

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:

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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

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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?

For the record, we believe that the change to direct employer funding is detrimental. The cost to business in administrative burden is significant – one likely to have a detrimental effect on the numbers of apprentices taken on in the woodworking industry. Cash Flow is more poignant, with Micro and Small businesses likely to be put off taking on apprentices because of the initial outlay. We continue to support the training provider funding model but with stricter requirements for them to deliver employer-led programmes.

Assuming the changes to the new funding principles goes ahead we believe:

- Additional government support should be provided to Micro and SME companies after recruiting a new apprentice. We welcome this for 16-17 year olds, but this burden is only slightly less for 18+ in high risk working environments like woodworking.
- Many of our members are CITB registered (75% considered in-scope). As they are an employer-led organisation, we believe they should continue to have the mechanism to draw down funding from government on employers' behalf.
- While we support a Payment by Results approach, it should not be too strongly weighted on completion, as employers will have to bear the brunt of the cost of a significant of time before reimbursement. Whatever percentage is agreed with the PBR, training providers should be compelled to charge similar percentage amounts at similar times to when the employer will be able to claim back the funding
- Co-investment provides another barrier for employers in addition to having to pay for training in advance. Government, in our view, should be providing fully-funded training provision at all ages, as the cost to the employer in terms of 'internal' costs, training and processes is significant, and the benefit to the UK economy of taking on apprentices far more significant than the cost to the Treasury. It is also unequal funding to that of the funding government will provide if 16-18 year olds who stay in full-time education. Government should reconsider the co-investment approach completely, or at least look at the percentage contribution of government being more than that of the employer.
- It must be clearly legislated that employers should not be audited by Ofsted and the SFA like training providers are currently, this responsibility should remain with training providers who are the end recipient of the funding.

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.

We have limited involvement with ATAs, but as they are technically considered 'the employer', it should be permissible for them to directly draw down the funding. Not doing it in this manner will make it problematic for employers as the apprentice moves around different employers

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?

- Simple guidance on how to register, and the process, the amount of funding available with the minimum amount of input from the employer. Jargon-riddled and long guidance will put off employers.
- The maximum available government funding for a particular apprenticeship and percentage rate of support from government
- The length of time from submitting a claim through whichever model is selected to the employer actually receiving the funding from government (which should be short)

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

- Guidance would need to be given in advance of the recruitment process – as the rate will be negotiated between employer and training provider, this should be in percentage terms with limits clearly advised.
- Once registered and details of training provider costs have been input, a specific monetary value should be provided

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

No Comment

Payment mechanism options - PAYE model

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

Representing majority micro and small businesses, we believe that this will greatly affect cash flow in our member companies and will be a barrier to taking on apprentices. This model should be dropped.

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

We do not have specific data on this, and do not believe that our membership would have more than one PAYE system, but we would expect that this would add an extra level of complexity to the process for said employers. An outsourcing of payroll would usually come with a level of support that would not have financial implications for an employer

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:

Most payroll software will provide its own updates within its licencing agreement

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:

Using different training providers may provide complexity on the amount of deductions required

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:

Would be different from company to company.

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:

Would be different from company to company.

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:

It adds an additional layer of complexity for small employers

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

Cash flow issues

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

Yes

No

Don't know

Please explain your response:

Employers want things to be done quickly and easily, and handled by others where it is not within their skills set. Moving this away from providers would become a deterrent to taking on 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.

Overall we think this is going to complicate the process for employers to taking on an apprentice(s). Pushing the burden on employers to understand the rules and undertake these processes that were previously handled by training providers adds a significant barrier to taking on an apprentice. In micro and small businesses (in our industry, the companies who take on the majority of apprentices), pushes this additional burden onto the owner of the business. They may not have the tax expertise to deal with this and simply just choose not to train apprentices.

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?

This system is the best for the three outlined in this document for micro and small companies. The system seems simpler to understand and to track what funding is going where. It gives the funding from government 'value' that is not associated with a simple reduction in tax liability to the PAYE system.

We believe that this will be the best system for assurance too, as government remain the intermediary of the funds between employer and training provider.

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

It must be simple for employers to engage

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:

Training providers might be different for different apprentices and the provider might change over time (either mid-apprenticeship or as new apprentices are taken on) if the employer secures a better deal or find a more quality provider.

Like any 'bank account' it should be set up and ready before you select the payee.

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?

- The terms agreed with the training provider
- Cash flow within the business

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

This is a better scenario than PAYE as the employer will only pay in their own contribution to the training, rather than 100% and then claiming back.

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.

CITB should be able to manage a credit account for all its registered companies so that they can administer the funding to the appropriate training providers.

Assurance

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

Companies should not be required to register, this should remain for training providers.

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

Placing public money in employer hands is a situation created by this policy. Every effort should be made to make no burden on employers to undergo audits. As the final recipients of public funds remains with training providers, this is where assurance and budget management should be focussed. If the provider gives a highly inflated rate, for example, the provider should be penalised, not the employer.

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?

Template contracts should be drawn up by government with guidance on how to adapt them and guidance on how to review the progress of the relationship with the provider.

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?

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?

- Supported by advisors for employers who can help them through the process.

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.

Those starting on funded frameworks should be funded until they have completed it, even if the new system of funding for standards is in place

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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