

## HAMPSHIRE COUNTY COUNCIL REPORT

<b>Committee/Panel:</b>	Employment in Hampshire County Council
<b>Date:</b>	28 March 2018
<b>Title:</b>	The Apprenticeship Levy - update
<b>Report From:</b>	Director of Culture, Communities and Business Services

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### 1. Recommendations

- 1.1. It is recommended that EHCC note the progress to date within the County Council to implement the levy and developing our Apprenticeship programme.

### 2. Executive Summary

- 2.1. Following its approval of a new Apprentice Pay Framework in November 2017, this paper provides a further update to the EHCC Committee on the implementation of the County Council's Apprenticeship Levy (the levy) programme.
- 2.2. The update covers policy and operational developments, and highlights activity undertaken to date to develop the Hampshire Apprenticeship and Hampshire School's Apprenticeship programmes. It also includes an update on national policy developments and comments on the operation of the scheme in accordance with national guidelines.
- 2.3. Specifically, this paper addresses three key issues raised at the EHCC committee meeting in November, namely; communications with schools; implementation of policy; and use of levy funds.

### 3. The Apprenticeship Levy and the public sector

- 3.1 The Apprenticeship Levy was introduced in April 2017 as part of the government's Apprenticeship reform programme. Placing employers at the heart of the reforms, government is targeting three million new apprenticeship starts by 2020. The policy has cross-party support and forms an element of the wider reforms of technical and work-based education (in England).

- 3.2 The levy requires all employers in England, across all sectors, who have an annual salary bill of £3.0m or above to pay 0.5% of their wage bill into a digital account. An allowance is applied of £15,000. Funds within the account are available only to fund approved Apprenticeship training (delivered by an approved Apprenticeship provider) and associated end-assessment.
- 3.3 Two of the largest sectors liable for the levy are the NHS, whose total liability is estimated at more than £225m p.a., and local government whose liability is estimated by the LGA to be £207m p.a.
- 3.4 Associated with the reform programme, Government has also introduced a public sector Apprenticeship target of 2.3% (Apprentices as a proportion of the workforce). For local government, LGA estimates that this may equate to a total of 36,000 Apprenticeship starts p.a. across Local Government (in England). Actual starts across the sector last year were c. 6,000, suggesting that a growth of c. 600% is required across the LA sector to 'earn back' annual levy contributions.
- 3.5 For Hampshire County Council, the 2.3% target equates to c. 750 Apprentices. Estimated total Apprenticeship starts in 2017/18 is 150 suggesting a growth requirement of c. 500% to 'earn back' the County Council's annual levy liability.
- 3.6 Apprenticeships and the reform of technical education are part of a wider set of policy initiatives from government seeking to secure future economic growth and higher levels of productivity. In the context of the UK's pending exit from the European Union, our ability to utilise the full talents of our community will be all important. Hampshire County Council, via Hampshire Futures, is developing a skills action plan for Hampshire (working title 'All Our Talents') at the heart of which will be the further expansion of Apprenticeships as a means of delivering the future skills needs of the economy.

#### **4. Levy contributions and use of funds**

- 4.1 Hampshire County Council has one digital account, managed by Hampshire Futures, covering all constituent parts of the organisation, corporate departments and schools for which the County Council is the legal employer.
- 4.2 The means by which we are able to earn-back levy contributions is restricted and determined by central government. Funds can only be used to pay for approved Apprenticeship training (known as standards – see below) and associated end assessment via an approved provider.
- 4.3 The development of Apprenticeship standards, which are replacing Apprenticeship Frameworks, aim to ensure that employers determine the contents of the qualifications so that they meet their current and future skills needs. To this end, Apprenticeships are aimed at existing staff as much as new entrants and are increasingly used to support continued professional development. The rapid development of Higher and Degree level Apprenticeships reflect this shift.

- 4.4 Once approved, all new Apprenticeship standards are assigned one of 15 funding bands ranging from £1000 to £27,000 total (March 2018). Although we can negotiate the fee within a band, the banding thresholds are set by government.
- 4.5 The development of new Apprenticeships Standards, allowing employers to replace existing non-Apprenticeship training with levy funded provision, is undertaken by a government derived Trailblazer programme and overseen by the Institute for Apprenticeship (IfA).
- 4.6 The development time for a new Apprenticeship standard is, on average, currently 18-24 months plus. This together with the tension of balancing the ability to achieve business and service deliverables with the requirement for a 20% abstraction rate to undertake off the job training is frustrating employers' ability to fully utilise their levy funds. The pace of the Trailblazer process is further compounded by the requirement to have separate and independent end-assessment arrangements for every new standard, with many awarding bodies slow or reluctant to offer end assessment.
- 4.7 The estimated annual levy contribution for the County Council is c. £3.5m. This includes contributions from schools and other bodies for whom the Local Authority is the legal employer. The profile is approx. £2.2m contribution from schools for which the local authority is the legal employer and approx. £1.3m for corporate departments and other business operating units.
- 4.8 As of 1 March 2018, the County Council had a balance of £2.8m in its digital account. This includes a 10% top-up payment from government. Against this forecast spend, based on 122 'levy funded' Apprentices, is c. £500,000 (to 2022). This figure is increasing weekly as new starts are enrolled.
- 4.9 Funds remain in the digital account for a period of 24-months (rolling) before being returned to the Treasury. The government has not yet provided any guidance as to how unused funds are to be used.
- 4.10 An illustrative list of Apprenticeship standards being delivered, and by which provider, is shown in appendix 1.

## **5. Implementation and influencing future policy**

- 5.1. The scale of opportunity that the levy represents is reflected in the financial information set out in section 3. By the same measure, it underlines some of the practical restrictions and frustrations with associated processes that are limiting employers' ability to utilise their levy funds.
- 5.2. The levy has been set at a level to fund the government's future ambitions for Apprenticeships volumes, not the current reality. We are making good progress in utilising the levy funds to support workforce development but recognise

further and significant progress is to be made. The policy decisions taken by EHCC support this effort and are having a good impact.

- 5.3. Government data for England shows that for the first three months of the levy operation, May to July 2017, there was a 61% reduction in Apprenticeship starts compared to the same period in 2016. Starts for May alone were over 90% down on the previous year, although it should be noted that there was a spike in April as employers sought to enrol new apprentices prior to the introduction of the levy. Overall starts for the FY 2016/17 were down 2.5% on the FY 2015/16 (493k against 503k). Data for the FY 2017/18 will be available later in 2018 but the downward trend is expected to continue.
- 5.4. The above data has been used to add to the call on Government to flex the operation of the levy, including flexibilities that the County Council had lobbied for prior to the introduction of the levy in May. That an estimated third - half of all employers in scope had not set up their levy account six months after it was introduced is, perhaps, reflective of the complexity and rigidity of the scheme.
- 5.5. Aimed at allowing employers to make better use of the available resource in pursuit of Government policy, proposals have included use of levy funds to manage employer Apprenticeship programmes (employers are not allowed to charge a management fee to their levy account), to develop new Apprenticeship standards (this is unfunded activity), and use of the levy to fund the salaries for particular employees such as those previously unemployed, those returning to the workplace and those at risk of redundancy.
- 5.6. The County Council has been invited as part of a small group of leading local authorities (identified for their best practice) to advise the DfE on the implementation of the levy within local government thus far. This afforded a further opportunity to press for the aforementioned flexibilities although it is clear that there is limited scope for reforms in the short term.
- 5.7. A new flexibility will be introduced in 2018. Levy paying employers will be able to passport up to 10% of their annual levy contribution to their supply chain. We await further guidance on this from the DfE including the definition of 'supply chain'. This development is viewed as a positive and could be used to support an Apprenticeship-based workforce development offer in, for example, the Hampshire third sector and Hampshire town and parish councils. If guidance supports, this is likely to commence in the autumn 2018.
- 5.8. Separately, the County Council has been approached by one of its private sector strategic partners who, having determined that they will not fully utilise their levy funds, have offered 10% of their levy contribution to support Apprenticeships in schools. We are actively exploring how we may best utilise this generous offer without mitigating efforts to fully utilise Hampshire school's own contributions.
- 5.9. Corporately, good and ongoing efforts are being made to increase the number of Apprenticeship starts. For example, this includes a Project Management

Apprenticeship programme with the Emergency Planning Team and an IT & Digital Apprenticeship programme to support talent attraction in our Corporate IT Team. There are challenges in places between the prescribed nature of the scheme and the operational necessities of service delivery. Greater flexibility in the scheme would allow these challenges to be mitigated, for example further guidance and flexibility around the requirement for 'off the job' training.

- 5.10. Later in 2018, we will be launching a Leadership & Management Apprenticeship pilot to test how Advanced and Higher level Apprenticeships can complement the existing Workforce Development Leadership & Management offer. A key element of the planning for this pilot – and indeed all Apprenticeships – is to map the Apprenticeship standards to both the existing offer and role profiles.
- 5.11. The response across corporate departments to the introduction of the levy has been positive. Much time in the first six months has necessarily been spent ensuring we have the operational and policy basis on which to develop and grow our Apprenticeship programme. This is being supported across the organisation including by the new Hampshire Strategic Apprenticeship Team which is resourced with dedicated Development Managers, one each for corporate departments and Hampshire schools.

## **6. Procurement and support to other public sector bodies**

- 6.1. The procurement of external Apprenticeship training and end assessment by the County Council is subject to public procurement regulations. To this end we are establishing a Hampshire Apprenticeship provider framework. A procurement exercise was launched in January and will be in place by early summer 2018. A prospective provider briefing event was held in September 2017 with 49 providers attending.
- 6.2. The approach to Apprenticeship procurement being pursued by the County Council has been commented upon by the EFSA (funding body) and partner LAs as representing emerging best practice. Consequently, all 11 Hampshire District and Borough Councils have been asked to be named on the framework, as have Hampshire Fire & Rescue, Hampshire Constabulary, Southampton City Council, Portsmouth City Council and the IOW Council. It is hoped that their wish to be included in our procurement exercise can lead to greater levels of collaboration between the Hampshire Local Authorities around this agenda including, potentially, a future shared service Apprenticeship scheme.
- 6.3. All Hampshire Academies have been named on the County Council's Apprenticeship provider framework. A small – but growing – number of these have approached the County Council to explore how we may operate their levy programme on their behalf. If agreed, this will provide a contribution towards the resourcing of the Hampshire Strategic Apprenticeship Team.

## **7. Communicating policy and supporting compliance**

- 7.1. At its meeting in November 2017, the EHCC committee approved the adoption of a new Apprentice Pay Framework. Consequently, from 1 April 2018 all HCC Apprentices will be paid 'the grade for the role'. Committee also approved the extension of the 'Apprentice First' policy' to all EHCC pay grades.
- 7.2. Subsequent to the committee's approval, the new policy has been widely communicated. Colleagues in payroll have been making the necessary technical amendments to both apply the new pay framework and transition any continuing Apprentices on 1 April 2018 to their new pay grade, where required.
- 7.3. Schools were extensively consulted in the formulation of the new Apprentice Pay Framework which, when formally adopted, constituted Local Authority advice. Consequently, it is our expectation that all schools comply with the approved policy.
- 7.4. We have written to all schools (Head teachers and Chairs) via an all-schools communication. We have also communicated policy directly through Area and District Head teacher forums. This has included clear reference to the associated risks and liabilities, financial and other, which sit directly with those individual schools that choose not follow Local Authority advice.
- 7.5. Since approval of the Apprentice Pay Framework in November, all school-based Apprenticeships have been advertised on a 'grade for the role' basis. As well as the merits of the County Council's new approach to Apprentice pay, the challenge of recruiting high calibre candidates is itself affecting behaviour.
- 7.6. The operation of the County Council's (single) levy account is such that no recruiting manager or organisational unit, corporate or school, can access funds without first engaging with the Strategic Apprenticeship Team. This affords a direct opportunity to support recruiting managers to identify the most appropriate Apprenticeship standards to meet need, to challenge any schools who are seeking to vary from the aforementioned policy and to ensure that policy is being applied accordingly.
- 7.7. A further assertion of the Local Authority's formal advice will be communicated to schools as part of the issuing of updated guidance within the Personnel Handbook this spring term.

**CORPORATE OR LEGAL INFORMATION:  
Links to the Corporate Strategy**

These proposals support Aim 1 of the Corporate Strategy, 'Hampshire maintains strong and sustainable economic growth and prosperity', through the following outcomes:

- helping people into work and to develop and maintain skills
- planning and delivering appropriate development and infrastructure.

**Other Significant Links**

**Links to previous Member decisions:**

<u>Title</u>	<u>Date</u>
Corporate Apprenticeship Scheme - Hampshire Youth Investment Programme (HYIP)	15 July 2013
Pay, Policy & Legislative Update	12 July 2017
EHCC Apprenticeship Pay Framework	22 November 2017

**Section 100 D - Local Government Act 1972 - background documents**

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None.	

## IMPACT ASSESSMENTS

### 1. Equality

1.1 *The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:*

- *Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;*
- *Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;*
- *Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.*

*Due regard in this context involves having due regard in particular to:*

- a) *The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;*
- b) *Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;*
- c) *Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.*

### 1.2 Equalities Impact Assessment:

*It is not envisaged there will be any equalities impact, however as this is not yet implemented, we are not yet able to fully determine the impact to the Council.*

### 2. Impact on Crime and Disorder:

2.1 *Not applicable.*

### 3. Climate Change:

(b) *How does what is being proposed impact on our carbon footprint / energy consumption?*

*Not applicable.*

(c) *How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?*

*Not applicable.*



**HCC Apprentices as at 1<sup>st</sup> March 2018****No. on Levy Account = 122**

Technical Pathway	Level	Provider	No. apprenticeships
Business Admin	L2	Hampshire Futures	20
Business Admin	L3	Hampshire Futures	16
Business Admin (standard)	L3	Hampshire Futures	9
Business Admin (standard)	L3	Fareport Training	1
Business Admin Prof	L4	Eastleigh College	2
Adult Care	L2	Hampshire Futures	2
Lead Adult Care	L3	Hampshire Futures	4
Supporting Teaching & Learning	L3	Hampshire Futures	5
Supporting Teaching & Learning	L3	Eastleigh College	2
Commis Chef	L2	South Downs College	1
Chartered Surveyor	L6	Portsmouth Uni	4
AAT	L3	Portsmouth College	1
Customer Care	L2	Hampshire Futures	1
Food Processing	L2	Eastleigh College	19
Catering and Professional Chefs	L2	Eastleigh College	2
Hospitality and Leadership	L3	Eastleigh College	3
Hospitality Supervisor (std)	L3	Eastleigh College	1
Early Years Education	L3	Peter Symonds	10
Early Years Education	L3	Globeus Training	1
Early Years Education	L3	Sparsholt College	1
Facilities Services	L2	Eastleigh College	1
Facilities Services	L2	Hit Training	1
Facilities Management	L3	Eastleigh College	1
AAT	L3	Kaplan	3
Profession Accounting Taxation Technician	L4	Kaplan	2
Civil Engineering	L3	Southampton City	4
Agriculture	L2	Sparsholt	1
Agriculture	L3	Sparsholt	1
IT & Telecomms	L3	ITEC	2
Heavy Vehicle Service and Repair	L2	Paragon	1