

**A Joint Report of the Director of Children's Services and the Deputy Chief Executive  
Report to Executive Board**

**Date: 10 February 2016**

**Subject: The Apprenticeship Levy**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

- 1 The Government published English Apprenticeships: Our Vision 2020 in December 2015 summarising progress on its apprenticeship reforms and plans to grow the number of apprenticeships to 3 million by 2020. Apprenticeships will be a key mechanism to address the growing technical and professional skills shortages in the workforce to boost productivity and support growth.
2. The planned growth in apprenticeships will be funded through the introduction of an Apprenticeship Levy from April 2017 on employers with payroll over £3m and targets for public sector bodies to employ apprentices. The introduction of the Levy has financial and workforce development implications for the Council as an employer and as provider of apprenticeship brokerage services to local businesses and young people. The introduction of the levy will also have implications for local learning institutions and for local public and private sector employers.
3. The Council has a track record of employing apprentices and supporting businesses across the city to provide apprenticeships. The introduction of the Levy and targets will require a change in provision but provides the opportunity to bring in and develop new talent, raise the skill levels of the existing workforce through a planned programme to ensure that we maximise the benefits to the Council and implement an apprenticeship programme that will be recognised as an exemplar and become a career entry point of choice for young people.

## **Recommendations**

### 4. Executive Board is asked to:-

note the planned introduction of the Apprenticeship Levy from April 2017 and the potential financial and workforce development implications for the Council and other employers in the city

to approve the outline work programme to prepare for the introduction of the Apprenticeship Levy and require that the Chief Officer Human Resources and the Chief Officer Employment and Skills provide an update report in the Autumn 2016

## **1 Purpose of this report**

- 1.1 Apprenticeships are a key tool to promote access to employment and skills development to support business growth. In particular, the Government see apprenticeships as a key mechanism to address the growing technical and professional skills shortages in the workforce to boost productivity and support growth. The Government published English Apprenticeships: Our Vision 2020 in December 2015 summarising progress on its apprenticeship reforms and plans to grow the number of apprenticeships to 3 million by 2020.
- 1.2 This report seeks to provide further information on the policy changes and recently announced funding mechanisms for apprenticeships, in particular, the Apprenticeship Levy to be introduced from April 2017.
- 1.3 The implementation of the Apprenticeships Levy by Government has financial and workforce development implications for the Council as an employer and as provider of apprenticeship brokerage services to local businesses and young people. The introduction of the levy will also have implications for local learning institutions and for local public and private sector employers.

## **2 Background information**

- 2.1 An apprenticeship is a job (minimum 30 hours per week) with an accompanying skills development programme. It allows the apprentice to gain technical knowledge and real practical experience, along with functional and personal skills, required for their immediate job and future career. These are acquired through a mix of learning in the workplace, formal off the job training and the opportunity to practice and embed new skills in a real work context. On completion of the apprenticeship, the apprentice must be able to undertake the full range of duties, in the range of circumstances appropriate to the job, confidently and competently to the standard set by the industry.
- 2.2 Apprenticeships are available across a number of sectors and job roles and can be undertaken at the following levels:-
- Intermediate apprenticeship- Level 2
  - Advanced apprenticeship - Level 3
  - Higher apprenticeship - Levels 4-5
  - Degree apprenticeship - Levels 6-7. From September 2016, UCAS will include Higher and Degree Apprenticeships on their website.
- 2.3 Following a series of reviews and consultations on the delivery of apprenticeships in 2012, the Government has introduced several changes to the apprenticeship system to be introduced over the academic years 2015/16 and 2016/17 including:-
- redefining Apprenticeships to be targeted at skilled jobs that require sustained and substantial training, lasting a minimum of 12 months and involving at least 20% off-the-job training
  - all apprentices should acquire transferable skills and reach a good level in English and Mathematics before they can complete their Apprenticeship.

- giving employers greater ownership of both design and delivery with the new employer-designed standards to replace current frameworks. End-point assessment will test the skills, knowledge and behaviours set out in the standard to assess that the apprentice is fully occupationally competent in that role.

2.4 In 2013, the Government consulted on a revised funding system for apprenticeships and the Chancellor announced the introduction of the levy in July 2015. It aims to secure new funds to support the reform and growth of apprenticeships to meet the Government's targets to increase apprenticeship starts from 2.2 million to 3 million by 2020 to raise skill levels and to meet growing skills shortages in key sectors. Further details on the operation of the levy and the introduction of apprenticeship targets for public sector organisations were announced through the Comprehensive Spending Review in November 2015 and detailed in English Apprenticeships: Our Vision 2020 published in December 2015.

### **3 Main issues**

#### **3.1 Apprentice Levy**

3.1.1 The Government announced it will introduce the Levy from April 2017. The rate for the levy will be set at 0.5% of an employer's pay bill. Each employer will receive an allowance of £15,000 to offset against their levy payment. This means that the levy will only be paid on any pay bill in excess of £3 million and it is estimated that fewer than 2% of UK employers will be required to pay it. By 2019-20, the levy is expected to raise £3 billion across the UK.

3.1.2 The apprenticeship levy will be collected from eligible employers through the Pay As You Earn (PAYE) system administered by HMRC. For the purposes of the levy the pay bill will be defined as including basic pay and also employer's national insurance and superannuation contributions, premium and supplementary payments, such as overtime, and agency staff payments.

3.1.3 The Government will establish the Digital Apprenticeship Service which will be accessible by all employers to select and pay for the apprenticeship training and assessment, select training providers and apprentices whether they have contributed to the levy or not. The Find an Apprenticeship system, an online recruitment tool, will be further developed so that from February 2016 employers will be able to directly advertise their apprenticeship vacancies and potential apprentices will be able to look for and apply for opportunities. Details of how the system will operate will be provided as the levy is introduced.

3.1.4 All levy paying employers will have the opportunity to direct the funds that are available in their digital accounts to meet their apprenticeship training needs with approved training providers and will be given a reasonable amount of time to do so. Where employers choose not to use the funds in their digital accounts, these will be made more widely available.

3.1.5 The Council's current payroll budget indicates that the levy would cost in the region of £2.02m. It is estimated that potentially the Leeds Teaching Hospitals Trust, the

city's Universities and Colleges and 24 of the larger schools in Leeds would also incur the levy as well around 300 large private sector businesses.

- 3.1.6 It is not yet clear what impact this payroll tax, alongside other measures such as Living Wage and auto-enrolments for pensions, will have on business and future recruitment and training activities. Further work will be required to understand the challenges and opportunities such as where the levy may exceed current training budgets; those sectors where there are high numbers of part-time workers; how this will sit alongside existing training levies in Construction and Engineering; and how it will work alongside contract obligations to deliver apprenticeships through publicly procured services; and whether flexibility exists to support those not directly employed but engaged within supply chains or sector collaborations.

### **3.2 Apprenticeship targets for Public Sector Employers**

- 3.2.1 The Enterprise Bill makes provision for new statutory targets for public sector bodies to employ apprentices to support the achievement of the Government's target of 3 million starts by 2020 and ensure that the public sector is leading by example in terms of the number and quality of apprenticeships. It is proposed that the targets will apply to public bodies with 250 or more employees. Subject to Parliamentary approval, these targets will be put in place in 2016 and public bodies will be required to report annually on progress.
- 3.2.2 The workforce measure is based on headcount. On current numbers, a target of 2.3% would mean that the Council would be required to employ about 300 to 350 apprentices. While the Council has employed over 1,000 apprenticeships over the last 5 years, the current number of apprentices is 152 with activity already taking place to expand these numbers through the new arrangements for administrative staff and through commissioned services to support the We Care Academy.
- 3.2.3 The need to respond to this target presents an opportunity to invest in the Council's workforce to raise skill levels to meet changing business needs; plan for replacement needs arising from an ageing workforce; and to improve workforce diversity to better reflect the communities we serve. To achieve this, services will need to be more creative about the workforce mix and adopt a culture that supports more 'trainees' in particular young people with limited experience of the workplace. Some services are better at this than others and we can learn from this as well as planning for an increased intake.
- 3.2.4 In developing and recruiting to an apprenticeship offer, we need to give further consideration to progression routes and the longer term careers people can have within the Council. The introduction of the levy is likely to lead to significantly increased demand for apprentices from employers and the Council will need to demonstrate that it is an attractive place to work. As part of our Best Council ambition, the Council will want to ensure that its apprenticeship programme is recognised as an exemplar and a career entry point of choice for young people.
- 3.2.5. The Government has revised the rules for public procurement so that, for all relevant government contracts that are over £10m and more than 12 months in duration, bidders are required to compete on the basis of their contribution to apprenticeships and skills which are then written into contracts and monitored

alongside delivery. The Council already requires contractors and developers to deliver employment and skills obligations including apprenticeships through its procurement activity and through Section 106 planning agreements. To date we have supported 98 local residents to access apprenticeships and 1,602 to access jobs through this route.

### **3.3 Institute of Apprenticeships**

- 3.3.1 The design and delivery of apprenticeships will be overseen by a new independent, employer led board, The Institute for Apprenticeships from April 2017. It will put in place in shadow form in 2016. It will provide the mechanisms for the approval of apprenticeship standards and assessment plans and maintain quality criteria. It will use data on the take-up of apprenticeships by employers and the wage returns to apprentices to review the effectiveness and quality of standards over time.
- 3.3.2 It is planned that employers will design new apprenticeships and they will engage directly with the Institute to submit their standards and assessment plans for approval. These will be peer reviewed by a small number of experts to ensure they meet the quality criteria before being approved for publication. The Institute will work with BIS and DfE to set the caps on the level of government funding available for each apprenticeship standard.

### **3.4 Aligned and Supporting Activity**

- 3.4.1 The Council's Apprenticeship Hub currently works with 30 training providers, sector skills bodies and around 600 employers each year to broker apprenticeships to meet business development needs and promote these opportunities to young people in both schools and community settings. It has supported over 480 young people into apprenticeships and provided information and guidance to many more. The operation of the service will be reviewed to ensure that it continues to meet local needs as the new standards and the levy are introduced. The Hub is already engaged with a Large Companies Levy Working Group established by the Chamber of Commerce and Leeds City College and similar group focused on supporting SMEs. In partnership with the Chamber, the Council will host an event during National Apprenticeship Week in early March 2016 to share information on the changes.
- 3.4.2 Training providers are currently revising their business models to deliver the new standards and the growth required. The Government will issue further guidance for Area Based Reviews of Post-16 Provision in early 2016 to support increased apprenticeship delivery by Further Education Colleges. It is expected that the FE sector will take a greater share of the apprenticeship training market alongside employers offering apprenticeship training directly and universities providing higher and degree apprenticeship training.
- 3.4.3 Good quality and impartial Careers Education, Information, Advice and Guidance (CEIAG) is vital to ensure that young people can make informed choices about the full range of career options including apprenticeships. Individual learning institutions have the statutory responsibility to deliver CEIAG to their students. Progress has been made in engaging schools, young people and their parents or carers on apprenticeships through the Apprenticeship Hub, but there is far more to do. We

propose to strengthen independent advice in schools through collaborative work with headteachers and CEIAG leads, business leaders, universities and colleges, third sector providers, the Leeds City Region Enterprise Partnership and the national Careers and Enterprise Company to ensure that all young people in the city make informed choices and have the employability and enterprise skills they need to succeed.

### **3.5 Headline Work Programme**

3.5.1 An outline work programme has been developed to enable the Council to enhance its Apprenticeships offer to meet the changing business and work force development needs, meet Government targets and ensure that payments to the Apprenticeship Levy are maximised in the best interests of the Council. This will be developed as further details on the operation of the levy are advised.

<ul style="list-style-type: none"> <li>• Review workforce development plans to identify needs across service / career families for apprenticeships level 2 to 7.</li> <li>• Model the financial costs of training delivery, recruitment and staffing costs</li> </ul>	Mar to June 16
<ul style="list-style-type: none"> <li>• Explore / market test contracting / strategic partnerships with local training providers to align provision and develop new standards to meet needs</li> </ul>	June to Aug 16
<ul style="list-style-type: none"> <li>• Establish training for HR and recruiting managers / develop resource pack</li> <li>• Commission training provision</li> </ul>	Sept to Nov 16
<ul style="list-style-type: none"> <li>• Establish peer support networks for supervisors and Apprentices to support retention / progression.</li> </ul>	March to April 17

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

4.1.3 The report sets out the key policy changes and funding mechanisms announced to date. As further detail emerges, consultation will be undertaken with all services on their workforce development needs to reflect these where appropriate in the further development of the Council's apprenticeship programme. Consultation will also be undertaken with intermediary bodies including the Leeds City Region Enterprise Partnership, the Chamber of Commerce and others to better understand and respond to local employers needs and work with local learning institutions to realign and redesign training and support services as appropriate.

### **4.2 Equality and Diversity / Cohesion and Integration**

4.2.1 In 2014/15, there were a total of 6,718 apprenticeship starts in Leeds. 54.2% of apprenticeship starts were female and 45.8% were male and 11.2% of starters were BAME. Data on apprentices with disabilities has not been made available at the local level. The Government plans to refresh its strategy for Care Leavers in the spring 2016 in consultation with public bodies including measures to ensure that they are better supported to access apprenticeships. The introduction of the Levy

and the development of an expanded programme provide the opportunity to align supporting programmes and deliver a revised offer that is accessible to all. An Equality Impact Assessment will be undertaken to support programme development.

### **4.3 Council policies and Best Council Plan**

4.3.1 The work to respond to the introduction of the Apprentice Levy will contribute to the achievement of the Best Council Plan 2015-20 objectives to support sustainable and economic growth by supporting young people into jobs, improving their skills and supporting local economic growth by meeting the workforce development and skills needs of local businesses. This will also contribute to the achievement of the Child Friendly City objective by supporting a reduction in youth unemployment and the number of young people identified as NEET, and to our ambition to be a compassionate city based on a strong economy.

### **4.4 Resources and value for money**

4.4.1 There are significant financial implications for the Council and for other employers in the city that will be required to pay the Levy and or achieve targets for the employment of apprenticeships. Guidance on the funding for the apprenticeship frameworks and standards has yet to be advised.

### **4.5 Legal Implications, Access to Information and Call In**

4.5.1 There are no specific implications for this report.

### **4.6 Risk Management**

4.6.1 There are no specific implications for this report.

## **5 Conclusions**

5.1 The focus on vocational skills development to meet changing labour market needs through a planned growth in apprenticeships is welcomed but will require a change in the delivery of local training and support services to both employers and young people in the city to ensure that these meet local needs. Work will commence with a range of partners to understand and plan for the required changes in delivery. This will include work with large employers and SME businesses, training providers, schools and CEIAG networks and providers.

5.2 The introduction of the Apprenticeship Levy and targets for public sector bodies have significant financial implications for the Council, however, it provides the opportunity to bring in and develop new talent, raise the skill levels of the existing workforce through a planned programme to ensure that we maximise the benefits to the Council.

5.3 While the Government has set out the key mechanisms to deliver the planned growth in apprenticeships, the details of the funding arrangements under the levy will not be available until summer 2016. In the interim, work can be progressed in

identifying workforce development needs across the Council that could be met through the existing and new apprenticeship frameworks and standards, enabling an early dialogue with training providers to ensure that the Council is ready to implement an apprenticeship programme that will be recognised as an exemplar and become a career entry point of choice for young people.

## **6 Recommendations**

a. Executive Board is asked to:-

note the planned introduction of the Apprenticeship Levy from April 2017 and the potential financial and workforce development implications for the Council and other employers in the city

to approve the outline work programme to prepare for the introduction of the Apprenticeship Levy and require that the Chief Officer Human Resources and the Chief Officer Employment and Skills provide an update report in the Autumn 2016

### **7.0 Background documents<sup>1</sup>**

7.1 There are no background documents.

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.