

Modern Apprenticeships

Conclusion to the Consultation on contribution rates for Modern Apprenticeships 2016+

1. Introduction

Skills Development Scotland (SDS) is responsible for the administration of Modern Apprenticeships in Scotland; part of this administration involves setting the appropriate public funding contribution for each of the 80-plus MA frameworks, as funding follows a joint investment model based on market failure. An extensive exercise commenced in 2012/13 to establish which elements of MA training and assessment, public funding should legitimately contribute to. This process included input from a Funding External Advisory Group - members included the Scottish Trade Union Congress, Scottish Qualifications Authority, Colleges Scotland Federation of Small Businesses, the Scottish Training Federation and the Convention of Local Authorities. The MA contribution rates had been unchanged from 1994, and the first phase of revision of public funding rates was implemented in 2013/14. The final proposition was given to the SDS Board in the summer of 2014, detailing the rationale and resulting proposed financial contributions to be phased to 2020. The Board considered the benefits and implications and decided to defer the introduction of the further proposed changes until Learning Providers had another opportunity to make observations and comments, thus ensuring all critical aspects had been considered.

During the latest commissioning of Modern Apprenticeships for 2015-16, SDS published a paper setting out the proposed position regarding future public funding contribution rates. This set out the current funding and policy context in Scotland, background and methodology of applying contributions. Learning Providers were asked to respond to a number of questions posed and to make any additional comments pertinent to the review of contributions. Providers were urged to supply information on the actual costs incurred in training and or assessing apprentices; alternative evidence to support their objections or other relevant factors that they felt SDS should have considered when finalising future contribution rates.

2. Consultation

In the commissioning publication for 15/16, SDS set out three guiding principles on which the methodologies for determining contribution levels in Scotland are based. These are set out as below.

Scottish Government has agreed the basis of public funding support for Modern Apprenticeships is that:

1. It should be a ***contribution towards the costs of training and assessment***. Successive employer research studies have shown that the employer benefits from the apprentice's output during and after completion of the apprenticeship in terms of productivity, improved ability to do the job, and other benefits.
2. There should be a **consistent contribution rate per framework across the country**. This is in response to stakeholder, and in particular employer, demands to keep the approach as simple as possible, and to avoid a potential "post-code lottery".
3. In keeping with policy aims, enhanced **contribution levels should** continue to be applied within frameworks to **support Scottish Government policy aims to prioritise starts by young people and raising the skills levels in the workforce**, therefore, there are funding differentials by age group and by VQ/SCQF levels.

SDS asked stakeholders to consider three key questions when forming responses:

1. Are there other factors which you believe should be considered in applying relative funding levels?
2. If so, what evidence could you offer to inform discussions with SDS?
3. How could we better address rural issues whilst keeping the rate simple?

3. Who responded?

The following section provides information on the mix of respondents and the broad areas of concern/support from the submissions received.

Annually, SDS contracts with around 257 Learning Providers to deliver Modern Apprenticeships in Scotland. This cohort includes private training providers, employers, Colleges and Third Sector organisations. A total of 29 responses were received from a variety of stakeholder types. Six out of 29 (21%) respondents do not deliver Modern Apprentices – the table below breaks down the types of organisations who responded.

Type of Provider	Volume of responses
Private Training Provider under contract with SDS	15
Colleges	7
Sector Skills Councils	3
Local Authorities	1
*Others	3

**(Others include – Scottish Training Federation, Provider replying on behalf of sector and a sub-contractor working via a Private Training Provider)*

The response rate from contracted learning providers was 9% of overall contracted providers (including Colleges and Local Authorities).

Responses

SDS asked Learning Providers to give evidence that would provide a better or different understanding of the challenges, resulting from reductions or increases in funding rates, facing providers. Providers were encouraged to include as much evidence as they wanted. This could have included additional information on the MA Framework delivery or assessment requirements. This information may have been felt to be unclear from the MA Framework documentation and actual costings of delivery and assessment. SDS had only included information contained in the framework documentation and were willing to consider all additional facts. It was understood from anecdotal evidence that there could have been specific requirements within the framework for additional learning which were wrongly specified in the MA Framework. This omission could result in additional costs borne by the Provider.

SDS was also interested to find out more about any other issues facing Learning Providers including the challenge of delivering vocational training in a rural environment; the recruitment and retention of assessors within particular sectors and any other related challenges. All of the points made in the responses, and others gathered in contact with Learning Providers, have been reflected in our final proposals. Submissions received are summarised under the main questions below:

1. Are there other factors which you believe should be considered in applying relative funding levels? If so, what evidence could you offer to inform discussions with SDS?

a. Additional learning not specified within the MA Framework

- The consultation found that there were four MA Frameworks where Learning Providers supplied evidence of significant additional learning required to make the MA competent in the workplace. The additional requirement had been omitted or not clearly articulated in the MA Framework. This situation applied to:
 - **Hairdressing Level 2 and Level 3** – SDS independently sought additional information using direct approaches to other learning providers delivering the frameworks and by verifying the responses with apprentices and employers. The additional learning hours were calculated and have been verified across the sector.
 - **Construction Technical Level 3** – Learning Providers provided verifiable evidence of additional learning/training hours that required to be delivered to ensure the apprentice developed the relevant vocational skills and knowledge as set out within the MA Framework.
 - **Horticulture** – it was clear from the responses received that the MA Framework does not accurately capture all of the formal taught learning requirements and further research established the actual methodology and delivery mechanism.

SDS actions to address the issue

Feedback to this question has underlined the need to communicate regularly with Learning Providers on framework content and evaluation evidence to help raise their understanding. We will continue our dialogue with providers throughout 2015 and beyond. SDS has used the additional learning information provided by the respondents and has verified the position presented in the response. On this basis, we have re-applied the formula to calculate the contribution including the additional learning hours required and have revised the contribution rates accordingly.

b. Employer Contributions

- A number of Learning Provider submissions clearly articulated that employers, in the main, do not wish to make any contribution towards the cost of training. Employers expect public funds to cover all the costs involved in skilling and up-skilling their workforce. This evidence supports the market failure argument whereby employers would rather buy in skilled workers than train their own. To this end, the function of any public funding contribution is to merely stimulate training activity rather than fully fund. Subsequently, a number of Learning Providers have told SDS that they are successfully charging employers for the top-up to MA funding through an invoice process. One large provider was able to provide exact figures, demonstrating that employers made a contribution to 73% of the cost all MAs delivered.
- Some submissions highlighted the impact on Learning Providers' businesses of the possible reduced funding. This was difficult to address, as most providers did not include any evidence of the actual costs to deliver or assess training in the workplace. The providers who did include costs expected public funding to fully fund the training and assessment of

MAAs. This links to the previous point about Providers applying reasonable charges to employers.

- A number of Providers indicated that a reduction in the public funding contribution would inevitably lead to reduced MA numbers, particularly for the service sectors. Providers have asserted that employers in these sectors, regardless of size, will not contribute to the costs of training and assessing an apprentice. As a result, some providers predict that the reduction in funding will not cover their fixed costs and they will be unable to continue to trade successfully due to reductions in cash flow. A College cited that there would be an adverse impact on the number of progressions to Level 3 as the progression margins would be reduced but they did not provide evidence to support these comments.
- A number of Providers raised the issue of the contributions review having a disproportionate impact on the uptake of MAAs by females. It was suggested that the move towards supporting higher level MAAs in traditional occupations will support more male trainees, whereas reducing the funding support for service sectors will potentially reduce the number of opportunities for females.

SDS actions to address the issues

To assist Learning Providers who find it difficult to impose charges on employers, SDS is planning to organise a number of capacity building sessions to share good practice and business processes.

SDS is also working with a number of Learning Providers, Charities, Third Sector organisations and other partners on projects to improve areas such as gender imbalance in Modern Apprenticeships. This work will dovetail with the on-going capacity building and support offered to learning providers to promote the equalities agenda.

SDS is committed to addressing equality issues, within education and working environments. We recognise the importance of MAAs as an integral part of an individual's journey to, and progression once in, employment for people from all backgrounds. The SDS Equality Action Plan will be published during November 2015. This plan details a range of actions already underway to help advance equality of opportunity within the MA programme.

2. How could we better address rural issues whilst keeping the rate simple?

Rural Issues

There was very little representation from a rural perspective. The issues raised were mainly around additional costs.

The main representation came from a Sector Skills Council who cited the low volumes of trainees in their occupational frameworks compared to some of the other industrial frameworks and the disproportionate impact which might be felt in some communities. They mentioned that it might not be viable for Learning Providers to deliver in rural areas but did not provide any evidence of costs or any hard evidence from specific providers who had said this.

A College also made some general points in their submission relating to the impact of reduced contributions and rural locations but again did not provide any actual costs or tangible impact of the proposed reductions or increases to the contribution rates.

SDS actions to address the issue

SDS takes seriously the need to offer skills training in rural locations to support business and communities. In recognition of this we propose a short-life working group should be set up to further examine some of the claims made about the potential disproportionate impact on rural opportunities. We will ask Scottish Training Federation to help facilitate this. SDS will work with the Scottish Funding Council to identify any good practice or synergies with their delivery methods and encourage greater partnership working between Independent and College providers. This will encompass best-practice e-learning and digital communications. We will also work with Scottish Government to ensure that all other skills support is visible and accessible to rural business, and to promote increased MA opportunities.

3. Conclusion of Consultation

Revision of MA Contribution Rates proposed by Skills Development Scotland

The findings from the consultation exercise together with feedback from other engagement activities, make clear that the MA Contributions Review is on the right track and that the underpinning principles of basing the public funding contribution on the MA Framework which is designed by industry for industry is correct. Funding rates have been changed to reflect any anomalies only where evidence has been presented.

SDS has now reviewed and adjusted the contribution rates. The five MA Frameworks that have been adjusted are:

- Hairdressing Level 2
- Hairdressing Level 3
- Construction Technical Level 3
- Horticulture Level 2
- Horticulture Level 3

Revised contribution rates that will apply from 2016-17 up to 2019-20 will be as follows

	2015-16	2016-17	2017-18	2018-19	2019-20
Hairdressing Level 2 16-19					
Published rate	£2,550	£2,300	£2,200	£2,200	£2,200
Revised rate		£2,550	£2,600	£2,650	£2,700
Hairdressing Level 3 16-19					
Published rate	£6,000	£5,000	£4,000	£2,700	£2,700
Revised rate		£5,500	£5,000	£4,500	£4,200
Hairdressing Level 2 20-24					
Published rate	£1,550	£1,300	£1,000	£850	£850
Revised rate		£1,450	£1,400	£1,350	£1,350

Hairdressing Level 3 20-24					
Published rate	£2,500	£2,000	£1,500	£1,200	£1,200
Revised rate		£2,500	£2,600	£2,700	£2,700
Construction Technical Level 3 16-19					
Published rate	£7,500	£5,500	£3,700	£3,700	£3,700
Revised rate		£7,400	£7,300	£7,200	£7,200
Construction Technical Level 3 20-24					
Published rate	£3,500	£3,000	£2,500	£2,100	£2,100
Revised rate		£4,000	£4,500	£5,000	£5,600
Construction Technical Level 3 25+					
Published rate	£3,500	£2,500	£2,000	£1,500	£1,500
Revised rate		£4,000	£4,500	£5,000	£5,000
Horticulture Level 2 16-19					
Published rate	£3,050	£3,050	£2,500	£2,200	£2,200
Revised rate		£3,050	£2,850	£2,800	£2,700
Horticulture Level 3 16-19					
Published rate	£6,500	£6,500	£6,000	£4,500	£3,200
Revised rate		£6,500	£6,000	£5,500	£4,700
Horticulture Level 2 20-24					
Published rate	£1,550	£1,550	£1,300	£1,000	£850
Revised rate		£1,550	£1,450	£1,450	£1,350
Horticulture Level 3 20-24					
Published rate	£3,000	£3,000	£2,500	£2,000	£1,200
Revised rate		£3,000	£2,900	£2,800	£2,700

Appendix 1 – MA Frameworks

Frameworks where concerns were expressed in relation to the reduction in contribution value:

Framework	Volume of concerns
Retail	5
Warehousing	2
Business Administration	7

Social Services Children and Young People	3
Social Services Healthcare	5
Management	6
Hospitality	5
Food and Drink Operations	3
Construction Technical	2
Hairdressing	8
Agriculture	1
Aquaculture	2
Equine	1
Horticulture	2
Trees & Timber	2
Customer Services	3
Fashion & Textiles	1
Dental Nursing	1
Creative	1
Accounting	1
Providing Financial Services	1
Travel Services	1
Professional Services	1
Achieving Excellence in Sports (Football)	1
Active Leisure	1