

Agenda item:

Title of meeting: Employment Committee
Date of meeting: 25th September 2018
Subject: Apprenticeship Levy
Report by: Jon Bell - Director of HR, Legal & Performance
Wards affected: N/A
Key decision: No
Full Council decision: No

1. Purpose of report

To provide a comparison as to the city council's progress with apprenticeships against neighbouring local authorities and employers including an update on apprenticeship numbers and levy spend. To update members on the options open to the city council in sharing up to 10% of its levy with external organisations.

2. Recommendations

Members are **recommended** to:

- Endorse option 2 as the preferred option in relation to the transfer of levy funds to external employers.
- Note the council's position on apprenticeships in relation to other levy paying employers.
- Note the progress made with regards to the number of apprenticeships and levy spend.

3. Background

- 3.1 In June 2018 the Government published amendments to the funding rules for apprenticeships advising that levy paying employers were able to share up to 10% of their levy funds with other employers. This funding can only be used for the payment of the training costs from an approved apprenticeships provider.
- 3.2 The Employment Committee of 26th June 2018 requested officers consider the options available in order to share up to 10% of the council's levy with other employers.
- 3.3 Members also asked for PCC's progress on apprenticeships to be compared with neighbouring local authorities and large employers (Appendix 1 shows the

number of apprentices in PCC (including schools) and the number of planned starts for September 2018).

4. Apprenticeship funding rules and the 10% transfer

- 4.1 The funding rules for apprenticeships were updated in July 2018 and cover the period August 2018 to July 2019. An extract from the funding rules relating to the 10% transfer of funds is detailed in Appendix 2.
- 4.2 The transfer of funds can be achieved through making payments via the council's levy account to a training provider for apprentices employed through an ATA or directly with an employer (Appendix 2)
- 4.3 Agreeing to a transfer of funds will commit the city council to funding the apprenticeship over its entire duration until completion. These funds will be deducted from the council's levy account first, prior to its own apprenticeships

5. Option 1 - Setting up an Apprenticeship Training Agency (ATA)

- 5.1 One option for the distribution of levy funds to employers is to set up an ATA which would need to be a separate entity from the council.
- 5.2 The ATA model tends to be a high volume, low margin activity; and it can be a very time and resource intensive model to operate. The key responsibilities of an ATA are to;
- identify vacancies within host employers;
 - support the employer to define the job description and relevant Apprenticeship framework;
 - support the employer with advertising and recruitment, finding the right apprentice to meet the employers' needs;
 - provide responsibility for apprentice wages, tax, National Insurance, holiday and sick pay, disciplinary and grievance measures, health and safety as well as administration and performance management;
 - provide supervision and pastoral support of the apprentice during the Apprenticeship period;
 - link with the Education and Skills Funding Agency (ESFA) funded approved training provider (or providers) and;
 - provide support to both the apprentice and the host employer throughout the Apprenticeship.

To be eligible to operate an apprenticeship training agency, organisations must be registered on the ESFA register of approved ATAs.

- 5.3 Setting up an ATA would require financial investment from the council including the recruitment to key posts. It would take time to gain the necessary approval and become registered with the ESFA as well as marketing the service to employers and signing them up. It is therefore not recommended the council take this course of action

6 Option 2 - Levy fund application process

- 6.1 For this option the council would invite employers and ATA's supporting employers in the city to bid for apprenticeship funding. This would need to be managed to ensure fair access for those applying. Appendix 3 shows a process that could be followed and set up in a short space of time.
- 6.2 In order to maximise the 10% transfer of funds available in this financial year an additional application window would need to be added for October 2018 but would be March each year thereafter.
- 6.3 This option enables the council to set up a process quickly and invite employers to apply before the end of the current financial year with another application window opening in March 2019 for the 2019/2020 allocation. It is therefore recommended the council adopts this option.

7 Director of Finance's comments

- 7.1 Appendix 1 shows a breakdown of the current number of apprenticeships and those scheduled to start during September 2018. As of 31st August 2018 there were 123 PCC apprentices of which 30 were in schools. There are a further 64 planned starts for September of which 21 are schools giving us a projected total of 187 apprentices by the end of September 2018.
- 7.2 The table below shows the amount of monthly payments received into the council's levy account and the monthly expenditure from the account up to August 2018. Apprenticeships are delivered at different timescales e.g. 12, 18, 24, 36 months and taking this into account the council has a current projected commitment of around £500,000 of its levy with a potential further £779,000 of commitments commencing in September 2018.

Month	Levy	Spend
May - 17	£56,187.33	£0.00
Jun - 17	£54,484.51	£479.42
Jul - 17	£55,195.14	£1,238.45
Aug - 17	£54,086.49	£2,013.36
Sep - 17	£53,478.39	£2,002.14
Oct - 17	£52,992.18	£4,775.91
Nov - 17	£52,689.14	£11,735.14
Dec - 17	£53,171.15	£14,570.99
Jan - 18	£53,216.22	£11,988.96
Feb - 18	£52,703.31	£15,025.74
Mar - 18	£50,902.09	£16,216.19
Apr - 18	£50,932.84	£22,569.43
May - 18	£52,931.76	£21,776.54
Jun - 18	£52,931.76	£20,617.34
Jul - 18	£53,403.72	£22,034.36
Aug - 18	£53,754.98	£25,109.06
Total	£853,061.01	£192,153.03

At present it is projected the council will not be required to return any of its levy to the Government until December 2019.

8. Comparison with other employers

- 8.1 Since the employment committee of 26th June 2018 Officers have been surveying neighbouring local authorities, public sector employers and other levy paying employers to respond to a short questionnaire. A brief questionnaire was distributed to the 19 local authorities in the South East and to levy paying employers in the city. Responses have been limited but sufficient enough for the council to measure itself against those who have responded in order to establish the council's position in relation to apprenticeships and the apprenticeship levy.
- 8.2 PCC asked the councils and public sector employers if they had reached their 2.3% target and of the 6 councils that responded only 1 other had met their target (the target does not apply to private sector employers). One large local authority in the south east reported having reached 53% of their target. The government deadline for responses for the public sector target is the 30 September 2018 so this figure may change.
- 8.3 PCC also asked councils and some Portsmouth based levy paying employers if they were looking to transfer 10% of their levy in the foreseeable future. Of the responses we received 3 said no, one said it wasn't applicable, 3 hadn't decided and one said it wasn't a priority.
- 8.4 It is worth noting that one large public sector employer in Hampshire has yet to appoint any apprentices or use any of its levy.
- 8.5 One large local authority had only recently finalised a procurement framework and were beginning the process of recruiting apprentices.
- 8.6 Having compared the responses to the position in PCC officers are confident the council is in an excellent position with regards to its apprenticeships uptake (and target achievement), the breadth of apprenticeships available and its levy spend.
- 8.7 As a result of our success with apprenticeships PCC have been asked by 'South East Employers' (a regional local authorities and public sector employers' organisation) to deliver a presentation at a conference in London on 19th September to share our experiences and practice with other local authorities.

9. Legal implications

- 9.1 PCC must comply with the Public Contracts Regulations 2015 when commissioning training providers to deliver Apprenticeship qualifications. The work Officers have undertaken with regards to the DPS ensures PCC's compliance in this area.

9.2 PCC must comply with the Education and Skills Funding Agency Apprenticeship funding: rules and guidance for employers August 2018 to July 2019.

10. Equality impact assessment

10.1 A preliminary Equalities Impact assessment (EIA) has been completed and identified a full EIA was not required as the actions in this report do not have a potential negative impact on any of the protected characteristics as described in the Equality Act 2010.

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Signed by:

Appendices:

Appendix 1 - PCC Apprenticeship numbers

Appendix 2 - 10% Apprenticeship Levy transfer rules

Appendix 3 - PCC Process for the transfer of Apprenticeship Levy funds

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
Apprenticeship Employment Committee Report 26 th June 2018	Employment Committee
Apprenticeship Funding: rules and guidance for employers August 2018 to July 2019	Education and Skills Funding Agency

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on

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Signed by: