

# HAMPSHIRE COUNTY COUNCIL

## Report

<b>Committee/Panel:</b>	Employment in Hampshire County Council
<b>Date:</b>	13 <sup>th</sup> March 2019
<b>Title:</b>	The Hampshire Apprenticeship Programme - update
<b>Report From:</b>	Director of Children's Services

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### 1. Recommendations

- 1.1. To note the progress being made in the development and delivery of the Hampshire Apprenticeship and Hampshire Schools Apprenticeship programmes
- 1.2. To note the financial position including the pending clawback of uncommitted levy funds from May 2019.
- 1.3. To receive a future update report in 2020

### 2. Summary

- 2.1. This paper provides the EHCC committee with an update on the Hampshire Apprenticeship and Hampshire Schools Apprenticeship programmes, both established in response to the introduction of the Apprenticeship levy in May 2017.
- 2.2. Good progress has been – and is being – made to maximise the opportunity created by the levy. A record number of Apprentice starts have been generated since May 2017. At the end of December 2018, the total of Apprentice starts since May 2017 has been 465. Starts to date in the 18/19 financial year have been 336, 196 in corporate departments and 140 in schools maintained by the local authority. This is against a FY target of 300. A revised forecast total for the end of March 2019 is now 375.
- 2.3. Financially, the County Council's levy account had a balance of £5.24m at the end of December 2018. Against this, the financial commitment was £2.47m. Reflecting changes in employee head count, our monthly contribution has reduced from £303k to £258k. This is expected to increase again from April as a result of the 2019 pay award including the impact of any backdated award.

- 2.4. In autumn 2018, the County Council provided its first return against the 2.3% public sector Apprenticeship target. This recorded that 0.5% of employees were following an Apprenticeship across the organisation as of March 2018. Progress reported above – and forecast to the end of the current FY – will improve performance against this measure significantly.
- 2.5. Operationally, the government has made some changes to the levy and intends to consult on further changes later this year. These are aimed at increasing employer's flexibility in how they use their levy funds. This includes the ability to passport up to 10% (and later 25%) of the levy balances to other employers from April 2019. Currently, more fundamental changes called for by employers, such as the ability to use levy funds for salaries and Standards development, have not been adopted.

### **3. The Apprenticeship Levy**

- 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.
- 3.2. The development of Apprenticeship Standards, which are replacing Apprenticeship Frameworks, aims to ensure that employers determine the content of new qualifications so that they meet their current and future skills needs.
- 3.3. 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. Hampshire County Council has one account covering all parts of the organisation, corporate and schools.
- 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 Hampshire County Council, our public sector target is modelled at 684 employees, 268 in corporate departments and 416 in schools maintained by the local authority. This is based on a total headcount of 29,760 employees. At the end of March 2018, our performance was 0.5% and equating to 123 in corporate departments and 27 in schools. The increase in starts in the current FY will improve performance against this target significantly when reported later in 2019.
- 3.5. There is only a part relationship between levy contribution and annual Apprentices starts, the actual being dependent on the length and value of Apprenticeship Standards being followed at any one time. For example, a degree Apprenticeship will typically have a funding value of £27,000 and be delivered over 3-4 years whilst an Advanced Apprenticeship in Administration has a funding value of £5,000 and will last 12-18 months.
- 3.6. In January 2019, the Director of Children's Services assumed the Chair of the Hampshire Apprenticeship Programme Board.

3.7. Appendix 2 provides update from the National Apprenticeship Service on public sector apprenticeships.

#### 4. Finance and use of funds

4.1. The estimated annual levy contribution for the County Council was c. £3.5m (c. £1.3m from corporate departments, c. £2.2m from schools maintained by the local authority). Monthly contributions to the levy are calculated through payroll. Reflecting changes in employee head count, our monthly contribution has reduced from £303k to £258k. However, this is expected to increase again from April as a result of the 2019 pay award.

4.2. The primary objective of the County Council is to fully utilise the levy to maximise talent attraction and development. The associated financial objective is to utilise the levy funds in full plus, if demand required, to access further funding available from government.

4.3. As of 31 December 2018, the County Council had a balance of £5.2m in its digital account. The table below show the approximate split between contributions from corporate departments and Hampshire schools (where the local authority is the employer). The balance includes a 10% top-up payment from government. Against above balance, our forecast commitment is c. £2.4m.

	<b>Corporate Departments</b>	<b>LA Schools</b>	<b>Total (12/18)</b>
<b>Approx. share of balance (12/18)</b>	£1.8m	£3.4m	£5.2m
<b>Est. Commitment</b>	£1.4m	£1.0m	£2.4m

4.4. This higher proportionate commitment within corporate departments reflects the greater availability of new Standards relevant to role within those departments. We anticipate this profile changing as the number of Apprenticeships in schools increases and as new education-related Standards are approved.

4.5. Funds remain within the digital account for 24-months. In May 2019, government will start to clawback any unspent or uncommitted funds. Full policy and operational guidance on this is still to be issued (as of January 2019) but it will work on a monthly rolling basis, i.e. in May 2019 funds will be clawed back from our April 2017 contribution net of any commitments. As the volume of levy starts has increased over the last two-years, the value of monthly clawback will be higher in the first period before declining as our spend and commitments profile increases. Work in being undertaken to estimate our actual clawback profile.

4.6. Of the 336 Apprentices starts between April and December 2018, 196 are employed in corporate departments and business units (60 in CCBS, 35 in Corporate Services, 30 in ETE, 35 in Children’s Services and 36 in AHC), 140

in schools maintained by the local authority (69 in primary, 21 in secondary and 50 in special).

- 4.7. The total forecast for Apprenticeship starts for the FY 2018/19 has been revised from 300 to 375. This is an increase on the final actual 2017/18 total of 150.
- 4.8. Whilst good progress is being made, the restrictions on the use of the levy to fund (approved) Apprenticeship training and end assessment costs only is a limiting factor. The primary costs associated with employing an Apprentice are salary costs which can not be met in full or part from the levy. Proposal to allow employers to use the levy to fund the salary of those previously unemployed or at risk of redundancy have not been adopted.
- 4.9. From April 2016 employers of apprentices under the age of 25 are no longer required to pay secondary Class 1 (employer) National Insurance contributions (NICs) on earnings up to the Upper Earnings Limit (UEL), for those employees

## **5. Programme Development**

- 5.1. A list of the current range of Apprenticeship standards being delivered, and by which provider, is shown in appendix 1. This illustrates the ever widening range – both in terms of subject and levels – of Apprenticeships now being delivered within the Hampshire Apprenticeship and Hampshire Schools Apprenticeship programmes.
- 5.2. Key programme developments include a Leadership & Management Apprenticeship pilot, being co-ordinated with Hampshire Workforce Development to ensure alignment to the Hampshire Leadership offer, a schools-based Business Managers Apprenticeship, a Teaching & Learning Support Apprenticeship and a small degree-entry Teaching Apprenticeship cohort which leads to qualified Teacher status.
- 5.3. The approval and roll-out of a Social Work Apprenticeship, leading to qualified Social Worker status, is being planned in Children's Services and Adult Health & care later this year. If successful, the programme will provide a further mechanism by which to attract and retain staff to these key roles.
- 5.4. Hampshire County Council, along with other local authorities, is exploring with the Department for Education and the Institute for Apprenticeship the development of an under-graduate entry Teaching Apprenticeship. This is viewed as a potential important mechanism by which we can address workforce requirements within the school sector. It would also provide an under-graduate route to qualified Teacher status for higher level Learning Support Assistant. Whilst open to the prospect, thus far Ministers directly have rejected proposal for such a standard. The County Council and partner are continuing the dialogue with government.
- 5.5. The operational demands of teams – corporate and schools – are a key consideration when exploring the suitability and feasibility of an Apprenticeship-based development programme. For example, the practical and theoretical requirements of an Apprenticeship, often (but somewhat

misleadingly) referred to as '20% off the job' may be outside the operational capacity of the team. Also, and by design, new Apprenticeship Standards reflect specific occupational roles, with competency criteria determined by employers as part of the Trailblazer development process. This requires an individual to be undertaking key tasks within job in order to fulfil the requirements of the Apprenticeship Standards. Whilst there is an ever growing range of approved Standards, this means that an Apprenticeship will not always be the most effective or appropriate CPD programme option.

- 5.6. The County Council continues to participate in a group of leading local authorities (identified for their best practice) to advise the DfE on the operation and development of the levy within local government and schools. This afforded a further opportunity to press for the further flexibilities.
- 5.7. From April 2019, employers paying the levy will have the facility to passport up to 10% of their annual levy contribution to another employer. This could be, for example, SME's within a supply chain or a subsidiary. Government made an announcement in the autumn 2018 budget that the transfer option will rise to 25% at some future point, although currently no guidance or confirmation from the ESFA has been received to confirm this policy change (as of January 2019).
- 5.8. Hampshire County Council is developing a policy proposal that outlines how we may use the flexibility to passport uncommitted levy funds to other organisations. To be considered by the Apprenticeship Board, the proposal is likely to suggest prioritising public and third sector partners and suppliers. Our objectives would be to support job creation and participation for priority cohorts and to support workforce development in key sectors. Use of those funds will need to be compliant with the national guidance and will require any recipient employer to set up their own digital account. Legal guidance is being sort in relation to the allocation of public funds.
- 5.9. The passporting of uncommitted levy funds provides for the potential to further develop the County Council's partnership working with other organisation, public and private, in pursuit of our corporate objectives and statutory duties. The proposal to use such funds would be subject to due final agreement.

## **6. Procurement**

- 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 have established a Hampshire Apprenticeship provider framework which was implemented in summer 2018. This four year framework has a total value of £27m.
- 6.2. The approach to apprenticeship procurement undertaken by Hampshire 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 Council's have been named on the framework, as have Hampshire fire, Hampshire police , Southampton City Council, Portsmouth City Council and the IOW Council. The exercise – and its

subsequent operation – is leading to greater levels of collaboration between the Hampshire Local Authorities around this agenda. A future option for a shared service Apprenticeship service will be explored in 2019/20.

- 6.3. All Hampshire Academies have also 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

**CORPORATE OR LEGAL INFORMATION:**

**Links to the Strategic Plan**

<b>Hampshire maintains strong and sustainable economic growth and prosperity:</b>	Yes
<b>People in Hampshire live safe, healthy and independent lives:</b>	Yes
<b>People in Hampshire enjoy a rich and diverse environment:</b>	Yes
<b>People in Hampshire enjoy being part of strong, inclusive communities:</b>	Yes

**Other Significant Links**

<b>Links to previous Member decisions:</b>	
<u>Title</u> EHCC Apprenticeship Levy Update	<u>Date</u> 28 <sup>th</sup> March 2018
<b>Direct links to specific legislation or Government Directives</b>	
<u>Title</u> The primary legislation setting out the Apprenticeship Levy is contained in Part 6 of Finance Act 2016	<u>Date</u> Enacted May 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.)**

Document

Location

None

## **IMPACT ASSESSMENTS:**

### **1. Equality Duty**

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:**

- 1.1.1 The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- 1.1.2 Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- 1.1.3 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:**

Equality objectives are not considered to be adversely affected by proposals in this report.

### **2. Impact on Crime and Disorder:**

2.1. Not applicable.

### **3. Climate Change:**

- a) How does what is being proposed impact on our carbon footprint / energy consumption? Not applicable.
- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts? Not applicable.