

Cabinet

Report Title:	Implementation of the Apprenticeship Reform Programme for Suffolk County Council
Meeting Date:	15 November 2016
Lead Councillor(s):	Councillor Jane Storey, Deputy Leader and Cabinet Member for Broadband, Rural Issues and Localities
Local Councillor(s):	All Councillors
Director:	Geoff Dobson, Director of Resource Management
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Brief summary of report

1. To present an update on the government apprenticeship reform programme due to be implemented from April 2017 and to set out further proposals for how the authority might respond to these reforms.
2. To formally gain agreement to the recommendations in light of the level of expenditure required.

What is Cabinet being asked to decide?

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| <ol style="list-style-type: none"> 3. To approve the additional non-recoverable annual expenditure in relation to the Apprenticeship Levy which is estimated to be approximately £2m per annum. 4. To note the significant workforce and financial implications the apprenticeship reforms will have on Suffolk County Council. 5. To consider and agree recommendations for the organisation's response to the reforms and associated timescales. 6. To delegate authority on the implementation of the Council's response to the reforms to the Director of Resource Management in consultation with Councillor Jane Storey, Deputy Leader and Cabinet Member for Broadband, Rural Issues and Localities and Councillor Gordon Jones, Cabinet Member for Children's Services, Education and Skills. |
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Reason for recommendation

7. The government apprenticeship reform programme aims to deliver more apprenticeships of a better quality in order to benefit employers, individuals and the economy.
8. UK GDP / per hour worked is significantly lower than other countries and the government want to use apprenticeships as a way to boost the skills of the UK workforce and help improve economic productivity as well as providing an opportunity for more individuals to pursue a successful career and increase social mobility.

9. In order to achieve these aims the apprenticeship reform programme will focus on three main areas:
- A new approach to funding, with greater employer contributions through the introduction of an **apprenticeship levy** for employers with a pay bill in excess of £3m per year. The levy is set to be 0.5% of the pay bill and there will also be an additional top up of 10% from Government. The levy contribution an organisation makes will then be available but is restricted to apprenticeship training costs only and only for apprentices within the organisation.
However, from 2018 the government is intending to allow levy-paying employers to be able to transfer up to 10% of the annual value of funds entering their digital levy account to other employers on the digital system.
 - Changing the way apprenticeship training is designed with a shift from apprenticeship frameworks to new employer led **apprenticeship standards** which offer employers and apprentices a more robust and relevant training experience.
 - The introduction of a new **Digital Apprenticeship System** which will host the whole apprenticeship process from the management of a digital levy account to advertising apprenticeship vacancies and identifying learning providers.
10. In addition, for public sector bodies there will also be the introduction of a **workforce target** to have 2.3% of the workforce as new apprenticeship starts each year.
11. Current indications are that although public bodies will be expected to give 'due regard' to the target there will not be a financial penalty for not meeting it; although annual reporting on progress and remedial action will be mandatory.
12. Further and more detailed guidance around some of the reforms is shortly expected from central government.

What are the key issues to consider?

The key issues for Suffolk County Council include:

13. The apprenticeship levy will have a significant financial impact on the organisation as well as Local Authority maintained schools. Figures based on the paybill for 2015-2016 show an indicative levy bill of just over £2m. Further detail is shown below:

	Gross Pay	Employer Pension	Employer NI	Total	Indicative Levy Bill
Corporate	125,549,508	27,953,407	8,521,097	162,024,011	883,948
Schools	171,029,856	28,646,046	10,389,073	210,064,975	1,146,044
Total	296,579,364	56,599,454	18,910,170	372,088,987	2,029,992

14. The workforce target will also be a key issue and is likely to be challenging for the organisation to meet, particularly in year one. Based on current headcount, the target figures for new apprenticeship starts for the organisation are indicated below:

	Headcount	Target for new apprenticeship starts each year (2.3%)	Current number of apprentices in the organisation	% at which we would currently be meeting the target
Corporate Totals	5,788	133	42	32%
Schools Totals	9,772	225	50	22%
Grand Total	15,560	358	92	26%

Figures calculated as at 27.09.2016

15. Another key issue to consider is that Schools will also be affected by the reforms and work is currently underway with the schools' forum to explore their response separately.
16. An initial Equalities Impact Assessment (EIA) screening has been completed.

What are the resource and risk implications?

17. There are a number of resource implications as follows:
18. Considerable financial resource is required to pay the new apprenticeship levy.
19. Resource will be needed to deliver the recommendations for responding to the reforms both in terms of the corporate workforce and the schools' workforce. This will need to include both the resource to implement the initial response to the reforms and the establishment of ongoing resource to support the organisation in the delivery of significantly more apprenticeship opportunities in the longer term.
20. There is a risk that if the organisation does not respond to the reforms in a focussed way that recovery of levy contributions will not be maximised and an opportunity missed to address key skills shortages and gaps within the organisation.
21. Although the proposed response to the reforms is designed to increase the number of apprenticeships the organisation offers, there is a risk that the organisation will not be able to meet the workforce target, particularly in year one.

What are the timescales associated with this decision?

22. The apprenticeship reform programme is being implemented by the government from April 2017 in order to increase the number and quality of apprentices over this parliament.
23. The apprenticeship levy will be calculated monthly in arrears so the organisations first levy payment will be made in May 2017.

Alternative options

24. Cabinet could decide not to respond to the reforms other than to agree to the payment of the apprenticeship levy recognising that growth in apprenticeship numbers will be significantly reduced and likely not to be in line with the government targets for public bodies. Should this approach be adopted the opportunity to maximise use of the levy fund to develop skills within the organisation would also be significantly reduced.

Who will be affected by this decision?

The following groups will be affected:

25. Both the internal corporate workforce and the schools' workforce will be affected both in terms of having increased development opportunities for staff but also in terms of the additional work needed to identify and manage a significant increase in the number of apprenticeship opportunities offered.
26. Those seeking employment and/or career development within Suffolk will be positively impacted by an increase in vocational training opportunities.

Main body of report

Recommendations for responding to the reforms Recommendations and proposed timescales for responding to the reforms are set out below.

28. As outlined in section 24 above, an alternative option could be for Cabinet to decide not to respond to the reforms other than to agree to the payment of the apprenticeship levy. This is not recommended as an appropriate organisational response to the reforms. Financially, there would be a significant missed opportunity to utilise the levy to develop skills within the organisation but there would also be negative reputational impact.
29. **Recommendation 1 - Take full advantage of the opportunity to develop a pipeline of talent and key skills as well as maximising the recovery of the levy payment through enhancing the current model to include providing increased support and co-ordination of apprenticeships as well as promoting apprenticeships as a development option to existing staff.**

Information	Proposed timescales
<p>The organisation will be required to pay the apprenticeship levy so it is recommended that the primary response to the reforms is to ensure that the current offer is expanded upon to maximise the opportunities and benefits the reforms bring.</p> <p>There are a number of different workstreams that will need to be managed to deliver this work including:</p> <ul style="list-style-type: none"> • Corporate workforce planning within each directorate (identify vacancies, etc.) • Finance • Payroll • HR Systems • Learning and development • Communications and engagement (internal & external) • Terms and conditions (inc. pay) • Learning provider procurement • Learning provider management • Recruitment • Development of ongoing provision of support for apprentices and managers • Care leavers offer 	<p>End of Nov 2016 Directorate / workstream leads in place.</p> <p>December 2016 Identify roles within the organisation that can be offered as apprenticeship vacancies against approved apprenticeship standards from April 2017.</p> <p>January 2017 onwards Register for the new digital service and ensure all payroll links are in place. All vacancies to be considered as an apprenticeship opportunity before being advertised.</p> <p>March 2017 onwards Revised apprenticeship terms and conditions in place including pay structures. Recruitment of initial apprentices where approved standards are already in place.</p> <p>May 2017 onwards New apprenticeship starts begin to increase within the organisation.</p>

30. **Recommendation 2 - Develop new pathways for apprenticeships to address recruitment, retention and skills gaps within the organisation.**

Information	Proposed timescales
<p>There are a range of occupations where apprenticeship pathways could be developed to address key skills and workforce challenges faced by SCC and other public sector organisations (e.g. town planners, surveyors, highways engineers, home carers, social workers, etc). The pathways developed would vary depending on the circumstances relating to different roles but there are opportunities to develop apprenticeships at a range of levels including those at degree and higher level to create career pathways and new routes into qualified roles.</p> <p>The benefits of growing and retaining expertise within the organisation could include a reduction in agency spend / recruitment and increased staff and service user satisfaction.</p> <p>It is proposed that we maximise the opportunities to develop new apprenticeship pathways by working in partnership with learning providers and other employers in Suffolk and the wider region.</p>	<p>2016 / 2017 Pilot a planning technician apprenticeship programme delivered in partnership with other councils in Suffolk.</p> <p>Early 2017 Explore developing strategic partnerships with the provider base and engage them in supporting work to identify key skills areas where apprenticeships could bring a range of benefits in relation to workforce demands.</p> <p>Use this information to inform where career pathways can be developed and apprenticeships could be offered in the more immediate term.</p> <p>Identify areas where there are not yet approved apprenticeship standards in place so that involvement in trailblazer programmes can be prioritised to offer opportunities in these areas in year 2.</p>

31. **Recommendation 3 - Use the opportunity of the additional money that will be available in the market through the levy to build capacity within the learning provider base in Suffolk.**

Information	Proposed timescales
<p>The current view is that the learning provider base in Suffolk is not particularly strong and there is an opportunity to use the increased spend on apprenticeship training (through the levy) to challenge the market and build increased capacity in Suffolk that will contribute to jobs and keep the money within Suffolk.</p> <p>It is recognised that the timetable providers work to may be significantly different to that of the organisation as they currently work largely to the education system term structure starting in September each year. It is important to support the provider market in Suffolk to respond to the increased demand and it is recognised that early engagement will give them an increased delivery timetable to work to.</p>	<p>Early 2017 Engage the Suffolk provider market:</p> <ul style="list-style-type: none"> • Giving early consideration to building on existing relationships to establish strategic partnerships with the provider base to engage their support in planning for career pathways • Sharing with them the approved apprenticeship standards able to be offered in the short term so that they have an opportunity to respond and provide the learning without the need for us to procure providers from further afield. <p>It is also proposed to engage Suffolk providers in any areas where the organisation is involved in developing trailblazer standards so that they have an opportunity to engage from the outset and a greater ability to respond to demand.</p>

32. **Recommendation 4 - Explore the feasibility of establishing an Apprenticeship Training Agency (ATA) solely for care leavers**

Information	Proposed timescales
<p>This would involve the establishment of an Apprenticeship Training Agency (ATA) whereby the ATA employs the apprentices and then places them into employment with external employers or the Council once they are 'work ready'.</p> <p>To deliver this, a separate joint company (Community Interest Company) would need to be established to run the ATA and there would be associated costs in doing this.</p> <p>Additional income streams are currently being explored including European Social Funding and the possibility of using the 10% of the levy that the organisation is likely to be able to transfer to other employers from 2018.</p> <p>The rationale for recommending that an ATA solely for care leavers is explored at this point rather than a more general ATA is as follows:</p> <ul style="list-style-type: none"> • The ATA model would require the agency / Suffolk County Council to assume full employment liability for the apprentices should placements be terminated before completion which would pose both a financial and reputational risk. Maintaining a focus on care leavers at this stage would reduce that risk as the potential number of apprentices would be much smaller. • It is unclear at this stage whether apprentices deployed through an ATA would be able to be counted towards the workforce target so the benefits of a general ATA may not outweigh the resources and work to deliver it at this point. Whereas focussing on care leavers would bring additional benefits in terms of delivering against corporate parenting responsibilities and other organisational priorities. • The government has indicated that it is likely to contribute additional funding for supporting care leavers so it may be more cost effective to focus on this group initially. <p>An ATA focussing on care leavers could bring a number of benefits to the organisation, however additional pre-apprenticeship support would need to be considered to reduce drop out and ensure that care leavers are in the best possible position to transition into employment.</p>	<p>End of 2016</p> <p>Complete an options paper into the feasibility of this option including more detailed proposals for resources and funding with a view to establishing the ATA from 2018.</p> <p>Progress on this recommendation would be carried out in conjunction with Councillor Jane Storey, Deputy Leader and Cabinet Member for Broadband, Rural Issues and Localities and Councillor Gordon Jones, Cabinet Member for Children's Services, Education and Skills.</p> <p>Depending on the level of financial investment proposed, this may then be brought back to Cabinet for further endorsement.</p> <p>As the apprenticeship landscape evolves and knowledge and experience increases, the recommendation would be to continuously review the ATA model in order to give consideration to broadening the remit of an ATA to include all apprentices rather than just care leavers at a later stage.</p>

33. **Recommendation 5 - Explore using the levy to support the supply chain.**

Information	Proposed timescales
<p>From 2018 the government is intending to allow levy-paying employers to be able to transfer up to 10% of the annual value of funds entering their digital levy account to other employers on the digital system.</p> <p>While it is proposed that the majority of this 10% is utilised to support the development of an ATA for care leavers, it is also proposed any remaining should be utilised to support other smaller businesses to grow and fill any skills gaps and that this is explored and considered in order to widen the positive impact and growth to the local economy.</p> <p>This would mean that funds from the levy stay in the local economy and that a wider contribution to apprenticeship growth in Suffolk is made.</p>	<p>Although this is proposed from 2018 it is suggested that consideration is given to seeking greater flexibility of this as part of any devolution deal discussions.</p>

34. **Recommendation 6 – Develop a strategy to support schools in responding to the reforms.**

Information	Proposed timescales
<p>The above recommendations are proposed in relation to the corporate response to the reforms.</p> <p>It is recommended that the response for schools is managed separately with the intention to identify and maximise any opportunities to work jointly on areas of mutual benefit.</p>	<p>November 2016 Progress discussions through the schools' forum.</p>

35. In the longer term, an approach which further embraces the reforms is recommended to include further development of other options as the reforms are introduced and the landscape around apprenticeships evolves.

36. Cabinet is asked to:

- a) Approve the additional non-recoverable annual expenditure in relation to the apprenticeship levy which is estimated to be approximately £2m per annum.
- b) Note the significant workforce and financial implications that the apprenticeship reforms will have on Suffolk County Council and schools.
- c) Consider and agree the recommendations for responding to the reforms.

Pursuing these recommendations would also form the basis of an action plan to meet the workforce target which the organisation is required to have in place from April 2017.

- d) To delegate authority on the implementation of the Councils response to the reforms to the Director of Resource Management who will work in conjunction with Councillor Jane Storey, Deputy Leader and Cabinet Member for Broadband, Rural Issues and Localities and Councillor Gordon Jones, Cabinet Member for Children's Services, Education and Skills.

Sources of further information

- a) [Apprenticeship Reforms: progress so far:](https://www.gov.uk/government/publications/apprenticeship-reforms-progress-report)
<https://www.gov.uk/government/publications/apprenticeship-reforms-progress-report>
- b) [The Apprenticeship Levy: how it will work:](https://www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work/apprenticeship-levy-how-it-will-work)
<https://www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work/apprenticeship-levy-how-it-will-work>
- c) [Apprenticeship Standards \(info on gov.uk\):](https://www.gov.uk/government/collections/apprenticeship-standards)
<https://www.gov.uk/government/collections/apprenticeship-standards>
- d) [Future of apprenticeships in England – guidance for trailblazers:](https://www.gov.uk/government/publications/future-of-apprenticeships-in-england-guidance-for-trailblazers)
<https://www.gov.uk/government/publications/future-of-apprenticeships-in-england-guidance-for-trailblazers>