



Derby City Council

Personnel Committee 9 February 2017

ITEM 6

Report of the Director of Governance and
Monitoring Officer

Apprenticeship Levy

SUMMARY

- 1.1 The Government is introducing a series of changes around the apprenticeship agenda designed to ensure the achievement of their commitment to 3 million apprenticeship starts by 2020.
- 1.2 Skills Minister Robert Halfon MP announced on 20 January 2017 that the DfE is setting the public sector a target of recruiting 200,000 more apprentices by 2020. This new duty requires at least 2.3% of the workforce in public bodies in England to be apprentices (Enterprise Act 2016). This will equate to 188 Apprentices for the Council.
- 1.3 The Government's Apprenticeship Levy is being introduced in April 2017, and will radically alter the apprenticeship funding regime by redirecting the funding for apprenticeship qualification delivery from the training provider to the employer.
- 1.4 Any organisation with an annual pay bill in excess of £3m will be required to pay an Apprenticeship Levy that equates to 0.5% of their monthly salary costs (less an allowance of £15,000); the Government will apply a 10% top up to the fund. This will be a cost to the Council but also an opportunity. Costs detailed in 4.3.
- 1.5 Going forward the Council will be able to negotiate with accredited training providers for the delivery of apprenticeship qualifications and utilise the levy fund it has paid into in order to pay for the learning via a digital voucher scheme.
- 1.6 Developing a robust apprenticeship strategy will support the delivery of the Council Plan by:
 - Raising achievement and skills
 - Supporting job creation and economic regeneration
 - Raising educational attainment in the city to meet the needs of local employers.Maximising the apprenticeship opportunities for the residents of Derby making sure they have access to employment, education or training.

RECOMMENDATIONS

- 2.1 To approve that the Council will seek to maximise drawdown of the Apprenticeship Levy and will encourage Maintained Schools to do the same.
- 2.2 To note that the Council will utilise the Apprenticeship Levy to support all who are eligible and will prioritise it to support the young people for whom the Council is the corporate parent, wherever possible but notwithstanding the overall aim of 2.1 being achieved.
- 2.3 To note that the Council has entered into a Memorandum of Understanding (MOU) with 3aaa Levy Management. The terms of the MOU are intended to provide a framework of discussion for both parties in the early stages of a collaborative development of the Council's apprenticeship training programme. 3aaa have agreed to provide the Council at no cost with a Project Manager who will be working with the HR Team at the Council House to assist in the following activities:
- Review of the Council's existing training and development provision.
 - Review of the Council's workforce development needs and apprenticeship requirements over the next 12-24 months, through liaison meeting with key stakeholders within the Council.
 - Advice on how to maximise the benefits of the Levy to provide the programme identified and agreed with the Council.
 - Coordinate the delivery of an apprenticeship programme prior to April 2017.
- 2.4 To note a Levy Project Board has been established to be co-chaired by the Cabinet Member for Jobs and Fair Employment and the Cabinet Member for Education and Skills who will work in consultation with the Director of Governance and Monitoring Officer, the Strategic Directors for Communities and Place and the Director for Learning & Skills. This Project Board will develop and ultimately oversee implementation of an Apprenticeship Levy Strategy for the Council and Maintained Schools
- 2.5 To note the Project Board has recommended for the first year the Council continue to recruit new Apprentices at current levels, spending the remainder of the Levy cost on training for existing staff. This is to ensure the levy is a key strand of the Council's approach to workforce, talent and succession planning whilst providing a route into Council employment for young people.
- 2.6 To note communication plans are being developed to inform and encourage engagement across the Council and for Council maintained schools.

REASONS FOR RECOMMENDATIONS

- 3.1 This is a statutory levy the Council will have to start paying from April 2017, therefore the Council seeks to develop a coherent apprenticeship strategy to manage the levy account effectively, maximising the full drawdown and value added to the organisation and the City of Derby.
- 3.2 Currently the majority of Council maintained schools source their own Apprentices. As the schools pay bill will form part of the Council levy, in future they will access the funding via the Council's digital account. A robust communication and engagement plan is high priority and will need to be addressed in the very near future.

SUPPORTING INFORMATION

4.1 The Apprenticeship Levy

Development and Implementation of the Council's Apprenticeship Levy will be with HR Team in the Governance Department. HR will take responsibility for liaising with key stakeholders and working with our partners 3aaa to develop and implement a strategy which maximises the Levy to the Council and Maintained Schools benefit. It is anticipated that via the Memorandum of Understanding in place with 3aaa, the Council with 3aaa's support will develop an apprenticeship strategy that delivers against the Council's and the national apprenticeship agendas in the most effective way, being mindful of workforce development, and the forecasting of potential training needs.

- 4.2 Government guidance states that in the first year of the Levy, the funds in the levy account are foremployees only as the main aim of the apprenticeship levy is to support employers in growing the number and quality of apprenticeships in their own workforce.

- 4.3 The Council's cost of funding the Apprenticeship Levy is based on the PAYE salary figures which are currently as follows:

General fund £86,200,171.
Schools £80,459,503.
Housing Revenue Account is £654,547.

Therefore our total Levy cost could be based on £167,314,220 salary bill and based on the 0.5% calculation this would equate to £836,571.10 with approximately £500,000 being apportioned to our non-schools based workforce and the remaining £336,571.10 being apportioned to our Maintained Schools

- 4.4 The blended approach recommended to in 2.5, proposes to continue with current levels of new start Apprentices, through the City Placement Programme. Also recommending that future employee workforce development programmes are funded from the levy and count towards the

public sector apprenticeship targets.

- 4.5 It is proposed that the levy funds will be accessed via a HMRC online digital apprenticeship service in the form of 'training vouchers'. The vouchers will expire after a rolling 24 month period. Details are yet to be confirmed as to access to and management of the digital account.
- 4.6 However funds in the digital account can only be used towards the costs of apprenticeship training and end point assessment. The Council will be required to pay the salary of all new employees and the costs of setting up and administering an apprenticeship programme.
- 4.7 Apprentices who have been accepted on to an apprenticeship programme before 1 May 2017 will not be able to access the levy funds.
- 4.8 The Council's Current Apprenticeship Programme
- At present the Council employs 53 Apprentices; 35 of these have been secured via City Placements, and 18 Apprentices are based in Schools
- 4.9 City Placements Service is now based in HR. The City Placement Liaison Officer currently sources and recruits the Councils in house Apprentices, also identifying relevant training courses. The Officer supports the apprentices during their training and subsequently supporting the apprentices into positions within the Council through the Redeployment process. A few schools also use this Service. The Council also has an Apprenticeship Hub which sits in Economic Regeneration; this Service supports external organisations with their apprenticeship training and recruitment.
- 4.10 Currently the majority of Council maintained schools source their own Apprentices and source any training independently. As the schools pay bill will form part of the Council levy, in future they will access the funding via the Council's digital account. A robust communication and engagement plan is high priority and will need to be addressed in the very near future.
- 4.11 The Adults Learning Service is currently the Councils training provider and has completed the market entry pre-qualification process in order to enter the Skills Funding Agency register, to continue to be a training provider and assessor for the Council under the new employer-led apprenticeship standards.

OTHER OPTIONS CONSIDERED

- 5.1 The Council has the option to pay the Levy directly to Government without initiating any strategy development for using the fund.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Other(s)	Janie Berry, Director of Governance and Monitoring Officer Martyn Marples, Director of Finance David Cox, Head of Human Resources
For more information contact: List of appendices:	Tania Hay, Employee Commission Lead. (01332) 643453 tania.hay@derby.gov.uk Appendix 1: Implications

IMPLICATIONS

Financial and Value for Money

- 1.1 The Council has no option other than to pay the 0.5% apprenticeship levy from April 2017.

The Council's cost of funding the Apprenticeship Levy is based on the PAYE salary figures which are currently as follows:

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Schools £80,459,503.

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Therefore our total Levy cost could be based on £167,314,220 salary bill and based on the 0.5% calculation this would equate to £836,571.10 with approximately £500,000 being apportioned to our non-schools based workforce and the remaining £336,571.10 being apportioned to our Maintained Schools

Legal

- 2.1 This is a mandatory levy introduced under the Enterprise Act 2016 which applies to all employers who operate in the UK in any sector with a pay bill of more than £3 million per annum.

A Memorandum of Understanding has been entered into with 3aaa however a procurement exercise will be required if the Council is to continue its partnership with 3aaa in the longer term. Legal Advice will be sought as and when required in respect of this issue.

Personnel

- 3.1 HR is taking lead responsibility for developing and implementing an Apprenticeship Strategy which will maximise the Council's contribution to the Apprenticeship Levy fund. Proactive work will also be undertaken to raise awareness across the Council and Maintained Schools to promote the use Apprenticeship Levy where possible.

City Placements will continue to support the Council's existing Apprentices.

IT

- 4.1 The apprenticeship levy will be administered as an on line digital service provided by HMRC.

Equalities Impact

- 5.1 This will give us an opportunity to target even more young people with protected characteristics under the Equality Act, including care leavers to enhance the diversity of our workforce. It will also give them opportunities they may not have had before'An equalities impact assessment will be undertaken as part of the project plan

Health and Safety

- 6.1 N/A

Environmental Sustainability

- 7.1 N/A

Property and Asset Management

- 8.1 N/A

Risk Management

- 9.1 The potential risks in not completing the project in a timely and robust manner would be not using the levy to its maximum potential andthe losing the money paid into the levy after the rolling 24 months.

Corporate Objectives and Priorities for Change

- 10.1 A skilled and motivated workforce.