

NEW PUBLIC SECTOR DUTY ON APPRENTICESHIPS AND THE APPRENTICESHIP LEVY

Policy & Performance Advisory Committee - 7 June 2016

Report of Chief Officer Corporate Services

Status: For Consideration

Key Decision: No

Executive Summary: This report provides Members with an overview of the new duty for the public sector on apprenticeships, and the Government's apprenticeship levy. It outlines the information currently available from Government regarding how the both of these are intended to work, and considers some of the known implications for Council.

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Recommendation to Policy & Performance Advisory Committee:

The new public sector apprenticeship duty and the cost of the apprenticeship levy are noted.

Reason for recommendation: To ensure Members are aware of the new duty for public sector bodies on apprenticeships, the Governments apprenticeship levy, and the implications of these for the Council.

Introduction and Background

- 1 In line with commitments made within its manifesto, Government has set an ambitious target to achieve three million new apprenticeships by 2020. This forms part of the Chancellor's productivity plan, 'Fixing the Foundations', which was published in July 2015.
- 2 There are a number of core elements to the Government's ambition. These include:
 - The creation of a new Institute for Apprenticeships led by employers to support quality apprenticeships;
 - Placing employers at the heart of designing new Apprenticeships Standards through the Trailblazer programme (replacing the existing apprenticeship frameworks);

- Providing equal legal protection to apprenticeships to that given to degrees;
 - The abolition of Secondary Class 1 NICs for apprentices under the age of 25 from April 2016;
 - Introducing an apprenticeship target for public sector bodies - a new duty on the public sector to have 2.3% of its workforce comprised of apprenticeships; and
 - An apprenticeship levy for employers including the public sector, intended to raise over £3bn across the UK by 2020.
- 3 This report updates Members on primarily the last two of these: the new duty and the levy, both of which are due to come into force on 1 April 2017.

Apprenticeships

- 4 An apprenticeship is defined as a real job with training which allows participants to earn while they learn, whilst gaining a nationally recognised qualification. Apprenticeships take between one and five years to complete and cover 1,500 job roles in a wide range of industries, from engineering to accountancy, public relations to veterinary nursing. Apprenticeships are now available up to degree level and beyond.
- 5 Apprenticeships last between 12 months and four years, and are usually, but not exclusively, aimed at the 16 to 21 year old age group. Apprentices can also include members of an employer's existing workforce.
- 6 Guidance states that apprentices are expected to spend 20% of their time in formal study (normally one dedicated day per working week). Historically this has taken place at a local college. However, this depends on the skills required for the qualification and some studying now takes place online with a monthly workshop, or similar arrangement.
- 7 The Government sets out minimum wages for apprentices each year, based on age, starting at £3.30 per hour for 16 to 18 year olds, or someone aged 19 who is in their first year. This rises to £6.70 for an apprentice aged 21 or above. There is no guarantee of a job with the host employer on completion of the apprenticeship; this sets them apart from the traditional apprenticeships of former years.

The new apprenticeship duty

- 8 Government published a consultation document on the new apprenticeship duty for the public sector in January 2016. The responses to this will be used to inform drafting of the regulations following the passage of the Enterprise Bill. This bill contains provision to amend the Apprenticeships, Skills, Children and Learning Act 2009 so that targets can be set for prescribed public bodies in relation to the number of apprentices working for them in England.

- 9 As part of the new legislation, public bodies will have a duty to publish information annually on progress towards meeting the target and send this information to the Secretary of State.

Apprenticeship targets

- 10 The Office for National Statistics National Accounts Sector Classification has been used to define public body (the list currently contains over 1,500 bodies); all public bodies with a headcount of 250 or more staff will be included in the scope of the new duty. Housing associations are exempt as the Government intends to reclassify them as private sector bodies. For the local government sector, this means that all but 30 local authorities out of a total of 354 would be included.
- 11 The Government has also announced targets for apprenticeship starts for the sector; for local government (as a whole, in England), the target is 35,000 per year, the highest for any public sector group. This compares to a target of 28,000 starts for the health sector, for example.
- 12 There are, however, no specific targets set for each employer, and the legislation talks about a “due regard” rather than a statutory duty. If Sevenoaks District Council were to take the 2.3% as a guideline, this would result in about seven apprenticeship starts per year for the three years of the programme.

Reporting requirements

- 13 Broadly speaking, the Government is proposing that published reporting should focus on the number of apprenticeships starts in relation to the number of employees in the reporting period in question and an indication of whether the target is being met.
- 14 Organisations will also be required to send other information to the Secretary of State which is not intended to be published. This information would include:
- Information about action that the body has taken to meet an apprenticeship target set for it;
 - If the public body has failed to meet an apprenticeship target set for it, an explanation of why the target has not been met;
 - Information about action that the body proposes to take to meet an apprenticeship target set for the body for a future target period; and
 - If the body considers that a future target is not likely to be met, an explanation of why that is so.
- 15 Government proposes reporting periods should be in line with financial years from 1 April 2017 until 31 March 2020.

The Apprenticeship Levy

- 16 A step change in the scale and quality of the apprenticeship programme also requires a step change in funding. Government has announced its intention to raise funds through a levy during the Budget in March last year, and again in the Spending Review in the Autumn. However it was only in the autumn that the public sector was formally included in the list of employers who would be subject to the levy.
- 17 The levy will be calculated as 0.5% of an employer's pay bill where that pay bill is £3m or more. At Sevenoaks District Council the pay bill is approximately £11m. The Council's contribution will therefore be approximately £55,000 per year for three years starting from April 2017 and ending in March 2020.
- 18 All contributing employers will receive an annual one-off cash payment of £15,000 to offset against the Levy. However, this cannot be used for funding training and assessment of apprentices.
- 19 The Levy payment will be made to Her Majesty's Revenue & Customs (HMRC) through the Pay as You Earn (PAYE) process alongside income tax and National Insurance. Government intends for all contributing employers to open a Digital Apprenticeship Service account (DAS); once HMRC receives the payment, it will then notify the Department of Business, Innovation and Skills (BIS), who will apportion it to each organisations digital account for them to spend.
- 20 Government have stated that 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. This will be achieved by the Government applying a 10% top-up to monthly funds entering levy paying employers' digital accounts, for apprenticeship training in England, from April 2017.
- 21 Funds held within digital accounts can be used for apprenticeship training and assessment (with an approved training provider and assessment organisation up to its funding band maximum). They cannot be used for:
 - Wages;
 - Statutory licences to practise;
 - Travel and subsidiary costs;
 - Managerial costs;
 - Traineeships;
 - Work placement programmes; or
 - The costs of setting up an apprenticeship programme.

Managing an apprenticeship programme using the levy

- 22 Once the funds enter a DAS account, organisations have 18 months to use them before they are reallocated to another employer on a “use it or lose it” basis.
- 23 If the Council decides to create apprenticeships within the organisation, it will then chose an appropriate training provider from a list of eligible organisations, and negotiate a price with them.
- 24 Government will be issuing funding bands for each apprenticeship standard, and it will be up to the Council as an employer to agree a price within this band with the training provider. Once an apprentice has been selected, as soon as the training begins, the Skills Funding Agency will draw down the cost on a monthly basis.
- 25 Government is still considering whether organisations can use their levy monies to support apprenticeships locally in smaller companies, for example, who may be in our supply chain. For the first year, however, this will not be possible.

Consultation

- 26 The Government issued a consultation paper on the proposed Levy in January this year. Although recognising the value that apprenticeships can have for the individual and for the employer, in its response the Council raised concerns regarding the targets for the public sector and the lack of detail regarding how the levy would work.
- 27 Government has received a strong response to the consultation but has not yet released the outcomes of this and is still in discussion with Ministers about the responses.
- 28 In addition to extra payments for 16 to 18 year olds who are taken on as apprentices, Government has also indicated that additional support would be available to young people aged 19 to 24 who have an Education and Health Plan, or who are leaving the care system. The Government has also recently committed to looking at how young people with learning difficulties can increase their access to apprenticeships.
- 29 There is still considerable detail to be worked out on both the levy and the new duty. Government are planning further updates in June, October and December this year, with access to the new Digital Apprenticeship accounts available in January 2017. The levy and the duty come into force from 1 April 2017.

Key Implications

Financial

- 30 As an employer with an annual pay bill above £3 million the Council are liable to pay the Levy calculated at 0.5% of its annual pay bill, which is approximately £11m. The Council's contribution will therefore be approximately £55,000 per year for three years starting from April 2017, and ending in March 31 2020.
- 31 All contributing employers will receive an annual one-off cash payment of £15,000 to offset against the Levy. However, this cannot be used for funding training and assessment of apprentices

Legal Implications and Risk Assessment Statement

- 32 Legally the Council will be required to pay the apprenticeship levy regardless of whether or not they seek to offer apprenticeships within the organisation.
- 33 A risk assessment will be completed at the appropriate time to assess the impact of an apprenticeship scheme within the Council. This will include an assessment of opportunities that may also arise.

Equality Assessment

- 34 The information provided through this paper has a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Conclusions

- 35 Whatever the sector, apprenticeships provide an important public sector function, that of promoting the employability of young people. They can also contribute to meeting the sector's own skill needs: the notion of "growing our own" is one which is not unfamiliar to us as an organisation and it is also recognised that apprenticeships can support succession strategies.
- 36 However, there is a challenge in promoting employment opportunities in local government at a time when funding has reduced more drastically than at any other point.
- 37 Potentially the Council could face challenges in both finding the resources to meet the salary and associated costs of apprentices, in finding the right training frameworks delivered locally for its particular needs, and in attracting young people to take up the opportunities. Members may wish to note that the targets being set by Government relate to apprenticeship "starts". Drop-out rates from apprenticeships nationally are often high, up to 60%, indicating that there can be challenges faced by all parties

(employers, the young person and the training provider) in sustaining the role and providing support to the young person.

- 38 Regardless of this apprenticeships do promote transferable skills and a placement within the Council would undoubtedly help young people achieve these. Although the Council currently employs apprentices in the council (Building Control, for example), Members may wish to consider how actively they feel the council should engage in the new duty and if the council should seek to increase the number of apprenticeships currently available.

Appendices: None

Background Papers: Governments Productivity Plan - Fixing the Foundations (July 2015)
<https://www.gov.uk/government/publications/fixing-the-foundations-creating-a-more-prosperous-nation>

Public sector apprenticeship targets (consultation)
<https://www.gov.uk/government/consultations/public-sector-apprenticeship-targets>

Apprenticeship levy: how it will work
<https://www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work/apprenticeship-levy-how-it-will-work>

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