

Modern Apprenticeships

Impact report

AUDITOR GENERAL 

Prepared for Auditor General
June 2018

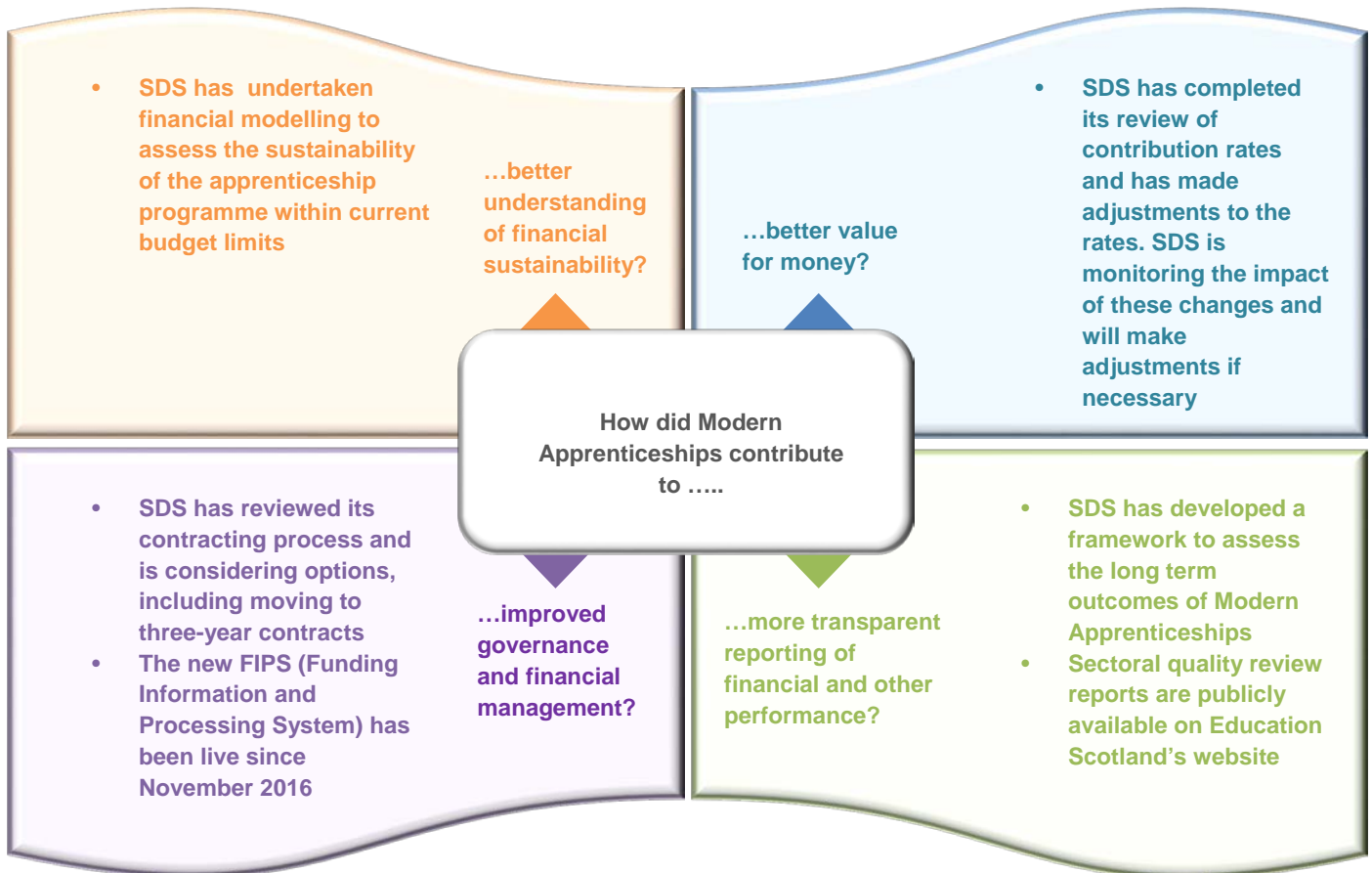
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Summary of overall progress

Contribution to key aspects of public sector audit



Introduction

1. This report summarises the impact made by the Auditor General for Scotland performance audit '*Modern Apprenticeships*' published on 13 March 2014.
2. The Scottish Government's 2012 youth employment strategy set out the importance of modern apprenticeships in boosting youth employment and developing Scotland's workforce and economy. Our audit focused on Skills Development Scotland's (SDS) administration of modern apprenticeships and aimed to assess whether modern apprenticeships provide value for money.
3. We looked at modern apprenticeship costs and activity and the roles of the organisations involved. We assessed whether modern apprenticeships were achieving their intended aims, objectives and the targets set for them. We also reviewed how well the programme was managed and whether there was scope to make efficiencies.
4. This was the first time Audit Scotland had carried out a performance audit in this area. The audit was also the first independent evaluation of the programme since 2006. Our report aimed to add value by providing an independent assessment of the value for money, quality and accountability of the programme, highlighting areas of good practice and scope for improvement.
5. The key messages from the report were:
 - The annual number of new apprentices increased from around 10,600 in 2008/09 to around 25,700 in 2012/13. In 2011/12, the Scottish Government introduced an annual target of 25,000 new modern apprenticeship starts, which SDS achieved in 2011/12 and 2012/13. SDS was also performing well against the Scottish Government's other modern apprenticeship priorities, including improving achievement rates and maximising places for 16-19-year-olds and at higher levels. These were significant achievements due to challenging economic circumstances and because SDS depends on employers' demand for apprentices.
 - Between 2008/09 and 2012/13, the Scottish Government's annual spending on modern apprenticeships, through SDS, increased from around £60 million to £75 million in real terms (that is, allowing for inflation). There were greater costs associated with achieving the Scottish Government's apprenticeship priorities. This made it important for SDS to continue to monitor the financial sustainability of meeting the 25,000 start target within current budget limits.
 - The Scottish Government's 2007 skills strategy, refreshed in 2010, stated the aim of modern apprenticeships was economic development, through enabling individuals to develop skills while in paid employment. The Scottish Government set various priorities for modern apprenticeships, but existing performance measures did not focus on long-term outcomes, such as sustainable employment. This meant it was difficult to measure their long-term contribution to national outcomes. More specific long-term aims and objectives, along with information on their benefits and appropriate outcome measures, would make it easier to assess the extent to which modern apprenticeships provide value

for money. It would also help direct funding in ways that offer the best value to individuals, employers and the economy.

- SDS administered modern apprenticeships well, although this was complex for various reasons, including the number of organisations involved and the uncertainty of employer demand. Administration of modern apprenticeships could be improved, for example:
 - SDS's contracting process was time-consuming and it could have shared more information with training providers about how it awards contracts.
 - There was scope to improve monitoring and quality assurance arrangements to ensure training is delivered to a high standard.
 - The role of contribution rates (the funding SDS pays training providers for each apprentice's training) in influencing employers' recruitment plans was not clear. By understanding this better, SDS could direct funding to encourage more employers to take on apprentices.

6. The report made a number of recommendations for the Scottish Government and SDS to consider as part of their response to the findings of the Commission for Developing Scotland's Young Workforce. These were as follows:

The Scottish Government, working with Skills Development Scotland, should:

- confirm that its overall aim for modern apprenticeships is still valid and develop specific objectives in support of this. These should be publicised to all organisations involved in their delivery, and to employers and apprentices
- develop appropriate outcome-based measures to assess the long-term benefits of modern apprenticeships, such as sustainable employment and increased earnings, and publish performance information against these
- review the long-term benefits of modern apprenticeships and ensure that funding is directed to those which demonstrate the best value for individuals, employers and the Scottish economy
- work with awarding bodies and SQA Accreditation to improve quality assurance arrangements. This should include formalising arrangements to share information, including good practice, and agreeing who is responsible for acting on and reporting any concerns about training provider performance
- further develop IT systems to capture and share education and training data across relevant public bodies and to help minimise duplication.

Skills Development Scotland should:

- implement the results of its contribution rates review, which includes monitoring the impact of any changes on employer and training provider demand, and on the value for money achieved
- review its contracting and apprenticeship allocation processes, which includes improving transparency and developing baseline costs to determine the potential efficiencies of moving to three-year contracts with training providers

- monitor funding for higher levels of apprenticeships and those in key sectors, to assess affordability within current budgets limits, particularly if the Scottish Government decides to increase its new starts target
- target specific groups of employers to raise awareness of the operation and benefits of apprenticeships and to encourage them to take on apprentices. This should be focused on businesses in areas of low employment and those in the key economic growth sectors where appropriate
- in conjunction with other partners, including schools and industry leadership groups, better promote the value of modern apprenticeships to young people, parents and teachers to encourage greater participation by young people
- develop its improvement plan to take account of the recommendations in this report, prior to initiating the 2015/16 contracting process.

Raising awareness and communication of key messages

Media coverage

7. The report received coverage in the Herald, Dundee Courier, the BBC website and STV. Coverage reflected the report's key messages and focused on the achievement of the 25,000 new starts target and the need to develop performance measures to assess long-term outcomes.
8. Media coverage and report downloads from Audit Scotland's website in the 12 months since publication, and to 31 March 2017, are summarised below. Report downloads show sustained interest in the report in the three years since publication.

Media items/downloads	Number of items
National press	3
Local press	1
Television	2
Radio	0
Specialist press	0
TOTAL MEDIA ITEMS	6
Report downloads – 12 months after publication	2265
Report downloads - up to 31 March 2017	6217
Podcast downloads – 12 months after publication	86
Podcast downloads – up to 31 March 2017	86
TOTAL DOWNLOADS	6303

Parliamentary consideration

9. The Auditor General briefed the Public Audit Committee (PAC) on the report on 19 March 2014. Discussion at the meeting focused on the need for the Scottish Government to set clearer objectives for the programme and the need for better data collection and monitoring of long term outcomes.
10. PAC considered a written submission from Skills Development Scotland on 25 June 2014. At this meeting the committee agreed to write to SDS and the Scottish Government to seek further clarification and information. The committee asked SDS to provide further information on independent assessment of the training provided by the non-FE sector, and requested further information from the Scottish Government on the objectives of the modern apprenticeships programme and their relative priority. PAC also sought confirmation of when the Scottish Government expected the work to develop outcomes-based measures to be completed and implemented.
11. At its meeting on 19 November 2014, PAC agreed to note the written submissions from the Scottish Government and SDS.
12. Audit Scotland provided a written submission to the Education and Culture Committee as part of its inquiries into the Scottish Funding Council, SDS and Education Scotland. The submission highlighted relevant issues raised in Audit Scotland reports, including the audit of Modern Apprenticeships.

Contribution to national policy developments

13. Since the report was published there have been a number of developments in the Modern Apprenticeships programme as well as in the wider employability and skills policy area. These include:
 - In April 2014, the Scottish Government announced an expansion of the programme, with a target of 30,000 Modern Apprenticeship starts by 2020. In February 2016, the Scottish Government announced a target of 26,000 Modern Apprentices for 2016/17. This target was met in 2016-17, with a total of 26,262 Modern Apprenticeship starts. As at 31 March 2017 there were 37,086 Modern Apprentices in training, an increase of 715 MAs from 36,371 at the same point in 2016.
 - The Commission for Developing Scotland's Young Workforce published its final report, *Education Working For All!* in June 2014. The report included 39 recommendations, four of which relate to the Modern Apprenticeship programme, aimed at improving the transition of all young people from education into sustainable, productive employment. The report also sets out five overarching success targets, including an additional 5,000 Modern Apprenticeship places at level 3 and above by 2020 with potential for further growth beyond that. In response to the Commission's report, the Scottish Government published *Developing the Young Workforce – Scotland's Youth Employment Strategy*, in December 2014.

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- The introduction of Foundation Apprenticeships (FAs) and Graduate Level Apprenticeships (GLAs). Foundation Apprenticeships provide work-based learning opportunities for senior-phase secondary school pupils. They usually last for two years, beginning in S5. Graduate Level Apprenticeships offer degree-level work-based learning to those who are currently employed, or who want to go straight into work. Initial take-up of FAs and GLAs has been slow. In August 2016, over 350 young people started FAs, with over 1,900 FAs available in 2017. In the two years following introduction of GLAs in 2015-16 there were 27 GLA starts.
 - The Scottish Government's Enterprise and Skills Review looked at the functions, roles and relationships of the main agencies involved in supporting skills development, which included Skills Development Scotland. The [final report from the review](#) was published in June 2017.
 - The Scottish Government is carrying out a [review of the 15-24 learner journey](#). A report on Stage 1 of the review (the research stage) was published in March 2018.

Progress on implementing recommendations

14. Appendix 1 lists progress with each of the specific recommendations in the report. SDS has taken steps to implement the recommendations. It should be noted that, following publication the report and its recommendations were overtaken by policy developments, including Developing Young Workforce and the Enterprise and Skills Review. We will continue to monitor developments as part of the annual audit process and through future audit work on skills.

Appendix 1. Progress on implementing the recommendations in Modern Apprenticeships

The Scottish Government, working with Skills Development Scotland, should:		Progress
<p>1) confirm that its overall aim for modern apprenticeships is still valid and develop specific objectives in support of this. These should be publicised to all organisations involved in their delivery, and to employers and apprentices</p>	<p>The Modern Apprenticeship programme continues to have the dual aim to “support individuals to learn while in work; and to support inclusive economic growth across Scotland”. This is set out in the Scottish Government’s letter of guidance to SDS in 2016-17. It is also publicised to providers through the programme rules¹. The priority areas are:</p> <ul style="list-style-type: none"> • Increasing the proportion of young people supported through MAs, particularly those aged 16 to 24 years old • Increasing the proportion of apprenticeships at Level 3 and above - particularly those related to STEM (Science, Technology, Engineering and Maths) subjects/occupations • Increasing the proportion of apprenticeships which support our growth and key and enabling sectors • Supporting older workers (25+) where they are employed in prioritised frameworks • Aligning funding with the Skills Investment Plans and Regional Skills Assessments • Maximising opportunities for the wider availability of higher level Apprenticeships including Technical Apprenticeships at SCQF 	Implemented

¹ <https://www.skillsdevelopmentscotland.co.uk/media/42457/ma-programme-rules-2016-17-v2.pdf>

	<p>(Scottish Credit and Qualifications Framework) Levels 8 and 9, and Professional Apprenticeships at SCQF Level 10</p> <p>The Scottish Government has not prioritised these objectives, and confirmed to the PAC that Ministers expect SDS to manage the programme in a way which delivers against all these areas.</p>	
<p>2) develop appropriate outcome-based measures to assess the long-term benefits of modern apprenticeships, such as sustainable employment and increased earnings, and publish performance information against these</p>	<p>Responsibility for this recommendation was transferred from the Scottish Government to SDS. SDS began working with the Organisation for Economic Co-operation and Development (OECD) to develop the Modern Apprenticeship Long Term Outcomes (MALTO) project in 2014 (now renamed ALTO to encompass Foundation Apprenticeships and Graduate Apprenticeships). This involved developing a strategic framework for measuring the long-term impact of Modern Apprenticeships on individuals, employers and the wider economy. The framework sets out a suite of outcome measures and the datasets required. It was developed in consultation with UK academics, including the Fraser of Allander Institute, and was published by the OECD in December 2016². Following the development of the framework a joint SDS/SG action plan was agreed in December 2016. This includes:</p> <ul style="list-style-type: none"> • joint work on learner data linkage, to link Scottish learner data with HM Revenue and Customs (HMRC) and Department for Work and Pensions (DWP) data. The first tranche of linked data will be available in April 2018. • SDS have also developed a wellbeing survey, which was piloted with 2000 apprenticeship leavers. This is being rolled out in 2018. 	<p>Partially implemented</p>

² http://www.oecd-ilibrary.org/science-and-technology/oecd-evaluation-framework-for-modern-apprenticeships-in-scotland_59084781-en

	<ul style="list-style-type: none"> work with the Fraser of Allander Institute looking at the wider macroeconomic impact of apprenticeships, completed in June 2017. ongoing work on cost benefit analysis and return on investment. 	
3) review the long-term benefits of modern apprenticeships and ensure that funding is directed to those which demonstrate the best value for individuals, employers and the Scottish economy	<p>The Scottish Government wrote to the PAC in July 2014 to confirm that they continue to ask SDS to prioritise young people, particularly those aged 16-19. They also prioritise apprenticeships at Scottish Vocational Qualifications (SVQ) level 3 and above, as well as the targeting of key sectors, such as STEM.</p> <p>The policy tension identified in the report is still an issue; it remains unclear how the Scottish Government expects SDS to balance these priorities against each other, as higher level apprenticeships, for example at level four (technical) and level five (professional), tend to be more suitable for those over the age of 19.</p>	Implemented
4) work with awarding bodies and the Scottish Qualifications Authority (SQA) Accreditation to improve quality assurance arrangements. This should include formalising arrangements to share information, including good practice, and agreeing who is responsible for acting on and reporting any concerns about training provider performance	<p>A Data Sharing Agreement was signed in April 2014 between SDS and SQA to cover sharing of information to assist in investigatory matters concerning potential fraud and/or malpractice by providers. There are protocols in place setting out the process for SQA to raise concerns with SDS.</p> <p>SDS have worked with Education Scotland to develop a quality review model, using a sectoral approach. This was piloted with engineering and has now been rolled out across five sectors.</p>	Partially implemented

	<p>SDS is developing an Memorandum of Understanding (MOU) with Education Scotland to cover quality assurance arrangements for SDS-funded provision in colleges as part of the new How Good Is our College framework. Work to progress the MOU with Education Scotland has been delayed due to the focus on embedding the new framework.</p>	
<p>5) further develop IT systems to capture and share education and training data across relevant public bodies and to help minimise duplication.</p>	<p>The new FIPS (Funding Information and Processing System) IT system has been live since November 2016 and is used for all new apprenticeship starts. SDS is working with the Scottish Government on data linkage. There is an MOU in place to enable sharing of education and training data between SDS and SQA.</p>	<p>Implemented</p>
<p>Skills Development Scotland should:</p>		
<p>6) implement the results of its contribution rates review, which includes monitoring the impact of any changes on employer and training provider demand, and on the value for money achieved</p>	<p>SDS concluded its review of contribution rates in November 2015 and made adjustments to rates based on feedback from providers, internal comments and triangulation and checks with experts/other providers of similar services. The review found no clear pattern between changes to contribution rates and uptake of apprenticeships. Where contribution rates were increased, overall there was an increase in starts, but this was not conclusive, as increased uptake could reflect increasing demand within the sector. In some cases reduction of contribution had little or no impact on the uptake of apprenticeships.</p> <p>The review highlighted that there was a potential for decreases in starts in a number of frameworks during 2017/18 and beyond. This led SDS to review costs of delivery and increase the planned contribution rates for MAs in Dental nursing and Management as of 1 April 2018.</p>	<p>Implemented</p>

	The effects of the changes have been subject to ongoing monitoring and rates may be adjusted if it is felt necessary.	
7) review its contracting and apprenticeship allocation processes, which includes improving transparency and developing baseline costs to determine the potential efficiencies of moving to three-year contracts with training providers	SDS undertook an 'end to end' review of the 2015/16 Modern Apprenticeships commissioning process, including seeking feedback from the various parties involved in the process (internal staff and successful bidders). The results of the review were reported to the NTP management team and the SDS board in July 2015. The review considered feedback from the various parties involved in the commissioning process. SDS considered (in August 2017) a number of options for contracting of providers, including proposals for moving to three-year contracts for some providers from 2018/19.	Implemented
8) monitor funding for higher levels of apprenticeships and those in key sectors, to assess affordability within current budgets limits, particularly if the Scottish Government decides to increase its new starts target	SDS has prepared a detailed five year financial model, for use internally, including modelling of scenarios related to the expansion of the apprenticeship programme and the costs of delivering the increased volume of apprenticeships. The model is used to inform discussions with the Scottish Government and the SDS board.	Implemented
9) target specific groups of employers to raise awareness of the operation and benefits of apprenticeships and to encourage them to take on apprentices. This should be focused on businesses in areas of low employment and those in	SDS has engaged with employers in a variety of ways, including: <ul style="list-style-type: none"> • Running a radio/press/social media campaign between September 2016 and March 2017 targeting SMEs to encourage them to take on Modern Apprenticeships • Holding 13 "Making Skills Work for Employers" events across Scotland in 2016/17 	Implemented

<p>the key economic growth sectors where appropriate</p>	<ul style="list-style-type: none"> • Holding work-based learning symposium events in November 2015 and September 2016 • Producing leaflets explaining Modern Apprenticeships in key sectors, including engineering, energy and life sciences • In 2014 and 2015 Learning Through Work Week - SDS worked with training providers, employers and education to support employers and apprentices to visit schools across Scotland, linking employers with young people. Areas of focus included areas of high youth unemployment. 	
<p>10) in conjunction with other partners, including schools and industry leadership groups, better promote the value of modern apprenticeships to young people, parents and teachers to encourage greater participation by young people</p>	<p>SDS has undertaken a range of work to promote Modern Apprenticeships, including:</p> <ul style="list-style-type: none"> • Launch of the apprenticeship.scot website in March 2015. The website promotes the benefits of apprenticeships to employers, parents and young people and allows employers to advertise vacancies. Since launch over 600,000 users have visited the site and over 49,000 applications have been received for advertised vacancies. • Scottish Apprenticeship campaigns. The 2017 campaign involved over 230 events with employers, schools and training providers. • Learning Through Work Week programmes, including bringing employers to secondary schools across Scotland. 	<p>Implemented</p>
<p>11) develop its improvement plan to take account of the recommendations in this report, prior to initiating the 2015/16 contracting process.</p>	<p>The SDS improvement plan reflects the recommendations in the report.</p>	<p>Implemented</p>

