Template for costing the policies of opposition parties

Please remember that everything entered into this template, and email correspondence relating to its completion, may be published under the Freedom of Information Act

Description of policy

- Labour press release (22nd September 2014): "The next Labour government will: raise the number of school leavers going on to high quality apprenticeships so it is equal to those who go on university" http://www.politicshome.com/uk/article/105128/labour_labour%E2%80%99s_plan_for_britain%E2%80%99s_future_ed_miliband.html
- Tristram Hunt: "We need to drive up the quality of apprenticeships by making them all level 3 and last a minimum of two years" (Labour press release).
- Lord Adonis: 'Increase the number of high quality apprenticeships for young people, including trebling the number of STEM youth apprenticeships by 2020' (Lord Adonis, *Mending the Fractured Economy*, 1 July 2014, link).
- Labour National Policy Forum: 'Labour will ensure more apprenticeships…last for a minimum of two years and at least three years in technical sectors such as construction, engineering and manufacturing' (link).

Additional policy assumptions

Relevant assumptions as specified by HMT Special Advisers are:

1. Assume that the target requires that of the people leaving school in 2025 as many go to an apprenticeship as go to University.
2. Assume the target is fully achieved by increasing the number of people who go into apprenticeships – i.e. that no part of it is achieved by reducing the number of people who go to University (compared with current projections for 2025). The first quote below is clear that the intention of the target is to raise the number of people going into apprenticeships to meet the levels going to University.
3. Based on an appropriate projection of University student numbers in 2025, assume a straight-line trajectory between the number of school leavers currently going on to an apprenticeship and those who would be in 2025 in order to meet the target.
4. Assume that all "non-technical" apprenticeships starts are at level 3 and last at least two years, from 2015/16 but it does not apply retrospectively to apprenticeships that are already in progress, in line with announced Labour party policy.
5. Assume that all technical apprenticeships last a minimum of three years and are at least level 3.
6. Assume a technical apprenticeship is defined as a STEM apprenticeship plus construction, engineering and manufacturing apprenticeships that don't qualify as STEM.
7. Labour have set an additional target of trebling the number of STEM youth apprenticeships by 2020. If this sub-target is not achieved by the overall increase to the target for youth apprenticeships with the current composition of apprenticeships by 2020, please adjust this composition so that there is a linear increase in STEM apprenticeships to meet the sub-target by 2020.
8. Calculate costs of these policies based on the unit costs to government using the current system of funding apprenticeships.
9. Assume that employers will be willing to offer the number of apprenticeships for school

leavers envisaged.

10.   Please make a reasonable assumption about inflationary increases to unit costs applying across the period.

Additional technical modelling assumptions or judgements required

In respect of assumption 1, BIS forecasts that 185,000 18-year olds will start University in England in 2025.

In respect of assumption 4, we prorated the full course cost of non-technical apprenticeships that currently last less than two years to two years.

In respect to assumption 5, we prorated the full course cost of technical apprenticeships that currently last less than three years to three years.

In respect of assumption 7, the Lord Adonis document referenced above quoted the starts each year in STEM apprenticeships at Level 3 (the equivalent to A-levels) and above at 31,000. It is therefore assumed that the intention is to achieve 62,000 additional STEM youth apprenticeship starts by 2019/20, growing at a rate of 12,400 per annum over the five year (2015/16 to 2019/20) time horizon being considered.

In respect of assumption 8, we have derived approximate unit costs of apprenticeships using the full course costs Apprenticeship leavers in 2013/14 academic year by Sector Subject Area. This is the most suitable data source to identify the cost of Apprenticeships under the current system and the cost of youth technical and non-technical Apprenticeships needed to model the Opposition Policies.

In respect of assumption 10, the inflation increase applied to unit costs was 2% per annum.

If needed, information required on distributional effects of the policy

N/a

Cost/Revenue to the Exchequer over five years

	DEL					AME				
	2015-16	2016-17	2017-18	2018-19	2019-20	2015-16	2016-17	2017-18	2018-19	2019-20
Current (£m)	710	910	1,100	1,290	1,480	N/a	N/a	N/a	N/a	N/a
Capital	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a
Total	710	910	1,100	1,290	1,480					

Total costs over the next parliament are estimated to be £5,490m.

Distributional effects (if none requested, any significant):

Comparison with current system (if applicable):

N/a – the current government has not made any commitments regarding increasing the number of apprenticeships or about increasing the length and level of all apprenticeships in this period.

Other comments (including other Departments consulted):	
BIS carried out the costing based on the specified assumptions above and the results were examined by HMT officials before submission to the Permanent Secretary's office.	
To be completed by Permanent Secretary's Office Date costing signed off:	19/12/2014
[If applicable] Date revised costing signed off:	