

Report of: The Chief Officer Employment and Skills

Report to: The Director of Children's Services

Date: 20 May 2016

Subject: Transfer of the Leeds Apprenticeship Training Agency

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 type="checkbox"/> Yes	<input checked="" 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:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. Joint working between the Council and the College to establish the Leeds Training Agency (LATA) and the Apprenticeship Hub under the umbrella of the City Deal programme has enabled over 700 SME businesses to receive support to engage in apprenticeships and 512 young people to secure employment with training over the last 3 years.
2. The LATA was established as a jointly owned company by Leeds City Council and Leeds City College in November 2012 to support SME businesses in Leeds to create and recruit to apprenticeship positions during the economic downturn and recovery. The LATA holds the employment liability for the apprentice and loans them to the host business for a fee which covers the apprentices' wage costs and a management fee.
3. The LATA was established through the use of time limited City Deal grant funding which has now expired. The company, as currently structured, is not viable without public subsidy, therefore a revised business model is proposed incorporating the company within the College. The Council proposes to proceed with a transfer agreement of the company to Leeds City College to enable the service to be mainstreamed and sustained over the longer term to continue to support SME business skills needs and growth and the College's growth plans for apprenticeships.
4. City Deal Grant was paid to Leeds City Council for apprenticeships delivered through the LATA and the Apprenticeship Hub on a payment by results contract. The company Articles and Members Agreement made provision for any unused grant and company surpluses. It has been agreed in principal that the residual grant funding within the

company is divided equally between Leeds City Council and Leeds City College to support the continued operation of both the Hub and the LATA.

5. The continuation of LATA services in the city and continued partnership working with Leeds City College to deliver apprenticeships will contribute to the achievement of the Best Council Plan 2015-20 objective to promote sustainable and inclusive economic growth by improving the economic wellbeing of local people and businesses, with a specific focus on helping young people to acquire skills and move into employment.

Recommendations

The Director of Children's Services is asked to approve the withdrawal of Leeds City Council from the Leeds Apprenticeship Training Agency, LATA and the transfer of £70,000 of the City Deal grant to the Leeds City College to support the continuation of the LATA.

1 Purpose of this report

- 1.1 The purpose of this report is detail the proposal for the Council to withdraw from the Leeds Apprenticeship Training Agency and the company to become wholly owned by Leeds City College.
- 1.2 This report seeks approval to:-
- the withdrawal of Leeds City Council from the LATA company
 - the division of the remaining residual City Deal grant funds of £140,000 equally between Leeds City Council and Leeds City College. As these funds are held by the Council, this would require a transfer of £70,000 to Leeds City College.

2 Background information

- 2.1 The LATA was established as a joint venture by Leeds City Council and Leeds City College in November 2012. It is a company limited by guarantee established to support SME businesses in Leeds to create and recruit to apprenticeship positions during the economic downturn and recovery. The ATA holds the employment liability for the apprentice and loans them to the host business for a fee which covers the apprentices' wage costs and a management fee.
- 2.2 Both the LATA and the Apprenticeship Hub within the Council were established with a Skills Funding Agency grant of £1.1m payable to the Council under the City Deal Apprenticeship Programme. Grant funding has been drawn down on evidence of outputs – SME engagements and apprenticeship starts delivered jointly by the LATA and the Hub. It was envisaged that public subsidy would be required to cover the first two to three years of operation of the LATA after which the company was required to become self-sustaining and operate on a commercial basis.
- 2.3 The LATA Board of Directors included representation from the two principal partners, Leeds City Council and Leeds City College and non-voting directors from the Chamber and local businesses. Leeds City Council directors included the Chair, the Executive Member for Children's Services along with the Executive Member for Employment, Enterprise and Opportunity; an Opposition Member and the Chief Officer Employment and Skills.
- 2.4 Ahead of the expiry of the grant and planned government reforms to apprenticeships, the LATA Board commissioned an independent consultant to examine the sustainability of the ATA in a changing policy and economic context. The report showed that at its current levels of operation, the income raised from business activity was insufficient to cover its costs as it was currently structured without continuing grant subsidy. The board agreed the current ATA business model was no longer viable as a stand-alone venture given the continuing difficulty of establishing a commercial income in a challenging labour market and uncertainty regarding the changing national policy framework.

- 2.5 The College and the Council have been working together to identify a way forward that meets the needs of business; allows the apprentices on the payroll to complete their frameworks; and protects the reputation of the Council and the College with the business community. While the transfer to in-house delivery within the Council was considered to ensure continuation of the service, it became apparent that this was not feasible given the costs, current Council budget constraints and the limited prospect of additional external funding available for this purpose. The estimated costs of adopting this strategy would have been around £310,000 to £490,000 per annum and the costs of continuing the service to enable the current cohort of apprentices to complete their frameworks was estimated to be a minimum of £150,000.
- 2.6 Currently the ATA has 46 apprentices on payroll. 34 apprentices are undertaking frameworks that will complete within 12-18 months, 5 apprentices are on frameworks of 18-24 months and a further 7 on frameworks of 36-48 months.

3 Main issues

- 3.1 The Leeds City College Board of Governors met in December 2015 and set out their intention to continue to operate the LATA as a service to businesses within the College group of businesses and to further develop the LATA model to support their apprenticeship growth plans. This decision was taken against a backdrop of revised national policy and funding arrangements for apprenticeships; an ambitious government target to grow provision from 2 to 3 million apprenticeships by 2020; and the BIS Area Based Review of post 16 provision across West Yorkshire with an implicit expectation that the FE sector would grow its provision of apprenticeships.
- 3.2 A letter was received from Leeds City College at the beginning of February, outlining their intentions, subject to satisfactory due diligence and all appropriate authorisations, approvals and documentation being in place for the withdrawal of Leeds City Council to enable the company to effectively transfer to the sole ownership of the College by the target date of the 31st March 2016.
- 3.3 The College proposes to align the LATA with its existing activity to enable it to offer a wider range of apprenticeship services, in particular, to SME businesses that might not otherwise be able to create apprenticeship positions. By bringing these services in-house it would be able to reduce the operating costs of the company but maintain the service offer to SME businesses in the city.
- 3.4 The LATA Board met on the 19th February 2016 to ratify the intentions by Leeds City College and approved the Withdrawal Notice. As part of the withdrawal, the Council Board Members agreed to resign from the Board with effect from the 31st March 2016, with the exception of the Chief Officer Employment and Skills until such time as the withdrawal of Leeds City Council was completed.
- 3.5 The responsibility for overseeing the practical arrangements to implement this decision was delegated by the company Board to the Executive Director Commercial Development, Leeds City College and the Chief Officer Employment and Skills on behalf of the Council. This included the resignation of the existing

Board members and notification to Companies House; the drawing up of the Transfer Agreement and agreeing any joint communications about the changes.

- 3.6 The company's finance and payroll services have been undertaken by the Council under a Service Level Agreement. The Council's Legal and HR officers advise that the Transfer of Undertaking Protection of Employment (TUPE) regulations do not apply as these were purchased services and the tasks performed as part of a much wider job role and represented less than 2% of their overall duties. There are no staffing liabilities for the Council as the 5 staff were directly employed by LATA on fixed term contracts and all but one who is currently on maternity leave have secured other employment.
- 3.7 A total of £812,500 grant funding has been drawn down out of a possible £882,500 by the LATA from the City Deal programme. This included £400,000 specifically allocated to the LATA conditional on the achievement of milestones relating to the launch, marketing and compliance with the ATA recognition process. A further £482,500 was made available to the LATA subject to the achievement of performance measures by both the LATA and the Apprenticeship Hub. The joint LATA and Hub performance outputs were 724 SME engagements against a target of 585 and 512 apprenticeship starts against a target of 682.
- 3.8 The LATA engaged with 215 businesses and supported 85 apprenticeships starts over the three years 2013/14 to 2015/16. At the end of March 2016, the profit and loss account of the company showed a remaining balance of £140,000.
- 3.9 The Company Articles and Members Agreement made provision for any unused grant to be returned to the Council and surpluses to be divided equally between the principal partners. In the spirit of partnership Leeds City Council and Leeds City College have agreed in principal to equally divide the residual grant funds to support the continuation of both the Apprenticeship Hub and the LATA. Therefore, the LATA would be entitled to £70,000.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 The LATA Board was consulted and agreed the arrangements based on advice sought from the Board's legal advisors, Shulmans LLP from September 2015 to February 2016.
- 4.1.2 The Executive Members for Children's Services and for Employment, Enterprise and Opportunity were consulted on the proposed decision during December to March 2016.
- 4.1.3 The Head of Legal Services, Leeds City Council was consulted on the transfer agreement and the withdrawal of the Council from the LATA.
- 4.1.4 Leeds City Council HR officers and BSC were consulted on the TUPE arrangements and payroll services provided on behalf of the LATA.

4.1.5 Leeds City Council Financial Services officers were consulted on the financial services provided on behalf of the LATA and the Company Accounts in conjunction with the LATA Accountants.

4.1.6 To support Leeds City College with their due diligence and to formalise the transfer agreement, consultation has been undertaken with the Leeds City College's legal and financial advisors.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 An equality screening was undertaken in March 2016 that details how equality, diversity, cohesion and integration have been considered and that a separate impact assessment is not required. The proposal for the Council to withdraw is based on supporting the company's continuing viability to sustain the service to business following expiry of the grant subsidy. The continuation of the LATA will ensure that a wide range of apprenticeship opportunities continue to be offered by local businesses. The Employment and Skills Service retains its Equality Improvement Priority to increase the number of BAME young people accessing apprenticeships. This additional targeted activity will support this priority group and continue to raise the profile of apprenticeships across the city's young population.

4.2.2 A Privacy Impact Assessment (PIA) has not been completed as this proposal is for a continuation of the company which will therefore retain its own records. Leeds City Council undertook payroll and financial services on behalf of the LATA up to March 2016 and is subject to Council's policies and procedures. However, if a request is received for information in the future, consideration must be given to secure transfer and a PIA should be completed at this time.

4.3 Council policies and Best Council Plan

4.3.1 The Council will continue to support the College to continue to operate the LATA within its core business functions by ensuring local SME businesses wishing to establish apprenticeships and young people looking to secure work as an apprentice are appropriately signposted and referred. The continuation of LATA services by the College will enable all business to access support and contribute to the growth of apprenticeships in the city and the Best Council Plan 2015-20 objective to promote sustainable and inclusive economic growth by improving the economic wellbeing of local people and businesses.

4.4 Resources and value for money

4.4.1 The LATA was established through the use of time limited grant funding available under the City Deal. While the stand-alone company, as currently structured, is not viable without public subsidy, a revised business model incorporated within the College enables this service to be mainstreamed and sustained over the longer term to continue to support SME business skills needs and growth.

4.4.2 The principal partners, Leeds City Council and Leeds City College, will each receive £70,000 of the residual grant funds to support the continuation of the LATA and the Apprenticeship Hub to continue to benefit apprentices.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 This a significant operational decision to change the membership of the Leeds Apprenticeship Training Agency to sustain the operation of the company to enable it to continue to provide services to the business community and local residents seeking an apprenticeship.
- 4.5.2 A copy of the Transfer Agreement between Leeds City Council and Leeds City College is available on request.

4.6 Risk Management

- 4.6.1 The transfer of the LATA to the sole ownership of Leeds City College as opposed to the cessation of the service proposes a low risk to the Council in terms of reputation and funding. Businesses and apprentices will continue to receive the same level of support.
- 4.6.2 There is a low risk that Leeds City College do not proceed with the transfer agreement to enable sole ownership of the company. If this is the case, Leeds City Council will seek to continue to support the existing apprentices and businesses to the end of their current contracts using the balance of monies within the company to resource this.
- 4.6.3 The proposed transfer to Leeds City College of £70k of the residual City Deal grant for the purposes set out in this report, is in compliance with the City Deal grant funding conditions, and there is no risk of the Council being required to refund this grant.

5 Conclusions

- 5.1 Joint working between the Council and the College to establish the LATA and the Apprenticeship Hub under the umbrella of the City Deal programme has enabled over 700 SME businesses to receive support to engage in apprenticeships and 512 young people to secure employment with training.
- 5.2 The Council wishes to proceed with the transfer agreement of the LATA to the Leeds City College to enable it to continue to provide these services. This provides for a revised model that is not constrained by the conditions of grant funding and will be developed as a going concern that can support the city's ambition for its apprenticeship offer. It will provide a continued service to businesses and stability to the current apprentices.
- 5.3 City Deal Grant was paid to Leeds City Council for apprenticeships delivered through the LATA and the Apprenticeship Hub on a payment by results contract. The company Articles and Members Agreement made provision for any unused grant and company surpluses. It has been agreed in principal that the residual grant funding of £140,000 within the company is divided equally between Leeds City Council and Leeds City College to support the continued operation of both the Hub and the LATA.

6 Recommendations

- 6.1 The Director of Children's Services is asked to approve the withdrawal of Leeds City Council from the Leeds Apprenticeship Training Agency (LATA) and the transfer of £70,000 of the residual City Deal grant to Leeds City College to support the continuation of the LATA.

7 Background documents¹

- 7.1 None.

¹ 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.