evidence to employers to encourage them to take on an apprentice. I have included further details on the IMI's Return on Investment studies (partly UKCES-funded through the EIF2 project fund), and we would of course be more than happy to discuss further.

<http://www.theimi.org.uk/agenda/return-investing-apprenticeships>

Question 4: When, relative to recruiting an apprentice, would you want to know how much funding you would be eligible for?

Yes, the IMI believes that this is essential particularly where employers are looking at cash flow and are looking in the earlier stages to engage with learning providers.

Question 5: How can data collection requirements be minimised in the reformed funding system?

The simple answer is that we need to ensure that information requirements are kept to a minimum; that there is minimal input without duplication; the system is a one-stop-shop for all stakeholders engaging with that employer, apprentice etc (eg funding bodies, assessment bodies etc) and that it is simple to use for the end user.

The system should also be sophisticated enough to use data re: the apprentice/employer and the Apprenticeship standard to calculate the funding rates for the learner/employer etc. In addition, we need to be very careful about how this interacts with the HMRC systems around the PAYE.

Payment mechanism options - PAYE model

Question 6: How would the PAYE model impact on the cash flow of your organisation?

Following discussion with employers in the automotive retail sector, The IMI has very real concerns about the PAYE model being utilised for the Apprenticeship funding. Even with the limited detail and flow charts given in the Funding Reform Technical Consultation, there is a very real concern that this system will put off all sizes of employers from engaging with Apprenticeships.

What is indicated in the guidance is not a simple process to those not involved in the HMRC and tax systems. Particularly where it is mentioned that employers calculate their own deductions and their PAYE contributions will not only be extremely complicated, but we also believe add additional bureaucracy and the potential for error. We should also not forget that this could also be extremely labour-intensive for employers in terms of working out the deduction amounts, training costs and reporting on payment schedules with learning providers – and many of the large employers may have to investigate putting in place teams of experts to facilitate the funding systems – again a potential barrier. We would also argue that the Direct Contracting system already in place between the National Apprenticeship Service and employers is far less confusing and simpler to manage – and indeed hands the control to the employers.

We cannot say in the strong enough terms that we feel that this PAYE system, if moved forward with the complexities as outlined in the Technical Consultation has the potential to present a major barrier to employers engaging with Apprenticeships. The IMI believes that further thought and piloting needs to be given to ensure mechanism is fit-for-purpose and does not add complication, which, unfortunately, the PAYE system could do.

Question 7: If you have multiple payrolls or outsource your payroll, how would the PAYE model work for your organisation?

The IMI believes that for organisations operating multiple-payrolls, or who outsource their payroll, or who indeed operate across Nations, that this will add much more further complication to the complications and challenges outline in our response to Question 6.

Question 8a: Do you envisage additional charges for the PAYE model, such as through the update of payroll software?

Yes No Don't know

Please explain your response:

Question 8b: Do you already have to regularly update the software you use and pay for those updates?

Yes No Don't know

Please provide details of costs:

Question 9a: If you have multiple apprentices, how easy would it be for you to calculate your PAYE deductions?

Easy Reasonably easy Difficult Don't know

Please explain your response:

As per our response to Questions 6 and 7, we absolutely believe that this has the potential to be extremely complicated – particularly where there are apprentices on different courses/programmes with different funding rates, in different areas of the country, and, indeed, different age groups. The complexity, labour to calculate the reductions, and room for error, we believe is a real risk. And where this feeds into the overarching HMRC systems could have far-reaching implications for the employers.

Question 9b: How confident are you that you would be able to calculate the correct deductions?

Very confident Reasonably confident Not confident Don't know

Please explain your response:

This would rely on a very intelligent IT system that would assist in calculating the deductions.

Question 9c: If you did make an error, are you confident that it would be simple to resolve?

Very confident **Reasonably confident** **Not confident** **Don't know**

Please explain your response:

Again, when talking about HMRC systems and processes, we are by nature not talking about simple calculations, systems and processes, and where errors are made, these are often extremely difficult and complex to resolve. We feel that this would, therefore, feed back to the funding systems for Apprenticeships and at this point we would not feel confident that they would be simple to resolve. Of course, this may become clearer when we see the Apprenticeship side of the IT system.

Payment mechanism options - PAYE model for employers who do not make sufficient PAYE payments:

Question 10a: How easy would you find the process of reimbursement funding?

Very easy **Reasonably easy** **Difficult** **Don't know**

Please explain your response:

With the detail given in the Technical Consultation document, again this has the potential to be extremely complex, particularly for SMEs where they might outsource their financial management and accounting. Where the employers have to calculate and apply for reimbursement, is also potential adding work and certainly barriers that will prevent SMEs from considering engaging with the Apprenticeship system.

Question 10b: What impact would this have on your organisation's finances?

We believe that it would impact on organisations finances for two reasons, 1) for the cashflow, and 2) for the potential complications and room for incorrect calculations that cause issues.

Question 10c: Would this impact on your decision to employ an apprentice?

Yes **No** **Don't know**

Please explain your response:

We believe that this would have massive implications in terms of employers employing apprentices in the way that we believe they would disengage from employing apprentices.

Question 11: Are there any other issues you would like to raise in connection with the PAYE model more generally? If so, please provide details.

Payment mechanism options - Apprenticeship Credit model:

Experiences of other online accounts and services

Question 12a: Do you already use online accounts, payment gateways and electronic payments (in purchasing training or any other service or product for your organisation)?

Yes

No

Don't know

Question 12b: What could be learnt in the design of an Apprenticeship Credit from any existing online accounts and payment gateways that you use?

N/A

Question 13: What is most important to you in relation to setting up an online account e.g. simplicity, security etc?

We believe that the main aspect that will engage employers will be the ease of use and lack of complexity.

Setting up your Apprenticeship Credit account

Question 14: Would you want to set up your Apprenticeship Credit account before or after negotiating and agreeing training with a training provider?

Before

After

Don't know

Please explain your response:

The IMI believes that it would normally be better off to set up the Apprenticeship Credit account before negotiating training with the training provider – however, what we also believe is that some employers may seek the advice and guidance of the learning providers in setting up the Apprenticeship Credit account – particularly where this might require details of the programme such as qualification detail/Guided Learning Hours etc – detail that employers not have.

Making payments into your Apprenticeship Credit account and paying training providers from your Apprenticeship Credit account

Question 15: What might determine the frequency of your payments into the Apprenticeship Credit account?

This has to be carefully considered. Feedback is that employers are happy to support apprentices in terms of paying wages, releasing learners to colleges etc. however actual cash contributions being paid into an account, will be seen by employers as a barrier to engaging. We must not forget that employers make so much more of a contribution to the development of young people other than cash contribution and the perceived payments – and the frequency of payments should be carefully considered, particularly against different age groups.

Question 16: How would the Apprenticeship Credit account affect your cash flow?

As with the PAYE model, the Apprenticeship Credit model could seriously affect the cash flow of the SMEs. But, the added complication with this is that SMEs will have to forward plan in terms of the contribution, and, potentially for SMEs, this would be treated in the same vein as a bank loan, but employers may not see the value.

Question 17: Are there any other issues you would like to raise in connection with the Apprenticeship Credit model in particular? If so, please provide details.

We really need to ensure that employers see the value in paying in sums of money on a regular basis, as all the added non-financial contributions that they already make. For SMEs this could be seen as a major barrier to engaging with SMEs – even with the added incentives for SMEs.

Assurance

Question 18: What factors need to be taken into account in the development of an approved register?

From the IMI's perspective, it is key that this register is promoted to enable employers to see the 'approved' providers, and it would be very helpful if this fed into the Apprenticeship funding portal.

Question 19: How can burdens on employers be minimised whilst providing assurance for the funding systems and enabling good budget management?

We believe that by enabling providers to manage and assist employers through the processes has been, with some exceptions, very successful and anything that places a single burden on employer's risks disengagement with the systems. For SMEs taking the time out to investigate suitable learning providers is time away from their core business, and so anything that can be put in place to assist and support will be a positive step.

Question 20: What support should government provide to help employers manage the relationship with their training providers to protect their investment and that of the government?

By utilising existing mechanisms such as Ofsted inspections, and enabling employers to openly feed back to the Government on training providers will assist in the confidence of employers in training providers.

Certainly the utilisation of independent quality kite-marks, or organisations employing sector quality such as National Skills Academies will all assist in supporting employers and their relationships with training providers.

Testing the funding principles with Trailblazers

Question 21: What information or support needs to be provided by government and its agencies to employers so that the funding principles can be tested via the first standard-based Apprenticeships?

Full details of the funding systems need to be provided to the trailblazer groups and their employers. We absolutely agree that the new mechanisms for funding should not be rolled-out to the wider audience until there has been the opportunity to pilot and for BIS to receive feedback that can be acted upon.

This will also be a good opportunity to test any guidance that supports the proposed mechanisms. In addition we need to ensure that the full range of employers (in terms of micro, small, medium and large) are engaged in any pilot activity.

Named relationship managers that guide employers, but record and feed back issues/concerns to BIS would also be extremely useful to employers.

Helping employers, providers and other stakeholders prepare for full implementation

Question 22: What needs to be included in a sector readiness programme for all employers, providers and other stakeholders to support full implementation of reformed Apprenticeships?

We believe that it is key that sector bodies such as professional bodies are engaged in sector readiness programmes. It will be key that communication and support on any new system and process will be needed for employers and training providers and, with the links to the employers in the sector, professional associations will be pivotal in working with BIS and other agencies to communicate the changes to employers and the individual sectors.

In addition the promotion of transition arrangement and keeping learning providers, awarding bodies and other stakeholders including learners informed of the potential changes will be absolutely key. In addition we need to make clear why these changes are being made, and that many stakeholders do not see it that it is change for change sake, which many already do.

In addition care must be taken to ensure that we do not devalue the current Apprenticeship programmes for learners currently on programme. There needs to be a clear, concise and powerful communication strategy that will target stakeholders over a period of time in the build up to the full embrace of any new changes to systems and Apprenticeship standards, and as many stakeholders as possible signed up and promoting this message.

Transition from frameworks to standards

Question 23: Please detail any particular funding issues or concerns that you believe need to be taken into account during the transition period.

As given in this response, the IMI has concerns about the new methods of funding, and we believe that there is still work to be done to ensure that employers are not, through the funding mechanisms, put off engaging with Apprenticeships. The changes to these funding mechanisms has the potential to be the biggest barrier to Apprenticeships seen yet, and so the changes to the system have to be fully tested and communicated to employers otherwise the whole system has the potential to fall over, and irreparably damaging the Apprenticeship brand.

Thank you for taking the time to let us have your views on this consultation. We do not acknowledge receipt of individual responses unless you tick the box below.

Please acknowledge this reply

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Any enquiries regarding this publication should be sent to:

Department for Business, Innovation and Skills

1 Victoria Street

London SW1H 0ET

Tel: 020 7215 5000

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