

## **Hugely negative impact of Government's cuts to the funding of SMEs' Apprenticeships**

**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.

Left-over levy money, if there is any, is meant to fund the apprenticeships of non-levy paying SMEs who account for the great majority of apprenticeship opportunities, especially in towns and rural areas where there are no levy payers. During 2017-18, £440m will be allocated to fund these SMEs' apprenticeships via training providers and colleges.

**Critical new issue:** The Education and Skills Funding Agency (ESFA) has just slashed funding allocations to the training providers supporting SMEs by up to 89% for new non-levy apprenticeship starts during the period May-December 2017. For many good quality apprenticeship providers, including much needed specialist ones, their allocations will fund barely 6 weeks of new starts in this 8-month period and many will go out of business unless the Government takes immediate action. Redundancy notices are being drawn up now.

Training providers who deliver apprenticeships as subcontractors for local Further Education colleges or large providers are 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.

**Damaging consequences:** Without adequate allocations for SMEs, areas of the country face becoming 'apprenticeship deserts' for young people over the next 8 months because they have a few or no large levy paying employers to make up the shortfall. MPs on the Public Accounts Committee warned senior civil servants of this likely consequence last autumn. Current SME employers of apprentices and their apprentices could also be cut adrift from their programmes, seriously undermining the Government's social mobility agenda.

After big recent government marketing campaigns, the allocations should be about meeting 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 without risking the ire of the Treasury. 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.

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.

**Call to action:** Prospective Parliamentary Candidates are urged to lobby the Education Secretary Justine Greening as soon as possible to instruct the ESFA to immediately increase providers' allocations for non-levy apprenticeships. The Minister should be made aware of the likely negative impact on small businesses and apprenticeship opportunities in their constituencies if no action is taken.

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