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To: **Personnel Committee**

Date: 13 October 2016

Subject: Update on Apprenticeship Levy

Classification: **Unrestricted**

Summary: This report updates Personnel Committee on the changes to the apprenticeship training and funding coming into effect in April 2017.

1. Background

- 1.2 In June 2016 Personnel Committee considered a report on the Government proposals to change apprenticeship training and funding.
- 1.3 Corporate Management Team were invited to consider the impact of the changes to apprenticeship training and funding on 11 June 2016 and to comment on the options for discussion at Corporate Board on 22 July 2016.
- 1.4 A further report and discussion took place at Corporate Board on 22 July 2016. Corporate Board was asked to endorse a Task and Finish Group to take forward the employment priorities and oversee the implementation of the levy and a progress update for October 2016. An early update was requested and delivered at Corporate Board on 12 September 2016.

2. Context

- 2.1 KCC's strategic ambition is for all young people in Kent to become better qualified and more employable; to be able to participate and achieve success in education and work based training at least until the age of 18; and to ensure more 18 to 24 year olds can access higher learning or sustained employment that is appropriate to their needs and relevant to the local and national economy.
- 2.3 As an employer, KCC's ambition is to be an employer of choice, attracting and retaining a workforce with the skills, knowledge and behaviours for the future – not just keeping pace with change but leading the way. Developing career pathways and opportunities which meet the aspirations and expectations of individual employees and directly supporting the needs of the business.
- 2.4 From April 2017, an apprenticeship levy is to be introduced and employers operating in the UK with an annual pay bill of over £3 million will be required to pay a 0.5% levy on their pay bill each month.

- 2.5 The purpose of the apprenticeship levy is to fund an increase in the number of quality apprenticeships across all sectors to meet the government target of 3 million apprenticeship starts by 2020. The changes give more control to employers through direct access to training funds and creation of apprenticeship programmes through the Trailblazer process.

3 Levy Update

- 3.1 Since the last Personnel Committee Central Government have published further details in regards to the levy and these are summarised below:
- 3.1.1 Confirmation that the levy's introduction and payment which will be collected via the PAYE system will be effective from April 2017.
- 3.1.2 There are 15 funding bands proposed for apprenticeships, ranging from £1,500 to £27,000. Existing and new apprenticeship frameworks and standards will be placed within one of these funding bands. The upper limit of each funding band will cap the maximum amount of digital funds a levy paying employer can use towards individual apprenticeships.
- 3.1.3 To support additional costs associated with younger apprentices, young care leavers and young adults with additional learning needs, Government propose to make an additional payment of £1,000 to employers and a further £1,000 payment to training providers to help with these extra costs.
- 3.1.4 The government is committed to helping apprentices gain the minimum standard of Level 2 in English and Maths. Government propose to pay training providers £471 for each of these qualifications (as we do now) whilst an individual is working towards an apprenticeship standard. This will come direct from the government and will not be deducted from an employer's digital account.
- 3.1.5 Where an apprentice requires additional learning support as a result of conditions such as dyslexia, learning difficulties or disabilities, training providers will receive up to £150 a month to support these learners, plus additional costs based on evidenced need. This is a continuation of the current system.
- 3.1.6 Employers will be able to use funds in their digital account and access government co-investment support to retrain individuals to undertake an apprenticeship provided the training will allow them to acquire substantive new skills, and the content of the training is materially different from any prior training or a previous apprenticeship.
- 3.1.7 From 2018 levy-paying employers will be able to transfer up to 10% of the annual value of funds entering their digital accounts to other employers on the digital system.

4. Targets

- 4.1 The target for public sector apprenticeships is 2.3% of the total headcount. Based upon current figures the KCC target is estimated to be 243, this figure includes connected parties (Commercial Services, Gen2 and Kent Legal Services). The target for KCC schools is estimated to be 464, making an overall target for KCC including schools of approx. 707.

- 4.2 KCC's current apprenticeship target is 150 apprenticeships extended to 200 by April 2017.

5. Financial Impact for KCC

- 5.1 The levy will be charged at a rate of 0.5% of the annual pay bill. Finance has estimated the levy will be approximately £3.2 million, including KCC schools. The levy will be collected through PAYE on a monthly basis with employers having access to funds through a digital account. The levy funding remains available to the employer for 18 months.
- 5.2 The government will apply a 10% top-up to the funds for spending on apprenticeship training. Levy funding cannot be used to cover wages, supervision costs or overheads. Claims can only be made for new apprenticeships starting after 6 April 2017.

6. KCC Apprenticeships for All Programme

- 6.1 The introduction of new apprenticeship standards provides KCC with an opportunity to develop apprenticeship training programmes which build future capacity and capability, attract young people into the organisation, provide clear career pathways and help to retain future talent. Alignment of new standards with professional registration will meet our statutory requirements and increase the quality and quantity of training available for the sector.
- 6.2 Since Corporate Board on 22 July 2016 KCC have developed the 'Apprenticeships for All' programme which aims to provide employment opportunities for everyone irrespective of qualification grades. The programme sees the development of pathways into apprenticeships via work experience, traineeships, graduate placements and supported internships. In addition development of career pathway for existing staff is also underway.

7. Maximising the Apprenticeship Levy

- 7.1 Following the endorsement of Corporate Board in July 2016 a task and finish group has been established to oversee the implementation of the levy and take forward employment priorities. Key areas of activity within the HR/OD work stream include:
- A review of the existing training to identify opportunities for conversion to apprenticeship programmes.
 - Review of spend on professional development.
 - Ongoing work on the identification and development on potential apprenticeship career pathways.
 - Development and launch of the Social Care career pathway.
 - 'Kent Manager' apprenticeship programme at level 4 & 5.
 - Comprehensive communication and engagement plan.
 - Celebration of investment in apprenticeships and launch changes
 - Ongoing workforce planning activity to identified apprenticeship posts.
 - Develop KCC training provision for selected apprenticeship programmes
 - Identify and develop opportunities for income generation i.e. Apprentice assessment
 - Development of strategy for sharing and maximising the levy.

8. Timescales for Further Information

- 8.1 The government has set out a timetable for further information to be released regarding funding levels, eligibility and further employer guidance. The future key dates are October and December 2016.

9. Recommendations

- 9.1 Personnel Committee are invited to consider and note the contents of this report and endorse the approach to implement to Apprenticeship Levy.

Background documents:

“Apprenticeship Levy” Personnel Committee – June 2016

“Apprenticeship Levy” Corporate Management Team – June 2016

“Apprenticeship Levy” Corporate Board – July, September 2016

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