



Apprenticeship Funding & Standards Reform Briefing

July 2014

1. Apprenticeship Funding Reform

What the Government has said:

- Initially for every £1 cash contributed by employers will attract £2 of public money.
- Government sets the maximum contribution by placing the apprenticeship standard (qualification) into one of 5 funding bands.
- Employers will also receive additional payments from Government but will not have to make further contributions. These are: for 16-18 year olds, a business employing less than 49 staff, and an outcome payment.
- The employer will have complete discretion to decide how the apprenticeship standard is delivered, by whom and at what price.

What does this mean?

- The maximum Government contribution (MGC) is a cap not a rate.
- A split payment system will operate with direct payments to employers and providers (for English and Maths).
- The employer can potentially recover all contributions by retaining the additional payments.
- An employer can also be a provider by internally recharging to the maximum government contribution and retain all of the additional payments.
- ATA's can be the employer of an apprentice.
- Please note there is no area uplift or learner disadvantage uplift as in the current system.

Controversially what we expect the Government to confirm (but hasn't yet done so):

- The Government will drop the PAYE option and choose an online employer payment account model to fund Apprenticeships.



- Only 'approved providers' are to be subject to Ofsted inspection not employers. However, it is not obvious if in-house training by an employer counts as an 'approved' provider, or if more than one provider is delivering the training who is accountable for what re; performance and data management?
- A new 'HMRC approved' system is to be built - its administration is not known, one option is that this is what the SFA becomes.

Where are the potential strategic 'banana' skins?

- How will the Government control total public expenditure when relying on employer demand – is it first come first served, or is there an invisible allocation to providers?
- Will an Apprenticeship be a vacancy only or an existing person already in post?
- How will the new system comply with EU state aid regulations?
- VAT: does it apply, and if so on what basis?
- How is the payment from Government triggered, and will the provider get paid directly from the account or from the employer?

2. Apprenticeship Standards reform

Government's Aim

- To replace every Apprenticeship framework with a new standard.

Two issues arise from this:

- The Government states that the standard is not a 'qualification' per se. The standard may contain a qualification or not - it depends entirely on what is in the approved standard.
- This makes understanding 'equivalence' and 'recognition' issues potentially more difficult for progression purposes? This is a key test of Apprenticeship reform: does it lead to greater use and esteem value for employers and the apprentice alike?
- At this stage Government has not stated how many standards will be needed or approved, as this is an employer led process. The closest answer is 'several hundred'.



How does the 'trailblazer' process work?

- The trailblazer process is initiated and managed by Government to secure employer commitment to designing the new Apprenticeship standard for a specific job role.
- Employers form a group and agree its membership guided by civil servants.
- The trailblazer group defines and agrees a specification that is ultimately approved by the Minister.
- It is not obvious what role Awarding Bodies play in the process of designing the standard.
- Once approved it can then be tested.
- None of the standards to date have been approved by Ofqual.

What is in an Apprenticeship standard?

- Literally it is only what is contained in the approved standard.
- Unlike a framework it is not a level.
- The standard is like a short job description - its clarity is defining what the standard is, but it doesn't tell you how to deliver the learning.
- Each employer decides how best to achieve the standard.

What is a 'standard' and what is the employer buying?

The standard comprises the following:

- On the job training - competence.
- Off the job training – knowledge.
- English and Maths.
- Independent Assessment.
- End test – grading the outcome.

- The key differences with the current frameworks are: (1) the independent assessment and (2) the end testing with grades such a 'pass' or 'distinction'.

- The employer is buying the delivery of training, independent assessment and 'end' testing.

Is the standard industry or firm specific?

- Well it should be an industry standard but employers can interpret it to suit their requirements, so no one knows at this stage.



How do we know if the new standard will work?

- The Government has committed to testing the new standard in advance of the new funding system.
- We do not know if every new standard will be tested, for phase 1 trailblazers (mainly engineering) this commences in the 2014/15-contract year.

How will the new standard be tested?

- The Government has confirmed that the new standards will be tested under the current funding methodology. Most of the new standards are assumed to have lengths of stay up to 3 years - so early any analysis may be ambiguous.

Strategic Questions:

- **Access** - Will employers have selective recruitment criteria (formally or informally), which currently don't apply to frameworks i.e.; English and Maths at GCSE grade C and above (there is no progression in a standard)?
- **Recognition** – Will Schools, FE Colleges and HE Institutions recognise the new standards either an equivalent or for progression purposes?
- **Progression** – Will the standards lead to clear industry progression into professional status or a license to practice?

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