

REPORT TO: Employment, Learning and Skills and
Community Policy & Performance Board

DATE: 27 June 2016

REPORTING OFFICER: Strategic Director, People & Economy

PORTFOLIO: Economic Development

SUBJECT: Apprenticeship Update: HBC Position
Statement / Apprenticeship Policy Framework
& the Apprenticeship Levy & Public Sector
Target

WARD(S) Borough-wide

1.0 PURPOSE OF THE REPORT

- 1.1 To provide a Halton Borough Council Apprenticeship Position Statement.
- 1.2 To provide a brief overview of Halton Borough Council's proposed Apprenticeship Policy Framework.
- 1.3 To outline the significance of the Framework in light of the proposed introduction of the Apprenticeship Levy & the Public Sector Apprenticeship Target.

2.0 RECOMMENDATION: That

- 1) the report be noted;
- 2) the Board notes the contents and potential impact of the Framework /Apprenticeship Levy & Public Sector Target; and
- 3) the Board notes that further work is being developed in order to respond to the Apprenticeship legislation as outlined in the report

3.0 SUPPORTING INFORMATION

Background

- 3.1 **Halton Borough Council Apprenticeship Position Statement:**
As of April 2016 HBC had 13 apprentices, with a further 9 apprentices in various stages of recruitment.
- 3.2 **Apprenticeship Policy and Guidance:**
For some time now an ad-hoc approach has existed within the Council in relation to rolling out apprentices within the organisation.

3.3 Work is being developed to introduce an Apprenticeship Policy and Guidance at Halton Borough Council. The aim would be to ensure uniformity and consistency of approach across the Council. It also has the added value of bringing together the relevant sections within the organisation, (such as Policy, HR, Employment & Learning Skills), again to ensure a co-ordinated approach.

3.4 If accepted the policy and guidance would comprise 4 elements:

- The Context, which outlines the background, the benefits, funding opportunities, HR issues and the Guiding Principles
- A Practical Step by Step Flowchart 'How to Guide'
- An Apprenticeship Agreement
- Frequently Asked Questions, which will be placed on the Council's SharePoint site.

A further update will be provided to this PPB as this work is developed, and as further information from Government emerges.

3.5 **Apprenticeship Levy:**

The Chancellor announced the Apprenticeship Levy in the Summer 2015 Budget, linked to the Government's ambition of creating 3 million apprentices by 2020, with the intention that apprentices will become an integral part of the wider workforce.

3.6 The apprenticeship levy will come into effect in **April 2017**. It will be payable by employers in the UK at 0.5% of wage bill.

3.7 All employers will receive an allowance of £15,000 to offset against payment of the levy. This effectively means that the levy will only be payable on wage bill in excess of £3 million per year.

3.8 The levy will be payable/collected through Pay As You Earn (PAYE) and will be payable alongside income tax and National Insurance.

3.9 Each employer will receive one allowance to offset against their levy payment. There will be a connected person's rule, similar the Employment Allowance connected person's rule, so employers who operate multiple payrolls will only be able to claim one allowance.

3.10 The levy will apply to employers across **all** sectors.

3.11 The Wage bill will be calculated based on total employee earnings; it will not include other payments such as benefits in kind. It will apply to total employee earnings in respect of all employees.

3.12 The Apprenticeship Levy will enable employers to use the Digital

Apprenticeship Service, which will provide an apprenticeship, candidates and access to a training provider.

- 3.13 Employers who pay the levy and are committed to apprenticeship training will be able to get out more than they pay in, through a top-up to their digital accounts. It is not particularly clear at this stage whether or not this is viable considering the sums of monies involved.
- 3.14 As consultation will continue with all employers and stakeholders right through to implementation and beyond it is hoped that a slightly different model for the Public Sector might come into effect.
- 3.15 Legislation to permit the imposition and collection of the apprenticeship levy was introduced in the Finance Bill, Spring 2016.
- 3.16 In December 2015, English Apprenticeships: Our 2020 Vision Report was published, setting out targets and objectives relating to the employment of apprentices and related to the levy.
- 3.17 From October 2016, the roll out the Digital Apprenticeship Service will introduce a new and hopefully, simple online portal. It will enable employers to select the most appropriate apprenticeships, choose a training provider and pay for apprenticeship training and assessment.
- 3.18 The Apprenticeship Grant for Employers is being extended until the end of the 2016/17 academic year, to provide transitional support until the levy funding system for apprenticeships is in place.
- 3.19 The Enterprise Bill will seek to introduce statutory targets of 2.3% for public sector bodies with a workforce of 250 or more in England to employ their fair share of apprentices.
- 3.20 From September 2016, UCAS will include Higher and degree apprenticeships on their website.
- 3.21 An independent and employer-led body, the Institute for Apprenticeships, will be set up by April 2017. It will regulate the quality of apprenticeships within the context of reaching three million starts in 2020

3.22 **Apprenticeship Public Sector Target:**

The Enterprise Bill will contain the provision to amend the Apprenticeships, Skills, Children and Learning Act 2009 so that targets can be set for prescribed public bodies in relation to the number of apprentices working for them in England. Public bodies will have a duty to publish information annually on progress towards meeting the target and send this information to the Secretary of State. A document published on 25 January consults on the duty on the proposed apprenticeship targets for public sector bodies. The responses made to this consultation will be used to inform drafting of the regulations following the passage of the Enterprise Bill.

3.23 It is anticipated that the majority of a public body's apprentices will be directly employed by that body. However, apprentices employed by Apprenticeship Training Agencies (ATAs) and who work for, but are not directly employed by the body can count towards the target.

3.24 Given the time required for the regulations to pass through Parliament, it is unlikely that the duty will come into force before September 2016. Therefore proposed target periods for reporting on the duty are as follows:

- Date duty comes into force until 31 March 2017
- 1 April 2017 to 31 March 2018
- 1 April 2018 to 31 March 2019
- 1 April 2019 to 31 March 2020

4.0 **POLICY IMPLICATIONS**

4.1 **The proposed National Apprenticeship Levy:**

The purpose of this levy is to fund an increase in the number and quality of apprenticeships.

Seen in the context of the National Government's Vision of 3 million apprentices by 2020, with the Local Authorities in England being asked to provide the largest contribution of apprenticeship starts, namely 35,000 in total.

4.2 Even though the Apprenticeship Levy does not come into force until April 2017, larger organisations will have to factor this significant additional cost into budgeting exercises that are taking place now. The introduction of the levy is also likely to have a major impact on how training is organised and funded within larger organisations going forward.

4.3 In the introduction to the consultation document on public sector targets for apprentices, it is pointed out that no impact assessment has been produced in relation to this duty as "there are no costs to

business". However, this measure is likely to impose significant costs on local authorities in terms of workforce planning, administration (some of it associated with reporting requirements) and compliance with apprenticeship quality standards. In addition there will be the costs associated with the apprenticeship levy. Currently, it would appear that there is no extra funding to support either the levy or the compulsory employment of apprenticeships.

4.4 Local authorities will be placed in the situation of taxing their own payroll in the form of the levy to pay for a compulsory employment requirement in the form of the target. It is hoped that surplus funds raised from the private sector through the levy will be re-directed to local authorities but this has not been confirmed.

4.5 **The proposed Apprenticeship Public Sector Target:**

Although the public sector target will only apply once the new legislation comes into force (probably autumn 2016), current figures are used to indicate the expected numbers of apprenticeship starts over the period to 2020. The headcount is the basis of the target because data on headcounts, it is stated, is available for the public sector on a consistent basis. An option could be to use Full Time Equivalent (FTE) numbers, which would reduce the number of apprentices that would be delivered by the 2.3 per cent target. The number of apprentices required will reduce with any headcount reductions. Bodies will be asked to provide headcounts at the start and end of each reporting year when reporting against the duty.

4.6 The LGA will also call for the 2.3 percent target to be based on FTE rather than headcount, as respondents have been invited to do in the consultation document. This, however, raises some further lack of clarity, given that the public sector headcount, as a proportion of all employment, is the basis of the calculation of the target. If the basis changed from headcount to FTE, then the amount and proportion of public sector employment would also change.

4.7 It is clear that the public sector is crucial to meeting the government's 3 million apprenticeship target. Halton will need to think carefully about maximising the benefits both for their own workforce and the local economy, possibly in collaboration with other public and private sector partners.

Calculated on the basis that each LA will have to provide 2.3 per cent of their workforce headcount, for Halton this would equate to 55 apprentices.

In recent times HBC averages around 10-15 apprentices at any one time.

With Schools their target would be 29 apprentices.

5.0 **FINANCIAL IMPLICATIONS**

5.1 None directly relate to the implementation of the Apprenticeship Policy Framework.

5.2 Costs however will be incurred by the proposed National Apprenticeship Levy.

Based on the proposed formula of 0.5% of the Gross HBC total wage figures (April 2015 – March 2016):

HBC excluding schools = £63 million

0.5% = £315,000 minus apprenticeship levy of £15,000 = **£300,000**

Schools only = £26 million

0.5% = £130,000 minus apprenticeship levy of £15,000 = **£115,000**

HBC including schools = £89 million

0.5% = £445,000 minus apprenticeship levy of £15,000 = **£430,000**

5.3 It will be critical to follow developments on the levy and the consultation on public sector targets closely, to ensure that the Council is able to make best use of the levy and the training and recruitment benefits associated with it. It has been stated that the majority of those 'committed' to the apprenticeship programme are likely to get more from the levy than they put in. The definition of 'committed' and what that involves has yet to be clarified however.

6.0 **IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

6.1 **Children & Young People in Halton**

None other than those outlined in the body of the report.

6.2 **Employment, Learning & Skills in Halton**

None other than those outlined in the body of the report.

6.3 **A Healthy Halton**

None other than those outlined in the body of the report.

6.4 **A Safer Halton**

None other than those outlined in the body of the report.

6.5 **Halton's Urban Renewal**

None other than those outlined in the body of the report.

7.0 **RISK ANALYSIS**

7.1 **Apprenticeship Levy**

This is becoming clearer as the implementation date beckons and

key Government decisions are made.
 What is certain however is the additional costs and pressures that will be placed on the Council in what are already difficult times.

7.2 Public Sector Apprenticeship Target

There is a risk to the Council if the demographic profile of its workforce continues to ‘age’, and skill levels remain low, that it will be unable to deliver on the priorities and challenges faced in the future.

The risk of not having in place a robust framework to enable the Council to successfully meet its challenging target of 55 apprentices in 2017/18 and the proposed 2.3% workforce headcount target year on year thereafter.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 An Equality Impact Assessment has been undertaken with regards to the Apprenticeship Policy Framework with no actions identified. The Framework seeks to encourage equal employment opportunities for people living and working in the borough. Care has also been taken to ensure that it would not discriminate against existing staff.

9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

Document	Place of Inspection	Contact Officer
Consultation on Apprenticeship Targets for Public Sector Bodies, January 2016	Municipal Building	John Gallagher
English Apprenticeships: Our 2020 Vision, December 2015	Municipal Building	John Gallagher
Apprenticeship Levy – Employer Owned Apprenticeship Training, November 2015	Municipal Building	John Gallagher
Budget Statement, July 2015	Municipal Building	John Gallagher
Equality Act 2010	Municipal Building	John Gallagher