

## **Appendix C – Apprenticeships in Local Government Update**

### **Purpose of report**

For discussion.

### **Summary**

The Apprenticeship Levy and Public Sector Apprenticeship Target were introduced eighteen months ago as part of the government's efforts to deliver 3 million apprenticeship starts by 2020. The introduction of these policies has proved challenging for the sector, with local government collectively meeting just over a third of its contribution to the target and spending around 10 per cent of its Levy funds so far. There are ongoing reputational risks for the sector by not meeting the target and financial risks in not spending all of our Levy funds (unspent funds expire after 24 months and are returned to government). The LGA is providing a series of support programmes to help the sector improve its performance and is also lobbying government for changes to how the Levy and Target work to make it easier for employers – local authorities included – to use the Levy to provide more apprenticeship opportunities for our local residents.

### **Recommendation**

For members of the Resources Board to note the report.

### **Action**

Officers to take forward work in-line with member's steers and comments.

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## **Appendix C – Apprenticeships in Local Government Update**

### **Background**

1. As part of the government's efforts to meet their pledge of delivering 3 million apprenticeship starts by 2020, they introduced the following new policies:
  - 1.1 **The Apprenticeship Levy** – a charge of 0.5 per cent of the pay bill for any employer with a pay bill of £3 million or more, including public sector bodies. Employers pay the Levy on a month-by-month basis, with funds appearing in their Levy account one month in arrears. Payments for apprenticeship starts take the oldest funds left in the account. Funds expire after 24 months if they remain unspent (also on a month-by-month basis, with the oldest funds expiring first) and are returned to government to be spent on other priorities within the apprenticeship system.
  - 1.2 **Public Sector Apprenticeships Target** – each public sector body with a headcount of 250 or more employees is expected to meet a target for apprenticeship starts of 2.3 per cent of their headcount each year from 2017/18-2020/21 inclusive, though their performance can be averaged out the four year period. The reporting process for the first year of the Public Sector Target ended on 30 September and data will be published on 22 November 2018.
  - 1.3 **Apprenticeship Standards** – replacing the old Apprenticeship Frameworks and designed to be employer-led and more rigorous. All existing Frameworks are expected to have been replaced by standards before they are turned off in September 2020;

### **Scale of the Challenge**

2. The Apprenticeship Levy is estimated to cost local government and their maintained schools up to £600m per year. Councils will pay around £207m per year into the Levy but would need to spend up to £400m in additional costs (procurement, admin, salary etc) to unlock all of this funding.
3. Local government's share of the Public Sector Target equates to 31,500 apprenticeship starts each year in English LAs – equivalent to hiring the entire fire service each year for four years.
4. Council targets include around 12,000 starts from maintained schools as we are considered to be the employer.

### **Performance so Far**

5. From April to September 2018 all local authorities submitted their Public Sector Target reports for 17/18. The government will publish the data – including for local authorities subject to the target – on 22 November 2018. The LGA has been conducting surveys of

the sector in the meantime. Our most recent survey (Summer 2018) of the 151 upper or single tier councils (which account for more than 85 per cent of the sector's Levy spend and 90 per cent of its Public Sector Target) received 105 responses. It showed that:

- 5.1 There are at least 8,500 confirmed starts in 2017/18 and we project this will rise to 11,000 once all the data is in.
- 5.2 This is up from 6,000 starts in 2016/17 and would represent an almost doubling of our performance if our projection holds true.
- 5.3 But this means we are on course to meet less than half (around 36%) of local government's share of the Public Sector Target in the first year with no solid indications yet this will increase significantly in year two.
- 5.4 The LGA is aware of only six upper or single tier authorities that claim to have met their share of the Public Sector Target in year one: Brent, Medway, Portsmouth, Redcar & Cleveland, Rochdale and Walsall. We believe a further 12 District Councils have also met their share of the target. We expect this number to rise by the time the government publishes their data, but do not expect the number meeting their share of the target to rise above 30.
- 5.5 The majority of councils have not met their share of the Public Sector Target in for 2017/18, and – due to the target not being needs-based or reflecting the capacity of a council to deliver – many have fallen well short.
- 5.6 There is currently an imbalance between the number of starts delivered by local authorities and those delivered by maintained schools. Local Authorities are taking on four apprentices for every one apprentice taken on by maintained schools. Although there are no published figures as yet, we understand from discussions with government that Academies are doing better than maintained schools when it comes to starts, though not dramatically so. As Academies tend to be larger than maintained schools (which include a lot of small primaries) there has been greater scope to spend Levy funds on support roles. It should also be noted that the Public Sector Target did not apply to Academies in the first year due to a legislative error.
- 5.7 We don't have as consistent a picture of Levy spend, but councils (inclusive of maintained schools) have spent in the region of 5 per cent – 20 per cent of their Levy funds so far, with a median figure of 10 per cent. This increases the likelihood that funds will be lost when their expiry date comes up in 19/20.

## **Problems and barriers**

6. A number of problems and barriers have persisted in making it more difficult to access and/or utilise apprenticeship funding, including:
  - 6.1 Many **apprenticeship standards** were not developed when the Levy began. Although some of these have come on line during the first 18 months, some key standards for local government, such as social worker and the planning degree-level apprenticeship, are still not ready for delivery, and many schools standards have only recently come online. The IfA (Institute for Apprenticeships) has also turned down

proposals for a Higher-Level Teaching Assistant apprenticeship and an undergraduate pathway into teaching, despite demand from the schools sector.

- 6.2 Delivering apprenticeships is new territory for **schools** and they have taken time to show interest. A lack of approved schools standards slowed take up, though there are signs of a modest increase after teaching assistant and school business manager standards were approved. Many maintained schools don't have the resources, however, to take on an apprentice and are often sceptical about the benefits.
- 6.3 **Lack of resources** in the sector following eight years of reduced funding mean that many councils don't have the ability to properly resource their apprenticeship programmes – expected to cost in the region of £400m per year, once salaries, administration and procurement costs are taken into account.
- 6.4 The **Public Sector Target** does not reflect capacity in the sector to deliver, nor does it reflect need and demand.
- 6.5 **Procurement** processes are time consuming and produce significant delays for councils in securing apprenticeship starts.
- 6.6 The new **20 per cent Off the Job Training** requirement in apprenticeship standards is proving off putting for some middle managers who are fearful of losing staff for the equivalent of a day a week and/or don't have the resources for back-fill.
- 6.7 Issues with **providers**, including inappropriate approaches to schools and a lack of providers in place to deliver new standards.
- 6.8 **Social Care** is one area that could benefit from the opportunities offered by apprenticeships due to a number of skills gaps in the sector, particularly at intermediate and middle management levels. However, progress has been slow to date due to lack of resources to carry out necessary workforce planning and develop career pathways, in addition to the delays in the development of key standards (e.g. social worker). The LGA is currently working with the 12 LAs in the North East to map out a career pathway for social care, while individual councils are exploring opportunities to use their 10% Levy transfer to fund apprenticeships in their local care homes (e.g. both LB Bexley and Norfolk County Council have used the Levy transfer system to fund social care apprenticeships in this way).

### **Ongoing Risks**

7. There are a number of risks to both local government and the maintained schools sector as a result of the government's apprenticeships policy. These include:

#### Reputational

8. The sector on course to hit around 36 per cent of its target. There remains a real risk that while some LAs and schools will have the capacity to do more in future years, others may have already plateaued.

9. Using headcount rather than FTE provides a distorted picture of the capacity of local government and maintained schools to achieve the target (the target would have been 23,000 in 17/18 if based on FTE rather than 31,500).
10. The target is not based on the needs of the sector so even if a sustainable model of apprenticeship recruitment is achieved, it will likely be well short of the government's target.
11. Given the low-level of activity so far in maintained schools, other parts of the public sector may perform better in comparison (both the MOD, which has a long running apprenticeship scheme, and DfE have met their own 2.3 per cent targets for example).

#### Financial

12. Poor performance on starts means apprenticeship Levy funds are going unspent. Employers have 24 months to spend their Levy funds before the money reverts to government, with the oldest funds expiring first.
13. Councils (inclusive of schools) spent around 10 per cent of their Levy in year one.
14. If they continue at this pace the LGA's initial estimates suggest funds will expire in most councils from June 2019.
15. Our initial estimates also suggest that unless the percentage of Levy funds spent increases, as much as £10 million - £12 million could be lost per month from the sector from June 2019, with as much as £4 million of that from maintained schools.
16. Even if performance improves significantly and we increase spending across the sector to 70 per cent of our Levy funds by 2020/21, we would still lose around £5 million per month.

#### **Recent Policy Changes**

17. In April 2018 the government introduced Levy transfers, allowing Levy-paying employers to transfer up to 10 per cent of the funds in their Levy accounts to another employer. Levy payers were initially only allowed to transfer to one other employer.
18. In July 2018, following lobbying from the LGA and others, the government announced the restrictions on transfers would be lifted and Levy-paying employers would be allowed to transfer to as many other employers as they want to, so long as they stay within the 10 per cent cap.
19. In October 2018, the Chancellor announced that the cap on how much a Levy-paying employer could transfer would increase to 25 per cent from April 2019; that he would provide an additional £5 million for the Institute for Apprenticeships to increase the numbers of apprenticeship standards and speed up the approval process; and a review of the Apprenticeship Levy and how it would operate from 2020 onwards, which will include Ministers meeting with a range of employers and providers to consider how they are responding to the Levy.

20. Budget 2018 confirmed these policies, while also announcing that the co-investment rate for apprenticeship training (currently paid by any non-Levy paying employer wanting to access apprenticeship funding, or a Levy-paying employer that has spent all of their Levy pot and wants to do more) would be reduced to 5 per cent. Previously co-investment required a 10 per cent contribution from the employer with 90 per cent of the funding provided by the government.
21. The LGA has welcomed these policy changes and believe that these are all positive signs that the government is listening to council concerns around the need for flexibilities to ensure the Levy is genuinely effective. However, it is critical that separate announcements result in the overall apprenticeship reforms being coherent and making sense on the ground.

### **How are the LGA Supporting Councils?**

22. The LGA Apprenticeships team is managing a sector support offer for local authorities on apprenticeships, which has three main strands.

#### Main Support Offer (whole sector)

23. The LGA's main support offer is designed to provide advice and guidance, share best practice and develop toolkits for the sector via our online Knowledge Hub portal.
24. This support offer includes fortnightly webinars, the development of guidance notes on key topics (such as procurement, public sector reporting, 10% Levy transfer), supporting an event for local authority apprenticeship leads in each English region, developing the Maturity Model (a self-assessment tool for the sector to benchmark performance on and develop their apprenticeship programmes), and toolkits for the sector sharing best practice, templates and practical advice.

#### Bespoke Support Offer

25. Our bespoke support offer was launched in May 2018 and offered two days of free on-the-ground consultancy support for up to 25 large local authorities. Priority was given to those authorities that assessed themselves as 'Developing' – the second lowest rating – against any strand of the Maturity Model. After securing some additional funding, we were able to extend our support to cover all 34 local authorities that applied (See **Annex A** for a complete list of councils participating).
26. The support we are providing is covering a range of areas from targeted support on workforce development, processes and governance, to workshops to help secure senior leadership buy-in, help with communications and developing an apprenticeship offer for schools. Work with all of the participating authorities is expected to be completed by mid-January 2019.

#### Apprenticeship Accelerator Programme (AAP)

27. The Apprenticeships Accelerator Programme is an additional support offer we are delivering after securing funding from the ESFA. It is fully-funded by a government grant and is designed to help councils increase starts by taking a strategic approach to

apprenticeship planning. Five days support is offered per council, and the focus is primarily on skills mapping, workforce development, embedding apprenticeships into recruitment processes and securing senior-level buy-in. Councils are required to develop or update their multi-year apprenticeships plan as part of the support offer.

28. The support programme will be delivered in two parts. Phase One is a pilot phase where we will work with up to 25 larger councils between October and February. Recruitment of councils for this phase is underway with 17 confirmed so far (see **Annex B** for the full list). Phase One will complete in late February, followed by a full evaluation of the support offer. We then plan to launch Phase Two, supporting up to 40 LAs, in April 2019.

### **Next Steps**

29. We are calling for a number of further changes to the way the apprenticeship system works, including:
- 29.1 Using the upcoming Levy review to enable local areas to pool Levy contributions across local economies, so that employers can plan provision together more strategically for the good of the local area and residents.
  - 29.2 An extension on the two year limit (from April 2017) to spend the Levy against key standards for local authority workforces, some of which have only just been approved or are still in development.
  - 29.3 The power for local areas to use the Levy more flexibly to recognise the full costs of apprenticeship programmes and administration including on pre-apprenticeship training, so long as there is a final apprenticeship outcome.
  - 29.4 Making transparent how much Levy underspend there is and that local areas retain the Levy underspend rather than handing it over to Whitehall.
  - 29.5 Longer term, we are still calling for:
    - 29.5.1 schools to be removed from the Public Sector Target; for
    - 29.5.2 the basis of calculating the Public Sector Target to be changed from headcount to FTE;
    - 29.5.3 and for the Apprenticeship Levy to be flexed to allow for apprentice salaries to be paid out of Levy contributions.
30. Unfortunately there has so far been no appetite from the government to make any of these changes, despite other parts of the public and business sectors echoing the LGA's issues, government's position is that they believe would fundamentally alter the system they have developed.

## **Annex A: Participating Councils in the LGA's Bespoke Support Programme**

- Birmingham
- Camden
- Dorset
- Dudley
- Gloucestershire
- Hackney
- Halton
- Hampshire
- Havering
- Kingston
- Lambeth
- Lancashire
- Liverpool City Region (Joint bid from all 6 LAs)
- Luton
- Newham
- Norfolk
- North Somerset
- North Yorkshire
- Oxfordshire
- Plymouth
- Rotherham
- Stockport
- Surrey
- Sutton
- Tameside
- Waltham Forest
- West Sussex
- Wigan
- Wolverhampton
- York



**Annex B: Participating Councils in the LGA's Apprenticeship Accelerator Programme**

This list is correct as of 5 November 2018:

- Birmingham
- Bolton
- Calderdale
- Derby
- Derbyshire
- Dudley
- East Sussex
- Gloucestershire
- Hertfordshire
- Lewisham
- Lincolnshire
- Liverpool City Region (Joint bid from all 6 LAs)
- Norfolk
- Oxfordshire
- Plymouth
- Rotherham
- Staffordshire
- Surrey