

**Report to the City of Nottingham  
and Nottinghamshire Economic  
Prosperity Committee**

**22<sup>nd</sup> June 2016**

**Agenda Item: 6**

**REPORT OF THE CHIEF EXECUTIVE, RUSHCLIFFE BOROUGH COUNCIL**  
**THE FUTURE OF APPRENTICESHIPS**

**Purpose of the Report**

1. To inform the Economic Prosperity Committee of the major changes to the funding and delivery models of apprenticeships within Nottingham and Nottinghamshire. It is also to identify how this may affect public sector organisations, along with the private sector, and make recommendations to the Economic Prosperity Committee of suggested next steps to develop a coordinated response to the change.

**Information and Advice**

2. As part of the Government's plan to increase the quality and quantity of apprenticeships to reach a figure of 3 million apprenticeships by 2020, a levy is being introduced to help fund a proposed step change. It is proposed that all employers with a pay bill amounting to more than £3 million shall be compelled to pay the levy, which the Government proposes to be of use to pay for the future training of apprenticeships.

**Costs and Implications to Employers**

3. It is intended by government that the levy will be charged at 0.5% of an employer's total pay bill on all pay bills over £3 million. It is also proposed that the levy will be collected monthly through PAYE system. All employers would be given a levy allowance of £15,000 for each tax year. An employer with a total pay bill of £5 million would pay £10,000 under the levy, with the figure initially calculated at £25,000 ( $0.5\% \times £5 \text{ million}$ ) being reduced to £10,000 due to the allowance. The levy funds will be placed in a 'pot' which can be accessed by those paying the levy. It is proposed that this will be achieved via an online digital account and take the form of online vouchers. The government is proposing to apply an additional 10% top up amount to all funds (e.g. every £1 is increased to £1.10). The training allowance must be spent within 18 months.
4. Currently employers must use their levy funds to pay for training of their own apprenticeships only, this is currently a potential weakness and disadvantage of the proposed system, as it will result in pressure being placed upon the large employers to secure apprenticeships within their own businesses rather than assist their suppliers in up skilling or narrowing skill shortage gaps within small and medium enterprise priority sectors. However the Government is currently having a discussion regarding the potential pros and cons for the levy, and this is an aspect where representation has been made to enable levy paying employers to extend their

allowance to fund training for apprenticeships in the employers' supply chain. More information on this is expected in June.

5. Funds can only be used to pay for training costs, and not salary, therefore it remains to be seen if businesses will transfer existing posts into apprenticeships in exchange for access to the levy, or create new apprenticeship posts.
6. Employers will not be able to spend an unlimited amount of money on a single apprentice. Funding bands will be set which limit the amount of levy funds an employer can spend on training for an individual apprentice. The band will vary according to the level and type of apprenticeship (for example, more expensive, higher quality training is likely to be in a band with a higher limit).
7. The public sector is included in the levy payments but has also been set a target by Government of a minimum 2.3% apprenticeship starts each year (calculated from headcount) where they have 250 or more employees. Across the N2 Local Authorities there are approximately 32,753 members of staff, which would result in approximately a minimum target of 753 apprenticeship starts per year. If other N2 public sector bodies e.g. fire, police, etc. were included this figure would rise to around 1,712 starts. It is currently proposed that this data would be published nationally, to provide an incentive to meet our obligations. Local Authorities are also encouraged to aim to achieve the aims of the '5% club' – a business-led campaign for organisations to employ 5% of their workforce as apprentices, sponsored students or graduates.

Authority	Employees	Apprenticeship Target	
		2.3%	5%
Bassetlaw	442	10.1	22.1
Broxtowe	775	17.8	38.75
Gedling	496	11.4	24.8
Newark and Sherwood	424	9.7	21.2
Nottingham	9,228	212.2	461.4
Nottinghamshire	19,818	455.8	990.9
Rushcliffe	280	6.4	14
Ashfield	492	11.3	24.6
Mansfield	798	18.3	39.9

8. These proposals could provide a unique opportunities for the N2 Local Authorities to work together to meet joint obligations and future demands:
  - In the short term Local Authorities could simply aim to collaborate through implementation of shared apprenticeship standards, as well as potentially join procurement and workforce strategies.
  - A medium to long term goal highlighted by the Local Government Association (LGA) is for the ability contributions to the levy to be pooled locally, enabling local partners to commission provision based upon local employer demand. This is something that is recommended the Committee support and actively lobbies for.

- Longer term a potential option would be to create a central support or training hub with the capacity to help meet the public sector skills and productivity gap at a local level. The Jobs Hub created and run by Nottingham City Council has plans to expand to incorporate the whole N2 area and could possibly be a suitable platform to build a collaborative working arrangement.
9. The target set by Government will rely upon a challenge to the commonly accepted wider view, that apprenticeships must generally be better designed, marketed and promoted – misconceptions are still often placed by schools and parents and the worth of apprenticeships, which must be challenged, and that apprenticeships are only for young people and school leavers.

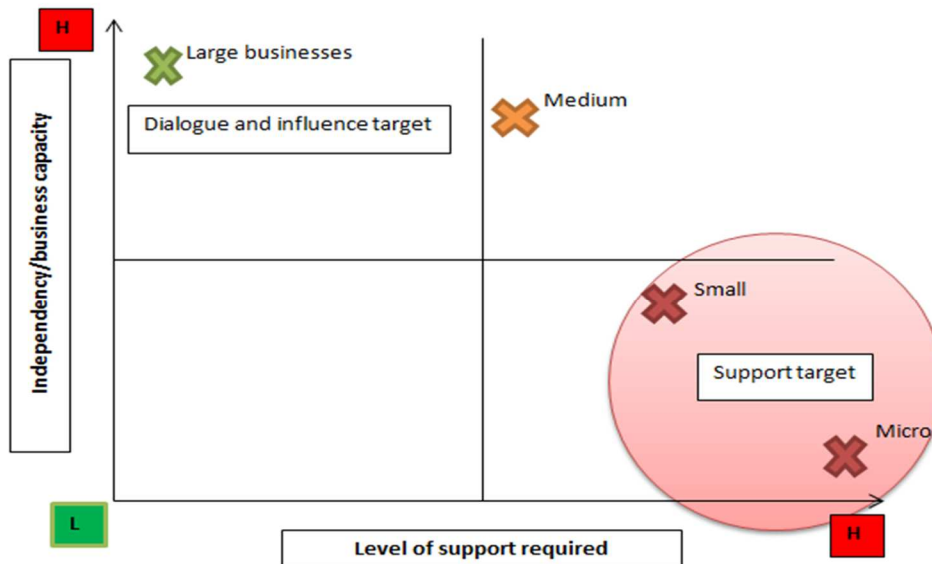
### **Future Skills Requirements**

10. Between 2017 and 2022 across the D2N2 area the priority areas within the public sector such as health and social care are predicted to grow strongly. Within the private sector construction is projected to have the greatest growth, as well as wholesale and retail, motor trade and food services. In the future, apprenticeships could be specifically developed to support these growing areas, and it will be important that transferrable skills are built within the schemes to enable career sustainability.
11. If Local Authorities were able to pool their resources they would represent a key local employer, which the ability to influence provision, which we could then use to shape the type of apprenticeships that are provided so they meet local needs.

### **Private Sector Impacts**

12. In the private sector the levy could affect approximately 660 business, making up around 1.7% of total N2 business.
13. Private business, especially larger organisation that will pay the levy will be likely to be less in need of support from Local Authorities, as they may possess a commercial driver to use and implement their levy funds, as any unused funds will disappear after 18 months. Small and medium sized enterprises (SMEs) however run the risk of being left behind by the levy, unless they believe it is easy to access and will add value to their business. There is a danger that the creation of a two-tier system whereby SMEs are the 'less desirable' option for potential apprenticeships may occur.
14. After the initial implementation of the levy, it is currently proposed that SMEs will be invited to also use the online digital service to pay for their apprenticeship training, despite not paying the levy. Support may be required by Local Authorities to support the use of the digital service, and also support the promotion and marketing to SMEs to ensure they maximise the resources available.
15. The potential has also be raised by Local Authorities, that any unspent levy should be made available to invest locally to support the SMEs, to assist them with training apprentices.
16. Within the N2 area there are vastly more SMEs than larger scale organisations. 82% off all businesses in the county area are defined as 'micro' companies, with 15% 'small' and 3% 'medium', with only 0.4% as 'large' businesses. The city is geared slightly more towards larger

organisations, but still consists of 74% 'micro', 20% 'small', 5% 'medium' and 1% 'large'. The chart below shows how big business are by their nature less likely to need support, and that SMEs are more likely to need support by Local Authorities, however the levy is aimed at larger organisations of which there are comparatively few:



## Risks

17. Risk has been identified with the potential for organisations to try and 'game' the system by taking on new apprenticeships each year as cheap labour with no intention of end employment.
18. Some larger businesses have indicated that they may simply not interact with the new system, and write off their levy fees as an extra tax rather than use it towards the training of apprentices.
19. Fears have been raised by businesses that the given timeframe is too soon, and that they may struggle to sufficiently plan for the new changes.
20. The introduction of the levy has left as many questions as answers, a number of which are being consulted upon by Government with more information to follow

Unanswered Questions	Approach to Answer
What happens to unspent levy?	Lobby for public sector to be able to spend and divest towards SMEs
Funding limits available to each apprenticeship levels.	More information to be released in June.
Provisional level of Government support available to non-levy paying employers.	More information to be released in June.
Eligibility over who specifically apprenticeship training funds can be spent on.	More information to be released in June.

Who can provide apprenticeship training and how to set up your own organisation to deliver training.	More information to be released in June/review of local provision of training within the N2 area.
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## Statutory and Policy Implications

21. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

## RECOMMENDATION/S

- 1) That a detail report be prepared highlighting:-
  - a) current provision of apprenticeships across Nottinghamshire Authorities
  - b) opportunities/choices for future provision of training within the Public Sector
  - c) Analysis of current areas to prioritise skills gaps
- 2) That the Committee endorses that a strategy should include measurable targets for each of the levels of apprenticeships, including higher apprenticeships.

**Allen Graham**  
**Chief Executive, Rushcliffe Borough Council**

**For any enquiries about this report please contact:**  
 Jonathan Spinks, Rushcliffe Borough Council.

## Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

## Electoral Division(s) and Member(s) Affected

- All