

APPRENTICESHIPVOICES

A RESEARCH PROJECT ON THE APPRENTICESHIP PROGRAMME IN LIVERPOOL CITY REGION

JUNE 2023



METROMAYOR LIVERPOOL CITY REGION



Contents

A. Executive Summary

B. Main Report

- 1. Purpose of Report
- 2. Context for Research
- 3. Research Methodology
- 4. Overview of Findings: Strengths and Opportunities
- 5. Overview of Findings: Emerging Issues
- 6. Findings in Detail
- 7. Conclusions and Recommendations





A. Executive Summary

Apprenticeships are skills development programmes for people in employment. Traditionally, they have played a pivotal role in supporting school leavers and young people into employment with training. However, apprenticeships are now for all ages and run from level 2 to level 7, equivalent to a Master's degree.

Historically, the Liverpool City Region (LCR) has had a strong tradition of employers and individuals accessing apprenticeships. The programme has supported employers in addressing their skills needs and has encouraged social mobility by helping those with lower skills into jobs with good prospects for progression.

However, participation in apprenticeships has fallen significantly recently. Between 2016/17 and 2021/22, the number of apprentice starts fell by 46%. During this same period, fewer 16-18-year-olds started an apprenticeship, and fewer individuals started an entry-level apprenticeship (level 2/intermediate), whilst the number starting higher or degree-level apprenticeships (levels 4-7) almost doubled.

The Liverpool City Region Combined Authority has commissioned GMLPF to undertake research with local apprenticeship providers and stakeholders to explore the reasons behind the fall in apprenticeship participation and potential solutions. Providers are at the frontline of apprenticeship delivery and are uniquely positioned to shed light on the current situation.

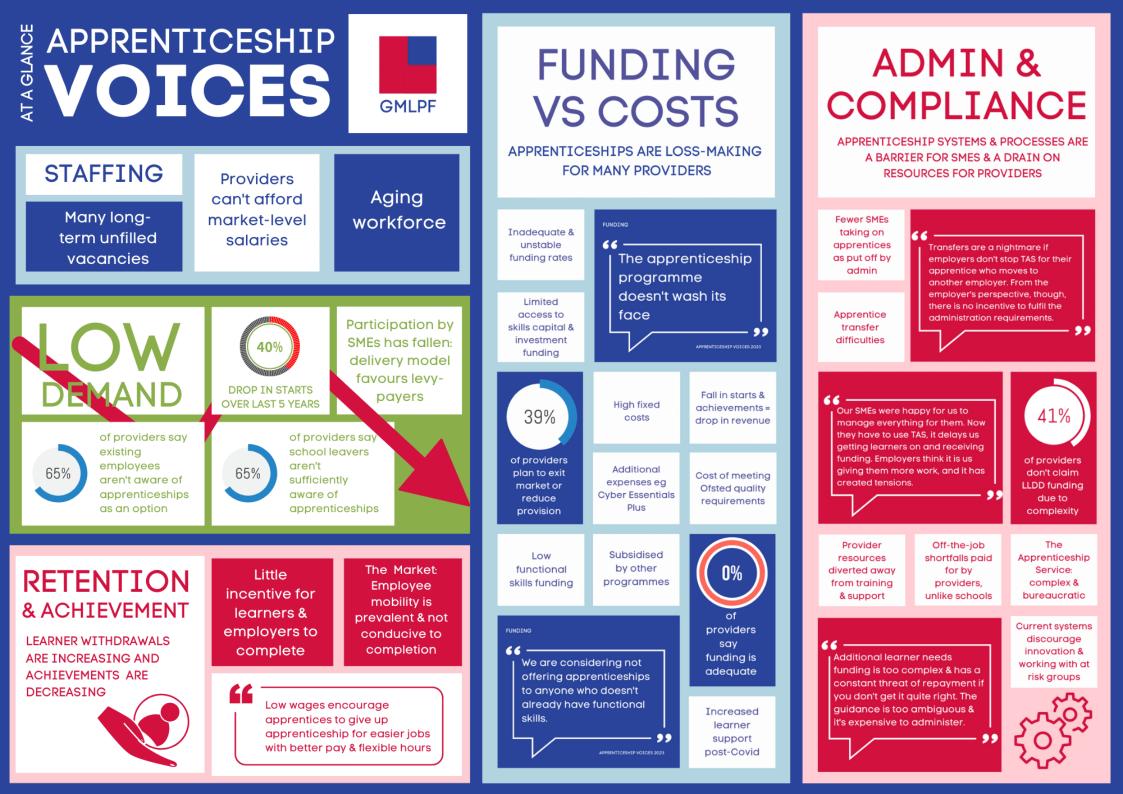
The research findings highlight several interconnected reasons behind the fall in apprenticeships in the region:

- Funding is deemed inadequate, rendering apprenticeships unviable as a standalone programme for many providers who are thus considering exiting the programme or scaling back their offer, resulting in a loss of local capacity and capability.
- Providers are struggling to afford the salaries needed to retain and recruit staff, impacting current delivery and potential for growth.
- Excessive administration and compliance: systems and processes are too complex and demanding, diverting resources from teaching and support.
- Steeply rising costs mean providers struggle to maintain a high standard of quality training as their income is fixed.
- Whilst demand for apprenticeships remains reasonably strong in some areas, generally, there is a pattern of falling demand from SMEs and school leavers.
- There is a rise in learner withdrawal rates impacting achievements, in part due to a lack of employer understanding of the apprenticeship model and the programme's failure to meet the needs of employers and learners.

The research identified three areas to improve to increase growth and boost participation:

- Increase funding: a need for an across-the-board funding boost. Funding has not been comprehensively reviewed and increased since 2017.
- Stimulate demand: demand for the programme is historically low, and the demand pattern has changed.
- Reduce the administrative burden: simplify processes and make the programme easier for employers to use.

The infographic that follows takes key facts and points of note revealed by the research.



Recommendations

Funding increases, stimulating demand and reducing administration are themes reflected throughout the full set of recommendations drawn from the research. The recommendations are listed below, with an indication of whether each is a local or national recommendation

Funding of Apprenticeships:

Recommendation 1: Increase funding across the board rather than the narrow focus of the "emergency rate review" and standard-by-standard rate reviews that currently take place. This is essential to mitigate increasing costs and the risk of further market exit, and the erosion of local capacity and capability. (National – DfE and IfATE)

Recommendation 2: Secure greater stability in funding bands to support longer-term planning, innovation and development of new provision. Once a rate is agreed upon, assurance is needed that rates will remain stable for a period, enabling apprenticeship providers to make plans and investment decisions and maintain provision. (National –IfATE)

Recommendation 3: If functional skills are to remain a key element, then further funding is needed to support learners, especially at entry-level and those with ESOL needs. (National – DfE)

Recommendation 4: Approach, develop and utilise incentives differently. Currently, incentives are focussed on boosting starts whilst they could also be used to incentivise achievement by rewarding completion and progression onto a higher level of apprenticeship. (National – DfE)

Recommendation 5: A place-based whole systems solution is required. There is a need to consider the impact upon the programme of policy decisions taken elsewhere in the post-16 environment and to improve linkages between the apprenticeship programme and other funding streams when developing and/or procuring new provision. (National and local– DfE, Liverpool City Region CA and Local Authorities)

Staffing Issues and Challenges:

The sector struggles with staffing issues, including the cost of retaining and attracting experienced and skilled tutors, as with much of Further Education. The sector also has an ageing workforce and is increasingly seen as an unattractive career choice. Suggestions that could improve staffing locally include:

Recommendation 6: Develop a campaign to promote working in the post-16 sector, particularly apprenticeships, as a viable career option. This could build upon, or mirror campaigns run nationally to encourage becoming teachers. (National – DfE)

Recommendation 7: Building upon an LCR CA pilot implemented by Adult Community Learning providers to develop ACL trainers, launch a similar skills programme for new entrants or industry leavers to become trainers in the apprenticeship (and the wider post-16) sector. This could potentially be a bootcamp type programme for individuals. (Local– DfE, Liverpool City Region CA)

Administration – Processes and Systems

Recommendation 8: A review of transfer arrangements should be undertaken to keep apprentices in learning. Firstly, it needs to be easier to support apprentices moving employers to complete their programme, preferably with the same provider. Secondly, support is needed to ensure a smooth transition of the apprentice from one provider to another when the original provider can no longer offer training. (National – DfE)

Recommendation 9: The DfE's plans to simplify the administration of the apprenticeship programme are welcome, but a significant compliance burden remains. Often the administrative load is shifted from employer to provider rather than simplified. A review of the Apprenticeship Service making it easier for SMEs to use would be welcome, as would the greater freedoms and flexibilities around functional skills (ie enabling ESOL to be offered), learners who have additional needs, and OTJ requirements to enable the programme to broaden its reach and engage and support learners. (National – DfE)

Recommendation 10: Off-the-job learning and EPA play a critical role in delivering a high-quality learning experience whilst providing a mechanism for demonstrating knowledge, skills and behaviours. Providers would welcome a relaxation of the strict off-the-job requirements where they are not penalised for not achieving planned OTJ hours despite the apprentice achieving a distinction in the EPA, similar to A-level funding. (National - DfE)

Recommendation 11: Where the completion of a standard requires the achievement of a qualification in addition to passing the EPA, a model that includes an element of that qualification into the actual EPA would be welcome. In this way, achievement of the qualification would take place at the end of the programme. This would avoid scenarios where apprentices withdraw once they have achieved the desired qualification, boosting retention and achievement rates. A more consistently applied time window within which an apprentice is assessed would also be welcome, reducing the risk of learners dropping out. (National -DfE)

Cost of Maintaining High Quality in Delivery:

Recommendation 12: Due to financial challenges impacting the sector and the need to ensure that the sector can grow and respond to the changing needs of employers, any future funding for capital equipment and premises and curriculum development should be less restricted in scope and open to all providers and provider types. (National and local– DfE, Liverpool City Region CA and Local Authorities)

Employer and School Leaver Demand:

Recommendation 13: Develop a more effective and integrated employer-focused campaign locally to target companies, especially SMEs, to boost demand for and participation on the programme. This should be developed in collaboration and focus on SMEs, the value of the programme and less on the transactional elements of the programme such as process and administration. It should also focus more on the commitment required to make the programme a success. (Local– DfE, Liverpool City Region CA and Local Apprenticeship providers)

Recommendation 14: Develop a robust local strategy in collaboration with the Combined Authority, the Careers Hub, organisations delivering the ASK programme locally, learning providers and schools to ensure that schools make good progress against the Gatsby Framework and that students get more meaningful and structured interventions that build up their knowledge about the programme, increase their enthusiasm to get involved and which boosts participation. (Local– DfE, Liverpool City Region CA, stakeholders and Local Apprenticeship providers)

B. Main Report



1 Purpose of Report

There has been a long and robust history of support for and investment in apprenticeships in the Liverpool City Region. The programme is positioned as the principal employment and training vehicle for local employers and job seekers of all ages. Despite this, the number of residents and companies engaged in apprenticeships has noticeably declined over the last five to six years. Participation has "flatlined", and there is little evidence to suggest significant growth in the immediate future. This research has been commissioned to explore why this is the case.

The research findings constitute a "state of the sector" assessment of the Liverpool City Region's apprenticeship programme, market and infrastructure, identifying key issues and some potential remedies. Specifically, the research explored:

- The reasons for diminished participation levels
- The delivery challenges faced by apprenticeship providers
- Areas of weakness requiring improvement
- Areas of over and under-supply
- The prevailing strengths of local apprenticeship delivery
- The potential for apprenticeship growth and how to realise this

The Liverpool City Region Combined Authority has commissioned GMLPF to undertake research with local apprenticeship providers and stakeholders to explore the reasons behind the fall in apprenticeship participation and potential solutions. Providers are at the frontline of apprenticeship delivery and are uniquely positioned to shed light on the current situation.

2 Context of Research



What are apprenticeships?

Apprenticeships are skills development programmes available at levels 2 to 7 for people in employment. They provide a job underpinned by structured training and clear pathways for career progression and higher-level learning. Employers can use them to recruit and upskill staff of any age.

Apprenticeships in Liverpool City Region

Strong regional tradition

Apprenticeships have a strong tradition in the Liverpool City Region. They play a vital role in maintaining employment and growing the skills levels critical to the region's prosperity. They have also been seen as essential for supporting younger people, particularly school leavers, to secure training and employment.

Historically high participation levels

Historically, there have been high numbers of residents and employers (particularly SMEs) participating in the programme, with the Liverpool City Region having a higher participation rate than other parts of the country.

Social mobility

Apprenticeships are critical in facilitating regional social mobility, enabling young people who decide against A-levels or university to find employment with structured career routes. They also allow people in lower-skilled jobs to upskill and develop careers. The programme's structure supports progression, providing routes for residents to train up to levels 6 and 7 through degree apprenticeships.

However, some concerning trends have become noticeable in the region:

A steady decline in apprenticeship starts and participation since 2017

Since the introduction of the apprenticeship levy in 2017 and the gradual replacement of apprenticeship frameworks with standards, fewer people have been participating in apprenticeships. In the Liverpool City Region, there were 18,660 starts in 2016/17 but only 10,090 starts in 2021/22: a drop of 46% in 5 years. In contrast, apprenticeship starts fell approximately 30% from 494,900 in 2016/17 to 349,190 in 2021/22. This illustrates that apprenticeship reform changes have affected apprenticeships in Liverpool City Region more than in other areas.

A change in apprentice age profile

From 2017/18 to 2021/22, the number of 16-18-year-olds starting an apprenticeship fell by approximately 15% in the region. Meanwhile, the number of 19-24-year-olds has remained relatively constant, with a slight increase in participation for those aged 25+. This reflects a shift from employers using the programme to recruit school leavers to upskilling existing employees.

A shift towards higher-level apprenticeships

Between 2017/18 and 2021/22, level 2 apprenticeship starts fell as a proportion of overall starts, from 43.37% to 27.41%. In contrast, higher and degree level apprenticeship (levels 4-7) starts rose from 14.08% to 28.40%. The number starting an advanced apprenticeship rose from 42.55% to 44.19%. These figures show a marked shift from intermediate level 2 apprenticeships to higher and degree-level apprenticeships. Reasons for this include the removal of several traditional level 2 apprenticeships, the higher age profile of those starting apprenticeships, and the changing needs and behaviours of employers. Large employers are maximising the return on their levy payments by investing in degree apprenticeships, which traditionally have a higher financial value than level 2 standards.



The above trends limit the apprenticeship programme's capacity to launch careers and facilitate social mobility. The reduced choice of provision at level 2 restricts opportunities for individuals to get their first foot on the employment and skills ladder, especially school leavers. Inevitably this will hamper efforts to boost the LCR economy and tackle employment issues whilst increasing NEET levels.

Leading industrialists from companies such as Tesco Plc have highlighted this issue recently, questioning whether the current model is better suited to those already in employment and at senior levels rather than school leavers looking to start a career.



3 Research Metholodolgy

The research was conducted using the following methodologies: -One-to-one interviews with learning providers -Interviews with local apprenticeship stakeholders -A survey with LCR apprenticeship providers -Desk based research

Phase one of the research consisted of in-depth one-to-one interviews with providers and stakeholders. Then they completed an anonymised survey to test the issues identified in the one-to-one interviews. The research sought to elicit the strengths and opportunities as well as the issues and challenges for apprenticeships in the region.



4 Overview of Findings: Strengths and Opportunities

The strengths and opportunities identified through the research and listed below point to a basis for growth; however, this is limited without addressing the issues and challenges outlined in subsequent sections of this report.

Broadening of the provider base

Apprenticeship reform and the introduction of the apprenticeship levy have seen new providers enter the market. Most notably, universities have joined the apprenticeship arena, providing employers with access to their expertise and resources. Having a broader portfolio of revenue streams, universities are better placed to absorb the increasing cost of delivering apprenticeships. This is welcome if it grows the breadth and depth of provision available locally.

Desire and willingness to grow

Some local apprenticeship providers have exited or are planning to exit the market, while others are looking to reduce their range of provision to make it financially viable. However, this remains the exception to some extent. Most providers remain committed to the programme being reestablished as the premier vehicle for addressing employer skills needs and supporting residents. There is an evident willingness to try and make apprenticeships a successful programme, which we should not undervalue.

Experience in broadening provision.

Several local apprenticeship providers have attempted to widen their provision and innovate, with mixed success. They use the apprenticeship programme well to establish the needs of the local employer base, gather intelligence and develop and deliver new provision. Some providers have an entrepreneurial outlook and are keen to broaden their provision. That said, the time it takes to develop and approve new standards is a barrier to development.

Significant local provider base

There is still a broad local apprenticeship provider base spanning most occupational areas with the potential to increase delivery.

Demand

Residents and many employers, particularly SMEs, still see apprenticeships as a programme that can help them address their skills needs. Indeed, there is evidence that demand is outstripping supply in areas such as construction, engineering and digital. However, lacking staff and facilities means local providers cannot always meet this demand and lose out on growth opportunities.

Commitment and expertise

Local apprenticeship providers are still generally committed to the programme, and they have the appropriate quality systems and processes to deliver a high-quality apprenticeship learning experience.

Local underpinning investment

The DfE and Liverpool City Region Combined Authority have invested significantly in initiatives locally and regionally to boost awareness and take-up of apprenticeships. These can support the development of apprenticeships over the next few years. These include:

- Apprenticeship Support and Knowledge programme (ASK) targeting schools
- SkillsBoost programme targeting SMEs and driving efforts to boost starts and participation in four key growth sectors
- LCR CA's Skills Brokerage team facilitating levy transfer for local employers to access unspent levy to boost apprenticeships
- LCR CA's Be-More portal
- The work of the CEC funded LCR Careers Hub.



While the research suggests more effective coordination of the above initiatives is needed, they provide a valuable foundation for promoting and stimulating demand for apprenticeships. Critically, the above list of strengths reflects a firm base and infrastructure to support growth should

conditions allow.



5 Overview of Findings: Emerging Issues

The research, particularly the survey, revealed a set of thematic issues or challenges that impact the delivery of apprenticeships locally. Presented in order of importance, they are:

a. Funding

- b. Staffing
- c. Administration and compliance
- d. Cost of maintaining quality
- e. Insufficient demand
- f. Retention and achievement

These are heavily interconnected, combining to create multiple barriers to the effective delivery and growth of local provision and the provider base. Each issue or theme is detailed below. Given the interdependence of **Funding** and **Cost of Maintaining Quality**, from this point on we have grouped these two issues into a single theme.

In the following section, we used the data from the survey and the findings of the one-to-one interviews to expand on each of the above issues.

6 Findings in Detail



a. Funding and Cost of Maintaining Quality

Providers say funding no longer allows for a financially viable or sustainable apprenticeship programme and delivery model. This helps explain the decision of some providers to exit the market or scale back on the range of provision offered.

Many local providers have delivered traditional apprenticeships, specialising in areas such as management, hairdressing and social care rather than growth or priority sectors. They typically deliver standards with lower funding rates, work with local SMEs and have historically relied on healthy volumes of apprentices. However, many now feel trapped in low-funded provision, impacted by a decline in participation. Many, making losses and facing staffing pressures, struggle to break out of this low-value, low-volume provision loop because they lack the financial and organisational capacity to expand their provision.

Providers feel the demands of DfE, IFATE, and Ofsted do not reflect an understanding of these financial pressures and the funding model and costs associated with delivery. In particular, it is increasingly challenging to deliver the high-quality training and enriched curriculum that Ofsted looks for within the financial envelope offered by the programme.

Funding

The research highlighted a range of funding issues, which combine to make the delivery of an apprenticeship programme extremely challenging:

- Funding rates have not been universally increased across the board since 2017. This means that funding levels have not been amended to take account of the recent surge in inflation and price rises. Some have had upwards re-ratings since 2017 but equally, some have been re-rated downwards ie dental nursing reduced from £9,000 to £6,000. An emergency rate review taken by IFATE is focusing on about 20 standards and is yet to be finalised. Whilst this is welcome, it will only apply to new starts meaning its impact will likely be limited. Our research also suggests that the emergency rate review will probably only impact 15% of local learners, assuming current participation patterns on selected standards continue.
- Absence of financial stability since the introduction of the levy, there have been funding fluctuations, causing uncertainty and financial instability. Providers need funding stability to plan, implement and manage the financial systems that will ensure viable provision. More stable funding rates would guarantee a more solid provider base. It would also help providers make informed decisions about investing in developing new provision whilst de-risking the programme.

Example

The **hair practitioner** standard saw three rate changes in six years: from £9,000 to £7,000 to £11,000. This volatility has put off providers. Some exited when the funding fell to its lowest because it was insufficient to cover the costs of delivering the standard. The sector cannot meet employer demand, and growing back lost provision is problematic, especially when there are challenging market entry requirements, such as getting on the Register of Apprenticeship Training Providers (RoATP).



• High fixed costs - The standard rate is the maximum a provider can charge for training delivery. The full rate can only be drawn down if learners pass their end point assessment (EPA). ·Currently, the national achievement rate on the apprenticeship programme is 51%. On that basis, a learning provider is realistically looking at revenue of £2,700 per learner on a £3000 standard (on the basis that just over 50% of the retained achievement fee, which is 20% or £600 on a £3,000 standard will be drawn down). The provider must cover delivery costs from that funding, including staffing (training, administration and management), overheads and capital costs, and other related external costs such as registration for qualifications and EPA costs. Once these costs are deducted, limited funding remains for delivering training and support.

Many standards have a high fixed cost comprising registration fees, qualifications and EPA. Of course, this increases as a proportion when funding rates are reduced.

The two examples below show how limited the funding is for delivering training once external costs are factored in:

	LGV Driver Standard (L2)	Lead Adult Care Worker Standard (L3)
Full value of standard	£7000	£3000
Minus 20% achievement value (retained)	- £1400	- £600
Minus external costs	- £3745 ie theory tests: £60; medical: £55; driving lessons/test: £2,800 (allows for regional variations & some first time fails); Mod 4 lessons/test £245; EPA: £585	- £850 ie EPA: £450-700 (av. £575); qualification registration & certification £200- 350 (av. £275)
Balance of funds for provider to spend on training	If apprentice <i>achieves</i> then the provider has: £3,255 (or £271/month for 12 months of standard) If apprentice <i>doesn't achieve</i> then provider has: £1855 (or £155/month for 12 months of standard)* *Current national achievement rate: 51%	If apprentice <i>achieves</i> then the provider has: £2150 (or £119/month for 18 months of standard) If apprentice <i>doesn't achieve</i> then provider has: £1550 (or £86/month for 18 months of standard)* *Current national achievement rate: 51%

Example

LGV providers are left with between £1855 and £3255 for training, administration, overheads and capital investment, such as vehicles for one-to-one training. Few learning providers have been unable to draw down capital funding for facilities and equipment.

These examples reinforce the survey findings which indicate no provider makes a profit on apprenticeship delivery.

- Apprenticeships are loss-making for many providers. For a small number, this has been the case for several years. The survey revealed that almost 6 in 10 providers indicated they run apprenticeships at a loss, and none said they make a profit (Graph 17 annex). As a standalone programme, local providers no longer view the apprenticeship programme as a viable, sustainable programme.
- Market exit: the one-to-one interviews revealed that some providers have exited the apprenticeship market or are considering exiting and that others are winding down or scaling back provision. Typically this happens in areas where the standard funding rate is deemed inadequate, for example, in adult social care where local employers have skills shortages. The survey results show 11.8% plan to exit the market, 23.5% to scale back delivery, and 35.2% to maintain delivery at current levels. (Graph 4). On a positive note, almost 30% want to deliver additional standards; however, overall, this chart reflects a shrinking provider base.
- **Cross subsidisation:** the research reveals many providers can only deliver apprenticeships where they are cross-subsidised. In other words, apprenticeships must be subsidised by a parent company with whom a provider shares fixed costs or by another mainstream Government programme or commercial training.

"We have been operational since 1986. If we aren't bailed out by our parent company, we will go under!"

"We rely on other funding streams to support the business. We could not deliver apprenticeships as standalone." Some providers have been left with a loss-making apprenticeship programme after losing other training contracts.

- Reduction in demand & volumes of starts equates to less revenue. Over the past five years, reduced apprenticeship demand has inevitably led to decreased learner volumes and provider revenue (graph 1). The training sector, driven by the high level of regulation, has relatively high fixed costs. The decrease in learner volumes and associated revenues has had a significant impact.
- Pressure on achievement rates Providers cannot access the final 20% of funding for an apprentice until they have completed the standard. So failure to achieve anticipated outcome rates, often brought about by factors beyond the provider's control, has a significant financial impact. Data shows that the national apprenticeship achievement rate for 2021/22 was 53.4% compared to 57.7% in 2020/21. In some areas, achievement rates for local adult social care apprenticeship provision fall well below this rate and are in the 35-45% bracket. Outcome-related funding is significantly impacted, and providers cannot draw down the full funding through no fault of their own.
- English and maths funding English and maths support for learners, particularly those lacking minimum standards at level 2, is a programme requirement. However, funding for English and maths in apprenticeships is much less than for other programmes such as Adult Education Budget. Funding is insufficient to cover the actual costs of delivery. Apprentices need time off for English and maths in addition to the minimum off-the-job hours requirement, making it less attractive for employers to commit. As a result, employers are now upskilling existing employees who already possess the required English and maths skills rather than recruiting individuals who don't. Consequently, there is a threat to apprenticeships supporting social mobility and developing young people lacking key skills. Also, individuals with good technical skills and knowledge but poor English

due to it being a second language, are discouraged from participating in the programme. Whilst a closer alignment of AEB and apprenticeship funding would assist in this regard, there is value in providing greater freedoms, flexibilities and funding to assist those with ESOL needs to participate in the programme.

"We are considering not offering apprenticeships to anyone who doesn't have functional skills"

Example

One provider said that functional skills are not financially worth delivering. The invigilation alone is expensive. Taking the English qualification as an example, there are three components, equating to just £157 income each. This has to cover registration, certification fees, initial & diagnostic assessment, teaching and any resits. The provider is considering only letting those with functional skills equivalent qualifications do their apprenticeships as they say it will save them £100,000 a year in salaries.

- Wrap-around support and pre-apprenticeship support Learners' support needs, particularly mental health, have steadily increased in recent years, exacerbated by the Covid pandemic. Recent school leavers or those now leaving education present with challenging behaviours and poor employability skills. There seems to be a lack of sufficient pre-Apprenticeship provision across the LCR to help young people, particularly those aged 16-18, get apprenticeship ready. Changes to the Traineeship programme recently are further exacerbating this issue, with even less support available locally. In order to keep learners on programme, providers have had to invest more resources to meet their pastoral needs and ensure any impact on achievement rates is minimised. This additional general support and any other form of pastoral or wrap-around support has to be met out of the general standard rate, placing further pressure on an already stretched budget.
- **Covid legacy** The Covid pandemic saw a reduction in apprenticeship starts, more breaks in learning (some redundancies and individuals leaving the programme) and EPA delays, leading to delays in achieving the apprenticeship standard. Many apprenticeship providers saw a drop in revenue. They were discouraged from furloughing staff and encouraged to keep open yet received much less financial support than other parts of the sector. Many local providers, especially smaller ones, are still suffering a post-pandemic financial hangover, further impacting their overall financial health and ability to re-invest in their businesses.
- **Constraints on growth** Our research showed that some sectors, such as construction, engineering and digital, have growth opportunities where SME demand for apprentices is outstripping supply. Feedback suggests that most providers cannot respond to these growth opportunities due to insufficient training space and skilled staff. ILPs who deliver the vast majority of apprenticeships locally have no access to skills capital or similar funding. This means that physical capacity (premises and equipment) can only be funded through re-investment or investment from a parent company. Therefore, many providers cannot invest in training infrastructure and curriculum, making responding to employers' changing needs harder.



Costs

Apprenticeship providers' commitment to maintaining a high-quality standard of training represents a significant financial burden. Many providers find it increasingly challenging to balance quality maintenance with the competing demands of funders and stakeholders. Cost-related issues that have the potential to impact the range of provision and provider base locally include:

- **Competing pressures** Ofsted, responsible for quality assurance, is focused on the design and implementation of apprenticeships and ensuring the delivery of good quality education and practice. Meanwhile, the DfE, through the apprenticeship provider accountability framework, is increasingly focused on outcomes. Whilst these drivers are not mutually exclusive, apprenticeship providers, especially those delivering lower financial value standards, face real challenges in balancing the delivery of high-quality training programmes with ever-increasing achievement rates in the prevailing economic environment, especially when achievement rates are under pressure from factors often beyond the control of the provider.
- Balancing increased costs and requirements learning providers to reconcile a capped budget with increasing delivery costs and conditions imposed by funding bodies. An example of this is providers having to obtain Cyber Essentials Plus standard (at least £3,500 a year for many providers), an expectation to provide increased welfare services to learners and to deliver apprentice enrichment activities beyond the standard's delivery. This drive to squeeze more from the same or fewer resources significantly burdens providers and the programme.
- Scaling back provision because of the above and fear of a poor Ofsted inspection result leading to potential loss of their DfE contract, some providers are actively looking to exit the market or reduce the range of provision, especially where achievement rates are low or decreasing. In many cases, a narrower and deeper offer with less provision may enable the provider to focus more on driving up quality standards and reducing some costs. However, it also has the effect of reducing local capacity, potentially removing provision that could be used to address local needs and the skills priorities of the LCR CA and the emerging Local Skills Improvement Plan.
- Access to funding and investment support Skills Capital and Development Funding has been available to support learning providers in developing their infrastructure and new curricula. However, despite independent learning providers delivering approximately 70% of apprenticeship starts, the rules for this funding generally exclude them from applying for and securing funding, unlike FE colleges and HE institutions. So most apprenticeship providers must purchase capital equipment or invest in new curriculum development using their core revenues, placing further financial pressure on the organisation. Skills Capital Funding has not been available for the last three years. The lack of capital funding support and investment is a barrier to local growth and ability to respond to employer needs, especially in construction and engineering, where it is suggested we are operating at or almost at total capacity. Sectors such as construction, engineering and digital, which often require physical premises and access to industry-standard equipment, need updating and expanding. Apprenticeship providers say they are operating at total capacity and lack the equipment and premises to meet the demand from employers.



b. Staffing Issues

Apprenticeship providers are struggling to recruit and retain appropriately trained and experienced staff. This is a general trend but more prevalent in construction, digital and engineering sectors, where industry pay rates can double what providers offer.

Staffing issues are currently the second most significant issue facing apprenticeship providers. Our research revealed that the four primary staffing issues were:

- Difficulty attracting applicants (this is generally across the sector the problem is more acute in growth sectors)
- Having to pay higher salaries than last year
- Difficulty paying market-rate salaries
- Difficulty sourcing individuals with the appropriate balance of skills and experience

Other risks to staffing include an ageing workforce and the length of time it takes to fill vacancies. One provider, a smaller independent learning provider, indicated that a third of their staffing positions were vacant. Other points of note include

- Apprenticeship providers have to recruit industry specialists as opposed to trainers. But these individuals often require extensive CPD before being able to train apprentices and are often older, contributing to the profile of an ageing workforce. Whilst some providers have used the Taking Teaching Further programme, this is limited in scope.
- Providers have had to raise salaries to recruit and retain staff, but fixed funding rates and the aforementioned financial issues restrict their ability to do this. One provider, delivering in a labour market shortage area, has had to increase salary levels by 80%.
- Staff are leaving to take up jobs in HE and teaching, where higher salaries are the norm.
- The research suggests that local employers and EPAOs are poaching providers' apprenticeship trainers.

The primary issue is that the sector struggles to recruit staff, specifically in key local priority sectors. Flexibility to offer higher salaries is restricted because they operate in a challenging financial environment where revenue has decreased or remained static.

Some providers have up to 30% of current roles unfilled. The length of time it takes to recruit is a further issue. Fundamentally, this makes it difficult for providers to maintain current levels of activity, let alone grow provision. Generally, the sector is not seen as an attractive career choice. "We may be forced to scale back delivery if staff shortages aren't resolved as there won't be anyone to deliver training!"



c.Excessive Administration & Compliance Requirements

Administration and compliance issues affect both employers and providers.

One of the most significant barriers to employer engagement (Graph 10) is the programme's administrative requirements which have increased due to the introduction of standards, particularly for SMEs. Smaller businesses, especially micro-enterprises, lack the internal capacity and resources of larger businesses that employ apprenticeship leads, training and HR teams. Unlike many SMEs, larger businesses possess the knowledge, skills and experience to manage the apprenticeship process. This and other issues may account for a change in the profile of employers participating on the programme, with fewer small companies benefiting.

"Now that SMEs have to use TAS, it delays us getting learners on and receiving funding. More time, and therefore money, is spent administering systems, which means there is less to support employers and learners."

- The Apprenticeship Service was designed to place employers in charge, but for many SMEs, it is arduous to manage and has negatively impacted their participation. To negate this, employers were allowed to let their providers manage their apprenticeship service account. This has shifted the administrative burden to providers, diverting resources from delivering training.
- **Compliance** Our one-to-one interviews revealed a real frustration with the level of compliance associated with the apprenticeship programme relative to other programmes. Whilst accepting that scrutiny of public funding is necessary, providers feel that current arrangements for the programme are too punitive and discourage innovation, delivery, and working with at-risk groups.

Example

Off-the-job training

Apprentices must engage in a minimum level of off-the-job training, typically six hours per week, planned and monitored by the provider. If an apprentice doesn't complete all the planned hours, the provider risk repaying funding, even if the apprentice passes their EPA with a distinction. Conversely, schools are not asked to repay funding for a pupil attending only 85% of hours, irrespective of the grades they achieved. "Additional learner needs funding is too complex & has a constant threat of repayment if you don't get it quite right. The guidance is ambiguous & it's expensive to administer."



Example

LLDD learners

To ensure apprenticeships are inclusive and support social mobility, additional funding exists to assist learners with extra support needs, including those with an Education, Health and Care Plan (EHCP).

However, many providers do not draw down the additional funding because they lack staff with the skills to do so. Also, there is a sense that this type of funding is too complex to use and subject to clawback more than other areas of the programme. Graph 13 reveals that almost 20% draw this funding down regularly, and some 30% use it occasionally or sometimes. 35% believe it to be too complex, and some 6% don't know how to access it. Smaller providers, in particular, are shying away from this funding, meaning that apprentices may not be accessing the support they are entitled to.

Equally, providers say parts of the delivery model do not always meet the needs of learners. For example, the professional discussion element of the EPA doesn't encourage the involvement of individuals with additional needs.

• **Transfers** Apprentices sometimes face an interruption in their learning because they change employers; typically, this is for improved terms and conditions. When this happens, it can be difficult for the apprentice to remain in learning, impacting achievement rates and provider revenue.

"Transfers are a nightmare if employers don't stop TAS for their apprentices who move to another employer. But for the employer left behind, there is no incentive to fulfil the administration requirements." In the event of an apprentice moving employer, funding does not follow the learner. It remains with the original employer until they update their apprenticeship service account. But an employer has little incentive to do this for a former employee.

Meanwhile, the new employer may want to use another apprenticeship provider or may not want to use the programme at all. In these scenarios, the learning provider must count the apprentice as an early leaver and cannot draw any further funding, impacting achievement rates and possibly triggering interventions by Ofsted or the DfE.

If the apprentice's new employer does decide to go ahead with the original provider, they must open a new apprenticeship account, and the original employer must close theirs. Ensuring this happens often means extra administration and cost to the provider.



When a learning provider closes, there are often problems supporting the rapid transfer of apprentices to another provider. The DfE does not routinely, we understand, contact apprentices or other providers to support a transition, resulting in "orphaned apprentices" who are left unsupported for too long, causing irreparable damage to the brand. Recent apprenticeship provider business failures, many of these larger-scale national providers, have exacerbated this issue.



d. Insufficient Employer and School Leaver Demand

The research identified several issues regarding levels of demand for the programme locally:

- **Decreasing aggregate demand measured in starts** The number of individuals starting an apprenticeship locally in the last five years has fallen sharply by some 40% overall, affecting the revenues of apprenticeship providers.
- Employer demand Demand from employers, particularly SMEs, remains suppressed. Whilst sectors such as construction and engineering could drive growth, many sectors are seeing reduced demand in terms of volumes of apprentices starting a programme. There are several reasons for this, including the programme's structure not being relevant to many employers, especially SMEs who struggle with the off-the-job hour levels, and committing to the standard and EPA. Larger employers are using higher-level, more expensive apprenticeship standards, so more programme resources are spent on fewer individuals (usually already employed and aged 25 plus). There is a shift in demand and provision: from intermediate to higher and degree-level provision. Meanwhile, employers who want to recruit young people struggle to fill vacancies, often because of the lack of pre-apprenticeship support. More pre-apprenticeship provision pathways would be welcome in developing employability skills and preparing individuals for employment and an apprenticeship.
- Incentives So far, apprenticeship employer incentives are too narrowly focussed on starts and for specific age groups. Their value is insufficient to encourage participation or compensate for the significant resources SMEs must commit to for the apprenticeship's success, i.e. off-the-job hours, staff time, coaching and mentoring. As a result, many SMEs may struggle to commit to the programme. There is also a case to be examined in broadening incentives to priority or shortage sectors or roles, such as social care.
- Absence of promotional activity Whilst initiatives such as SkillsBoost, ASK, Be-More, and the Skills and Apprenticeship Hub and Brokerage team's work locally helps promote the programme and seems to have reduced the rate of decline, it is clear that more apprenticeship promotion is needed. The absence of a balanced and ongoing campaign that promotes apprenticeships generally and alongside other programmes is frustrating. There is also a sense that promotional activity may favour higher-level apprenticeship training at the expense of entry-level training.

e. Learner Withdrawal & Achievement Rates

Increasing learner withdrawal rates and low achievement rates significantly impact providers' ability to deliver the programme, resulting in the DfE developing an Accountability Framework to increase achievement rates.

There are some key issues driving the increasing withdrawal rates and low achievement rates:

• Employer Commitment – it seems many employers have failed to grasp the transition from a framework to a standards-based model that places less reliance on qualifications and more emphasis on the development of new knowledge, skills and behaviours tested through the EPA process. Not all standards feature a qualification, and of those that do, not all have an integrated qualification "For employers, it is easier to have all the training and not bother with the piece of paper at the end"

component in the EPA phase. Firstly, this is confusing and complex. Also, many employers and learners focus more on the qualification or license to practice and operate. Once these are achieved, there can be little incentive for the apprentice to progress to the Gateway and EPA. This means that apprenticeship providers cannot draw down a significant proportion of the funding retained for the achievement of the standard.

- **Prevailing labour market conditions** there is increasing evidence of apprentices moving between employers, driven by higher salaries and better terms and conditions with other employers. This appears to be driving increased numbers of early leavers. This impacts apprenticeship provider achievement rates if they cannot "retain" or keep the learner on programme somehow. The apprenticeship is not transferable in the sense that funding follows the learner. Learners simply leaving an employer and quitting the apprenticeship for higher pay rates is a real issue for younger apprentices, especially when on programmes of two years or more. This is also the case for adults on programmes in sectors where employers offer lower salaries. It is beyond the provider's control yet impacts them in many ways.
- End-point assessment (EPA) this is an independent assessment of the apprentice's acquired knowledge, skills and behaviours conducted by an approved, independent end-point assessment organisation (EPAO) at the end of the apprenticeship. In undertaking this research, several EPA-related issues arose, including:

Lack of understanding of the standards model and EPA

Some standards feature qualifications or tests, usually completed before the EPA. As mentioned, some employers attach greater importance to the qualification than the standard. Once the qualification (often a license to practice) has been obtained, the employer and learner no longer feel compelled to sit the EPA and obtain the standard. This can put 20% of the overall standard funding at risk.

Length of time

The time it takes to complete the EPA varies between standards and EPAOs. It seems that there is still a backlog in EPAs left over from the pandemic, with some EPAOs extending completion from three to six months. Rules specify that learning providers should not engage or support the learner in this period; however, evidence suggests that where a learner is not engaged, supported and assisted, they risk failing or withdrawing.

Cost

The cost of EPA varies between EPAOs, but generally remains fixed, making up a relatively high proportion of the overall standard rate. Some of the EPA cost is paid upfront, so the learning provider must cashflow the EPA even when the learner might not ultimately sit it. Where some learners fail the EPA, providers are reluctant to pay for a resit, given the issues above. Furthermore, there are some sectors, ie lorry driving, where a lorry is required for a day to complete the EPA. The cost of providing a lorry for this either means the learning provider providing this or an employer removing a lorry from its fleet and not being able to generate revenue. This and other costs associated with delivering the standard mean employers shun apprenticeships for commercial training.

The above variables, often beyond the control of the learning provider, can impact the financial and outcome-related performance of the programme. The currency and value of the standard are not yet fully understood, but the practical implications are that there are too many early leavers or people withdrawing, which means that apprenticeship providers cannot draw down their 20% achievement fee. This, it appears, is more prevalent in sectors such as early years education, adult social care and logistics.

19



7 Conclusions and Recommendations

A key objective of the research was to establish the primary challenges facing the apprenticeship programme and provider base locally and to determine if there was sufficient capacity and capability in the local provider base to support growth. Linked to this, the research sought to establish what might be needed to support the ongoing development of apprenticeships locally.

What is clear from the research is that the local programme and provider base is currently struggling. Several issues and challenges were identified, but the three primary issues are:

- Funding of apprenticeships is considered to be insufficient
- Staffing issues are significantly impacting the sector
- Administration and compliance issues

There are other issues, including managing the cost of quality, insufficient demand for the programme and lower learner volumes, as well as the issue of learner withdrawal and challenging achievement rates. It is evident that individual providers face different cocktails of issues and challenges, and no provider is the same. However, there is a substantial degree of commonality and interconnectivity of issues.

Positively, there is a strong desire to see a vibrant apprenticeship programme locally, one that offers a range of opportunities at all levels to all age groups and one that supports the local provider base to grow and meet the needs of employers. There is a keenness to grow or reinvigorate the apprenticeship programme and its brand.

GMLPF sought to identify the three key improvement areas to grow the programme and meet the needs of employers and learners. Essentially, these are a set of actions that would help boost the apprenticeship programme locally. There is no single solution to the issues facing the programme and providers; instead, there is a need for a package of interrelated measures. From the research, the three most common areas for improvement that emerged were:

- Increased Funding There is a need for an across-the-board funding boost. Apart from specific standards, apprenticeship funding has, in the main, not increased since 2017. Over the same period, we have seen, recently in particular, much higher inflation levels, which have eroded the funding of the apprenticeship programme. The extraordinary funding review of some of the more popular standards is welcome. Still, it is delayed and only likely to have a limited impact because we anticipate less than 20% of apprenticeship starts will be affected. Increasing costs affect all parts of the sector, not just those offering provision in the 20 or so standards identified for additional financial support.
- Boosting starts locally and stimulating demand there is a pressing need to increase demand from employers and individuals alike for the apprenticeship programme. Improved and more consistent promotion and messaging are required to outline not only the value of the programme but the commitment needed to make it a success.
- Reducing the administrative burden on employers reinvigorating the local apprenticeship programme is not solely about increasing funding and boosting demand; it is also about making the programme easier to access and more responsive to the needs of employers. In its current form, the programme is seen as being too rigid.

Providers and stakeholders put forward several suggestions for improving the programme. These are set out below and categorised as national or local recommendations (at a Liverpool City Region level). Each of the recommendations would in itself make a difference to the programme and providers

However, like the issues identified through the research, the recommendations are interconnected. Together, they form a package of measures designed to reinvigorate the programme, boost demand and ensure a sustainable, local provider base with the capacity and capability to meet the needs of employers locally.

Recommendations

Funding of Apprenticeships:

Recommendation 1: There is a need for an across-the-board funding uplift rather than the narrow focus of the "emergency rate review" and standard-by-standard rate reviews. Soaring inflation impacts all providers, not just those delivering specific standards. A funding increase is essential to mitigate against the risk of further market exit and diminishing capacity and capability, especially those delivering critical yet lower financial value standards such as adult social care. An increase that proportionately benefits lower financial value standards more than the higher ones would greatly enhance provider sustainability and their ability to maintain a high quality of education and enhanced curriculum offer(National – DfE and IfATE)

Recommendation 2: There is a need for greater stability in funding bands to support longer-term planning, innovation and development of new provision. To deliver a high-quality apprenticeship programme and learner and employer experience, learning providers must invest in their organisations, be it curriculum, staff or equipment. Fluctuations in standards rates, such as the hair practitioner standard, which began at £9,000, was reduced to £7,000 and is now rising to £11,000, is an example of where fluctuating or unstable rates have impacted the capacity and capability of the provider base locally. Once a rate is agreed upon, there needs to be more funding stability and assurance that rates will remain stable, enabling apprenticeship providers to make plans and investment decisions and maintain provision. (National –IfATE)

Recommendation 3: English and Maths must be better funded, especially at entry-level, to remain a key element of the programme and support learners lacking functional skills. Current funding levels are low and insufficient, especially when considering funding for other learning programmes and the level of need emerging post- Covid. In addition, increased flexibility and funding for those with ESOL needs are also needed to enable their participation. (National – DfE)

Recommendation 4: There is a need to move away from a crude starts-lined incentive model to one that approaches, develops and utilises incentives differently. Incentives, whether general or more targeted, can play a key role in changing behaviours, boosting demand for apprenticeships and achievement rates. Currently, incentives are too focused on boosting starts. A model, potentially funded by national as well as LCR Combined Authority or local authority funding, could be developed that incentivises SMEs to cover the costs of providing on-the-job training and support to recruits and provide better terms and conditions, to boost 16-18 recruitment and incentivise achievement (potentially a payment to employer and learner) and progression onto a higher level apprenticeship. This could help boost starts, reduce withdrawal rates and increase achievement rates. (National – DfE and local – LCR Combined Authority and Local Authorities)

Recommendation 5: A place-based whole systems solution is required. It would not be viable to give all apprenticeship providers a range of other funding or revenue streams to reduce their reliance on apprenticeship funding. However, there is a need to consider the impact upon the programme of policy decisions taken elsewhere in the post-16 environment and to improve linkages between the apprenticeship programme and other funding streams when developing and procuring new provision. Where possible, other programmes should support progression and provide a pipeline of talent. Procurement exercises should place greater value on the delivery of apprenticeships to encourage those providers to diversify their income streams. (National and local– DfE, Liverpool City Region CA and Local Authorities)



Staffing Issues and Challenges

The sector struggles with staffing issues, including the cost of retaining and attracting experienced and skilled tutors, as with much of Further Education. The sector also has an ageing workforce and is increasingly seen as an unattractive career choice. Suggestions that could improve staffing locally include:

Recommendation 6: There is a need for a campaign to promote the post-16 sector, particularly apprenticeships, as a viable career option, as offering scope to grow and develop a career. This could build upon, or mirror campaigns run nationally to encourage becoming teachers (National – DfE)

Recommendation 7: Building upon an LCR CA pilot to develop Adult Community Learning trainers, a similar programme is needed for new entrants or industry leavers to become trainers in the apprenticeship (and the wider post-16) sector. This could potentially be a bootcamp type programme for individuals to become trainers (Local– DfE, Liverpool City Region CA working in conjunction with local apprenticeship providers)

Administration – Processes and Systems

The research identified several issues and suggestions for improvement, including the need for improved relationship management of apprenticeship providers, improved transfer arrangements for apprentices who either lose their provider (because of business failure or inadequate Ofsted grade) or change employer and improved processes.

Recommendation 8 To keep apprentices in learning and facilitate higher achievement rates, a review of "transfer" arrangements should be undertaken. Firstly, it needs to be easier to support apprentices moving employers to complete their programme, preferably with the same provider. Secondly, support is needed to ensure a smooth apprentice transition from one provider to another when the original provider can no longer offer training. These practical steps would help reduce the time an apprentice is "out of the system", reduce early leaver and withdrawal rates, and help protect the brand. (National – DfE)

Recommendation 9: The DfE's plans and efforts to simplify the administration of the apprenticeship programme are welcome, but the compliance burden is too great. In some cases, simplification is just seen as reducing a burden upon employers and transferring it onto providers, e.g. in the case of the Apprenticeship Service. A review of the Apprenticeship Service, making it easier for SMEs in particular to use, would be welcome, in particular reducing the number of authorisations and facilitating an easier transfer of resources for apprentices who have moved employer (National – DfE)

Recommendation 10: Off-the-job learning and EPA play a critical role in delivering a high-quality learning experience whilst providing a mechanism for demonstrating knowledge, skills and behaviours. Providers would welcome a relaxation of the strict off-the-job requirements where they are not penalised for not achieving planned OTJ hours despite the apprentice achieving a distinction in the EPA, similar to A-level funding. (National - DfE)

Recommendation 11: Where the completion of a standard requires the achievement of a qualification as well as passing the EPA, a model that includes an element of that qualification into the actual EPA would be welcome. In this way, achievement of the qualification would take place at the end of the programme. This would avoid scenarios where apprentices withdraw once they have achieved the desired qualification, boosting retention and achievement rates. A more consistently applied timeframe during which an apprentice can be assessed would also be welcome, reducing the risk of learners dropping out. (National - DfE)



Cost of maintaining high quality in delivery

Recommendation 12: In light of the financial challenges impacting the sector and the need to ensure that the sector can grow and respond to the changing employer needs, any future funding for capital equipment and premises and curriculum development should be less restricted in scope and open to all providers and provider types. (National and local– DfE, Liverpool City Region CA and Local Authorities)

Insufficient employer and school leaver demand

Recommendation 13: A more effective and integrated employer-focused campaign and set of engagement resources is needed locally to target companies, especially SMEs, to boost demand for and participation on the programme. This should be developed in collaboration and focus on SMEs, the value of the programme and less on the transactional elements of the programme such as process and administration. It should also focus more on the commitment required to make the programme successful and should be utilised by all partners. (Local– DfE, Liverpool City Region CA and Local Apprenticeship providers)

Recommendation 14: A robust local strategy is needed, worked up in collaboration with the Combined Authority, the Careers Hub, organisations delivering the ASK programme locally, learning providers and schools to ensure that schools make good progress against the Gatsby Framework and that students get more meaningful and structured interventions that build up their knowledge about the programme, increase their enthusiasm to get involved and which boosts participation. (Local– DfE, Liverpool City Region CA, stakeholders and Local Apprenticeship providers)



Glossary

- ASK Apprenticeship Support and Knowledge programme
- DfE Department for Education
- **EHCP** Education, Health and Care Plan
- **EPA** End Point Assessment
- EPAO End Point Assessment Organisation
- **ESOL** English for Speakers of Other Languages
- **FE** Further Education
- **GMLPF** Greater Merseyside Learning Providers Federation
- HE Higher Education
- IFATE Institute for Apprenticeships and Technical Education
- ILPs Independent Learning Providers
- LCR Liverpool City Region
- LCR CA Liverpool City Region Combined Authority
- LLDD Learner with Learning Difficulties or Disabilities
- **NEET** Not in Education, Employment or Training
- Off The Job
- SME Small & Medium-sized Enterprise
- TAS The Apprenticeship Service



Acknowledgements

GMLPF acknowledges the funding provided by Liverpool City Region Combined Authority without which this research project would not have been possible.

We are also extremely grateful for the contributions made towards this project by apprenticeship learning providers and stakeholders in the Liverpool City Region.



This project was developed, written and produced by:

lan Lomas ian@gmlpf.netBrian Quinn bquinn@corporateconnections.comPavlina Kiakides pavlina@scribeassociatesltd.co.uk



Greater Merseyside Learning Providers Federation 1st Floor Ayrton House Commerce Way Parliament Business Park Liverpool L8 7BA www.gmlpf.net