

CHESHIRE EAST COUNCIL

Staffing Committee

Date of Meeting: 25th January 2018
Report of: Head of Strategic HR
Subject/Title: Apprenticeship Levy

1.0 Report Summary

- 1.1 This report provides an update on the work undertaken to ensure Cheshire East Council meets the new statutory obligations for apprenticeship reforms that were introduced in April 2017.

2.0 Recommendation

- 2.1 To note the report and receive feedback.

3.0 Reasons for Recommendations

- 3.1 To update Members on the progress to date on the implementation of the Government's apprenticeship reforms.

4.0 Wards Affected

- 4.1 No specific wards affected.

5.0 Local Ward Members

- 5.1 Not applicable.

6.0 Policy Implications

- 6.1 No significant policy issues identified as a result of this report.

7.0 Financial Implications

- 7.1 The apprentice levy is set at 0.5% of total payroll. Under guidance, this also includes the pay rolls of maintained schools, ANSA, Civcance, Orbitas, Skills and Growth Company, Tatton Park Enterprises and Transport Service Solutions. The anticipated annual cost is around £689,000. The Government deducts a portion of this figure (approximately £20,000) to reflect employees who live outside England and then tops up the remainder by 10%. Based on figures to date, the anticipated total annual amount available to spend will be £736,000. This figure has reduced, and will continue to do so, as schools have left/leave the Council to become academies and payroll reduces. Funds

expire and are lost to the Authority 24 months after being paid into the Council's digital account.

- 7.2 The 2.3% public sector quota means that the Council needed to offer more apprenticeship opportunities from April 2017. These can be for new or existing employees. Based on a total headcount of 7,93, CEC's target for the number of apprentices is 182.

8.0 Legal Implications

- 8.1 The payment of the apprenticeship levy is an obligation of the local authority. Therefore, from May 2017, Cheshire East Council has a statutory duty to pay the apprenticeship levy and to achieve the target set for the number of apprentices within the organisation.
- 8.2 The mechanism being introduced for the payment of apprenticeship training providers only allows the procurement of government approved suppliers which are detailed on a national Register of Approved Training Providers (RoATP). Only those on the Register will be eligible to apply to Cheshire East Council's approved provider panel.

9.0 Risk Management

- 9.1 No significant risks are identified as a result of this update report. Risks relating to specific matters are dealt with separately.

10.0 Background

- 10.1 An apprentice is someone employed in a real job; they may be an existing employee or a new hire (of any age). Apprentices must be working towards achieving an approved apprenticeship standard or framework, the apprenticeship training must last at least 12 months and the apprentice must spend at least 20% of their time on off-the-job training.
- 10.2 From April 2017, the Finance Act (2016) introduced a new funding mechanism for apprenticeships, an 'apprenticeship levy'. The levy is paid by employers (including the public sector) on 0.5% of pay bill. All employers receive an annual allowance of £15,000 to offset against their levy, meaning that the levy only applies to employers whose annual wage bill is £3 million or above. Employers in England who pay the levy do get out more than they pay into the levy, through a 10% top-up to their digital accounts.
- 10.3 The levy payment made by Cheshire East Council is made available to the Council through an Apprenticeship Service digital account. The functionality of this online portal enables the Council to search for training providers, advertise apprenticeship opportunities, select the most appropriate training provider and is also the tool used to pay selected training providers for the training element of our apprenticeships. Funds expire 24 months after they appear in the digital account.

- 10.4 Cheshire East Council calculates, reports and pays its apprenticeship levy to HMRC through the PAYE process alongside tax and NICs.
- 10.5 The apprentice levy is set at 0.5% of total payroll. The anticipated annual cost is around £689,000. The Government deducts a portion of this figure (approximately £20,000) to reflect employees who live outside England and then tops up the remainder by 10%. Based on figures to date, the anticipated total annual amount available to spend will be around £736,000.
- 10.6 Cheshire East Council's digital account is managed by Human Resources. An Apprenticeship Levy Working Group, led by HR and made up of representatives from Workforce Development, Finance, Legal, Procurement, HR Delivery, HR Schools, ANSA and Communications meets regularly to maintain oversight of the levy fund and progress towards achievement of the target.

11.0 Current Position

- 11.1 The Council's target for the number of apprentices is currently 182. This is based on 2.3% of headcount across the core, maintained schools and ASDVs.
- 11.2 The target has been disaggregated across each area of the council as per the table below. This also illustrates, as of 1st December, 2017, the number of apprentices and apprenticeship funding requests from existing members of staff. This report is sent out to all service managers across the Council on a regular basis to inform progress towards individual targets.

Service Area	Starts since May 2017	Target	Requests for Management Degree and ILM 5
People	25	53	11
Place	8	9	0
Corporate	24	24	7
ASDVs	6	12	2
Maintained schools	12	84	1
Total	75	181	21

- 11.3 Only apprentices recruited after the 1st May 2017 count towards the Council's annual target. The table above indicates that there have been 75 new starts since this date. This is made up of new apprentices to the organisation as well as existing members of staff who have entered into an apprenticeship, relevant to their current job role. This has also been over a greater range and level of subjects than previously offered. A management degree and an ILM 5 apprenticeship are due to start in January and February 2018 and will provide another 21 apprenticeship starts on top of the 75 achieved to date.
- 11.4 The total value of funding committed to since May 2017 is £428,450. This represents the total value of levy funds contracted to approved training providers across a range of qualifications. These qualifications will be delivered across programmes that range in length from one to four years.

- 11.5 The expanded apprenticeship offer includes the Council's first cohort of digital degree apprentices, made up of new and existing members of staff within ICT, who started on the programme in September. It also includes a number of apprentices on a level 4 finance apprenticeship. The range of apprenticeships has also increased to include paralegal and procurement apprenticeships. A number of other standards such as social worker, teacher and school business manager have recently been approved by the Government, with delivery starting from Spring 2018. It should also be noted though that there are still a number of apprenticeship standards that are yet to be approved. This is particularly pertinent for Schools and for the People Directorate.
- 11.6 In addition, a number of new apprenticeship vacancies are currently being advertised through the Council's training providers. There has been a noticeable increase in the number of candidates applying for new vacancies and generally those that have been recruited since May are performing more highly than previous cohorts.
- 11.7 A formal leadership and management programme for 24 existing staff began at the start of November with two cohorts of staff accessing an ILM level 3 apprenticeship through our two main FE colleges. It is intended that this will be a rolling programme.
- 11.8 The figures in the table under 11.2 also demonstrate the demand across the Council for the ILM level 5 leadership and management apprenticeship as well as a chartered management degree through MMU. Both of these programmes are due to start in January 2018.
- 11.9 A Masters degree in Leadership and Management should be ready for delivery through the apprenticeship levy route next year. This will be aimed at the Council's strategic leaders and members of the wider leadership community.
- 11.10 The tracking of apprentices across the Council, ASDVs and maintained schools is carried out and managed by the Workforce Development Team, who also lead on the procurement of apprenticeship training as well as acting as the point of application for levy funds.
- 11.11 The increased cost of delivering apprenticeship standards as opposed to apprenticeship frameworks should be noted as a potential risk against achievement of the council's target. As the government approves the new apprenticeship standards, which are set to replace the outgoing frameworks, funding bands are set nationally. Typically as this is done, the funding allocated to the training of each qualification is increasing drastically. For example, the cost of an Association of Accounting Technicians level 3 accounting framework has risen from £2,500 to £9,000 and the cost of a level 3 in business administration has risen from £2,500 to £5,000. This suggests in the medium term that it will be easier to spend the levy funding pot than it will be to achieve the apprenticeship target.

- 11.12 The implementation of a communications plan has been ongoing. An apprenticeship update has been included on management team agendas in each directorate. Regular updates have also been included in Team Voice, encouraging staff to use the opportunities presented by the introduction of the apprenticeship levy. A prospectus on the apprenticeship levy has also been developed and distributed across council buildings and to maintained schools.
- 11.13 In partnership with the Director of Education, a programme of communication to our maintained schools has been delivered. Since January updates have been issued through the Director's Report. A briefing to Governors has been held as were briefings to primary and secondary heads. Separate apprenticeship levy breakfast sessions for schools were also held in the north and the south of the borough in June. Workshops for schools held in November also received an update on progress.
- 11.14 Since levy funds were made available through the council's digital account, a signed waiver has been in place for the procurement of training provision across apprenticeships. A preferred supplier panel for the delivery of apprenticeship levy funded training across the Council, ASDVs and schools has been developed, in partnership with Stockport Metropolitan Borough Council, via a formal OJEU tendering process to meet long term needs. The award of contracts under the preferred supplier panel has been completed and will be implemented from 2nd January 2018.
- 11.15 The Council continues to work regularly with the Skills and Growth Company to link work around its apprenticeship programme to the wider skills map in Cheshire East.

12.0 Next Steps

The next steps to strive towards spending levy funds and meeting the statutory target are set out below:

- Executive Directors to continue to promote and ensure targets within their service areas are met;
- HR continues to encourage all services areas across People, Place and Corporate to examine and understand their skills gaps and actively use the apprenticeship levy as a route to fill identified gaps;
- HR supports maintained schools in particular to increase the number of apprentices within their workforce by promoting the newly released apprenticeship standards in teaching;
- HR explores the development of running cohorts for programmes with neighbouring local authorities or with local companies via Skills and Growth Company;
- HR promotes all new relevant standards to service areas and encourages take up. Examples include an imminent Royal Town Planning Institute (RTPI) planning degree apprenticeship and an apprenticeship standard in revenue and benefits;
- Link the improved apprenticeship offer at the Council to the Cared for Strategy, understanding what further steps can be taken to increase the

number of apprentices at the Council that have come through the cared for route;

- From 2018, the Government is proposing that employers can divert up to 10% of their levy to supply chains. Once funding details are clarified, this should be explored further.

12.1 It should be noted there are a number of key challenges in reaching the Council's apprentice target. The overriding challenge is the financial cost of offering apprenticeships either to new staff or to existing members of staff. For new members of staff service areas need to find the respective salary costs. For existing members of staff undertaking an apprenticeship, there is a funding requirement to allow them 20% of their work time for off the job training. Therefore, many service areas and schools are struggling to release more than one member of staff at a time, if at all. This is only exacerbated by the ongoing programme of cost savings across the council.

12.2 The Council's budget challenges present a risk to the apprenticeship levy work. As a number of areas face imminent restructures, plans for apprenticeships for existing and new members of staff have been put on hold for the time being.

13.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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