

Rt Hon. Meg Hillier MP  
Chair, Public Accounts Select Committee  
House of Commons  
London  
SW1A 0AA

7 June 2019

Dear Ms Hillier,

**CIMA Response: Public Accounts Committee Inquiry - The Apprenticeships Programme: Progress Review Inquiry**

Thank you for the opportunity to express our views on the progress of the apprenticeship programme inquiry being held by the Public Accounts Select Committee. This response focusses on our views and experiences of being involved in the Apprenticeship Programme in England.

CIMA has been involved with apprentices in the past, working with OCR. This was based upon an existing training route and examinations, which are being phased out this year. The new apprenticeship (L4 and L7), have been developed with the same high requirements and bespoke to the standards set out by Trailblazers, with considerable investment upfront.

From this experience we feel that the Apprenticeship Programme can be improved and our response highlights the areas where we feel changes are needed.

We believe that the programme can be strengthened and more apprenticeships can be offered if changes are made to who can provide tuition and end point examinations of apprenticeships. We also believe that the Apprenticeship Levy should be changed to an Apprenticeship and Skills Levy to allow employers to train and upskill the current workforce more and to meet the Apprenticeship Levy's aim of improving productivity in the UK.

Our response also focuses on the need to maintain higher level apprenticeships and shows how they improve productivity and social mobility. Finally, our involvement in the programme shows that the education sector needs to do more to promote apprenticeships to young people and we suggest ways in which this can be achieved.

## **About CIMA and the Association**

The Chartered Institute of Management Accountants (CIMA), founded in 1919, is the world's leading and largest professional body of management accountants.

CIMA helps individuals and businesses to succeed by harnessing the full power of management accounting – not just accounting for the balance sheet, but accounting for business.

Together with the American Institute of Certified Public Accountants (AICPA), we established the Chartered Global Management Accountant (CGMA) designation in 2012 to provide members with a new level of resources and recognition.

In 2017, members of CIMA and AICPA formed the Association of International Certified Professional Accountants to unite and strengthen the accounting profession globally. Representing an influential network of more than 667,000 members and students in management and public accounting, the Association prepares accountants for today's challenges and tomorrow's opportunities.

## **UK productivity:**

Recent Office of National Statistics (ONS) figures show that labour productivity was lower over the past decade than at any time in the 20<sup>th</sup> century and the ONS said that the UK productivity grew only 0.5% in 2018<sup>1</sup>. Figures from McKinsey state that the UK will be a third less productive than Germany by 2025<sup>2</sup>.

Apprenticeships can play a positive role in enhancing and improving UK productivity. One of the reasons the apprenticeship levy was introduced was to raise the level of employer investment in skills and tackle the UK's productivity gap. The apprenticeship levy and scheme is one of the government's tools in their Industrial Strategy to increase UK productivity.

The recent National Audit Office report on the Apprenticeships Programme suggested that the government should set out how the Industrial Strategy and Apprenticeships Programme are explicitly linked. We welcome that recommendation and believe that the two key planks of government policy focused on increasing productivity and skills should be explicitly linked. If this were to happen, we believe the government would have a more joined-up approach to tackling this issue.

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<sup>1</sup> <https://www.theguardian.com/business/2019/apr/05/uk-productivity-grows-by-just-05-in-2018-amid-brex-it-uncertainty>

<sup>2</sup> <https://www.ft.com/content/442fb59c-d138-11e8-a9f2-7574db66bcd5>

We agree that apprenticeships are an effective tool in both training young people and re-training and developing new skills amongst the existing workforce for the changing nature of work and the apprenticeship programme allows employers to use apprenticeships to tackle productivity and skills gaps in their organisation and sector.

### **Need for higher skills:**

In 2016 the Daily Mail reported a speech by the Governor of the Bank of England under the headline: 'Robots to steal 15 million of your jobs say bank chief.'<sup>3</sup> Now although that is quite an alarmist headline designed to grab attention, there is no doubt that UK jobs are at risk to automation and new technologies. The ONS Jobs Report in 2019 estimated that 1.5 million jobs in England could be replaced due to automation<sup>4</sup>.

Earlier this year CIMA released its Future of Finance white paper which looks at the changing role of the finance function and what skills finance professionals will need in the future. This research interviewed over 5,500 finance professionals from over 2,000 organisations in over 150 countries. Some of the key findings showed that 35% of the reporting focus of finance functions has moved into the advanced analytics arena and 63% of respondents indicated that their descriptive processes were either fully or somewhat automated<sup>5</sup>.

All jobs both traditionally blue and white collar roles are at risk of automation and being replaced by new technological advancements.

Over 60% of Chief Financial Officers expect skills shortages this year according to joint research by Robert Walters, Jobsite, and Total Jobs. This survey highlighted that 38% of employers were concerned by a lack of general business skills in candidates<sup>6</sup>.

There is a clear need for UK employers to have candidates with skills for the economy of the future – apprenticeships are a clear route to achieving this aim. The best apprenticeships prepare holders for the economy of the future.

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<sup>3</sup> <https://www.dailymail.co.uk/news/article-4003756/Robots-steal-15m-jobs-says-bank-chief-Doom-laden-Carney-warns-middle-classes-hollowed-new-technology.html>

<sup>4</sup> <https://www.bbc.co.uk/news/business-47691078>

<sup>5</sup> <https://www.cimaglobal.com/Documents/Future%20of%20Finance/future-re-inventing-finance-for-a-digital-world.pdf>

<sup>6</sup> <https://www.robertwalters.co.uk/solving-the-uk-skills-shortage/solving-the-uk-skills-shortage-finance-research.html>

## **Needs of Employers:**

Any changes to the Apprenticeships Programme and Framework in England need to take account of the views of businesses – the organisations who fund the current levy.

Employers must be allowed to spend the levy on the apprenticeships their organisation and sector need.

In the financial services sector, a recent survey showed that almost half of senior leaders (49%) see finding skilled candidates as their biggest worry over the next 12 months<sup>7</sup>.

We believe the government should be taking account of the need of employers and working with them to highlight areas of skills shortages within sectors.

One way the apprenticeship programme could be better utilised to improve productivity and workforce skills is if decisions on funding apprenticeships were made based more on the impact specific apprenticeships have on increasing productivity and closing skills gaps. Any move to such a system should be made and developed in conjunction with businesses, trade and professional bodies and tuition providers and wider education sector.

The capability of the Apprenticeship Programme not to only train school leavers, but also those who are currently employed is vital. This allows businesses the ability to train and upskill both the new and existing workforce with the skills they need for the future, and we particularly see that benefit within the accountancy sector.

## **Accountancy Sector:**

We know from our members that they need more candidates with new capabilities and accountancy skills. In recent years there has been a decline in the number of qualified accountants and research by specialist recruiter Randstad estimates that the UK will need an additional 80,000 accountants by 2050<sup>8</sup>.

This is one of the reasons why CIMA have been part of the trailblazer groups that are delivering Level 4 and Level 7 accountancy apprenticeships.

We believe apprenticeships are helping our members recruit new candidates to fill accountancy vacancies and train a new generation of Management Accountants. The

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<sup>7</sup> <https://www.accountancydaily.co/financial-services-leaders-worry-about-skills-shortage>

<sup>8</sup> <http://www.onrec.com/news/statistics-and-trends/uk-needs-another-80000-accountants-by-2050>

programme is also helping our members' reskill and train existing employees to plug skills gaps and prepare their current workforce for future changes in the work environment such as increasing automation and AI.

The following is a real life example of how the apprenticeship programme can benefit both employees and employers. Diane Lorgere is completing a CIMA apprenticeship while working for Network Rail. Before starting her apprenticeship, Diane had completed an Economics degree and the only work experience she had was a summer internship with TFL. Diane says:

*“An apprenticeships offers the best of both worlds I spend my time gaining real world experience .... It's refreshing how topical and applicable what you learn in CIMA is to the workplace as opposed to my Economic degree which felt theoretical.”*

This example shows the value of both studying and gaining on the job experience.

Another example that shows the value of accountancy apprenticeships from the perspective of the employer comes from Louise Quinney, Finance Development Manager at BAE Systems. BAE Systems has been running their finance apprenticeship scheme for over 15 years and have around 50 apprentices.

Louise says:

*“A career in finance is exciting, challenging and diverse. Today's finance professional must be highly skilled and flexible enough to quickly adapt to the rapid changes of our environment. Our goal is to develop people who are highly motivated and trained with the right skills to effectively guide our operations so that our businesses can grow. Our finance apprenticeship scheme provides such a platform to do this.”*

#### Apprenticeship Levy:

We believe that employers, candidates and the government could get more out of the Apprenticeship Programme if changes were made to who can provide both tuition and end point exams.

Currently, training providers provide the tuition for apprentices, a different examination body completes the final end point examination and employers provide the on the job training and funding through the levy for the apprenticeship. In this mix are also professional bodies including CIMA for some apprenticeships, such as accountancy programme. Bodies such as CIMA help draw up the competencies for apprenticeships and ensure the end point exams offer a route to gaining a professional qualification that is recognised by businesses.

CIMA relies on tuition providers to deliver the programmes that support its qualifications. Consequently, the shape of the market in training provision has the capacity to effect CIMA. Under the new apprenticeship scheme employers form 'employer groups' and produce an Apprenticeship Standard and Assessment Plan as part of establishing an apprenticeship. They select an apprenticeship provider on the Register of Apprenticeship Training Providers (RoATP), a list that is maintained by the Education and Skills Funding Agency (ESFA). The Government has stated that the RoATP will act as its quality threshold as they encourage new providers into the market, it was first published in January 2018.

This can create a confusing landscape for both businesses and apprentices alike as they have many different contact points during their apprenticeship – the business, the apprentices, the professional body, the tuition provider, the examination provider, the 'trailblazer' group, and the government to name a few. Many businesses have said to us that the number of different contact points for an apprenticeship standard can cause confusion and inefficiencies, and that they are looking for joined up processes and suppliers. Some have asked why CIMA is not also a training provider to help simplify the programme.

We recommend that there should be changes to who can provide training and end point examinations of apprenticeship standards.

We would like to see a policy change in the Apprenticeships Programme that allows professional bodies to be able to provide both tuition and end point examination for apprenticeship standards.

Professional bodies have a long history of training their members to pass qualifications and ensuring the qualifications are robust, recognised both by internal UK businesses but also on a global stage too. CIMA has been training management accountants for 100 years in the UK and the CIMA qualification is recognised in 176 countries.

This would mean businesses and apprentices would have fewer contact points regarding their course and that would make it easier for both to engage and understand the apprenticeship system.

We believe this change would also drive up the quality of apprenticeships as at the end of their studies and exams, apprentices would gain a professional body qualification, giving them the opportunity/option to become members of the professional body; which would bring continuing professional development with it.

It would also mean that there would be economies of scales with less duplication of work from different organisations and this would mean there would be more resources in the apprenticeship programme to fund more apprenticeships. It would reduce the

admin burden on businesses taking part in the scheme and government bodies and agencies involved.

We also believe this change would make the apprenticeship standards in accountancy more accessible for many students as it would ensure consistency in delivery of the learning especially outside big city centers, it would enable online delivery of tuition which would help those in rural communities or individuals retraining or looking for new routes back to work, and would mean businesses would have more high-quality bodies to choose from when deciding who will provide tuition for their apprenticeship programme.

We understand that there is some concern around the same body being both the tuition provider and the end point examiner. However, within the current apprenticeship system, this already exists with degree apprenticeships where universities provide both tuition and end point examinations.

If this proposed policy change was to occur we would fully expect that regulators such as the Institute of Apprenticeships and Technical Education, OFSTED and OFQUAL would need to inspect and monitor the training and examinations of apprentices by professional bodies. We would welcome this increased scrutiny.

As stated earlier, the CIMA qualifications are currently internationally recognised by 176 countries and this means our members with their qualifications can operate in these countries without the need for further exams in these jurisdictions. The fact that so many different businesses and nations recognise our qualifications gives us confidence that the same would be true if we were able to be both tuition and end point examination providers for apprenticeships. It also means if CIMA were able to offer apprenticeships directly and the qualified apprentices becomes a member their abilities and skills would be recognised globally.

This change we believe would increase apprenticeship starts and completions as more bodies would be regulated to provide apprenticeship tuition and examinations and would also enable industry to have more input and engagement in the apprenticeship system as it would be using bodies they already use.

#### Lifelong learning:

We thoroughly support the changes in recent years which meant that apprenticeships were open to all age groups and not just young people. This change has meant that employers can train existing employees through apprenticeships to develop new skills and plug skills gaps they may have in their company. It also means that individuals who wish or need to change their career have another route to doing so.



CIMA is also going further to help apprentices continue to get further training and study post their course by offering membership once an apprentice has successfully completed their Level 7 qualification. CIMA membership means they have access to a range of different training resources that are constantly updated to meet the changing needs of businesses and the economy of the day. Being a member of CIMA also means their qualification is recognised globally by over 176 countries.

We believe that the apprenticeship levy could be changed to help support more lifelong learning and improve UK productivity by reducing skills gaps. This could be done by making the levy an 'Apprenticeship and Skills Levy' where levy money can be spent by employers both on apprenticeships, but also on recognized continuing professional development to keep their staff's knowledge current or to upskill or reskill through a short course programme.

This could be achieved by allowing unspent levy funds after two years to be used by employers to invest in continuing professional development. We believe that of this remaining levy money 25% should be ring-fenced for SMEs who do not pay the levy and the remaining 75% should be used by levy payers to provide training to existing employees.

The Association in 2018 produced some research into workplace skills and it showed that 26% of the UK workforce admitted to not participating in any in-work learning in the last 12 months<sup>9</sup>. This figure is worrying considering the huge skills gaps in the UK and the fact that UK productivity lags behind much of the G20 nations.

The British Chamber of Commerce and Totaljobs recently published figures that showed almost 75% of companies in the UK had a shortage of skilled candidates to fill job vacancies<sup>10</sup>. This highlights the need for action in this area.

A change such as the one outlined above would mean that employers would be able to spend their full levy on a range of different training to upskill current and future workforce. As this training could take place outside the confines of the current apprenticeship programme we believe more employers would make use of this opportunity to train employees. We also feel that if there was a two-year delay before employers could fund training through the remaining levy this would prevent employers from not funding apprenticeships; as they would need to plug urgent skills shortages through apprenticeships in those years.

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<sup>9</sup> <https://www.cimaglobal.com/Press/Press-releases/2018/8-million-UK-workers-at-risk-of-career-complacency-/>

<sup>10</sup> <https://www.britishchambers.org.uk/news/2019/05/bcctotaljobs-no-business-sector-immune-from-recruitment-difficulties>



We believe that this training should be provided through ‘recognised’ providers such as professional bodies and existing apprenticeship tuition providers. This would ensure that they levy money is being spent on re-skilling and training the UK workforce.

### **Need for Higher Level Apprenticeships and Social Mobility:**

CIMA offers a Level 7 Apprenticeship through the Level 7 Accountant Standard. This level allows candidates to study for the CIMA Professional Qualification which is equivalent to Masters Degree<sup>11</sup>. This means following their studies and apprenticeship students who pass their exams can apply to become a Chartered Global Management Accountant.

The CIMA Professional Qualification is recognised worldwide as the most relevant global finance qualification for a career in business.

Higher level apprenticeships are key parts of the Apprenticeships Framework in England. These higher level courses allow candidates to gain the required knowledge, skills, expertise and qualifications to seek employment in the professions such as accountancy and audit. They also allow a different route into the accountancy and other professions and allow greater access for those who may have never considered a career in accountancy or other professional services before. These apprenticeships are a fantastic way to open up the professions and increase social mobility.

To remove levy funding from Level 6 and 7 apprenticeships due to the growing financial pressures on the apprenticeship levy is not the answer. Currently, according to Department for Education figures 81% of apprenticeships starts are for courses below Level 6 and 7. This shows that the higher level apprenticeships do not make up the bulk of those studying and completing apprenticeships.

As has been stated earlier in this paper the UK currently has a productivity and skills gap, higher level apprenticeships give individuals enhanced skills that businesses require and help close both these gaps. Removing funding for higher level apprenticeships will do nothing to improve UK productivity or improve the skills of the current and future workforce.

The higher level apprenticeships are also a route to increasing social mobility and act as another access point to higher level education for many students from diverse backgrounds.

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<sup>11</sup>

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/781848/Uni\\_Appr\\_guide2019\\_web2.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/781848/Uni_Appr_guide2019_web2.pdf)

Louise Quineey, Finance Development Manager, at BAE Systems said that they have senior leaders who started on their apprenticeship programmes. She said:

*“We have many senior leaders (including our group Finance Director) who have progressed through the company and started on our apprenticeship schemes.”*

This testimony shows how apprentices can climb up the career ladder and become senior business leaders. It also demonstrates why those completing higher level apprenticeships, such as accountancy, can benefit from the enhanced skills and experiences they learn on their course.

Many students start by gaining lower level apprenticeships and then ‘staircase’ upwards to a Level 6 or 7 apprenticeship. We believe this is a great asset of the current system and if higher level or degree apprenticeships were to be removed many students would not be able to go on to complete higher level education.

One of the other assets of the apprenticeship programme is the fact that students do not have to pay towards their apprenticeship tuition and this means that individuals who would never have normally considered going to university due to financial worries now have a route to gaining degree level qualifications.

The apprenticeship route and the potential staircasing upwards the programme offers can bring huge socio-economic benefits to both the apprentice and wider society. If there are to be any changes to the apprenticeship programme they should not be focused on putting a cap of potential progression, opportunity or aspiration, which is what would happen if higher level apprenticeships were not funded through the levy.

In 2017 The Sutton Trust in their ‘State of Social Mobility in Britain’ report found that the UK is one of the worse nations in the OECD for income mobility<sup>12</sup>. In the most recent State of the Nation report published by the Social Mobility Commission, it found that the proportion of people from working class backgrounds with professional jobs rose only marginally from 32% to 34% between 2014 and 2018.

It is clear that more needs to be done to improve social mobility in the UK. Higher level apprenticeships are one route that is successful at increasing social mobility and helps ensure that there are new progression opportunities and routes to the professions for new contours of learners.

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<sup>12</sup> [https://www.suttontrust.com/wp-content/uploads/2017/07/BCGSocial-Mobility-report-full-version\\_WEB\\_FINAL.pdf](https://www.suttontrust.com/wp-content/uploads/2017/07/BCGSocial-Mobility-report-full-version_WEB_FINAL.pdf)

## **Education Sector:**

In 2015 the Government announced a target to have 3 million people in apprenticeships by 2020. It is widely acknowledged that this target will not be met.

We believe there needs to be more awareness and a better communication campaign coordinated by Government and involving the education and business sectors to encourage more people to consider completing an apprenticeship.

We have come across many prospective young students who have no awareness of apprenticeships and have not been informed about this possible route by their secondary schools and colleges. We believe that schools should be encouraging apprenticeships as an alternative education route equal to university education. One way this could be achieved is by secondary schools being measured on how many school leavers start apprenticeships as they are for university education.

One example of an apprentice who highlights the lack of information on apprenticeship schemes at schools is Rosie Shepherd who is completing a finance apprenticeship with Fujitsu.

Rosie says:

*“As my first year at Sixth Form College was drawing to a close, university was heavily encouraged as the next step and nothing was discussed about apprenticeships.”*

Rosie goes on to say it was only after she spoke with her friend’s mum who is an accountant that she considered an accountancy apprenticeship.

Rosie was lucky she had a family friend who encouraged her to go down the apprenticeship route. However, many students do not have those networks that encourage them to explore other routes and we believe that schools have an important role in so doing.

We would also like to see the Universities and Colleges Admission Service (UCAS) speed up the implementation of their new system so apprenticeships appear on there for prospective students. The new UCAS system will enhance awareness of apprenticeships to school leavers.

## **Conclusion:**

We believe that the Apprenticeship Programme in England has been a welcomed and is helping both employers and apprentices alike. It helps:

- Apprentices seek new routes into professions;
- Apprentices get the opportunity to learn and gain skills employers need via both on the job training and tuition;
- Helps improve the upwards mobility of the apprentices career;
- Helps employers train both existing and new employees;
- Helps employers plug skills gaps they have in their own organisation and sector;
- Helps provide new routes into the professions.

However, we believe that improvements to the current programme need to be made to benefit employers, apprentices and the government's policy aims.

The first major change we would like to see is a change to open up the delivery of tuition and exams of apprenticeships so one organisation can do both. We believe professional bodies should be allowed to do this. Currently, universities can do this on degree apprenticeships, but they are the exception to the rule. If this was opened up to other recognised organisations, such as professional bodies, this would lead to a simplified contact system for both apprentices and employers, more apprenticeships being created and having more skilled employees in the UK market place.

The second major change we would like to see is the levy becoming an Apprenticeship and Skills Levy which allows employers to spent unspent levy funds after two years on training for its employees.

Our response has shown the need for higher level apprenticeships and the opportunities these offer to the professions and how they improve social mobility. We would not support any changes which see these apprenticeships being stopped or not getting funded through the levy.

Lastly, more needs to be done to promote and encourage apprenticeships as a route to both young people and those in the middle of their career as part of upskilling and increasing the productivity of the nation. There is a role here for everyone involved in the Apprenticeship Programme. Yet, we believe that the education sector in particular needs to do more to promote apprenticeships amongst students considering their further education options.

In conclusion, we are immensely supportive of apprenticeships and believe they have benefited the accountancy profession in helping to fill skills gaps, train a new cohort of finance professionals and offer new routes into the profession. We believe any changes to the Apprenticeship Programme need to be focused on improving the number of



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apprenticeship starts, increasing productivity, plugging skills gap and increasing social mobility.

Thank you for the opportunity to respond to this important inquiry.

Yours sincerely,

Andrew Harding  
**Chief Executive - Management Accounting**