

<b>Committee</b>	<b>Dated:</b>
Education Board	05/03/2020
<b>Subject:</b> Apprenticeship Levy Policy Update	<b>Public</b>
<b>Report of:</b> Director of Community and Children's Services	<b>For Information</b>
<b>Report author:</b> Daniel McGrady Lead Policy Officer (Education, Culture and Skills)	

### Summary

This report provides Members with the background and a summary of recent literature on the Apprenticeship Levy. This is brought to the Education Board noting their strategic remit over the Skills Strategy 2019-23 which commits to: ensuring that the City Corporation provides high quality apprenticeships; working with partners to achieve a diverse workforce; and fostering the City of London as a place of interconnectivity between industry, schools and businesses. Members are asked to note and discuss the report.

### Recommendation

Members are asked to note and discuss the report.

### Main Report

#### Background

1. The Apprenticeship Levy was introduced in the United Kingdom (UK) in April 2017<sup>1</sup>. It is an annual tax of 0.5% on an employers' annual pay bill and is collected monthly by HMRC. It applies to all employers with an annual pay bill of over £3m including businesses, charities, public sector bodies and schools and multi-academy trusts.
2. The levy funds paid by an employer are then made available to 'claim back' through the Digital Apprenticeship Service for the sole purpose of training apprentices within the organisation using an approved training and assessment provider. Levy-paying employers have 24-months to spend their levy funding on apprenticeships, receiving a 10% top-up from the UK Government. Any unspent levy is made available to other employers for the same purpose. The levy can be spent on training and assessment for apprentices only and cannot cover the cost of wages, travel, recruitment, licensing or any other business requirements for taking on apprentices.
3. The Apprenticeship Levy was introduced by the Government to increase the amount and improve the quality of apprenticeships in the UK as well as devolving the responsibility to employers for identifying and sourcing apprentices based on skill requirements.

#### Current position

4. This report provides Members with data and recent literature on the Apprenticeship Levy. The data and evaluation of the City of London's apprenticeship programme will be included in the annual report from the Adult

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<sup>1</sup> It was first announced in the [Chancellor's 2015 Budget Speech](#), was set out strategically in November 2015 in the [Government's consultation response](#) and became legislation in the [Part 6, Finance Act 2016](#).

Skills and Education Services (ASES) due to be submitted to the May 2020 meeting of the Education Board.

## **2018/19 Data**

### **5. Numbers, achievement and progress**

- According to statistics from the Department for Education (DfE), a total of 393,400 apprenticeship starts were reported for the 2018/19 Academic Year, a 4.7% increase from 2017/18 (375,800) but 22.8% lower than the number in 2015/16 (509,400) prior to the introduction of the Apprenticeship Levy<sup>2</sup>.
- Of the total number of apprenticeships starts, 56.9% were levy-supported starts.
- In 2018/19, there were more apprenticeships at Level 4 and less at Levels 2 and 3 showing a trend towards higher-level apprenticeships.
- There were slight increases in the number of apprenticeship-starts by people who are from a black, Asian or minority ethnic (BAME) group and people who have a learning disability than the previous year.
- In 2018/19, the number of achievements<sup>3</sup> and level of participation<sup>4</sup> showed a downward trend since before the introduction of the apprenticeship levy.
- There is an upward trend in the length of apprenticeships and number of off-the-job training hours. This has been attributed to the rise in higher-level apprenticeships which take longer and require more intense training. The average length of an apprenticeship was 611 days in 2018/19 compared with 498 days in 2015/16 and the number of training hours was 670 hours compared with 630.

### **6. Young starters and workforce entrants**

- The DfE statistics on KS4 leaver destinations<sup>5</sup> show a steady percentage of pupils entering apprenticeships over time (between 4-5%). There is no evidence to suggest that the Apprenticeship Levy has had an impact on pupils choosing apprenticeships as a progression route after Key Stages 4 and 5.
- In a recent briefing paper published by the House of Commons Library<sup>6</sup>, the data shows that the age profile of people starting apprenticeships changed between 2017/18 and 2018/19, with a lower proportion of starts from younger apprentices. Meanwhile the proportion of starts by apprentices aged 25 or over increased by 5% from the previous year.
- In November 2018, a DfE survey<sup>7</sup> of apprentices revealed that most apprenticeships (62%) go to existing employees rather than new labour market entrants.

### **7. Sector trends**

- In 2018/19, over half of apprenticeship starts were in Business Administration and Law (30%) and Health, Public Services and Care (25%). Engineering and

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<sup>2</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/848534/FE\\_and\\_Skills\\_commentary\\_November\\_2019.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/848534/FE_and_Skills_commentary_November_2019.pdf)

<sup>3</sup> Completion of an apprenticeship.

<sup>4</sup> Number of apprenticeships in a given year.

<sup>5</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/860135/Destinations\\_main\\_text\\_2020\\_REV.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/860135/Destinations_main_text_2020_REV.pdf)

<sup>6</sup> <https://researchbriefings.files.parliament.uk/documents/SN06113/SN06113.pdf>

<sup>7</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/808273/BRA\\_NDED-Learners\\_and\\_Apprentices\\_Survey\\_2018\\_-\\_Main\\_Report\\_-\\_14\\_May\\_2019\\_-\\_Clean.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/808273/BRA_NDED-Learners_and_Apprentices_Survey_2018_-_Main_Report_-_14_May_2019_-_Clean.pdf)

Manufacturing Technologies and Retail and Commercial Enterprise were also popular sectors.

- There are very few apprenticeship starts in the Arts, Media and Publishing and the Science and Mathematics sectors. This is disconnected with the aspirations of young people reflected in a recent report from Education and Employers<sup>8</sup> showing that the Arts, Culture, Entertainment and the Sport and Legal, Professional, Scientific and Technical sectors were the top preferences for young people across the world. Similarly, pupils across London surveyed at the London Careers Festival<sup>9</sup> chose Arts and Communications and Science, Technology and Engineering among their top preferred sectors.

### **Other reports on opportunities and challenges**

#### **8. Reported Opportunities arising from the Apprenticeship Levy**

- On the two-year anniversary of the Levy, the then Minister for Apprenticeships and Skills (The Rt Hon Anne Milton) published a statement<sup>10</sup> which highlighted the following benefits of the Apprenticeship Levy:
  - There is more funding than ever before for apprenticeship training;
  - There is flexibility in the system for employers to transfer their Levy funds to other organisations, helping smaller businesses;
  - The introduction of the National Apprenticeship Service offers support to businesses and apprentices.
- Additionally, London Councils identified that enabling employers to recruit apprentices based on their identified skills gaps and the scope to develop Training Standards in their sectors are key opportunity areas<sup>11</sup>.

#### **9. Reported Challenges arising from the Apprenticeship Levy**

- The number of apprenticeship starts is reducing over time. The National Audit Office reported<sup>12</sup> that in 2017/18, only 9% of available Levy-funding was drawn down from employers to fund apprenticeship training in their organisations.
- The quality of apprenticeship training is dependent on the quality of the training provider. According to Ofsted's annual report<sup>13</sup>, as at 31 August 2019, 22% of apprenticeship providers that had received a 'new apprenticeship provider monitoring visit' were judged to have made inadequate progress in at least one area.
- The results of an employer survey published by CIPD in a July 2019<sup>14</sup> revealed that over a third (36%) of employers had used the Levy to upskill their existing workforce, over a fifth (22%) stated that they had used it on training that would have happened anyway, 15% stated that it had been used to accredit skills that existing employees already have and 14% reported that it had directed funds away from other, more appropriate forms of training.

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<sup>8</sup> <https://www.educationandemployers.org/wp-content/uploads/2020/01/Disconnected-Career-aspirations-and-jobs-in-the-UK-1.pdf>

<sup>9</sup> <http://democracy.cityoflondon.gov.uk/documents/s121222/Appendix%201%20-%20London%20Careers%20Festival%20Evaluation%20Report.pdf>

<sup>10</sup> <https://www.gov.uk/government/news/key-facts-you-should-know-about-the-apprenticeship-levy>

<sup>11</sup> <https://www.londoncouncils.gov.uk/apprenticeship-levy>

<sup>12</sup> <https://www.nao.org.uk/wp-content/uploads/2019/03/The-apprenticeships-programme-Summary.pdf>

<sup>13</sup> <https://www.gov.uk/government/publications/further-education-and-skills-inspections-and-outcomes-as-at-31-august-2019/further-education-and-skills-inspections-and-outcomes-as-at-31-august-2019-main-findings>

<sup>14</sup> [https://www.cipd.co.uk/Images/addressing-employer-underinvestment-in-training\\_tcm18-61265.pdf](https://www.cipd.co.uk/Images/addressing-employer-underinvestment-in-training_tcm18-61265.pdf)

- The CIPD report also highlighted the widely reported ‘rebadging’ of existing graduate schemes and the use of the Levy for generic leadership and management training. The employer survey revealed that more than a third were looking to use their levy pot in this way and the Team Leader/Supervisor had the most starts of any standard for 2017/18. This approach taken by employers could limit the access to apprenticeships for lower-skilled and younger people entering the workforce.

### **Strategic considerations**

10. Members of the Education Board have a strategic interest in the Apprenticeship Levy due to its influence over the outcomes in the Skills Strategy. In particular, Members may want to consider this update as it relates to:

- Strategic and partnership work with businesses and employers in the City of London and beyond
- Progression routes and pathways for pupils in the City of London Family of Schools
- Education Board-funded work-related learning and careers events, e.g. London Careers Festival
- The City Corporation’s provision of levy and non-levy funded apprenticeships
- The advocacy of fusion skills across lifelong learning

### **Conclusion**

This report provides Members with the background and a summary of recent literature on the Apprenticeship Levy noting the Education Board’s strategic remit over the Skills Strategy 2019-23.

### **Appendices**

No appendices.

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