

**By:** Paul Carter – Leader of the Council  
Gary Cooke – Cabinet Member for Corporate & Democratic Services  
Amanda Beer – Corporate Director Engagement, Organisation  
Design & Development

**To:** Personnel Committee      **Date:** 8 June 2016

**Subject:** Apprenticeship Levy

**Classification:** **Unrestricted**

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**Summary:** This report updates Personnel Committee on the changes to apprenticeship frameworks and funding coming into effect on 6 April 2017. It includes consideration of the impact of the new apprenticeship levy, introduction of the new apprenticeship standards, targets and opportunities for KCC to deliver apprenticeships in a totally different way.

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## **1. Background**

- 1.1 There are 3 key changes to the delivery of apprenticeships these are
- a. The introduction of an apprenticeship Levy on all large employers
  - b. The replacement of the current apprenticeship frameworks with the new apprenticeship standards
  - c. The introduction of local targets for schools and Local Authorities.
- 1.2 The purpose of the apprenticeship levy is to fund an increase in the number and quality of apprenticeships across all sectors and meet the government's commitment of 3 million apprenticeship starts by 2020. The changes will put employers in control of paying and choosing apprenticeship training and make apprenticeship funding sustainable. The levy will come into effect on 6 April 2017 and apply to all UK employers in both the private and public sectors with an annual pay bill of more than £3m.
- 1.3 KCC has ambitious targets to improve the skills and employment of young people in Kent through apprenticeships and is already recognised nationally as a leading local authority in this area. Over the past four years we have delivered 696 apprentices with an annual target of 150. We currently offer an exceptional variety of apprenticeship opportunities ranging from administration to project management at all levels. In 2014/15, 75% of apprentices were retained by KCC, 20% found employment elsewhere and 3% went back into education.
- 1.4 Planning for the future in terms of skills development and role definitions is crucially important. Personnel Committee have previously agreed a workforce planning strategy for 2015 to 2020 which outlines KCC's approach to developing the workforce capacity and capability to support service transformation and enable KCC to become a Strategic Commissioning Authority. A key component of the strategy is the requirement for all education and training commissioning to support service priorities.

## **2. Financial Impact on KCC**

- 2.1 The levy will be charged at a rate of 0.5% of the annual pay bill. For KCC (non-schools) we estimate the levy will be £1,590,989. Further clarification is required as to whether the levy

will be applied to schools. If this is the case, the levy for KCC, including schools would be £3,979,012

- 2.2 HMRC will collect the levy through PAYE on a monthly basis. Once the levy has been paid employers will be able to access the funding for apprenticeship training and assessment through a digital account which should be available from January 2017. The government will apply a 10% top-up to the funds for spending on apprenticeship training in England. Therefore, for every £1, KCC will be able to claim back £1.10.
- 2.3 The levy will remain available to KCC for 18 months after which date it will be removed by government and given to small businesses. The government is looking into the possibility of allowing employers to also use their levy funds to pay for apprenticeship training of other employer's apprentices, for example, contracted service providers. Further information is expected in June 2016.
- 2.4 KCC will be able to use the levy (up to a cap) to cover the costs of apprenticeship training, including English and maths, assessment and certification. It will not be possible to use the levy funds to cover wages, supervision costs or overheads. Levy funding cannot be used to fund apprenticeships which have started before April 2017.
- 2.5 The levy money is held by the employer and must sit with the commissioner of apprenticeship training and accreditation. In KCC, this is the Head of organisation Development.
- 2.6 The Government is planning to collect £2.7 billion from the Levy. There is no information on what will happen to any money not spent on apprenticeships.

### 3. **Funding Caps**

- 3.1 Under the Apprenticeship Levy from April 2017, the co-payment figure in bold will be the amount payable by an employer for the training costs out of the Levy pot. However, it was announced at the end of May that large employers would not have to pay any employer contributions.
- 3.2 As a large employer KCC would be eligible for the 16-18 incentive of £600 and the successful completion incentive of £500 but not the small business incentive of £500. These incentives apply per apprentice.
- 3.3 The table at Appendix 1 shows the different levels of funding attached to the new apprenticeship standards. The row of the table showing "employer contribution if the cap maximum is required" does not apply to KCC, but all other figures are relevant.

### 4. **Apprenticeship Training**

- 4.1 In addition to the apprenticeship levy, changes are being made to the apprenticeship training and assessment.
- 4.2 **Apprenticeship Standards** are the new type of apprenticeship developed by employers. Each standard covers a specific job role and sets out the core skills, knowledge and

behaviours an apprentice will need to be fully competent in their job role and meet the needs of employers in the sector. Standards are developed by employer groups known as 'trailblazers'. KCC's Organisation Development function has been pioneering the design and delivery of the 'Trailblazer' Standard for the Public Sector Operational Delivery Apprenticeship in conjunction with the Civil Service and the Authority has received agreement to use the standard from September 2017. The standard provides an apprenticeship for people working on the front line in public services and typically takes 12 to 18 months to complete.

4.3 **Apprenticeship frameworks** traditionally involve work-related vocational and professional qualifications which combine workplace and classroom based training. These will be phased out between now and 2020, and replaced with employer-led apprenticeship standards.

## 5. Apprenticeship options for KCC

5.1 KCC as the employer has an opportunity to change the way we deliver apprenticeship training and redefine roles within the local authority to maximise funding from the levy.

- **Increasing Apprenticeship Opportunities in KCC:**

5.1.1 Many of the roles within KCC could be reviewed and redefined as apprenticeships with a clear career pathway supported by the new apprenticeship standards. There are even more opportunities to optimise apprenticeship funding by commissioning training within the apprenticeship standards in place of existing qualifications programmes. For example, Skills for Care have developed 4 apprenticeship levels from care assistant (level 2) to Leadership (level 5). Accessing the apprenticeship levy funding would enable KCC to acquire funding to help meet the costs of a higher level development programme which supports the increasingly complex role of front line staff in adult social care.

- **Degree Apprenticeships**

5.1.2 The Head of Organisation Development is already in discussions with Christchurch University and Health and Social Care partners across Kent and Medway about a range of new degree apprenticeships to maximise recruitment and retention across the health and social care sector and ensure we are delivering a workforce for the future. This is particularly important within a sector which will see significant reductions in HEE funding for pre and post registration programmes in 2017 and is critical to delivering statutory services.

- **Service Providers and Apprenticeships**

5.1.3 KCC already encourages service providers to recruit and develop apprentices with some Divisions setting explicit targets within contracts. Growth, Environment and Transport is one example. It is unclear exactly what level of flexibility there will be within the new levy funding to support service providers within our supply chain. However we are exploring options with several national associations including Skills for Care to access workforce development monies to help fund apprenticeship training in SMEs.

## 6. Delivery of Apprenticeship Training

6.1 The current apprenticeship training programme delivered by KT&A is based upon the current apprenticeship framework. With the new levy funding we have an opportunity to be a market leader by defining and commissioning KCC's workforce requirements.

6.2 Under the new apprenticeship standards KCC as a large employer could ask to have their own apprenticeship contract. Being part of the national trailblazers group KCC is in an excellent position to develop an in-house programme and develop new standards which incorporate the excellent training already developed and accredited.

## **7. Targets**

7.1 The target for public sector apprenticeships is 2.3% of the total headcount. Based upon current headcount figures KCC should have a target of 229 apprentices. The target for KCC Schools would be 464. The overall target for KCC including Schools would be 693.

7.2 It is important to note that apprenticeships do not need to be new starters and apprenticeship training opportunities can be offered to existing staff.

## **8 Timescale for further Information**

8.1 In June 2016 the government will release further information on:

- Provisional funding bands. This will set out the maximum amount of funding for each apprenticeship level from April 2017.
- Provisional level of extra payment for hiring 16 to 18 year old apprentices.
- Provisional amount that will be paid for English and maths training for apprentices.
- Eligibility rules for spending apprenticeship funding
- Further information on who can provide apprenticeship training and how to set up your organisation to deliver apprenticeship training.

8.2 In October 2016 further information will be released on:

- The final levels of funding, government support, 16 to 18 payments, and English and maths payments for apprentices starting from April 2017
- Full draft funding eligibility rules.

8.3 In December 2016 information is expected on:

- Final detailed funding and eligibility rules
- Further employer guidance from HMRC on how to calculate and pay the apprenticeship levy.

## **9. Conclusion**

9.1 As an employer, KCC has a well developed approach to workforce planning and apprenticeships will continue to have an important role in achieving the objectives of the workforce planning strategy. These national changes allow us to further develop apprenticeships to meet our changing service delivery and business needs.

9.2 Whilst further clarification about the changes in apprenticeship funding and training is needed, it is clearly important that KCC maximises the levy funding and builds on the success of the current apprenticeship scheme. The apprenticeship levy provides an opportunity for KCC to radically look at who and how apprenticeship training is delivered and invest in new apprenticeship training programmes including degree level apprenticeships to meet strategic workforce plans and support the employment and career progression of apprentices.

9.3 It is also important that KCC considers its role as a strategic commissioning authority and builds on the good procurement practice developed in areas like Growth, Environment and Transport. The apprenticeship levy potentially offers greater flexibility which we should encourage our contracted service providers to take advantage of and regularly celebrate the value and success of apprentices within KCC.

## **10. Recommendation**

10.1 Personnel Committee is invited to consider and note the contents of this report and commission further work incorporating government guidance expected in June.

**Julie Cudmore**  
**Head of Organisation Development**  
**03000 417212**

**Sue Dunn**  
**Head of Skills and Employability Service**  
**03000416044**

### **Notes:**

KCC apprenticeship levy calculated on 2015/16 paybill costs.  
Headcount figures as at 17.05.16.

Background documents - none