

# Cheshire East Council

## Cabinet

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<b>Date of Meeting:</b>	17 <sup>th</sup> January 2017
<b>Report of:</b>	Sara Barker, Head of Strategic HR
<b>Subject/Title:</b>	Apprenticeship Levy Procurement Framework
<b>Portfolio Holder:</b>	Cllr J P Findlow, Corporate Policy and Legal Services

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### 1. Report Summary

- 1.1. Apprenticeships are an important element of a successful economy, providing an opportunity to develop the skills of an organisation and a local economy. The Government's incoming reforms only reinforce this further, by offering increased opportunities for all apprentices.
- 1.2. This report provides an update on these reforms and the introduction of an apprenticeship levy and also seeks Cabinet approval to establish a procurement framework for apprenticeship training providers.

### 2. Recommendation

- 2.1. That the update on the changes being brought in by the Government to apprenticeships and specifically the introduction of an apprenticeship levy is noted.
- 2.2. Approve the development of a register of training providers for the delivery of apprenticeships from April 2017 via a formal OJEU tendering process.
- 2.3. Cabinet is requested to delegate authority to the Head of Strategic HR, in consultation with the Portfolio Holder responsible for Corporate Policy and Legal Services, to award and enter into contracts with the successful providers, following a fully compliant OJEU procurement exercise for contract periods covering an initial period of 3 years with the option to extend the contract for a further 2 years (Total 5 years).

### 3. Other Options Considered

- 3.1 The payment of an apprenticeship levy is a statutory requirement from April 2017.

#### **4. Reasons for Recommendation**

- 4.1 To update on the introduction of an important change to the delivery of apprenticeship programmes nationally.
- 4.2 Taking into account the advice of the legal and procurement teams, the establishment of a procurement framework for the delivery of the training of the Council's apprenticeship programme will be an effective and efficient method for the procurement of training providers from April 2017.
- 4.3 The Jobs Regeneration and Assets Overview and Scrutiny Committee – Apprenticeships Task and Finish Group Report - March 2016 (Appendix One) recommended that the management of the apprenticeship levy and its accompanying Digital Apprenticeship Service (DAS) should be administered and managed centrally in Human Resources. A report back to Jobs Regeneration and Assets Overview and Scrutiny Committee in July as a response to the Task and Finish Group's original report was well received with agreement on all of the proposed recommendations. One of these agreed recommendations was the establishment of an officer working group to oversee the introduction of the levy and the DAS to Cheshire East Council. This Group has been meeting on a monthly basis to develop the systems and procedures required.
- 4.4 Cheshire East Council's work on apprenticeships and its recent Task and Finish Group Report as outlined above has been recognised nationally with an invitation to present at a national conference in London.

#### **5. Background/Chronology**

- 5.1. At the beginning of the new parliament, the Government set a target of three million new apprenticeship starts by 2020. To work towards achieving this target, the Government has developed new legislation related to apprenticeships, some of which is included in the Enterprise Act.
- 5.2. From April 2017, the Finance Bill (2016) introduces a new funding mechanism for apprenticeships, an 'apprenticeship levy'. The levy will be payable by employers (including the public sector) on 0.5% of pay bill. All employers will receive an annual allowance of £15,000 to offset against their levy, meaning that the levy will only apply to employers whose annual wage bill is £3 million or above. Employers in England who pay the levy will be able to get out more than they pay into the levy, through a 10% top-up to their digital accounts.
- 5.3. The levy payment made by Cheshire East Council will then be available to the Council through an incoming Digital Apprenticeship Service (DAS). The functionality of this online portal will enable the Council to search for training providers, advertise apprenticeship opportunities, select the most appropriate training provider and will also be the tool we use to pay our

selected training providers for the training element of our apprenticeships. Funds will expire 18 months after they appear in the digital account.

- 5.4. This levy funding can be used to pay for the apprenticeship training of existing employees or new employees at Cheshire East Council.
- 5.5. Cheshire East Council will calculate, report and pay its apprenticeship levy to HMRC through the PAYE process alongside tax and NICs.
- 5.6. The Enterprise Act also provides the Secretary of State for Business, Innovation & Skills the power to set public bodies a target for the number of apprentices that they should have in their workforce in England. The target is currently set to be 2.3% of the total workforce. The aims of this measure are to grow the number of apprentices in the public sector, helping to meet the Government's target of 3 million apprentices by 2020 and to ensure the public sector is leading by example in terms of the number and quality of apprenticeships.
- 5.7. Therefore, from May 2017, Cheshire East Council will have a statutory duty to pay the apprenticeship levy and to hit the target set for the number of apprentices within the organisation.

## **6. Wards Affected and Local Ward Members**

- 6.1 All Wards.

## **7. Implications of Recommendation**

### **7.1 Policy Implications**

The recommendations in this report support those set out in the Apprenticeship Task and Finish Group Report - March 2016. They are also in line with our procurement policy and procedure.

### **7.2 Legal Implications**

The Enterprise Act 2016 provided the Secretary of State with the power to set targets for apprentices in public bodies in England to contribute to meeting national targets.

The apprenticeship levy will be paid into a digital account and the Council will be allowed to draw down on the money to pay for external trading providers. The mechanism being introduced for the payment of apprenticeship training providers (DAS) will only allow the procurement of government approved suppliers which will be detailed on a Register of Approved Training Providers to be established nationally.

When the Council commissions training providers it has to comply with the Public Contracts Regulations 2015 (the Regulations) and the Council's own Contract Procedure Rules. Contracting authorities may conclude framework agreements pursuant to section 33 of the Regulations by undertaking a

compliant procurement process. A framework will allow the Council to call off services as and when required within a four year time frame.

### **7.3 Financial Implications**

The financial implications of the introduction of an apprenticeship levy have been laid out in a high level business case submitted for funding allocation as part of the budget planning process for 2017/2018.

The apprentice levy is set at 0.5% of total payroll. Based on figures from CEC's total annual payroll in August 2016, it is currently estimated that the financial liability across the total organisation (including ASDVs and maintained schools) is approximately £771,000.

The payment of the apprenticeship levy is a statutory requirement from April 2017.

The incoming 2.3% public sector quota will mean that the Council will need to offer more apprenticeship opportunities from April 2017. These could be for new or existing employees. Based on a total FTE headcount of 8,130 (Aug 2016), CEC has a target for apprentices of 187 from April 2017. Increasing the number of apprentices will incur additional salary costs.

### **7.4 Equality Implications**

None

### **7.5 Rural Community Implications**

None

### **7.6 Human Resources Implications**

The government changes to the way that apprenticeships are funded through the apprenticeship levy will mean they Council has new administration responsibilities around procuring and tracking training for the Council's apprentices.

### **7.7 Public Health Implications**

None

### **7.8 Implications for Children and Young People**

The introduction of an apprenticeship levy and a public sector target for the number of apprentices are government initiatives, designed to drive up the number of apprenticeships across the country.

## **8. Risk Management**

- 8.1 A timetable for the awarding of the contracts is in place to ensure that the required deadlines are met and that the Council is compliant with the incoming government procedures from April 2017.

## **9.0 Access to Information/Bibliography**

- 9.1 The background papers relating to this report can be inspected by contracting the report writer.

## **10. Contact Information**

Contact details for this report are as follows:

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