



Report To: Cabinet

15 September 2016

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Apprenticeships

Purpose

1. To appraise Cabinet on the Government's ambition to create more apprenticeship opportunities during the term of this parliament. The main proposals are:
 - a) To introduce an Apprenticeship Levy to be used for employer owned apprenticeship training. The levy will be introduced in April 2017.
 - b) To introduce annual Apprenticeship Targets for Public Sector Bodies which are expected to come into force in April 2017.
2. This is a key decision because it results in the authority incurring expenditure which is, or the making of savings which are, significant having regard for the council's budget for the service functions to which the decision relates.

Recommendations

3. It is recommended that Cabinet:
 - a) Note the content of the report and budget/funding implications,
 - b) Support the council's participation in the Government's Apprenticeship initiative which commences in April 2017,
 - c) Agree to pay apprentices at a rate in line with Grade 2 pay scale.

Executive Summary

4. The Government has stated it's ambition to increase the number of apprenticeship opportunities during the term of this parliament. The proposal is that, in April 2017 the way the Government funds apprenticeships in England will change. Some employers will be required to contribute to a new apprenticeship levy, and there will be changes to the funding for apprenticeship training for all employers.
5. The new apprenticeship levy requires all employers with a least 250 staff, operating in the UK, with a pay bill of over £3 million each year, to make an investment in apprenticeships.
6. The Government also places a duty on all public bodies which sets a target of a minimum of 2.3% apprentices each year (of a total headcount) for 3 years commencing April 2017.

Background

7. Government's ambition is to create three million new apprenticeships by 2020. The Chancellor announced the Apprenticeship Levy in the summer 2015 budget, and Government opened up an early dialogue with employers on how a levy system might work in practice, what employers would want to see in such a scheme and how the funds raised from the levy could be used.

It is Government's intention that the levy will enable employers to meet its ambitions for improvement in training quality while growing the number of apprentices.

8. Government also wants to introduce apprenticeship targets to expand the number of apprenticeships in the public sector to ensure that the sector is a model employer which develops a skilled workforce for the future.

Considerations

9. Summary of the Levy

The following is a key summary of current proposals in relation to the apprenticeship levy:

- a) The levy will come into effect in April 2017. It will be payable by employers in the UK at 0.5% of their pay bill if it is in excess of £3 million per year.
- b) Each employer will have eighteen months to use their levy funding before it expires. The levy funding is to be used for direct training and assessment costs for an apprentice. The levy funding will not support apprentice wages.
- c) All employers, who participate in the scheme, will receive an allowance of £15,000 to offset against payment of the levy.
- d) The levy will be payable through Pay As You Earn (PAYE) and will be payable monthly alongside income tax and National Insurance by employers.
- e) Each employer will receive one allowance to offset against their levy payment. There will be a connected persons rule, similar to the Employment Allowance connected persons rule, so employers who operate multiple payrolls will only be able to claim one allowance. This will not affect our shared payroll service with Cambridge City Council as there are distinct payroll reference numbers for each Council.
- f) The levy will apply to employers across all sectors, including South Cambridgeshire District Council.
- g) Apprentices who were accepted onto an apprenticeship programme before April 2017 will be funded for the duration of the apprenticeship under the terms and conditions that were in place at the time the apprenticeship started.

10. Other details about the Levy

- a) The final details of how the system will operate are still to be released however we know that a Digital Apprentice Service (DAS) will be created. Employers will be able to use the DAS to pay for training and assessment for apprentices in England. The service will also help employers to find training providers to deliver the apprenticeship programme.
- b) An employer may be able to use the funds in their DAS account to pay for apprenticeship training for apprentices that are not their employees. The Government will provide more guidance regarding this in the future but they want to provide flexibility on how employers use the funds in their DAS account without introducing additional and unintended complexity into the system.
- c) Employers who pay the levy and, are committed to apprenticeship training will be able to get out more than they pay in to the levy, through a 'top up' to their DAS accounts. The 'top up' equates to 10% of the funds that the employer has in the account.

- d) Where employers choose not to use the funds in their digital accounts the Government will make these funds available to other employers.
- e) There will be an approval mechanism for training providers and a system that maximises value for money, prevents abuse and ensures the legitimacy of the apprenticeship training being delivered.
- f) The Government wants to move towards an assurance model that works for employers who chose to work with lead training providers and for those employers who want to take on key functions themselves.

Apprenticeship targets for public sector employers

- 11. Although employers are waiting for the full details to be finalised by Government the following sets out what is currently proposed.
- 12. The target number of new apprenticeship starts is set at a minimum of 2.3% each year, based on the total headcount working for the council, this comes into effect in April 2017. The target applies to all public sector bodies that have 250 or more employees.
- 13. Apprenticeship training must last for at least 12 months however longer apprenticeships will be available. The funding will apply to the type of apprenticeship and not the length of the apprenticeship.
- 14. The council will have a duty to annually publish progress towards meeting the apprenticeship targets to the Secretary of State. There are no legal or financial penalties or sanctions for not meeting the target. However, information will be published by the Government which will make public the name of employers and their progress against the targets.
- 15. It is anticipated that the apprentices will be directly employed and the council will be responsible for paying the apprentice's wages. Employers cannot use the DAS account funds to cover the cost of the wages.
- 16. The levy funds can be used to train existing staff provided it is by means of an approved apprenticeship framework and the employee meets the apprentice eligibility criteria. This would count towards the council's annual apprenticeship target.
- 17. It may be possible for existing employees to undertake apprenticeships which lead to leadership and management qualifications although this has yet to be confirmed.

What does this mean to Local Government?

- 18. The Government's apprenticeship levy applies to organisations with at least 250 staff. For local authorities this will include schools in the overall total. Delivering three million new apprentices by 2020 is a key priority for the Government and expanding the number of apprentices in the public sector will support growth in the programme. The levy cost is estimated to be £200m for councils in England (this equates to £19m in the East of England). Targets could equate to 33,000 new apprentice starts across all Councils in England (3,626 in the East of England). Annual reporting will start in April 2017. The East of England Local Government Association is monitoring the impact on employers and providing advice and guidance.

What does this mean to South Cambridgeshire District Council?

19. For South Cambridgeshire District Council, based on headcount of 426, a 2.3% minimum target equates to 10 apprentices to start, each year for the next three years. Meaning that the Council may potentially have up to 30 apprentices, depending on the duration of each apprenticeship, by the end of the third year.
 20. The council's headcount will rise by a further 70 employees should the planned TUPE transfer of Cambridge City Council Waste crews take place in 2016. This will increase the headcount to 496 and the target requirement to 11.5 apprentices (33 apprentices, depending on the duration of each apprenticeship, by the end of the third year
 21. Apprenticeships today can be available across a wide variety of occupational areas such as; IT; Business Administration; Social Care; Management; Engineering; Web Design and Customer Service. The duration of the apprenticeship is often determined by the level of qualification to be achieved. Generally an apprenticeship at level 2 or 3 will last 12 – 14 months, higher levels will last 24 – 28 months. It is anticipated that the council will have a range of apprentices therefore it is likely that some who start their programme in 2017 will have completed the course by 2018 or 2019.
 22. The council's approach will aim to turn apprentices into permanent employees, where possible. To achieve this, all vacant posts will be considered for apprenticeship potential. This will ensure that increases to the establishment and budget will be minimised. It is acknowledged that some posts will not be suitable for apprentices for example, where we require a fully qualified professional or a specialist.
 23. The financial aspect of the levy and, potential salary bill implications are set out in 44, 45 and 46 below – Financial Implications.
 24. Some local authorities are intending to pay the national minimum wage rates for apprentices, currently:
 - 25 and over - £7.20 – National Living Wage* £13,900 pa
 - 21 and over - £6.70
 - 18 to 20 - £5.30
 - Under 18 - £3.87

 - Apprentice (under age 19 or in first year of apprenticeship) - £3.30per hour. This equates to an annual salary of £6,366.00
- *From 1 April 2016 the National Living Wage must be paid to employees aged 25 and older. The National Minimum Wage (NMW) rates will apply to workers aged below 25 or in their first year of an apprenticeship*
25. The Living Wage Foundation annual rate is currently £8.25 per hour. This equates to an annual salary of £15,915.00
 26. The council has the option of paying the above rates set out in 24 and 25 above or, opt to pay apprentices at SCDC Grade 2 pay scale - £9.00ph - £10.58ph. This equates to an annual salary of £17,379 – £20,425.
 27. In considering the above salary options the council should be mindful of the need to attract suitable candidates and then retain them. Employers and training providers in the Cambridgeshire area have recently reported that it has been difficult to attract young people to some apprenticeship vacancies, and retain them once the young person has gained some experience.

28. The council will be investing money and officer time to ensure that the apprenticeship is successful for both the individual and the council. It is important that we retain 'home grown' talent as part of our response to addressing skills shortages and succession planning in the organisation.
29. It is also worth considering the cost of living in Cambridgeshire, the location of the council's offices and the cost of transport for young people (those who are below 18 years are unlikely to have their own transport).
30. Executive Management Team, at its meeting on 1 June 2016, considered this matter and recommends to Cabinet that the council pays apprentices at a rate in line with Grade 2 pay scale.

Property Response Maintenance contract

31. Under the current contract with Mears there is a requirement, based on an apprenticeship formula, for one apprentice per £1m spend. The council contributes £9k per apprenticeship, payable quarterly in arrears. The money comes from the response repairs budget.
32. At the outset of the contract the number of apprentices was stated to be two, based on the budget at that time £1.9m. Mears have reported that they have consistently struggled to recruit and retain two apprentices so generally the council has only paid for one.
33. Council officers have discovered that Mears have been the very low apprenticeship wage (£3.30ph). This is likely to be a contributing factor in terms of Mears finding it difficult to recruit and retain apprentices. Following discussion, officers have insisted that they pay the national minimum wage and, moving forward the apprenticeships will be registered with the CITB to ensure they have an accredited training programme.
34. Moving forward under the Price Per Property (PPP) model the council has agreed and are currently negotiating the details of, a proposal that Mears support an additional post as well as the two apprentices. This would take the form of employing and seconding a specialist officer that will deal with debt advice to tenants. The post will be embedded in the Neighbourhood Support Team.

Recruitment and skills shortages

35. The report from the Director of Health and Environmental Services sets out the skills landscape for the district. The report considered the wider issues for businesses and employers in the context of driving economic prosperity and growth for South Cambridgeshire.
36. The council, as an employer, also faces recruitment challenges. The cost of living in the Cambridge area, transport issues and marketplace forces (pay, high demand in some professions and housing shortages) all affect the council's ability to attract and retain the staff it needs. In particular, Planning, Care (visiting support), HR, Finance are all areas where there will be suitable apprenticeship frameworks available.
37. Although clarification is still awaited, it seems likely that employers will be able to use the apprenticeship scheme for current employees, although there may be stipulations on apprenticeship frameworks and qualification levels.

38. The Organisational Development Strategy & Action Plan sets out the council's plan to address areas such as succession planning, talent and skills management, including apprenticeships. This is linked to the council's ambition to achieve IIP Platinum award in 2018.

Options

39. At the time of writing this report employers are awaiting the final detail from Government on the apprenticeship scheme. Employers, from both private and public sector, and Local Government Associations have provided feedback and voiced concerns about aspects of the proposed scheme. However, it seems unlikely that the target or the levy will be altered.
40. Many local government employers already have apprentices, the larger employers often have very structure schemes and take on a significant quantity each year (although most, including Cambridgeshire County Council, have stated that meeting the Government's target would put additional burdens on their scheme). Smaller councils have a much smaller intake and a few do not have any apprentices at all. South Cambridgeshire District Council has had a small number of apprentices, some of which have moved into permanent roles. We currently have apprentices and trainees within the council so it would be a further step to increase the number:
- 1 X Communications and Web apprentice
 - 5 X Planning Project Officer trainees
 - 1 X Housing apprentice
 - 1 X Revenues apprentice

Apprentices who were accepted onto an apprenticeship programme before April 2017 will be funded for the duration of the apprenticeship under the terms and conditions that were in place at the time the apprenticeship started.

41. The council should consider the following:
- Which service areas would be best suited to take apprentices and which areas do we have the most skill need;
 - To offer existing staff apprenticeships leading to formal qualifications, this could include management and technical professional as well as general business administration and customer service.
42. Each employer, including the council, will have to register in their own right and pay their own levy through PAYE. It may be possible to run the programme across the shared services to maximise learning opportunities for apprentices. Shared service partners could work jointly to procure training providers, recruit apprentices, and offer learning opportunities across the three authorities.

Implications

43. In the writing of this report, taking into account financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered: -

Financial

44. As set out in 22 and 23 above, the council's approach will be to utilise vacant posts for apprenticeships or to offer apprenticeships to existing employees where appropriate. This will have a neutral impact on the pay bill.

45. For each new post added to the establishment as an apprenticeship role the annual cost would be £21,699 (based on the lowest SCP in Grade 2. Equates to £9.00ph). In the unlikely event that the council has 33 apprentices added to the existing establishment, the pay bill would increase as follows:

	No of apprentices	Pay bill increase
Year 1	11	£238,689
Year 2	22	£486,156
Year 3	33	£739,156

*This assumes that apprentices move up the increment scale each year and are all on 3 year apprenticeships.

Includes 'on costs'

46. Based on a 0.5% levy of our current gross salary bill (£15,220,285) the levy would cost the Council £61,102 which takes into account £15,000 rebate to offset the payment of the levy.

	Budget	Levy	Rebate	Net Levy
General Fund	12,788,236	63,941	12,600	51,341
Housing Revenue Account	2,432,049	12,161	2,400	9,761
	15,220,285	76,102	(15,000)	61,102

Legal

47. There is no legal requirement placed on employers to participate in the scheme as such. However, the levy will still have to be paid into the Government's Digital accounts fund. There does not appear to be any other actions that the Government can take against employers.

Staffing

48. Positive impacts for employees and new apprentices participating in the scheme, which is included as an action within the Council's Organisational Development Strategy and Action Plan. Improved opportunities for development of new skills and knowledge as well as personal growth.

Risk Management

49. Set out in 14 above. There is a risk of reputational damage in terms of published lists of employers who are not participating in the scheme.
50. The apprenticeship programme is a clear organisational commitment to the investment and development of our staff and succession planning which would be considered as part of the Council's future assessment for Platinum Investor in People (IIP) Standard. If the Council does not support the apprenticeship scheme then it would have a negative effect in terms of our IIP assessment.

Equality and Diversity

51. The Council will apply fair processes to recruit apprentices in line with the current Recruitment and Selection Policy.

Consultation responses (including from the Youth Council)

52. There was no consultation taken on this report.

Effect on Strategic Aims

Aims 3 and 4

Connecting Communities
Innovative and Dynamic Organisation

Background Papers

Where [the Local Authorities \(Executive Arrangements\) \(Meetings and Access to Information\) \(England\) Regulations 2012](#) require documents to be open to inspection by members of the public, they must be available for inspection: -

- (a) at all reasonable hours at the offices of South Cambridgeshire District Council;
- (b) on the Council's website; and
- (c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

www.gov.uk/government/publications/apprenticeship

City Deal report - SCDC
Cambridgeshire County Council Apprenticeship Levy report – July 2016 SMT

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