

Report of the Director of Development

Report to Executive Board

Date: 18 July 2012

Subject: Establishment of the Leeds Apprenticeship Training Agency (ATA)

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

The Council, along with its partners, will play a lead role in delivering key elements of the recently announced City Deal. The City Deal which transfers powers and spending to the Leeds City Region will enable further investment in skills to support business growth and create new opportunities for young people.

The Council will partner Leeds City College to establish a training agency for apprentices in Leeds to support small and medium sized businesses in the City to support recovery and growth. The agency will create new opportunities for local young people to secure employment and skills training and contribute to reducing the number of young people identified as Not in Education, Employment or Training (NEET), a key priority in the City's Children's and Young People's Plan.

This report sets out the arrangements for Leeds City Council to establish the Leeds Apprenticeship Training Agency (ATA) operating as a separate company limited by guarantee, jointly owned by the Council and Leeds City College.

The ATA will employ and match young people who want to find careers through apprenticeships with local businesses who want to grow their workforce. The jobs will be targeted at smaller, growing organisations in the retail, financial and other sectors that will play an important role in driving Leeds' economy over the next decade.

The establishment of the Leeds ATA forms part of a wider menu of opportunities in Leeds to be delivered through an Apprenticeship 'Hub', a framework aimed at developing and expanding apprenticeships across the City as detailed in the City Deal.

Recommendations

Executive Board is asked to:

- approve the establishment of the Leeds Apprenticeship Training Agency
- delegate approval of the detailed terms of the Articles of Association and the Member Agreement to the Director of City Development
- appoint the Director of City Development or his nominate representative as a director of the Leeds Apprenticeship Training Agency
- endorse the new company being registered with Companies House.

1 Purpose of the report

- 1.1 The recently announced City Deal will enable further investment in skills to support business recovery and growth and increase the number of skills training and job opportunities for young people. A key priority is to support businesses to increase the number of apprenticeship opportunities. This will enhance skills levels in the City and provide new opportunities for young people at the start of their careers.
- 1.2 This report seeks approval for Leeds City Council to establish a Leeds Apprenticeship Training Agency (ATA) in partnership with Leeds City College operating as a jointly owned and separate company limited by guarantee.

2 Background information

- 2.1 There has been a significant increase in youth unemployment in Leeds reflecting national trends. In April 2012, there were 7,300 Jobseeker Allowance claimants aged 16-24 years (5.3%) and 1,338 young people aged 16-19 years identified as Not in Education, Employment or Training (7.1%). However, Leeds has also seen a significant growth in apprenticeships over the last year with the number of starts for 16-18 year olds growing by 56% and for all ages by 93% to a total of 7,031. The largest numbers of frameworks are in business administration, retail and commercial enterprise. However, the scale and breath of employers in Leeds offering an apprenticeship still remains one of the lowest in the region at 12.8%.
- 2.2 The Quarterly Economic Survey (March 2012) of businesses across Leeds City Region shows that there is still a significant number of firms in particular medium sized and smaller companies (SME's) that currently do not employ any apprentices. The survey indicated an ongoing level of uncertainty among SME's about employing apprentices because of the economic climate and its impact on business demands and costs.
- 2.3 Leeds requires a larger, broader mix of employers engaged in apprenticeships to improve the skills base of the City, meet business needs and increase employment and productivity. Growth in apprenticeship numbers is a key priority for the Government and remains the Government's primary tool to support workforce development over the next decade. This was reflected in the Cities Strategy and the Core Cities offer and subsequent Skills ask under the City Deal.
- 2.5 The ATA model emerged in response to some of the limiting factors faced by businesses that impact on their capacity to support apprentices. The National Apprenticeship Service (NAS) has supported a number of ATAs across the UK to test out this alternative approach to engaging employers in apprenticeships.
- 2.6 The Skills ask under the City Deal proposed the establishment of ATAs in Leeds and Bradford and a second phase roll out across the wider Leeds City Region. This will complement other Government and local initiatives to support the growth and sustainability of local businesses and, increase employment and apprenticeship opportunities for young people.
- 2.5 The Leeds ATA will be a major investment in the City's young people and support local businesses. It will contribute to plans to bring youth unemployment down at a

faster rate by helping to increase the number of businesses with an apprentice. It is anticipated that over the next 3 years, the ATA will help to create opportunities for young people in Leeds with a focus on those aged 16-18 years that are currently not in education, employment or training to find a career through apprenticeships, a key priority for the Children's Trust in delivering the Children's and Young People's Plan.

3 Main issues

3.1 ATA Model

- 3.1.1 In December 2011, supported by KPMG, the Council and Leeds City College undertook a feasibility study to test the need and demand for an ATA in Leeds. It recommended the establishment of an ATA as a separate company limited by guarantee to provide a flexible responsive service to local businesses in key growth sectors. In March 2012, following a competitive tendering process, KPMG were appointed to work with the Council and the College to undertake preparatory work to support the establishment of the Leeds ATA.
- 3.1.2 The core function of the Leeds ATA will be the employment and development of apprentices in the City. The ATA will support the creation of new apprenticeship opportunities involving small and medium sized (SME) employers that would otherwise be unable to take the business risk of employing an apprentice directly. Effectively operating as an employment agency, the ATA will seek to create genuine and new job opportunities primarily within the growth sectors of retail, business support and financial services.
- 3.1.3 The ATA will employ the apprentice and hire them out to host employers to fulfil their work based element of the apprenticeship. A training programme will also be developed for each learner and delivered through Leeds City College and other learning providers. The ATA has been developed to form an integral part of a wider menu of opportunities in the City to be delivered through an Apprenticeship 'Hub' - a framework aimed at developing and expanding apprenticeships across the City.
- 3.1.4 The ATA will be the formal employer, taking responsibility for contracts of employment, payroll and for arranging and delivering the right training to complete the Apprenticeship Framework. It will match young people who want to find careers through apprenticeships with companies that want to develop and grow their workforce. The jobs will be targeted at those smaller, growing organisations in the retail, financial and other sectors that will play an important role in driving Leeds' economy over the next decade.
- 3.1.5 Leeds and Bradford will lead on the establishment of ATAs across the City Region. They will develop a robust model that can be replicated or expanded to meet the needs of businesses in key growth sectors in the Leeds City Region. Alongside the Leeds ATA, to be established in the autumn, Bradford Metropolitan Council will develop its own ATA later this year, sharing learning developed for the Leeds model.

3.2 Establishing the Company Limited by Guarantee

- 3.2.1 Under the Education Act 1996, local authorities have a duty to secure sufficient suitable education and training opportunities to meet the reasonable needs of certain young people in their area. It is considered that the creation of the Leeds ATA company and the Council's participation in the company can be regarded as discharging this duty. In addition, under section 1 of the Localism Act, local authorities have a new general power of competence, and this means the Council has power to do anything that individuals generally may do, and the Council may do it in any way whatever, including for, or otherwise than for, the benefit of the authority, its area or persons resident or present in its area.
- 3.2.2 The Council's purposes for setting up and participating in the company are set out above, and whilst it is possible that a surplus may be created by the company in the future, the creation of a surplus is not the Council's purpose, and therefore the Council does not have a commercial purpose in entering into these arrangements. As with any power, the general power must be exercised reasonably, and in accordance with the Council's fiduciary duty to its Council taxpayers. In this respect, it is to be noted that the financial risks to the Council from these arrangements are very small. As a member of the company, the Council's liability for the company's debts will be limited to its guarantee of £1.
- 3.2.3 As set out in the draft Articles of Association it is proposed that the Leeds Apprenticeship Training Agency is established as a Company Limited by Guarantee, jointly owned by Leeds City Council and Leeds City College and with limited liability for its Members.
- 3.2.4 It is proposed that the Board will be made up of a maximum of 12 Directors and that these will represent the Council and the College and include local employers. Extended membership of the Board will be considered, where appropriate. Any such members will attend in an advisory capacity only and will not hold any voting rights.
- 3.2.5 There will be a maximum of 4 Council Directors on the Board. It is proposed that the Leader of the Council, the Executive Member for Leisure and Skills, an opposition member and the Director of City Development or his nominated representative are appointed to the Board and that the Chair will be the Leader of the Council or his nominated representative. The elected member appointments will fall within the remit of the Council's Member Management Committee. The Council Directors will owe statutory duties to the company, separately from the mandate given to them by the Council.
- 3.2.6 The new company will have an asset-lock clause, thereby no payment will be made to Members out of any 'profit' or surplus, and no other payments made to Directors, other than expenses. Note: a Director appointed by the Council cannot be paid if they are an Elected Member, otherwise they will be disqualified from holding this position.

- 3.2.7 A Director of the Council or College will not be able to vote on a matter at a meeting of directors if, that matter concerns a contract or service level agreement which has been entered into by Leeds ATA with the College or the Council respectively.
- 3.2.8 In the event there is an equality of votes on a resolution put to the vote at a meeting of the Leeds ATA, the respective representatives of the parties will use all reasonable endeavours to reach an agreement at the meeting. In the absence of any agreement being reached, the matter to which the resolution relates will be put to the respective Chief Executives of the Council and the College, who will use all reasonable endeavours to reach agreement on the matter. In the absence of any agreement being reached by the respective Chief Executives of the parties, both parties will take the relevant legal steps for the winding-up of the company.
- 3.2.9 The Articles have been drawn up in partnership with legal and financial advisors from the Council and the College. Subject to approval from the Executive Board and the College's Board of Governors, the Council will proceed to register the new company with Companies House.

3.3 Operating Framework

- 3.3.1 In May 2012, the City Council hosted a workshop in partnership with Leeds City College supported by KPMG. The event brought together key partners from the Council, Leeds City College, the Chamber of Commerce, National Apprenticeship Service (NAS) and the Skills Funding Agency (SFA) to establish the company purpose and how it will achieve a sustainable model of delivery, ensure effective engagement with local employers and promote apprenticeship opportunities across the City. The outcomes from this workshop are being used to develop the detailed business plan for the ATA and demonstrate compliance with the ATA recognition framework of the National Apprenticeship Service.
- 3.3.2 Subject to Executive Board approval to establish the company, the business plan will be presented to the Board in early September. To ensure sustainability, the plan will detail the commercial charges to be placed on host employers which will generate an income stream to ensure longer term viability. This will support the further development and growth of the ATA to become self financing beyond the initial 3 year period of public funding. The business plan will include:
- Mission statement, key aims and objectives, outputs and outcomes, delivery model and timescales and market place
 - Budgets and staffing structure, income and expenditure projections and the charging policy in relation to host employers. Options for developing additional income streams to support the sustainability of the ATA will also be included;
 - Business infrastructure and support arrangements proposed for the ATA including management and administration, payroll and finance functions;
 - Job descriptions and specifications, template contracts of employment for the recruitment of staff and the recruitment and placement of apprentices setting out the roles and responsibilities of both the host employer and the ATA;
 - Operating policies and procedures in compliance with appropriate statutory and legislative requirements to support the ATA's role as a responsible employer –

Health & Safety, Safeguarding of Vulnerable Young People, Equality, Data Protection etc;

- Robust systems to quality assure the apprenticeship experience from the perspective of the apprentice, employer and training provide and;
- A performance management framework including monitoring and evaluation processes through which the success and achievements of the ATA can be monitored and evidenced.

3.3.3 Work is underway to identify a suitable location for the Leeds ATA. Detailed consideration is being given to secure premises that are centrally located, 'neutral' in terms of the partners and accessible to the target market. Related costs, conditions and arrangements, timescales for acquisition and any planning considerations will be reported to the company Board of Directors.

3.4 Investment

3.4.1 The Council and Leeds City College have demonstrated their commitment to the ATA by investing in the feasibility study and are now preparing to jointly act as the employer of the new company, sharing responsibility for developing the ATA as a sustainable and long-term operation and creating a model that can be replicated across the Leeds City Region.

3.4.2 The feasibility study indicated a need for additional pump priming investment over the next 3 years to support the development of the ATA infrastructure to enable the new company to remain solvent whilst growing employer engagement and confidence in the ATA.

3.4.3 Through the City Deal, a case for a devolved budget of £1.8m was put forward to Business Innovation & Skills (BIS) with flexibility to cover contingencies and better manage risks associated with the setting up of the ATAs in Leeds and Bradford. The bid also included scope to support the development of incentives for SMEs to host and ultimately employ apprentices. Any further financial commitment from BIS in the medium term will be targeted to fast track rollout of the ATA model to the wider City Region encompassing the cities of York and Wakefield and the significant local authority areas of Barnsley, Kirklees, Calderdale, Selby, Harrogate and Craven.

3.5 Impact

3.5.1 The Leeds ATA will support a minimum of 300 Micro (up to 10 employees) or SME businesses (up to 250 employees) and 600 young people to undertake a high quality apprenticeship over the next 3 years.

3.5.2 The ATA will contribute to the achievement of the Leeds' target to increase the number of employers with an apprentice from 11.3% to over 20% within 4 years, and support a growth in apprenticeships in businesses, who would not otherwise engage to develop their workforce and reduce youth unemployment in the City at a faster pace.

- 3.5.3 The ATA and the roll out of this model to other districts across the City Region will contribute to the achievement of the LEP's target to increase the number of employers with total apprentices from 12.8% to over 20% within 4 years.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1. Consultation was undertaken with a number of SME businesses, schools and learning providers through the feasibility study undertaken by KPMG on behalf of the Council and Leeds City College. In addition the Council, Leeds City College and the Chamber of Commerce have continued to test elements of the developing business plan through their existing business networks.
- 4.1.2. The Council and Leeds City College are developing the Communications and Engagement Plan which will be integral to the successful implementation of the business plan. This document details the work required during and beyond the initial set-up period to promote and sustain awareness of the ATA and, will include branding, development of web based information, marketing materials, targeted media campaign etc.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 The stakeholder workshop held in May 2012 considered how the ATA will take into account equality, diversity and cohesion issues. The outcomes of these partner discussions informed the Equality Impact Assessment screening undertaken on 25 May 2012.
- 4.2.2 Apprentices will be drawn primarily from young people aged 16-18 years including those furthest away from such opportunities including the cohort of young people in the City who are not in education, employment or training (NEET). The Council and Leeds City College are also able to support and provide progression routes for those customers of any age already engaging with employability services.

4.3 Council Policies and City Priorities

- 4.3.1 The ATA will contribute to the achievement of the City's Priority Plan target to enhance skill levels and increase employment. It will contribute to increasing the number of employers with an apprentice from 11.3% to over 20% within 4 years. It will contribute to an increase in the number of opportunities available to young people identified as NEET, a key priority in the Children's and Young People's Plan.
- 4.3.2 The Council's ambition is to develop a robust model that partners in the Leeds City Region can replicate and implement to meet the needs of key sectors across the region. The roll out of this delivery model alongside other initiatives will support the achievement of the LEP's target to increase the number of employers with apprentices from 12.8% to over 20% within 4 years.

4.4 Resources and Value for Money

- 4.4.1 The ATA will be run by seconded or appointed staff paid for from non-Council resources. There are no TUPE issues for the Council associated with the establishment of the new company.
- 4.4.2 There are no external permissions required to become part of, or to lead an ATA entity. However, the ATA will remain subject to compliance by both the City Council and Leeds City College as joint owners of the new company. All processes and transactions with partners, learners and employers will be managed in compliance with the Council's Financial Procedure Rules and by agreement with the Board of Directors.
- 4.4.3 The feasibility study undertaken by KPMG on behalf of the Council and Leeds City College indicated that the ATA will become financially viable and make a small operating surplus once the number of apprentices stabilises at around 300. The study highlighted that the ATA would initially be loss making but with the scope to recover these losses over the medium term. A 3 year budget forecast will form an integral part of the ATA Business Plan.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 The Council has the necessary legal powers to set up and to take part in the company as detailed in this report, under the Education Act 1996 and/or the Localism Act 2011. The legal implications and considerations associated with the establishment of the new Company Limited by Guarantee are as set out earlier in this report and in the Articles of Association and the Members' Agreement.
- 4.5.2 In drawing up the employment contracts for the employees of the ATA and the Apprenticeship Agreement due regard and consideration has been given by the City Council to the Fixed-term Employees (Prevention of Less Favourable Treatment) Regulations 2002 and the Agency Working Regulations that came into force on 1 October 2011.

4.6 Risk Management

- 4.6.1 For an ATA to operate efficiently and remain viable, there is a need to achieve sufficient and sustained volumes of apprentices and workplaces requiring a critical mass of each to respond to the needs of both. The success of this is largely contingent on the effectiveness and reach of partner networks.
- 4.6.2 A detailed risk management strategy is being developed and will form part of the ATA's Business Plan.

5 Conclusions

- 5.1 The ATA model nationally is the Government's response to address some of the factors faced by employers which impact on their capacity to support apprentices. The core function of an ATA is the employment and development of apprentices. The model targets support to businesses that are unable to take the risk of directly employing an apprentice themselves

- 5.2 The Leeds Apprenticeship Training Agency will operate as a separate company limited by guarantee jointly owned by the Council and Leeds City College employing and matching young people who want to find careers through apprenticeships with local businesses who want to grow their workforce. The jobs will be targeted at those smaller, growing organisations in the retail, financial and other sectors that will play an important role in driving Leeds' economy over the next decade.
- 5.3 Through the opportunity offered by the City Deal and the established strategic relationship between the Council, Leeds City College and the Chamber of Commerce, Leeds is well positioned to put in place a more coherent offer for SME businesses and young learners in the City. The City is now in a position to move beyond the traditional offers from education and employment programmes by enabling a menu of opportunities to be developed across the City with apprenticeships at its core. Combined with partnership led proposals for an Apprenticeship Academy and the Leeds Retail Academy, the ATA will make a significant contribution to this new way of working.
- 5.4 Approval to establish the company, will enable the Board of Directors of the new company to appoint independent legal advisors and auditors; approve the ATA's Business Plan and operating framework; and identify premises from which to operate and determine a launch date in the autumn.

6 Recommendations

6.1 Executive Board is asked to:

- Approve Leeds City Council's involvement in the establishment of the Leeds Apprenticeship Training Agency
- delegate approval of the detailed terms of the Articles of Association and the Member Agreement to the Director of City Development
- appoint the Director of City Development or his nominated representative as a director of the Leeds Apprenticeships Training Agency
- endorse the new company being registered with Companies House.

7 Background documents ¹

7.1 Report to Executive Board, 7 September 2011

7.2 The Draft Articles of Association and Draft Member Agreement for Leeds Apprenticeship Training Agency, June 2012

¹ The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.

