

Apprenticeships and the Apprenticeship Levy

14th June 2017

Report of the HR Service Manager

PURPOSE OF REPORT
To inform the Committee of the introduction of the Apprenticeship Levy and the Council's approach.
This report is public

RECOMMENDATIONS

- (1) That Personnel Committee note the content of the report and the Council's approach to maximise use of the Apprenticeship Levy.**

1. Background

The Government has made a commitment to delivering 3 million new apprenticeships starts by 2020, in order to meet skills gaps in the labour market. To support this aim the Government has also been reviewing the provision of apprenticeships, which include revisions to funding and new standards and arrangements for apprenticeships.

To support their proposal the Enterprise Act 2016 contained specific requirements, including the requirement for public sector bodies with a head count of 250 + to '*have regard to*' the achievement of a specific target of new apprenticeship starts each year by considering apprenticeship starts within workforce planning.

The term 'apprentice' is now a legally protected term and can only be used to describe individuals who are undertaking a statutory apprenticeship.

2. Apprenticeship targets for Public Sector Bodies

The Government has confirmed that it expects the public sector to lead the way on apprenticeships, and has set a target of 2.3% of the workforce to be apprentice starts in each year and expects that 40% of all new apprentice starts in the public sector to come from Local Authorities, which is the largest proportion, followed by 32% from the NHS.

As Local Government has a high percentage of part time employees the Local Government Association (LGA) requested that Full Time Equivalent (FTE) rather than headcount be used as the figure from which the 2.3% target is derived. It has been confirmed that headcount will be used for calculation purposes.

The consultation response also advises that public sector bodies must include temporary workers in the overall headcount calculation. The headcount figure has been confirmed as

being taken on 31 March each year, during the period over which the apprenticeship levy will be in place. Based on current staff numbers of around 750 contracted employees plus casual staff **19 new apprentice starts** would be required in the current financial year.

Based on current and previous years' apprenticeships, a target of 19 new starts will be challenging. There are eight individuals currently undertaking apprenticeships at the Council. This is a higher number than in previous years, however none of the current eight apprentices can be counted towards our apprenticeship target as they started their apprenticeship prior to May 2017.

However, 'apprenticeship starts' include not only new employees specifically appointed to start an apprenticeship, but also existing employees who the Council may need to upskill and who may benefit from career development to meet current and future skills and knowledge gaps. The increased flexibility regarding the range of training that will fall within the scope of apprenticeships will better allow for the Council to achieve this challenging target.

The requirement to achieve 2.3% new apprenticeship starts within the workforce can be averaged over the four year reporting period (1 April 2017 – 31 March 2021), allowing the Council to plan for a higher number of apprenticeships in future years.

3. Requirement to report to Secretary of State

All public sector bodies will be required to report annually on progress against the target of an average of 2.3% new apprentice starts for the preceding financial year on:

Reporting period:	Reports due:
1 April 2017 - 31 March 2018	30 September 2018
1 April 2018 - 31 March 2019	30 September 2019
1 April 2019 - 31 March 2020	30 September 2020
1 April 2020 - 31 March 2021	30 September 2021

The Council will be required to supply other information; including equality data and explanations of any failure to meet the target with proposals to address any deficit in future years. Further information is expected in terms of reporting requirements.

4. Apprenticeship Levy

To assist in delivering 3 million apprenticeships by 2020 an apprenticeship levy has been introduced to will fund new apprenticeships starting from 1 May 2017. This was introduced by sections 98 to 121 of the Finance Act 2016 and took effect from 6 April 2017. The Government expects the levy to raise £3 billion per year.

The levy applies to employers with a total pay bill of over £3,000,000, who are required to set aside 0.5% of their total pay bill to fund apprenticeship training.

The levy will be collected on a monthly basis through PAYE and funds will be placed into a Digital Apprenticeship Service account (DAS), with the first funds entering the account at the end of May 2017. As soon as funds are in the Council's levy account, the Council can select training providers to provide apprenticeship programmes. HR will be responsible for liaising with managers and training providers.

The monthly levy funds will be stored in the digital account for 24 months. If the levy money is not spent within the rolling 24 months, the Council will lose that money.

The levy funds can be used:	The levy funds cannot be used for:
For apprenticeship training and assessment	Wages
Against an approved apprenticeship framework or standard	Travel and subsistence costs
For an approved training provider and assessment organisation	The cost of setting up the apprenticeship programme

5. Rules governing pre-May 2017 apprenticeships

The amount of training currently funded by the government varies depending on whether the candidate is:

- aged 16 to 18 –all of their course costs are covered up to advanced level apprenticeship qualifications, e.g. higher diplomas or A-levels
- aged 19 to 23 - half of their course costs are covered
- 24 years and older - may only get a contribution
- funding is not available for any applicants with a degrees

6. Apprenticeships post-May 2017

Employers will be able to use their levy funding to cover the costs of an apprentice's training, assessment and certification. Employers will not be able to spend an unlimited amount of money on a single apprentice and funding caps will limit the amount of levy funds an employer can spend on training for an individual apprentice. The cap will vary according to the level and type of apprenticeship. Apprenticeship frameworks and standards will fit into one of fifteen bands, each with an upper level cost threshold. The fifteen bands range from an upper limit of £1,500 for Band 1 to an upper limit of £27,000 for Band 15.

The new rules require that all apprenticeships will need to last a minimum of 12 months and involve at least 20% off-the-job training.

Applicants with degrees will now be eligible for apprenticeships under the current funding rules and apprenticeships can be undertaken by individuals at a lower or equivalent level to their highest qualification.

In order to ensure that our levy funds achieve the 2.3% target of apprentice starts against workforce headcount, it will be necessary to consider a good mix of apprenticeships, with the majority coming from the lower cost bands.

New, employer designed apprenticeship, standards are being developed to replace the current apprenticeship frameworks, including 'Trailblazer' apprenticeships, which have been developed with employers. Standards will be overseen by a newly created Institute for Apprenticeships.

The table below list examples of apprenticeship courses and their cost:

Apprenticeship	Level (where confirmed)	Provisional cost
IT, Software, Web and Telecoms Professionals	Level 4	£12,000

Customer Service	Level 2	£1,500
Professional accounting taxation technician	Level 4	£9,000
Business Administration	Level 2	£2,000
Town Planning technical support	Level 3	£9,000
Horticulture and Forestry	Level 2	£2,000
Horticulture and Forestry	Level 3	£2,500

7. Apprenticeships at Lancaster City Council – to date

The Council has offered a number of apprenticeship opportunities in recent years and since 2012 has employed 24 apprentices in the following areas:

Planning, HR, ICT, Housing, Dog Warden, Environmental Health, Vehicle Maintenance Unit, Elections, Legal, Customer Services, Gardening, Markets, Sport & Leisure and Joinery.

The majority of Lancaster City Council apprentices have become valuable members of staff and some have gone on to progress within their departments and complete further qualifications.

Prior to 2015 services were able to access a small central fund, which funded the salary costs of apprenticeships, however these were offered without the guarantee of a permanent job at the end of the apprenticeship. During 2015 a revised approach was introduced whereby apprenticeships were only offered where a Service had agreed to convert an existing post to an apprenticeship position thereby giving a guarantee of a permanent job on successful completion. This revised approach, coupled with improved advertising, resulted in a significant increase in applicants.

8. Succession/Workforce Planning & Talent Management

HR staff have recently met with Chief Officers and Service Managers to start introducing a planned approach to succession and workforce planning, alongside talent management. This affords a clear opportunity to have open discussions about known and potential staff changes, current risks to providing good quality service and how those risks can be best managed via development of existing staff, if possible.

Any succession planning approach or strategy needs to recognise that the Council may need to seek to grow and invest in talent to prevent future skills gaps developing. For example, there is an extremely limited supply of planning professionals, and it is a potentially risky strategy to rely on existing professionals to move between Local Authorities. Likewise it is acknowledged that recruiting ICT staff is becoming increasingly difficult and the introduction of the new approach to apprenticeships affords an opportunity to consider further development of in house staff or the recruitment of new staff with opportunities for training and qualifications attached to the vacancy.

Whilst it is important that apprenticeships are offered in all Services, it is likely some areas will have a greater need for apprenticeships to commence sooner than other areas, since some roles will have a higher priority for the organisation as a whole.

As part of the succession planning meetings each Service area will identify those key posts, where continuity needs to be maintained, and where there are opportunities for developing

existing staff. As part of the Council's approach to succession planning it may be necessary to consider approaches that have not been considered before, in order to protect the Council from problems in recruitment.

Succession planning therefore needs to feed into the budget planning process, to ensure that staff budgets are adjusted if there is an identifiable need that can only be met through recruitment.

There will therefore be a need to consider and prioritise Service needs and as part of this it will be possible to identify staff who can undertake apprenticeships not only in the first year, but in the years up to and including 2020-21. It is essential that, in order for Services to appropriately identify staff for future development opportunities, annual appraisals will be carried out in all cases.

The results from the last 2014 Staff Survey showed that employees felt there was little or no training opportunities for them within the Council. The apprenticeship levy will allow the Council to go some way to improving access to training for some staff, allowing them to build their knowledge and skills.

9. Apprenticeship Recruitment

Whilst it is probable that the majority of new apprenticeships will be undertaken by existing staff, it remains important that managers continue to identify roles, which if they become vacant, could be converted to an apprentice opportunity and to discuss those with HR at an early point.

This approach will allow the Council to continue to build upon the success that we have recently achieved in bringing a high standard of apprentices into the Council. This approach also ensures that apprentice salaries are absorbed within current staff budgets, as the posts already exist.

Apprenticeships will continue to be widely marketed via our website, social media, local schools, the training provider's website, the local press, and careers fairs. HR resources permitting, there are opportunities to widen outreach activities and to begin to market the Council as an 'employer of choice' in the local area.

The HR recruitment pages on the Council website have been updated to include a new apprenticeship section, providing information about apprenticeships at Lancaster City Council. Additionally a new facility to register interest in an apprenticeship at Lancaster City Council has been created and, as and when future apprenticeship vacancies arise, information will be provided to those individuals who have already registered their interest.

10. Human Resources – Learning & Development

The revised approach to apprenticeships affords Services, working with HR, a clear opportunity to consider upskilling members of staff to fill existing or potential skills gaps, so that the Council is in a far more robust position to deal with known and unknown workforce challenges.

It is appropriate to note here that learning & development activity has reduced to a relatively low level over a number of years, due to the high number of other priorities that have diverted resources elsewhere.

In anticipation of the need to significantly increase the amount of activity that would fall within the scope of learning and development; including the apprenticeship levy, the upcoming reaccreditation for IIP, development of the Learning Zone, reviewing progress against the 2014 Staff Survey outcomes and working on the 2017 Staff Survey, plus the ongoing need to improve management competency across the Council, a request had been made via the budget

planning process for increased learning and development support. Unfortunately this request was not supported for 2017-18, which will inevitably impact upon progress and outputs. The impact will be monitored over the coming months and if it becomes apparent that priorities cannot be accommodated within existing resources, then either decisions will need to be taken on priorities or additional resources will need to be sought.

There is a clear opportunity to change the perception that the Council does not invest in staff training with the introduction of the apprentice levy, however, it is vital that managers communicate this information clearly and understand that apprenticeship training will have to be appropriately utilised across the Council. All managers will therefore play an important role in sharing a positive message about this opportunity and showing their support by ensuring that appraisals happen in 2017 and in coming years.

11. Future considerations

Subject to how successful or otherwise the Council is in meeting its levy target there may, in the future, be a need to consider re-instituting a central fund for a small number of apprenticeships. Clearly this would need to be given appropriate consideration as part of the budget planning process. Any such fund could be focussed on areas with the highest instances of current and future skills shortages, as identified via succession/workforce planning.

12. Recommendations

Members are asked to note the content of the report and the Council's plans to maximise use of the Apprenticeship Levy.

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing):

An Equality Impact Assessment has been undertaken.

LEGAL IMPLICATIONS

There are no legal implications arising from this report. The Council will need to ensure that it meets its legal requirements concerning the payment and use of the apprenticeship levy as set out in the Finance Act 2016. In addition to this, it will need to ensure that it meets its obligations under part 7A of the Income Tax (Pay as You Earn) Regulations 2003 (as added by Income Tax (Pay As You Earn) (Amendment) Regulations 2017/414).

FINANCIAL IMPLICATIONS

The 2017/18 Revenue budget (and future years inflated) includes an estimate of £63,400 as the 0.5% levy on estimated City Council total pay for 2017/18. This money together with the 10% Government top up will be held by Government in a Digital Apprentice Service account and will be available to the Council to fund future Apprentice training. Arrangements for the drawing down and management of the funds will be agreed between HR and Financial Services.

OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces:

Impact on HR resources are set out in the report.

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has been consulted and has no further comments.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

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