

# **Cheshire East Council**

## **Cabinet**

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**Date of Meeting:** 10<sup>th</sup> October 2017

**Report of:** Sara Barker, Head of Strategic HR

**Subject/Title:** Apprenticeship Levy Procurement Framework

**Portfolio Holder:** Cllr J P Findlow, Corporate Policy and Legal Services

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### **1. Report Summary**

- 1.1. This report provides an update following a previous report submitted to Cabinet on 17<sup>th</sup> January 2017 on the way forward for the procurement of apprenticeship training provision across the Council, ASDVs and maintained schools.

### **2. Recommendation**

- 2.1 To approve the development of a preferred supplier list, in partnership with Stockport Metropolitan Borough Council and potentially Cheshire West and Chester Borough Council (subject to Cheshire West and Chester Borough Council internal approval being sought), for the delivery of apprenticeship levy funded training across the three Councils, any ASDVs and maintained schools via a formal OJEU tendering process. The intention is that Cheshire East Council will act as the lead authority on this work.
- 2.2 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 1 year (total 4 years).
- 2.3 To authorise Head of Strategic HR, in consultation with Portfolio Holder Responsible for Corporate Policy and Legal Services to take all necessary actions to implement the proposal.

### **3. Other Options Considered**

- 3.1 The development of a procurement framework without collaboration with neighbouring local authorities has been considered, but this option would not benefit from any efficiency savings brought by partnership working.

- 3.2 The proposed option is also less onerous for potential training providers who are reporting an almost unmanageable workload in relation to responding to calls for procurement as a result of the apprenticeship reforms brought in by the Government in April 2017.
- 3.3 Consideration was also given to collaborating with Association of Greater Manchester Authorities (AGMA) and using the dynamic purchasing system that is currently being developed, but AGMA has since confirmed that this DPS will be Greater Manchester focused and is likely to not be suitable for our needs.

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

- 4.1 Taking into account the advice of the legal and procurement teams, the establishment of a preferred supplier list 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. By working in partnership with neighbouring local authorities there is scope to benefit from economies of scale, sharing the administrative burden of maintaining an approved supplier list and an opportunity to develop cohorts of apprentices across the three local authorities that will benefit from an improved learning experience at a reduced cost.

#### **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) 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.
- 5.3. The levy payment made by Cheshire East Council is made available to the Council through an Apprenticeship Service 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.
- 5.4. Cheshire East Council calculates, reports and pays its apprenticeship levy to HMRC through the PAYE process alongside tax and NICs.

- 5.5. Cheshire East Council's apprenticeship levy liability is forecast to be approximately £689,000 per year. With the 10% top up outlined above, this provides an approximate annual fund of £736,000 for the provision of apprenticeship training across the Council, ASDVs and maintained schools.
- 5.6. The levy liabilities of Stockport Metropolitan Borough Council and Cheshire West and Chester Borough Council are broadly the same, meaning the approximate total spend through the approved suppliers could be up to £2.4 million per year.
- 5.7. 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.
- 5.8. A programme of work is in place to help Cheshire East Council achieve the target and spend levy funds available to us. This work is linked into the wider economy through The Skills and Growth Company.
- 5.9. A Waiver Approval and Record of Non-Compliance (WARN) is signed and in place currently for the procurement of apprenticeship training. Spend on this waiver is capped in accordance with the light touch regime under the Public Contracts Regulations 2015 at £589,148.

## **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 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 hit the target set for the number of apprentices within the organisation.

The mechanism being introduced for the payment of apprenticeship training providers only allows the procurement of government approved suppliers which are detailed on a Register of Approved Training Providers to be established nationally. Only those on this Register will be eligible to apply to the preferred supplier list.

When the Council commissions training providers it has to comply with the light touch regime under the Public Contracts Regulations 2015 and the Council's own Contract Procedure Rules. A preferred supplier list will act in a similar manner to a framework agreement allowing the Council to call off services as and when required.

### **7.3 Financial Implications**

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. This figure has reduced, and will continue to do so, as schools have left/leave the Council to become academies.

The displacement effect of the Apprenticeship Levy is still unclear at the present time and this may result in variances against the Organisational Development and Workforce Development budgets going forward. There is also some uncertainty about the Authority's ability to spend the full amount of the Apprenticeship Levy funding which is of concern, as it expires and is lost to the Authority 24 months after being paid into the account.

The 2.3% public sector quota does mean that the Council needs 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's target for the number of apprentices is 187. 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**

These government changes do mean that Corporate Human Resources at Cheshire East 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

This report relates only to the procurement of training providers, but it should be noted that work has begun on how the increase in apprenticeship opportunities at the Council can form part of a Cared for Children Strategy.

## **8. Risk Management**

- 8.1 A timetable for the awarding of the contracts is in place to ensure that the required deadlines are met.

## **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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