

## **Re: Transition to a Grant-Funded Apprenticeship System**

Dear colleagues,

The National Training Federation for Wales (NTFW) welcomes Medr's decision to move away from procurement and towards a grant-funded model for apprenticeships. This shift aligns apprenticeships with the wider tertiary education system, reduces unnecessary transaction costs, and creates the conditions for greater collaboration and long-term quality improvement.

However, the way this transition is framed and implemented will be just as important as the decision itself. Clear intent, consistent communication and a managed approach are essential to ensure the new model strengthens apprenticeships, protects learners and employers, and avoids avoidable instability across Wales's delivery network.

At present, inconsistent messaging about the nature of future grant allocation particularly references to a "competitive" process has created uncertainty among providers and risks destabilising a system that has taken 20 years of deliberate consolidation to professionalise and improve. Some messaging suggests continuity and minimal disruption for learners and employers, while other statements have been interpreted by smaller providers and subcontractors as an invitation to seek direct funding immediately. Unless intent and process are clarified, the sector risks entering a period of uncertainty that could undermine employer confidence, disrupt learners, and destabilise a system that has taken two decades to strengthen.

Reintroducing unmanaged competition could recreate the fragmented, low-quality landscape that previously required significant public investment to correct. A successful grant model must therefore balance openness with stability, making full use of the system's long-term performance data, quality intelligence and Estyn outcomes as core public assets when determining allocations.

Stability is not about protecting incumbents; it is a public good. Unmanaged shifts in contract value risk displaced learners, broken employer relationships, workforce uncertainty and TUPE liabilities each of which carries material consequences for completion rates, employer confidence and the delivery of national skills priorities. The negative consequences of provider displacement during the previous procurement cycle remain visible today, with impacts on learner experience, attainment and employer engagement.

### **Background: Why Market Stewardship Matters**

Twenty years ago, Wales had more than 140 directly funded apprenticeship providers. The system was fragmented, overly competitive, and inconsistent in quality. Oversight required a large contract-management infrastructure.

Deliberate policy choices consolidated provision to around 10 directly funded providers, supported by managed subcontracting arrangements. As a result:

- quality and outcomes improved
- the workforce professionalised

- employers experienced greater consistency and reliability

Any future funding model must avoid recreating the conditions that necessitated that consolidation. A loosely defined “competitive” approach risks renewed fragmentation, higher oversight costs, and reduced consistency for learners and employers effectively undoing two decades of progress and public investment.

## **Core Principles for a Grant-Funded Apprenticeship System**

### **1. Stability is a Public Good**

Stability protects learners, employers and national skills priorities. Significant changes to contract deployment risk:

- displaced learners
- broken employer relationships
- uncertainty for staff and redundancy costs
- TUPE implications, including between providers and between providers and Medr

Stability should therefore be protected unless there is a compelling, evidenced reason to disrupt it. This approach safeguards completion rates, employer participation and workforce development in priority sectors.

### **2. Movement of Funding Requires a Clear and Robust Rationale**

Given the risks and costs involved, moving significant contract value between providers should never be the default. Reallocation should be driven by:

- sustained under-performance
- quality failure
- inability to meet clearly defined strategic priorities

Funding should not be redistributed simply because a new mechanism exists or because new entrant’s express interest.

### **3. “Competitive” Must Not Mean “Unmanaged”**

A grant model can be fair, transparent and open without becoming a free-for-all. If “competition” is framed loosely, it will:

- raise unrealistic expectations among non-contracted providers
- encourage speculative bids based on paper capability rather than delivery track record
- increase the risk of funding being allocated to untested organisations
- undermine confidence among current providers and employers

Competition should operate within a managed framework, focused on defined objectives, not as an open invitation to destabilise the system.

### **4. Existing Performance Data Is an Asset**

Medr and Welsh Government hold extensive intelligence on current providers, including:

- long-term performance data
- quality and compliance information
- Estyn outcomes

A system that disregards this evidence in favour of grant applications alone would represent a step backwards in terms of public value.

## **5. Change Should Be Incremental**

Grant funding should support gradual, evidence-led improvement not cliff-edge transitions. This means:

- managing providers over time within a clear framework
- moving funding in response to performance and strategic priorities
- allowing improvement before exit
- avoiding large-scale reallocation based on single decision points

## **A Practical Way Forward**

To balance fairness, stability and innovation, NTFW proposes the following approach:

### **1. Protect the Core System**

Maintain existing allocations at around 95–98% of current levels during the initial transition. This provides continuity for learners and employers while signalling that funding is not automatic or indefinite.

### **2. Create a Controlled Entry Route**

Set aside a modest, clearly defined budget for:

- new entrants where there is evidenced need
- specialist or niche provision
- genuine gaps in geography or sector coverage

Access should be through a structured, time-limited process with strong evidential requirements, including:

- proof of delivery capability and capacity (or phased pilots)
- demonstrable employer demand and learner benefit
- value-for-money and quality assurance arrangements
- clear expectations on collaboration with existing networks

Any allocation to new entrants should demonstrate greater public value than could reasonably be achieved by investing in existing provision.

### **3. Actively Manage All Providers**

Apply consistent performance and quality management across all grant holders, using this framework to:

- grow high performers
- reduce or exit underperformers
- reallocate funding gradually and transparently

#### **4. Communicate Intent Clearly and Consistently**

Medr should explicitly state that:

- grant funding is not an immediate re-opening of the system
- stability and quality for learners and employers are primary objectives
- new entrants will be considered only through defined mechanisms
- a decision framework and timetable for allocations will be published


#### **Conclusion**

The transition to a grant-funded model presents a significant opportunity to modernise the apprenticeship system while protecting the quality, stability and public value built over the last two decades. The shift away from procurement is welcome and strategically aligned with wider tertiary reforms.

With clear design and disciplined implementation, grant funding can deliver a fair, transparent and strategically aligned apprenticeship system one that safeguards learners, supports employers, strengthens the provider network and enhances public value. The greatest risk lies not in challenge from providers but in self-inflicted instability caused by ambiguous signals or unmanaged expectations. This is an opportunity to build on two decades of progress, not inadvertently unravel it.

NTFW welcomes the opportunity to work closely with Medr to ensure the new model is implemented in a way that is fair, evidence-based and firmly focused on learner and employer outcomes.

Yours Sincerely,



Lisa Mytton

Strategic Director