

CIPFA Panel - The Apprenticeships Levy

January 2019

Contents

1.	Executive summary	3
2.	Introduction	4
2.1	Background.....	4
2.2	Method	5
3.	Positive feedback	6
4.	Negative feedback.....	7
5.	Suggestions	8

1. Executive summary

The CIPFA Public Sector Research Panel is a new venture for the analytics and research department at CIPFA. The following reports presents the results from its first cycle in Autumn 2018, concerned with the apprenticeship levy.

Both positive and negative views towards the levy were received and below is a basic outline of these:

Positives:

- The levy has meant that existing staff are upskilled, which is said to be more cost effective than recruitment.
- Access to training overall has increased.
- There are closer links to training providers.

Negatives:

- In some instances organisations struggle to withdraw the funds that they have paid in, which ends in the levy being regarded as a cost burden/tax.
- The full range of training courses are currently not available for apprentices to access.
- In Scotland and Wales there are particular issues relating with making use of the levy that need to be addressed.

2. Introduction

2.1 Background

The apprenticeship levy was introduced in 2017 with the aim of funding the training of more apprenticeships. In 2017 CIPFA carried out the piece of research *The Apprenticeship Levy: a Local Authority Perspective*, where the levy was seen as a good thing and a high priority, as it would leave money ring-fenced, especially for training.

When browsing the news for mentions of the apprenticeship levy one year after its implementation, it is interesting to see that evaluations of its success are largely negative. Some have accused the levy of having become another business tax. The Open University found that of £1.39bn paid into the levy, only £108m was withdrawn for training because the money had been written off as another tax. The levy has even been blamed for the collapse in the number of apprenticeships, which government data shows plunged from May to June 2018.

The latest official figures for apprenticeship take-ups show that, at 290,500 in the first three quarters of the 2017/18 academic year, they were 34% lower than in the same period in 2016/17, and 24.5% lower than the year before that (Guardian, 2018). So it was interesting to explore attitudes towards the levy by some of those who were involved with it.

Taking all of this into consideration, we decided to ask the CIPFA Public Sector Research Panel about its experience of the apprenticeship levy.

2.2 Method

In the period between December 2017 and January 2018 we invited individuals to join the CIPFA Public Sector Research Panel. As the apprenticeship levy had been active for a year, we decided that this should be the focus of the piece of research. Usually an online survey is quantitative, but due to a lower than anticipated panel population, and because it was the first round of interviewing for the panel, we opted to gather qualitative thoughts about the apprenticeship levy.

Respondents were asked questions relating to: positive aspects of the levy; negative aspects of the levy; and topic suggestions for future panel research.

The results were analysed using Nvivo qualitative data analysis software. Themes were developed inductively by considering the answers. Respondents gave broadly similar answers, and the results of the analysis are shown in the subsequent sections of this report.

3. Positive feedback

Please describe your experience of the apprenticeships levy from a positive perspective.

When asked about the positive aspects of the apprenticeship levy, respondents provided information that seemed to confirm the conclusions that had been made in the general news media, as well as what came out of the 2017 research piece '*The Apprenticeship Levy: a Local Authority Perspective*'.

Respondents cited a number of positive aspects of the levy which were similar to the positive hopes held in 2017. Most of the respondents to this survey commented that they felt the apprenticeship levy was positive because it meant that members of staff were being up-skilled. Some felt that up-skilling existing staff is actually more cost effective than going through the process of recruiting new staff.

Those surveyed also acknowledged that the apprenticeship levy had incentivised recruitment. There has been an argued push to use more apprenticeships – as the profile of the scheme had increased, organisations now have a greater understanding of the benefits of recruiting an apprentice, and likewise it has made the process of attracting candidates to roles easier.

As well as the positive impact on recruiting processes discussed above, there has also been an overall increase in access to training. This is partly due to the availability of a level of funding specifically for training, as there is always funding available for training whatever the financial position of the organisation. The increase in training is most notable in higher level apprenticeships, with one organisation reporting that two of its estate project managers were now studying quantity surveying.

New rules and regulations for apprenticeships also mean that organisations need to have closer links with training providers, borne out of a need to work more closely under the new apprenticeship system:

For many levy-paying organisations, like us, the levy has led to a definite refocusing of employee formal skills training and qualifications. For example we now have an apprenticeship strategy for Cambridge City Council approved and in place. For us the levy has generated new opportunities for career progression, this is particularly evident with the creation of opportunities for existing employees to take the CMI/ILM accredited Level 5 Operational Management Apprenticeship Standard. We now have five managers on this apprenticeship and plan further starts within this financial year.

Caroline Ryba, Head of Finance and Section 151 Officer, Cambridge City Council

4. Negative feedback

Please describe your experience of the apprenticeships levy from a negative perspective:

The most important negative issue for respondents seemed to be financial aspects of the levy. Some of those surveyed described the levy as being a cost burden for their organisation, as it seemed to be like a tax of which they could not fully take advantage, as only a small portion of the money top-sliced can be earned back. There appeared to be a few reasons for respondents referring to the levy as a cost burden. Firstly, funds paid in are lost if they are not withdrawn:

There is no way the council will ever be able to spend the full levy on training for its staff or on staff down the supply chain. It is a tax in all but name. At best around half the amount the council pays will find its way back into training; for schools the percentage is even lower.

Also, in authorities where there has been a reduction of funding, there are strict controls on recruitment which limit the opportunities to create new positions for apprenticeship starters.

Secondly, there are not enough courses available yet for organisations to be able to make full use of the levy. In some instances courses had been withdrawn due to poor planning, meaning some apprentices were deprived of the appropriate courses to complete their programmes. The entire process was said to have taken a while to get up and running because there was an absence of national guidance and support, plus there was a slow start to developing procurement processes for training providers and agreeing on contracts.

Impacts were felt within organisations as converting existing employees resulted in a 20% reduction in staff capacity, since there is a required amount of time needed away from the job for training. The levy cannot be used to fund apprentice salaries, something that respondents felt to be an additional drawback.

In Wales and Scotland they were unable to access funds paid in, and as a result this year there were less apprenticeships than in previous years. This will have resulted in a lost resource for councils in those countries, leading to a requirement to fund from elsewhere –such as job losses/service reductions or a combination of these.

Some have also encountered difficulty in recruiting and retaining apprentices, leading to some posts remaining vacant. The apprentice market has become increasingly competitive due to the introduction of public sector targets, the apprenticeship levy and the change to apprentice standards. The practical application of the levy was said to be poor, as some said that the system was difficult to navigate:

The Education and Skills Funding Agency has placed the responsibility on employers to 'negotiate' with training providers to procure the best price and service. In reality this is difficult for all but the very largest of employers. With 15 funding caps in place there is very little leeway for negotiation on price with prospective providers, especially where an organisation, such as ours for example, wants to procure the services of a training provider to deliver one Degree Surveying Apprenticeship, there is pretty much a non-negotiable set price. The levy has also placed an additional requirement in terms of resources onto many employers; this is particularly felt within the public sector.

Caroline Ryba, Head of Finance and Section 151 Officer, Cambridge City Council

5. Suggestions

Some respondents suggested ways that the apprenticeship levy scheme could be changed/improved, or asked questions about things that were not currently clear about the levy. Examples include the following:

- Is there a possibility of utilising the levy for salaries, perhaps linked to areas of high deprivation and ring fenced to vulnerable groups so this is not abused? This would enable us to support more people into work which is what we believe the levy was originally intended to do.
- Is there a possibility of the levy paying employers to be able to access providers from the same register non-levy-paying employers can, without the need for additional and time-consuming procurement processes? A single government procurement framework consisting of all new apprenticeship standards for public sector organisations to boost apprenticeship starts.
- The ability for the DAS (Digital Apprenticeship Service) system to have sub employers so that maintained schools can have their own account.
- The ability for the DAS have a built in forecasting tool, clearly showing in real time how much funding is at risk of claw back, and by when, to avoid the need for standalone bespoke spreadsheets for monitoring purposes.
- Relax funding regulations, so that levy paying organisations can utilise the ability to transfer 25% to other non-levy paying organisations this can be used in full to pay for their 10% contribution, as opposed to the 100% cost of the apprenticeship. This would enable more people to be supported.
- Establish a database on apprenticeships available to the public sector specifically would be helpful. For example, revenue and benefits, planning, pest control and waste.
- There are opportunities for employers to have more flexibility regarding the requirements, eg 20% training. For some organisations the appropriate training could be carried out more effectively in house, for example retailers.
- Why does the scheme differ between England and Wales? Could Wales have its own scheme with the contributions from Welsh public bodies being retained by Welsh Government and used to fund apprenticeships in Wales?
- Has the apprenticeship levy in Scotland actually achieved the expected national outcomes?

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