

The Two-Tier System: Public vs Private Funding

Bridging Public Funding and Private Growth



Whilst traditional universities and further education colleges continue to serve the mainstream education market, the professional training sector has developed along two defined business models. Government-funded training providers have traditionally focused on delivering apprenticeships alongside other publicly funded adult education. Commercial training providers, by contrast, have built their businesses serving self-funded learners seeking career advancement and businesses requiring bespoke corporate training solutions.

However, an increasing number of government-funded training providers are diversifying their business models by adding commercial training programmes. This strategic pivot delivers three critical advantages: it creates a more sustainable business model less vulnerable to policy changes and funding cuts, it substantially increases company valuation through diversified revenue streams, and it provides the agility to respond rapidly to emerging skills demands without waiting for government procurement cycles.

For these providers, the transition presents an opportunity to integrate learner finance solutions that can bridge the gap between government funding structures they know well and the commercial market they're entering.



This module intends to outline the financial and operational differences between government funded providers, private training providers, and how recourse finance can be a bridge for providers who offer a hybrid approach.

The Logic of Two Worlds

To understand the training market in 2026, we must look at it through two distinct "Universes." The difference between them is not necessarily the quality of the training, but rather the orientation of the provider and the delivery of relevant skills training.

The Government Approved System

Universe 1:

Public funding comes with public accountability. That accountability presents as approval frameworks, eligibility rules, and standardised curricula. Employers don't choose training freely, instead they choose from a pre-determined list of appropriate courses. Skills England determines which training is approved, creating delays between market demands and authorised solutions, in favour of oversight. There is a growing risk that government funding retreats behind rigid budget caps disconnected from real skills demand and by the time a cutting-edge training course navigates the approval process, the technology has already moved on, leaving "levy-approved" training perpetually behind market reality.

Publicly Funded Providers



Primary Goal

Consistency and Audit Compliance



Curriculum

Outdated or Budget-led Inflexible Frameworks



Update Cycle

12 - 24 Months



Focus

Process and Qualifications



Payment

Paid in Installments Contingent upon Fixed Milestones and Pass Rates



Learners

New to industry, Often with Low Commitment and No Skin in the Game



Consider the industries projected to have the largest increase in employment demand by 2030, as per the **UK Government's Assessment of Priority Skills to 2030 Report**. Creative Industries, Digital and Technologies, Housebuilding, and Clean Energy Industries will see huge shifts in demand for skills and employment over the next five years with training providers required to keep pace with developments in technology, artificial intelligence, and a growing number of learners ditching traditional education for vocational and professional training.

In January 2026, the UK Government unveiled free AI training for all adults and workers to master foundational digital skills through brief 20-minute tutorials. While this initiative intends to modernise UK industry regarding basic artificial intelligence workplace concepts, it fails to tackle the specific competencies private educators recognise as essential for a learner or employee to secure employment or career progression in the modern workforce.

The Private Provider Model

Universe 2:

Private providers operate outside of government funding, selling courses to self-funded individuals and SMEs. They design their programs backward from industry demand with an ability to specialise, innovate, and customise courses without the constraints of bureaucratic qualification processes. Industry professionals teach real-world applications with employment outplacement and direct industry connections to ensure positive outcomes as a return on a learner's investment in training.

Crucially, learning pathways can be **modular and stackable**. Learners can complete a focused programme in data visualisation, gain employment, then return later for machine learning or cloud architecture. When employers post requirements for specific certifications, technologies, or competencies, private providers can teach specific skills or bundle training modules to directly target these key competencies. Private providers optimise for what actually gets someone hired, because their business depends on market drivers such as learner outcomes rather than apprenticeship pass rates or compliance.



Commercial Training Providers



Primary Goal

Skilling Learners for Employment



Curriculum

Dynamic Courses
Responding Real Time to Employer Market Demands



Update Cycle

Weeks not Months



Focus

Qualifications, Real skills, and Successful Employment Outcomes



Payment

Up-front payment with Option for Learners to Spread the Cost with Learner Finance, while Providers are Paid Up-front



Learners

Highly motivated, Personally Committed and Engaged within a Mixed Cohort of Diverse Learners

What Learners Gain from Private Training

Direct Application

Training built around market demand, job descriptions, expert knowledge, and relevant skills

Speed to Market

Intensive pathways that move at the pace of industry or technology

Career Integration

Direct access to industry links, portfolio building, industrial placements, and interview coaching

Instruction

Learning from those currently working within industry or experts in the field

The Funding Gap and Market Reality

Although government and private training providers appear to operate within the training and educational market, they are not actually in competition with each other. Instead, government funding creates unmet demand that private training can capitalise on, in particular, leaving four groups of learners underserved and searching for alternatives.

1. The Specialist and Senior Professional

The landscape changed significantly in January 2026 with the accelerated defunding of Level 7 qualifications. Public funding is now almost exclusively reserved for entry-level roles. For the individual looking to move into senior leadership or highly technical specialist roles, the apprenticeship system is not available. These learners are now turning to the private market, funding their own advancements.

2. The Competitive Edge Seeker

Government-funded courses are built on curricula designed to be generic enough for everyone, which often means they are not specific enough. Learners who want to stand out in a crowded job market find that some of these approved courses may lack the cutting-edge tool stacks and niche skills that modern high-growth industries actually pay a premium for. To gain a true competitive advantage, these individuals are opting for private programs that prioritise live industry relevance over the appeal of no-cost apprenticeship.

3. The Global Talent and Career-Switcher

Overseas professionals, visa holders, and many career-switchers find themselves ineligible for government-funded routes due to strict residency rules or prior qualifications that block those who have already studied in a different field. The UK seeks 1.7 million additional skilled workers by 2035, however international professionals are excluded from government funding and these motivated individuals are increasingly turning to private, UK-specific training that offers a direct line to employability.

4. The "Out of Catchment" Individual

One barrier to apprenticeship access is that programs tend to be restricted by 'Catchment Areas' dictated by local funding and local authority contracts. This creates a postcode lottery where a learners location determines their access to high quality training. Training providers who offer commercial training courses alongside their apprenticeships can help these ambitious individuals living out of the catchment area bypass government obstacles by integrating accessible financing options, so learners can spread the cost of training while receiving education that they would otherwise not be able to due to their location.

Learner Finance as Infrastructure

For the individuals that are left out by government-funded programmes, the question becomes: How do learners bridge the gap between affordable education and cutting-edge private training?

For many, the cost of high-end private training is a barrier to entry, but the no-cost government alternative doesn't offer the specific outcomes they desire.

This is where Learner Finance can be integrated by training providers as a tool to create payment infrastructure that allows individuals to access private training without the huge up-front costs associated with high quality private training courses. The training provider also benefits from stronger cash flows by receiving the full value of the course up-front, while learners pay in installments. Alongside this, by making training affordable for learners, they have more flexibility to undertake longer courses or modular pathways, resulting in higher average overall spend and increased lifetime value for the training provider.

Recourse finance creates an inverse dynamic to government funding. Where public funding makes training accessible but limits provider flexibility, recourse finance makes private training accessible to 98% of learners whilst preserving provider autonomy.



When a learner enrolls on recourse finance, the provider receives immediate cash flow to invest in high-quality delivery of training. However, if a learner stops paying their loan for any reason, the outstanding balance is deducted from future payments. Instead of waiting months and hoping for completion to receive your final payment, you start with full funding and only face adjustments if issues arise.



The Power of Recourse Finance for Training Providers

Increased Enrolments

Providers benefit from increased enrolments, without discounting prices, when learners are able to enrol by spreading the cost of training to match their budgets

Invested Learners

Learners have 'skin in the game' and are more invested in their training, with providers aiming to deliver engaging courses, leading to better outcomes

Strengthened Cash Flows

Providers receive the value of the course up-front when a learner enrolls on finance, increasing cash flows

Strategic Agency

Curriculum and strategy can be innovative and proactive, matching learner and employer demand, when payment is not dependent on pass rates or completion

Selectivity

Providers can screen for the most suitable, highly motivated candidates and ensure cohorts of learners are diverse, and committed to outcome-based training

The Shift from Funding to Access In 2026

The most successful providers are those who recognise that they don't need to choose between quality and accessibility. By utilising modern learner finance models, they can offer the high-speed, high-impact training the market demands while providing a pathway for learners to invest in their own future value and access higher paid employment.

Important Considerations for Your Training Programmes

Whilst Learner Finance offers significant advantages, it's not a one-size-fits-all solution. If your course delivery costs are particularly high, or if your programme duration is shorter than the typical loan term, we strongly recommend requiring a deposit that, at minimum, covers your delivery costs, ensuring you're protected against recourse that cannot be recovered. Alternatively, you might consider non-recourse finance options where the lender assumes all credit risk with no recourse back to you as the provider. Each learner finance product carries distinct advantages and trade-offs in terms of approval rates, cash flow impact, risk exposure, and administrative requirements.





About Rocket Learner Finance

As a trusted partner to over 50% of the UK's largest commercial training providers, Rocket integrates proven finance solutions that drive enrolment and strengthen cash flows, leveraging our deep expertise in the sector. Our strong track record and specialist focus in learner finance helps our partners scale with confidence and ease.

With over 90,000 self-funded learners enrolled in training courses in just the past two years, Rocket's learner finance removes affordability barriers, increasing enrolments and profitability.

If you would like to learn more about the application of Learner Finance in your business, get in touch with our commercial team [here](#) to learn more about how learner finance can help grow your training business.



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