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By email

NAO FOLLOW UP STUDY ON THE APPRENTICESHIPS PROGRAMME

1. CMI

- 1.1 CMI is the chartered professional body for management and leadership. We are dedicated to improving managers' skills and growing the number of qualified managers across the UK.
- 1.2 With a member community of around 100,000, CMI provides individual students, managers and employers with access to the latest management thinking and with practical support to help them embrace change, build high-performing teams and improve individual and organisational performance. We are a UK awarding body for management and leadership qualifications and the only body that awards Chartered Manager - the hallmark of any professional manager.
- 1.3 The CMI is a strong supporter of management apprenticeships and of the wider apprenticeship programme. We recognise the potential of management apprenticeships, particularly since the introduction of the apprenticeship levy, to transform how employers invest in management development and turn our 2.4m "accidental managers" into competent, confident, conscious leaders. **However, we are extremely concerned that proposed cuts in funding bands will seriously damage the market for management apprenticeships, stall investment in management development and undermine efforts to boost UK productivity. We do not believe cuts of the nature recently proposed by the Institute for Apprenticeships (IFA) represent value for money for tax or levy-payers and are concerned that this means an end to a genuinely employer-led system.**

2. APPRENTICESHIP REFORMS

Background

- 2.1 Although the UK has many world-leading businesses, we have a long tail of poorly managed and unproductive organisations. CMI has long argued that closing this gap means recognising the pivotal role of management in improving productivity and a national focus on replacing our accidental managers with professionally qualified managers and leaders.
- 2.2 There is now broad consensus that management skills are key to boosting productivity. The Bank of England cite a lack of management quality as an explanation for the UK's poor productivity and the ONS, when scoring UK companies on management effectiveness, found that merely improving that score by 0.1 per cent was linked to a near 10 per cent increase in productivity. This is also reflected in the Government's own Industrial Strategy (see below). As a result, policy-makers are now focusing on how to improve management skills and encourage the adoption of good management practice in order to drive UK productivity.

Britain's relatively poor recent record in productivity is not uniform. We have some of the world's most productive businesses, but research shows that we have an unusually 'long tail' of underperforming businesses, pulling the average down. We are not as good as other countries at spreading the best practice of our top performers. The Bank of England has carried out extensive work to understand the key factors for improvement. One is greater access to management skills. Studies suggest that the average UK manager is less proficient than many overseas competitors, while management skills could account for a quarter of the productivity gap between the UK and the US.

Industrial Strategy. Building a Britain fit for the future, (HM Government, 2017)

- 2.3 CMI believe that management apprenticeships have a critical role to play in improving productivity and, with the introduction of the apprenticeship levy, have the potential to transform employers' approach to skilling managers and boost productivity. In fact, we are already starting to see this shift with just under 20,000 learners now registered on management apprenticeships programmes right across England. This is to be welcomed news, although more management apprenticeships will be needed if the UK is to match the productivity of our major international competitors post-Brexit.

Management apprenticeships

- 2.4 CMI have actively engaged with the new apprenticeship programme from the very beginning. We helped set the standards for management apprenticeships through the Management Apprenticeships Trailblazer Group - a 40-strong employer-led group including Barclays, the BBC, the Civil Service, Sainsbury's and Serco – and have created a high quality suite of management apprenticeships. This comprises a Level 3 Team Leader Apprenticeship, Level 5 Operations Manager Apprenticeship, Level 6 Chartered Manager Degree Apprenticeship and Level 7 Senior Leader Master's Degree Apprenticeship for executive and C-suite development. We have also welcomed the introduction of the apprenticeship levy as a much needed policy intervention to drive investment in skills and productivity, although together with the British Chambers of Commerce have called for the levy to be made more flexible and less bureaucratic¹.
- 2.5 We continue to support the programme because we know, certainly in relation to management apprenticeships, that the reforms are working. For example:
- the employer-led approach has delivered standards and programmes that are popular with employers and apprentices alike. For example, research from Universities UK shows that the Chartered Manager Degree Apprenticeship is already the most popular degree apprenticeship, ahead of engineering, accountancy and digital;
 - they widen participation. Management apprenticeships have strong uptake with young people, women and across the most socio-economically challenged regions of the UK. For example, as at April 2018, 47% of those on the Chartered Manager Degree Apprenticeship were from the most socio-economically deprived regions of the UK, 47% were under 30 and 54% were women;
 - they increase student choice and promote social mobility, by offering a full degree through the employer-funded apprenticeship pathway; and
 - they are building collaboration between employers and universities, which is a long sought Government ambition, and are developing a common understanding of work-based learning and of the management skills needed to improve performance and drive productivity.

¹ <https://www.managers.org.uk/about-us/media-centre/cmi-press-releases/cmis-10-point-plan-calls-on-government-to-make-urgent-apprenticeships-reforms>

3. REVIEW OF FUNDING BANDS

Background

- 3.1 Just as employers are waking up to the full potential of the new apprenticeship system, the IFA have told the Trailblazer Group that they plan to cut the funding bands for the Chartered Manager Degree Apprenticeship and the Level 5 Operations Manager Apprenticeship by around 20% - from £27k to £22k, and £9k to £7k respectively. They are also proposing a cut of 10% to the Level 3 Team Leader Apprenticeship.
- 3.2 This is causing a huge concern to employers, providers and apprentices - all of whom agree that the funding band cuts put the hard won achievements of the past 18 months at risk. They believe that cuts of the nature proposed will seriously damage the market for management apprenticeships, stall investment in management development and undermine efforts to boost UK productivity. CMI agrees.
- 3.3 These cuts will irrevocably damage the quality, reputation and number of management apprenticeships. Indeed, it is already unsettling employer demand, with businesses like the BBC telling us that cuts to funding bands will result in a reduction of entry level apprentices. Indeed some, like IBM, are already putting the recruitment of degree apprentices on hold as a result of the funding band reviews. At the same time, some universities and high-quality providers such as Henley have said they may have to stop offering management apprenticeships altogether.
- 3.4 It may be possible for big corporates to deliver to large cohorts at the proposed new funding levels, but cuts will hit hardest those offering programmes to young people and SMEs. Indeed, it is already the case that employers are negotiating deals where there are large cohorts, so these proposed cuts will only achieve any financial savings by driving out those programmes that are meeting the needs of smaller employers. In short, the more intensive programmes that support young people, that reach SMEs and that drive social mobility will be hit hardest and the reduction in funding means that critical support for work-based learning will be removed, much to the dismay of apprentices.

Value for money

- 3.5 There are many concerns about how the IFA has formed its conclusions: the review process was flawed, was not open or transparent and was discriminatory. We also believe that the IFA exceeded its powers by seeking to remove the degree from the Chartered Manager Degree Apprenticeship. However, one of our major concerns is that the IFA failed to take a value for money approach to the review. The IFA has focussed on cost alone, with no

regard to quality. This despite the fact that the terms of reference state the review will focus on ensuring that employers can access quality apprenticeships at a cost that delivers value for money (see relevant extract below).

The Institute for Apprenticeships has started reviewing the funding bands for 31 standards, which are already approved for delivery.

We will work collaboratively with trailblazers to carry out the review in an open and fair way.

This review follows a request from the Department for Education (DfE), and will help make sure that employers can access high quality apprenticeships, and that funding bands represent good value for money for employers and government.

Funding Band Review (IFA, 2017)

- 3.6 All correspondence from the IFA setting out the reasons for cutting funding bands refers to costs alone. There is no reference to collecting evidence of "value" in terms of outcomes or quality. If the review was really taking a value for money approach, we would expect the review team to collate relevant information on programme outcomes such as achievement and completion rates and to consider information indicative of quality of delivery such as provider Ofsted ratings and satisfaction ratings. However, we know that this information is either not available or was not taken into account. Without these quality indicators we do not think it is possible to separate high quality delivery costs from poor quality delivery costs - and therefore understand the value for money generated by provision within different cost brackets.
- 3.7 We do know however that information was submitted indicating that providers will exit the market if the funding is reduced. However, the IFA has made no attempt to calculate or examine the impact that this will have on the number of providers and the quality of their offer.
- 3.8 It also seems premature and irrational to review whether an apprenticeship is high quality and offering good value, when there have been virtually no completions on these three standards.

4. CONCLUSION

- 4.1 So strong is the opposition to these planned cuts that in just under 2 weeks we have been contacted by over 100 employers, 85 providers and over 300

apprentices all of whom are angry and anxious about the IFA's decisions and actions. Many are also questioning whether this means the end of an employer-led system as the IFA do not appear to be taking the needs and concerns of employers into account.

- 4.2 The Trailblazer Group is formally appealing the IFA decision. It would not be appropriate to share the full appeal, but we would be happy to share in detail the full list of concerns expressed by employers, providers and apprentices in confidence to the NAO on request.
- 4.3 **We would ask the NAO, as part of its follow up study on apprenticeships, to examine how the IFA have conducted the funding band review for management apprenticeships and whether the proposed reductions in funding bands will allow employers to continue to access high quality apprenticeships, and if they represent good value for money. We would also ask the NAO to reflect on whether the approach and actions of the IFA are in line with the concept of a genuinely employer-led system.**
- 4.4 We would be happy to meet to discuss our concerns more fully.

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