

Rt Hon Justine Greening MP
Secretary of State for Education and Minister for Women & Equalities
Department for Education
Sanctuary Buildings
Great Smith Street
London SW1P 3BT

27 April 2017

Dear Secretary of State,

ESFA non-levy apprenticeship allocations

Over the last 48 hours, the ESFA's leadership has been made aware of the hugely worrying response of the apprenticeship training members of the Association of Employment and Learning Providers (AELP) since they received notification of their non-levy funding allocations for the period July-December 2017. This follows the recent pause on last October's procurement.

However my Board and my members would think that I was not doing my job if I did not take the matter up directly with Ministers even though we are now in purdah. Therefore the purpose of this letter is to urge you to intervene to avoid a potential catastrophe in the provider supply base just when the levy reforms have got underway. And make no mistake; if there are casualties among the providers as a consequence of the non-levy allocations, this will have a serious and direct impact on provision for levy-paying employers, the 3 million starts target and most importantly the social mobility agenda as young apprentices are left stranded without training provision.

Officials will tell you that they have factored in the possibility of contract growth during the second half of the year, but I have good quality providers informing me that their initial allocation will fund not much more than a month's new apprenticeship starts under a contract which is supposed to cover 8 months. As a former accountant with a strong business background and understanding of cashflow, you will be the first to understand that this will drive many of them into the hands of the receivers before the possibility of growth funding is even considered. Unlike colleges, these are not providers benefiting from grant allocations; they are only paid on delivery. Many AELP members are reporting that their new allocations are typically 50 to 80% lower than their previous contract values for a similar period.

Nearly all providers have been adversely affected by this week's notification, but AELP is especially concerned about the impact on hundreds of subcontractors who deliver apprenticeships, often in specialist areas that underpin the Government's Industrial Strategy. Their prime providers are informing them that the allocations for the primes are so low that they cannot pass on any funding at all to the subcontractors. Therefore unless these subcontractors have found alternative new sources of business, they will start issuing redundancy notices to staff next week and also face the prospect of going into administration. Again, I need to stress that these providers are businesses that are not taps which can be turned off or on. If the Government wishes them to continue to support the

apprenticeship programme, we need some stability in the contracting process until the non-levy employers join The Apprenticeship Service.

On one level, we are frankly baffled by the allocation decisions. The ESFA has just admitted these same providers on to the new Register of Apprenticeship Training Providers with presumably the intent that it wants them to be part of a sustainable supply base for the programme and yet it is now giving many of them insufficient funding to survive. Some of my members feel that this is all part of a government plan to cull subcontractors from the market but then we must recognise that the Agency took an even-handed approach to the register application process. However it is very hard to reconcile the implications of this week's allocations to the register process outcome.

We have members who are looking forward to starting apprentices for levy payers next week and hopefully we will see a steady growth in business from them over the next two years. But as the Government itself has regularly said, they comprise only 2% of the employer market and the great majority of England's 900,000 apprentices are employed by SMEs. Many of the providers who support them are now in danger of disappearing and areas of the country with few or no levy payers may become 'apprenticeship deserts'.

Since I first communicated with my members yesterday about the allocations (a copy of my message to them is on the AELP website), my inbox has become full of very disappointed and sometimes angry emails from providers that indicate that the situation is much worse than the message implied. As an election is underway, some have made it very clear to me that they will be taking the matter up with their local Prospective Parliamentary Candidates, particularly in rural areas and smaller towns where there are few levy paying employers. They have seen colleges do this type of lobbying with their 'fair funding campaign' and feel that there is no reason why they should not do the same.

It may be that the 3 million target will not appear in the new Conservative manifesto and so in Ministers' eyes, far fewer providers are needed to deliver it. But this is not the key point. After the 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. Without the necessary provider infrastructure, these expectations simply will not be met. This is why we urge you to ask the ESFA to reissue larger non-levy allocations to providers as soon as possible.

I am sending a copy of this letter to Robert Halfon and in the light of the unprecedented concern of AELP members, I will be placing a copy of it in the public domain on Friday.



Mark Dawe,
Chief Executive, AELP

CC Keith Smith
Peter Lauener