



Government Apprenticeship Funding Allocations

will reduce Apprenticeship numbers in Greater Manchester

Background

Large employers with payrolls over £3m per year are now subject to the Apprenticeship Levy. They can claim their levy back to fund apprenticeships in their own business. According to the Government, these organisations only make up 2% of employers in the UK.

Unused levy funds are meant to fund the apprenticeships of non-levy paying SMEs who presently account for more than 80% of Apprenticeships starts both nationally and in Greater Manchester. During 2017-18, the ESFA will allocate £440m to fund these SMEs' apprenticeships via training providers and colleges.

The ESFA initiated a procurement exercise in November 2016 but this exercise was cancelled in April 2017 and the ESFA reverted to an allocations process. The allocations for Apprenticeship activity for the period commencing 1 May 2017 were communicated to providers on 24 April 2017 only 7 days in advance of the start of the contract year.

Impact of the Allocations

At the end of April the ESFA notified providers of their SMEs allocations. Many GMLPN members have compared their allocations to their planned starts and reported that the funding was significantly reduced compared with their previous allocations and as a consequence would have to significantly curtail activity. Others reported that the allocation falls well short of what they need to meet demand from employers. In response GMLPN have surveyed our members. The key points arising from the survey results:

- Only a quarter of respondents have indicated that they have sufficient funding to meet their anticipated starts.
- Over three quarters of providers are reporting a shortfall in the funding they require to meet planned recruitment. The shortfall ranges from 10% to 80%.
- Initially providers were invited to 'bid' but the planned procurement process was cancelled. In aggregate terms providers have indicated that their 'allocations' represent only 39% of their original bid for 16-18 activity and 33% of their 19+ bids.
- As a consequence of the cancelled procurement exercise at least 15 GMLPN members who are currently sub-contractors were seeking a direct contract and an allocation are now struggling to secure funding.

Specific Issues

We are aware of one instance where a provider was seeking significant additional funding and has requests from SMEs for 100 starts in the Level 5 Leadership & management Apprenticeship but has received a minimal allocation for their Apprentices aged 19+ and are unable to meet this demand.

Sub-contractors

The original intention of the ESFA was to use the, now cancelled, procurement exercise to substantially increase the number of providers delivering Apprenticeships as more employers and existing sub-contractors secured direct contracts. In anticipation of this many colleges and other providers with direct contracts were re-modelling their delivery to accommodate this.

Many of these existing sub-contractors are now being told that their lead contractors no longer have any funding to pass on to them and so the position is especially bleak for them. Some GMLPN members based in Greater Manchester are indicating that they will fail to meet employer demand.

One example is a sub-contractor which currently delivers 50-60 predominantly 16-18 year old apprenticeship starts in the Creative and Digital sector (high priority) all to GM residents and GM businesses. They have an 89% success rate for this programme and have spent months preparing to deliver standards in Digital Marketing and Cyber Security ready to roll out in May. At present they cannot access funding from their current 'primes' and these opportunities are potentially lost.

Damaging Consequences

Greater Manchester has an economy dominated by SMEs. The impact of these funding reductions will result in lost opportunities for young people and an inability to meet employer recruitment and skill needs and will inevitably impact upon potential increased productivity and growth.

MPs on the Public Accounts Committee warned senior civil servants of this likely consequence last autumn. Current SME employers of apprentices, as well as their apprentices, could also be cut adrift from their programmes, seriously undermining the Government's social mobility agenda.

After significant government marketing campaigns, the allocations need to meet the expectations of small businesses, parents and young people who have been convinced that apprenticeships are the right option both now and in a post-Brexit Britain that needs a better skilled workforce. Without the necessary training provider infrastructure, these expectations will simply not be met.

Solution

The ESFA can immediately double the very modest allocations to providers within the £440m budget. If there is any under-delivery of apprenticeships by individual providers between now and the end of December after an increase, the funding agency can claim the funding back.

The ESFA needs to provide an effective account management service to providers in order to respond to acute situations and to quickly respond to exceptional substantiated business cases

Non-levy paying SMEs should be put on The Apprenticeship Service (TAS) as soon as 1 January 2018 alongside levy paying employers. Then instead of civil servants making the decisions, it will be employers that determine which providers should receive funding after the non-levy employer has made a 10% financial contribution towards the cost of the apprentice's training and assessment.

Further Information

Andy.f@gmlpn.co.uk – Tel - 07801-927629

May 2017