**National Audit Office follow up study on the apprenticeships programme – UVAC Response**

UVAC is a national membership organisation and exists to champion and develop the Higher Education Institution (HEI) role in higher level vocational learning. In 2017/18 UVAC had 75 HEIs in membership drawn from all university mission groups, including the Russell Group.

As a membership organisation UVAC provides the following services for our members:

* **Advocacy** for a skills system that:
  + Enables individuals to fulfil their potential
  + Develops skills at the level needed by the UK economy
* **Access to Experts** in Higher Education, Skills and Work-based Learning in the development of HEI Apprenticeship and technical education strategies
* A focus on **Research and Information and Advice** for HE providers with on-going analysis and updates on Degree Apprenticeship
* An extensive **webinar programme, briefings, networking events and template documents** that support HEIs engage in the Apprenticeship system and technical education
* **Advice** on technical, vocational and professional education and apprenticeships and the impact on higher education admissions and implications for social mobility
* A peer reviewed **Academic Journal** focused on Higher Education, Skills and Work-based Learning published quarterly by Emerald Publishing.

UVAC has provided extensive support to enable the higher education sector engage with the Apprenticeship system and deliver the Apprenticeships employers want to use to raise the productivity of their organisations. As such, UVAC welcomes the NAO follow up study on Apprenticeships. We would, however, suggest that it is critical that the NAO engages with the full range of organisations engaged in Apprenticeship, Office for Students (OfS) as well as Ofsted, new Apprenticeship providers, such as HEIs, as well as independent training providers who have historically delivered the bulk of Apprenticeship provision. Fundamentally, the NAO needs to engage with employers who have used apprenticeships in the past and those new to Apprenticeship or who are using new Apprenticeship standards and individual leaners who are following new Apprenticeship standards. UVAC, through our member HEIs, would welcome the opportunity to facilitate such engagement.

**Issue 1 - Is the apprenticeship programme achieving its stated goals and aims?**

No – largely because the ‘goals’ and ‘aims’ of the Apprenticeship programme are confused and contradictory.

* + *An employer-led system focused on enhancing UK productivity is incompatible with a Government manifesto commitment for 3 million apprenticeship starts.* The Apprenticeship levy cannot fund 3 million quality Apprenticeships of the type the UK economy needs and employers will demand. To fund the 600,000 annual starts required to deliver the 3 million starts target equates to funding of £4,167 for each Apprenticeship. Not surprisingly employers in the public and private sectors want to spend - what they have been led to believe is - ‘their’ levy payments on Apprenticeships that their businesses need: in the NHS - nursing and nursing associates, in police forces - police constables and in the private sector on digital, engineering and construction occupations. Such Apprenticeships are high cost and high value. This change in the focus of Apprenticeship should be celebrated.

The 3 million starts commitment always risked prioritising the quantity of Apprenticeship starts over their quality and risked organisations like the Institute for Apprenticeships (IfA) using funding bands to incentivise employers to spend on certain types of (cheaper) Apprenticeships rather than others. The IfA uses, for example, “affordability” in its criteria for determining the funding band of an Apprenticeship, which could mean a funding band was set below the cost of delivery. Such an approach would obviously severely restrict the ability of providers to offer the Apprenticeship in question. Funding bands below what Trailblazers and providers regard as viable for large scale delivery are, however, being recommended by the IfA; the Social Work Degree Apprenticeship being a good example.

* + *There is confusion as to whether Apprenticeship is a programme to support employers develop the skills of their new and existing employees, or alternatively a training programme for young people not wanting to ‘stay on at school’ -* The Apprenticeship levy was introduced, in part, because employers were investing insufficiently in the training and development of their employees. Employers were told by Government that they were in ‘the driving seat’ of Apprenticeship and that they could recover their levy payments when they invested in the Apprenticeships their businesses needed.

Historically, however, Apprenticeship has not been a programme aimed at addressing skills gaps and shortages, but instead a programme to provide a training opportunity for young people who did not want to ‘stay on at school’ or ‘go to university’. The problem, of course, is providing opportunities for such a cohort is, from a skills and productivity perspective, not a priority for many employers. Employers instead want to focus on improving the higher-level skills of existing or new employees. A particularly good example is management training. The Government’s own Industrial Strategy highlighted deficiencies in UK management as a key reason for the productivity gap between the UK economy and our OECD competitors. Positively and understandably employers want to make substantial use of Apprenticeships in management. Many organisations engaged in the Apprenticeship system have, however, argued that the growth of management apprenticeships should be restricted and levy funding prioritised for young people following lower level Apprenticeships often in non-levy paying small private businesses. If employers are restricted in the use of programmes, such as management apprenticeships this would totally undermine the productivity focus of Apprenticeship and restrict employer efforts to improve the productivity of their organisations. Regrettably, we appear to be seeing action by the IfA to reduce the growth of management apprenticeships by reducing the funding bands allocated to such provision . This is a bizarre situation if the IfA has a role in supporting Apprenticeships raise UK productivity.

When considering whether Apprenticeship provision should be prioritised for certain cohorts (e.g. 16 – 19 year-olds) it is important to consider which organisations pay the Apprenticeship levy. The NHS is by far the largest levy payer and understandably wants to recover its entire levy payment and use Apprenticeship provision where there is a critical need to tackles skills shortages; nursing, nursing associates and management being good examples. It would seem highly questionable if the Apprenticeship funding system prioritised the funding of lower level Apprenticeship provision, often in private sector companies, for young people ‘failed’ by the school system over and above the need to train nurses, social workers or police officers. While important, surely training provision for 16 – 19 year olds not staying on at school should be funded by Government from school and college budgets rather than levy payments made by the NHS, police forces, local authorities etc. and private sector employers.

* + *Apprenticeship and Social Mobility* – Apprenticeships can undoubtedly support social mobility. Too often, however, there is an emphasis on the need level 2 Apprenticeships. In their 2017 report h the Sutton Trust, suggested that many young people following level 2 Apprenticeships were educationally ‘treading water’. Degree Apprenticeships when introduced provided a new ‘debt free’ route through higher education and to the professions. Initial evidence from HEFCE’s Degree Apprenticeship Development Fund projects (2016 – 2018) suggested that Degree Apprenticeship may open up opportunities to higher education to under-represented cohorts and could potentially help tackle gender stereo-typing in occupations in some sectors – digital occupations being a particularly good example.

**Issue 2 - Is the Department for Education ensuring that employers and training providers engage with the programme and levy system as intended?**

Regrettably no.

The delays and bureaucracy involved in the Trailblazer programme has meant that many employers have, in recent years, found that the Apprenticeships they needed for their businesses were not available. Employers, in our experience, have welcomed the concept of Trailblazers, but have been disillusioned by the interference from officials and bureaucracy the Trailblazer process involves and the very slow speed in the approval of standards and assessment plans.

The failure of the ESFA’s first procurement for apprenticeship provision for non-levy paying employer provision meant that non-levy paying employers did not have access to the range of Apprenticeship provision their businesses need. The second ‘successful’ procurement resulted in gaps in Degree Apprenticeship provision and UVAC has highlighted a postcode lottery of where Degree Apprenticeship provision is and is not available. The DfE/ESFA failure to meet its only deadline of transferring non-levy paying employers to the Apprenticeship Service by April 2019 will make the situation worse. The ESFA’s historic provider base with its focus on level 2 and 3 Apprenticeship was not fit for purpose to deliver the new Apprenticeship standards delivered by employer Trailblazers. While the ESFA RoATP system has supported new providers enter the market the ESFA procurement process has not. For non-levy paying employers, the ESFA has continually prioritised the stability of its provider base over the need to support new providers enter the Apprenticeship market and deliver the new types of provision employers have developed through the Trailblazer process. This problem arises because the ESFA is not a ‘skills’ body, but instead an organisation focused schools, further education and on skills provision in further education. Apprenticeship is, of course, not a further education programme, but an employer led programme requiring the expertise of both further and higher education providers. UVAC has long argued that the ESFA needs in its governance, process ( there is a current focus on FE process; ILR, FE Connect, FE Choices and use of Ofsted data) and in the expertise of its staff to be equipped to support higher education (as well as further education) providers deliver the Apprenticeships employers need. While limited progress in supporting the engagement of higher education providers has been made the ‘skills part’ of the ESFA still requires considerable reform.

**UVAC Response to specific NAO questions.**

1. **What are the major developments since 2016 affecting apprenticeships from your point of view?**

We would suggest the key developments have been:

*Positive:*

* + The development of highly significant Apprenticeship standards in key public sector occupations, registered nursing, social work and policing being good examples
  + A focus (as the policy intent) by employers on the development of Apprenticeship standards that they need to tackle skills gaps and shortages and raise productivity
  + A substantial growth in the take-up of higher and degree apprenticeships the economy requires as identified in LMI studies and decline in level 2 Apprenticeships (e.g. business administration and customer service) of questionable value to the productivity purpose of Apprenticeship
  + The change in the ESFA Register of Apprenticeship Training Providers (RoATP) – with over 100 HEIs approved to deliver Apprenticeships, including the University of Cambridge
  + A change in the perception of Apprenticeship. The development of Degree Apprenticeship has changed the perception that Apprenticeships were for other people’s children and for those that were not ‘academic’. In future we have the potential to make Apprenticeship a highly aspirational choice for anyone.

*Negative:*

* + The failure of the first ESFA attempt at the procurement of Apprenticeship provision for non-levy paying employers and the second procurement, which resulted in non-levy employers in many localities having no access to Degree Apprenticeship provision. UVAC has produced a report on the Degree Apprenticeship cold spots, drawing on evidence from our members and HEFCE which is available on request
  + The on-going inability by the Institute for Apprenticeships to support the development of a Trailblazer programme that enabled employers to develop Apprenticeship standards and assessment plans in a timely and efficient manner (we wait to see if the Institute for Apprenticeship’s Faster and Better programme will result in any improvements)
  + The failure by DfE and the IfA to clearly explain to employers the purpose of Apprenticeship funding bands and the IfA to demonstrate it has a transparent and reliable system for providing advice on determining funding bands. This is likely to be highly detrimental to the contribution Apprenticeships make to enhancing productivity.

1. **How is your organisation responding to and adapting to recent changes?**

UVAC has run an extensive support programme to assist higher education institutions (HEIs) engage in the Apprenticeship system. This has involved a webinar programme, support for HEIs to apply to the RoATP, template documents, one to one advice and guidance and support for HEIs to work with Trailblazers focusing on key standards. We would commend the ESFA for working with UVAC and others in supporting HEIs engage in the Apprenticeship system. We also welcome the IfA’s increased dialogue and engagement with the higher education sector.

1. **Do you think that the vocational education system including apprenticeships is effectively supporting employers to develop the skills they need in their workforce?**

No – UVAC fully supports the Apprenticeship reforms and if implemented in full and appropriately they will make a substantial contribution to raising UK productivity and enhancing social mobility. The problem is the ESFA managed skills system is not fit for purpose and neither is the ESFA historic training provider base. ESFA is essentially a further education organisation with insufficient understanding or expertise in higher level skills and higher education provision. Too often the ESFA has prioritised the stability of its historic provider base over the need to engage and support new providers enter the Apprenticeship system and deliver the new Apprenticeship standards employers have developed and need delivering. The ESFA has continually focused on the use of FE systems rather than the development of new systems and processes that support new providers entering the Apprenticeship market to deliver the new Apprenticeships employers have developed and will demand in the future. Positively, we would commend the ESFA for working with UVAC and others to support HEIs engage in the Apprenticeship, albeit with systems largely developed for FE providers. Extensive further work is, however, needed in this area.

The IfA has, not developed a sufficient understanding of the higher education sector and the contribution higher education makes to the skills agenda. The IfA needs to recruit staff who understand approaches to HE costings and approaches to the use of HE qualifications to accredit occupational competence.

The skills system should not be based around the further education focused ESFA, but must in future engage and use the expertise and systems of the Office for Students. A fundamental historic failure of the English skills and apprenticeship system has been its focus on level 2 and concomitant failure to deliver provision needed by the UK economy at levels 3, 4 and 5 and levels 6 and 7.

Through the Apprenticeship reforms employers have developed and are demanding Apprenticeships in new occupational areas, registered nursing and nursing associate in the NHS, police constables in police forces, and in the private sector high level apprenticeships in digital, engineering and construction. This change called for new training providers and in many cases the engagement of universities often working with partner colleges to deliver provision.

1. **Is your organisation seeing a reduction in apprenticeship starts?  If so, what apprenticeships are most affected, and what do you think are the main reasons for the reduction?**

The higher education sector has not seen a reduction in apprenticeship starts. We are aware that there have been substantial falls in Apprenticeship numbers at lower levels. **A key reason for the fall in Apprenticeship provision at lower levels may well be because employers do not value and do not want to purchase such provision because it is not needed by their businesses.** Indeed, many providers argue that Apprenticeship take-up for many types of provision at level 2 has declined because employers are not prepared to make the 10% co-investment required by the ESFA funding rules. We would suggest that, if an employer is not prepared to invest/contribute just 10% of the cost of the Apprenticeship (and accept a 90% subsidy), the Apprenticeship is not exactly valued by the employer.The NAO needs to fully understand where Apprenticeship starts have declined (by framework, occupation and level) and whether the types of provision that have declined are needed by the UK economy. All apprenticeships are not of the same value and measuring success or failure on the basis of the total number of apprenticeship starts is meaningless. True measures of success would include successful completion rates, long term follow up of apprentices to measure career progression and the number of employers who engage with apprenticeships for skills development of their staff year on year and above all the impact of Apprenticeship on productivity and social mobility.

Many Independent Training Providers have argued that the fall in starts at level 2 among non-levy payers has resulted from the requirement for employers to pay the 10% co-investment requirement. UVAC has raised with ESFA, DfE and Ministers examples of where HEIs that have no contract with the ESFA are having to turn away non-levy paying employers that wish to use their Apprenticeship provision. Part of the problem is the ESFA has not kept up with the change in the type of Apprenticeships employers want to use or the need to provide funding to new providers to deliver the new Apprenticeship provision employers are demanding. We would, for example, question why the ESFA has allocated funding for non-levy paying employers to training providers who claim employers are not willing to make the 10% co-investment (which was a very clear requirement when the procurement was conducted), but not to other providers delivering new provision that are now turning employers away who would willingly pay the 10% co-investment.

**The second key reason for the fall in Apprenticeship starts is the delay in the development and approval of Apprenticeship standards and assessment plans.** From UVAC’s experience of supporting a range of Trailblazers the IfA system for managing the Trailblazer process is not fit for purpose. UVAC are aware of Trailblazers focused on occupations of fundamental importance to the UK economy that have been struggling to secure approval for standards and assessment plans from BIS/DfE/IfA for years – technical and professional apprenticeships in the construction industry being a good example. This is particularly the case where Trailblazers are developing Apprenticeships in occupations where a PSRB has a statutory role. Unfortunately, Trailblazers are unable to appropriately voice their concerns about the process because they are dependent on the IfA to approve standards, assessment plans and recommend funding bands. UVAC would recommend that an independent review was undertaken of the IfA’s management of the Trailblazer process through a survey of Trailblazer chairs.

**Funding Bands Set Below the Cost of Delivery –** Although not an issue in the past there is a substantial risk that the IfA will recommend funding bands below the cost of delivery. This will result in a lack of availability and decline in Apprenticeship provision in some occupational areas. This risks employers not having access to Apprenticeship provision vital to the development of their employees and productivity of their business, the original policy objective of the Apprenticeship reforms. Quality is at the heart of the IfA’s role; it therefore seems bizarre that by pushing funding bands downwards the IfA may push high quality providers out of the Apprenticeship market. The IfA’s approach to funding bands also seems at odds with the policy intent of the Apprenticeship levy which included a focus on increasing employer spend on the training and development of new and existing employees. Rather than encouraging employers to buy the best Apprenticeship provision, DfE/ESFA guidance pressures them to negotiate downwards from the Apprenticeship funding band. UVAC believes there is a need for a wholesale review of the aim and objectives of funding bands and the process the IfA uses to advise Ministers on setting funding bands.

1. **Is your organisation seeing new starts under standards? If so, in your view are they better quality apprenticeships that those under frameworks?**

UVAC members are seeing substantial new starts under Apprenticeship standards. The quality of standards-based Apprenticeships are, on the whole, substantially higher than the frameworks developed through the intermediary and provider led system of the past. The term ‘quality’ is, however, often used in the Apprenticeship system without any reference to what is meant by quality. While important, approaches to quality adopted by Ofsted and HEFCE only go so far.

**UVAC would suggest that a key measure of quality should be focused on the extent to which employers have access to and are using the Apprenticeships needed to enhance the productivity of their businesses and enhance the delivery of public sector services.** Given the productivity focus of Apprenticeship, it is to say the least a little odd, that there is no specific focus on this issue by an organisation in the Apprenticeship system. **UVAC would like to see an annual audit conducted on how effectively Apprenticeship provision was tackling skills gaps and shortages and productivity.** Such an assessment would need to be conducted by an external organisation not engaged in the Apprenticeship system. Bizarrely the Apprenticeship system managed by the ESFA and its predecessor organisations was focused predominately on lower level provision and had no relationship or correlation with skills gaps and shortages in the UK economy.

In terms of current ‘quality’ issues UVAC would also raise the following points:

* + **The lack of clarity in terms of responsibility for Apprenticeship provision at levels 4 and 5 has substantially undermined the development of Apprenticeship provision at these technical/associate professional levels critical to UK economic performance.** Providers and employers are unsure as to the respective responsibilities of Ofsted, OfS and QAA and fear the need to comply with different and incompatible quality assurance regimes and have often reluctantly decided not to engage in Apprenticeship provision at these levels. Given the historic concerns with Apprenticeship provision at levels 2 and 3 it would seem appropriate that Ofsted focused on this provision. OfS could then have sole responsibility for provision at levels 4 – 8; this would reflect the acknowledged world-class status of UK higher education and the world class reputation of higher education quality systems.
  + **Too little emphasis has been placed on the needs of the learner, particularly in terms of progression at levels 3 – 5 and on IfA restrictions on the specification of degrees within apprenticeships.** UVAC and the HE sector as a whole was particularly concerned over a DfE proposal (since abandoned) to move from Degree Apprenticeship to degree level apprenticeship. We are, however, concerned that the IfA decision to restrict the ability of employers to specify a degree in an Apprenticeship significantly undermines the transferability and value of some Apprenticeships at level 6 and 7 for an individual.

1. **How has the implementation of funding bands impacted on the quality of apprenticeships being offered?**

The funding bands system managed by the Institute for Apprenticeship is fundamentally flawed and risks undermining the Apprenticeship reforms and the quality of Apprenticeships.

**There is substantial confusion as to the purpose of a funding band.** When the Apprenticeship levy was introduced levy paying employers were given a clear message that they could recover the entire cost of an Apprenticeship when they invested in Apprenticeship. In determining the funding band for an Apprenticeship, the Institute has, however, confirmed that a funding band represents *‘the maximum that government will contribute towards the apprenticeship.’* The Minister for Apprenticeships has also asked that IfA *‘funding band recommendations maximise the value for money of apprenticeships, and consider the overall affordability of the apprenticeships programme and the Government’s 3 million starts manifesto commitment.’* Employers, particularly in the public sector, still believe that the funding band represents the maximum cost of an Apprenticeship – indeed Government actively encourages employers to negotiate providers down on funding bands. In many cases the IfA is advising on the adoption of funding bands below actual cost.

**Some Funding bands are being set below the cost of the delivery of Apprenticeships –** Because IfA uses ‘affordability’ in the context of the 3 million apprenticeship starts commitment UVAC are aware that some funding band recommendations are being made by the IfA that are below the cost of delivery. This means employers that intend to use such Apprenticeships will not be able to access such provision unless they make additional payments on top of the amount they can recover from the levy. Similarly, non-levy paying employers will need to pay an additional payment over and above their 10% co-investment. This has not been explained to employers. Large levy paying organisations, particularly in the public sector, do not have budgets to pay an additional contribution and may not be able to source a provider to deliver the Apprenticeships they need for their organisations. Organisations such as the NHS and local authorities may not be able to utilise their levy payments and train the staff they need which could have a profound and adverse impact on the delivery of public sector services.

Many (including UVAC) are still confused as to how Apprenticeship provision for non-levy payers will be funded. If as we suspect non-levy Apprenticeship provision is funded through the payments made by levy payers some interesting questions are apparent. While it would seem entirely appropriate that under-spend by large construction companies could fund Apprenticeships in their supply chains other examples are less clear cut. Would it be appropriate, for example, for underspend levy payments from the NHS, local authorities or police forces to fund Apprenticeship provision in private retail or hospitality businesses?

1. **Are Ofsted and the Education and Skills Funding Agency effective in investigating and dealing with instances where employers or training providers misuse the system?**

This question suggests that the NAO does not have a good understanding of the quality systems for Apprenticeship. Ofsted has responsibility for the ‘quality’ of Apprenticeship provision at levels 2 and 3, whereas OfS has responsibility for Apprenticeship provision at level 6 and 7. A joint OfS and Ofsted approach is adopted for provision at levels 4 and 5.

We are well aware of historic abuses of the Apprenticeship system at level 2 and 3 and understand why the NAO is focusing on this area. We do think consideration also needs to be given to potential future concerns. The multiple organisations responsible for quality assurance and compliance (IfA, ESFA, Ofsted, OfS/QAA, EPAOs, EQA, PSBRs) may cause problems. We are already seeing problems concerned with duplication and incompatibility in approaches.

A focus on problems of the past risks a failure to understand the current and future nature of the Apprenticeship market. There has, for example, been substantial concern expressed over sub-contracting. For higher level Apprenticeships collaborative provision, which includes sub-contracting, is seen as a positive by the designated quality body QAA. Many of the historic problems associated with sub-contracting will also not occur when employers directly purchase Apprenticeship provision through the Apprenticeship Service. Many of the problems associated with sub-contracting were associated with providers with ESFA ‘allocations’ for Apprenticeship contracting with providers without an ESFA allocation. Once all employers purchase Apprenticeship through the Apprenticeship Service and allocations are replaced such problems will not be a major issue.

We would ask that the NAO liaises with OfS and QAA to ensure it gains a full understanding of Apprenticeship provision – particularly areas where there is rapid growth. OfS have, for example, commissioned research into the development and impact of Degree Apprenticeship, particularly provision developed and supported through the Degree Apprenticeship Development Fund (DADF).