



Apprenticeship Pay and Levy Survey

This briefing alerts members to the findings of a survey of London boroughs on apprenticeship pay and the apprenticeship levy. The findings of the survey are being used to support lobbying work to improve the way the apprenticeship levy works to support successful apprenticeships in London.

Overview

In October 2020, London Councils surveyed London's boroughs on apprenticeship pay and levy spend. We received a 100 per cent response rate to both surveys. The pay survey shows that apprenticeship pay levels have risen year-on-year since we first surveyed boroughs in 2016 and the majority of boroughs now pay the London Living Wage to all apprentices. The levy survey shows that boroughs have doubled their spending of the apprenticeship levy from last year's survey, but there are still barriers in the system preventing them from making full use of the levy.

Background

The aim of the apprenticeship levy survey is to collect data on the amount of levy spent by boroughs, and to better understand the barriers to them spending this levy. Various inflexibilities in the system are preventing employers from making use of their levy. We continue to lobby on this issue, and data highlighting the underspend from boroughs is very useful in helping us present our case for reform.

This is the second year we have asked boroughs about their apprenticeship levy and how much of this they have managed to spend. Respondents were asked two questions about their use of the levy between April 2018 and March 2020: How much levy was available to them; and how much was spent during that time period? The period of two years was chosen as this is how long employers can use their levy funds before they expire and are returned to government.

London Councils first surveyed boroughs on the rates they pay apprentices in 2016. The key purpose of the pay survey is to provide a resource for boroughs to benchmark their pay against others. Boroughs were asked to state their pay rates for apprentices at Level 2, Level 3 and for Level 4+.

Both surveys were carried out in October 2020. A total of 32 boroughs and the City of London responded, a response rate of 100 percent.

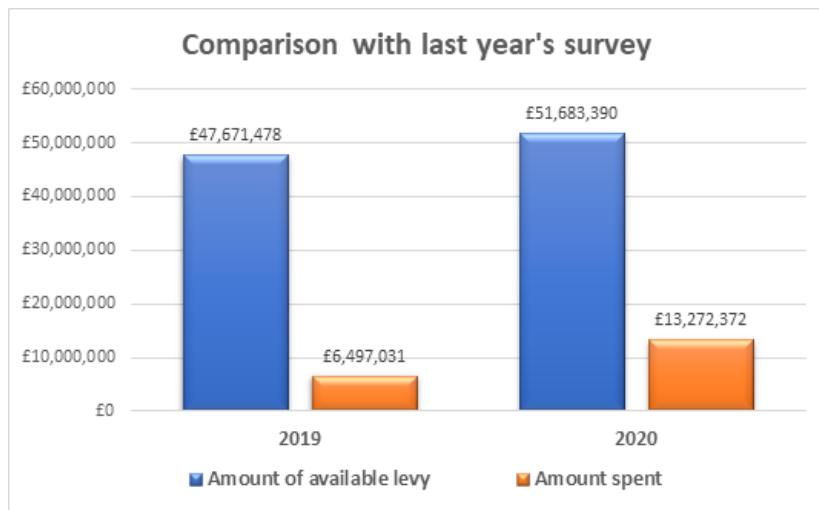
Apprenticeship levy survey

The results show that there is a significant underspend of the apprenticeship levy across all London boroughs. A total of £51,683,390 in levy funds was available to boroughs in between April 2018 and March 2020, of which £13,272,372 was spent. With the exception of

two boroughs, these figures include local authority and maintained schools.

On average, London boroughs spent 26 per cent of the total levy funds available to them between April 2018 and March 2020. The median figure was 24 per cent. The borough that spent the highest percentage of levy funds available to them spent 61 per cent, while the borough spending the lowest percentage spent 8 per cent.

In last year's survey – which covered the period of April 2017–March 2019 – boroughs reported spending £6,497,031 in total, representing 13.6 per cent of the total amount available. So this year boroughs have doubled their spending of the apprenticeship levy.



This year, five boroughs spent more than 50 per cent of the levy funds available, compared to none the previous year. And 16 boroughs spent more than 25 per cent of funds, compared to seven last year. Just two boroughs spent less than 10 per cent, compared to 14 boroughs last year.

The data received for both surveys is set out in anonymised tables in the Appendices.

Apprenticeship pay survey

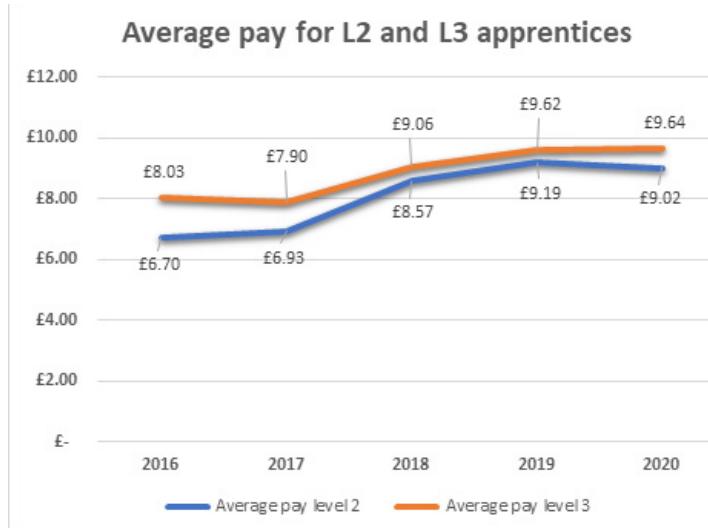
The survey responses show that apprenticeship pay varies considerably across London boroughs. For Level 2 apprenticeships, the hourly rate ranges from £4.30 to £12.29. The average is £9.02 and the median is £10.75. Level 3 pay ranges from £5.95 to £12.29. The average is £9.64 and the median is £10.75.

For higher level apprenticeships, the hourly rate ranges from £8.72 to £15.24. However, most boroughs have varying rates of pay for higher level apprenticeships. Where a single rate of pay is listed, this should be seen as a minimum. Seven boroughs stated that their rate of pay increased after six or 12 months. Eight boroughs did not provide any data at all for higher levels, stating that pay levels varied depending on the job specification.

The average pay for entrants at Level 2 has actually fallen slightly from the previous year. However, this can be explained by variations in reporting, as in previous years more boroughs provided ranges of pay at Level 2 and 3 rather than minimum pay, which had the effect of increasing the average amount. The overall trend since 2016 is an increase in average pay at all levels.

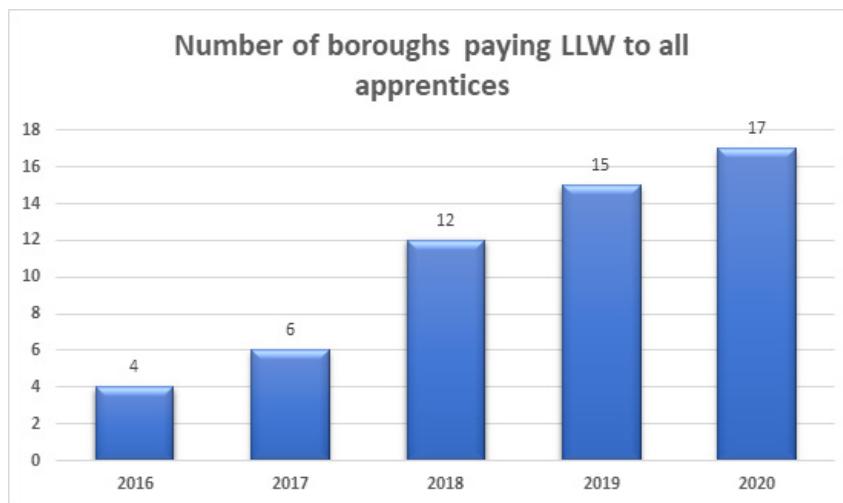
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Nineteen boroughs pay the full National Minimum Wage (£8.72) or above for all apprenticeships (58 per cent of respondents). Seventeen boroughs pay the London Living Wage (£10.75) or above for all apprenticeships (52 per cent of respondents).

The number of respondents paying the London Living Wage or above to all apprentices has increased from 15 in 2019 (45 per cent) to 17 (52 per cent). This has increased year-on-year; in 2016 just four boroughs (18 per cent) paid the London Living Wage.



Commentary

The apprenticeship pay survey demonstrates a clear trend of boroughs increasing rates of pay for apprentices since we first carried out the survey in 2016. The fact that more than 50 per cent of boroughs now pay the London Living Wage to all apprentices is particularly welcome.

The apprenticeship levy survey presents a more mixed picture. There has been clear progress among boroughs in spending the levy and this should be celebrated. Despite this progress, boroughs are still returning more than £38 million in unspent levy funds every two years to the government, representing 74 per cent of the total amount available to them. This is a sizeable amount which should be being used to aid London's recovery and reduce unemployment by generating more apprenticeships. It is also worth highlighting that these figures are from a period before the pandemic; it is likely that boroughs have spent less of their levy this year.

Unfortunately, flaws in the design of the apprenticeship system are preventing boroughs from doing this. One of the major barriers to employers making full use of the apprenticeship levy has been the lack of flexibility in how the levy can be spent. At present the levy can be used to fund training costs for apprentices, but the employer must bear the costs of the apprentice's wages, as well as having to dedicate resources to administration, recruitment and management.

Local authorities are under considerable financial pressure, and therefore it has been difficult to fund salaries for new apprentices or release existing staff for 20 per cent of worktime spent in training. The administration and management required for taking on apprentices is time-consuming and labour intensive. The negative impact of the Covid-19 pandemic on London borough finances is likely to increase this barrier to spending the levy.

The government announced further reforms of the apprenticeship system as part of the Spending Review on 25 October, including a new system for bulk transferring unspent levy funds; an online service to match levy payers with SMEs; supporting apprenticeships in industries with more flexible working patterns; and extending the incentive payments of £1,500 or £2,000 for hiring a new apprentice until 31 March 2021.

Although these measures are welcome, they are unlikely to have the transformative impact on the apprenticeship system that is needed.

London Councils has previously lobbied central government to introduce greater flexibilities to the apprenticeship levy. We will undertake further lobbying that highlights how better use of the levy can contribute to London's economic recovery. These flexibilities include:

- Allowing for pooling and joint purchasing of transferred apprenticeships
- Allowing some levy funding to be used for pre-employment training to get people ready for an apprenticeship
- Allowing up to 10 per cent of levy funding to cover administration costs
- Working with employers and providers to explore ways to increase the number of more flexible or part time apprenticeships.

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This member briefing has been circulated to:

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

Appendix 1 - Apprentice pay levels in London boroughs, October 2020

How much are L2 apprentices paid per hour?	How much are L3 apprentices paid per hour?	How much are higher level apprentices paid per hour?	Additional Comments
£4.30	£7.52	Various	L2 and 3 uplifted to NMW after 12 months
£5.10	£6.90	No set rate	L2 and 3 increase after 6 and 9 months
£5.30	£6.70	Various	L2 and L3 rise after first year. L4-7 range from £8.10 to £13.03.
£5.37	£6.70	£10.78	L3 increases in years 2 and 3. Level 7 paid £13.07
£5.95	£5.95	Various	
£6	£9.30	£10.75	L2 rises to NMW after probation, L3 to LLW
£6	£8.72	£12.25	
£6	£6	Various	L2 and 3 uplifted to NMW after 12 months
£6.09	£8.54	£15.24	No L2 learners at present, so baseline grading hasn't been updated
£8.20	£8.72	Various	L4/5 £10.75 L6 £13.03
£8.60	£9	£9.60	
£8.72	£8.72	£8.72	Level 5 and above has not been delivered
£8.72	£8.72	£10.75	
£10.75	£10.75	£10.75	Pay rates start at LLW for L4 and 102.5% of LLW for L5. Increases at 6 and 12 months.
£10.75	£10.75	£10.75	All new starters paid at LLW
£10.75	£10.75	£10.75	
£10.75	£10.75	£10.75	
£10.75	£10.75	£10.75	All paid LLW
£10.75	£10.75	£10.75	
£10.75	£10.75	£10.75	
£10.75	£10.75	£12.18	L4 £12.18-£13.32. Above L4 gets evaluated by HR.
£10.75	£10.75	£10.75 or higher	
£10.75	£10.75	N/A	
£10.75	£10.75	Various	
£10.75	£11.98	Various	L4 £12.87 L5 and above - various
£10.78	£10.99	Various	
£10.84	£10.84	Various	L5 and above start on £14.14
£11.52	£11.52	Various	
£11.86	£11.86	£12.29	Higher levels rising to £14.69
£12.29	£12.29	£12.97	
Various	Various	Various	
Various	Various	Various	Pay dependent on age rather than level

Appendix 2 - Apprenticeship levy spend by London's boroughs

April 2018 - March 2020

Apprenticeship levy available	Apprenticeship levy spent	Per centage of levy spent
£318,102	£26,788	8%
£1,696,961	£149,655	9%
£3,613,234	£377,032	10%
£2,561,102	£296,935	12%
£1,236,074	£156,451	13%
£2,324,994	£303,270	13%
£1,295,162	£169,313	13%
£1,240,701	£177,950	14%
£998,050	£160,800	16%
£1,741,441	£297,426	17%
£1,966,096	£357,455	18%
£1,602,704	£329,139	21%
£1,478,598	£309,954	21%
£1,525,956	£330,587	22%
£2,413,057	£533,710	22%
£538,029	£127,098	24%
£1,065,764	£262,046	25%
£2,299,129	£570,978	25%
£2,852,622	£717,404	25%
£1,999,623	£515,082	26%
£1,950,610	£529,694	27%
£1,756,654	£485,281	28%
£2,324,026	£653,502	28%
£512,812	£193,613	38%
£1,333,365	£504,660	38%
£1,092,242	£447,100	41%
£2,419,138	£1,143,391	47%
£1,006,968	£531,104	53%
£1,064,710	£591,380	56%
£1,278,447	£716,189	56%
£1,425,534	£845,383	59%
£751,486	£462,000	61%