



REPORT OF THE SERVICE DIRECTOR - CUSTOMERS AND HUMAN RESOURCES

IMPLICATIONS OF THE IMPLEMENTATION OF THE APPRENTICESHIP LEVY FOR NOTTINGHAMSHIRE COUNTY COUNCIL

Purpose of the Report

1. To inform Personnel Committee of the implications for the Council of implementation of the Government's national Apprenticeship Levy and associated Public Sector Duty from **April 2017**, as currently understood, and seek approval for a phased approach to implementation as the Government confirms the details of the proposals.
2. To seek approval for additional temporary resources to develop the Council's approach and manage the initial implementation of both the Public Sector Duty and Apprenticeship Levy.

Background

Existing Apprenticeship Provision in Nottinghamshire County Council

3. As previously reported to this Committee, apprentice placements with Nottinghamshire County Council (NCC), are offered as part of the Council's wider Economic Development agenda to encourage skills development and improve the employability of young people across the County. Apprenticeships form part of a wider offer of work based learning programmes aimed at attracting new employees into the Council's workforce as part of its Workforce Strategy.
4. The Council currently offers **60** Apprenticeship opportunities per year, working with Futures Training Agency as our employing partner. These Apprenticeships are aimed at young people aged 16-24 years and are funded in the main through a centrally held budget.
5. This area of work is managed through the Council's Workforce Planning and Organisational Development (WPOD) team, within the Customers and Human Resources (HR) division of the Resources Department as part of the corporate workforce planning response. The team works closely with departmental workforce leads to provide a range of Apprenticeships across the Council and ensure that these contribute towards meeting the Council's future skills needs.

Introduction of the National Apprenticeship Levy and Public Sector Duty

6. The Government's new Apprenticeship Levy will impact on the Council's current Apprentice Programme and will provide opportunities to further develop the Council's approach to providing and supporting Apprenticeships.
7. The Levy will be payable by all employers with a wage bill in excess of **£3m per annum** and who employ **250 staff or more**, to be paid as a **0.5% tax** on the employers' payroll collected monthly via Her Majesty's Revenue and Customs (HMRC). The Levy comes into force in April 2017 and will be taken at source by HMRC and placed in a digital account for NCC to access for Apprenticeship training and assessment costs only.
8. The Government's intention is that this money is used to fund the national Apprentice Programme. Payments made to the Levy fund can be recovered by the employer to train and assess Apprentices against approved standards and frameworks in conjunction with approved training providers. Employers to whom the Levy applies will receive a one-off allowance of **£15,000** to encourage the development of Apprenticeships.
9. Alongside the Apprenticeship Levy; a headcount target for Apprenticeships will be imposed on public sector organisations requiring them to ensure that **2.3%** of their workforce are Apprentices.
10. The final detail of how the Apprenticeship Levy will work in practice is still emerging, with some aspects still under discussion and consultation. In preparation, proposals for implementation across the Council have been under development for some time and have been revised as details become clearer and will continue to be kept under review. Confirmation of the position in relation to schools has only recently been received and the Council's response is set out in this report, see paragraphs 19-22 below.

Implications of the Levy and the Public Sector Duty

11. To meet the proposed headcount target the Council will need to increase the number of Apprentices it employs from 60 to approximately **176**. However, confirmation of the inclusion of Maintained Schools has increased the overall headcount target to **372**.
12. The Council will need to recoup as much of the Levy as possible by ensuring that what is paid is fully utilised for the Council's benefit. If the Council does not create additional Apprenticeships using all of the money available in the digital account, after 24 months the funds will return to a central government fund for redistribution to other employers who have spent their own Levy contribution and are seeking further funding or to non-levy paying organisations to enable them to access funding for Apprenticeships.
13. Based on updated information from the Government a number of restrictions appear to apply. The Levy can only be used for training and assessment costs, it cannot be used on other costs associated with Apprentices or wider training effort, that is: wages, statutory licenses to practice, travel and subsidiary costs, managerial costs, traineeships, work placement programmes or the costs of setting up and administering an Apprenticeship Programme.
14. Apprenticeships must be of at least a **12 month** duration with training to an approved Apprentice standard (or Framework). The latest guidance also states that there must be a genuine job at the end of the Apprenticeship, however this is being taken up by the Local

Government Association on behalf of Local Authorities given the challenge of meeting this requirement in the current financial climate.

15. Apprenticeships have not previously been available to degree level qualified individuals. Recent clarification has confirmed that under the new Levy arrangements an individual can be funded to undertake an Apprenticeship at the same or lower level than a qualification they already hold provided the content of the training is materially different from any prior training. “Apprenticeships”, that is training which meets the criteria can be made available to all ages and apply to existing staff as well as new appointees. Work has been undertaken to map existing training against the new standards and existing frameworks to identify training which will qualify as an Apprenticeship and for which the Council will be able to draw down funding from the digital account from April 2017.
16. The currently available standards are insufficient to meet the needs of the range of public service employers and work is being undertaken by employers, professional organisations and other interested parties, working with providers, to develop occupational standards which reflect the full range of public services. The Council continues to be involved in this work where appropriate, including working with East Midlands Councils (EMC) and the Local Government Association (LGA) to ensure that standards are developed in identified skill shortage or specialist areas of the public sector. The Economic Development team and the HR/WPOD teams will also continue to work through the Economic Prosperity Committee to develop a more collaborative approach to Apprenticeship standards development.
17. The Council will need to directly employ Apprentices from 1st April 2017 in order for them to qualify for funding via the Levy. This will necessitate reframing our relationship with Future Training Agency; including ensuring that a legacy arrangement is put in place for the existing Apprenticeships in place prior to implementation date. The training and assessment costs of taking on any new Apprentice following the implementation date can be drawn down from the Levy, however this will not apply to individuals in existing, ongoing Apprenticeships at this point. It is likely that from April 2018, Levy paying employers will be able to place up to **10%** of their Levy with another partner employer although this will only impact on a small percentage of NCC Apprenticeships if it comes into force.
18. The Government has very recently confirmed that for a time limited period Levy funds will be able to be used to fund Apprenticeship training against existing frameworks; whilst new standards are developed and approved. This will assist with the transition from the old to new arrangements and support the implementation of some “quick wins”.

Application of the Levy and Public Sector Duty to Schools

19. Academies, Foundation and Voluntary Aided Schools, where the Governors are the employing body and the pay bill is in excess of £3 million, will be liable to pay the Levy in their own right and to have their own digital account which will attract the one off £15,000 allowance.
20. It was recently confirmed by the Government that Maintained Schools, where the Council is deemed to be the employer, should be included in the employer Levy by virtue of the Council’s overall pay bill exceeding £3m, regardless of the individual school pay bill.

21. The Schools Forum on 8th December 2016 was informed of the position of schools in relation to the Levy, how it will be funded and collected and the implication for schools. A communication plan was also agreed and put in place to ensure that Maintained Schools are made aware of the implications of the introduction of the Levy and Public Sector Duty.
22. To assist with the achievement of the Public Sector Duty target, the WPOD and HR teams will work with schools to encourage and support them to consider options, develop their approach to Apprenticeships and access funds in the digital account if appropriate. Schools looking to create Apprenticeship posts would be required to fund all associated salary costs and Maintained Schools would be able to apply to the Council's digital account for the funding of any training and assessment costs.

Proposed Approach

23. The following proposals will enable an initial approach to be in place by 1st April 2017 to support the Council to respond to the implementation of the Apprenticeship Levy and work towards the requirements of the Public Sector Duty.
24. The new Digital Apprentice Account will be managed within the HR service, including assessment of whether specific training meets the funding criteria; advising and supporting managers; supporting schools; identifying new opportunities to increase Apprenticeships across the Council and in schools; reconciling and managing the funds in the Digital Account; submitting returns to HMRC; a range of activities to recruit and support new Apprentices and ongoing development of the Apprenticeship Programme.
25. Mapping of the current Council wide training offer against the available Apprenticeship standards and frameworks has identified training which could convert to "Apprenticeships" for existing staff across the authority. Up to **100** possible opportunities have been provisionally identified so far and further more detailed work will be undertaken, working closely with service managers, to put these into practice over time. A number of potential "quick wins" have also been identified which could be used to draw down funding from 2017/18. Detailed mapping work is continuing to ensure that maximum benefit is derived from use of the Levy in the medium to longer term.
26. The Council will continue to develop proposals with local higher education providers to establish higher level degree Apprenticeships for existing NCC employees as part of a career pathway and succession planning strategy and could also contribute to the development of future standards in key skills areas.
27. Recruitment to vacancies against existing Grade 2 and Grade 3 posts will be designated as potential Apprenticeship opportunities, following due consideration of potential redeployees, unless it can be evidenced that there are service specific reasons why this would not be appropriate. This would initially be managed through amendments to the Council's established Vacancy Control Decision Record (VCDR) process. This process will also be amended to encourage managers to consider the potential Apprentice Frameworks and Standards for all vacant posts to identify opportunities for Apprenticeships at higher levels of post across the Council. It is estimated that initially this could generate an average of **30** additional new Apprenticeships.
28. Further discussions have been arranged regarding the Council's ongoing partnership arrangements with Futures ATA to facilitate the transfer of employer responsibility to the

Council and to work together to increase the number of apprentice placements on offer to young people new to employment from the existing 60 placements.

29. The balance between new apprenticeship placements and apprenticeships for existing employees will need to be kept under constant review to ensure the Council is as close as possible to meeting its headcount target and maximising the use of the Levy on an ongoing basis. It is therefore proposed that the Council adopts a phased approach to implementation with the aim of initially meeting the directly employed headcount target of **176**, working towards the overall higher level target including schools over time. This will allow for the continued development of proposals with partners as part of a wider collaborative approach and the review and consideration of further options as the broader picture emerges.
30. The Government's recommended Apprenticeship rate is approximately half the age related minimum wage and is currently set at £3.40 per hour. NCC Apprentices are currently paid the age related minimum wage which currently ranges from £5.55 per hour for 18 - 20 year olds to £7.20 per hour for adults (age 25 plus). It is proposed that the Council continues to adopt this approach beyond April 2017.
31. The WPOD team has reprioritised some of its current staffing resource to assist with the implementation of the Levy and Public Sector Duty. However, additional staffing capacity will need to be allocated from 1st April 2017 to enable the Council's approach to drawing down the Levy to be managed and monitored and the number and type of Apprenticeships available to be further developed in conjunction with managers and schools.
32. In order to build in the necessary capacity to respond to these additional demands it is proposed that two FTE additional posts are established on a fixed term basis whilst the Government's new model for Apprenticeships is established and beds in and the operational details are confirmed. This will enable a range of future options for resourcing and providing this support to be further explored as the market in this area develops.
33. The proposals in this report have been considered by and have the support of the Corporate Leadership Team. Departmental engagement with the expanded corporate Apprenticeship Programme will be critical to the success of maximising the Levy and benefits for employees and the organisation, translating these potential opportunities into practice through managers providing training and development support. Work will be undertaken to actively support, encourage and enable managers to identify and provide additional Apprenticeship opportunities across the Council.

Financial Implications

34. Annual Levy contributions to be placed in the digital account by the Council are estimated to be **£733,606 per annum** based on current headcount figures (modelled on October PAYE). This will be paid over on a monthly basis alongside HMRC and National Insurance contributions. Funding for the Levy was set aside in the Medium Term Financial Strategy and has been identified in the base budget for 2017/18 onwards.

35. The estimated figure for Maintained Schools, using the same modelling, is **£782,782 per annum**. This will be paid over from school budgets on a monthly basis alongside HMRC and NI contributions.
36. The Council's current budget for its established Apprentice Programme of 60 placements a year is **£300,000** which funds the salary costs of the Apprentices. Training costs are covered by funding drawn down by the training provider. In addition, departments fund approximately **£150,000** of Apprenticeship salary costs each year from service specific salary budgets.
37. It is proposed that salary costs of 60 Apprentice placements will continue to be paid for as under current arrangements. Initially, it is proposed that any new Apprenticeships where an additional employee is employed will be funded from conversion of already established posts as set out in paragraph 27 above.
38. Existing employees accessing Levy Funds to refund training costs will not generate additional employment costs. Some of these training costs are currently met from Learning and Development Budgets which could be diverted to fund the Levy Contribution and then refunded to pay for training costs.
39. The figures within this report are estimates based on current headcount and the Government proposals as currently understood. A more detailed costing exercise will be undertaken to establish short, medium and long term proposals for the availability of higher level Apprenticeships with due regard to the Council's future workforce shape and needs once appropriate frameworks are available and the Government has clarified the detail of how the Levy will work and any transition arrangements which will apply.
40. In the longer term, if the Council's headcount target remains in the order of **372**, the Council may need to give further consideration to funding for the Apprenticeship Programme. Further work will be required between HR and Finance colleagues to model potential costs and identify options for funding. This will need to be flexible to respond to the context of the changing organisation, organisational context and as the requirements and arrangements in relation to the Apprenticeship Levy and Public Sector Duty develop and are clarified by central government.
41. Based on indicative grades it is proposed to establish **2 FTE** Project Officer posts on **Band B**, initially a fixed term period for one year up to 31st March 2018 reporting to the Senior Business Partner WPOD. The total cost at current pay rates, with on-costs, would be up to £85,490. This is proposed to be funded from contingency. A 2017/18 contingency bid will be made to the Finance and Property Committee.

Conclusion

42. The detail of the implementation of the Levy and Public Sector Duty and their implications is an emerging one. Government is still consulting on some aspects of the proposals and the overall system and market continues to develop. Ongoing work will therefore be required to model the potential implications and options for the Council as further information is made available, including active engagement with EMC and the LGA as arrangements are put in place nationally to support local authorities to fulfil their obligations.

43. Sufficient uptake of the Apprenticeship opportunities on offer is critical to success and the Council is actively working with other public sector employers across the D2N2 area to promote careers in public service and Apprenticeship opportunities in particular. The Economic Prosperity Committee has also agreed an Apprenticeship Strategy across Nottinghamshire to encourage employers to work together to improve the number of higher level Apprenticeships and ensure these meet the needs of employers in the area. The LEP has established a group to look across D2N2 at skills development and training opportunities in relation to the social care workforce in particular. The Sustainability and Transformation Plan is also providing the opportunity for joint work on the Health and Social Care workforce of the future; including Apprenticeships.

Other Options Considered

44. The Council has considered a range of options. This has included taking independent tax advice and working with partners, other public sector employers and providers to explore options. The current phased approach is considered most appropriate initially given the level of uncertainty around the proposals.

45. In future the Council could consider engaging a management service to deliver the Apprentice Programme. The costs of this service are currently unknown as the majority of external offers are still under development.

46. The Council could also seek to become an Approved Training Provider in its own right, resourced to directly train and employ its own Apprentices. However, it is felt that whilst this might be an option worthy of consideration at a later date, the approach set out in the report is the least risk and most achievable initially.

47. The above two options could potentially be developed with Futures or with other public sector employers.

Reasons for Recommendations

48. To enable the Council to prepare and plan to be able to sustain and grow its corporate commitment, as a good employer, to providing placements for Apprentices across the authority and to ensure that the cost for the national Apprentice Levy is fully recovered.

49. The proposed approach allows the Council to work towards full compliance with the requirements of the Public Sector Duty in a manageable way whilst providing a degree of flexibility and reflecting the degree of uncertainty around the proposals and their detailed implementation.

Statutory and Policy Implications

50. 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.

Human Resource Implications

51. These are set out in the body of the report. The support of the Council's recognised trades unions will be critical to the continued successful development of proposals through a collaborative approach as the broader picture emerges. Discussions will take place with the recognised trades unions on the implications for the Council of the implementation of the Apprentice Levy at the Central Joint Consultative and Negotiating Panel meeting on 26th January 2017 in order to engage them with implementation of the proposals set out in this report.

Equalities Implications

52. As a key part of its overall approach to workforce planning and underpinning its commitment to being an Employer of Choice, the County Council supports the use of Apprenticeships as a means of offering jobs, work based learning and career opportunities to a diverse range of new recruits and existing employees.

RECOMMENDATIONS

It is recommended that Personnel Committee:

- a) Note the workforce implications of the new Apprenticeship Levy and Public Sector Duty for the County Council.
- b) Agree the proposed approach to implementation set out within the report within the context of a constantly changing and slowly emerging picture at a national level.
- c) Agree the establishment of 2 fte Band B posts of Project Officer for a fixed term of 12 months initially to develop and deliver the Council's response to the Levy and Public sector Duty.
- d) Agree that a further progress report is brought back to this Committee as the details are confirmed nationally and further modelling work is complete.

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Constitutional Comments (KK 09/01/17)

53. The proposals in this report are within the remit of the Personnel Committee.

Financial Comments (SES 06/01/17)

54. The financial implications are set out in the report.

Human Resources Comments (CLG 19/12/16)

55. The human resources implications are implicit in the body of the report as far as they are known and understood at the current time.

Background Papers and Published Documents

None

Electoral Division(s) and Member(s) Affected

All