

Dear Louise

Thank you for your email of 2 February of addressed to the Rt. Hon Anne Milton MP about the apprenticeship non-levy procurement. As I am sure you will appreciate, the Minister receives a large amount of correspondence and is unable to respond to it all personally, therefore on this occasion I have been asked to reply on her behalf.

I would like to explain that small and medium sized enterprises, most of whom do not pay the apprenticeship levy, are the lifeblood of our economy. This procurement is a crucial step in making sure that non-levy paying employers, most of whom are small businesses, can access high quality apprenticeship training to support their growth and success, no matter where they are in the country or what sector they operate in.

We have delivered against our objectives for the procurement. However, and as expected, it was very competitive:

- Over 1,000 bids were accepted, worth a total value of £1.1bn, against a published overall budget of between £440m- £650m for new starts.
- We have allocated initial awards totalling £485m to hundreds of providers across England.
- Successful providers will have the chance to bid for further funding in accordance with the apprenticeship funding and performance management rules, within the overall envelope, if they can demonstrate evidence of additional demand.

The procurement has been an extremely rigorous process and we have tried to ensure that providers had the best opportunity to put in a quality bid: all bidders had clear and comprehensive advice and guidance about the required information, we followed up where any information was missing, and we gave providers as much time as possible to put together their bid.

We have been clear from the start about the criteria used to allocate the funding available. This included the need to ensure a good geographical spread of provision to ensure the sustainable, ongoing provision of apprenticeship training for employers and learners. As such awards were made in such a way as to ensure that historical geographical distribution of funding was maintained.

The thresholds and contract award limits were set to enable bidders to submit bids with confidence for tender amounts that are realistic and which would lead to viable contract awards. We appreciate that one of the consequences of this is that some providers have not received a contract award, either because they did not meet the standards we have set out or because they did not have sufficient turnover to ensure a stable offer to employers.

From 1 January 2018 we applied the same sub-contracting rules to providers delivering training to non-levy paying employers via contracts awarded in the procurement as we do to providers delivering training to levy-paying employers. These rules are intended to increase the quality and value of subcontracting to ensure employers can have direct relationships with providers and that government funds are not diverted away in the form of fees and other charges. The rules can be found from page 21 in "*Apprenticeship funding and performance-management rules*

for training providers” which can be found at <https://www.gov.uk/government/publications/apprenticeship-funding-and-performance-management-rules-2017-to-2018>.

We have published a list of providers that were successful in the procurement and this can be found on our website:

<https://www.gov.uk/government/publications/funding-allocations-to-training-providers-2017-to-2018>

Turning to the point you raised regarding construction, the apprenticeship levy will encourage firms to take on greater numbers of apprentices, and support employers with an element of co-funding towards training and assessment of apprentices. The CITB levy does not duplicate this support, but complements it through offering funding for employers to train their existing workforce, providing pastoral support for apprentices and through supporting wider industry led initiatives – such as the HBF Homebuilding Partnership. Additionally, the construction industry contains relatively few apprenticeship levy payers (c.0.8%) and is dominated by a prevalence of SMEs (99%) that will not pay both levies.

We are continuing to work with employers and wider stakeholders on how the apprenticeship levy is spent so that the funding system works effectively and flexibly for industry, meets employers’ skills needs, supports productivity across the country and supports our commitment to delivering 3 million apprenticeship starts in England by 2020. In response to employer feedback, we are introducing transfers to offer more flexibility for employers. From April 2018, we will allow eligible levy-paying employers to transfer up to 10% of the annual value of funds entering their digital accounts to other employers, and we will carefully monitor the implementation of this change.

I hope that this response helps to address your enquiry and would like to thank you for your interest in the apprenticeship programme.

Your correspondence has been allocated reference number 2018-0007046. If you need to respond to us, please visit: <https://www.education.gov.uk/contactus> and quote your reference number.

As part of our commitment to improving the service we provide to our customers, we are interested in hearing your views and would welcome your comments via our website at: <http://www.smartsurvey.co.uk/s/Y6LFA/>

Yours sincerely

Amanda Christian

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