

TO: SCHOOLS FORUM
Date 8 DECEMBER 2016

APPRENTICESHIP LEVY
Director of Children, Young People and Learning

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to update the Schools Forum on the issues surrounding the introduction of an apprenticeship levy and a quota of apprentices for public sector employers and the plans being made by the council.

2 RECOMMENDATIONS

- 2.1 **That the Schools Forum NOTES the current position, as set out in Annex 1.**

3 REASONS FOR RECOMMENDATIONS

- 3.1 It is appropriate for the Schools Forum to be aware of these matters.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 As detailed in Annex 1.

5 SUPPORTING INFORMATION

- 5.1 From April 2017, the government intends to introduce changes to the way apprenticeships operate in public sector employers through the introduction of a levy and quota system as follows:

1. Organisations with a payroll above the £3 million threshold must pay a levy to the government equivalent to 0.5 per cent of their payroll. Funds can then be withdrawn from the levy fund once qualifying criteria are met to fund apprenticeship programmes.
2. Organisations with more than 250 employees (FTE) will be set a target of 2.3 per cent 'apprenticeship starts' each year

- 5.2 Full details of the scheme have yet to emerge but the Council is in the process of formulating a strategy to meet the new challenge. Schools are within the scope of these changes.

Annex 1 sets out more details of the scheme and progress made to date by the Council.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

6.1 As detailed in Annex 1.

Borough Treasurer

6.2 As detailed in Annex 1.

Equalities Impact Assessment

6.3 As detailed in Annex 1.

Strategic Risk Management Issues

6.4 As detailed in Annex 1.

Background Papers

None.

Contact for further information

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TO: CORPORATE MANAGEMENT TEAM
12 OCTOBER 2016

**RECENT NATIONAL DEVELOPMENTS ON APPRENTICESHIPS: LEVY AND QUOTAS
(Director of Corporate Services - HR)**

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to update CMT on the issues surrounding introduction of an apprenticeship levy and a quota of apprentices for public sector employers.
- 1.2 CMT are requested to agree to maximising use of training funds available by establishing a programme to support apprenticeships.
- 1.3 A further report will be brought back to CMT when the final regulations and quotas are published by the government.

2 RECOMMENDATION(S)

That CMT agree to:

- 2.1 **Maximise the use of levy training funds by developing a centrally managed apprenticeship programme that is fully integrated into the Council's work force planning strategy and business planning cycle and aims to work towards achieving the quotas set for public services.**
- 2.2 **Devolve the levy training funds and quotas into two streams across schools and non-schools respectively following appropriate consultation through the Schools Forum.**
- 2.3 **Following discussion with schools, agree internal quotas for schools and non-schools to achieve the 2.3% overall target of 90 apprenticeships ensuring that this figure is comprised of both quotas for conversion of existing staff to apprenticeships as well as a proportion of new hire apprenticeships.**
- 2.4 **Begin formal discussions with schools regarding how they plan to utilise their portion of the levy training funds and meet their apprenticeship quotas. To promote the benefits of a centrally managed apprenticeship programme which schools could then chose to buy in.**
- 2.5 **Agree to the funding of a dedicated temporary (as set out in 5.18) resource to support the development and implementation of the apprenticeship programme and commence recruitment to this new post - 'Project Manager – Apprenticeships' as soon as practicable.**

3 REASONS FOR RECOMMENDATION(S)

- 3.1 A previous report to CMT in April 2016 outlined the anticipated impact of the levy and quotas, the details of which remain broadly unchanged, as there has been further delay in the regulations being published by the Government. However the implementation date remains as April 2017. Given the lead in time that may be

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needed to fully access and utilise the training funds available; an early decision regarding the direction of travel is needed from CMT in relation to whether we are:

- (a) to expand the use of apprenticeships across the Council now to maximise the use of the levy training funds in 2017. This will need additional investment to develop, coordinate and support the delivery of a much larger apprenticeship offering.
- (b) to accept the levy as a 'tax' that we will only get limited benefit from and continue utilising apprenticeships in the way we have to date and in doing so accept that we will be in breach of the quotas for public sector employers (once these are published).
- (c) to continue as we are for the next 6 months and aim to expand the use of apprenticeships from September 2017. This would allow time for greater clarity on the regulations but it should be noted that this will limit the lifespan of year one levy training funds to be used within 12 months rather than the current 18 months proposed and may result in some loss of levy funds due to this expiration period.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Pay the levy for the first 12 months of the scheme without making efforts to maximise the number of posts which could be used as apprenticeships and accept it purely as a 'tax' from which the Council will get little direct benefit.
- 4.2 Continue with the current demand led, low level provision of apprenticeship opportunities the consequences of which may include reputational damage from reporting non-compliance with quotas and limited benefit from the levy funds.
- 4.3 Opt to delay implementation for September 2017 to allow the regulations to be published and implemented by others prior to commencing implementation across the Council as the levy funds are accessible for 18 months this would still allow the Council 12 months to utilise the 2017 levy monies. Given the lead in time for developing and recruiting an apprenticeship offering this planned delay could jeopardise a greater proportion of the levy funds being lost in the first year.

5 SUPPORTING INFORMATION

Levy

- 5.1 Our current paybill is £95.2million. This figure includes schools. On this basis the levy would therefore cost approximately £0.5m (which includes schools). Enquiries made with the Department for Education have indicated that it is the total PAYE bill which is the calculation to be used when working out the levy to be paid. Although the amount relating to schools can be recovered from their budgets, it does mean that it will then be the responsibility of schools to determine what they want to do to try and minimise this expenditure by recruiting apprentices into their workforce.
- 5.2 Once the training funds are allocated to the Council via the digital accounts they are only live for 18 months after which time they automatically expire.

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- 5.3 It has been confirmed that the levy training funds can be used to fund apprenticeship training costs for existing staff as long as:
- a) the apprenticeship is relevant to their role
 - b) they are working towards achieving an approved apprenticeship standard or apprenticeship framework
 - c) the training lasts at least 12 months
 - d) they spend at least 20% of their time on off- the-job training.

Strategy

- 5.4 The Council will be required to pay the apprenticeship levy from April 2017 onwards, and therefore must consider how to maximise the benefits to be gained from claiming money back from the levy training funds.
- 5.5 The Council is facing a number of challenges in relation to having an aging workforce and needing to operate current and future services with reduced resources and budgets. Coupled with areas of higher turnover and hard to recruit areas , the Council increasingly needs to invest in a more proactive approach to developing robust short, medium and long term work force plans and strategies to meet the future demands of the service. These plans must also specifically identify how apprenticeships could be used to develop staff and/or new recruits to meet future workforce needs. This approach could assist in stabilising high turnover of hard to recruit areas encouraging a 'grow our own' approach.

Quota

- 5.6 The Council will be required to work towards centrally set quotas and provide reporting information to central government. The details of which are still to be published. Our current approach to demand-led recruitment of apprenticeships will not generate sufficient opportunities to meet these quotas. It is unclear whether performance information against these quotas will be publicly accessible but it is envisaged that in time such data might be published by central government in performance score cards or league tables or by third parties via Freedom of Information requests.
- 5.7 The quotas could be apportioned to schools and non schools. This would equate to approximately 45 apprentices for schools (under the LA control) and 45 apprentices for other Council services/departments. This could vary in future based on any academy decisions made by schools.
- 5.8 For schools, this could be broken down further to approximately 1 apprentice per primary school (31 schools excluding academies) and 2 per secondary/special school (5 schools excluding academies). It should be noted that whilst schools may be broadly aware of the apprenticeship levy we would need to formally consult with them. They are keen to know how the apprenticeship programme will work, what they will need to do and details about the financial implications. Once CMT have agreed the strategy it is proposed to step up communications with schools.. The next Schools Forum is scheduled for December and would provide a good opportunity to present further details. Information would also be provided through the communication forums of the Headteachers and Bursars Group meetings.
- 5.9 For non schools CMT could set Departments quotas regarding what proportion of the levy paid each Department should aim to achieve within a given timescale. This approach would require significant cultural and attitudinal change within departments

especially if some existing jobs were to be accepted as ones where the occupant/new recruit would be expected to undertake an apprenticeship programme.

- 5.10 Whilst there are costs and resource implications to expanding the current apprenticeship programme, the potential benefits of access to training funds to support a move to an increased 'grow our own' scheme for future staffing needs will strengthen the Council's position in relation to workforce planning, talent management and succession planning.
- 5.11 It should be noted that this would require additional support and resource from HR/LD and ideally also require OD input in order to maximise the potential benefits for the Council.
- 5.12 The quota can be met by a combination of new apprentice hires and new apprenticeships for existing staff as long as the criteria for existing staff set out in 5.3 are met. Whilst conversion of existing staff would assist in upskilling the existing workforce and reduce the number of new hires required there would still be some additional costs to enable the release of existing employees who become apprentices to spend at least 20% of their time in off the job training.
- 5.13 The Council employs roughly 600 new employees per annum based on recent statistics (including schools). This is comprised of approximately 210 (35%) non schools new employees and 390 (65%) schools new employees. If the quota were to be met wholly by new hires and the apprenticeships were of the typical one year duration, 15% of new hires each year (including schools) would have to be apprentices to meet and maintain the quota of 2.3% of workforce.

Lead Provider(s)

- 5.14 The Council will need to work with a Lead Provider who is approved by the Skills Funding Agency (SFA). This provider will assist the Council in finding an end point assessor (who must also be SFA approved) who will need to assess each apprenticeship prior to the Council being able to access the last 20% of the apprenticeship training costs. This is a reflection of the fact employers will increasingly move to training apprentices on apprenticeship standards, where there is an end point assessment. The cost of this assessment is incurred at the end of the apprenticeship and the Department of Education believes retaining 20% of total payments until completion will help to ensure the employer does not overpay training costs in the event the apprentice does not finish their apprenticeship.
- 5.15 The Council could seek to become a Lead Provider within the local community and there is a possibility of income generation in relation to this. However, it should be noted that the Council cannot act as the end point assessor for its own apprenticeships. Additionally, it should be noted that as a Lead Provider the Council would also then be subject to Ofsted inspections.
- 5.16 The Council already hold a SFA contract from Adult Education which has historically been renewed annually. If this contract was utilised to provide some apprenticeships the steps required to become a lead provider would be reduced. This would need further exploration by the Project Manager – Apprenticeships.

Financial implications of employing additional headcount

- 5.17 If we employ 90 apprentices additionally to the current headcount, the pay would cost us £586,850 plus on costs (at minimum payment levels). Paying at or around the median level for the local area would increase that to approximately £783,055 plus on costs. At a time of reducing budgets, this would appear to be difficult or impossible to sustain without corresponding staffing cuts elsewhere. Therefore it is suggested that the two best methods of recruitment to meet quota would be:
- a) converting existing employees/trainees to apprenticeships, therefore not increasing the current pay bill but recouping some of the levy
 - b) increasing the proportion of apprenticeships within our current rates of hiring and therefore not increasing headcount.

Managing the scheme

- 5.18 The expansion of the apprenticeship scheme will need to be developed and implemented in the first instance through additional resource. It is likely that such resource will be 1.0 fte and likely grade of BG–F / E subject to formal job evaluation equating to approximately £40k pa plus on costs for 6-12 months on a fixed term contract. This could then be reviewed as part of the Council Wide Support Services Review. It is envisaged that this resource could support the development of an apprenticeship scheme to support both streams of schools and non-schools apprenticeships. Arrangements could be made to recharge a proportion of these costs to schools.
- 5.19 CMT will also be aware of proposals from CYPL to seek set numbers of placements, traineeships and apprenticeships for Care Leavers. Their report stresses the support needed for these young people.

6 ADVICE RECEIVED FROM OTHER OFFICERS

Borough Solicitor

- 6.1 Nothing to add to the report.

Borough Treasurer

- 6.2 The Council's Commitment Budget includes £215,000 in 2017/18 for the apprenticeship levy – this excludes schools. For budgeting purposes the levy is being treated as an additional employment tax, similar to employers national insurance contributions. An expansion of the apprenticeship programme with access to levy training funds has the potential to reduce this liability, although this cannot be quantified at this stage.

There is no provision at present for the additional post of Project Manager - Apprenticeships. Should CMT be minded to approve this post the cost will need to be met from either the contingency or put forward as a budget pressure in 2017/18.

Equalities Impact Assessment

- 6.3 None envisaged.

Strategic Risk Management Issues

6.4 A number of issues have been identified that need to be considered within the context at a time when finances are stretched and resources and services are under review:

- Reputational Risk if the quota is not met.
- Loss of levy training funds if not utilised.
- Salary cost of employing additional apprentices.

Full appraisal of the risks can only be made when further details are available on both the levy and the quota from Central Government.

Background Papers

Contact for further information

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