

**Business Overview and Scrutiny Committee**  
**Thursday, 23 January 2020**

<b>REPORT TITLE:</b>	<b>IMPACT OF APPRENTICESHIP LEVY</b>
<b>REPORT OF:</b>	<b>DIRECTOR FOR CHILDREN'S SERVICES</b>

**REPORT SUMMARY**

This report was produced at the request of the Business Overview and Scrutiny Committee to respond to the following questions:

- Businesses which are paying the apprenticeship levy but which were not actually taking on any apprentices,
- How this impacted on adult learning opportunities.

While the request was to provide information on local businesses eligible for paying the levy but not taking on apprentices, there is no information available regarding specific Wirral businesses. Council officers do not have access to individual businesses digital account system, the portal by which employers pay for apprenticeship training. The Government has not published any reports on individual business use of the levy. However, in this report will highlight the impact the apprenticeship reforms have had on local and Liverpool City Region (LCR) apprenticeship numbers.

Locally and across the LCR there has not been any identified negative impact or displacement of adult learning opportunities. The Council's Lifelong Learning Services, funded by the Combined Authority using Adult Education Budget (AEB) funding, has delivered 1,046 course enrolments between September and November 2019 which is in line with planned delivery. Wirral Met College are similar with all AEB funding being committed for this academic year.

This matter affects all Wards within the Borough.

**RECOMMENDATION/S**

- 1) That the Committee note the report; and
- 2) Committee supports further close working with employers, Wirral Met College, other local training providers and the LCR Combined Authority with an agreed objective to increase uptake of apprenticeships and maximise use of the apprenticeship levy.

## SUPPORTING INFORMATION

### 1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 Some of the changes impacting on level of apprenticeships on offer could be attributed to the change over from Apprenticeship Frameworks to Standards which has seen some Intermediate Level Apprenticeships (entry level 2) disappear in some sectors as well as the growth and development of Higher Level Apprenticeships.
- 1.2 Feedback from local and LCR employers suggests that firms are using apprenticeship funding to substitute for previously planned workforce development choosing to invest in existing skilled staff rather than train lower skilled workers or new recruits. Non-levy firms are also investing in higher level, often University provided, qualifications for existing staff that are now much more affordable owing to the 5% employer contribution. Many qualification standards have been developed at higher levels to support this. This is in the financial interests of each firm, but the impact on Wirral residents is to further constrain the number of people with level 2 and 3 qualifications.
- 1.3 Non-Levy employers purchase apprenticeship training through a co-investment scheme with employers making a 5% contribution. Anecdotal feedback from some non-levy paying employers across Wirral is that firms have not taken on apprentices due to rise in cost of training, the introduction of 20 percent “off the job” time and apprentices not being “employment ready”.
- 1.4 There are also willing employers, training providers and apprentices ready to start apprenticeships, but no funding to do so.
  - This is because demand for apprenticeships from non-levied firms outstrips the available funds.
  - There is consistent feedback from colleges and independent training providers that this is acting as a brake on apprenticeship starts locally. Some have already spent their allocation for 2019/2020.
  - This is exacerbated because much of the demand for non-levy provision is from SMEs in construction and engineering which are high cost courses to deliver.
  - The Combined Authority has been mitigating the full impact of this through helping companies to transfer uncommitted levy funding, with over £400,000 funding transferred to date, supporting the training of 104 apprentices.
- 1.5 This has impacted on the amount of apprenticeship starts across the borough and are reflected in the above figures. It is important to note that this is a national issue and is impacting equally on Wirral.
- 1.6 Some of our foundational sectors who struggle to recruit are not able to offer apprenticeships. Firms with small margins, fixed value public sector contracts, and a high proportion of labour costs cannot afford to pay 100% of salaries for 80% labour (due to the requirement for 20% off the job training time) so are offering fewer apprenticeships than previously.
- 1.7 Some of our high productivity and emerging sectors are unable to offer apprenticeships. Firms with structurally high staff turnover due to contract lengths – such as construction, engineering, and the creative industries – continue to struggle to

offer more apprenticeships because they cannot commit to the length of course required.

- 1.8 The cumulative effect of these four factors is a 35% reduction in the number of apprenticeships starts across the LCR from 2016/17 to 2017/18. This is compared with a 24% fall nationally in the same period (see appendix 1). In 2018/19 Wirral continued the trend with a further reduction of 9% across apprenticeship starts for all age groups. The biggest reduction in 2018/19 Wirral resident apprenticeship starts has been in the under 19 age group (-27%).
- 1.9 The LCR Combined Authority is aware of the issues being faced and is implementing the following actions:
  - Raising the awareness of Be More, the apprentice application portal with young people.
  - Investing £4m in a Skills and Apprenticeship brokerage service to help facilitate transfers of funding from levy payers to non-levy payers, and to support firms to identify the right courses and providers to suit their current and future staff needs. Since Spring 2019, over £0.500m has been transferred to support 104 apprentice starts with an aim to double that by the end of the year.
  - Supporting the creation of standards in key sectors across the Liverpool City Region, the Combined Authority have provided £2m funding for the creation of a maritime skills standard and are looking at opportunities to support social care standards.
- 1.10 In addition, LCR local councils have been working with the LCR Combined Authority to collaborate on driving up the number of apprenticeship starts. This has included joint procurement, development of cohorts of learners and sharing effective practice. This has had a beneficial impact, with the number of starts almost doubling in 12 months. This joint work will be continued through the Skills and Apprenticeship Hub and widened to include other public sector organisations such as the NHS and Merseyside Police.
- 1.11 The implementation of these actions will mitigate the impact of the introduction of the reforms, but the system needs to be changed to better reflect the needs of employers and learners locally. Discussions are continuing with Government to ensure that any potential changes to apprenticeship funding will help to address the position locally.
- 1.12 These changes and potential solutions could include:
  - Dampening the growth in higher and degree apprenticeships for older workers. Requiring employers to pay some of the costs of apprenticeships at level 4 and above for workers aged 25 and over from outside their levy funds. This is not to say there is no value in this training, but we would not want to see young people and SMEs lose out due to funding being sucked up by higher-level apprenticeships for older workers.
  - Create a more flexible skills levy which allows employers to invest in other forms of high-quality training, not limiting this to apprenticeships, in return for larger contributions.
  - Given employers are more likely to invest in training higher skilled workers, government could also consider wider measures to ensure training is more evenly

distributed, so that young workers and those with lower levels of qualifications will not lose out, and the system will focus both on boosting productivity and on delivering social justice.

## **2.0 OTHER OPTIONS CONSIDERED**

2.1 There were no further options considered as part of the report. This report is for information only.

## **3.0 BACKGROUND INFORMATION**

3.1 In 2017, the government introduced the apprenticeship levy with an aim to boost employer investment in skills and deliver a national target of 3 million apprenticeships by 2020. This target looks likely to be missed and there are issues around how much money is left in the budget to fund additional apprenticeships.

3.2 The number of apprenticeships starts fell sharply following the levy's introduction. There has been a recovery but starts remain a fifth lower than pre-levy levels nationally. At the same time the levy is set to be over-spent next year by £1 billion.

3.3 At first glance, this is paradoxical, but two factors help to resolve these apparently contradictory trends.

3.4 First, apprenticeship standards – which were introduced at the same time as the levy with the aim of ensuring high-quality training – are more costly than anticipated.

3.5 Second, there has been a rapid growth in higher and degree apprenticeships, which tend to be more expensive. Over the past two years, while total apprenticeship numbers fell, starts at levels four and five doubled, and degree apprenticeships (levels six and seven) increased too.

3.6 This increase in demand has been driven by large employers seeking to get the most out of the levy, with most upskilling existing workers and those aged over 25, rather than young people starting their careers.

3.7 The levy was designed on the assumption that unspent funds would be used to fund apprenticeships at Small and Medium Employers (SME's). Research from the Learning and Work Institute (Nov 2019) shows that levy-paying employers are using about 80 per cent of the funding – higher than the 60 to 70 per cent the government had anticipated. Less money is therefore left by levy-payers meaning less funding for SMEs.

## **4.0 FINANCIAL IMPLICATIONS**

4.1 There are no financial implications arising from this report.

## **5.0 LEGAL IMPLICATIONS**

5.1 There are no legal implications arising from this report.

## 6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

6.1 There are no resource implications arising from this report.

## 7.0 ENVIRONMENT AND CLIMATE CHANGE IMPLICATIONS

7.1 Increasing engagement of young people and adults in apprenticeships positively increases their level of education, knowledge and skills. This will better enable their understanding of climate change, encourage challenge and lead to innovation and more sustainable practices.

## 8.0 RELEVANT RISKS

8.1 As stated earlier in this report there is a risk that businesses maximise use of their apprenticeship levy to upskill existing staff which may reduce the amount of apprenticeship funding available nationally for small to medium sized enterprises locally. LCR training providers with 2019/20 Education Skills Funding Agency contracts to deliver apprenticeships for SMEs are indicating their concerns.

## 9.0 ENGAGEMENT/CONSULTATION

9.1 Council officers continue to engage with Wirral employers, Wirral Met College, training providers and the LCR Combined Authority to ensure that concerns are addressed and where possible solutions to barriers can be found.

## 10.0 EQUALITY IMPLICATIONS

10.1 Equality and Diversity implications have considered as part of the appraisal process in accordance with the LCR Combined Authorities Investment Strategy. An equality Impact Assessment has been produced as part of the implementation of the Skills and Apprenticeship Hub and necessary actions identified for implementation.

<https://www.wirral.gov.uk/communities-and-neighbourhoods/equality-impact-assessments/equality-impact-assessments-2017-1>

## 10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 This report will have no impact on emissions of CO2.

**REPORT AUTHOR:** *Paul Smith*  
*Head of Service, Learning, Skills and Employment*  
telephone: (0151) 666 5254  
email: [paulsmith@wirral.gov.uk](mailto:paulsmith@wirral.gov.uk)

## BACKGROUND PAPERS SUBJECT HISTORY (last 3 years)

Council Meeting	Date

## APPENDICES

### Appendix 1. Summary of Apprenticeship Participation

- 1.1 The Government introduced a series of reforms to apprenticeships in 2017 including: requiring all large employers to pay an apprentice levy, which could then be used for apprentice training; strengthening the requirement for apprentices to spend 20% of their time in off the job training; lowering the employer contribution for non-levy firms; and moving from qualification frameworks to sector determined standards. This year, Government also reduced the amount of funding available to providers for non-levied employers.
- 1.2 The introduction of these reforms has seen apprenticeship starts fall in Wirral compared with pre-levy figures as shown in the tables below. This is also reflected across the Liverpool City Region and nationally. There is also concern over the way in which the Levy is being used with Levy paying employers choosing to spend the majority of the Levy on higher level apprenticeships to upskill current workforce which has seen a rise in management qualifications being delivered. This has meant there has been a shift from Level 2 apprenticeships to Higher and Degree Apprenticeships at Level 4+.

#### Apprenticeship Starts (All Ages) by Local Authority across Liverpool City Region 2016/17 to 2018/19

Local Authority	2016/17 Starts	2017/18 Starts	2018/19 Starts
Halton	1,440	1,030	1,090
Knowsley	2,210	1,360	1,430
Liverpool	5,320	3,430	3,490
Sefton	3,350	2,100	2,060
St Helens	2,310	1,540	1,590
Wirral	4,030	2,770	2,530
<b>Total</b>	<b>18,660</b>	<b>12,230</b>	<b>12,190</b>

Source: Department for Education

Notes: <https://www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships>

- 1.3 Between 2016/17 and 2017/18, Wirral had 1,260, less starts (down from 4,030 to 2,770) which was comparable with our statistical neighbour Sefton.
- 1.4 In 2018/19 there was a further decrease in the amount of starts for this period across the LCR and this was markedly below 2016/17 numbers. Figures for Wirral may show a decrease in number of starts from 2017/18. This may be as a result of the impact of the reforms on SME's given that Wirral is largely made up of Small and Medium employers.
- 1.5 Overall some 6,430 less people started an apprenticeship across the LCR in 2017/18 than during the same period in 2016/17.

## Apprenticeship Starts by Level across the Liverpool City Region 2016/17 to 2017/18

Local Authority	Intermediate		Advanced		Higher	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
Halton	720	380	610	520	110	140
Knowsley	1,130	640	900	550	170	180
Liverpool	2,800	1,570	2,070	1,410	450	450
Sefton	1,640	910	1,350	910	360	330
St Helens	1,150	620	940	690	220	230
Wirral	2,110	1,180	1,600	1,190	320	400
<b>Total</b>	<b>9,550</b>	<b>5,300</b>	<b>7,470</b>	<b>5,270</b>	<b>1,630</b>	<b>1,730</b>

Source: Department for Education

Notes: <https://www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships>

## 2018/19 Apprenticeship starts by Level across the City Region

Local Authority	Intermediate	Advanced	Higher
Halton	390	490	210
Knowsley	610	600	230
Liverpool	1390	1470	630
Sefton	670	970	420
St Helens	630	660	300
Wirral	870	1160	490
<b>Total</b>	<b>4,560</b>	<b>5,350</b>	<b>2,280</b>

Source: Department for Education

Notes: <https://www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships>

- 1.6 While most recent 2018/19 figures for Higher Level apprenticeships show an increase for Wirral, Intermediate Level's are likely to see a decrease. As this is often the entry point for apprenticeships, especially for young people, there is a danger that apprenticeships will not always be an accessible entry point for young people. This is consistent with other authorities across the City Region with total figures revealing that there has been a steady increase in Higher Apprenticeship numbers in the last 3 years and a sharp decrease in Intermediate starts in the same time period.
- 1.7 It could be argued that the increase in higher level apprenticeships is part of the drive to improve quality over quantity as apprenticeships have long been seeking parity with academic programmes and aims to ensure training is in line with producing highly qualified and skilled employers upon completion.

## Apprenticeship Starts by Age across the Liverpool City Region 2016/17 to 2017/18

Local Authority	Under 19		19-24		25+	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
Halton	330	260	380	260	740	520
Knowsley	480	380	580	350	1,150	630
Liverpool	1,010	820	1,330	880	2,970	1,730
Sefton	660	590	870	590	1,820	920
St Helens	460	450	650	410	1,200	680
Wirral	790	740	1,140	760	2,100	1,270
<b>Total</b>	<b>3,730</b>	<b>3,240</b>	<b>4,950</b>	<b>3,250</b>	<b>9,980</b>	<b>5,750</b>

Source: Department for Education

Notes: <https://www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships>

## 2018/19 Apprenticeship starts by Age across the City Region

Local Authority	Under 19	19-24	25+
Halton	240	290	560
Knowsley	350	360	720
Liverpool	790	900	1800
Sefton	460	520	1080
St Helens	350	480	770
Wirral	540	710	1270
<b>Total</b>	<b>2,730</b>	<b>3,260</b>	<b>6,200</b>

Source: Department for Education

Notes: <https://www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships>

- 1.8 There has been a decrease in apprenticeship starts across all ages within the City Region. 2018/19 figures illustrate that apprenticeship starts for those under 19 will have a bigger decrease than the other age groups. Although starts for those over 25 have increased.