

the levy, apprenticeships and the public sector



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\ foreword

The arrival of the apprenticeship levy has been heralded with a mixture of eager anticipation, dread and a lot of discussion. It is likely to be a while before we see the levy running smoothly and guidance will inevitably need to be regularly updated as the system becomes embedded.

The introduction of the apprenticeships levy sees both opportunities and risks for the public sector and only time will tell how successful the system proves to be. There will be winners and losers and the targets to be achieved may prove a challenge, but the levy certainly can't be overlooked. Employers need to be aware of the options and ways to use the levy to develop a flexible and skilled workforce. CIPFA sees the levy as a further opportunity for widening access to the finance profession and providing a much needed platform to improve productivity in the economy.

CIPFA has been at the heart of these kinds of developments and is committed to encouraging social mobility. We are uniquely placed to support employers as they plan to maximise the opportunities of the levy – both in our capacity as a professional qualifying body, and as a respected training provider – through CIPFA's Education and Training Centre.

CIPFA has supported the development of young people into public financial management careers since the Institute was founded, enabling access to good careers in public service and for the current agenda we now run a programme of bespoke apprenticeship trainee placements, under the CIPFA Accountancy Apprenticeship scheme.

As Brexit approaches now is also the time for us to address how we build a strong professional workforce from within the UK. The new apprenticeship levy, together with the proposed Level 7 Professional Accountant Apprenticeship Standard, will shift the landscape considerably.

This CIPFA Insight looks at the way the public sector could be affected as the levy goes ahead and includes concerns and opportunities voiced by focus groups of public sector leaders held by CIPFA in late 2016.

Whatever happens, apprenticeships are set to become a major focal point for most if not all education and training providers, targeted at everyone from school leavers to postgraduates and offering a route into a valued profession that does not require a degree.



Rob Whiteman
CIPFA, Chief Executive

executive summary

The new era for apprenticeship training that gets underway this year presents significant opportunities, as well as challenges, for employers.

Over the coming years, it has the potential to upskill the UK workforce and lead to improved productivity in key areas of the economy. But first employers in England must get to grips with how the new digital apprenticeship service operates. Furthermore, if their annual pay bill exceeds £3m, employers throughout the UK must get used to paying a monthly levy equivalent to 0.5% of the pay bill over and above that sum.

For larger public sector employers, there is a further hurdle to overcome with far bigger implications. If their headcount exceeds 250 people, they must ensure that an average of at least 2.3% of employees start an apprenticeship programme each year until 2020. This can include new and existing employees.

This public sector target, which only applies in England, is one of the most contentious parts of the Government's plan to expand work-based learning or training to create three million new apprenticeship starts in England by 2020.

Employers are asking what it will mean in terms of recruitment, as well as staff organisation and employee appraisal. Not only is it likely to mean staff spending more time away from the workplace for off-the-job training, but it could also have a knock-on effect on salary costs and employee incentivisation.

There have even been suggestions that existing training programmes will be re-designated as apprenticeships to help employers meet the target and spend the money that is sitting in their digital accounts.

The levy, which is payable throughout the UK, represents an extra cost for larger employers, although the Government estimates that fewer than 2% of employers will be required to pay it. Depending on how much training they opt to purchase, employers could end up better off than before, with the Government also contributing towards costs.

Apprenticeships themselves are also looking different, with new standards being approved on an ongoing basis. Training providers, meanwhile, are keen to find their way onto a new register that will determine whether they do business with levy-paying employers. Smaller employers that are not required to pay the levy will not use the digital service until 2018 at the earliest.

The biggest challenge for government is explaining everything. Her Majesty's Revenue and Customs (HMRC) must make it clear to employers how the levy works while, in England, it is falling to the Department for Education, the Skills Funding Agency, and the new Institute for Apprenticeships to oversee the expanding system.

Devolved governments in the rest of the UK can choose how they spend money raised via the levy. In the main, they appear to be moving in a similar direction to the Department for Education, but at their own pace.

Employers with staff in more than one part of the UK will therefore watch with interest to see what they and their employees receive in return for the monthly levy payments.

What is clear is that apprenticeships could become the leading qualification in not just work-based training but higher education. New standards and qualifications are being devised at levels 4 and above, including the equivalent of a master's degree.

There seems little doubt that the expansion of apprenticeship training at all levels will have a major impact on workforce planning and recruitment during the remainder of this decade and beyond.

Employers without a full understanding of the new apprenticeship system may not just be penalised financially but could see current and future employees miss out on the opportunity to upskill and gain a wider understanding of their job role or profession.

\ introduction

The Government sees apprenticeships as the future of work-based learning. Two years ago, it set a target of employees in England starting 600,000 new apprenticeships each year up to and including 2020. That is three million new apprenticeships by the end of the decade.

Apprenticeships are full-time jobs with training or skills development attached. During an apprenticeship, apprentices should gain technical knowledge, practical experience and wider skills. It should last 12 months or longer, with apprentices spending at least 20% of their time undertaking off-the-job training that is relevant to the apprenticeship.

Between 2010 and 2015, 2.4 million apprenticeships started in England, more than double the 1.1 million reported in the previous five years.¹

The expansion of apprenticeship training is being paid for through a levy paid by employers with a pay bill exceeding £3m. This is viewed by government as a way of shifting incentives so that it is in the interests of employers to recruit and train more apprentices.

Two years ago, in its visions for apprenticeship training by 2020, the Government said it was placing employers in the 'driving seat' because "nobody understands the skills employers need better than the employers themselves."²

Public sector bodies with more than 250 employees (defined by headcount) are not just likely to be charged the levy but, in addition, must meet a target of 2.3% of new or existing employees starting apprenticeships each year until 2020/21. This only applies in England.

Training will be advertised and paid for through a new digital apprenticeship service linked to the creation of new apprenticeship standards, designed by employers. Money paid into digital accounts by employers via the levy will be topped up by government, incentivising them to buy apprenticeship training for their employees. Smaller employers that do not pay the levy are expected to move onto this service next year.

The Government insists that apprenticeship training should be for employees at all levels, not just those in manual jobs or lower-skilled positions. Apprenticeship levels can be regarded as equivalent to everything from five GCSEs to a master's degree (see image on next page).

1 HM Government (2015) *English Apprenticeships: Our 2020 vision*: www.gov.uk/government/uploads/system/uploads/attachment_data/file/482754/BIS-15-604-english-apprenticeships-our-2020-vision.pdf

2 *ibid*

Name	Level	Equivalent educational level
Intermediate	2	5 GCSE passes at grades A* to C
Advanced	3	2 A level passes
Higher	4, 5, 6 and 7	Foundation degree and above
Degree	6 and 7	Bachelor's or master's degree

Source: Department for Education

However, any employee starting an apprenticeship will be expected to build on skills and qualifications they already hold. This is likely to have an impact on how apprenticeships are seen by employers, as well as some recruitment decisions, particularly in the public sector where there is a target to meet.

New apprenticeship standards are being approved on an on-going basis by the Skills Funding Agency and will steadily replace existing apprenticeship frameworks. This includes new standards at levels 6 and 7, equivalent to a bachelor's or a master's degree.

Spending on apprenticeships in England is due to rise from £1.8bn in 2016/17 to £2.5bn in 2019/20, a real-terms increase of 28% over three years. However, the Institute for Fiscal Studies calculates that this increase only represents a fraction of the additional tax revenue that will be raised through the levy.³

While the drive to increase take-up of apprenticeships has mostly come from the Department for Education in England the levy is, where applicable, payable throughout the UK. Outside England, devolved governments will receive money raised through the levy and are deciding separately how the money is spent.



Apprenticeships are full-time jobs with training or skills development attached.



³ IFS (2017) *Reforms to Apprenticeship Funding in England* (p3): www.ifs.org.uk/uploads/publications/comms/R124_Green%20Budget_%208.%20Apprenticeships.pdf

how the levy works

The new apprenticeship system based around large employers paying an apprenticeship levy starts in England on 1 May 2017. Where applicable, however, employers were required to pay the levy from 6 April, at the start of the new tax year.

In England, the new system involves a new digital apprenticeship service. This allows all employers which pay the levy, and eventually those which do not, to draw funding and select training providers and assessors. Employers in the rest of the UK will also pay the levy but what happens to the money depends on the devolved governments [see chapter 4].

Training will reflect new apprenticeship standards, some of which are still in development but are due to come on stream by 2020. They replace existing apprenticeship frameworks. A new body, the Institute for Apprenticeships, is responsible for overseeing the system and ensuring quality.

Who needs to pay the levy?

All employers with an annual pay bill of more than £3m must pay the levy, equivalent to 0.5% of the annual pay bill over and above £3m. Private companies that are connected to other companies or charities are required to pay the levy if their combined annual pay bill exceeds £3m.

The annual pay bill is defined as all payments to employees that are subject to employer class 1 secondary national insurance contributions (NICs), including wages, bonuses and commissions. It does not include payments to employees under 16, earnings of employees who are not subject to UK NICs legislation, or earnings on which class 1A NICs are payable, such as benefits in kind.

According to HMRC, fewer than 2% of employers have pay bills sufficiently large that mean they are required to pay the levy. However, the Institute for Fiscal Studies estimates about two thirds of employees work for organisations employing more than 250 staff that are almost certain to be charged the levy.⁴

How much will employers pay?

Employers that are not connected to another company or charity (including all public sector employers) will each have an annual apprenticeship levy allowance of £15,000 per year. Connected companies or charities will have a shared allowance of £15,000.

No employer will pay the levy on the first £3m of their pay bill and those with a pay bill of more than £3m will only be charged the levy on the sum that exceeds £3m.

The levy is payable monthly, and equivalent to 0.5% of the monthly pay bill. The allowance is divided by 12 and deducted from the levy owed each month. Any unused allowance can be carried forward to subsequent months in the same tax year.

⁴ IFS (2017) *Reforms to Apprenticeship Funding in England* (pp 22-24): www.ifs.org.uk/uploads/publications/comms/R124_Green%20Budget_%208.%20Apprenticeships.pdf

It is up to employers to tell HMRC how much they owe in levy each month and pay it through the PAYE system.⁵ If an employer's pay bill increases during the year so that it exceeds £3m, they must inform HMRC and start to pay the levy.

Foundation schools, voluntary-aided schools, free schools and academies are treated separately for levy-paying purposes and will have their own £15,000 allowances [see chapter 3].

Payments from public sector employers to a personal service company, partnership or an individual that are subject to off-payroll working must be included in the pay bill of the public sector employer.⁶

Buying training through the digital apprenticeship service

Levy-paying employers are required to register with the digital apprenticeship service⁷ run by the Education and Skills Funding Agency (ESFA).⁸ This enables employers to access funding for training through an apprenticeship service, or digital, account. There is also a financial incentive. For every £10 employers put into their account, the Government will top it up with a further £1. Money held in a digital account, including the government top-up, must be spent within two years.

The service can be used to select training from the different frameworks and standards on offer. Employers choose training providers and assessors via the service, and post apprenticeship vacancies. They can also use the service to agree a price with a training provider, pay for training and assessment, and request payments are stopped or paused. Their contract is with the provider or assessor, not with the ESFA.

Employers not eligible to pay the levy should move to the digital service next year. For now, contracts continue to be between providers/assessors and the ESFA, which is sharing the cost of training and investment. At the same time, employers not eligible for the levy may notice a difference in how much of the bill they are expected to foot.

From May 2017, employers that do not pay the levy will have 90% of apprenticeship training costs covered by the Government – 100% in the case of apprentices aged 16-18 taken on by employers with fewer than 50 staff in total. Levy-paying employers that spend all the money in their digital account and wish to purchase further training for an employee will also pay just 10% of the extra cost, with the Government funding the remainder.

“Money held in a digital account, including the Government top-up, must be spent within two years.”



⁵ Full guidance on how to calculate and pay the apprenticeship levy is available at: www.gov.uk/guidance/pay-apprenticeship-levy.

⁶ See footnote 4

⁷ More information about the digital apprenticeship service at: <https://sfadigital.blog.gov.uk/2016/10/25/what-is-the-digital-apprenticeship-service/>

⁸ From April 2017 The Education Funding Agency and the Skills Funding Agency merged to become the Education and Skills Funding Agency.

This means the Government is, in some cases, covering a higher proportion of the cost of training where employers do not pay the levy. Up until May 2017, the Government paid 100% of costs for apprentices aged 16-18, 50% for 19-23 year olds and about 40% for those aged 24 and over.

The Government is continuing to pay a £1,000 grant to employers who take-on an apprentice aged 16-18. Payments for all apprenticeship training will be spread over the time it takes for an employee to complete an apprenticeship, with 20% held back until completion.

Existing funding rules apply to apprenticeship training purchased prior to May 2017. From 2018, the Government is planning to allow levy-paying employers to transfer funds in their account to another employer with a digital account.



From May 2017, employers that do not pay the levy will have 90% of apprenticeship training costs covered by the Government.



New standards for apprenticeships

Funds held in an apprenticeship service account can only be used to purchase training and assessment from government-approved providers and assessors. Employers not paying the levy are also expected to use these providers and assessors.

The system revolves around new apprenticeship standards developed by 'trailblazer' groups of employers, approved by the ESFA. Some standards are still in development, but all existing apprenticeship frameworks are due to be replaced by 2020.

Each standard or framework has been assigned to one of 15 funding bands by the ESFA. The bands reflect the expected cost of providing training for each apprenticeship and have upper limits ranging between £1,500 and £27,000.⁹ The Government will not pay its share of costs if the training exceeds these sums.

An independent review of apprenticeships five years ago¹⁰ found that some needed to be more rigorous and responsive to employers. At the start of 2017, nearly 500 new standards had been approved or were in development.¹¹

A register of apprenticeship training providers is drawn up and retained by the ESFA.¹²

9 More information on funding bands at:
www.gov.uk/government/publications/apprenticeship-funding-bands

10 Richard review of apprenticeships (2012):
www.gov.uk/government/news/the-richard-review-of-apprenticeships

11 An up to date list of apprenticeship standards is available at:
www.gov.uk/government/publications/apprenticeship-standards-list-of-occupations-available

12 More information about the register of apprenticeship training providers at:
www.gov.uk/guidance/register-of-apprenticeship-training-providers

There are three types of training provider:

- Main providers can be selected by levy-paying employers to deliver apprenticeship training or selected by another main provider to work as a subcontractor.
- Employer providers are permitted to provide training to their staff or to apprentices in connected companies. They must be levy-paying employers and cannot deliver training to unconnected organisations.
- Supporting providers can only deliver training as a subcontractor up to a maximum of £500,000 per year.

In many cases, apprentices will be required to pass a test at the end of their training. This must be administered by an approved assessor, independent of the training provider.

Institute for Apprenticeships

The Institute for Apprenticeships, which began operating on 3 April 2017, is overseeing the new apprenticeship system. It will ensure that the training offered, as well as assessment, is of sufficiently high quality.

The institute is responsible for developing and approving apprenticeship standards and assessment plans, as well as maintaining a public database of apprenticeship standards.¹³ It will also advise employers how much government funding is available for apprenticeships.

The institute is intended to be employer led and includes representatives from business as well as training providers.

Providers of apprenticeship training at levels 2 to 5 will, in addition, be inspected by Ofsted, while higher-level programmes at levels 6 and 7 will be inspected by the Higher Education Funding Council for England (HEFCE). If a level 4 or level 5 apprenticeship contains a prescribed higher education qualification, Ofsted and the HEFCE will produce a joint judgement.¹⁴

13 Further information on the Institute for Apprenticeships at: www.gov.uk/government/organisations/institute-for-apprenticeships/about

14 More information at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/605552/Apprenticeship_Accountability_Statement.pdf

the target for the public sector

The Government wants public sector employers to support for its planned expansion of apprenticeships by setting an example to the wider economy. Public sector bodies in England that employ more than 250 people (defined by headcount) are expected to ensure that, on average, at least 2.3% of employees start an apprenticeship programme each year between now and 2020.

This target has caused concern among some employers and criticised by organisations such as the Institute for Fiscal Studies and the Local Government Association, as well as a House of Commons select committee.

What counts as the public sector?

The Government used Office for National Statistics (ONS) classifications to identify public authorities or bodies. Central government departments, NHS trusts, police forces and local authorities are therefore likely to not only be charged the apprenticeship levy but be required to hit the 2.3% target for fresh apprenticeship starts each year, assuming they employ more than 250 people.

There are grey areas. Should, for example, schools or fire and rescue services be counted as part of a local authority's headcount? Many local authorities responding to last year's consultation over apprenticeship targets in the public sector argued that schools should be excluded from the target but the Government announced in January that schools which are maintained by the local authority and where the local authority is the employer should be included. Foundation schools, voluntary-aided schools, free schools and academies will be treated separately and only be required to hit the target if, as institutions, they employ more than 250 staff.¹⁵ Where academies are part of a multi-academy trust, the trust will generally be the employer.

From 2018, public sector employers will be required to file annual reports showing how many new or existing employees start apprenticeships each year. The report will be filed each September and cover the previous financial year. In the case of local authorities, figures for maintained schools and fire and rescue services will be shown separately.

Further education colleges and universities are not counted as public sector bodies for the purposes of the apprenticeship target. Nor is the Post Office, or housing associations, which are in the process of being reclassified by the ONS so that they are counted as part of the private sector.¹⁶

¹⁵ More information on schools and apprenticeships at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/598603/Schools_guide_to_apprenticeship_reforms.pdf

¹⁶ Further information on the classification of public sector bodies at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/519571/Classification-of-Public-Bodies-Guidance-for-Departments.pdf

What is the target?

The Government wants 2.3% of people working for public sector bodies in England that have more than 250 employees to start a new apprenticeship each year between 2017/18 and 2020/21. This is 2.3% of total headcount, not 2.3% of full-time equivalents, although most organisations responding to last year's consultation argued FTEs was a fairer measure.

The Government claims that calculating employees on a FTE basis would mean that fewer public sector employees will start apprenticeships annually. This might in turn lead to the target being raised. The use of a headcount figure is bound to have a significant impact in local government, where about half of employees work part-time.

Public sector bodies are not necessarily expected to hit the 2.3% target every year. By 2020/21, an average of 2.3% of the organisation's headcount should have started an apprenticeship annually over the four-year period.

This will nevertheless have far reaching implications for larger public sector employers:

- The NHS is facing an estimated target of 28,000 apprenticeship starts in 2017/18 – up 75% on last year.¹⁷
- Kent County Council, which employs about 31,000 people, is required to increase annual apprenticeship starts from 150 to just over 700.

The Government admits the target will be stretching, but expects the public sector to deliver its 'fair share' of new apprentices. Those that do not hit the target in the first 12 months, will have to explain how they intend to do better in the second year. And so on.

But what happens if public sector bodies do not hit the target by 2020/21? At present, public sector employers are simply being told that they must 'have regard' to the apprenticeship target in workforce planning, with no indication from government as to what sanctions, if any, may be imposed if the target is missed.



The NHS is facing an estimated target of 28,000 apprenticeship starts in 2017/18.



Impact of the target on training and recruitment

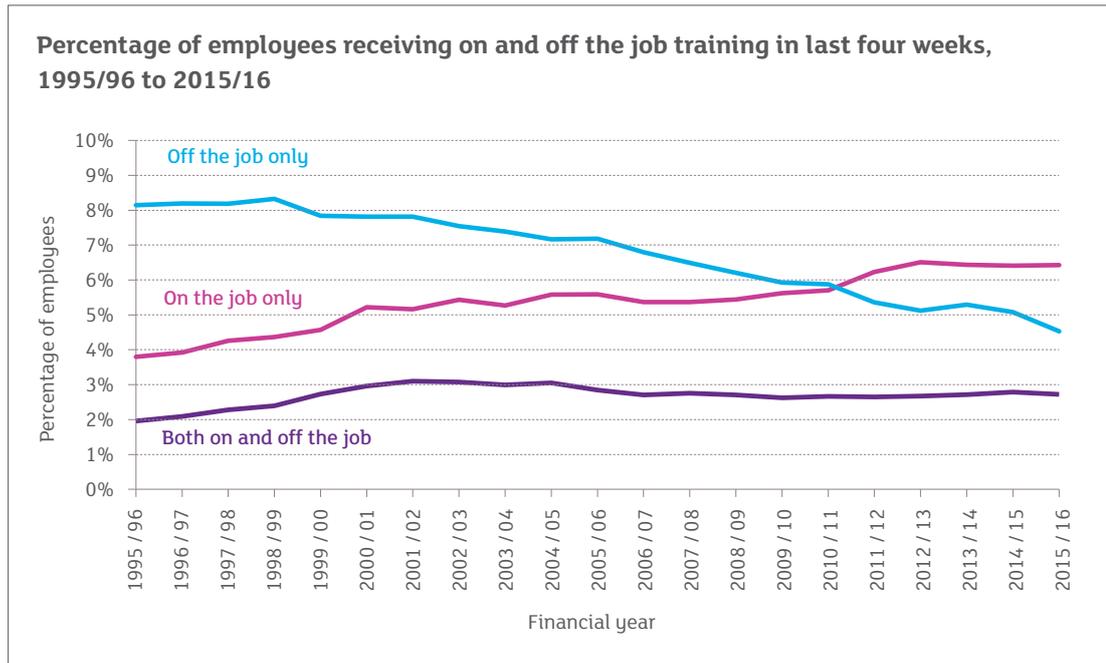
Public sector employees make up 16.2% of the total workforce in England. If public sector bodies are to play their part in helping the Government to hit its target of three million new apprenticeships by 2020, about 97,000 employees will be required to start apprenticeships each year for the next four years.

This does not mean public sector organisations will need to take on significantly more new staff. The target figure of 2.3% covers new and existing employees. However, it is likely to make a difference to how employers approach training and recruitment decisions.

¹⁷ <http://feweek.co.uk/2017/02/04/how-will-the-nhs-spend-its-apprenticeship-levy>

As the Institute for Fiscal Studies (IFS) points out,¹⁸ the new system reduces the cost of off-the-job training as part of apprenticeship programmes for employees aged 19 and above. This is at a time when there has seen a marked shift from off-the-job to on-the-job training in all sectors (see below).

The IFS warns that there is a likelihood that the increase in apprenticeships will not represent an increase in overall training, but rather the substitution of apprenticeships for other training programmes. This might include the relabelling of existing schemes that include off-the-job training as an apprenticeship, or a move from unsubsidised on-the-job training to off-the-job training, which must constitute at least 20% of an apprenticeship programme.



Source: Institute for Fiscal Studies

There is also a possibility that some employees will take apprenticeships in place of more ‘academic’ courses and qualifications.

Focus groups run by CIPFA in late 2016 acknowledged the apprenticeship levy should lead to an increase in training, especially among employers who are reluctant to invest in staff development. But concerns were raised over apprentices spending significant time away from work as well as the knock-on effect this will have on an organisation, including small teams operating within it.

¹⁸ IFS (2017), *Reforms to Apprenticeship Funding in England*: www.ifs.org.uk/uploads/publications/comms/R124_Green%20Budget_%208.%20Apprenticeships.pdf

The focus groups involved finance and HR specialists from a range of local authorities. Among the other concerns raised were:

- People who complete an apprenticeship will seek more challenging roles at higher salaries, potentially increasing wage costs.
- Staff undertaking a three-year apprenticeship (equivalent to a degree) may see their job role change, or they leave, while they are gaining the qualification.
- Employees who are satisfied with their current job role may be reluctant to start an apprenticeship and feel they are ‘shoehorned’ into it for the wrong reasons.
- Some staff will be unwilling to commit to courses lasting more than a year.
- Staff may resent a move towards, or return to, qualification-based learning, when this is alien to the culture of the organisation.
- The levy may become a box-ticking exercise that focuses on the quantity, not quality, of apprenticeship training.

According to the IFS, there is no guarantee that apprenticeships represent the right option for increasing skills in the public sector, where employees are roughly twice as likely to have completed post-secondary education compared with the private sector.

The Labour Force Survey shows that currently just 0.6% of public sector employees are apprentices, meaning that the number of apprenticeships will need to be quadrupled for public sector bodies to hit the 2.3% target. If just newly-hired non-graduates were to start apprenticeships, the IFS calculates that 62% of new non-graduate public sector employees would have to start an apprenticeship for the target to be met.

The IFS report concludes: “This policy risks creating a lot of pointless, and costly, relabelling of existing activities or – even worse – shifting structures towards less efficient ways of working.”¹⁹

A report published by a House of Commons select committee in March 2017 urged the Government to keep the public sector target under review.²⁰

The House of Commons sub-committee on education, skills and the economy, comprising MPs from the education and business select committees, agreed that public sector employers should take on more apprentices, but said a blanket target risked “incentivising quantity over quality and the rebadging of existing training programmes”.

In its evidence to the sub-committee, the Local Government Association warned that the target will require local authorities to spend £400m per year until 2020 recruiting 33,000 new apprentices.²¹

19 IFS (2017) *Reforms to Apprenticeship Funding in England* (p29): www.ifs.org.uk/uploads/publications/comms/R124_Green%20Budget_%208.%20Apprenticeships.pdf

20 Full report at: www.parliament.uk/business/committees/committees-a-z/commons-select/education-skills-and-economy/news-parliament-2015/apprenticeships-report-published-16-17

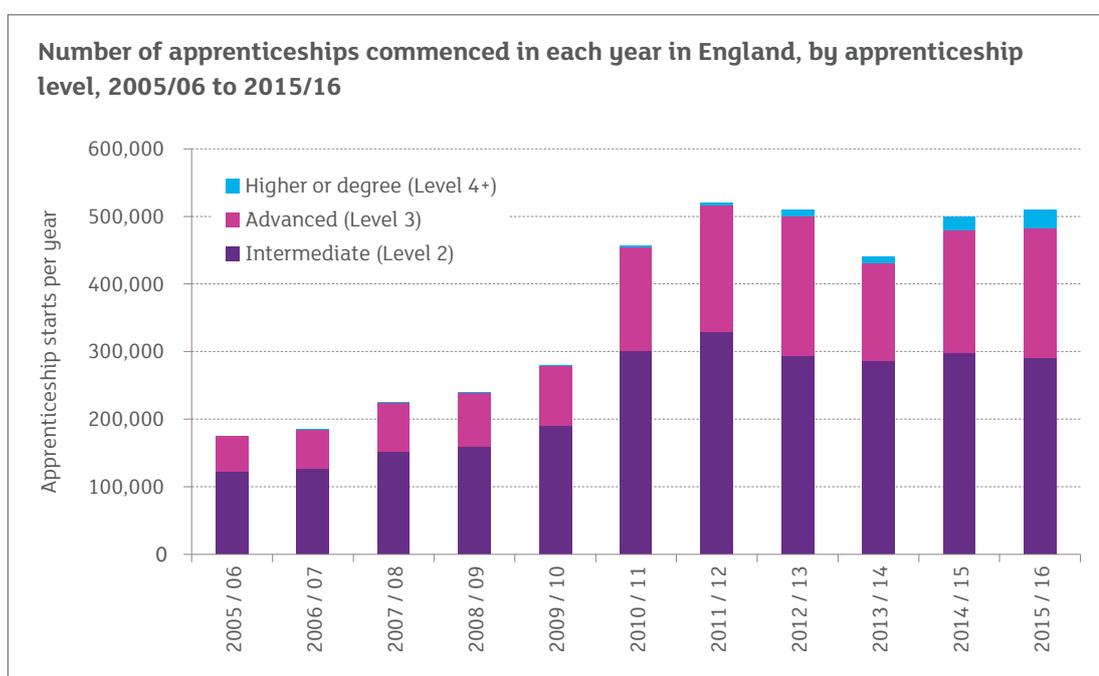
21 Full LGA evidence to the sub-committee available at: <http://data.parliament.uk/WrittenEvidence/CommitteeEvidence.svc/EvidenceDocument/SubCommittee%20on%20Education,%20Skills%20and%20the%20Economy/Apprenticeships/written/30816.html>

The London borough of Camden told the sub-committee that the target could mean fewer local authority staff are offered flexible or part-time contracts so as to reduce an authority's headcount and make the target for apprenticeship starts less demanding.²² In addition, Camden said, the focus on annual apprenticeship starts could dissuade local authorities from offering staff higher-level apprenticeships that last more than one year.

Higher level apprenticeships and the role of CIPFA

The Government wants apprenticeships to be regarded as high-quality and prestigious qualifications that are available at all levels. They should be recognised as a pathway to successful careers, particularly for young people, including those considering higher education.²³

At level 4, they are equivalent to the first year of a bachelor's degree while, at levels 6 and 7, they are equivalent to a full bachelor's degree or a master's degree.



Source: Institute for Fiscal Studies/Department for Education

²² Camden Council's evidence to the sub-committee at: <http://data.parliament.uk/WrittenEvidence/CommitteeEvidence.svc/EvidenceDocument/SubCommittee%20on%20Education,%20Skills%20and%20the%20Economy/Apprenticeships/written/30828.html>

²³ HM Government (2015), *English Apprenticeships: Our 2020 vision*: www.gov.uk/government/uploads/system/uploads/attachment_data/file/482754/BIS-15-604-english-apprenticeships-our-2020-vision.pdf

Most apprenticeships currently undertaken in England are at levels 2 and 3. However, there has been a slow expansion of apprenticeships at level 4 and above since 2014 (see above).

Higher education institutions and other awarding bodies are working alongside employer-led ‘trailblazer’ groups in different sectors to develop higher-level apprenticeships.

CIPFA is a member of the accounting trailblazer group responsible for designing accounting-related standards. This includes a level 7 professional accountant apprenticeship standard, where candidates would typically complete the apprenticeship in 18 months to four years, depending on prior qualifications and work experience.

The standard covers knowledge of audit and assurance; financial accounting and reporting; governance, risk and control, management accounting, strategic business management; and taxation.²⁴ Candidates would be required to register with CIPFA or another professional body in the UK.

The focus groups run by CIPFA in 2016 found that, within finance teams, people are twice as likely to undertake professional training as they are to start an apprenticeship. Across wider local authorities, however, three people start an apprenticeship for every two that undertake professional training.

The focus groups recommended a mix of classroom and online learning for candidates undertaking a qualification at level 7. Online learning is partly seen as a way of ensuring staff do not spend too much time away from work.

The level 7 standard will build on CIPFA’s existing involvement in apprenticeship training, including bespoke apprenticeship trainee placements.²⁵ CIPFA has always encouraged social mobility by ensuring that people from a range of backgrounds have access to its training and qualifications, with (AAT) Association of Accounting Technicians. CIPFA has always encouraged continuing as assessor of its qualifications.

CIPFA is fully behind the drive to increase apprenticeships, seeing it as an opportunity to nurture a more flexible, knowledgeable and skilled workforce as the UK prepares to leave the European Union.



The level 7 standard will build on CIPFA’s existing involvement in apprenticeship training, including bespoke apprenticeship trainee placements. 

²⁴ Full information at: <http://bit.ly/2nuHaoM>

²⁵ More information at: www.cipfa.org/apprenticeships

apprenticeships outside England

The apprenticeship levy is paid by employers with a pay bill of more than £3m throughout the UK, but what happens to the money outside England depends on devolved governments in each country.

The apprenticeship target for larger public sector employers set by the Department for Education in England does not apply in other parts of the UK.

Where an employer operates in more than one part of the UK, HMRC is using existing data showing the home addresses of employees to decide what portion of the levy is distributed to governments in the different countries.

Depending on steps taken by governments in the rest of the UK, the apprenticeship initiative could lead to not just a more skilled workforce, but increased productivity across the UK economy. Employers with staff in more than one part of the UK will therefore be watching the responses of the devolved governments with interest to see what they and their employees receive in return for monthly levy payments.

Scotland

The Scottish Government expects to receive about £221m from the levy, paid to it through block grant. It will be used to expand Scotland's modern apprenticeship programme, with a target set of 30,000 starts per year by 2020. There are also plans to expand graduate level and foundation apprenticeships from this year.

In addition, a £10m workforce development fund is being established to help employers upskill and reskill workers. The fund is being managed by the Scottish Apprenticeship Advisory Board, an employer-led body that is also overseeing the development of new apprenticeships.²⁶

Wales

The Welsh Assembly Government plans to create 100,000 apprenticeships of all ages over the next five years. An online apprenticeship matching service allows employers to post vacancies and short list candidates for interview.

In 2017/18, the Welsh Government plans to spend £112m on apprenticeships. Its skills policy plan for apprenticeships says it is taking a different approach to the government in England, one that is more suited to the Welsh economy.²⁷

26 See: www.apprenticeships.scot and: www.apprenticeships.scot/take-on-an-apprentice/apprenticeship-levy

27 <http://businesswales.gov.wales/skillsgateway/apprenticeships-skills-policy-plan>

Northern Ireland

The Northern Ireland Executive also encourages young people and adults to take up apprenticeships at all levels, although financial incentives are only offered to employers where an apprenticeship is gained at level 2 or level 3.²⁸



The apprenticeship target for larger public sector employers set by the Department for Education in England does not apply in other parts of the UK.



28 www.nibusinessinfo.co.uk/content/apprenticeships-employers

\ conclusion

The expansion of apprenticeships comes at a price for employers and, to some extent, for government.

Levy-paying employers do not, however, need to be losers from the new system. Providing they get to grips with the digital apprenticeship service and digital accounts, and so long as suitable training is available, there is no reason why they cannot get as much out of the new system as they put in, with the government paying a share of costs.

Smaller employers that are not required to pay the levy may also be winners, finding that the government covers a larger percentage of training costs for apprenticeships than at present.

The problem comes when employers fail to find the training they want, or require, in the form of an apprenticeship. This may be particularly true for large public sector employers with one eye on the target of enrolling 2.3% of employees on an apprenticeship programme annually for four years.

If employees are pushed into apprenticeships for the wrong reasons, or are simply enrolled on the wrong apprenticeship programme, quality training will be sacrificed. Individuals, as well as employers, could suffer.

Potentially, the expansion of apprenticeships across a larger share of the UK workforce can help make employees more flexible and more skilled, while allowing employers to increase productivity and efficiency.

The early signs are that it will take a while for the new system to bed in. New standards and new training providers are likely to be confirmed on a regular basis for some time.

The response of higher education will be interesting, deciding partly whether apprenticeships are eventually regarded as professional qualifications with the same kudos as a degree.

In the long run, it remains to be seen whether the expansion of apprenticeships during the rest of this decade proves a success. In the public sector, much may depend on how rigorously the target for apprenticeship starts is enforced.

Whatever happens, apprenticeships are set to become a major focal point for most if not all education and training providers, targeted at everyone from school leavers to postgraduates. They are certainly not an issue that finance and human resources professionals can afford to overlook over the coming months and years.

further reading

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More information about apprenticeship funding:
[www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work/apprenticeship-
levy-how-it-will-work](http://www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work/apprenticeship-levy-how-it-will-work)

Further information about employing an apprentice: www.gov.uk/take-on-an-apprentice

Detailed information about individual apprenticeship standards:
www.gov.uk/government/collections/apprenticeship-standards



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