



Association
of Colleges

Promoting. Representing. Supporting.

Apprenticeship Reform and the Implications for Colleges

May 2016

PART ONE

1 Introduction

1.1 The purpose of this document is to describe the changes to apprenticeships in England and the implications for colleges as key providers of delivery and assessment.

1.2 It is an introductory document aimed at all levels within further education (FE) colleges, from governors to support staff.

1.3 The apprenticeship reforms will have a profound impact across all areas of a college's activity. Consideration also needs to be given to the strategic implications of the broader college sector policy context and proposed reform from entry level to higher education (HE).

1.4 As this is a period of many changes, consultations and government publications, this document is written as a 'living document', current at the time of writing. This document will be updated as new information emerges. This means it is likely that there will be an update in June 2016 and then in October 2016, in line with Skills Funding Agency (SFA) plans in the development of operational detail supporting the reforms to apprenticeships and their funding. Subsequent versions will be circulated widely and be available on the Association of Colleges (AoC) website.

2 Background

2.1 Apprenticeships are an increasingly important part of the long term plan for improved workforce development and enhanced productivity in England. The Government's reform programme is aimed at ensuring apprenticeships in England become more rigorous and more responsive to the needs of employers. Its origins lie in [Doug Richard's November 2012 review](#).

2.2 The Government accepted the review's key recommendations that:

- An apprenticeship is a job in a skilled occupation;
- An apprenticeship requires substantial and sustained training, lasting a minimum of 12 months for all and involving at least 20% off-the-job-training;
- An apprenticeship leads to full competency in a role, as stated in a short and easy to read 'standard' designed by employer groups;

- An apprenticeship develops transferable skills, including English and maths, to progress careers; and
- It trains the apprentice to the level required to apply for professional recognition where this exists.

2.3 The Government has committed to achieving three million, high quality apprenticeship starts in England by 2020. This intent and some of the planning to achieve this level is contained in the [‘English Apprenticeships: Our 2020 vision’](#) document.

3 Broader Policy Context

3.1 The Government has recently published an Education White Paper. This will be followed by a Skills White Paper in the summer. There is change on the horizon in all funding streams. Arguably, for the first time these changes are all pointing us in the same direction.

3.2 Alongside apprenticeship reform, the Government is also **reviewing technical education from Entry Level to Level 3 for 16 to 18-year-olds**. The aim of this review is to reduce the perceived complexity of routes into vocational occupations, raise the profile of technical education and ensure a supply of appropriately qualified staff to continue study at Levels 3, 4 and 5. Technical occupations will be placed into routes with common core skills. Routes, like the new apprenticeship standards, are occupation specific and employer-led. The review aims to create greater connectivity between the classroom and work-based systems. Apprenticeships at all levels will be an intended destination for young people completing classroom-based routes.

3.3 For students who are not ready for an apprenticeship, or do not have a clear idea of the sector in which they wish to work, **traineeships** offer a programme of work experience (to develop basic vocational and employability skills) and, if necessary, English and maths.

3.4 Employers and colleges have duties under the Equalities Act 2010 to make reasonable **adjustments for people with disabilities and learning difficulties**. In addition disabled apprentices can receive additional support funded through the disadvantage fund while at college. When in the workplace they are entitled to Department for Work and Pensions (DWP) access to work funding which can cover specialist equipment, personal support and paid travel to and from work. Applications need to be made to the appropriate access to work support unit.

3.5 Under the Children and Families Act 2014 disabled children and young people from 0 to 25 can be assessed by their local authority for their eligibility to receive an educational health care (EHC) plan which specifies their support needs. EHC

plans replace school statements of special educational need. They can be extended up to the age of 25 and young people can retain them when they move into an apprenticeship.

3.6 In 2014 the Government introduced the **supported internship programme**. Supported internships are for young people aged 16-24 who have an EHC plan. Young people follow a structured programme based primarily at an employer with the aim of supporting those with special educational needs and disabilities into sustainable, paid employment. While organised by a college most of the young person's time is spent at an employer base supported by a job coach. Colleges can apply for DWP access to work funding to pay for job coaches even when the young person is not in paid employment.

3.7 There can be a gap in provision for young people with a learning difficulty or disability who are not working at a level to progress to an apprenticeship, but who do not have an EHC plan and so cannot access a supported internship. Some colleges have created specially designed traineeships for these young people.

3.8 There is an intention that a classroom-based vocational offer remains in place, providing a **third pathway for those aged 19** and over from education in to work and sustained employment. This would provide a **classroom-based technical and professional** (TPE) progression from the 16 to 18 routes work that sits alongside the traditional academic classroom based offer. Funding for this though would currently have to come from the adult education budget and thus would be subject through devolution to local agreement. The Government has also appointed a high-level panel chaired by Lord Sainsbury to identify TPE pathways from Levels 2 to 5.

3.9 The previous coalition and present Governments have both sought to 'reform' England's **HE system**: replacing institutional teaching grants with loans, increased tuition fee loans, improved course information, incentivise new providers to enter the market; and outlined plans to introduce greater external scrutiny of teaching and a new regulatory body. A [HE White Paper](#) published May 2016 confirms arrangements for these two latter proposals and continuing with measures to ease provider entry. It is unclear how these changes might influence the design, external quality assurance and teaching philosophies of higher and degree apprenticeships that include prescribed HE awards. Of particular concern is that degree apprenticeships become a degree with related work experience and the role of employers and learning in the workplace is downgraded. A wider issue is how the White Paper proposals for validation and degree awarding powers could align with the Sainsbury Review plans for a clearer tertiary technical education stream.

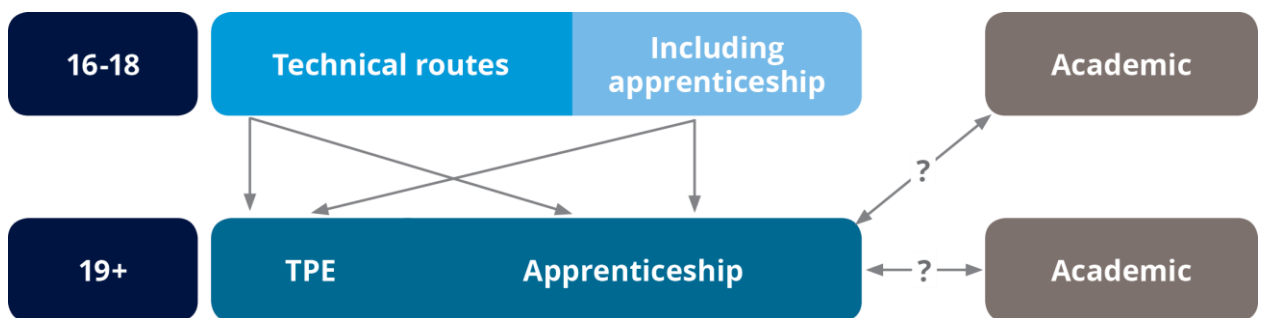
3.10 At the same time the Government is seeking to identify several **National Colleges** and possibly **Institutes of Technology** that would specialise in TPE and

the outcomes of area reviews could lead to a doubling of colleges with over 1000 HE students.

3.11 One possible outcome of these reforms, although by no means certain, is the development of a **three stream tertiary education system** comprising academic HE, including full-time professional programmes in areas such as medicine and engineering, the apprenticeship stream, including degree apprenticeships and a TPE stream concentrating on programmes at several qualification Levels including 4 and 5. All underpinned by some form of aligned tuition fees loans and training levy funding system. It is important that colleges are aware of these developments as they are crucial issues that need to be taken into account in refining future strategic directions.

3.12 **Devolution and localism** has become an immediate and practical concern with the devolution of the Adult Education Budget (AEB) (a combination of a number of budget lines including the Adult Skills Budget and Community Learning). Devolution will continue to be patchy as the deals are made and each of the deals have different 'asks' with regards to skills. Full implementation of AEB devolution is expected by 2018/19. We know that devolution is not likely to cover funding for young people, learning loans and the levy and apprenticeship funding. In order to access the new three year AEB block grants, colleges will have to have a delivery agreement in place. An obvious issue is that this funding could be re-distributed within a region, as well as the risks related to out of area delivery and subcontracting. It is also likely that LEPs and Combined Authorities will be looking to see join up between what they are funding at a local level and the national apprenticeship offer, particularly in terms of ease of progression.

3.13 The future look of further education?



3.14 Taking all the policy reforms in to consideration, the look of FE will change. We will retain a slightly altered academic offer and a radically changed vocational offer that will consist of two streams:

- A predominantly classroom based technical and professional stream starting with nationally funded routes at 16–18, followed by locally or loan funded (but

with national entitlements for full Level 2 and Level 3, along with English and maths) options for 19+.

- An all age apprenticeship offer consisting of new standards and funded via the apprenticeship levy and employer contributions.

3.15 This policy direction appears set, what is far less clear is how a student might navigate from one stream to the next at different stages of study. The jump between the more traditional academic route and the revamped vocational paths being the least obvious.

4 Rationale for the changes to apprenticeship

4.1 The Government wants to make all apprenticeships world class; a programme that is rigorous, responsive and meets the changing needs of employers. They want the new norm to be three equally prestigious routes to a good career: university, an apprenticeship and a new technical education route. To this end the reforms support the development of apprenticeships from Level 2 (GCSE equivalent), right through to Level 7 (masters degree) to directly match the academic level progression. The degrees within 'degree apprenticeships' (those apprenticeships at Levels 6 and 7) will be validated by the same universities and bodies who currently validate existing degree level programmes, the intent being that they will be the same in terms of their educational rigour and status. This should mean that a student can take an academic, technical or work-based route in their education and training and get to the same place in terms of higher level knowledge and skills. Arguably the work-based student will be in a stronger position for progression than their academic counterpart as they will already be in employment and will fully understand the world of work. The more difficult part to imagine is how an A Level student will jump straight into a vocational degree apprenticeship at Level 6 given the significant gaps they will exhibit between the academic knowledge they will have acquired against the skills, knowledge and behaviours that their counterparts who have followed either of the vocational strands?

4.2 Through the apprenticeship reforms, the Government intends to:

- Put **employers in the driving seat** – groups of employers working together to design apprenticeships so they meet the needs of the industry.
- **Simplify apprenticeships** – replacing complex frameworks with short, simple standards, written by employers in a language they understand.

- **Increase quality** – introduction of more rigorous testing at the end of the apprenticeship to ensure the apprentice is fully competent and grading to provide the opportunity for the apprentice to stretch their capability.

5 Legislation that supports the reforms

5.1. Enterprise Bill

The Department of Business Innovation and Skills (BIS) are introducing legislation in the Enterprise Bill which will:

- Protect the term apprenticeship in law, putting apprenticeships on an equal legal footing with degrees and preventing misuse of the term;
- Provide Government with the power to set a target for public bodies including ministerial departments (with 250 or more workers in England);
- Place new duties on public bodies to report annually on progress to BIS.

6 The Apprenticeship Reforms

6.1 There are four key areas of apprenticeship reform:

- The introduction of apprenticeship standards
- The introduction of the apprenticeship levy
- The development of the Digital Apprenticeship Service (DAS)
- Apprenticeship quality assurance

6.2 Apprenticeship standards and elements

- Standards vary from the existing frameworks in a number of ways:
 - They are **designed by employers**;
 - They are **clear and concise** only a few pages long and define a job in a skilled occupation;
 - They are a minimum of **12 months long**;

- They include a minimum of **20% off the job training** and English and maths;
 - They cover **knowledge, skills and behaviours** and must contain transferable skills;
 - Apprentices will be subject to a **final end point assessment** which will be **graded**;
 - **Professional registration** (where available) must be included within the apprenticeship
- Each standard has three elements:
 - Core standard – the knowledge, skills and behaviours required for that job role;
 - Options – elements of the job role which may be optional depending on the requirements of the business, skillset and interests of the apprentice, or future career path;
 - End point assessment (EPA) – the method of assessing whether the individual has achieved the required standard.

6.3 There are currently around 82 standards approved for delivery and more than 150 in development (as at April 2016). Every month more standards are moving through the development process with the intent that the majority of available apprenticeships will be standards by September 2017 and that all frameworks will have no new starts from September 2020.

7 The Apprenticeship Levy

7.1 There will be a levy to help fund the increase in apprenticeship delivery and assessment.

7.2 The levy is being introduced to fund a step change in apprenticeship numbers and quality.

7.3 The levy will put apprenticeship funding on a sustainable footing and is intended to improve the technical and professional skills of the workforce.

7.4 The levy comes into effect in April 2017.

7.5 It will apply to all larger public and private sector employers in the UK (22,000 employers are estimated as being levy payers). Businesses with a pay bill in excess of £3 million will be levy payers.

7.6 It is anticipated that the levy will raise between £2.5 billion and £3 billion each year.

7.7 As skills policy is a devolved matter, the devolved administrations will continue to have complete flexibility over how they support their business in training and apprenticeships. In England the levy will support post-16 apprenticeships.

7.8 0.5% of employers pay bill will be collected monthly via PAYE. All employers will have a levy tax allowance of £15,000 which means that the levy is payable on pay bills over £3million.

7.9 Levy funding can only be spent on apprenticeship delivery and assessment and can only be spent with organisations who are registered on the Register of Training Organisations (soon to be replaced by the Register of Apprenticeship Training Organisations), or the Register of Apprenticeship Assessment Organisations.

7.10 Employers who are direct grant employers (such as colleges) will continue to be able to self-fund and deliver their own training.

7.11 Non-levy paying employers are likely to continue to use the transition funding method (or a slightly altered version of it) until the new system is able to accommodate them.

7.12 It seems likely (but it is not confirmed) that non-levy paying businesses will continue to benefit from the £2 Government funding for every £1 invested (we are due to know more 'by the summer').

7.13 The Government has announced that all levy payers will be given an additional 10% on top of what they pay in levy tax, but in addition to this, employers are free to pay more for their apprenticeship delivery and assessment should they choose to do so. How such payments might be made (directly to the

provider or through the levy system) is not yet determined. It is likely that additional payments from levy payers will need to be made directly to the training provider in the first instance.

7.14 The Government has confirmed that they will ensure that colleges receive funding for continuing apprentices at the rates existing when the apprenticeships were started where the apprenticeship will span across the date of the introduction of the levy.

8 Digital Apprenticeships Service (DAS)

8.1 SFA is currently developing the DAS which will be the web-based platform that businesses will use to access information about apprenticeship providers, potential applicants and their levy or other government funding. DAS is a series of tools that are being brought together to provide an 'end to end' service for businesses.

8.2 DAS will consist of:

- Find an apprenticeship
- Search for a standard and a provider
- Recruit an apprentice
- Register (as an employer)
- Manage funding and levy

8.3 It is unlikely that DAS will be available to all businesses in 2017. In the first instance it is likely to be used by levy paying employers only.

9 Apprenticeship Quality Assurance (QA) and Governance

9.1 QA is an area where there is a significant amount of confusion. There are two areas of QA for apprenticeships within the reforms:

- QA that applies to delivery of training
- QA that applies to the delivery of end point assessment

9.2 It would seem that QA that sits around the **delivery of training** will not vary significantly from what is currently in place. This may of course change in the future. There is no intention to remove Ofsted (or QAA for HE) from inspecting apprenticeship provision, or of removing existing QA procedures in place for the delivery of qualifications within standards (where standards specify the requirement for the delivery of specific qualifications).

9.3 QA for the new **independent end point assessments** (EPA) is emerging. Employer groups who are designing standards are also being asked to identify how **external quality assurance (EQA)** will be undertaken for their EPA. The employers are free to choose who undertakes this and how it is done, but within certain rules:

- Assessment organisations or training providers are **not being pre-selected**. All employers must be able to freely select from the SFA's Register of Apprenticeship Assessment Organisations (RAAO).
- No one involved must make a **profit** from carrying out an EQA function.
- EQA must **not give some employers control** over other employers.
- **SMEs must be properly represented** when EQA processes are being developed.

9.4 If the employer group doesn't want to identify its own arrangements for EQA, it can ask:

- **professional bodies** to undertake the role (but where there is more than one of these, the role should rotate and will be subject to the same rules as above);
- **Ofqual** to oversee EQA by regulating the EPA as qualifications (and thus meeting all Ofqual General Conditions of Recognition);
- The **Institute for Apprenticeships** (IfA) can be nominated to undertake EQA. If this choice is taken it will be up to the IfA how it discharges the responsibility.

9.5 Apprenticeship Governance

The Government has been providing governance for apprenticeship standards up to the present. They have recognised that this is inappropriate in an employer driven system and are in the process of establishing a quango to take over. The **Institute for Apprenticeships** (IfA) will be established as a 'shadow group' in 2015/16 with the intent of taking up its full responsibilities in 2016/17.

9.6 The board for the IfA will be made up of employer representatives, mostly from larger, UK employers. The IfA will take responsibility for:

- Approving/rejecting expressions of interest for new standards;
- Providing guidance on the development of standards/assessment;

- Approving/rejecting standards/assessment plans, including expert/peer review;
- Maintaining an overall picture across all sectors;
- Determining policy on standard refresh or closure;
- Advising government on funding allocation to each standard.

9.7 AoC is lobbying for strong provider representation on the IfA. It is anticipated that the IfA will have over 100 staff when fully formed. Rachel Sandby-Thomas has been appointed as shadow CEO (starting 4 April 2016) and will remain in post until arrangements are in place to select a replacement on a permanent basis.

9.8 There are now **two registers** run by the Skills Funding Agency (SFA). One is the [register of training organisations](#) (ROTO) and the other is the [register of apprenticeship assessment organisations](#) (RAAO). ROTO is not new and all colleges that are in receipt of government funding from the SFA are already on ROTO. ROTO though, is to be changed shortly to become more robust, and colleges need to be prepared to meet this additional requirement. RAAO is new and any organisation can seek to join the register. Thus far it is populated mostly by awarding organisations but some individual colleges and college consortia have successfully applied to join. Only providers on the ROTO and RAAO can receive government funding for apprenticeship delivery and/or assessment either in the transition period, or via the levy when this is in operation.

10 Apprenticeship Funding in Transition

10.1 In the **transition** period (now – 2017) colleges will be delivering both **frameworks** using the existing funding method and **standards** using the **transitional funding method**. Whichever type of apprenticeship the college delivers, funding in transition (including incentive payments) will come from the colleges' allocation and the college must bid for additional funding through the current 'growth bid' process. The SFA has produced [guidance](#) explaining the funding for both types of apprenticeship for 2016/17 and AoC, with SFA have produced a [webinar](#) explaining the guidance.

10.2 In transition the key difference between standard and framework funding is the way in which the amount of funding available for delivery is determined. Within the existing system every **framework is allocated a funding amount** (based on information supplied by the issuing authority which is usually a sector representative body such as a sector skills council), the amount of funding released by the SFA is dependent on the age of the apprentice; 16 to 18-year-olds

receive the full amount, those who are older are funded at 50% of the full amount, or less after age 24.

10.3 Within the transition funding arrangements for **standards there is no set funding amount**, the college is **free to negotiate** with the employer, or to just quote their own price for delivery and assessment. The SFA will identify the maximum amount of government funding that will be made available for each standard up to one of six caps in 2016/17 (five in 2015/16), ([see page 6 Section 1/ Table 1](#)).

10.4 Government funding for standards will **never exceed two thirds of the employers' contribution**, or the full cap amount. So in the transitional funding, **all employers must pay a contribution** (as a cash amount, not 'in kind') in order that government funding will be released. The rules for direct grant employers (ie those employers who deliver their own apprenticeships) are slightly different. It is these rules that will apply to colleges seeking to deliver apprenticeship standards direct to their own staff ([see page 39, section 8, SFA apprenticeship standards funding rules 2016 to 2017](#)).

10.5 The Government contribution will be made at £2 for every £1 invested by the employer. This level of co-funding will remain until the pre-set cap for funding is reached.

10.6 Once the maximum cap is reached, employers will need to pay 100% of the further cost of delivery and assessment.

10.7 Government funding can only be applied to delivery and assessment that is required to achieve the standard. Training that is delivered that goes beyond this (for example delivering an additional option) must be paid for in full by the employer, even if they have not reached the maximum government funding cap.

10.8 In the transition funding method there are **incentive payments** for:

- Taking on a 16 to 18-year-old apprentice;
- Being a business with fewer than 50 staff;
- Successful completion of the apprenticeship.

10.9 Incentive payments are paid by the college to the employer. In transition these payments must be funded using the colleges' allocated budget. Employers are free to spend these any way they wish.

10.10 The amount of each incentive varies according to the cap the standard is funded under. In a lot of instances these **incentive payments fully or almost cover the employer cash contribution** required to draw down the maximum

amount of government funding.

10.11 The tables showing the transitional funding caps and amounts can be found in the [apprenticeship funding pages](#) (2015-16) of AoC's website and [page 6. Section 1/ Table 1](#) (2016-17).

10.12 With **frameworks** there is currently an **Apprenticeships Grant, England (AGE)**. AGE remains in effect under existing rules through to the end of 2016/17, but can only be paid against framework delivery. AGE is replaced by the incentive payments within standard delivery during transition. Colleges have an AGE 'allocation' within their existing SFA budgets, the standard incentive payments have to be paid from the apprenticeship allocation.

PART TWO

Apprenticeship Reforms and the Implications for Colleges

11 Implications in transition

11.1 In transition there are a few things that need to be kept in mind:

- The **three million target** is a relatively short term target, but perhaps shouldn't be ignored.
- Standards are quite different from frameworks, it is not a simple swap in terms of content.
- Transition is not just about a shift in content, it also requires a **shift in college: employer relationships.**
- Financial planning and effective administrative and **support systems will be critical.**
- Now is the time to be **planning for the longer term** response to the reforms.

12 The Three Million Target

12.1 Whilst this target has been much publicised, and the Government has a plan in place to achieve this volume of quality apprentices in their [2020 vision document](#), there still appears to be a level of scepticism around the target and the potential impact on quality. Concerns have been fuelled by the drop seen in success rates in apprenticeships since 2010/11 when it sat just under 80% (as

noted in the SFA First Statistical Release), but is now sitting at 69%.

12.2 In the current apprenticeship system the highest volume apprenticeships are at Level 2 and are in customer service, business administration and health and social care. In transition and in response to the three million target it would not be surprising to see growth in these areas and possibly also in retail and hospitality (although mostly this is covered in customer service). Colleges who are already engaged in these markets might seek, on the shorter term, to grow these markets in response to the volume target. Such a strategy would probably not be suitable for longer term growth and sustainability post 2020. If growth is sought then colleges must bid through the existing [growth bidding process](#). It is unlikely that we will see significant growth within new standard delivery, although the Government is encouraging this. The standards ready for delivery are reasonably niche in nature and are more designed to plug technical skills gaps than they are to achieve significant apprenticeship volumes. It is also early days in delivery of standards and it is quite usual for most providers (and employers) to wait and see how things go amongst the early adopters before taking the plunge. Even employers who have been involved in the trailblazer process have not yet made the move to the standards that they designed.

13 Frameworks Versus Standards

13.1 Current take up of standards is understandably low, and policy is not fully developed, such as standards that are deemed 'ready for delivery' but do not yet have assessment organisations in place to undertake the end point assessment (interestingly government are now using the term 'approved for delivery' rather than 'ready' now), or have detailed assessment documents for training providers to view. This does not however prevent colleges from making some strategic decisions concerning their position regarding apprenticeships. It might be that a college decides to cease delivering apprenticeships, but there will still be a need to consider how the remaining classroom based offering leads students to employment and apprenticeship in a way that is far more explicit than in the current offer. This will also need to be a consideration for colleges who decide to remain engaged in apprenticeship delivery.

13.2 The apprenticeship offer that is developing within standards bears little resemblance to the existing framework based offer. Transition will not be a simple matter of shifting your existing apprenticeship offer into a standard style format. Where there is a direct match with a framework pathway, then there will be little need to adapt your delivery.

13.3 The shift to standards provides an opportunity to consider your overall offer in the light of employment opportunities and Local Enterprise Partnership (LEP) /other priorities as opposed to what you are used to delivering, the lack of direct fit almost points you to this. The world of standards is likely to be an altogether

different, and more commercial, market place and so your decisions around your offer need to also be reflective of:

- What you are better than others at (or could become better at)?
- Where do you have a reasonable or commanding market share?
- Where you might be able to develop/take advantage of a niche or specialism?
- What you can deliver cost effectively?
- What employers are you currently working with and what might they want in the future?
- Are there any areas where there are no standards developed, but you could see a reasonable market?
- Where are you confident that you will be able to attract demand amongst employers?
- Where are you confident that you will be able to attract demand amongst potential apprentices?

13.4 As you start to consider the college's apprenticeship offer, it is very likely that other issues will occur to you, such as your ability to effectively 'sell' your offer. Some of these broader considerations are covered later on.

13.5 There will be a number of **transitional issues** in shifting from frameworks to standards. Whilst competency in a particular occupation does not change because of the reforms, standards are not generally direct replacements for frameworks and there will inevitably be a need to be running some students on frameworks whilst others start on standards. The transition period will run from now until 2020, but those who wait until the end of the transition period will find it increasingly difficult to access/remain in the apprenticeship 'market' which is set to become both more competitive and commercial.

13.6 Standards **split the delivery and assessment elements** of the apprenticeship, whereas at present existing college staff provide both functions within frameworks. Colleges need to consider how this change will affect staff roles. Obviously colleges will need to undertake continuous formative assessment of student progress, however they will no longer be responsible for the formal assessment process that will allow the apprentice to claim their certification. The

end point assessment (EPA) has to be undertaken by an independent organisation that is on the SFA's RAAO for that specific standard. The employer, or (more likely) the college can choose any AAO listed on the register. There is nothing stopping colleges individually or collectively applying to be put on to the RAAO, indeed some have already done this. Whatever the college elects to do, there will be impact on the job roles of college staff involved in apprenticeship standard delivery and assessment, and this will need to be considered carefully and talked through with HR and unions if appropriate.

13.7 The content of standards is job specific rather than the more sector generic frameworks. In transition then dual running will be problematic. Because of the specific nature of the standards, colleges will also have to work harder to ensure **cost effective cohort size** in order to remain competitive. This might mean some off the job delivery groupings that cut across a number of different standards, or perhaps better use of technology to support more diverse delivery. The reforms **allow for new and greater levels of diversity in delivery** provided that the minimum of 20% off the job requirement and SFA funding rules are met, and apprentices gain sufficient skills and knowledge, and display appropriate behaviours, to be deemed competent in the independent EPA.

13.8 40% of the standards that have been developed are at the higher levels. In line with the Government seeking to see more learning occurring within employment and employer demand for technical skills. We can see apprenticeship standards being viewed by many employers as the route to address these skills shortages. These apprenticeship standards are unlikely to yield the volumes required for the three million target, but they are certainly a strong potential vehicle to plug those technical skills gaps and thus increase productivity. Arguably, this is a strong area for colleges who are well placed to compete for this market with both existing and new market entrants, particularly in STEM subject areas given the tradition of HNC/D and foundation degree delivery.

13.9 The paperwork required to support apprenticeship standards varies from that required for frameworks ([see page 31 Section 6 – Agreements and contracts of the SFA funding rules 2016 to 2017 for apprenticeship standards](#)).

13.10 Each apprentice will require an **evidence pack** consisting of:

- The [written agreement](#) (see below) between the employer and lead provider;
- The provider's copy of the [commitment statement](#) (see below) between the employer, the lead provider and the apprentice;

- **Learning and development plans** and other evidence of training being delivered by the employer (if applicable);
- All other **usual data collection** such as initial assessments, training records, attendance data, self-declarations and so on.

13.11 The **written agreement** between the employer and the lead provider sets out in writing all the elements of the training and end point assessment. The SFA list 11 areas ([see page 31 The written agreement between employers and lead providers](#)) that the written agreement must include. These include all sub-contracting details and arrangements, payment schedules, evidence of entitlement for incentive payments, procedures for escalation where breaches occur and so on. This contract must be developed for every employer, so a generic template structure with schedules covering each individual agreement would seem sensible.

13.12 There needs to be **commitment statement** duly signed by the employer, lead provider and apprentice for every apprentice who will be funded. Each party must have a copy. Where the apprentice is under 18 this document must be signed by a parent or legal guardian. The commitment statement must set out the planned content and schedule for training and end point assessment. It must also cover what is offered to and expected of each party (including any sub-contractors). The document is expected to be two or three sides long and [Section 6 D154 to D156](#) identifies the minimum requirements to be included in the commitment statement.

13.13 Lead providers must also provide employers with an **employer incentive claim form** again there is a list of 10 areas that this form must cover in [Section 6, D157](#).

13.14 It may well be that the college has existing agreements that can be adapted to fulfil these requirements, it might also be worth considering collaborating with other colleges in their development.

14 College : Employer Relationship

14.1 Currently college contracts for funding sit with the SFA. In transition this does not change. The relationship with employers does start to change in transition though. Even though the funding for the delivery of standards comes from your allocation, the employer will be free to choose to use you or another provider (as they are now). You can only use your allocation if the employer agrees to work with you and agrees to pay you a contribution (in transition £1 from the employer yields £2 in government funding). So your relationship with the employer becomes much more critical, they need to want to work with you and things will become more involved, particularly around funding. In transition this **only applies**

where you are delivering standards. When you are delivering frameworks, things stay as they are until the introduction of the levy. Transition is a good time to develop your relationships with employers. If you are working through sub-contractors you might also need to consider how these relationships will survive transition to new funding and the delivery of standards.

14.2 **Once the levy is introduced,** it is not clear what happens to funding around the delivery of frameworks. It is clear that there will still be significant volumes of framework delivery post April 2017, probably right through to 2020, but **within the levy, allocations must end** as it will be entirely up to the employer with whom the levy is spent. Frameworks then will need to be funded mirroring the way in which standards are to be funded. The simplest way to achieve this would be to remove the national funding 'price tag' applied to each remaining framework and leave providers and employers free to negotiate on the delivery and assessment price, but leave all existing delivery and assessment requirements in place. We await clarification on this from Government.

15 Support Systems

15.1 Whilst grappling with the paperwork requirements of apprenticeship standards, it becomes quite clear that a number of support functions within the college will need to consider how they will adapt to accommodate the new approach. The loss of allocation will require some considerations around financial planning and how colleges will plan to generate income to support the apprenticeship offer for example. Annual financial planning will become less clear and more akin to a commercial model. Whilst this will undoubtedly cause concern, it should be kept in mind that with no allocation there is also no limit to the amount of apprenticeship business the college can engage with.

15.2 The limit of the college offer will be determined by a number of factors:

- the apprenticeship offer generated;
- the effectiveness of the employer facing sales/marketing functions;
- the level of competition;
- the willingness of employers to buy;
- the willingness of existing employers and new employers to engage;
- the limits of the college's ambition; and
- the desire of 'customers' to buy from you again.

15.3 So long as the SFA rules are not broken, the college is free to develop its apprenticeship offer and its methods of delivery as it wishes. The more important factor becomes the employers' willingness to engage with the college and buy. The transition period is a good time to test out a lot of the changes that the

college will need to implement if it is to adapt to the new environment.

15.4 There are support service implications across the college. In HR for example where contracts of employment will need to be able to allow for sudden growth in provision as well as sudden drops.

15.5 It becomes reasonably clear that transition plans will be needed and that these plans will need to feed in to the longer term planning of the college to the apprenticeship reforms and other changes that will be impacting on FE during this parliament.

15.6 Quite a number of colleges sub contract some of their apprenticeship provision. Where such sub-contracting does not pass the entire apprenticeship delivery process to the sub-contractor there is less likely to be any impact. Where the entire process is sub-contracted it might be that sub-contractors will seek to gain direct contracts for delivery. If the college wishes to continue to use sub-contracting as a delivery vehicle they will need to ensure full compliance with the SFA rules ([see page 40 direct grant employers using external providers](#)) and ensure that both the sub-contractor and the employer are happy with the arrangements. The sub-contracting that completely disappears with the introduction of the levy is the type that is used to mop up shortfalls in student numbers against SFA allocation. As there will be no allocation, there will be no shortfall.

16 Longer Term Plans

16.1 Given that one of the key drivers for reform is the need to increase UK productivity, it seems likely that the **higher level apprenticeship standards** will be more fit for survival post 2020 than their lower level 'starter apprenticeship' cousins. They are also more likely to feature in local plans for development within devolution deals. This is not to say that lower level, in-work learning does not have a valuable role to play post 2020, but maybe this type of entry level activity is better supported by more classroom based, but work oriented, vocational delivery in a more flexible and broadened traineeship style offer that allows a mix of classroom and work based activity depending on availability and student need. It seems likely that such an offer would be locally funded, so perhaps some of these arguments need to be aired with those who will soon be holding the AEB.

16.2 At 19+ non-apprenticeship delivery is most likely to be funded through loans, so an offer that has obvious paths into sustainable work needs to be sold to potential students. On a policy front, if the classroom based TPE offer was directly related to the content of apprenticeship standards in such a way that students could be accredited for prior learning (APL), then progression routes from classroom based learning would be much more obvious.

16.3 Colleges tend to have certain vocational areas where their offer has developed into Level 4 and beyond. This has been achieved through HND/Cs, foundation and full degree programmes delivered independent of, or in partnership with, higher education institutions. These areas have, for the most part been delivered as classroom based offerings, albeit with some input from employers. It is perhaps worth exploring how such an offer might be moved to an apprenticeship offering that allows employers to take advantage of the levy if they are payers, and of government subsidies if they are not. Even where higher level specialisms do not exist within the college, it is perhaps worth considering new markets that might need support that is not currently available through existing provision in the area. There are quite a few niche markets being made visible in the apprenticeship standard development process.

16.4 It is quite usual for colleges to deliver in specialist areas past their traditional geographic boundaries. Whilst devolution does appear to tie a college closer to its existing geography, the apprenticeship reforms place no such restriction. At a local level colleges are considering or even already developing, local partnerships to support a shared employer facing offer. There is no reason why colleges should not consider national partnerships designed to win apprenticeship contracts with businesses that operate nationally. The introduction of the levy makes this a real opportunity right now.

16.5 Longer term planning does need to consider external factors and how these might impact on the colleges' planning. Within these reforms perhaps more than ever before, colleges must consider their plans in the light of other providers' offers and plans. As activity becomes more commercial, such information may become harder to come by.

17 Apprenticeship Funding Reforms - Implications in the Longer Term

17.1 The funding reforms will perhaps have the biggest impact on the college offer. Detail on the transitional funding mechanism can be found on the [SFA website](#) and current information on the levy is due to be updated to include more detail over the next few months, particularly with regard to how [non-levy payers will access government funding](#).

17.2 Government has confirmed that they remain committed to encouraging employers to take on 16 to 18-year-olds, which suggests that there will be some form of incentive included in levy and non-levy funding arrangements moving forward (post April 2017), which may be similar to the ones seen in the transition funding arrangements. Again we will know more 'by the summer'.

17.3 It is not yet clear how these will work or be funded once the levy is introduced. So far there has been no information regarding incentives to take more risky apprentices (e.g. those defined as 'not in employment, education or

training' (NEET)) or any consideration to incentivise providers to work with businesses where unit delivery costs will be high (e.g. remote micro businesses new to apprenticeship).

17.4 At some point in 2017 it is likely that allocations to colleges will cease for all new starts. When allocations cease, colleges will be free to compete for the delivery and assessment of as many (or as few) apprenticeships as they wish. Whilst colleges will still have a contract with SFA that will include an allocation for continuing apprentices and some form of agreement that will allow SFA to release funding for new apprenticeships starts, a colleges' key contracts will be with individual employers. The relationships that colleges have with employers will be of far greater importance than the relationship with SFA.

17.5 If we look past the inevitable turmoil that transition to standards and the levy will bring, there are a number of strategic implications for colleges within the reforms. Through a series of regional workshops and other consultation activities, AoC has identified the following key areas where colleges will need to consider their current fit against what will be needed to respond effectively to the reforms:

- **Culture and ethos:** Is there recognition amongst all levels of staff of the importance of work/apprenticeship as an outcome? Is there a general understanding of the freedoms outside of a qualifications constrained delivery regime? Is there a culture that supports innovation/new thinking?
- **Apprenticeship vehicle:** Stand alone or with other colleges/providers? Apprenticeship training agency (ATA) or similar model? A totally separate entity or within existing departments? Sub contracted (partially or fully) or direct delivery?
- **Staffing and support structures:** Flexible enough to accommodate sudden growth/fall in business? Skills sets matched to demand? Sales team? How well does your governance/management structure support any change in direction?
- **Estates:** Does your existing estate fit your plans? Do you need to invest more in technology and less in buildings?
- **Commerciality:** Who knows the cost of provision? Who sells the college offer to employers? Apprentices? Competitively priced? Is your costing sustainable? Competitive? Likely to win business?
- **Labour market intelligence:** What do you have access to, from where, how reliable? How do you use it to make decisions? How do you use it to argue the case? What about the competition?

- **Employer influence:** How 'real' is employer influence on your whole college offer? Are there gaps within sectors, across provision levels?
- **Classroom based alignment:** What is the level of articulation between your work based and apprenticeship offer and the rest of the college's activity? What is the level of recognition that the college based offer is about progression to work/apprenticeship or academic progression (that should also lead to work/apprenticeship)?
- **Communications:** How are you planning to inform employers and other stakeholders of the reforms and your planned response to them?
- **Investment:** What consideration have you given to investment that you will need to make to implement your response? Against what potential return?

18 Colleges as Levy Paying Employers

18.1 Quite a number of colleges will pay into the levy. Colleges have traditionally taken apprentices within their staff, but it is likely that the commitment to apprenticeships within college teams will increase. Generally colleges do not use apprenticeship for staff development activities such as teacher training, but some are already considering this for the future. The same is happening within other businesses that have not traditionally seen apprenticeships as being a way of delivering their learning and development programmes. SFA is anticipating that colleges will seek to deliver standards (and frameworks) to their existing staff and a whole section of version two of the SFA apprenticeship standards funding 2016 to 2017 ([see page 39, Section 8 Additional rules for direct grant employers and for training providers delivering apprenticeship standards to their own employees](#)) is devoted to such delivery in the transition period.

19 Unresolved Issues

19.1 There are quite few areas where we have yet to see the full detail of policy. Below we list the current 'known unknowns' as we see them:

- Definition of apprenticeship within the Bill;
- Use of technology and blended learning (will this be rewarded, penalised, ignored?);
- Estate v technology sell estate to invest in apprenticeship evolution;
- DAS system development (cost, oversight?);

- The level of autonomy of IfA, powers? Funding? Sectoral representation?
- QA arrangements for delivery and assessment;
- Degree apprenticeships and HE/FE collaboration;
- Inter-relationship between Routes, TPE, classroom based and Work based delivery;
- Incentives within the levy;
- Incentives to work with 'expensive' (risky) employers and/or apprentices?
- Levy paying businesses who will have insufficient levy to pay for their existing apprenticeship offer?

This list is by no means exhaustive, but reflects that we still need to know the answers to a diverse range of questions to ensure that college responses to the challenges of apprenticeship reform are effective.

If you would like to discuss any aspect of apprenticeship reform or funding, or talk through your intended approach then please contact teresa.frith@aoc.co.uk.



Association of Colleges

Promoting. Representing. Supporting.

2-5 Stedham Place, London WC1A 1HU

T: 020 7034 9900 E: enquiries@aoc.co.uk www.aoc.co.uk

 [@AoC_info](https://twitter.com/AoC_info)  [Association-of-Colleges](https://www.linkedin.com/company/Association-of-Colleges)

