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DATE: 16 March 2016

Dear Councillor

JOBS, REGENERATION AND ASSETS OVERVIEW AND SCRUTINY COMMITTEE - MONDAY, 21ST MARCH, 2016

I am now able to enclose, for consideration at next Monday, 21st March, 2016 meeting of the Jobs, Regeneration and Assets Overview and Scrutiny Committee, the following reports. The Cover Report for the Apprenticeships Task and Finish Group Final Report was omitted from the Agenda when it was published in error. The Updates Report has been published to advise the Committee of proposed updates to the Final Report which are necessitated by new information.

Agenda No Item 6

Apprenticeships Task and Finish Group Final Report (Pages 1 - 12)

To consider for approval the final report of the Apprenticeships Task and Finish Group for submission to Cabinet.

Yours sincerely

James Morley

Scrutiny Officer

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CHESHIRE EAST COUNCIL

REPORT TO: Jobs Regeneration and Assets Overview and Scrutiny Committee

Date of Meeting: 21 March 2016
Report of: Director of Legal Services and Monitoring Officer
Subject/Title: Apprenticeships Task and Finish Group Report
Portfolio Holder: Councillor Paul Findlow

1.0 Report Summary

- 1.1 This report introduces the Apprenticeships Task and Finish Group's (the Task Group) Report on its findings, conclusions and recommendations following its review.

2.0 Recommendations

- 2.1 That the Committee receive the Task Group's Report (attached).
- 2.2 That the Committee approves the Task Group's recommendations, which are contained in the attached report at page 3, section 2.1.
- 2.3 That the Committee submit the Task Group's Report to Cabinet for consideration and request a response to be received at the Committee's meeting on 18 July 2016.

3.0 Reasons for Recommendations

- 3.1 The Task Group was established to consider how the Council can become a leader and best practice example of apprenticeship provision in Cheshire East to other local organisations. The Task Group's findings and recommendations are provided to advise Cabinet and Officers in the development of future strategies and services.

4.0 Wards Affected

- 4.1 All

5.0 Local Ward Members

- 5.1 All

6.0 Policy Implications

- 6.1 The Task Group's report provides recommendations on a number of policy areas. These include: human resources (workforce development and organisational development), supporting young people, care leavers and SEND.

7.0 Financial Implications

7.1 Full consideration of financial implications is not required at this stage. However the Task and Finish Group has identified a significant potential cost to the Council when the Apprenticeship Levy is fully introduced as part of the Finance Bill 2016 and the Public Sector Apprenticeships Target which forms part of the Enterprise Bill 2016. Details included within the report.

8.0 Legal implications

8.1 Full consideration of the legal implications is not required at this stage. However the Task and Finish Group has identified that the Enterprise Bill 2016 and Finance Bill 2016 will introduce new legislation which the Council will have to comply with, particularly the Apprenticeship Levy and Public Sector Apprenticeships Target.

9.0 Risk Management

9.1 The Enterprise Bill and Finance Bill will introduce new responsibilities and financial costs to the Council by April 2017. If the Council does not prepare for this then there could be significant financial implications and failure to comply with the legislation may lead to penalties.

9.2 The Council should lead the way in ensuring that there is adequate apprenticeship provision in the Borough. If this is not achieved there is a risk of skills shortages in the borough's key industries as well as our young people having fewer opportunities to have long term employability. There is a particular risk for the Council in terms of skills shortages in the future if it does not invest in employing and training young people to carry out the work of the Council. Also failure to provide opportunities for young people in challenging circumstances may mean the Council is not fulfilling its role as a Corporate Parent.

10.0 Background

10.1 The Group's original scope for the review included all apprenticeships in the Borough and how the Council supports the growth in the number, and the quality, of apprenticeships. However it was agreed at an early stage in the Group's discussions that first the Council needed to be sure it had high quality arrangements in place for its own apprenticeship schemes, before it was able to effectively promote apprenticeships and encourage other organisations to adopt the same standards.

10.2 At the same time the Enterprise Bill was developing and new requirements such as the Apprenticeship Levy and Public Sector Quotas were being realised and it was essential for the Council to ensure it prepared to comply with the new rules. Therefore the objectives of the Task and Finish Review were:

- Increase the number of apprenticeships provided by the Council to ensure the 2.3% quota set by Government is achieved
- To consider how the Council should administer the Apprenticeship Levy and how it could benefit the Council
- Make the Council a model of best practice in the employment of apprentices and achieve a high retention rate

- 10.3 The Group has held several meetings with officers to consider the Council's current arrangements for employing and supporting apprentices, what roles they were fulfilling (and in what departments) and what the outcomes have been for them. The Group also met with some of the Council's apprentices to ask them about their experience, how they had decided to do an apprenticeship, and why they chose Cheshire East as an employer. The Group met with Janice Wooley from Total People who current provide the training for most of our apprentices. The Group also visited Stockport Metropolitan Borough Council (MBC) to see their Apprenticeship Store and learn more what how they employed and supported apprentices.
- 10.4 As documented in the Section 3 of the report the Group has considered a lot of background information to this review. The Group felt that there had been a lot of research carried out by other bodies into the value of apprentices to a business/local authority and the Group did not want to replicate this. The Group's work has also been guided by the process which is currently taking place with the development of the Enterprise Bill and considering the implications for the Council.
- 10.5 The Group's report documents its findings, conclusions and recommendations.

11.0 Access to Information

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

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CHESHIRE EAST COUNCIL

REPORT TO: Jobs Regeneration and Assets Overview and Scrutiny Committee

Date of Meeting: 21 March 2016
Report of: Director of Legal Services and Monitoring Officer
Subject/Title: Apprenticeships Task and Finish Group Report – Proposed Updates
Portfolio Holder: Councillor Paul Findlow

1.0 Report Summary

- 1.1 This report documents proposed updates to the Apprenticeships Task and Finish Group Report V1.0 as it was published on 11 March 2016 in the Jobs Regeneration and Assets Overview and Scrutiny Committee's Agenda for the 21 March 2016 meeting.

2.0 Recommendations

- 2.1 That the Committee approves the Apprenticeships Task and Finish Group's Report with the proposed updates included.

3.0 Reasons for Recommendations

- 3.1 To ensure that the version of the Apprenticeships Task and Finish Group's Report which is submitted to Cabinet for consideration is as up to date, relevant and accurate as possible.

4.0 Wards Affected

- 4.1 All

5.0 Local Ward Members

- 5.1 All

6.0 Policy Implications

- 6.1 This report does not alter the policy implications of the Apprenticeship Task and Finish Group Report.

7.0 Financial Implications

- 7.1 The proposed updates in this report will have an impact on the financial implications to the Council as reported in V1.0 of the Apprenticeship Task and Finish Group Report.

8.0 Legal implications

8.1 This report does not alter the legal implications of the Apprenticeship Task and Finish Group Report.

9.0 Risk Management

9.1 If the full implications of new legislation, regulations and funding rules are not understood then the Council may encounter unforeseen budget issues, penalties for non compliance and ineffective services.

10.0 Background

10.1 The Group's original findings regarding the financial implications of the Apprenticeship Levy and Public Sector Apprenticeship Target were based on an understanding that the funding for apprentice training would be fully covered by the Council's contributions to the Apprenticeship Levy. Currently, under Skills Funding Agency Apprenticeship frameworks funding rules, the Skills Funding Agency provides funding for apprentice training directly to training providers at full cost for 16-18 years, and partial costs for over 19s. Therefore there is currently a nil cost to the Council for training of apprentices and the Task Group assumed that this would continue.

10.2 However, since the Task Group's Report was published on 11 March 2016 it has come to the Group's attention that there are new rules which seem to suggest training will need to be part funded by the Council, therefore resulting in an additional cost that is not identified in the Task Group's Report. On 28 January 2016 the Skills Funding Agency published the Apprenticeship standards funding rules 2016 to 2017 which covers 1 August 2016 to 31 July 2017, during which time the Apprenticeship Levy will be introduced (April 2017).

10.3 Apprenticeship Frameworks are being replaced by Apprenticeship Standards which are being developed by employers in the relevant field for each standard. Under the standards the Government would provide £2 of funding for training for every £1 that the employer contributes up to a cap which will be identified for each apprenticeship standard. If these rules are in place when the levy is introduced the Council will be required to fund 33% of training costs for apprenticeships as well as pay the Apprenticeship Levy which is likely to fund the Government's 2:1 contributions. The proposed update will ensure this issue is recognised in the Task Group's Report.

10.4 The Report has also been updated with figures from the Council's records up to 31 December 2015. This will provide a more accurate analysis of the financial implications for the Council than the estimated figures used previously.

10.5 The Task Group also wishes to update its report by revising its Conclusions section to ensure it more accurately reflects the reasons for the recommendations which it is making to Cabinet. There are also some minor amendments to fix typographical errors and other minor inaccuracies.

11.0 Proposed Updates

11.1 This section illustrates the updates that the Task Group wishes to make to its Report.

11.2 After paragraph 3.2 insert:

“Apprenticeship Frameworks and Standards

3.3 The Apprenticeships, Skills, Children and Learning (ASCL) Act 2009 requires that all apprenticeships adhere to an apprenticeship framework. There are a wide range of frameworks for different types of apprenticeship. The Specification of Apprenticeship Standards for England (SASE) sets out the minimum requirements to be included in a recognised English apprenticeship framework and compliance with the SASE is a requirement of the 2009 Act.

3.4 An apprenticeship framework:

- covers all the statutory requirements for an apprenticeship programme in England*
- is used by colleges, employers and training providers to make sure that all apprenticeship programmes are delivered consistently and to national standards*
- includes the names of all qualifications and what each qualification is worth*
- gives guidance on how to get onto an apprenticeship programme, the time it will take and career paths available after an apprenticeship*

3.5 Currently the NAS and SFA provide funding for 100% of the cost of training courses for apprentices aged 16-18 and partial funding for 19s and over which is paid directly to the training provider. The Skills Funding Agency only supports frameworks which are publicly funded.

3.6 However in October 2013 the Government published ‘The Future of Apprenticeships in England: Implementation Plan’ which developed a new approach where Apprenticeship Frameworks would be replaced by Apprenticeship Standards. These Apprenticeship Standards are developed by employer groups called ‘Trailblazers’ and new standards for a variety of different apprenticeships have gradually been developed and approved to replace frameworks with more scheduled for development. The staged withdrawal of SASE Frameworks begins on 31st May 2016. The new standards will replace all the current apprenticeship frameworks by the academic year 2017 to 2018. The Institute of Apprenticeships will be responsible for managing standards and monitoring their effectiveness.

3.7 In January 2016 the Skills Funding Agency published its Apprenticeship Standards Funding Rules for August 2016 to July 2017. Unlike with the frameworks, Government funding will not cover 100% of the cost of training. Government will contribute £2 for every £1 spent by the employer on the cost of each training course it purchases from a lead training provider, up to a Cap which will be set for training for each apprenticeship standard (i.e. some apprenticeship will require more advanced training than others and therefore higher costs). The total cost of training

will be agreed between the employer and the training providers (potentially more than one provider for a single apprenticeship however a lead provider will be identified). The Rules contain further details about funding incentives for smaller businesses and funding for English and Maths training.”

11.3 Replace paragraphs 5.1-5.4 with:

“5.1 Figures for 31 December 2015 indicate the Council employed approximately 2833.6 FTE staff. This is the core staff and does not include anyone employed by the Council’s ASDVs or schools. It is expected that the ASDVs and schools will not count towards the total staff to measure the 2.3% target for apprenticeships however the Task Group could not confirm this at the time as the precise details around the legislation were not available.

5.2 Based on 2833.6 FTE the Council will need approximately 65 apprentices to achieve 2.3% target. Based on the 31 December 2015 figures the Council currently has 46 apprentices therefore the Council would require an additional 19 positions before the quota is fully introduced. The full cost to the Council of employing one apprentice with on costs is approximately £16,000. Employing an extra 19 apprenticeship positions will result in an additional £304,000 in costs (19 x £16,000); not including other additional costs such as providing employability workshops, performance development reviews and assessments.

5.3 The figures for 31 December 2015 indicate that the Council’s salary bill was £74,532,932 meaning that £357,665 (0.5% - £15,000 allowance) would be taken for the levy. This money will not come back to the Council as it is not a provider of training and will instead go straight to the providers when appointed to carry out training. If the Council exceeds the amount of the Levy through its apprenticeship training costs then it will be provided with a top up however it is unclear whether there is a limit on this top up and whether the Council would be required to fund further costs of training beyond this. Any levy money which the Council does not spend within two years will be made more widely available (e.g. to small employers who have not contributed to the levy).

5.4 If the Apprenticeship Levy is used to fund the Government’s 2:1 contribution for training costs then under Apprenticeship Standard Funding Rules employers will still need to fund 33% of training costs. The majority of the Council’s current apprenticeships are in business administration. The Standards for Business Administration Apprenticeships have not been developed yet and it is unclear what the costs of training contributions will be capped at. However it is suggested that Business Admin will fall into Cap 2 therefore costs would be capped at £4,500. If there are 65 apprentices the full cost of training would be £292,500. The levy contribution to this would be £195,000 and the Council’s contribution would be £97,500. This would leave £162,665 unallocated in Council’s the levy pot. If the 2:1 funding rule did not apply to apprenticeship standards and the full cost of training was covered by the levy then there would be £65,165 remaining in the levy pot.

5.5 If the Council chooses to employ more Higher Level and Degree Apprentices then the training costs for those will be higher and more of the levy would be spent. Higher Level and Degree Apprenticeships may also command a higher salary than

lower level apprenticeships however the additional cost of training, and therefore benefit to the apprentice, may enable the Council to negotiate the same minimum wage salaries as lower level apprenticeships.

5.6 The Apprenticeship Levy and management of the Digital Apprenticeship Service will come with an additional administration cost. Officers have advised that it is likely at least one 'grade 5' post would be required to administer the DAS with a salary of approximately £24,000 plus on costs. The salary equates to about £370 per apprentice (£24,000/65).

5.7 Overall, additional costs to the Council of the new legislation could be circa £685,000-£800,000."

11.4 Replace Section 6 Conclusions with:

"6.1 This review has come at a time of considerable change to the apprenticeships landscape and there are still a lot of rules, regulations and guidance that needs to be published before the full implications for the Council can be understood and prepared for.

6.2 However is it clear that the Apprenticeship Levy and Public Sector Apprenticeship Target are going to create additional costs for the Council and the need for some structural changes. At current employment levels the Council will need approximately 65 apprenticeship positions by April 2017, 19 more than the current level.

6.3 With limited opportunities available due to reducing budgets and a shrinking workforce the Council needs to have clear plans in place for the progress of its apprentices, including assisting them to find positions outside the Council. The Group suggests that when departments express an interest in taking on an apprentice there should be have a clear onward plan for the apprentice prepared.

6.4 If the Council is unable to offer an apprentice a full time job in the authority then it should ensure it supports apprentices to secure them external opportunities. This could be achieved through the Council's links with partners or local businesses. The Group feels that in order to help apprentices go on to attain FTE (full time employment) the Council should engage with employers who would benefit from access to young people who have been given excellent experience in a high quality scheme run by the Council, potentially through links with the local Pledges.

6.5 The Council needs to make sure that the apprentices each department employs are provided with accredited training and support and are not treated as low skilled cheap labour as described in Ofsted's report. In order to increase the number of apprentices at the Council there needs to be real positions for them to take up at the Council.

6.6 The Council needs to ensure there is a pathway for our young people to make them work ready in order to benefit the local economy, particularly our SMEs who may not have the resources to train and develop their own workforce.

6.7 *It is suggested that designated officers within the Council's Workforce Development Team should be responsible for accessing the Apprenticeship Levy and managing spend, as opposed to individual managers having to learn the system and access it.*

6.8 *The Task Group suggests that in order to ensure the levy is managed effectively, the Council achieves its 2.3% quota, and that apprentices are employed in the right places, provided with support and helped to progress at the end of their contract; this should all be managed centrally within HR. All apprentices would be employed by HR and departments would apply to HR for an apprentice.*

6.9 *This could be funded by top slicing funding from departmental budgets where apprentices could be employed and then requiring departments to apply for an apprentice. This would enable more departments to take on an apprentice. It would enable a comprehensive induction to the authority and provide more flexibility for departments to take on apprentices for limited periods of peak activity, enabling apprentices to experience multiple roles and ensuring they are always contributing to the needs of the Council. This is a similar model to the one which Stockport MBC operates.*

6.10 *There is a concern that the Apprenticeship Levy may be replacing the various existing funds that are available to local authorities for apprenticeships, training and personal development. The levy will only partially cover the cost of training courses, meaning the Council will still have to find funding for part of the training. The Council will incur increased costs through additional wages of additional apprenticeship posts and administration costs of the levy.*

6.11 *However the Council should aim to benefit from having more skilled young people in the workforce. The Council should be seeking to employ the best local young people to secure a highly capable workforce with skills in relevant areas for delivering high quality services in the long term. Vacancies need to be advertised early in the academic year to ensure young people have the opportunity to consider an apprenticeship at the Council before they make an alternative decision.*

6.12 *It is suggested that Memorandums of Understanding should be developed with potential Training Providers and Colleges/Universities to form a list of preferred providers for training in future. This should help to simplify the procurement process for setting up contracts to access the levy and enable the Council to negotiate better rates for training. This list of preferred providers would also improve the Council's use of the Digital Apprenticeship Service once it is available and improve contract monitoring, auditing and review.*

6.13 *It is clear that some departments are not appropriate for employing an apprentice. For example, apprentices should not be expected to be employed in social care and some children's service roles due to the nature of the environment and the skills and maturity required. However the Group wants to ensure that as many departments as possible contribute to the supply of apprentices.*

6.14 *The Group also wants to consider how more high level apprentices and degree courses for new and existing employees could be created. However there is*

a need to consider the value of these apprenticeships to the Council against the potential higher costs of salaries and training, and the length of time required to complete them.

6.15 The Council needs to ensure it provides opportunities for young people experiencing challenging circumstances as a Corporate Parent. The Cygnet Pathway should be looked at to consider how it can be made sustainable and ensure it is providing opportunities that care leavers and young people with SEND are interested in and provide them with real prospects for the future.

6.16 The Task Group was very impressed with the Apprenticeship Store in Stockport and is interested in the potential of setting up such stores here in Cheshire East. The Task Group is pleased that the Chambers of Commerce, through the Pledges, are looking at options for an initial store in Crewe however the Group would like to see this located somewhere that will maximise accessibility via local transport links.”

11.5 After 7.1 insert:

“7.2 There are many local organisations and businesses that will be effected by the changes in legislation and funding of apprenticeships and the Council has a responsibility to support the SMEs that may not have the resources or time to effectively understand and manage the changes that they need to make or how the could benefit from creating apprenticeships in their business. The task group would be able to look at how the Council, as an exemplar for apprenticeship provision, could encourage businesses in Cheshire East to grow apprenticeship provision to ensure the Borough is contributing effectively to achieve the Government’s target of three million apprenticeship starts by 2020.”

11.6 In Appendix B, after bullet point 1 insert:

“2. The Future of Apprenticeships in England: Implementation Plan - https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/253073/bis-13-1175-future-of-apprenticeships-in-england-implementation-plan.pdf

*3. Skills Funding Agency - <https://www.gov.uk/government/organisations/skills-funding-agency>
Apprenticeship Frameworks - <https://www.gov.uk/government/publications/apprenticeship-frameworks-live-list>
Apprenticeship Frameworks Funding Rules 2016 to 2017 - https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/496196/Combined_Framework_Rules_FINAL.pdf
Apprenticeship Standards - <https://www.gov.uk/government/collections/apprenticeship-standards>
Apprenticeship Standers Funding Rules 2016 to 2017 - https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/496151/Apprenticeship_standards_funding_rules_2016_to_2017_FINAL_v2.pdf”*

12.0 Access to Information

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

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