

Education Committee

Oral evidence: [Quality of apprenticeships and skills training](#), HC 344

Tuesday 15 May 2018

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Members present: Robert Halfon (Chair); Lucy Allan; Michelle Donelan; James Frith; Emma Hardy; Trudy Harrison; Ian Mearns; Lucy Powell; Thelma Walker; Mr William Wragg.

Questions 288-450

Witnesses

[I:](#) Sir Gerry Berragan, Chief Executive, Institute for Apprenticeships; Paul Joyce, Deputy Director for Further Education & Skills, Ofsted; and Keith Smith, Director of Apprenticeships, Education and Skills Funding Agency.

[II:](#) Rt Hon Anne Milton MP, Minister for Apprenticeships and Skills, and Rory Kennedy, Director of Apprenticeships, Department for Education.

Written evidence from witnesses:

- [Department for Education](#)
- [Institute for Apprenticeships](#)
- [Ofsted](#)

Examination of witnesses

Witnesses: Sir Gerry Berragan, Paul Joyce and Keith Smith.

Q288 **Chair:** Good morning, everybody. Thank you very much for coming to our Committee session today. For the benefit of the tape and those watching on the internet, could you kindly introduce yourselves, from our left to right, with your names and positions? Be aware also that the acoustics are not great.

Paul Joyce: I am Paul Joyce, Deputy Director for FE and skills at Ofsted.

Sir Gerry Berragan: I am Gerry Berragan, Chief Executive of the Institute for Apprenticeships.

Keith Smith: I am Keith Smith, Director for Apprenticeships at the Education and Skills Funding Agency.

Q289 **Mr William Wragg:** Good morning, gentlemen. The first question is for Paul. What does Ofsted find to be the single biggest factor in ensuring the quality of apprenticeships?

Paul Joyce: At the moment, the single biggest thing that worries me is the monitoring of the new provider base that we are seeing and our capacity to do so.

Q290 **Mr William Wragg:** Do you find that the Government are responsive to that finding?

Paul Joyce: We are in communication with the DfE in terms of our resourcing to be able to carry out the additional inspections and monitoring visits. Those discussions are ongoing, but they are very receptive, yes.

Q291 **Mr William Wragg:** When was this first flagged with them?

Paul Joyce: It has been raised for several months now. It is certainly something that I frequently talk to DfE colleagues about in my regular liaison meetings. As the number of new providers becomes known, clearly we are able to progress on a more certain basis in terms of the number of providers that we are going to need to monitor and inspect.

Q292 **Mr William Wragg:** That is a question of the need for additional resource in that area rather than a wider remit.

Paul Joyce: It is; it is additional resource. I think it is important for me to say that we need to inspect these in the future and, therefore, the resource that we need is future resource as opposed to current resource.

Q293 **Mr William Wragg:** Thank you for that. Could I ask the rest of the panel, beginning with Gerry, their view on what is the single greatest factor ensuring the quality of an apprenticeship?



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Sir Gerry Berragan: I think it is built in from the outset with standards because employers are involved from the outset in setting the requirement, suggesting which occupations should be subject to apprenticeships, designing the knowledge, skills and behaviours within the standards, and designing the assessment plans. The mere fact that they have been involved both in trailblazer groups, subsequently in group panels and then ultimately at the approval and funding committee, all of which are employers, tells me that the employers really are in the driving seat for these new apprenticeships.

The final bit is the independent endpoint assessment, which, for example, means that the training providers are no longer marking their own homework. They are being marked by somebody independent. Indeed, those endpoint assessment organisations are then quality assured externally as well. I think both ends of the process build in quality.

Q294 **Mr William Wragg:** Thank you. I would like to ask Keith the same question.

Keith Smith: Much on the same theme, for me it is about confidence that employers can make decisions on taking the apprenticeships that are right for them in the right time. Much of our work is about providing support and capacity to employers to do just that—to take that ownership and control. In the past, I do not think they have had the sort of control that we would have wanted them to have. As Gerry says, it is important that we have confidence in the product so that the apprenticeship product is right for businesses and gives them confidence to invest in the skills gaps and the problems that they are facing within their own companies.

Q295 **Chair:** Ofsted rightly has been vocal in the concern about the new and untested apprenticeship providers being allowed to enter the levy. You were very critical of one of these providers, the Key6 Group, in one of your monitoring visits. You said it is not fit for purpose. You will have seen in *FE Week* that ESFA gave the Key6 Group the green light again to recruit an unlimited number of new apprentices. What is your view about that? I will get answers from you both. Does it undermine your inspection?

Paul Joyce: At the time of our monitoring visit—as the report clearly stated—our judgment was that those apprenticeships were not fit for purpose, but, in terms of when any provider can recruit again, that really is a matter for Keith and the agency, not for Ofsted.

Q296 **Chair:** Could I ask you both to comment—particularly you, Keith?

Keith Smith: On your point, Chair, it is not that they have been given unlimited ability to deliver. We have made a judgment. As Paul said, the early monitoring visit was done. Concerns were raised. Straight after that, work was done to put in place a quality improvement programme with that particular provider. We sit down with the provider on a regular basis to review that. We have taken the view that there is demand from employers, and one big levy employer in particular. We have been very



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clear to that employer about some of the concerns we are working with the provider on. As the employer, they took the view that they still wanted to take the opportunity to do some limited activity with that provider.

Q297 Chair: Why not go to another provider? If Ofsted has given a very bad inspection, it undermines Ofsted if you then carry on with that provider. Surely you should just immediately say, "No, this is not good enough. We will find another provider."

Keith Smith: It is a couple of things. It was a monitoring visit, not a full inspection. Improvement activity is happening, and we are confident that that improvement is bearing fruit. Because a particular employer wants to use that provider, we have decided to allow limited access, but we are not taking our perspective away, in the sense that we are still keeping them under constant control and review. At any point, if we get concerned that that improvement is not continuing or if new issues arise, of course we will take action to remove them and impose sanctions, as we have done before.

I want to stress that we are not shying away from taking difficult decisions where we are required to intervene on quality. That is why initially, when the monitoring visit was done, we took the decision to stop business in that provider. We did that instantly, and we will do so in every case that occurs. However, we are trying to recognise where improvement is occurring.

Q298 Chair: Do you accept that there is sometimes a problem when a provider might have a very good inspection from Ofsted—they may be good or outstanding—but fail the procurement test, for one reason or another? They lose funding, and then on the other side Ofsted find a provider that is clearly not good enough—whether it is monitoring or full inspection—and you carry on giving them money. Do you accept that, although people may not understand the ins and outs of it, that can create a lack of confidence about whether the system is fair?

Keith Smith: I will respond to a few points. On the procurement question, to date only 2% of starts come through new providers. The outcome of the procurement itself is that 95% of the money went to existing providers, not new providers. You are absolutely right: in a procurement context, this is a competition. There is a procurement standard to meet and it is possible that incumbent providers or existing providers do not necessarily deliver within the competition to the standards we would like.

Q299 Chair: Even if they have good or outstanding from Ofsted?

Keith Smith: Yes, because Ofsted is one element of the competition, in terms of the quality. There are other elements to that. For example, if a provider submits a non-compliant bid—that is, they do not get their bid in on time—obviously, under competition regulations, however much I would like to, we cannot assess and put that sort of bid in. Within the



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context of that procurement, we do try hard to give early advice and guidance to prospective bidders, both new and existing, but there are occasions where providers do not necessarily respond in the way that you would like.

Q300 Lucy Powell: Can I ask a quick follow-up on that? Do you not think, sitting here and describing this to us, that this is an incredibly confused accountability structure? For us, as a Committee, it resonates very strongly with our work on the collapse of multi-academy trusts, and so on. I understood that the organisation responsible for quality was Ofsted and that you were responsible for financial accountability, but you are now describing to me how you make your own judgments about quality that are different from Ofsted's. Who is actually responsible for determining the quality?

Keith Smith: I don't think we are doing that.

Q301 Lucy Powell: But what you have just described is exactly that. You have made your own judgment that is different from Ofsted's. How have you gone about doing that? It is totally confused.

Keith Smith: No, we are not making a different judgment. What we are doing is making a judgment about who should be in the provider market to receive public money.

Q302 Lucy Powell: Yes, but that judgment is different. You are saying that you think that there has been a programme of improvement in that organisation and, therefore, you are now happy to give them money, but that is in contrast to what Ofsted has said.

Keith Smith: On that particular case at a point in time, Ofsted made a judgment about their quality and about what they were delivering. I have said that we worked on an improvement plan for that provider and obviously that—

Q303 Lucy Powell: An improvement plan is quality?

Keith Smith: Yes. We regularly talk to Ofsted about how to monitor that improvement activity. You are absolutely right that we are making judgments about who should be receiving public money. Of course, where Ofsted makes a judgment that quality is poor, we take action. I can assure you fully that we respond directly to what Ofsted is finding. If they receive an inadequate Ofsted inspection, providers are either stopped or removed from the market. There is no question about that.

Q304 James Frith: On that point, do you support the idea of an appeal process for new providers who are trying to enter the market but who get knocked back, if they can perhaps demonstrate good Ofsted in other areas or performance at a level that warrants an appeal against the turning down of their original application?

Keith Smith: I think you are referring to procurement again.



James Frith: Yes.

Keith Smith: On the levy market, I think it is important that the Committee understands that the provider market operates in two ways at the moment. For the levy employers, we operate the register of apprenticeship training providers, so providers can come into that register. There is no need for an appeals process, because they just come in when the register opens. We have over 2,600 providers in that register. It is then for employers to make good-quality decisions about what providers they use from that.

On procurement, obviously this is a transitional phase—a transitional step—before we take decisions about what offer we make to small businesses for next April. We are currently looking at that. The current thinking is that we want more employer control over the small business market, as we do for the big business market. The procurement was just a response to a regulation to compete that funding. We do not see that as necessarily a long-term policy choice. The decision we took on procurement was not necessarily a policy choice; it was very much in response to that sort of regulation.

We are doing a transitional phase in that procurement and we are still to take the decisions with Ministers about what the system will look like for small businesses next April. It might be—it is conceivable—that the model next year will mirror the model we have for levy-paying employers. Therefore, we don't procure, or we don't use procurement in the same way.

Q305 **Chair:** Before I pass over to Thelma, I would like to ask you about degree apprenticeships. We are very supportive of degree apprenticeships in our Committee. We are quite passionate about them. I have been to a number of universities, and my colleagues and I have met representatives from universities. Wherever we go, they say that degree apprenticeships are mired in a treacle of bureaucracy.

I will quote a letter I have had from the University of Essex, which I visited recently: "Many of the higher and degree apprenticeship standards are taking months, if not years, to develop and receive final approval for delivery. For example, after nearly two years, the academic professional standard at level 7 has only this month had the funding band assigned in order that the standard can be delivered. There is no clarity over how long it takes for the Institute for Apprenticeships to approve standards for delivery, which clearly impacts on the development of new apprenticeship provision by the university". They say: "The administrative and reporting processes surrounding the delivery of higher and degree apprenticeships is time consuming, cumbersome and aligned to the reporting processes of further education colleges and private training providers". They say there are problems with the register of endpoint assessment organisations.

What are you doing about this? This is not just one university. This is from the Vice Chancellor of Essex, but I have had pretty much the same



thing from every university. I think this is a tragedy. We should be doing everything possible to encourage more degree apprenticeships and making it as easy as possible for them to happen. Can I ask you to comment?

Sir Gerry Berragan: The institute is completely agnostic about the level of apprenticeships. Some people accuse us of making it hard for degree apprenticeships; others accuse us of favouring them. Neither of those things is true. We are agnostic. We respond to employers who come forward with proposals for apprenticeships at different levels, and we treat all of those apprenticeship proposals equally. We attempt to deal with them as quickly as we possibly can.

Where there have been delays—and there have been delays in some of these apprenticeships, not just at degree level, but at all levels—it tends to be those who have started the process before the IFA formed up. They had their expectations raised, in some cases, and in some cases compromises were made early on that the institute was not prepared to uphold. They effectively had expectations raised that were dashed when we came into being. The institute's board was asked at its first meeting whether it was prepared to sanction compromises, and it was very clear that it was not. For a number of employers, that was a tough blow because they had thought that on qualifications, price or other concessions they would get their standard through with their particular concessions.

Q306 **Chair:** Why would it have taken two years, in terms of academic professional standard at level 7?

Sir Gerry Berragan: I cannot give you an exact answer on that because you did not ask me the question beforehand. I am very happy to write to you and give you the details if you like.

Q307 **Chair:** The University Alliance have said that they have concerns that under the new guidance from the Institute for Apprenticeships there are additional requirements for a degree award to be included in an apprenticeship standard; and that where a standard does not meet these conditions, it would be up to each individual employer, rather than a trailblazer group or the sector as a whole, voluntarily to include the degree award as part of the degree apprenticeship. They say that that matters because a degree award gives apprentices greater resilience to future changes in the labour market—a resilience that may be of particular importance to students from disadvantaged backgrounds. Surely, a degree should be a compulsory part of a degree-level apprenticeship. They are very unhappy with the letter that you sent me, as Committee Chair, saying that it did not answer their concerns at all. What would you say to that?

Sir Gerry Berragan: All that has happened with degree apprenticeships recently is that we have applied the same policy on qualifications to degree apprenticeships as we have to all others. There has not been a



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policy change here. We have simply removed a concession that previously existed for degree apprenticeships in terms of consistency of approach. That approach is that qualifications generally in apprenticeships are not funded, apart from three exceptions. One is that the profession requires a degree; the second is that it is a statutory requirement of the occupation; and the third is that the occupation simply cannot be entered by new recruits without that qualification—in other words, it becomes a “hard sift” criterion. Those three criteria apply to all qualifications, across all apprenticeships. There is no bias against degree apprenticeships here.

- Q308 **Chair:** There is a problem, because so many universities are saying that they are having incredible difficulties fulfilling the strategic aim of the Government, which is to introduce degree apprenticeships, and you guys are making it as difficult as possible—that is their view.

Sir Gerry Berragan: Sure.

- Q309 **Chair:** First, do you acknowledge that there is a problem, and what are you going to do about it? What is the institute going to do to make sure that we really rocket-boost degree apprenticeships in our country?

Sir Gerry Berragan: First, the institute does not acknowledge that we are making it harder for degrees. Secondly, I take issue with the fact that the universities are trying to develop degree apprenticeships; from my perspective, the apprenticeship reforms are about employers developing apprenticeships. From our perspective, it is the employers that come forward with the proposals and it is the training providers—in this case universities—who provide the quotes for providing that training. I think we are just slightly looking at it through the wrong lens. From my perspective, this is an employer-led process, and that is who we reflect.

- Q310 **Chair:** They accept that, but I think that they obviously want to develop the qualifications, and they are finding it incredibly difficult to do so. I urge you to treat it as a priority to at least answer their concerns.

Sir Gerry Berragan: We engage with lots of universities and university bodies. We are working very closely with a number of them. I think it is simply not fair criticism to say that we in any way discriminate against the university sector—quite the opposite.

Chair: Okay, but that is not the view of universities.

- Q311 **Thelma Walker:** Thinking about accountability when the wheels drop off and things go wrong, the IFA, Ofsted and ESFA are all responsible for different aspects of apprenticeships and quality of apprenticeships. Who is ultimately accountable when things do go wrong, bearing in mind that the IFA says it has no statutory supervisory role but has been directed by the DfE to assume a leadership role in the context of apprenticeships? Could I have your thoughts on this?



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Sir Gerry Berragan: Overall responsibility for the apprenticeship programme lies with the Department. The senior responsible owner is an official in the Department. That has not changed and it will not change.

To go back to the particular point you raise about the quality alliance, we have been asked to assume the leadership role in the quality alliance. The quality alliance consists of all of the bodies who are involved in quality assuring apprenticeships in some way, shape or form. My colleagues on my left and right are both represented, as are Ofsted, QAA, students and so on. We also include as observers in that the Association of Colleges and the Association of Employment and Learning Providers, because they have something to contribute.

It is a fairly broad church, but as a body we are committed to raising the quality of apprenticeships across the board. As was outlined earlier, each of us has a different role to play in that. Our leadership of it is simply because we are the Institute for Apprenticeships and it makes logical sense for us to lead it; someone needs to.

Q312 **Thelma Walker:** You said that you assumed the leadership of it; I think that was the term that you used.

Sir Gerry Berragan: Appointed—we were appointed. It was in our strategic guidance.

Q313 **Thelma Walker:** Thinking about the IFA, you have been up and running for over a year now, yet many of the problems you inherited appear to remain. Which problems do you think you have tackled and made progress with?

Sir Gerry Berragan: When we launched in April last year we had about 40 staff, so we were about half our complement. We were approving standards from day one. That gave us little capacity to look at the process by which we were doing that approval to see whether we could do it in a more efficient way. We got to full complement—full operational capability—in about October, and that was the designated date for doing so. Only after that time did we have the capacity to look at what we were doing, and to talk to trailblazers to find out where the problems were and understand whether we could help them and help ourselves to make this process better.

That work became the Faster and Better programme, which was launched in February of this year. In it, we have done a number of things to smooth the process. First, we have made some of the criteria much clearer where they were causing confusion. Secondly, we recognise that 70% of the time in developing a standard is with a trailblazer, and—not surprisingly, because these are people with day jobs who give up their time freely—they cannot always meet a timeline that we set. We have to work with them and the time they can commit to it. If they submit proposals that don't have the right evidence or are not backed up by the



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right supporting material, it can sometimes cause them delays, because we have to go back and ask for more information.

The real emphasis of Faster and Better was on helping trailblazers to get it right the first time. I think that is the best way to describe it. We have certainly streamlined our own processes when we do the approvals process and we have taken time out of that. I think the real benefit is, in that 70%, in trying to get trailblazers to get it right the first time.

I talked about delays early on. I think most of those delays, when you look at the ones that have been delayed, are with the standards that started life under the previous process and transferred into us. Many of the proposals we are getting now are going through much quicker. We have set an internal target in our business plan this year of trying to get 80% of all standards approved within eight months. That is a considerable improvement on previous timings.

Q314 Thelma Walker: Employers and apprentices do not seem to agree with Ofsted, in terms of their judgment on quality.

Sir Gerry Berragan: In what way?

Thelma Walker: It seems that Ofsted is giving very positive feedback on the quality of apprenticeships but employers, as I know from my personal experience of talking to them, are not in agreement.

Chair: Could we get a comment from the other members of the panel as well?

Sir Gerry Berragan: I would say that it depends who you talk to.

Q315 Thelma Walker: Paul, what are your thoughts on accountability?

Paul Joyce: I will certainly address the issue, in terms of quality. We are seeing a very mixed picture in terms of the implementation of the apprenticeship reforms and their impact on quality, and the quality generally of apprenticeships. It is certainly not a universally positive picture on quality. In fact, of the inspections that we have completed this year to date, we found just over half to be good or better, in terms of the apprenticeship provision we have inspected; therefore, about half required improvement or were inadequate. That is a very mixed picture of quality.

Q316 Thelma Walker: Thank you. Keith?

Keith Smith: Particularly on accountability?

Thelma Walker: Yes.

Keith Smith: We are working with the institute on the quality conversation. That is backed up, as we have said, by Ofsted and the work that Paul and his team do—the actual inspections. We are trying to focus much of our time on making sure the system works for employers. We have been doing lots of work to introduce the levy. We introduced a new



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online system of service, which is probably the first of its kind anywhere in the world. That has given employers a mechanism to make decisions about when to take apprentices and the right types of apprentices. Of course, we invest a lot of time in making sure that system works seamlessly. We are trying to focus our time on making sure the system operates.

Q317 Thelma Walker: Sorry to interrupt, but the point I am making is about the use of the word “seamlessly”; that relates to the point that Lucy made earlier about who is accountable. We have so many stakeholders here—so many people. Who, ultimately, is accountable? That is where the wheels can fall off, as we have seen with the multi-academy trusts, which were mentioned earlier.

Keith Smith: Yes. The point I am making is we want it to be seamless for the employers that use the system and the service, and for apprentices. When it comes to the job we are doing, Gerry and his team are making decisions about the products—making sure we have the right investment in the right standards and that they reflect what employers need. I am building the capability to make sure that employers can control the system end to end, make the decisions when they want, access high-quality providers when they need to and control the delivery of the apprenticeship in their businesses. Ofsted is then making sure that all of that is inspected and held to account to the highest possible standards.

I do think there is a clear distinction about our individual accountabilities and, importantly, how the three of us are aligning to make sure that we all have confidence in an apprenticeship system we can all be proud of.

Thelma Walker: I think being able to have confidence is the important thing. As Paul pointed out, we have a very mixed picture at the moment.

Q318 Emma Hardy: Keith, there seems to have been a bit of a mixed reaction to the levy. Dr Lee Elliot Major is concerned about the structure of the levy and how it is failing to incentivise new training. The brilliant Gateshead College says that there is a disconnect between how the levy money is viewed, and the Open University has said in evidence that employers have withdrawn less than a tenth of their levy funds. Do you think the levy has been successful?

Keith Smith: I think it has been a huge game changer for the market and our country as a whole. As a policy, I think we are going to see a doubling of investment in apprenticeships over a five-year period. That has to be a good thing. Of course, the challenge is to make that investment on the highest possible terms around quality and ownership.

Q319 Emma Hardy: Are you concerned, as I am, about the changes it has led to for 16 to 18-year-olds? Does this bit about conversion—taking an existing employee and making them into an apprentice to access the levy funds, rather than taking on new people—concern you as well?



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Keith Smith: I don't think the levy itself has been the key factor around 16 to 18; the 16-to-18 numbers are in a similar position across all age groups. It is a symptom of the wider changes that have been made. Not only did we introduce the levy, but we introduced new standards that replaced the frameworks. We introduced a new system: the employer-led system. We are moving away from providers controlling when to deliver apprenticeships and towards employers taking decisions on when to recruit apprentices. All those things, in total, have led to a change in the demand pattern. We are absolutely confident that if we continue to push the control in the investment that employers have to make the decisions, we will start to see demand rise again.

Q320 **Emma Hardy:** Among the organisations that have been quite vocal about their problems with the levy are schools. I am sure that you have seen that the NAHT passed a motion at their recent conference asking for schools to be exempt from paying the levy, because they say it is impossible for a schools workforce to use the levy effectively for apprenticeships. What is your opinion on that?

Keith Smith: Gerry might want to offer views on teaching and standards. We are trying to provide schools with the best advice we can. We have a national apprenticeship service, which is part of our work. Part of that work is engagement with schools. We are doing that in two ways—

Q321 **Emma Hardy:** Sorry to interrupt, but schools are saying they have not had any guidance. As you know, head teachers passed this motion saying they are not getting any guidance—they are not getting information on how they can use their levy—and they see it as another tax when they are already struggling for funds. With respect, that advice is not getting to schools.

Keith Smith: That is, obviously, an important perspective. All I can say to you is that we are working closely with schools. There is lots of information out there—we try to address it for all employers, not just schools—about how to maximise the levy. That is taking really good effect. Over 1,000 employers have already consumed their entire levy. It is working, but I accept your challenge. It is about making sure that we are doing that for every employer in every sector and in every part of the country.

Q322 **Emma Hardy:** What more could be done to make sure that that guidance is getting to schools so that they can use the levy money effectively? They are saying at the moment that it is not. What more could you do?

Keith Smith: I am happy to take that away and write back to the Committee about steps that we might be able to take to reinforce that. I am trying to give you assurance about the fact that there is lots of information there. If you are saying that we need to try to target it a bit better, I am more than happy to look at that.



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Q323 Chair: Could I just come in? Emma was talking about 16 to 18-year-olds and the decline. Under the old system there was a £700 million subsidy for employers to hire 16 to 18-year-olds. This was pointed out by Nick Linford, who appeared before the Committee. Are you saying that, in essence, a range of factors, rather than the loss of specialised funding, is causing the drop in 16 to 18-year-olds?

Keith Smith: That is my view, yes. We should not underestimate the scale and pace of the change that we have introduced. It has been a significant change. We have asked providers to react and do things differently. We have asked employers to take on new responsibilities and new controls. Of course, one thing we are learning—I think this is good for the medium to long term—is that employers are going to make better decisions. They are taking their time to look properly at what the right apprenticeships are for them, when is the right time to invest and what the right strategy is for introducing apprenticeships into the workforce, and their strategic workforce planning. That is a good thing. That is a good thing for us, it is a good thing for them, and it is a great thing for apprentices. In the short term, that has resulted in changes in demand patterns. Young people have been part of that, but they have not been alone. It has also affected the number of adults participating in apprenticeships.

Q324 Chair: You are expecting it to go up again?

Keith Smith: All the work we are doing is about making sure that the system responds to employers when they need it, and employers are telling us that they are more confident about making the investment that they are now making. They can make more decisions, and that is why we are seeing the usage of the levy starting to increase quite significantly to where it was previously.

Q325 James Frith: Just to that point, Keith, what proportion of public sector organisations and private sector organisations are using the levy for apprenticeships?

Keith Smith: In terms of the number of businesses—employers?

James Frith: Organisations.

Keith Smith: Providers?

James Frith: No, organisations that are using the levy for apprenticeships. The Government's target is 3 million, and the suggestion is that the number will increase over time more rapidly than the recent dip. What proportion of organisations are public and what proportion are private?

Keith Smith: I do not have that figure, but I am happy to come back to you on that.

James Frith: Great, thank you.

Q326 Lucy Allan: I want to come in quickly on the non-levy-paying employers.



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Is the system working for them? It does seem quite bureaucratic and confusing. You also mentioned the digital system. Non-levy will be transferring on to that next year. Is that going to improve matters, do you think?

Keith Smith: We have taken decisions to respond to requirements. They were not a designed policy position, so I personally don't see the current situation continuing as it has done. We are going to have to make some decisions, and that is something that Ministers are looking at right now.

We do continue to share a really important policy aspiration that we want employers to have as much control in the system as we can get them. For small businesses, of course, we need to be careful that we provide them with the right support and infrastructure to do that. They are not the same as big levy-paying employers. They do not have the same back office support. We are trying to design this very much with micro businesses in mind. If it works for micro businesses, it will work for all small businesses and all medium-sized enterprises. We are currently looking at and testing how we can use an online service to support employers of that size to get the same flexibility and the same ownership as levy-paying employers. We have not made any decisions about that. That is something we are still working on.

Lucy Allan: That is a welcome change, because there are clearly some issues at the moment. We will look to see how that works out.

Q327 **Trudy Harrison:** I declare my interests as co-chair of the Apprenticeship Delivery Board and apprenticeship ambassador. My question is about the off-the-job training and the additional burden that this places on Ofsted. Have you been provided with extra resource for that task?

Paul Joyce: In terms of off-the-job training, we have always looked at off-the-job training as part of our inspection framework previous to these reforms. Inspectors would always talk to, visit and look at work that apprentices were doing with employers in the workplace. There is really no change in the approach that inspectors take.

In terms of the 20% specifically, inspectors look at and focus on the quality of the off-the-job training and the work-based training, how that interacts and how that comes together as a package. We are more interested in the quality than in the quantity, so the 20% bit is not something that we audit or police.

Q328 **Trudy Harrison:** Twenty per cent. of rubbish is still rubbish, isn't it?

Paul Joyce: Absolutely right.

Q329 **Trudy Harrison:** The point has been made to me, particularly by SMEs, that while we see this national dip—and I am pleased to say that in my area we are bucking the trend and apprenticeships are increasing—nonetheless, for SMEs to release their employees for 20% off-the-job training is an incredible burden. We talk about wanting to make



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apprenticeships employer-led. Would it not be better if the amount of time required for off-the-job training was built into the standard? I am looking at you both here.

Keith Smith: Could I offer some views on that?

Trudy Harrison: Yes, certainly.

Keith Smith: It is really important that we put into perspective what we are trying to achieve through the programme. We are trying to raise the bar about the impact apprenticeships have, not just on businesses and not just on the apprentices' individual career journeys; it is also about driving productivity and dealing with the skills gaps. The off-the-job training element—the important work to provide structured training—is the important part of that.

When we compare our programme to those in other parts of the world and other parts of the OECD, we have perhaps some of the lowest off-the-job training, even at 20%. It is about changing perspectives about what we think an apprenticeship is and how we invest in what a high-quality apprenticeship should be and should look like. Of course, for some that will be an investment that they make. We do believe it is an investment worth making.

Q330 **Trudy Harrison:** Have you had feedback from SMEs that 20% off-the-job training is a burden that is putting them off taking on apprentices?

Keith Smith: Again, this is a personal perspective. For me, much of the feedback that SMEs are getting is based on what providers are telling them. It is also fair to say that a number of providers have not quite adapted delivery models effectively to maximise 20%. For example, if you say, "This is one day a week off the job", that can sound pretty difficult. You could do it a different way and say that it might be an hour a day, or an hour and a half a day, to provide some structured training; or you could think about it over the course of a year, or think about what is in part of that 20% off the job—that is, it does not have to be away from the workplace. Those are the important things where we are trying to support the system to put together a high-quality programme that does not sell 20% in a negative or difficult way, because it is a really important value-added part of the programme.

Q331 **Trudy Harrison:** I appreciate that it is very different in urban and rural areas. An hour and a half off the job in a city area might be quite achievable, but in a rural area you might be looking at an hour's travel time to get to that training provision. I hope that that is being taken into account.

To come back to the question about additional resources, has Ofsted been provided with any additional resources to carry out that additional task?



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Paul Joyce: Again, in terms of our additional resources—primarily linked to the increase in the number of providers that we have to inspect—those discussions are ongoing with the DfE about additional resources for us.

Q332 **Trudy Harrison:** The answer would be no.

Paul Joyce: No.

Q333 **Trudy Harrison:** But you look forward to additional resources.

Paul Joyce: We do indeed, very much so.

Q334 **Chair:** Are you hopeful? Are you optimistic?

Paul Joyce: Chair, we have, and Amanda has received agreement in principle from the DfE and from the Permanent Secretary that there are more providers to inspect. Consequently, we will need more resources to do so. In terms of what that translates to in monetary values, we are yet to hear that.

Q335 **Chair:** Very quickly, before I come on to Lucy Powell, can I go back to the Ofsted accountability issue that Emma, Lucy and others have been talking about? Surely, if Ofsted decides that a provider is not fit for purpose, it should be Ofsted that decides whether or not that provider is fit for purpose and that should be the end of it. I don't understand why the ESFA can come in and say, "We do think they are fit for purpose." Why are you more qualified than Ofsted, who actually go there and do their assessment exercises and are trained and so on?

Keith Smith: Chair, we do exactly that. If Ofsted makes an inspection and that inspection is adequate, we start funding and that is it. It is finished. What we are talking about is the early monitoring visits that have been added, which is about having a way to assure providers. We took a collective decision that new providers were coming into the market, and it was not right to wait for a full inspection before we took a view on where they were. We wanted to engage collaboratively about what would be done to do some early monitoring.

Q336 **Chair:** In the particular example I gave, the monitoring inspection was pretty tough and, in essence, it said that this organisation was not fit for purpose. Why carry on with them, given that there are so many other providers out there that could probably do a better job?

Keith Smith: I understand that. What I am trying to say is that the monitoring visits are not a full inspection, but they are an important part of the system. We are trying to make sure that we balance the need to give fairness to prospective apprentices who want to engage, and the need to control the behaviours of those providers so that they are investing in good quality. In the case that you have highlighted, we have taken the view that there is adequate progress being made on that improvement. That is being reviewed day in, day out, and I can assure the Committee that if at any point either we or Ofsted identify that that



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improvement is not bearing fruit, we will remove that provider. There is no greyness around that.

Q337 **Chair:** Do you want to comment on this, Paul?

Paul Joyce: The only thing I would say, to endorse what Keith says, is that we have carried out one monitoring visit. Given that the provider has been given additional funding to take on more apprentices, we reserve the right to carry out another monitoring visit or we may well, in light of the monitoring visit report, carry out an inspection sooner rather than later.

Q338 **Lucy Powell:** Sorry, but I have some more tough questions for you here, Keith, because we are just getting on to the sticky subject of sub-contracting and the whole procurement process. Through the course of this inquiry, we have heard a lot of evidence about dissatisfaction with the management fees that are being taken by the big providers to the sub-contractors and sub-contractors not feeling that they are getting value for that. I have also had a case where a very well-known and longstanding sub-contractor has not received the money from the main contractor, many months later. Do you think the whole architecture is fit for purpose? Do you feel, as the ESFA, that you have got a grip on it?

Keith Smith: There are some really important points in there. It is important to understand that, from a policy point of view, we are trying to see sub-contracting as where it adds value to what employers are saying they need. From April this year, we have taken steps to remove funding for sub-contracting where it is what we call whole-provision sub-contracting. It is no longer possible to sub-contract to somebody for the entire apprenticeship programme.

For it to be eligible now, part of the provision has to be also delivered with that employer by the lead provider. That has been an important step—it only came in from April this year—and it is in direct response to making sure we improve quality within the system. Having said that, sub-contracting still plays quite an important part. If you are an employer, you often want to have a conversation with one provider that works across your apprentices across many sites and across many different occupations. Sometimes the one provider cannot do all of that. That brings in the possibility that another provider—a specialist—can come in to help that delivery.

Q339 **Lucy Powell:** I can see the value in sub-contracting. My point of view comes from the opposite angle. Because so many smaller companies failed to be put on the register in the first round of procurement, the only way they could continue to provide the apprenticeships that they had a longstanding track record of providing was by becoming a sub-contractor. Mark Dawe described to the Committee how a number of shell companies that have been set up as a financial funnelling mechanism are taking a top slice of 20% or 25%, and in some cases 30%, of the money. Is this not another Carillion crisis waiting to happen? These shell companies are



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doing nothing to garner the 20%, 25% or 30% of these very large contracts to providers, who have been providing the apprenticeships for a long time and should have been given the contracts directly in the first place.

Keith Smith: I think that is a misrepresentation. It is impossible to be a shell company. You can only operate in the market if you are delivering training yourself. You can only sub-contract to someone else if you are doing training to that same employer. We are very clear in the rules that that must be a substantial part of the programme. It cannot be a token amount, so I think it is wrong to say that a provider can just operate a shell company. It is also wrong to say that providers can come into the market, operate as a shell and just sell on. Our contracts are not for sale, so providers—

Lucy Powell: I have a case that I have raised with the Minister. She has replied to me, but I will raise it with her again this afternoon. Eurosource Solutions, which is effectively a shell company, farmed out, I think, all of its contracting work to others, one of which is a constituent of mine, a hairdressing company called Evolve. Since it won the contract from your organisation, every single one of the directors has changed. They have sold the company on, while they still have huge debts, and they have not passed on the money to Evolve, who have been delivering the service. I think you need to be very careful about categorically saying that without knowing everything about every company.

Q340 **Chair:** Can we expand that, perhaps on a wider point? Has the extent of sub-contracting gone too far? Are there too many people who can set up companies, get a substantial management fee from the ESFA, and pass on all their learning to sub-contractors, while basically doing very little? Isn't that a problem?

Keith Smith: I am trying to explain that they cannot just pass it all on without being part of the delivery. That is important. We have been very clear that there has to be a formal, legal agreement between the lead provider and the sub-contractor. We have also introduced changes that mean that before they can sub-contract, the commitment and agreement has to be obtained from the employer they are working with, again to lock it down so they can see what the evidence around that is. We ask all lead providers to publish their fees and charges policies, and that is all in the public domain. We have been doing that for a number of years now, for complete transparency.

Q341 **Lucy Powell:** You think 30% is an okay top slice to take?

Keith Smith: It very much depends upon the service of the lead provider. In many cases, the lead provider—

Lucy Powell: Most of the evidence we have heard is that the service is non-existent.

Q342 **Chair:** Why do we allow this? Clearly, sub-contracting is necessary in certain niche areas—special needs, or whatever it may be. Not every



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college has that particular specialism, but if we give money to organisations, why don't we give the money to organisations that can do the job? Why do we allow them to sub-contract and, in essence, to do a bit of a cream-off of big management fees from the taxpayer? Why not just have a system where we pay people direct to do a job and they do the job?

Keith Smith: There are a few important points there. The first is that sub-contracting has been in the system for quite a long time. It is an element of the provider-led model. As I said to the Committee before, we are doing some work to think about the future of that, from next year. We have already seen a reduction in the amount of sub-contracting happening because of the changes and the controls that I have been talking about.

With regard to the fees and charges, that is something we are keeping under constant review. If we feel now—in the light of the new policy and in relation to the controls we have introduced about there having to be delivery by the lead—if it is right and proper that we introduce some capping and some controls around management fees, we will look at doing that. We are constantly reviewing and looking at that.

Q343 **Lucy Powell:** You should do it, and it is something that I am sure that we will be looking at as part of this inquiry and the report that comes from it.

Can I come at this again from the opposite angle? For many of the smaller providers who provide a really good specialism in their sector—we have heard examples of car mechanics, hairdressing and so on—part of the problem is that they did not win the contracts in the first place because they were not deemed big enough, so these larger shell companies were able to come in and suck up the whole system. Looking at it from the other point of view, what can you do to ensure that many smaller providers win direct contracts?

Keith Smith: Can I come back to the point I made before? These companies are not sucking up the money; 95% of the money that was awarded through the procurement went to existing providers, not new providers. Less than 2% of business activity on starts in small businesses at the moment is with new providers, so it is wrong to say that shell companies are somehow sucking up the market—

Lucy Powell: But 5% of a large budget is a lot of money.

Chair: The existing providers still do loads of sub-contracting.

Lucy Powell: They won the contracts over the smaller providers.

Keith Smith: No, I understand that, but I want to make the point that there is an important context around what we are trying to do with that. In terms of your point about making sure that new providers are held to the highest possible quality standards, of course that is something we are doing and we are collectively working to make sure that does happen.



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Also, I reiterate that the current model for small businesses is not necessarily going to be the model we introduce from next April.

When we introduced the levy for the big businesses, we took a decision to put in a transitional phase so as not to disrupt the market too much, and to move the levied employers into an employer-led model and keep small businesses on the provider-led model. That required us to do procurement because of the changed regulations for public contracts, and we had to do that. The key question for us, and what we are trying to look at, is: what is the right model for delivering apprenticeships for small businesses in the medium and longer term? That is a decision that we are currently looking at.

Q344 Lucy Powell: It is probably not one model. What you need to reflect on is whether that market is open to smaller, specialist companies to get direct contracts. It feels to me, from the few examples in my own area and that we have come across in this Committee, that a lot of money is being siphoned off here unnecessarily—money that could just go directly to the smaller providers.

Keith Smith: I understand that. Can I make one final, important point to the Committee about the context of why some organisations did not win contracts? There are a number of reasons. First, they may not have had a good enough bid. Secondly, they might not have participated in the procurement at all. Thirdly, the demand for the budget was significantly higher than what we had, so we had demand—

Q345 Lucy Powell: Sure, but I ask you to reflect on the fact—looking at things like Carillion and Learndirect that have happened in the not-distant past—that the big companies have the big legal teams and the big grant-getter bid teams set up to write these bids for them, so of course they are going to win the bids if it is just a tick-box exercise. I think it is your job to provide more support and help to the smaller organisations to win the bids in the first place, because that is where the quality is. That is where you do not get the money being siphoned off and that is where the risk is not. There is a bigger job of work to be done there, to ensure that the smaller providers can access the funding directly.

Q346 James Frith: I second everything that Lucy said. One particular provider—a small organisation with a great track record that was looking to become a provider in a community, rooted in local employment experience—was knocked back. On appeal—we wrote a letter—it was simply encouraged to become a sub-contractor with a regional operator. This is the state we are in now. It may not have been by design, but it is the state we are in. I hope what you are saying is that you are breaking that up and opening it up, come April, and I look forward to seeing that happen.

Keith Smith: Our key policy aspiration is that employers, regardless of size, will take the decisions on what apprentices they want and who they want to support it. That is the principle that we want to get to. We are



trying to make the right decisions to make sure that is done in the right way for small businesses.

Q347 **Chair:** I have a final couple of questions for you, Sir Gerry, on the development of standards. They were going quite well, but some reports in the last couple of months suggest that they have slowed down. Can you give the Committee an update and an accurate picture of what is going on?

Sir Gerry Berragan: Certainly, yes. We do not approve on a monthly basis, so measuring monthly which standards are approved gives you a false picture. A better way of doing it is to break up the period since they first started in November 2014 into six-month chunks. We have done that, and we have looked at it and analysed it. The best performance up until this year, in any six-month period, has been 42 standards approved. That was a couple of years ago.

This year, so far—we are four and a half months into the first six months—we have approved 61 standards. We are probably on course to approve over 70, and possibly 80, in the first six months of 2018. In the first six months of this year, we will have effectively doubled the best previous performance. We launched the Faster and Better programme three months ago. I think you get a false impression from the *FE Week* story. We did feed that back to them, but they chose not to include it.

Q348 **Chair:** When will the rollover from frameworks be completed? Is that on schedule?

Sir Gerry Berragan: Yes, I think it is. We are now at 274, and I think we will be at 300 by the summer. We will be at 400 by the end of this financial year. As you know, Germany has a total of only 350 standards. By 2020, when the plan is to stop funding frameworks, we will be at over 500. I don't know what the top figure is—we will keep approving them as long as employers come forward with them and they are recognised occupations—but I suspect we will have more than Germany. I would say that certainly by 2020 there will be sufficient standards that there will not be any frameworks that can claim there is no cover for them.

Q349 **Chair:** Finally, on degree apprenticeships, you said you were agnostic. Did I hear you correctly? Can you explain what you meant when you said that you were agnostic about degree apprenticeships?

Sir Gerry Berragan: What I mean is that we do not favour any particular level. Some people accuse us of favouring Level 2 and Level 3 over degree apprenticeships. Others accuse us of favouring Level 6 and Level 7 apprenticeships over Level 2 and Level 3. Neither of those things is true. We take each of these standards proposals at face value. We look at whether the occupation is appropriate for that level. We enforce the qualifications criteria I mentioned. When people say to me, "Are you worried about the growth in degree apprenticeships?" the answer is, "No, I am not," because if that is what employers want, that is what we should—



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Q350 Chair: I understand and support very much the fact that it is an employer-led system, but if there was a strategic aim—for example, we desperately need new nurses and you only have 30 nurses doing degree apprenticeships at this point, which is a huge shame—surely you would also think of the strategic aim of the needs of the country in terms of meeting our skills deficit, as well as the employer-led system. That is why I am asking these questions about degree apprenticeships.

Sir Gerry Berragan: As you say, the degree apprenticeships have been available since, I think, the end of last year. I have talked to the NHS at both the departmental level and the NHS training level about this. The situation with nurse apprenticeships is slightly complex because you need to look at the broader situation for healthcare trusts. Previously, trained nurses cost them nothing. The nurse would go to university on a bursary and would come to them for ward placements. The only overhead for them was the supervision and mentoring on the ward. There was no cost. Remove the bursary and reduce the number going to university as a result, and suddenly they are faced with a bill for salary. That is the point.

The training element of an apprenticeship is the smallest bit. The wage—the salary—is the biggest bit. When employers look to an apprenticeship to resolve a skills gap, the real problem is that they have to be able to recruit the people in the first place and pay their wages, as well as to conduct the training. However, I do think there is an opportunity here. I was talking to the NHS yesterday about this. They think the Nurse Associate standard, which is just coming through—it is a Level 5—will be much more popular with trusts because it is effectively a new occupation and it will assist on the wards considerably, because they are trained staff. There is some salvation there for the nursing profession.

Q351 Chair: Again, while I understand that it is employer-led, can I ask you to meet with the key university bodies to see if these problems can be ironed out?

Sir Gerry Berragan: Absolutely.

Chair: Thank you.

Q352 Ian Mearns: On that point, I did meet with some student nurses a couple of weeks ago and a lot of them admitted that they were struggling financially because they were on the traditional course but without the bursary. They had made inquiries about transferring to a nurse apprenticeship but were basically told that even though they had done two years of a course, they would have to start again. Could anything be done to help students in that situation, so that they would not have to do another two years of study?

Sir Gerry Berragan: There is the ability on any apprenticeship to take account of prior learning and there is the ability, therefore, if you have the prior learning, to truncate the amount of time you spend training before you take the end-point assessment.



Q353 **Ian Mearns:** Is that being applied now?

Sir Gerry Berragan: I think the problem is not that; the problem is that the trusts are not offering apprenticeships because of the wage costs. That is the problem.

Chair: Thank you very much. We have had you in longer than planned, but we probably could have talked to you for another hour. I thank you all for your public service to apprenticeships. We are very grateful. Having worked with you previously, Keith, it is good to see you, even if we are on the other side of the fence, so to speak. Thank you all for coming, for your service and for what you do for apprenticeships and skills.

Examination of witnesses

Witnesses: Rt Hon Anne Milton MP and Rory Kennedy.

Q354 **Chair:** Good morning and thank you for coming. I am sorry you have been delayed; we such an interesting session with the previous panel that we overran.

For the benefit of the record, could you kindly introduce yourselves, please?

Anne Milton: My name is Anne Milton, and I am the Minister of State for Skills and Apprenticeships

Rory Kennedy: My name is Rory Kennedy, and I am the Director of Apprenticeships and the Senior Responsible Owner in the Department for Education.

Chair: Thank you. It is nice to see you with your apprenticeship badges on. I have a WorldSkills UK badge on today.

Q355 **Ian Mearns:** Minister, something of significant concern in my neck of the woods is the fate of Carillion apprentices. Could you update the Committee on what is happening out there? We are getting conflicting reports and different stories from different parts of the country about what is happening to the former Carillion apprentices.

Anne Milton: Yes, certainly. We should be mindful of the lessons of Carillion. If a big employer goes down and it involves a lot of apprentices, we must make sure we have processes in place to protect learners. That is the bottom line.

I think CITV—the Construction Industry Training Board—did a brilliant job of contacting all the apprentices. I can get you up-to-date figures, but I know that new employers were found for the vast majority. The situation has not been resolved for all of them, as is inevitable, and I think some have disappeared off the radar. That does bother me; it might only be



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one or two, but they were people who were on an apprentice programme getting some skills, and we don't want to lose people who at one point were keen to do an apprenticeship. It is a work in progress. I do praise the CITV for stepping up and doing such brilliant work. I am very happy to keep you in touch individually. I do know it is a particular issue, and I am happy to commit to sending you monthly progress reports.

Q356 **Ian Mearns:** I would like to get some solid facts about what is happening.

Anne Milton: Yes, and if you haven't had them, I apologise. I have an open door for any Member of Parliament who has issues in their patch about anything in my portfolio. I am very happy to make sure that is facilitated.

Q357 **Ian Mearns:** For context, in my neck of the woods, despite what is happening across the country, unemployment in Gateshead, my constituency, continues to rise. Youth unemployment for 16 to 24-year-olds is stubbornly high, and higher than it was at the same time last year. I wonder if some of the Carillion apprentices are part of that figure.

Anne Milton: Some of them might be, but I would suggest—I am guessing, because I do not have the figures in front of me—that it is a small percentage.

Q358 **Chair:** What efforts have you made to establish the exact numbers?

Anne Milton: I get constant updates from officials. Certainly, when it kicked off—I think were in recess—I had daily updates.

Q359 **Chair:** Could you kindly give the Committee the exact figures?

Anne Milton: Yes, I will. I will make sure you get them.

Q360 **Chair:** The Committee is looking at the quality of apprentice training but also at social justice in apprenticeships. On page 53 of the Conservative manifesto, we said: "We will introduce significantly discounted bus and train travel for apprentices to ensure that no young person is deterred from an apprenticeship due to travel costs." What is happening about that?

Anne Milton: I have spoken to Transport Ministers about this. There is an existing requirement for local authorities to publish travel plans for young people. I don't want anything to be a barrier, particularly in more rural areas, but not exclusively rural areas. I am very conscious of that.

Q361 **Chair:** What, specifically, are we doing to make it happen?

Anne Milton: The Department for Transport—

Chair: Not just existing schemes. This says, "We will introduce significantly discounted bus and train travel—".

Anne Milton: Specifically, what I am doing is this: I have met Transport Ministers. I have also met the Minister for DWP, because the allowance



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for access to work has gone up to 52,000 and covers apprentices as well, which was very important to me. I am waiting for the Department for Transport to look at what they can do to assist us in making sure that transport costs are not a barrier.

Q362 **Chair:** Can I confirm that this is still a manifesto commitment and that it has not been dropped?

Anne Milton: I have not been told that it has been dropped.

Q363 **Chair:** You do not have a timetable that says: this time next year disadvantaged apprentices will have—as the manifesto says—significantly discounted bus and train travel?

Anne Milton: Ministers often say, “We will have some information shortly,” and one never quite knows what “shortly” is. I am waiting on the Department for Transport. For me, it is relatively urgent.

Q364 **Chair:** We asked the Secretary of State this when she appeared before you last year. We have asked other Ministers. Yet there is still nothing of substance, apart from discussions with the Department for Transport.

Anne Milton: I don’t want to second-guess the Transport Ministers. There will be budgetary implications for this, so a lot of that has to be sorted out as well.

Q365 **Chair:** Also on page 53 it says, “We will make the system easier for young people taking technical education and vocational routes. We will introduce a UCAS-style portal for technical education.” What is happening with that?

Anne Milton: I am looking at that currently. Officials are doing some work on it. The options for young people now are quite complex, and I want them to be complex. I don’t want young people to think automatically of university as the only option. I want to make sure that very able, high-achieving young people, and less high-achieving young people, are aware of all the options.

I will come back to your central point. In my view, the national careers website, which I looked at a couple of months ago, is coming on. It is a lot better. I would urge you to have a look at it. It says: “What subjects are you interested in?” “What area are you interested in?” Then it gives you examples of jobs. The single portal for application does sound like a great idea, as long as it does the job. For apprenticeships, specifically—

Q366 **Chair:** Is it going to happen? Are we going to do the manifesto thing or has that been dropped? Are we going to introduce a UCAS-style portal?

Anne Milton: No, it has not been dropped at all. We need just to make sure that it is fit for purpose.

Q367 **Chair:** What is the timeframe?



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Anne Milton: I won't give you a timeframe, because there is quite a lot of work involved in how we align that with UCAS and everything else.

The other thing I have discussed is that for a lot of young people it would be an app now, so it is about whether we need to something that is more suitable for young people in particular. However, the difficulty is in having the depth and breadth of information available to them when they make those choices. We need to tie it all in. It is a complex landscape. It involves further education colleges, independent training providers, employers and so on, so we need to make sure we get it right, but it has not been dropped.

Chair: The reason I am asking is that it is a year after the manifesto and people ask about it all the time—particularly about the transport—and yet there is still no substance there.

Anne Milton: I know. I am a Minister in a rush. I am always in a rush.

Q368 **Chair:** Yes. What have you done specifically since you took the post to make sure that more apprentices from disadvantaged backgrounds take up apprenticeships?

Anne Milton: Across my portfolio there is no single action that ticks the box. The Apprenticeship Diversity Champions Network has done a brilliant job, and the Apprenticeship Delivery Board has done a very good job of bringing employers on board. The Champions Network now has 40 or 50 employers on board. Some of the big companies are no longer doing applications and interview processes in the way that would be familiar to many of you round this table; they are now looking at competency-based applications and competency-based interviews. That can make quite a difference for some.

However, people with disabilities and difficulties are not a homogenous group, so it is important that the process is applicable to their needs. You need quite a lot of flexibility. For apprenticeships, it is about changing employer attitudes. When I was last at the Delivery Board, one of the employers said that they were very—

Q369 **Chair:** We must have concise answers. We have a lot to get through. I was asking about specific policies. What specific policies have the Government done to make sure that we get more people from disadvantaged backgrounds doing apprenticeships? When Nick Linford came before the Committee, he said that we had previously spent £700 million a year to subsidise employers to hire 16 to 18-year-old apprentices. That has gone now, with the levy coming in, and the number of 16 to 18-year-olds has fallen by 38% in the last 12 months. Is there anything we need to do, financial or other policy mechanisms, to support disadvantaged people and 16 to 18-year-olds?

Anne Milton: There are a number of reasons that the number of 16 to 18 year-olds has gone down, not least low youth unemployment. However, the group that particularly concerns us is the group that is in



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employment but maybe on zero-hours contracts or on fixed-term contracts, because we are not getting at that group yet. There are particular groups. Although we have full employment—well, not full employment, but employment at record low levels—what about the people that are bumping along the borderline in terms of disadvantage? How can we get hold of them? How can we persuade them to leave a job and take on an apprenticeship?

Certainly, the 5 Cities Project, which I think we put £50 million into—somebody will correct me if I have said this wrong—includes London, Leicester, Birmingham, Manchester and Bristol, is specifically doing projects on increasing diversity and looking at how to get at those hard-to-reach groups. I was at a meeting last week where they all came together and listened to presentations about how all those cities are dealing with this. I hope the projects they are all doing will reveal some important work that we could take on, and would become policy, to ensure that we do get to a diverse and disadvantaged group—people furthest from the labour market, but also people who are in low-paid jobs.

Q370 Michelle Donelan: Of those points, Minister, the transport issue does come up regularly.

Anne Milton: Yes, it does.

Q371 Michelle Donelan: I was on the Skills Commission's Spotlight on Apprenticeships and that was a key theme and a key recommendation that we came out with. What has the Department done to look at the West Midlands, which has introduced a subsidy for transport, to see the effect and impact that is having on apprenticeships in the area and on those people from disadvantaged backgrounds going into apprenticeships?

Secondly, there is a concern that those from disadvantaged backgrounds, who do not have the relevant role models and influences in their lives, might just opt for the lower level apprenticeships, whereas we want them to be reaching as far as their potential can take them. What is the Department doing to ensure that everybody is fulfilling their true potential and that if they are capable of doing a higher-level apprenticeship, they are doing so?

Anne Milton: Don't forget that the Department does not create apprenticeships; employers do that. I know the Chair does not want me to go on too long, but I do just have to say this. My job as a Minister is to make sure that we remove any blockages in the system, on the regulatory side and the use of the levy, and also for apprentices themselves. It is absolutely crucial that we get this right. What is interesting—and I have met thousands of apprentices since I took up this role—is that employers are seeing the Level 2 and Level 3 apprentices as an opportunity to talent-spot. The bigger employers are now putting money into a levy pot, so they are grasping this and looking at those



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Level 2 or Level 3 apprentices and saying, "This is somebody that we could take further".

There is still a gap in Level 4 and Level 5. There are quite a lot of people from disadvantaged backgrounds working on checkouts in supermarkets, doing part-time jobs. Some of the big levy-payers are looking at people in that workforce who are possibly quite disadvantaged. I met a very striking woman—single parent, two children, working for a big retailer—who wants to do a food and nutrition degree. The employer has accommodated her childcare responsibilities, helped her out and put her on a degree apprenticeship, which is exactly what we want to do. For employers, however, it is a way of—

Q372 **Chair:** Because we have a lot to get through, can I gently ask you to be slightly more concise?

Anne Milton: I won't be concise because I have so much to say. Apologies; I will do my best.

Chair: We need you to be concise.

Q373 **Michelle Donelan:** Can you just answer the transport point? Have you been looking at it?

Anne Milton: Yes, we will look at that. That is the work that we need to do with the Department for Transport.

Q374 **Chair:** Perhaps when you come to the Committee for our accountability session in a few weeks' time, you could give us more detail about the transport for apprentices.

Anne Milton: I will. Maybe I can give you some timelines.

Chair: That would be great.

Q375 **James Frith:** I refer members of the Committee to my registered interest. Good morning, Minister.

The Government have talked a good game on apprentices and apprenticeships in recent years. What concerns you most about apprenticeship quality now?

Anne Milton: I am going to be a bit long winded.

Chair: Please be concise.

Anne Milton: If you want to hear my answer—this is the biggest change; it is a huge change. This has been a massive change in how apprenticeships are done—the levy, the Institute for Apprenticeships, the Register of Apprenticeship Training Providers, and so on. What matters to me is that we do not just get apprentices; it about quality. Quality is paramount. I meet frequently and very regularly with the Institute for Apprenticeships. Those standards are key to ensuring that the quality is high. The things that worry me most—well, they don't worry me; I am not somebody who worries—in my spotlight are poor training provision,



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any financial gaming of the system, people not getting their 20% off-the-job training—

Q376 **James Frith:** You are outlining possible risks. What I am asking about is: what do you think are the greatest issues with quality that we need to improve on?

Anne Milton: What do you mean by issues?

Q377 **James Frith:** You tell me what issues there are in apprenticeship quality. That will be a step towards answering the question.

Anne Milton: I will tell you what concerns me and what I am doing. One provider that is rated by Ofsted as good this year might not be so good at the beginning of next year. What I am doing about that is bringing in live feedback for apprentices and employers. That will be my early warning system, if anything is going wrong.

As with any Government activity, it is sluggish. There is a lag. What I want is to be on top of the quality issue. The best people to talk about quality are employers and apprentices themselves.

Q378 **James Frith:** Do you care whether it is the public or private sector that has the highest level of apprenticeship provision within the three million target? Do you think it matters?

Anne Milton: In the public sector there is a national imperative, I suppose. For the economy, there is an interest in the financial success of companies. I would not say that one is more important than the other. They are both equally important. There are targets for the public sector.

Q379 **James Frith:** There are targets for the public sector within the 3 million figure.

Anne Milton: There is a target that 2.3% of the headcount should be apprentices.

Q380 **James Frith:** How on target are you with that?

Anne Milton: We are not there yet, without a doubt. The public sector has been slower than the private sector to take this up. I have met some private employers who, on 1 April 2017, had the apprenticeship programme organised and had put the money into employing somebody to make sure that they were ready to go off the blocks. Public sector organisations—I have a background in health so I know a little bit about that—have been much slower and more sluggish. They tend to see it as a burden rather than an opportunity. It is a big mind shift for employers, public and private sector alike. This is a huge mind shift, but not for all. People like BAE Systems have been doing apprenticeships for years, as have other engineering organisations. But for the public sector, it is a big mind shift. If I am running a trust, I am paying a big agency bill for nurses. The alternative is to put some investment in and get the nursing apprentices in, and I can home-grow my staff.



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Q381 Trudy Harrison: I declare my interest as co-chair of the Apprenticeship Delivery Board and an apprenticeship ambassador.

On the point about BAE Systems, yesterday I had the privilege of visiting Barrow, where I met 1,000 apprentices out of a workforce of 8,500. I thought that was tremendous, but what really impressed me is how many had come through the Prince's Trust, tackling that challenge of disadvantage really effectively. My question is about whether you feel the levy has been successful and at what point you might make that judgment or apply mitigation.

Anne Milton: Let me praise your work on the Delivery Board and also BAE Systems; that is one in eight, so there is an example that others should try to reach.

Do I think the levy has been successful? Yes, inasmuch as business in this country has had a poor history on investing in skills and growing their own workforce. Government saw it as their responsibility, but despite the very best intents of successive Governments, it has never quite worked. What the levy has done is to give employers a focus that has made them realise that this is something they have to address. There is a hill they go over, really. Before, it was, "The levy, we don't want to pay it," and afterwards, when they get the apprentices, "This is the most wonderful thing". That happens.

If I see employers—I did, at an apprenticeship award ceremony—stand up on a stage and say, "I owe the success of my business to the apprentices I employ," that is fantastic, but it is a shift. I do think it is coming. I will not quote something now, but if I have time at the end, I will quote something I got from a further education college: "We are now getting traction—"

Q382 Chair: Do you think that at some point the levy will need to be fine-tuned to get more 16 to 18-year-olds and/or more apprentices from disadvantaged backgrounds in apprenticeships, or set up a special fund for social disadvantage? Do you think that at some point we are going to have to change, when you see complete holes in the system in terms of 16 to 18-year-olds and still not enough people from disadvantaged backgrounds having access to the ladder of opportunity?

Anne Milton: What we spend the levy on is a discussion with the Treasury.

Q383 Chair: No, no, because you will get—

Anne Milton: Yes, yes—

Chair: No, hold on. The money you get—the money that has already been earmarked to spend on apprenticeships; the £2.5 billion by 2020—you can surely choose how that money is spent. That is a DfE decision, surely.



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Anne Milton: The wheels of Treasury are still a mystery to me after 30 years of being an MP.

Q384 **Chair:** But the money you have been allocated already: if the DfE wants to spend that on social disadvantage, you can do that.

Anne Milton: Yes, £2.5 billion; we have committed to spending £2.4 billion on apprentices by 2020.

Q385 **Chair:** You could then allocate some of that money for social disadvantage.

Anne Milton: I would need to check. Treasury rules are very tight on what we can do. The levy was designed to be spent on apprenticeship training and end-point assessment.

Q386 **Chair:** Yes, but if you could spend it—whether it is through what the AELP are saying about having an access fund, or whether it is an apprentice premium, which has been suggested by the Learning and Work Institute—should we be spending a chunk of that £2.5 billion on getting more disadvantaged apprentices, if you can, Treasury permitting?

Anne Milton: What I would say is that there is other money in the Department that we could maybe use for some of that as well. There are existing pots of money—bursary funding for FE Colleges is one example, and there are other pots that we could use—whether it is the apprenticeship levy or not, but at the moment that is there for training and end-point assessment.

Your point about disadvantage is extremely well-made. BAE Systems is an example that should be heralded and that other people should aspire to. For me, apprenticeships are about social justice. There has been a huge concentration—before my time and yours, Chairman—in Parliament on degrees; they have really had to do degrees. I meet hundreds of young people and that is all that is in their sights: doing a degree. We have to shift that because that way we give people who start life from a disadvantaged background an advantage that they would not have previously had.

Q387 **James Frith:** Can you just clarify something, please, Minister? As I understand it, the levy on public sector, for example, is 0.5% of the turnover payroll, but you said that there is a national target for public sector organisations to recruit 2.6%—

Anne Milton: 2.3% of the head count to be apprentices.

Q388 **James Frith:** So 2.3%, but they only pay 0.5% in levy.

Anne Milton: Of their pay bill. So you are not—

Q389 **James Frith:** So, 0.5% of the levy, right?



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Anne Milton: No. They pay 0.5% of their pay bill into the apprenticeship levy. What I want them to do is to have 2.3% of their head count—not to do with money—to be apprentices.

Q390 **Michelle Donelan:** Can I just follow up on that? You said that public sector sees it as more of a burden than the private sector, but why?

Anne Milton: Not entirely. Some of the private sector does as well.

Q391 **Michelle Donelan:** I think the word you used before was “generally,” and obviously they will be different, generally.

Anne Milton: Yes. This is anecdotal.

Q392 **Michelle Donelan:** Yes, but why is that, do you think? The rationale would be the opposite.

Anne Milton: In hindsight, Chairman—and I am conscious that you held this post before I did—I do not know whether there were enough discussions with the public sector beforehand. Why that is, I do not really know, but we are where we are. My job is to try to make this work. My job is to give young people, and older people, a chance to do an apprenticeship, because that way we increase the opportunities they have in life, and that way we also get the skilled workforce that we desperately need.

Q393 **Lucy Powell:** Something that came up in our last session, and that I have been in correspondence with you about as well—thank you for your reply—is the way in which the procurement process, and therefore the subsequent sub-contracting process, has worked. I think that is one of the biggest risks to the system, as we have been talking about. We have heard much evidence about that over the last few weeks. Whose job is it to stamp some of those issues out, and how much does that concern you personally?

Anne Milton: In an ideal world, I do not like procurements because they are a blunt tool; you have no flexibility. If somebody is late with their application by an hour, for instance, you cannot let them into the process because there are very strict regulations. I don’t want to blame the EU for everything, but part of the European thing about grant funding is that you cannot do that any more. This was a non-levy procurement, so it was for employers who are not on the levy system. I will be glad when this is over, because I would like very much for small and medium-sized enterprises—non-levy payers—to be on the same system. We are running two systems in parallel, which is confusing and difficult and does not necessarily give us the results we want.

Q394 **Lucy Powell:** Do you want more small and medium-sized businesses to be directly able to fund—

Anne Milton: To get funds from the levy—I would very much like to.

Q395 **Lucy Powell:** Not directly from the levy, but directly from the employer.



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Anne Milton: Yes. I would like the employers to have the money. And, as I said, this is a huge, massive change and the process of transition, which is what we are in now, is never easy. The non-levy procurement was not easy. Officials took a great deal of time. Three people assess the bids independently to make sure that there was agreement. When there was a difference of opinion, they went back. They went to great lengths to make sure there was consistency but, at the end of the day, there were more bids than we had money for. With any competition—

Lucy Powell: Sorry, but I am just going to drill down on this a little bit.

Anne Milton: Yes, do.

Q396 **Lucy Powell:** From what you are saying, would you agree with me and the Committee that the process favoured—not by design, but in how it was implemented—some of the big providers against some of the smaller specialist providers? Would you look at changing that now?

Anne Milton: I hope I don't have to do it again, until I—

Q397 **Lucy Powell:** You will have to do it again, because there are many providers who are now only getting their money through sub-contracting.

Anne Milton: Yes. But if we move non-levy payers onto the apprenticeship system we will not need to do procurements, because it will be done differently. There was a de minimis on it—that is right—so smaller providers did not get it. One of the reasons behind that, in my mind, was always protecting learners. The difficulty with the smaller ones is that it becomes a bit more risky, maybe. That is not to say that all smaller providers are risky. You are shaking your head, and I know that is the case. The trouble is—

Q398 **Lucy Powell:** I would argue, Minister, that the smaller providers are the less risky.

Anne Milton: I know.

Q399 **Lucy Powell:** What we have heard through this Committee, and for many of us as constituency MPs, is that that process almost encouraged companies to set themselves up and grab the money, and then longstanding providers—who perhaps provided hairdressing apprenticeships or car mechanic apprenticeships and so on in a small location, so therefore were small—were encouraged, when they did not get the procurement, to become sub-contractors. Then these bigger, shell companies are taking 30% or 25% for doing nothing. Does that not alarm you?

Chair: To add to that, do you not think that the extent of sub-contracting is too big and that people are creaming off lots of money from the taxpayer for doing very little? If you pay a provider to do something, you should pay that provider.

Anne Milton: There are two questions in there. The first is: would I do it differently? I would have to use the evidence from the non-levy



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procurement to look again to see if we can analyse the problems. I am very aware of the problems that have arisen for small providers, and I am certainly not saying that all are risky. At the time, it was felt that a de minimis of, I think, £200,000 was appropriate. But, as you rightly say, it squeezed out smaller providers. No procurement that Government ever do is perfect; there is no doubt about that. What you have to do is make sure you learn the lessons.

Having had to do this—and it was something we had to do; we had no choice because we have to go through this procurement exercise—I would love to have been able to vary the rules and say, “These small training providers offer a really good training provision, can we just—” but we cannot do that. We are not allowed to do that.

To come back to the Chairman’s point, for those that were successful in the non-levy the only way is to sub-contract. It is absolutely not ideal, but we had no choice.

Q400 Lucy Powell: I would argue that you probably did have a choice.

Anne Milton: I will get Rory to come in.

Q401 Lucy Powell: The terms by which you set up that procurement obviously led to that, but maybe the terms were wrong.

Anne Milton: If we had run the procurement differently—

Q402 Lucy Powell: Going forward on that, there are two things that need to be looked at, I would argue. One is on the subcontracting. What more can be done to ensure that these huge amounts of top-slicing do not happen, and that there is not too much risk in this? I wrote to you about the particular example of a company that had top-sliced and was the provider, and who is not able to pay the bills of those who have delivered it, even though they have been given the money by the EFSA. That says to me that this system is shaky. What can we do about that?

Secondly, going forward, how can this system be opened up to the small specialist providers, who have long track records and who have done well on Ofsted? How can we make sure quickly that we open up the system for them so that we can get that system for the Committee?

Anne Milton: The way to open up the system is to put the money in the hands of the employers with training budgets, and the employers can use the training providers they want. That opens up the whole market to the small training providers. That is why it is good: employers are choosing the training providers they want. So that, in line with the live reporting from apprentices and employers to ensure that the training providers are doing the right thing, would satisfy that. That is where I want to get to. I hope beyond hope that by next April, we are there to do that.

With sub-contracting generally, I gather that at one time sub-contractors then sub-contract, which is not allowed now. On management fees, I feel



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like you do. I think this is wasted money. It is not always the case; some sub-contracting is probably necessary.

Q403 **Chair:** What we are trying to understand is: do you think in sub-contracting there is too much top-slicing?

Anne Milton: I would not use the words, "too much"; I would always like less, because it is money that is going to the main provider that could be spent on training. My job is to make sure—

Q404 **Lucy Powell:** Whose job is it to determine what is too much or too little, and whether it is value for money?

Anne Milton: That is why I did not answer. I should say, because otherwise I shall forget: those management fees will be published and continue to be published—that is quite important—so employers can see where the money is going. There are instances where colleges carry the overheads for approaching employers, or the relationship management with employers. In instances like that, where a small training provider would not have the necessary overheads to do that, it works well because they rely on the college to sub-contract to them, because they could not handle all that relationship—

Q405 **Lucy Powell:** I am just conscious of the people who have things to come in on. As ever with these hearings, the issue is not where there is good practice; the issue is where people are abusing the system.

Anne Milton: Absolutely. When people ask me for flexibility on the levy, what I say to them is, "I have to make sure that the money is spent for the purpose for which it was intended. High management fees are not the purpose it was intended for." On live reporting and the publication of management fees, I currently have three cases where they were brought by Members of Parliament—

Q406 **Lucy Powell:** Is it your job or is it the ESFA's job?

Anne Milton: It is the EFSA, but I am the person—

Q407 **Chair:** Just a brief answer: if you are saying you think there should be less sub-contracting and less slicing of management fees, as a Minister surely you can take action to contain it?

Anne Milton: I am not saying "should". I am saying what we would like it to be. The transparency of the management fees is important. If there is gaming—to me, taking excessive management fees is gaming, because you are taking more than you are worth—in some ways, once those budgets are with employers, they will be the ones who say, "Hang on a minute, the training provider is getting X and the main provider is getting X plus 30% to 40%. This is not reasonable." I can take action. It is too early to take action at this stage because we are only just a year in. Certainly, for Members of Parliament who bring me cases, I will get—

Q408 **Lucy Powell:** We will, but can I just make an observation—I am sure



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many on the Committee would agree with this—about clarity over whose job that is. You cannot rely on a self-governing system, even with employees having more say—

Anne Milton: No, I agree.

Q409 **Lucy Powell:** What we have seen, even in the previous session, is that the EFSA is too often trying to do Ofsted's job and maybe not doing enough of its own job. You have lots of people whose job it is to oversee the system and therefore no one doing it, really. There needs to be a lot more clarity. When it comes to financial accountability, it should be the EFSA.

Anne Milton: It is.

Q410 **Lucy Powell:** When it comes to quality, it really should be Ofsted working with the institute. That clarity does not exist, and that is why people can game the system.

Q411 **Anne Milton:** Your point about clarity is absolutely valid. I am a simple soul; I have to be able to draw a picture or a diagram of how the system works. If it has too many arrows on it, that is not good enough for me.

Lucy Powell: There are a lot of arrows.

Anne Milton: I need to be clear. I am accountable, as all Ministers are, for all of this. Other people have responsibilities—as you say, Ofsted and the ESFA—but the relationship between the ESFA and Ofsted over quality is quite difficult to define, and we need to define that more clearly.

Q412 **Thelma Walker:** Going back to barriers to accessing quality apprenticeships, I am pleased to hear you say that quality of apprenticeships is paramount and that it is all about social justice; indeed, that is what this Committee is all about. I put it to you that many disabled people do not have that social justice, in terms of access to apprenticeships. Leonard Cheshire, the charity that supports disabled people, says there are currently no reasonable adjustments in the workplace, flexible hours or changes to duties; that there are delays in securing access to work; and that there is a focus on classroom learning, which many cannot access. What are you doing to address this?

Anne Milton: Reasonable adjustments should be made, and there is a duty under the Equality Act. If they are not being made—

Q413 **Thelma Walker:** I would suggest they are not.

Anne Milton: If you have a very good source of information that tells you that they are not, you should highlight it to me, and I will take it up with pleasure. Reasonable adjustments should be made; we have targets on people from BME backgrounds, and people with learning disabilities or difficulties. We want to be sure those are met because reasonable adjustments must be made. There is Access to Work, which can help quite a lot. Colleges and training providers have bursary funds that can be used to help people.



Q414 **Thelma Walker:** It may be an unfair thing to say, but it is almost like employers might be saying, "It is just too difficult and too challenging," or, "They are too expensive". That is not social justice, is it?

Anne Milton: It is not social justice. In my view, this is an area of work that involves a number of Departments, and I work closely with Ministers in DWP on this. There is a move in the right direction, and the Apprenticeship Delivery Board demonstrated that employers are moving, but there is not enough, no.

I met with two all-party parliamentary groups recently on this, and all I heard was very good and positive stories about people—not necessarily young people—who got into work. It is a sea change that we are looking for among employers. At the end of the day, we have to do what we can as a Government to make sure those barriers are reduced.

Q415 **Thelma Walker:** It is the here and now, and what is happening now for those individuals.

Anne Milton: The employment of an apprentice is down to an employer, so they can be challenged through the Equality Act, without a doubt.

Q416 **Thelma Walker:** Are they being challenged?

Anne Milton: I would have to check whether any challenges have been brought; it would be interesting to know.

Q417 **Thelma Walker:** It would be interesting to know, because Leonard Cheshire would suggest they are not.

Anne Milton: I will find out and maybe write to the Committee, Chairman, to see if any challenges have been successful. I will not say what I think—possibly, but probably not enough. Interestingly, I have not heard from Leonard Cheshire about this. Somebody is just passing me a note. We do give some support to people with learning disabilities. There is quite a lot of support.

Thelma Walker: I would be glad if you could move on this.

Anne Milton: Yes.

Q418 **Emma Hardy:** I want to ask you about two different things. I will start with the first thing, which is always a good place to start. Last week we had evidence from this incredibly inspiring young man called Gavin, who had been a looked-after child and who had started an apprenticeship at Hull Training. He talked about how doing the apprenticeship had transformed his life. It was incredibly moving, and he is an incredible young man. One of the things he talked about—this is why I welcome the fact that you have been talking to the DWP—was the fact that a lot of children who have been looked after have been put off going for apprenticeships because, specifically, they would lose their housing benefit.

Gavin had a man, who he referred to as fearless and as his PA, who



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supported him and helped him with the reapplication process that he had to go through for the benefit system so he could keep getting some benefits. Not everybody has access to people like that. What more could the Government do to support looked-after children going into apprenticeships so that they do not have to reapply for benefits?

Anne Milton: In this area, as with people with learning disabilities and difficulties, there is always more Government can do for care leavers, in particular. I have met with the Children's Society. I took the opportunity to ask them how many apprentices they had, because they employ 100 people and they should show by example.

There is a lot of work going on with my colleague in the Department and the Minister, Nadhim Zahawi. The difficulty with children in care is that often quite bespoke support is needed, and it is not just the financial imperatives; it is other support as well. There are a few examples that I have seen of employers doing phenomenal work. Trudy Harrison mentioned the Prince's Trust, which I know sometimes gets involved in this area. Mentoring and financial support both matter. I could read you off, and it might be useful for the Committee if I sent you, a list of all the financial incentives that are in the system.

Q419 **Emma Hardy:** It is just that specific one around housing benefit. Could that be changed for looked-after children who are going into apprenticeships, so they do not have to worry about reapplying for benefits themselves?

Anne Milton: I would say yes; it will be DWP, but I will talk to the Minister specifically about that point.

Rory Kennedy: Just to clarify: obviously, apprentices are in employment, and that means they are not eligible for benefits for those who are not in work. That may be the defining issue.

Q420 **Emma Hardy:** That is what I am saying. Something needs to be changed so that they are eligible.

Anne Milton: An apprentice is in work—they have a job—so they are eligible. If they are living on their own, they are eligible for all the benefits that somebody in work is eligible for.

Q421 **Emma Hardy:** A different thing I wanted to ask you about, which I asked Keith Smith about, was schools and the levy. I am sure you have noticed that the NAHT passed a motion through their conference saying that they did not want to pay the levy. Keith has offered to send more guidance to schools about how they can utilise the levy, but the schools are saying that the nature of the workforce makes it impossible for them to offer apprenticeships. Do you accept that point? Do you think schools should have to pay the levy when they say they are not getting anything from it, and they see it as an extra tax?



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Anne Milton: Under the legislation on the levy, all employers with a pay bill of more than £3 million pay 0.5% of their pay bill. It is written into legislation. I don't think it is impossible; I know at least two trainee teachers who have just been taken on by schools. It is certainly not impossible. I appreciate there are cost pressures on schools at the moment. We have a shortage of teachers. We need more teachers, and there are plenty of graduates working as teaching assistants who would, I am sure, be delighted at the opportunity to up-skill and become teachers.

Q422 **Emma Hardy:** Is there more that your Department could do to work with schools and the school unions about how they could be utilised and how this money could be used? As I say, schools just see it as an extra tax.

Anne Milton: I know. You have had Keith giving evidence, and I don't know what he committed to. But because of the nature and scale of this huge change—particularly, as I say, for the public sector, which has taken a bit more time to adjust because it is managing day-to-day business—we definitely need to do more with those organisations. As a Minister, I am certainly talking to my colleagues in Health, and to Nick Gibb, who is the Schools Minister.

Schools need support. The National Apprenticeship Service will support them, but it is quite clear, because there is a target and we are probably well short of it at the moment, that some more bespoke help is needed. In fact, we do this in all sorts of sectors—we provide targeted support to help sectors that may not have grasped this and used the opportunities that are available. We definitely need to target support.

Q423 **Chair:** This goes back to what we were talking about earlier: looking at things such as an apprentice premium, like the pupil premium, as proposed by the Learning and Work Institute; or using part of the university access fund to support socially disadvantaged apprentices doing degree apprenticeships, for example.

Anne Milton: It is not for me to pinch other people's money, Chair.

Q424 **Chair:** No, but could you not look seriously at whether there are existing pots of money, and look at schemes proposed by many serious organisations like the Learning and Work Institute, and see whether they could be used to deal with some of the situations that Emma is talking about and help the most disadvantaged apprentices get up that ladder?

Anne Milton: Yes. The report of this Committee is going to be invaluable. A lot of that work is going on. I will always—even after 2020, when we have lots of apprentices—be looking at the groups that are not well represented in that pool of apprentices and making sure that we get to them. This is work that will be ongoing forever. It is about removing barriers, financial or otherwise—any barrier that gets in the way.

As you rightly say, Chairman, if we believe in social justice—I think most Members of Parliament would sign up to believing in that—we have to



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take actions that demonstrate that we are doing something to further that end.

Q425 Emma Hardy: One more concrete change that I would like you to take away is the issue of child benefit. I talked before about looked-after children and the problems with housing benefit. Parents of children aged 16 to 18 from really poor backgrounds are also saying that they are put off doing apprenticeships, because they are classified as being in work and therefore they lose child benefit. Could that be something else that you specifically look at changing, so that parents of 16 to 18-year-olds from poor backgrounds still get child benefit for them?

Anne Milton: The 16 to 18-year-olds is an interesting group; I met a big crowd of apprentices last week. £200 a week to a 16-year-old is a huge sum of money coming into the house. Child benefit is not that great, and certainly everybody sees that. I know the rules around child maintenance have been raised before. Apart from 16 to 18-year-olds, I have yet to meet any apprentice that is paid at the apprenticeship minimum wage; all of them are paid way above it.

I recently got some figures out, just for the Committee's interest, on not only the mean but the median, which is a more meaningful figure. The mean for Levels 2 and 3 is £6.70 an hour. That was not your central point, I know—it was about the impact on the rest of the family—but I was just using the opportunity to get that in. Again, if that is procedural, we have to be sure what it is putting somebody off.

Q426 Emma Hardy: Dr Alison Birkinshaw, the President of the Association of Colleges, said in evidence that poorer families “tend to avoid having their sons or daughters take apprenticeships because they will lose the child benefit.”

Anne Milton: Child benefit is £12.70 a week. It is only—

Q427 Emma Hardy: Which is a lot of money for families.

Anne Milton: Yes, but if the young person is bringing in £200—the apprenticeship minimum wage is £3.70 an hour—that is considerably more than the child benefit.

Q428 Emma Hardy: On the apprenticeship minimum wage, the Young Women's Trust said that “2 in 5 apprentices receive less in wages than it costs them to do their apprenticeship with many being forced to drop-out”. The 16 to 18-year-olds I have met have certainly not been receiving in excess of the apprenticeship minimum wage.

Anne Milton: No; 16 to 18-year-olds are probably not, but it is a great deal more than child benefit. Maybe she means child maintenance and the other benefits that a family might accrue. My children are too old, and I cannot remember what the current figure is. Is it about £12.70 an hour? I am looking at the Committee.

Lucy Powell: None of us gets it because we—



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Anne Milton: £12.70 a week, rather.

Lucy Powell: Child benefit? No, it is £20 a week for the first child.

Anne Milton: Child benefit is £20 per week. If you have an apprentice aged 16 to 18 being paid an apprenticeship minimum wage, £20 per week is a great deal—

Q429 **Emma Hardy:** I think these families are saying that if these children went into work, they would be earning more than they would as apprentices.

Anne Milton: They would do.

Q430 **Emma Hardy:** If they had the apprenticeship salary plus the child benefit, the difference would be less than—

Anne Milton: But if they are 16 to 18 they have to be in education or training, so that option is not available for them. Did you want to say something, Rory?

Rory Kennedy: I was going to point out that because they are in work, 16 to 18-year-old apprenticeships are not eligible for child benefit. They are eligible for child tax credits, and some apprentices may also be eligible for other in-work tax credits, like universal credit and tax credits. While we accept that being in employment means that you cannot access the benefits that you could if you were not in employment, there are still other sources of funding support for apprentices from disadvantaged backgrounds who are struggling on low incomes.

Q431 **Emma Hardy:** We are trying to say that for 16 to 18-year-olds, you need to have another look at the benefit system and whether it is acting as a disincentive to young people doing apprenticeships.

Anne Milton: Your general point is about barriers. Wherever I perceive that there is a barrier, I will do everything within my power—including lobbying the Minister—to see if we can remove those barriers. If a family is in receipt of benefits, by their very nature they are at a disadvantage. The idea of apprenticeships is that they give people who come from disadvantaged backgrounds an opportunity to rise up out of that disadvantaged background and get a rewarding career.

Q432 **Chair:** I agree with you that, sadly, at this stage of Parliament the Treasury is unlikely to agree to restore child benefit to parents or families of apprentices.

Anne Milton: No, I am sure it would not.

Q433 **Chair:** That is why we go back to using existing pots to make up the shortfall and incentivise families. Although they have lost that pot, there is existing money, to the value of £2.5 billion, which could be used to promote apprenticeships among disadvantaged and poor families.



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Anne Milton: I think Treasury will say to us, "Find the money within your existing budget."

Rory Kennedy: I should say at this point that payments like that already exist. Providers and employers receive £1,000 each for every 16 to 18-year-old—

Q434 **Chair:** Yes, but that goes to the provider, not to the apprentice. I understand that that is a £60 million fund. I get that, but it goes to the provider, and I don't know if that is necessarily a great way of spending that £60 million. There are all kinds of incentives through the system. We keep giving money to providers, but we need to give it to the apprentice.

Anne Milton: Yes, because it does not solve the problem that Emma Hardy has just raised, which is about household income.

Chair: Exactly.

Anne Milton: As I say, wherever anybody highlights a barrier—it can be on a visit, or through MPs—I will always see if there is anything we can do to remove the barrier. I cannot always promise that I will be successful.

Q435 **Ian Mearns:** Minister, you have given a very good reason to do something. In terms of the statistics that you gave about the number of employers who are paying above the minimums, I think that is a good argument for reviewing the minimums. It is quite clear that when youngsters are paid those minimums, it is a barrier to remaining in work.

There is an awful lot of work being done by people like the charity Movement to Work, the Young Women's Trust and the TUC about barriers to youngsters, in particular, on those minimum rates who are not getting enough to pay what it costs them to get to and from work and to sustain themselves in a meaningful way. Something like two in five apprentices receive less in wages than it costs them to do their apprenticeship, with many being forced to drop out or put off choosing an apprenticeship in the first place, according to the Young Women's Trust. Those are the very sorts of barriers that we should be looking to try to alleviate. If many employers are already paying above the minimum, that in itself is a good reason to review those minimums to see what is enough to sustain a young person at 16, 17 or 18.

Anne Milton: If you are 16 to 18, or in the first year of an apprenticeship if you are 19 and over—it is important to put that on the record. I would be very interested in the sources that you have. I would very much like to meet a group of apprentices who stopped doing their apprenticeships because they felt they could not afford it, or who do not feel able to. That anecdotal conversation is really useful for me.

Rory Kennedy: Can I just add on your point about whether minimum wage is at the right level? We have written to the Low Pay Commission to ask them to review exactly that—to take up that point. It is obviously



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important that people are not discouraged from taking on an apprenticeship because of the level of the wage but, equally, it is important that employers are not discouraged from taking on apprentices. That is why we are tracking that.

Anne Milton: That is exactly what I was going to say. I don't want employers to be put off either. I think that when the Low Pay Commission come back to us, it will be an important way of informing us of that.

Q436 Ian Mearns: Youngsters entering apprenticeships—particularly if they are from poor or disadvantaged backgrounds—quite often bring with them baggage. They may have had problems attending school on a regular enough basis, they may have some learning problems or they may not be at the level they should be. Do you think the current funding mechanism does enough to incentivise employers to recruit young or socially disadvantaged apprentices and retain them? I am thinking about the youngster that we saw from Hull Training. The amount of pastoral care that he continued to get from his training provider and his employer was, from my perspective, quite impressive but it is resource-intensive.

Anne Milton: It is resource-intensive. The story from employers and a lot of the mentors who look after apprentices is quite inspirational and moving at times. I am thinking of Kellogg's, in particular. They refer to themselves as these kids' fathers—so, their work father—and it is extremely impressive. Why do big companies do that? One could argue that they have no need to. The harsh reality is that they need a skilled workforce, but this is also about bringing on the new generation. That mentoring support is absolutely critical. They also get an opportunity to find young people who are very talented, for whom the school system maybe did not work, and who did not come out with a range of qualifications.

What is quite impressive—at times, the stories are quite moving—is the young people with very disadvantaged backgrounds and very disruptive and disorganised family lives who are taken on and become part of the company. They are mentored and they go on and on, up to degree-level apprenticeships and beyond. That is what we want to see more of.

There are incentives in the scheme but—this is why I say employers have to jump over a cliff, or something; I cannot think of the right expression—once employers do this, they realise what the organisation gets back from it. Employers are doing far more. Kellogg's does an Outward Bound course for these kids, which takes them away for a week. That is not part of their training provision, but it is part of giving them the social skills and work skills needed in order to get on.

Q437 Ian Mearns: The big companies have the wherewithal to do that. They have the economies of scale and the critical mass. A huge amount of employment is done in the small and medium-sized enterprise sector—huge swathes of it that did not exist 25 or 30 years ago—in places like the north-east of England, where they used to have the large industrial



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combines with large apprenticeship schemes. They have been backfilled by SMEs, with companies of 40, 50 or 60 employees. How are we going to incentivise those sorts of companies? It is at that level, where a huge amount of employment now exists, that we are going to need this in order to meet the skills shortages of the future.

Anne Milton: For smaller employers—non-levy employers—we pay 90% of the training costs. For those with under 50 employees, we pay 100% of the costs for people in certain categories: care leavers would be one, and people on an EHC plan. What is quite interesting is the number of small employers that I have seen doing exactly the same. I met an employer with only five employees who is doing exactly what you talk about, because a lot of the owners of those organisations started at the bottom. A lot of them might have been apprentices themselves. Not only do they want to make sure their business survives, but I think we sometimes forget that in this country there is still enormous goodwill and desire to bring on young people.

We definitely need to look around rules and benefits and money, because all of that hard stuff matters, but it is about goodwill. I had an employer—a small business, not a big business—who stood up and said, “The success of my business is down to the apprentices that I employ.” She directly related. This is about small employers, and we have a lot of work to do with employers.

I work with Ministers in BEIS about understanding. This is not a one-way street. This is not about an employer having to give something up to give an apprentice a chance. This is about an apprentice giving something to the company, because they bring bright ideas, innovative ideas and new ways of working.

Q438 **Michelle Donelan:** What percentage of the current apprenticeship schemes are by small businesses at the moment?

Rory Kennedy: I am not sure that we have that exactly. I know that between non-levy payers and levy payers it is within margins of, very broadly, 50:50. We would need to come back to you to confirm the percentage on SMEs.

Anne Milton: It might be useful for you to have some of those facts and figures.

Rory Kennedy: I would just emphasise the Minister’s point that, in terms of supporting SMEs, for those who have 50 or fewer employees we have a co-investment, so all of their apprenticeship training is paid for.

Q439 **Chair:** I have a couple of final questions, if I may. In the debate on skills last week in Westminster Hall, you said you were talking to careers advisers to find out the extent of schools not implementing legislation in terms of allowing apprentice organisations into the schools. What specific measures are the Government taking to make sure this happens?



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Anne Milton: It is early days. In fact, I met Lord Baker yesterday; I think it was his amendment.

Q440 **Chair:** The Baker clause, yes.

Anne Milton: I met him yesterday and we discussed that briefly. We need to monitor this, and I have been talking about the best way. One of the problems with careers strategies is they get published and then there is no follow up. I would recommend that the Committee has a quick look at all these bright ideas—the Gatsby benchmarks. It is all on the front page, what schools have to do.

I have asked, and I will do more over the summer. In fairness to schools, if the changes came in, this would be instinctively the time of year leading up to exam time and after that schools will invite training providers in. It is usually when they do that sort of activity.

I need to monitor exactly how many schools. I already have some anecdotal evidence from people who have written to me and said that they are a training provider or an FE college and they have been refused entry. If I am absolutely honest, Members of Parliament have a significant role to play. We should be going to schools. We ought to talk to schools. It is important.

Q441 **Chair:** Okay, but if it looks like this is not happening in the way that it should, do you think Ofsted should play a role?

Anne Milton: Yes, I do. Ofsted do have to report on careers provision. It is going to be extremely important. All of this work will not happen unless young people get the advice that they need on the options.

Q442 **Chair:** What specifically are you doing to encourage degree apprenticeships?

Anne Milton: We have a £10 million fund to help universities and colleges develop degree apprenticeships. We have 40 standards. Gerry Berragan—has he appeared before you?—the Chief Executive of the IFA, is very conscious of my need to drive the rate of standard approval up. I meet with him regularly and frequently, usually more than once a month. We have 100 higher education institutions on the register of apprenticeship training providers, and we have 45 offering and developing degree apprenticeships.

Q443 **Chair:** Without repeating what happened in the previous session, we have been contacted by universities who say there is a mire of bureaucracy to go through. On standards, they say it is an employer-led system. Can you meet with the university organisations to do what you can to boost them?

Anne Milton: Yes, I have met with one of them. They are a really important part of the mix. Just under 90% of all apprentices are Level 2 and Level 3. For social justice, I don't want it to just be about degree apprenticeships, because I don't want all the bright, advantaged kids



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leaving school and going and doing them. What matters to me is the pipeline. Just for the Committee's interest, we are looking at Level 4 and 5, which are poorly done in this country. The number of Level 4 and Level 5 qualifications in this country is very low compared to international figures.

Q444 Chair: We plan to hold a special session on nursing apprenticeships, and we have invited the Minister of State for the Department of Health and Social Care, Steve Barclay. Would you be willing to come to that panel?

Anne Milton: Yes, I would be delighted. It is probably appropriate that we are both there.

Q445 Chair: It will be in the next few weeks.

Anne Milton: I speak as somebody who did what was in effect a nursing apprenticeship, in the days before they abolished them. Now here I am, and they are being brought back.

Q446 Chair: Very finally, in *FE Week* there is a report this week that you may not have seen, which suggests that the devolved adult education budget—a huge amount if you take London—is being spent on hiring managers to dole out the funds. I think it is either £53 million or £63 million. Is this something we should be concerned about? Surely that is a waste of public money. Why can't the SFA just do that? Why does the devolved authority need to hire its own people to give out funding?

Anne Milton: We are in the process of devolving the education budget to seven areas, and we are in a process of transition. We have factored into their budget some money for the administration, because the devolved administrations will have to manage these themselves. There are lovers and haters of devolution. It has some upsides, without a doubt. I will be very interested to see how those devolved administrations use their adult education budget. I will be interested to see if they come up with innovative ideas for how to use it. They might come up with things that the Department has not previously done.

Like you, Chairman, I hate money being spent on management, but if you think of any organisation, good management is crucial to good delivery.

Q447 Chair: I will double-check the figures, but I think that London might be spending roughly £53 million.

Anne Milton: Who is, sorry?

Q448 Chair: The London authority is spending £53 million on hiring managers to dole out funds, when surely it should be—

Anne Milton: £53 million? That sounds a lot of money.

Q449 Chair: It is in *FE Week*, but I urge you to look at that. Perhaps we can ask you again when you come in for the accountability session. Thank you very much.



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Anne Milton: It is a pleasure to be here.

Q450 **Chair:** I know that you have a passion for young people, and we are lucky in that sense. Thank you.

Anne Milton: I do have a passion. I did an apprenticeship and did not go to university.

Chair: Thank you as well, Mr Kennedy, for your presence and your answers.