***Higher Apprenticeship and Degree Apprenticeship Funding Bands***

**Issues Raised in the Letter Sent by UVAC to the Institute for Apprenticeships**

I am writing to query the purpose and methodology being adopted in respect of the Institute for Apprenticeships’ current review of funding bands and the determination of funding bands for new Higher and Degree Apprenticeships.

Our members have raised concerns in respect of the following issues:

***Purpose of an Apprenticeship Funding Band*** - There seems to be confusion on this point. Is a funding band based on the cost of delivering an Apprenticeship, or alternatively does a funding band represent the maximum contribution Government will make to the delivery costs of an Apprenticeship? We are aware that the Institute uses 'affordability' as a criterion in making recommendations on the funding band allocated to an Apprenticeship and is considering issues such as number of future starts which, surely, should have no place in establishing the actual delivery cost of a programme. Our members report that employers who are struggling to spend their levy payments (with only 10% of levy funds being spent in the first year) are confused by the Institute’s criterion of affordability. Indeed, the question as to how to ensure there will be enough funding in the system, under current circumstances, appears completely irrelevant to employers.

***Explanation of Apprenticeship Funding Bands to Employers*** - The lack of clarity concerning the purpose of a funding band is causing significant market confusion. Employers, by and large, perceive the funding band to be the actual or maximum cost of delivery of an Apprenticeship. We are aware, on the basis of discussion with our members that in some recent cases a funding band has been proposed by the Institute for Apprenticeships which is far lower than the cost of delivery as estimated and explained by providers. This means, few if any HEIs, will be able to deliver Degree Apprenticeships for the funding band agreed. This will of course have implications on the availability of Degree Apprenticeship for key occupations particularly in the public sector, social work being a good example. Put simply, under current circumstances, employers such as NHS Trusts or Local Authorities will not be able to use levy payments and access Degree Apprenticeships fundamental to their organisations if funding bands are not based on actual delivery and assessment costs. While making clear that a funding band may not cover the cost of an Apprenticeship may not be welcome, at least it would provide clarity and justification to employers who want to use an Apprenticeship, but find it difficult to justify paying more than the current funding band.

***Methodology for Establishing a Degree Apprenticeship Funding Band*** - We are concerned that the Institute for Apprenticeships does not appear to have a robust and transparent methodology for establishing and recommending funding bands for Degree Apprenticeships. We are aware of Trailblazers supplying HEI estimates of the cost of an Apprenticeship standard (training and end point assessment) only for the Institute for Apprenticeships to determine and recommend a funding band that is far lower than the estimates provided by a Trailblazer. We would query how an organisation, such as the Institute for Apprenticeships, with limited staff expertise in higher education costing, can apparently dismiss such costings and recommend a significantly lower funding band. We understand the data the Institute for Apprenticeships uses in its approach to funding bands is largely historic ESFA data focused on Apprenticeship provision at levels 2 and 3. Higher Education, of course, has a very different cost base to most providers delivering Apprenticeship provision at levels 2 and 3, staff costs are for example higher and many programmes rely on access to expensive equipment and facilities.

***Impact of Funding Band Decisions on the Availability of Degree Apprenticeship Provision*** *–* We are aware that some Trailblazer employers, who urgently need to start delivery, after an unduly lengthy development and approval process have accepted funding bands below what they considered were the appropriate rates for delivery. They have made these decisions in order to avoid the months of delay that seem to follow when the initial funding band is not accepted and the risks associated with not being able to recover levy payments before they disappear from their Apprenticeship Service accounts. If funding bands are set below the costs of delivery, then a Degree Apprenticeship will become unviable to deliver and HEIs will withdraw from delivery. Without a national network of providers to meet the skills gaps for which the apprenticeship programme was apparently designed, there will be no apprenticeship programme. Similarly, employers will not have a choice of provider and the intended market place will remain a myth. The lack of availability of apprenticeship provision for new Apprenticeships based on standards is one of the biggest barriers for employers and for expansion of the programme in occupational areas which are of critical need to the UK economy. On-going lack of recognition of the true costs of delivery will simply make this situation worse.

***The Need for Stability to Support Long-term Planning in Degree Apprenticeship Delivery*** *–* The Apprenticeship system managed by the ESFA remains further education focused. HEIs wanting to respond to employer demand for Degree Apprenticeship have had to invest substantially in developing systems to respond to ESFA FE based process, the ILR being one of the most obvious examples. Degree Apprenticeship programmes are also expensive to plan and develop. HEIs are increasingly concerned that they will not be able to recover their investment in developing the systems and recruiting the staff needed to deliver Degree Apprenticeships. The uncertainty associated with the current Institute for Apprenticeships review of Apprenticeship funding bands and the methodology being adopted is causing HEIs to question future investment decisions in developing Apprenticeship provision in the high skill areas needed by the UK economy and not delivered by the historic ESFA provider base.

***How the Institute for Apprenticeships Approach to Funding Bands could potentially undermine the Quality of Apprenticeships at level 6 and 7 / ‘degree level apprenticeships’*** – UVAC along with other HE representative organisations has written to the Office for Students requesting advice on the movement from Degree Apprenticeships to ‘degree level apprenticeships.’ The Institute for Apprenticeships apparent push to remove degrees from Apprenticeship standards, where not a requirement of a regulator or professional body, regardless of the views of Trailblazers and employers seems highly detrimental to the standing, transferability and quality perceptions of Apprenticeships at these levels and their value to individual learners. We are equally concerned that setting an unduly low Apprenticeship funding band will not enable high quality providers to deliver the quality Degree Apprenticeships needed by both the public and private sector.

In view of the above I would welcome your comments on the following:

* If the Institute for Apprenticeships can clarify the purpose of an Apprenticeship funding band? If as seems to be the case, affordability, rather than actual cost, is a key determinant in a funding band can this position be made clear to employers so they will be aware that the funding band is intended to offer a *contribution towards* the cost of the apprenticeship, and is does not represent the actual cost of delivery of an apprenticeship.
* What the Institute for Apprenticeships means by affordability and the appropriateness of including issues of affordability in determining the cost of any product or service?
* Whether, given the Institute for Apprenticeships’ lack of knowledge and expertise in higher education, funding band recommendations on Higher and Degree Apprenticeships were not better determined jointly with the Office for Students?
* If the Institute for Apprenticeships intends to widen the expertise of its staff base by recruiting staff with knowledge of and expertise in higher education costing?
* If the Institute for Apprenticeships has undertaken any analysis on the impact of the funding bands it has recommended on the supply of Degree Apprenticeship in key occupational areas and the impact on productivity and delivery of key public services?
* If the Institute for Apprenticeships has undertaken any analysis of the impact and potential disruption the review of funding bands will have on Degree Apprenticeship starts (which have long planning and lead times and where employers and providers may well have already agreed a future price)?
* If the Institute for Apprenticeships has liaised with the Office for Students on the impact on student experience/value of setting funding bands below the costings provided by HEIs through Trailblazers and the impact of the movement from Degree Apprenticeships to so called ‘degree level apprenticeships’?
* If the Institute for Apprenticeships will pause its current review of funding bands and instead work with employers, training providers and partner organisations to develop a robust, reliable and transparent system with a clear purpose which commands confidence from all parties?

We understand that part of the rationale for funding bands is to stimulate competition between providers. We would suggest pushing funding bands below cost will drive quality providers out of the market and do little to facilitate effective competition. We would also question why so much emphasis is placed on negotiating downwards when the best programme may cost more than the funding band – should the Institute for Apprenticeships not make this point clearly to employers? Price is, of course, just one of several criteria in selecting a higher education provider and we would welcome the opportunity to work with the Institute for Apprenticeships and Apprenticeship Service to ensure that employers have the best information available to make the best choice for their organisation.

UVAC and our members understand fully that the Apprenticeship budget is finite and the difficulty of determining cost or alternatively the level of contribution the state should make to the cost of different Apprenticeships. I am sure you would, however, agree that the system used to determine funding bands must be robust, reliable and transparent and have the confidence of both employers and providers.