



Apprenticeship Delivery by London Boroughs 2017-18 and Recent Reforms to the Apprenticeship Levy

This briefing provides an update on the delivery of apprenticeships by London boroughs in 2017-18 following an annual data collection exercise. The data shows there has been a 26% increase in the total number of apprenticeship starts delivered by boroughs compared to last year. The total number of apprenticeships generated by boroughs, their contractors and Apprenticeship Training Agencies (ATAs) since 2009 now stands at 13,455. It also outlines changes to the apprenticeship levy recently announced by the government.

Analysis

Every year, London Councils collects data from all London boroughs on:

- The number of apprentices directly recruited by boroughs.
- The number of apprentices recruited by contractors that deliver services on behalf of a borough.
- The number of apprentices placed with ATAs where boroughs pay the salary and provide the placements for, but do not employ the apprentice.

London Councils also requests data from boroughs on the age and level of each apprentice and the number of apprentices in each category who were previously NEET (not in employment, education or training).

This year London Councils has also gathered information on how boroughs are performing against the public sector apprenticeship target and delivery of apprenticeships in schools following the introduction of the Apprenticeship Levy in April 2017.

The Apprenticeship Levy applies to all companies with a payroll of above £3 million, equivalent to 0.5 per cent of their pay bill above this figure. Public sector organisations also have a target to deliver apprenticeship starts equivalent to 2.3 per cent of their total headcount

The total number of apprenticeships created by boroughs has continued to rise each year since 2010-2011, as shown in Figure 1. This year's increase is driven by an 81 per cent increase in the number of apprenticeships created directly within London boroughs. There was a 13 per cent drop in apprenticeships created within the supply chain, following a 26 per cent increase the year before. But only eight boroughs were able to report on this. ATA recruitment has fallen again this year as less boroughs use this method of recruitment.

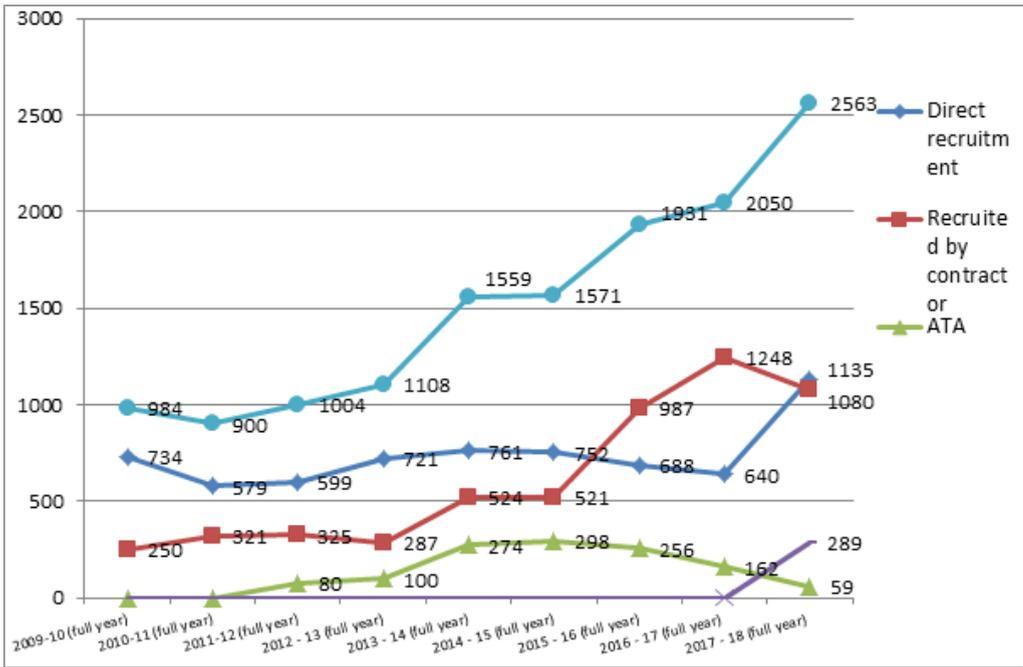


Figure one: Number of apprentices recruited by boroughs, contractors and ATAs since 2009-10, with schools included for 2017-18

Most boroughs provided a comprehensive breakdown on age of the apprentices recruited. This year the age profile of borough apprentices largely mirrors the national picture, whereas in previous years the age profile of apprentices was significantly lower than national averages. London boroughs have embraced apprenticeships for all ages, with a 345 per cent increase in over-24s compared to last year.

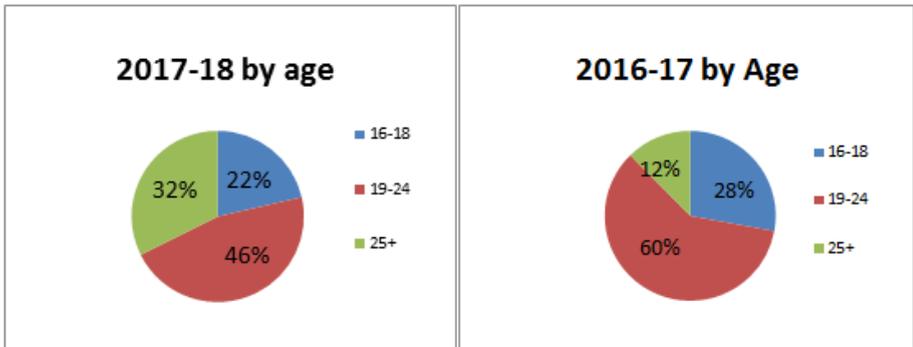


Figure two: Age of apprentices recruited by boroughs, their contractors, ATAs and schools (2016-17 & 2017-18)

Two-thirds of boroughs reported on the level of study for their apprentices. The vast majority are recruited to Level 2 and 3 - 42 per cent of apprentices at level 2 and 45 per cent at level 3. 10 per cent of apprentices were recruited at levels 4 & 5, with just 3 per cent offered at a higher level. Whilst there has been some shift towards apprenticeships at level 4 and above, London boroughs remain below the national average.

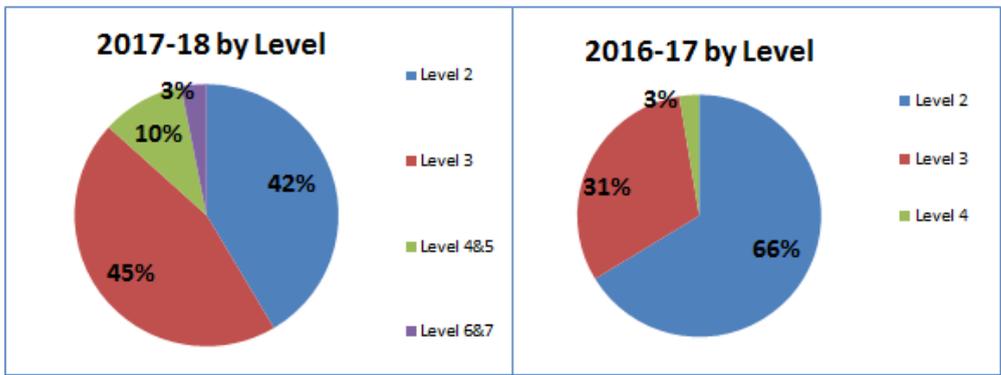


Figure three: Level of qualification studied by each apprentice recruited by boroughs, their contractors, ATAs and schools (2016-17 & 2017-18)

There has been a noticeable decline in the number of apprentices reported as previously NEET (not in employment, education or training) by borough, a continuing trend since 2013-14.

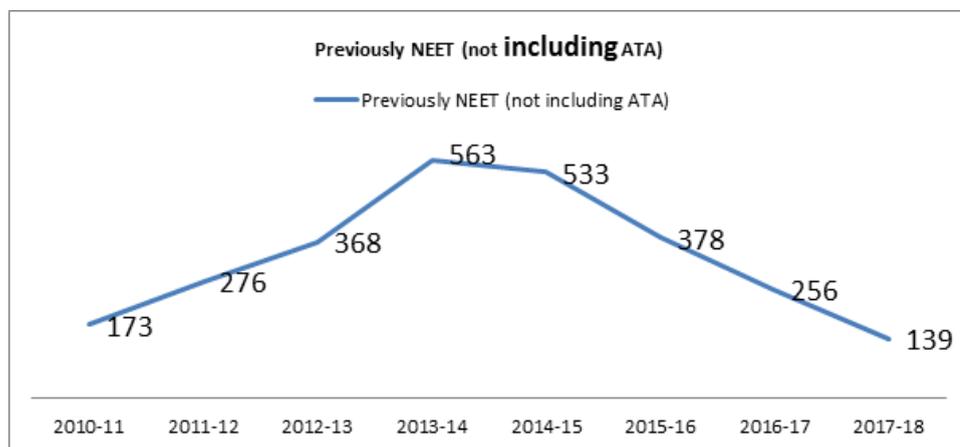


Figure four: Number of apprentices recruited directly by boroughs and by their contractors that were previously NEET (2010-11 – 2017-18)

There is significant variation in the number of apprentices recruited by each borough, which can be due to a number of different factors including the maturity of a borough's apprenticeship programme, planning and delivery structures, demand for apprenticeships within the organisation, the ability to recruit appropriate apprentices, ability to source appropriate training and levels of engagement with suppliers, local employers and within the organisation.

Four boroughs were able to meet or exceed the 2.3 per cent public sector apprenticeship target in 2017-18. But for the majority of boroughs, the target is currently unrealistic. Despite the 56 per cent increase in directly recruited apprentices, collectively London boroughs would have needed to create an additional 1667 apprenticeships to achieve this target.

Commentary

While the impact of the apprenticeship levy has resulted in a 28 per cent drop in apprenticeship starts across England¹, London boroughs have bucked this trend - increasing the total number of apprenticeships created through their efforts by 26 per cent, creating just over 2,500 direct apprenticeship opportunities in 2016-17. This shows that London boroughs value apprenticeships and their drive to create opportunities locally, 13,455 since 2009.

The large increase in apprenticeships created directly within London boroughs reflects the focus of levy payers on spending their corporate levy pot before the 24 month point when funds are withdrawn.

Although there was a 13.5 per cent decrease in the number of apprentices recruited in the supply chain, London Councils believe this area remains under-reported and does not accurately represent the opportunities created by boroughs through relationships with their contractors. It may also reflect a greater focus on and resource for generating direct apprenticeships among boroughs, in order to maximise the use of the levy. It will be important to capture as much of this activity as possible to demonstrate the reach London boroughs have in creating opportunities for local residents.

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London Councils welcomes last week's announcement from the Chancellor to raise the cap on the amount of levy employers can transfer to their supply chain from 10% to 25%. Not only will this enable boroughs to support workforce development across their contractors and commissioned services, it will also enable other employers in key sectors with large supply chains to create more apprenticeships.

Although only 3% of apprenticeships created by boroughs were of a higher level, London Councils expects this to grow as relevant apprenticeship standards become available for delivery such as Social Worker, Chartered Town Planner and Youth Worker.

This is the first year that London boroughs have been working towards the public sector target and London Councils estimates that an additional 1667 opportunities would have needed to be created to collectively meet the target. This is an unrealistic target that will be hard to sustain and which was only achieved by four boroughs in 2017-18.

In addition to the increase in the levy transfer cap, the government also announced:

- A further £5 million for the Institute for Apprenticeships (IFA) to introduce new standards and updating existing ones so that more courses can be offered.
- That all new apprenticeships will be on the same higher-quality standards by the start of the 2020/21 academic year, discontinuing frameworks by 2020.
- It will shortly set out a process to seek views on the operation of the levy after 2020.

These reforms and announcements are positive. The development of new apprenticeship standards has been too slow, so additional resource for the IFA to increase their development is welcome. The process and timescale for developing new for standards should also be shortened.

London Councils has been lobbying the government for a review of the apprenticeship levy and its operation in London. London Councils will be working with the GLA, Sub-Regional Partnerships and business representative organisations such as London First and the LCCI to develop a common set of proposals from London government and business to reform the levy and shape the government's review of the levy's operation.

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¹ DfE monthly statistical release October 2018

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Portfolio holders and those members who requested policy briefings in the following categories: Economic Development