

Is it really the right time to be changing the apprenticeship funding bands?

Four reasons why we think that now is not the right time

So, the Department for Education (DfE) has decided to review the effectiveness of the current funding band structure. Apparently, they are concerned that the anticipated number of employers who are negotiating a price below the funding band upper limit has not materialised. Equally, the DfE want us to believe that many employers are telling them that they do not feel able to negotiate with providers. The DfE therefore are considering changes to *“incentivise negotiation and drive better value for money”*.

I believe that the real reason for this review is contained in the italicised words above, namely a desire to obtain better value for money. A number of us were mildly surprised at the apparent generosity of some of the early allocations to new standards. The Retail Level 2 at £5k and the Chartered Management Degree Apprenticeship at £27k are possibly two examples of this.

There is no doubt that once a few benchmarks had been put in place for the allocation of funding bands to standards, that those coming along after would seek to align their standard with one or more already in place. This was inevitable. I know that the IfA currently have a number of ‘disputes’ with trailblazer groups over the allocation of funding bands. There is no doubt in my mind that in recent times the IfA have attempted to put a lower value on a new apprenticeship standard than that expected by the trailblazer group, often without any rationale. They have even recently scrapped the system where a trailblazer group is required to submit three cost estimates. Trailblazer groups were submitting quotes from providers that did not fit with what the IfA thought a new standard was worth. The problem was that by submitting the estimates the trailblazer group had evidence to support its assertion of the value. The IfA by arbitrarily declaring a funding band, had no supporting evidence. Therefore the obvious thing to do was to scrap the requirement for three quotes. Take away the other side’s evidence base, and you stand a better chance of winning the argument!!

So aside from the cynical view of why the review, why is the timing wrong?

Firstly, it is just too soon. Employers regularly report to us that they find the whole system too complex. Many have only recently begun to understand how the funding works, and now within a short-time of the new system being introduced it is being reviewed, and more complexity and uncertainty being added.

Secondly, one of the reasons that some employers decided to become an employer-provider was based on a cost / return ratio. They will have carefully costed out how much money they will earn based on the current value of each standard. Now they face uncertainty regarding what those values might be from August, and depending upon the scale of any changes, the potential that their finely balanced calculations

leading them to apply for employer-provider status, are undermined. The result? Some employer-providers now wishing to change their minds, and more uncertainty.

Thirdly, I cannot believe that employers are not negotiating. Employers negotiate contracts everyday, so therefore why not in this area? Where is the evidence to back up this statement? The DfE decision would be more credible if they published the percentage of employers who are paying the full rate for the apprenticeship. The introduction of "incentives" to negotiate will only serve to make the funding system more complex.

Fourthly, value should not only be assessed in monetary terms. Value includes the quality of a product too. Perhaps the fact that fewer employers are negotiating downwards is an indication that more of them are concerned to ensure that their partnership with a training provider is based equally on quality as well as price?

Finally, what might the impact be of any reduction in the funding band for a standard? We will see a hasty rush to ensure that apprentices are recruited before August 1st so that the higher funding rate can be claimed. The result? Just more distortion to the market, and more cynically, a way of bringing forward the anticipated increase in starts that most people believe will happen naturally in the autumn.

The DfE must understand that it really does need to allow the system to embed and settle down before announcing such reviews. Making such announcements with no supporting rationale or evidence, despite levy contributions, just chips away at employer confidence in the system. The message back to the DfE must be clear....Stop tinkering!

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