Association of
Employment and Learning
Providers

AELP Submission: #104

Summary of Recommendations: Maximising Opportunities for Young People and Adults, 2022 Spring Statement

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Spring Statement 2022: Maximising opportunities for young people and adults A submission from the AELP

Summary of Recommendations: Maximising Opportunities for Young People and Adults, 2022 Spring Statement

This submission sets up out a number of proposed areas, recognising the existing investment in the recent multi-year Spending Review settlement and is aimed at building on both the Chancellor's Plan for Jobs and the Secretary of State for Education's Skills for Jobs White Paper.

Now is the time for the Government to ensure we have a follow on with a suitable bold plan which supports the notion of driving employment and integration with skills, supporting individuals train, reskill or upskills and employers in filling the skills and employment gaps over the challenging years ahead. Where funding has been committed, value for money and impact is vital to ensure that more funding is spent on front line provision, with less of an institutional approach taken and a move to a demand-led market.

However, AELP still believes though that if the government is to truly achieve its ambitious plan to create a world leading skills system, the quantum of overall funding available is ultimately not yet enough to achieve this. AELP proposes the following eight priority areas as recommendations for the 2022 Spring Statement for further education and skills. AELP believes that the government should:

1. **Introduce a longer-term employer apprenticeship incentive scheme, specifically targeted at hiring apprentices under 25 and funded through recycling unspent apprenticeship funding that would otherwise be returned to the Treasury.**
2. **Address the long-standing inequality in funding rates for key maths and English functional skills for all apprentices within apprenticeship provision, with work-based functional skills currently unfairly discounted at close to half the rate of classroom-based provision.**
3. **Ensure a fairer and more transparent approach to apprenticeship funding, including all government-mandated activity are fully claimable as "eligible" apprenticeship costs and that all apprenticeship funding bands are reflective of this.**
4. **Better support for non-levy paying employers is needed to enable them to engage more effectively with the apprenticeship programme and the apprenticeship service.**
5. **Ensure the financial sustainability of the apprenticeship system for all sized employers and all ages of apprentices in the long term, overall funding for apprenticeship needs to match employers' demands, including a standalone annual budget for SME apprenticeships.**
6. **Focus the new UK Shared Prosperity Fund (UKSPF) to be heavily weighted on skills whilst focusing the priority provision on both the disadvantaged and lower-level skills needs of adult learners.**
7. **Implement maintenance grants for trainees on the Traineeship programme to ensure the right incentives are in place to encourage participation and address financial barriers to participation for disadvantaged young people.**
8. **Expand the scope of the forthcoming Lifelong Learning Account programme to wider adult programmes, moving away from the current institutionally-led approach to a system to give learners and employers greater empowerment and the choice of access for both lifelong learning and training entitlements.**

Key Policy Principles for the Success of the Further Education and Skills

In developing our response to the 2022 Spring Statement, AELP has based our recommendations and proposals on a key set of core principles on how we believe the further education system should operate within. On this basis, AELP believes:

- All government policies on training, employment and skills should be focused on improving productivity and personal growth by focusing on the employer and individual choice. Further education and training providers of all types should, therefore, be treated equally in terms of the general approach towards funding and contracting. On that basis, AELP believes that individual skills accounts are the ideal vehicle that the government should adopt.
- Procurement of training services should be open equally to all registered training providers. It should recognise past performance but encourage new provision based on evidence of good performance elsewhere.
- Some programmes should remain nationally contracted such as Apprenticeships and Traineeships. AELP continues to support the devolution of some programmes where there is evidence of improved take-up and delivery.
- Funding rates for all programmes should be fair, transparent and reflect the real cost of delivery.
- In supporting programmes for all ages and at all levels, priority should be given to ensure that the provision for 16-24-year-olds and those with disadvantages is high quality.
- The quality of all provision should be measured effectively using an appropriate range of measures agreed with providers and customers.
- In maximising the impact of programmes by ensuring that all funders co-ordinate their provision using providers to integrate delivery.
- In the need for a more integrated and simplified approach to funding.

About AELP and Our Members

The Association of Employment and Learning Providers (AELP) is a national membership body, proudly representing around 800 organisations. AELP members support thousands of businesses and millions of learners in England by delivering a wide range of training, vocational learning, and employability programmes. We support learners of all ages, in every community, and at every level of post-16 study. Formed in 1988, AELP's priority has always been advocating for the training providers that we represent and offering a wide range of competitive member benefits.

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AELP's Recommendations in Detail

Recommendation (1): Introduce a longer-term employer apprenticeship incentive scheme, specifically targeted at hiring apprentices under 25 and funded through recycling unspent apprenticeship funding that would otherwise be returned to the Treasury.

Government-backed cash incentives for employers are a proven success. The legacy Apprenticeship Grant England (AGE) scheme supported many thousands of employers to take on a young apprentice. More recently, the incentives made available through the Plan for Jobs have been a fantastic success. As of December 2021, 161k new jobs have been created so far, of which 78% have been for 16-24-year-olds[1]. This is significantly more than the volume of starts on the much more expensive and unproven Kickstart scheme. Interest from non-levy paying employers has been very strong, with new vacancies on the government's Find an Apprenticeship at an all-time high. Cash incentives give employers the flexibility to choose how they invest the grant, whether that is an indirect wage subsidy or investment in infrastructure to support the apprentice.

Building on the success of the Plan for Jobs, AELP believes a longer-term employer incentive scheme is needed. There should be a more targeted ongoing campaign at supporting employers to employ more apprentices from the 16-24-year-old age group. This would support businesses to take on younger apprentices, tackle entrenched youth unemployment and get young people into quality work-based training. This incentive should be maintained at £3k per apprentice. Over 90% of apprentices are retained post their apprenticeship. Apprenticeship job creation also means long-term sustainable employment- which is good for the employer, employee, and the state.

Every year since the advent of the apprenticeship reforms has seen an apprenticeship budget underspend. AELP believes that such an incentive scheme should be funded in the shorter–term through the government recycling existing unspent apprenticeship funding that would otherwise be returned to the Treasury and lost from the apprenticeship system.

Recommendation (2): Address the long-standing inequality in funding rates for key maths and English functional skills for all apprentices within apprenticeship provision, with work-based functional skills unfairly discounted at close to half the rate of classroom-based provision.

Without a doubt, maths and English are vital basic skills for all individuals, both in working life and in everyday life. While these vital qualifications offer a golden thread that has the potential to advance the social mobility of the most disadvantaged learners, low-level qualifications tend to be inadequately funded despite being taken up by some of the most challenging individuals who need the most support.

The recent government decision to change the maths and English exit requirement on T Levels in line with A-Levels leaves apprenticeships as the outlier programme in terms of maths and English policy. Not only do apprentices have to complete maths and English to attempt the end point assessment, but the funding to do this is discounted to close to half the rate of classroom-based provision. An original ill-informed government policy decision based on the mistaken assumption

[1] Apprenticeships and traineeships, Academic Year 2020/21 – Explore education statistics – GOV.UK (explore-education-statistics.service.gov.uk)

that work-based learning delivery allows for “better economies of scale" over classroom-based delivery and is, therefore, cheaper to deliver. An assumption that AELP continues to dispute.

AELP believes that functional skills qualifications are at least equal to GCSEs in developing work relevant literacy and numeracy alongside an apprenticeship or vocational programme and often favoured by employers. The current discriminatory policy on funding rates for functional skills needs to end and funding needs to double to be at an equivalent level to all other learners.

Functional skills qualifications delivered as part of an apprenticeship should be funded at least the appropriate matching value of classroom provision (£724 per each qualification) to ensure there is the income to cover the cost of delivering vital provision to apprentices who need maths and English. For a training provider, the cost of delivering the current functional skills curriculum is more than the fixed rates of £471 funding provided by the Government for each functional skill – our research show this to be the case especially for those needing to transition from level 1 to level 2, with actual guided learning hours on average being circa 70 hours to complete.

Recommendation (3): Ensure a fairer and more transparent approach to apprenticeship funding, including all government-mandated activity are fully claimable as an eligible apprenticeship cost and that all apprenticeship funding bands are reflective of this.

AELP believes that the principle of the government mandating any activity as part of the apprenticeship programme should without question be included as an “eligible cost” in the ESFA’s apprenticeship funding rules. Back on the 10th December 2020, the ESFA launched a review of the eligible and ineligible costs of apprenticeship training[2]. This detailed review invited responses by the 10th of January 2021. When launching the review, the ESFA confirmed that:

> *“We will analyse all comments received by the deadline and will publish confirmation of our future approach in April 2021. It is intended that any changes to eligible or ineligible costs will take effect from the new funding policy period (which begins 1 August 2021)”*

Over twelve months later the ESFA has yet to formally provide a detailed update on the outcome of that review. An update was made deferring any decision to the 2021 Spending Review. In the meantime, providers continue to have to undertake mandated activity that they are not allowed to be included as an eligible delivery cost as part of the total negotiated price for the apprenticeship.

It remains critical that there is a fair and transparent approach to apprenticeship funding, including ensuring all government-mandated activities are fully claimable as an eligible apprenticeship cost. Initial skills assessment activity is the most pertinent example of a critical activity that will define whether the right individual is on the right apprenticeship programme and the initial assessment is used to plan their programme and identify areas of prior learning. Currently, this is not an eligible cost, despite it both being a contractual government requirement and also the most key activity to ensure the success of the programme for the individual. Any change to eligible apprenticeship costs also needed to be reflected in apprenticeship funding bands for all standards.

[2] 4. Eligible ineligible costs review document (education.gov.uk)

Recommendation (4): Better support for non-levy paying employers is needed to enable them to engage more effectively with the apprenticeship programme and the apprenticeship service.

As at 8th December 2021, the number of registered Apprenticeship Service Accounts (ASAs) was 127,400. Levy-paying organisations accounted for 20,400 accounts and non-levy employers accounted for 107,000 of these accounts. Proportionally the number of levy paying employers with an apprenticeship service account is high and previously scaled quickly, whereas the percentage of non-levy payers with an apprenticeship service accounts still remains proportionally and stubbornly low. When looking at the percentage split of starts by employer type, levy payer account for around 2 in 3 starts, a shift made from back in 2017, where previously smaller employers dominated the apprenticeship market and formed the backbone of the system.

When examining the conversation rate of employers registered on the apprenticeship service with the actual numbers who have engaged in the next step of converting into reservation activity this highlights a further gap. For the previous academic year (FY20-21) 62,310 non-levy paying apprenticeship service accounts made a reservation. As of 8th December 2021, there have been 89,680 reservations made so far in the first 4 months of the current academic year, made by 49,300 non-levy paying apprenticeship service accounts[3].

The number of non-levy paying employers engaging with the apprenticeship programme remains stubbornly low, both in terms of being on the apprenticeship service and then converting having an account to reserving funding and moving through the recruitment process. Both of these issues are underlying issues that the government needs to do more to address to ensure non-levy payers, 98% of employers in England, are able to engage effectively with the apprenticeship programme and realise the benefits that apprenticeships bring to help them grow and prosper. This would bring wider benefits as smaller employers historically recruit young apprentices on lower level programmes, which is another wider challenge, highlighted by only 20% of apprentices last year being aged 16-18.

The government has in recent times introduced specific solutions to support aggregated demand and bespoke support on programmes such as Kickstart through the introduction of gateway organisations to support smaller employer engage and to undertake much of the bureaucracy, cost, administration and heavy lifting that would otherwise limit participation. A similar challenge which exists with apprenticeships that is yet to be addressed. AELP believes the government could also do more to continue to streamline and simplify the apprenticeship service for non-levy paying employers, a system originally designed for large levy-paying employers.

AELP also believes that the government should implement an exemptions process for non-levy paying employers who reach the annual cap of ten directly funded starts to add more flexibility to enable non-levy paying employers who are utilising apprenticeships to continue to grow in a managed and controlled way.

[3] Apprenticeships and traineeships, Academic Year 2020/21 – Explore education statistics – GOV.UK (explore-education-statistics.service.gov.uk)

Recommendation (5): Ensure the financial sustainability of the apprenticeship system for all sized employers and all ages of apprentices in the long term, overall funding for apprenticeship needs to match employers' demands, including a standalone annual budget for SMEs' apprenticeships.

AELP welcomed the funding settlement in the 2021 Spending Review, increasing the apprenticeship budget by £170m in three years. The fact that back in 2019 the apprenticeship system budget was under such pressure is a testament to how well employers have now embraced and highly value apprenticeships. This should be a significant positive and the future approach needs to consider how to continue fuelling the growing hunger from employers, rather than looking to restrict it. This not only includes bringing young people into work through apprenticeships but supporting upskilling and career progression for existing employees too. After all, the purpose of the apprenticeship reforms was to shift to an employer-led system with businesses wanting to use apprenticeships to reskill current staff as well as meet recruitment needs.

Without a doubt, the impact of the Covid-19 pandemic with the significant reduction in new starts and the redundancies of existing apprentices will have the unplanned consequence of actually relieving the shorter term pressure on the apprenticeship programme budget. However, as employers recover from the pandemic, the risk of an overspend does not go away but in reality, becomes deferred to a later date. As this spending review covers a multi-year period, it must account for this inevitable scenario to ensure the apprenticeship system is sustainable in the long term.

AELP believes the fundamental way to address this challenge is to allow levy-paying employers full unabridged access to the apprenticeship levy and have a separate funding mechanism for non-levy paying employers through a separate government-funded budget paid for by general taxation. This non-levy budget would represent the similar level of financial investment that the Government was making the apprenticeship programme before the introduction of the apprenticeship levy in 2017.

Critically levy-paying employers have told us that what they most value is having maximum choice and being able to access an all-age, all-level apprenticeship programme with no artificial restrictions based on such as previously mooted mechanisms like limiting participation and funding based on an employee's prior attainment, age or the level of the approved apprenticeship programme the employer wants to access.

If the demand for levy-paying employers continues to build over time to the point that levy-paying employers consume the current apprenticeship levy, then the Government has a sound business case to look to increase the tax paid by those levy-paying employers to enable them to meet their demand and continue to allow for that unrestricted optimum choice that employers demand.

In giving levy-paying employers full access to the levy they pay, AELP believes that the Government needs to support non-levy paying employers through a ring-fenced guaranteed minimum budget for non-levy employers funded through general taxation. The apprenticeship levy system was built on the Government's original hypothecated assumption that circa 50% of the apprenticeship levy would go unspent each year and this would offset the Government's need to directly fund the non-levy paying marketplace.

As demand from levy-paying employers grows, this continues to restrict the funding available to the 98% of employers that do not pay the levy. Non-levy paying employers, i.e. SMEs spread across all areas of the country, have been the backbone of the apprenticeships system and both need and deserve more certainty about the availability of funding to support the training of high-quality apprenticeships. Non-levy paying employers have also traditionally offered a key entry point to young apprentices entering the jobs market for the first time and helping to fill vital skills gaps.

Creating a sustainable apprenticeship system also means not just enough funding in the system itself, but ensuring that funding assigned to each apprenticeship standard is fair and proportionate to support the delivery of high-quality training and assessment. This means that the new methodology for allocating funding by the Institute for Apprenticeships & Technical Education (Institute) needs to be able to achieve this outcome.

Recommendation (6): Focus the new UK Shared Prosperity Fund (UKSPF) to be heavily weighted on skills whilst focusing the priority provision on both the disadvantaged and lower-level skills needs of adult learners.

In the 2021 Budget and Spending Review, the government announced that the funding settlement for the UKSPF will be worth over £2.6 billion, to help people access new opportunities in places of need. Funding will rise to £1.5 billion a year by 2024-25, with the total funding commitment for UKSPF tapered: £400m (FY22/23), £700m (FY23/24) £1.5bn (FY24/25). However, the government is still yet to finalise its public position on the split between people and infrastructure as part of the new exciting UK Shared Prosperity Fund (UKSPF), the replacement for ESF funds now that the UK has left the EU.

As part of "Levelling-Up", AELP believes that the government needs to ensure a stronger weighing of the £2.6bn UKSPF settlement on people and skills. More recently the government has made a £220m commitment through the Community Renewal Fund, alongside the sizeable £3.6bn settlement available in the Towns Fund as part of the levelling-up agenda as significant investments in infrastructure. AELP, therefore, argues that people and skills should be the primary focus for prioritising funding from the UKSPF.

It is important that despite the political appetite for the UKSPF to be seen as "new and better", the fund's principles build on the foundations laid by its predecessor and at its centre. It should continue to be focused on supporting the most disadvantaged individuals in society with skill needs at level 2 and below. ESF programmes were effective at supporting disadvantaged individuals as the innovative approach to delivery allowed for the development of a supply chain of specialist and niche providers to reach parts of the community that mainstream provision simply couldn't. It will be critical to recognise track record and capacity when it comes to procuring these new contracts.

Ensuring national support and accessibility for employers is also key, a frustration that is fed back regularly in regards to the postcode lottery of eligibility based on devolution of wider AEB provision. That said there is the opportunity to strip out unnecessarily bureaucracy that dogged the outgoing European scheme and complexities such as match funding requirements, as ever the priority should be about ensuring that funding is spent on front line provision – after all as the Chancellor rightly points out, it is critical to ensure that "every pound is well-spent".

Recommendation (7): Implement maintenance grants for trainees on the Traineeship programme to ensure the right incentives are in place to encourage participation and address financial barriers to participation for disadvantaged young people.

Back in 2020, the Treasury made a significant financial commitment to re-energise the Traineeship programme, a programme that AELP has wholeheartedly championed, which despite its dwindling numbers has always produced exceptional outcomes in the guises of jobs, apprenticeships or progression to further study for young people. This commitment included increasing the core funding, more participation funding and a new employer work placement incentive payment until July 2022.

With participation funding in place, a procurement completed for 19-24 and a market entry event run for 16-18 Traineeships the missing piece of the jigsaw remains incentives to young people to participate in the programme.

Traineeship referrals across the country remain lower than expected as too many young people are being automatically referred by Jobcentre Plus Work Coaches to competing DWP provision such as Kickstart and now Restart – meeting their own targets, rather than the best outcome for the individual. Kickstart also offered young people a fully paid work placement of at least the national minimum wage for 25 hours a week for 6 months in duration. Given the current economic cycle and the substantial impact of the Covid-19 pandemic, it is critical more than ever to ensure that both the DWP and the DfE have a coherent and integrated employment and skills strategy that dovetails together to support individuals "into work and onto skills."

The removal of the means-tested education maintenance allowance (EMA) for new applicants in January 2011 and replaced by a bursary fund saved the government around two-thirds of their investment, but currently, young people lack enough incentive to undertake a Traineeship, despite this proven programme where over 75% of participants progress to a job, an apprenticeship or into further education[4]. Traineeships also have a key role in supporting social mobility and levelling-up, through enabling access to education for learners from BAME communities and learners with a declared learning difficulty. Historically 2 in 3 trainees have been from a BAME background and nearly 30% of participants have a declared learning difficulty.

AELP believes the government needs to consider a financial incentive to encourage more young people to participate in traineeships, an investment that will reap the return from a programme with a fantastic track record of achieving sustained outcomes for young people and ensure a positive return for the public purse.

Recommendation (8): Expand the scope of the forthcoming Lifelong Learning Account programme to wider adult programmes, moving away from the current institutionally-led approach to a system to give learners and employers greater empowerment and the choice of access for both lifelong learning and training entitlements.

AELP was delighted by the government's announcement to introduce a lifelong learning account alongside the new lifelong loan entitlement (LLE). The LLE announced in the 2021 Plan for Skills is

[4] Estimating the impact of Traineeships: final report (publishing.service.gov.uk)

being fully rolled out by 2025, with the lifelong learning account being the learner-led approach to selecting, purchasing and accessing the individual's chosen programme of learning. AELP has long championed giving learners and employers greater autonomy over how and where they access their training as opposed to institutionally-led government contracts. A shift in the demand-led dynamics has already been made in the apprenticeship space for both levy and non-levy paying employers. A move to a demand-led adult funding system would reduce the amount of subcontracting taking place, meaning more funding is spent on front line provision and there is better utilisation of adult funding that is available, such as through the adult education budget.

AELP believes that a lifelong learning account firmly puts the adult learner at the centre of a new demand-led approach to their lifelong learning[5]. However, the LLE will only span provision at levels 4 to 6 and AELP supports the approach of modular and flexible learning for adults through a demand-led system at both levels 2 and 3.

Previously AELP also made several recommendations to ensure the success of Individual Skills Accounts, which focused on the following underpinning guidelines:

- Ensuring that the skills account funding is routed through a tested and approved provider base.
- Controlling the breadth of qualifications available for individuals to buy through the ring-fencing of funding in their skills account with a catalogue of approved programmes.
- Embracing the latest technological advancements to enhance, control and protect the integrity of the skills account system – identifying trends quickly, with the ability to suspend or investigate accounts based on specific behaviours or patterns.
- The facility where relevant to enable both employers and individuals to share the responsibility with the government to meet the total cost of required investment in training and learning required.
- Structuring skills accounts in a way that enables the government to flexibility direct funding to support additional specific targets to meet new or developing needs.

[5] AELP's Submission 77 on Skills Accounts – January 2020

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