

GLA Response to proposals for apprenticeship funding in England from May 2017

This submission represents the views of the Mayor of London, drawing on the experience of the Greater London Authority's (GLA) group of Functional Bodies (GLA Group), comprised of the GLA, Transport for London (TfL), the London Fire and Emergency Planning Authority (LFEPA), London Legacy Development Corporation (LLDC) and the Mayor's Office for Policing and Crime (MOPAC).

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Introduction

Since 2012, the GLA Group has invested significant resources to raise awareness of the range and quality of apprenticeships, with a view to increasing the number of apprenticeship starts in the capital. As a consequence, the number of apprenticeship starts reported each year is consistently double the amount reported prior to this effort. However despite this success, London still has the second lowest number of apprenticeship starts of all English regions, and the lowest rate when accounting for the capital's larger population (refer to table 1).

Table 1 - Apprenticeship starts

Region	2013/14 Full year	2014/15 Full year	2015/16 Aug-Apr	% of working age population (16-64)
North East	30,480	35,220	28,070	2.1%
North West	71,670	79,310	60,890	1.8%
Yorkshire & the Humber	53,120	62,550	48,600	1.9%
East Midlands	40,290	48,060	36,330	1.7%
West Midlands	52,410	61,240	45,590	1.7%
East of England	40,430	45,790	35,430	1.2%
London	40,050	45,550	33,710	0.8%
South East	60,220	65,030	49,380	1.2%
South West	45,960	51,480	41,420	1.6%
England Total	434,600	494,200	379,400	1.4%

Source: SFA FE data library, apprenticeships.

Note: region is based on the home postcode of the learner.

Given the potential for the levy to increase the number of apprenticeships in the UK, the Mayor is broadly supportive of its introduction, however the Mayor would question whether the proposed revised funding arrangements are conducive to; increasing the volume of apprenticeship starts in the capital and assisting young people from the most deprived areas to access apprenticeship opportunities and escape poverty. Furthermore, the Mayor considers that there is a risk that the new funding arrangements may not incentivise delivery of the higher-level skills required by London's economy.

This paper details the main concerns that the Mayor has with the government proposals.

1. Start date

The Mayor is concerned that the proposed funding arrangements may act as a disincentive for both levy and non-levy paying employers in engaging in apprenticeship activity in the interim period before the levy is introduced in May 2017, given that an employer recruiting an apprentice under the new standards would currently be required to pay a one third employer contribution. However, if the employer was to defer the recruitment until next May, the required employer contribution would reduce to 10%.

Therefore there is a risk that the number of apprenticeship starts will dramatically reduce over the interim period, which will make it difficult for London to make a meaningful contribution to the government's national target of 3 million apprenticeship starts by 2020. A reduction in the volume of starts may also make it difficult for smaller training providers to survive during the interim period.

Furthermore, as stated in previous responses to apprenticeship consultations, there are currently no apprenticeship frameworks or standards for Fire Fighters or Police Officers and it is unlikely that appropriate standards will be agreed / introduced by the levy start date, despite these roles featuring clearly under the Protective Services technical education route within the government's Post-16 Skills Plan¹. As such, London Fire Brigade and Metropolitan Police (MET) will be largely limited to spending their levy contribution by creating apprenticeship opportunities within their civilian administration functions, which are currently under pressure to reduce costs. The Mayor would ask that government considers granting dispensation to the uniformed services until appropriate apprenticeship standards are available.

2. Funding Bands

The Mayor recognises the argument for simplifying the current complex apprenticeship funding model through the proposed introduction of funding bands, however the Mayor has a number of concerns with the proposed methodology, notably;

London has previously benefited from an Area Cost Adjustment (ACA) and disadvantage uplift reflecting the higher costs of training in the Capital and that people from deprived areas often require additional support before they are able to assume apprenticeship positions.

The Mayor is concerned that without the ACA and disadvantage uplift, it would not prove viable for many training providers to offer some of the frameworks that have been placed into the lower bands. Of particular concern is the impact upon some frameworks important to London's economy; specifically Health and Social Care, Hospitality and Catering and Businesses Administration, which according to recent modelling from Learning & Skills, Events, Consulting & Training² (LSECT) would result in a reduction in funding ranging from 41%-54%. This in turn would require employers to incur additional costs particularly if they are looking to recruit younger apprentices (16-18 year olds) from deprived areas as they typically require additional training and support.

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/536043/Post-16_Skills_Plan.pdf

² LSECT's Nick Linford's presentation at the For Skills event 18/08/2016

Table 2 shows that in comparison to the other English regions, there are significantly lower numbers of apprenticeship starts in inner London which is home to some of London's most deprived local areas and is characterised by higher rates of poverty.

Table 2 – Apprenticeships starts and poverty levels.

	Apprenticeship starts				% of 16-24 population	% of 16-64 population	Poverty level (AHC)
	Under 19	19-24	25+	All Ages			
Inner London	2,980	5,040	7,780	15,810	2.1%	0.8%	33.2%
Outer London	7,010	9,090	13,650	29,750	2.9%	1.2%	24.1%
North East	8,590	10,040	16,590	35,220	5.9%	3.1%	21.7%
North West	20,030	24,440	34,850	79,310	5.4%	2.5%	21.5%
Yorkshire and the Humber	16,390	21,250	24,910	62,550	5.8%	2.6%	21.5%
East Midlands	12,860	14,850	20,350	48,060	5.1%	2.4%	20.1%
West Midlands	14,430	19,670	27,140	61,240	5.1%	2.4%	22.6%
East of England	12,650	14,490	18,650	45,790	4.4%	1.8%	18.1%
London	9,990	14,130	21,430	45,550	2.6%	1.0%	27.4%
South East	16,190	22,000	26,830	65,030	4.0%	1.7%	18.4%
South West	13,180	17,600	20,700	51,480	5.3%	2.3%	18.4%
England total	124,300	158,500	211,500	494,200	4.6%	2.0%	21.2%

Source: DWP Households below average income (3-year averages, after housing costs)

The Mayor is therefore concerned that removal of the ACA and disadvantage uplift will undermine both the national government's *Life Chances* agenda and the Mayor's manifesto pledge to create a fairer and more equal city, as young people farthest from the work place may be further excluded due to cost.

The removal of the ACA and disadvantage uplift notwithstanding, the new funding rates for 16-18 year old apprentices - calculated using the current rates for adult apprentices - are lower in the new system, typically by 15-20%.

Furthermore, the proposal to give employers and training providers a flat rate additional payment of £1000 for 16-18 year old apprentices may financially incentivise employers /providers to offer young people low band frameworks like Cleaning, Business Administration and Customer Service, rather than high band frameworks required by London's economy e.g. Engineering, Digital and Construction. By way of an example, the additional payment of £1000 would afford the provider 67% more funding, while for Advanced Electrical Installation, the payment represents just an additional 8%.

Table 3 shows that London has the lowest proportion of young people under 19 of any English region (21.9%). This compares to a rest of England average of 25.5%.

Table 3 – Apprenticeships starts by age.

	Number of starts, 2014/15			Proportion of total starts, 2014/15			
	Under 19	19-24	25+	Under 19	19-24	25+	19+
North East	8,590	10,040	16,590	24.4%	28.5%	47.1%	75.6%
North West	20,030	24,440	34,850	25.3%	30.8%	43.9%	74.7%
Yorkshire & the Humber	16,390	21,250	24,910	26.2%	34.0%	39.8%	73.8%
East Midlands	12,860	14,850	20,350	26.8%	30.9%	42.3%	73.2%
West Midlands	14,430	19,670	27,140	23.6%	32.1%	44.3%	76.4%
East of England	12,650	14,490	18,650	27.6%	31.6%	40.7%	72.4%
London	9,990	14,130	21,430	21.9%	31.0%	47.0%	78.1%
South East	16,190	22,000	26,830	24.9%	33.8%	41.3%	75.1%
South West	13,180	17,600	20,700	25.6%	34.2%	40.2%	74.4%
England Total	124,300	158,500	211,500	25.1%	32.1%	42.8%	74.9%
Rest of England Total	114,310	144,370	190,070	25.5%	32.2%	42.4%	74.5%

Source: SFA FE data library, apprenticeships.

The Mayor is concerned that the proposed funding bands may incentivise employers to increasingly recruit adults (19 years old +), limiting the opportunities for young people to benefit from apprenticeships and exacerbating London's underperformance in the number of 16-18 year old starts.

The proposed funding bands also make it far less financially attractive to recruit young apprentices and provide financial incentives for providers to put young people on low cost training (rather than expensive in-demand technical training), which will do little to improve UK productivity.

The Mayor would ask government to consider placing skills shortage roles in higher funding bands, to ensure that employers deliver the apprenticeships that are needed for the growth of the sector, rather than using the levy to fund shorter, lower skilled apprenticeships. There is already a shortage of specialised providers for the transport and engineering sector; this will only increase if it becomes financially unviable for a training provider to deliver the required apprenticeship within the set funding band and/or if employers stop using certain apprenticeships because they don't want to pay the additional fees that providers will be required to charge.

The Mayor notes the proposed payments of £1000 to cover the additional costs associated with recruiting 16-18 year old apprentices, however given the extent of the reduction of funding, the Mayor is of the opinion that the amount of the additional payment will not be sufficient. The Mayor would therefore request that either the additional payment is increased to reflect the higher cost of training in the capital or that the ACA and disadvantage uplift are maintained for London.

The Mayor would also note that as unemployment falls, many of the young people left in the job market are those with significant barriers to employment. Conversely, apprenticeships in areas with the most significant skills shortages and most significant underrepresentation of women and individuals from Black and Minority Ethnic (BAME) backgrounds for example; engineering, construction, transport often have the highest entry criteria. Pre-employment courses and interventions, particularly in employability skills and functions skills, especially maths targeted to engineering (not just general maths skills) is key to bridging this gap. Therefore the Mayor would ask that employers should be able to use their levy pot to fund pre-employment training that is directly linked to subsequent apprenticeship opportunities.

3. Co-Investment

The Mayor welcomes the proposal that funding raised by the levy can be used to support smaller non-levy paying employers to recruit apprentices. It is vital that London's numerous SMEs are encouraged to engage in apprenticeship activity if the government's target of 3 million apprenticeship starts is to be realised by the end of this parliament.

The Mayor is however concerned that the requirement for non-levy paying employers to co-invest, coupled with the transfer of purchasing power to the employer - requiring them to select and pay a training provider directly - will present a significant administrative burden on smaller employers. This will be particularly marked in the first year when non-levy paying employers will not have access to the Digital Apprenticeship Service (DAS). There is therefore a significant risk that the non-levy paying employers with limited capacity will defer planned apprenticeship activity until the DAS is operational, hindering the chance to achieve the government's target.

The Mayor would urge government to provide access to the DAS to smaller non-levy paying employers as soon as possible.

4. Additional Payments:

Support for younger apprentices: We are pleased that government recognises that there are often additional costs associated with employing younger apprentices; however as more fully described in section 2, we are concerned that the reduction in funding will result in fewer younger people - particularly those from deprived areas - having the opportunity to become apprentices.

Given the higher cost of training in the capital and London's prior record of comparatively low levels of 16-18 year olds undertaking apprenticeships (refer to table 3), the Mayor would request that the government considers significantly increasing the additional payment for London based employers and training providers employing / training younger apprentices or maintaining the ACA and disadvantage uplift for London.

It is also important to ensure that young people are aware of the benefits of undertaking apprenticeships. This is an issue that London government (GLA and London Councils) have sought to address through its London Ambitions vision document which states that every young Londoner should have access to impartial, independent and personalised careers education, information, advice and face-to-face guidance (CEIAG) in their local community. To this end, the Mayor would like to know of the government's plans to improve CEIAG (including apprenticeships) for young people. Furthermore, it would be useful to be appraised of planned national apprenticeship awareness creation activity so that the Mayor can identify how to plan its own work in this field in, order complement the national offer.

Support for Care Leavers and those who have an Education, Health and Care Plan: The Mayor welcomes the proposal to provide additional support for Care Leavers and those who have an Education, Health and Care Plan. However the Mayor has concerns that other vulnerable people have not been taken into consideration; for example those with mental health problems or learning disabilities.

The proposals do not refer to the Paul Maynard taskforce recommendations³ on improving accessibility of apprenticeships for people with learning disabilities; consequently it is unclear whether the additional costs of supporting these groups into employment has been factored in to the new funding methodology.

Without additional support for these groups, there is a risk that some vulnerable groups will be further excluded from apprenticeships opportunities.

Support for disadvantaged young people: In order to address key skills gaps in London and the particularly striking disparity between the skills employers are looking for and the skills disadvantaged young people have, the Mayor would argue that additional payments should be made available to providers and employers who employ young people aged 19+ who are currently unemployed. This will incentivise employers to employ individuals not in employment, education or training (NEETS) who often require additional support prior assuming a position and once in-post. This will also help to tackle the Department for Transport's Transport Infrastructure Skills Strategy targets on BAME apprentice starts, since a significant amount BAME individuals are NEET.

³ <https://www.gov.uk/government/publications/apprenticeships-improving-access-for-people-with-learning-disabilities>

English & Maths: The Mayor supports the government's proposals to ensure that all learners attain a basic level of English and maths. The Mayor again would question the appropriateness of flat rate payments given the higher cost of training in London. Furthermore, the Mayor would urge government to continually review the cost of training to ensure that the payment fully covers the cost of training up to level 2.

Learning Support: The Mayor supports the proposal to continue the current level of support for additional costs for apprentices with a learning or physical disability. However, as stated above, the Mayor would like the support extended to ensure all vulnerable groups are able to access apprenticeship opportunities.

5. Equivalent and Lower – Level Apprenticeships:

Given the high skills requirements of London's economy, the Mayor welcomes the proposal to permit employers to use their levy funding to train employees in apprenticeships which are at a higher level than their existing qualification.

The proposal to allow individuals to be funded to undertake an apprenticeship at the same or lower level than a qualification they already hold, if the apprenticeship will allow the individual to acquire substantive new skills (and the content of the training is materially different from any prior training or a previous apprenticeship) is also welcomed; in London more than any other local economy there is a need to upskill the local workforce to compete for jobs on their door step. At the same time London has over 800,000 residents in low paid and low skilled work. Helping them to attain a level 2 and move onto acquiring skills at level 3 and 4 is a key challenge that can be met through Apprenticeships.

In both cases, it is important that the system is monitored and policed effectively to ensure that it is not abused and that employers do not focus their efforts on the creation of low quality, low level apprenticeships for existing staff with little prospect of career progression.

6. Directing Funds in a Digital Account to Another Employer:

The Mayor would reiterate the position stated in the response to the previous consultations on the levy, in that he believes that the system should be flexible enough to enable employers to use the funding in the way that best meets their requirements, with the caveat that minimum delivery standards and quality assurances processes are put in place.

This is particularly important in the infrastructure and construction sectors, where a tier 1 supplier might be fulfilling a large project, but the majority of the workforce might be employed by suppliers at tier 2 or below. Public sector procurement requirements to create apprenticeships would fall on the tier 1 supplier who is receiving payment for the project, but they should have the facility to spend their apprenticeship budget on apprenticeships within their supply chain.

There should be a process whereby employers need to provide a rationale for instances when the funding will be used for apprentices that they do not directly employ, so that the funding is not misused.

Allowing larger employers to spend their apprenticeship funding on apprentices within their supply chain would allow an industry-wide approach to addressing skill shortages. For example,

a significant proportion of TfL's supplier contracts are delivered outside London, therefore the ability to fund apprenticeships within their supply chain would enable TfL to support the development of skills and apprenticeships across the UK and contribute to the UK economy.

Apprenticeship Training Agencies (ATAs) and Group Training Associations (GTAs) could be a useful vehicle for training employees in supply chains and also for ensuring that there are a sufficient number of work opportunities that represent the full scope of frameworks.

Equally, Business Improvement Districts (BIDs) could be encouraged to put Apprenticeship sharing arrangements into their ballots. This would allow groups of smaller and larger firms acting jointly to improve their businesses and to share the benefits of a skilled pool of local labour.

Given the above, the Mayor considers that the proposed 10% limit is far too low and should be reviewed. The Mayor would also like this facility to be made available as soon as possible, rather than the proposed 2018 introduction.

7. Apprenticeship Training Agencies (ATAs)

The proposals recognise the importance of ATAs, however they omit reference to Group Training Associations (GTAs). The Mayor recognises that GTAs provide a coordinated apprenticeship delivery model based on employer-led and sectorally-specific training provision, with the added value of allowing for the sharing of apprentices across participating employers.

Given the proposals omit any mention of Group Training Associations (GTAs), clarity would be welcomed on what the government sees GTAs' role being once the levy is in place and the mechanics for them continuing to operate.

In lieu of the facility for employers to 'pool' their levy vouchers via a single account and employer contract, each employer will be required to negotiate their own training through separate agreements with their chosen provider. This is potentially onerous in the first instance, and the inability to "pool" levy vouchers removes the benefits achieved by a coordinated body of employers working strategically to address specific sectoral skills gaps.

Whilst collective procurement could yield reductions in price for training which would justify employer subscriptions to the GTA, government will not allow any apprenticeship funds to pay for intermediary bodies – the cost of this should be met by participating employers. Again, we would welcome some flexibility in this; a small % or possibly an allocation of unspent levy funds etc. being directed towards intermediary bodies.

8. Other

Devolution of Apprenticeship Levy Funding

Due to its business density, it is expected that London will make the largest levy contribution of all the English regions. Given the difficulty of creating apprenticeships in the capital, which will likely be exacerbated by the changes to the funding system as more fully described above, the Mayor considers that London may not derive a proportionate benefit (i.e. a proportionate increase in apprenticeship starts) from its levy contribution. As such, the Mayor would request that any unspent revenue raised via London's levy contributions is devolved to London, to be directed by the GLA into activity which best meet the needs of the capital's businesses.

Public Sector Targets

The Mayor eagerly awaits the government's response to its consultation on public sector targets for apprenticeships.

As stated within the GLA's response to the public sector target consultation response, the Mayor believes that the target will present a number of issues that need to be considered:

Quantity over quality. A target predicated on headcount alone may result in a "race to the bottom", incentivising the creation of high volumes of low level apprenticeships not suitable for the higher skills requirements of the London economy; furthermore this may undermine the government's aim of increasing UK productivity. An annual target may incentivise organisations to create increased volumes of level 2 apprenticeships which typically take one year to complete, enabling the organisation to recruit new apprentices the following year to ensure they meet the target. This may be at the expense of organisations creating the higher level apprenticeships (levels 4-7) required by London's economy which can typically take 3-5 years to complete and as such would only be counted once against the target within that timeframe.

Insufficient consideration of staff turnover. The proposed annual apprenticeship target does not take in to consideration an organisation's staff turnover. For example, TfL's staff turnover is very low, (currently equivalent to c4% overall headcount pa), the majority of which are roles with higher skills / experience requirements, not suitable for entry level apprenticeships. As such it will not be viable for TfL to fill 2.3% of the available 4% pa with apprentices without incurring significant additional expenditure to ensure that the organisation is also able to recruit to higher skilled roles in order to meet its immediate requirements.

It is considered that the target may incentivise organisations with low staff turnover to create apprenticeship opportunities which do not lead to a permanent role. The Mayor is concerned that this may damage the apprenticeship brand, impact upon the employing organisation's reputation and deter future apprenticeship candidates.

Penalising publicly funded organisations that invest in a mix of training: Whilst the Mayor considers that apprenticeships are an important part of the solution for addressing skills shortages, it is important to recognise that higher skilled economies such as London also require higher technical and professional training. As such the proposed public sector target and apprenticeship levy will limit the funding available for alternative training.

TfL and MOPAC / Metropolitan Police will be acutely affected by the introduction of the public sector apprenticeship target as they rely on a mixture of training; i.e. apprenticeships, graduate schemes, professional development of staff, conversion qualifications etc. to meet the respective organisations' high skills requirements, some of which cannot be addressed through existing apprenticeship standards.