

Briefing Note – Apprenticeship Service: **Funding of post and development of service**

1. Apprenticeship Reforms – Background

1.1 Central Government is making significant reforms to apprenticeships which go live in April 2017. The reforms are aimed at improving UK productivity levels and social mobility. The reforms include:

- (i) The introduction of an apprenticeship levy for employers whose payroll is over £3m per annum. The levy is set at 0.5% of the payroll.
- (ii) New responsibilities on employers to manage a digital account and shop around to choose apprenticeship training providers.
- (iii) A new target for public bodies to have 2.3% of their workforce headcount employed as apprentices.
- (iv) Changes to Government funding for apprenticeship training including new funding bands.
- (v) Expansion of higher and degree apprenticeships.
- (vi) A transition from current course provision to new employer led standards.

1.2 The changes and responsibilities resulting from the reforms may place barriers in the way of some SME employers wanting to hire apprentices. It is in the Council's interest to support employers and training providers to engage fully with the new apprenticeships regime because:

- (i) Apprenticeships are a key training route for employers and citizens who wish to engaging in in-work training, which has benefits on productivity levels and creates new employment opportunities for local citizens.
- (ii) More employers are expected to recruit and/or upskill their existing workforce via apprenticeships. Getting the system working right is therefore important to sustaining our positive gains in increasing the employment rate of local citizens.
- (iii) Nottingham City Council will be a levy payer and will be expected to meet the new public bodies headcount target.
- (iv) Apprenticeship training is an important source of income for local providers. Removing barriers that may limit demand for apprenticeships will support the financial sustainability of providers who deliver apprenticeships training.

1.3 Ensuring that local employers, training providers and citizens engage in apprenticeships is key to meeting local labour market requirements. Under-investment in the skills agenda has constrained productivity and inclusive economic growth in the UK, when compared to other developed economies. One of the key aims of the government reforms is to stimulate workforce training that is responsive to the needs of employers so that more job opportunities are created.

2 Proposed apprenticeship sourcing and account management post and development of service

- 2.1 This DDM recommends the approval of £40,000 investment to fund recruitment of 1 FTE 12 month fixed term post and £9,950 towards the development of the apprenticeship sourcing and account management service for the Council and other local SME employers (the additional funding of £9,950 will be used for activities such as marketing, engagement with SMEs and training providers and venue costs).
- 2.2 The approval of the funding falls within the remit of the Deputy Leader of the Council and the recruitment to the fixed term post is a non-executive decision which falls within the remit of the Corporate Director of Development and Growth.
- 2.3A related Executive Board report on Apprenticeships was approved on 21st March 2017 (Agenda Item 6) and is available to view online at:
<http://committee.nottinghamcity.gov.uk/documents/g5774/Public%20reports%20pack%2021st-Mar-2017%2014.00%20Executive%20Board.pdf?T=10>.
- 2.4 The Board report requested approval to undertake a competitive procurement exercise to set up an Approved Apprenticeship Training and Assessment Provider List (the Approved List) for use by the Council and open to use by other public sector bodies. The specification for this service will cover the added value elements that the Council wants to ensure from training providers such as high quality, local training delivery and free of charge support with recruitment and enrolment of apprentices. The Board report also recommended the approval of an ongoing delegation to relevant Corporate Directors for the drawdown of apprenticeship levy funding from the Council's digital account and to be able to enter into contracts for apprenticeship training and assessment with training providers from the Approved List. Essentially the Board report deals with what the Council needs to do to meet its duties under the new Apprenticeship regime.
- 2.5 The post holder being funded out of the investment recommended in this DDM will be required to manage and maintain services resulting from the set-up of the Approved List. These services are referred to in the Board report at paragraphs 2.7 - 2.10 (see below extract).

“2.7 A business case for funding a fixed term post and set up costs to support the managing of the approved list will be the subject of a separate Delegated Decision. Councillors are not being asked for a decision on these aspects as part of this paper, however the information in paragraphs 2.8 - 2.10 below is provided for context.

- 2.8 The services that will be available to any partners accessing the approved provider list will include:

- a) Access to providers of apprenticeship training that meet a Local Apprenticeship Quality Standard, thereby assuring value-for-money and quality.
- b) An ongoing account management function between employers and training providers which quality assures performance, addresses learner provision issues, and other administrative tasks associated with purchasing apprenticeship training.

2.9 It is proposed that a fee will be attached to each service. Councillors are not being asked for a decision on those costs within the current report.

2.10 Although not part of this decision, it is further proposed that the Council's Economic Development's Jobs Hub services will be aligned with the services being procured and delivered as a result of the framework. It is envisaged that the Council will in the future work with SME's to assist with apprenticeship training procurement and with services such as end-to-end recruitment and management of apprentices. SME's will be further supported by advice and guidance on apprenticeships generally."

2.11 In addition, the post holder will also develop and deliver a new Apprenticeships Service to enable co-ordinated procurement and monitoring of high quality apprenticeship training on behalf of local SME employers. The rationale is that the Council needs to resource and manage its own Apprenticeships and alongside this need it can develop a model and resource it to a level that will be attractive for use by other public sector bodies calling off contracts from the Approved List. This will generate economy of scale savings for both the Council and other public sector bodies, making savings that negate the increased resource burden under the new regime. In addition, offering the new service to local SME's will involve a fee. Ultimately the service will need to become self-funding in future years.

2.12 The proposed services to be developed and offered to local SME employers will include:

- a) Access to apprenticeship training providers that meet a Local Apprenticeship Quality Standard, thereby assuring value-for-money and quality.
- b) Ongoing account management function between employers and training providers which quality assures performance, addresses learner provision issues, and other administrative tasks associated with purchasing apprenticeship training.

- 2.13 The benefit of this service will be the creation of new employer and provider networks that can be shared to enable groups of employers to co-ordinate their training needs so there are fewer gaps in provision. Employers will also be able to benefit from economies of scale for shared services and group discounts or other joint purchasing benefits from their training providers. The services identified in 2.5 above can take significant amounts of time for SME employers thereby creating a barrier to take on Apprentices.
- 2.14 The Council's Jobs Hub services will also be aligned with the proposed service so that in future the Jobs Hub service will be able to offer SME's an enhanced end-to-end recruitment and management of apprenticeships service. SME's will be further supported by advice and guidance on apprenticeships. The Jobs Hub currently source candidates for local employers including apprentices. In the last 12 months around 10% of jobs sourced from employers have been in to apprenticeships.
- 2.15 This start-up funding will enable services to be offered to SMEs employing apprentices across the local area. Further market engagement is needed with SMEs to identify further barriers and develop the offer to them with a cost set at an appropriate level.

3 Strategic Priorities

- 3.8 The Council Plan 2015-2019 is founded on five key objectives, one of which is that the Council guarantees a job, training place or further education place for every 18-24 year old. In addition the Council Plan, under the header of Jobs, Growth and Transport identifies a number of key things it will do including the delivery of business support schemes that underpin the City's Growth and City Deal. The current proposal aims to support local SME's, training providers and assist with the placement of Apprentices in gaining high quality opportunities.
- 3.9 Through our N2 Skills and Employment Board, the Council has agreed an ambition to ensure the local workforce develops higher skills needed to increase productivity and competitiveness.
- 3.10 The Council is committed to creating apprenticeship opportunities for residents in the local economy and within Nottingham City Council, including for disadvantaged groups such as care leavers and unemployed young people.

4 Local economic background

- 4.8 The Council is a major influence in the local economy as an employer and in its strategic role in shaping the economic development of the City. Nottingham already benefits from the removal of recruitment barriers for SME employers and citizens via the Nottingham Jobs Hub. Further investment in employment and skills will continue to reduce unemployment faster than in any other Core City, bringing the City closer to national averages. In order to sustain this progress, a proactive local solution to changes to the apprenticeships system will be of benefit. The Council is able to encourage employers to invest in the development of skills which will allow Nottingham and Nottinghamshire (N2) to increase social mobility, widen participation in skills, develop inclusive labour markets, encourage innovation, sector growth and move us further towards balancing the supply and demand of skills across N2.
- 4.9 Following the EU Referendum DWP have confirmed a reduction in the number of migrant workers employed across the central district. This labour market shrinkage measured against expected vacancies will mean employers may find it increasingly difficult to recruit appropriately skilled workers.
- 4.10 Within the Derbyshire and Nottinghamshire (D2N2) Local Economic Partnership area, 87.7% of businesses are Micro's (employing 1 to 9 employees). SME's are the largest employers in the area therefore focus needs to be on their needs and engagement. It is anticipated that the service will offer economy of scale savings and the ability to be linked with other employers to enable better availability of training because higher numbers of apprentices for particular courses can be identified thereby making it viable for Training Providers to offer training programmes. The service aims to remove barriers to managing apprenticeships through joint troubleshooting of issues that may arise in the apprenticeship process.
- 4.11 Productivity levels across N2 are already significantly below the UK average. UK Gross Value Added (GVA) stands at £49,000 per job compared to N2 which stands at £41,770 per job. N2 also experiences significant skills shortages across a number of key occupational groups and job roles. Employers in N2 continue to report frustrations when attempting to recruit to the hard to fill vacancies in domiciliary care, doctors, nurses, teachers, advanced engineers, skilled coders and programmers.
- 4.12 Nottingham City has historically had low levels of apprenticeship participation due to low employer awareness, high levels of public sector and service sector employment and lower than average levels of youth employment.

5 Addressing Strategic priorities

- 5.8 This proposal proactively contributes to the Council's strategic objectives and aims to continue to raise standards and ensure that apprenticeship training is aligned to local workforce need.
- 5.9 Ensuring that employers, skills providers and citizens engage in apprenticeships is key to meeting local labour market requirements. Under-investment in the skills agenda has constrained productivity and inclusive economic growth in the UK, when compared to other developed economies. One of the key aims of the government reforms is to stimulate workforce training that is responsive to the needs of employers and so that more job opportunities are created.
- 5.10 It is in Nottingham City Council's interest to provide a service in this space as raising productivity and ensuring economic recovery benefits local citizens. There is a risk that neither local employers nor local providers will maximise the benefits from forthcoming reforms in the apprenticeship system. There are complex changes that will go live from April 2017 and this proposal will make the process of recruiting apprentices much simpler and streamlined for employers.
- 5.11 There is a strong alignment with the Nottingham Jobs Hub who source candidates for local employers, including apprentices. This extended service will enhance our offer of an end-to-end recruitment service for Apprenticeships.
- 5.12 Nottingham City Council will be a Levy paying employer and will be subject to a public bodies target for apprentices set at 2.3% of the overall workforce headcount as from 7 April 2017. This provides an additional incentive to maximise opportunities for apprenticeship levy spend.
- 5.13 The key benefits resulting from this proposal, by customer group, are as follows:
- (i) The apprenticeship sourcing and account management service will create a low cost, low burden process to enable more employers to engage with apprenticeships and to secure best value from providers.
 - (ii) Increased uptake of apprenticeships by SMEs in the local economy.
 - (iii) Assist and enable local employers to create opportunities for 18-24 year olds and other citizens to earn while they learn and develop relevant skills for the local job market.
 - (iv) Enable delivery of higher skills across our local workforce and delivery of courses aligned to local workforce needs.
 - (v) Support financial sustainability of high quality apprenticeship providers.
- 5.14 At a macro level, although there is substantial strength in the education and skills provision across the Midlands, current delivery models and infrastructure do not provide sufficient numbers of appropriately qualified people to keep pace with demand as the Midlands economy grows.

6 Alternative options considered

- 6.8 **Option 1** - Wait to see the actual impact of the reforms and then respond. This option is not favoured because it is considered that a proactive approach is required to be better placed to leverage potential benefits. In addition the Council needs to undertake a competitive procurement exercise for its own apprenticeship needs anyway. The risk attached to a 'wait and see' approach is that fewer SMEs in Nottingham will hire apprentices due to lack of support, and high quality providers will face an unstable period in the interim, while larger public body employers also wait to engage. Lower quality of apprenticeship training provision may lead to lower apprenticeship completions and higher NEET and unemployment levels in the City. The benefit of a 'wait and see' approach is that the up-front investment costs are avoided.
- 6.9 **Option 2** - Futures Delivery. The feasibility of Futures developing this service could be explored. Futures are co-owned by Nottingham City Council and Nottinghamshire County Council. However, the risk is that Futures also want to provide apprenticeship training and this raises issues regarding potential conflicts of interest for managing the Approved List.
- 6.10 **Option 3** – Partnership with another local authority. The service could be taken forward in partnership with another local authority. The risk being that the relevant political agreement for partnership is likely to be time consuming and will delay the launch of this service. The benefit of a partnership model would be to share and mitigate the costs incurred through the service. Partnership may strengthen the reputation of the service within the local area or region. However depending on how the service develops, partnership is something that can be re-evaluated in the future.