

## **AGENDA ITEM 5**

### **REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET**

**27<sup>TH</sup> JULY 2017**

### **REPORT OF THE HEAD OF EDUCATION, EMPLOYMENT AND SKILLS**

### **PORTFOLIO: EDUCATION, EMPLOYMENT AND SKILLS**

## **SUPPORTING APPRENTICESHIPS**

### **SUMMARY**

This report requests Cabinet members to consider approval of a new Apprenticeship Grant, to boost the numbers of high quality apprenticeships, particularly in areas of high demand for skills, and help smaller businesses to recruit and train apprentices.

### **RECOMMENDATIONS**

It is recommended that the Combined Authority Cabinet:

- i. Note the latest information on the delivery of the Combined Authority's existing support for apprenticeships, and consider the new national policy framework within which we now operate;
- ii. Agree to fund a revised model of delivery for support for apprenticeships, with three key elements:
  - A grant to support apprenticeships in priority sectors as identified in the Strategic Economic Plan
  - Support for small employers to create new apprenticeships.
  - An initiative to promote the creation of high quality, higher and degree apprenticeships in priority sectors; and to consult on proposals for additional support.
- iii. Agree to receive a further report in Spring 2018, with updated information on apprenticeships in the Tees Valley, including an assessment of the operation of the new Apprenticeships Levy within our area, and recommendations for further actions by the Combined Authority and/or central government.

## Background

1. The Combined Authority has given a strong commitment to encourage Apprenticeship growth that supports the national policy to create 3 million new apprenticeships by 2020. Tees Valley has a strong track record of encouraging high levels of Apprenticeship participation, with recent growth far exceeding national rates.
2. The Combined Authority has in the Strategic Economic Plan provided a clear commitment to 'increase both the number of Small and Medium Employers and larger employers offering apprenticeships, and the number and quality of apprenticeships on offer'. It also states that in Tees Valley we will:
  - Broaden the apprenticeship offer to more companies and sectors;
  - Increase the number of advanced, higher and degree apprenticeships being offered by employers.
3. As a result the Combined Authority works with employers to analyse and understand their skills gaps and offer support to address these. Apprenticeship creation is one of the opportunities businesses have to address their skills needs. Apprenticeships offer specific training, tailored via the introduction of the Apprenticeship levy system of qualifications, and "Standards" that have been developed by businesses.
4. Demonstrating this commitment the Combined Authority has implemented a range of support to businesses that includes creating an apprenticeship recruitment portal for Tees Valley, supporting and promoting the training provider network to employers, promoting apprenticeships in schools to pupils and parents and providing employer grants directly linked to the creation of new apprenticeships.
5. In June the Combined Authority hosted two key strategic partnership events attended by 150 key stakeholders. One event focused upon School Improvement and the other on Employment and Skills. Both events supported and debated the priorities for the future and suggested a range of priorities for focus in the future. At both events Apprenticeship support was highlighted strongly and an area for focus to support skills development opportunities to support economic growth for our priority businesses.

## The Tees Valley's current Apprenticeship Grant scheme

6. During the academic year 2016-17, the Combined Authority has benefited from the devolution of a government programme for SMEs, Apprenticeship Grant for Employers, and has tailored this programme to be more attractive to local employers. This offers a grant to employers who create a new position for an apprentice aged 16-24. The current offer under this scheme is based on a basic grant of £1,500 for up to 3 apprentices with an extra £1,000 where they are in certain priority sector roles. The delivery mechanism enabled Training Providers to promote the grant to potential employers and support them to access the training required.
7. As at 13<sup>th</sup> July the devolved scheme has supported 945 new apprenticeships to date, with 740 businesses. Applications will continue to be considered for new apprentice starts to the end of July. Final figures will be available at the end of August but are expected to be around 1000 new apprenticeships supported.

8. The funding provided to date for the current scheme is:

Funding source	Expenditure
DfE	1 536 000
TVCA	524 000
<b>Total Aug 16-July 17</b>	<b>2 060 000</b>

9. Additional performance information is shown in Annex 1.
10. This arrangement comes to an end in July 2017, as the national system changes radically to reflect the new Apprenticeship Levy. As a result there is a need to consider how the Combined Authority can build on the success of the current programme, through a locally funded initiative, tailored to the needs of our local economy and to help deliver the Strategic Economic Plan.

### **Apprenticeship levy introduction**

11. In May 2017 the new Apprenticeship Levy policy was implemented that gave greater control to employers for arranging and paying for apprenticeship training. Businesses with a wage bill in excess of £3m will pay approximately 0.5% of their wage bill as a levy via PAYE. Businesses then draw down from this contribution to pay training providers for the training received, thus putting employers in greater control of the type of training provider to use and the quality and detail of the training provided.
12. Alongside the introduction of the levy there has been a change in the training provided for apprenticeships, the move has been from Frameworks to Standards. The Standards are more directly linked to job roles and will make it easier for employers to select the appropriate Standard.
13. The new levy process also includes an element of employer support introduced from 1<sup>st</sup> May 2017, that is:
- No National Insurance contributions are payable for apprentices below 25 and who earn below £827 per week,
  - 16-18 year olds: £1 000 paid to both employer and provider
  - 19-24 year olds that have been in care or have an Education, Health and Care plan: £1 000 paid to both employer and provider
  - Full training costs of 16-18 year olds for Employers with less than 50 employees will be met by DfE.
14. Although the emphasis is currently on levy-paying employers expanding their own direct role on apprenticeships, the government is considering mechanisms that may allow unspent levy resources to be recycled to the supply chain. We propose to explore additional mechanisms, which would need to be agreed with government, to allow unspent levy payments in the Tees Valley to be retained and recycled within the area. Discussions will also continue directly with DfE to ensure data is shared regarding Tees Valley employers contribution to levy income and the levels of expenditure drawn down. The Combined Authority will also support and encourage businesses to access levy payments by better understanding how the new levy system can provide more tailored solutions to addressing their skills gaps.

15. Further information will be provided on the impact of the introduction of the Levy as it is implemented, with an update and assessment presented to the Cabinet in spring 2018.

## **Proposal**

16. Taking all this into account, it is proposed to implement a new apprenticeship support grant for employers that builds upon the available evidence of demand gained from the current grant offer, supports economic growth and increases the number of apprenticeships in priority sectors.
17. The new grant offer would provide two separate and distinct offers of grant:
  - (a) An offer of £2,500 for small to medium businesses i.e. up to 250 employees from priority sectors that provide apprenticeships from a distinct list of recognised sector specific qualifications from the Apprenticeship Standards or Frameworks.
  - (b) An initial £500 grant to employers that employ fewer than 50 employees, create a new apprenticeship and employ an apprentice aged 19-24. In order to encourage high quality and sustainable employment for the apprentice, an additional £500 would be paid if the apprentice continues to be in employment more than 13 months after the date of starting their apprenticeship.

Alongside this grant offer it is proposed to launch a programme of promotion, brokerage and support that targets priority sector employers to increase their creation of new higher and degree level apprenticeships. This work will ensure access to the priority sector grant offer, and promote the creation of higher and degree level apprenticeships. This employer engagement will also consider what business support and/or future incentives would assist the creation of greater numbers of higher and degree level apprenticeships in priority sectors and offer business support to undertake workforce planning through skills development of the existing workforce. A report on the progress with this work will be provided to Cabinet in spring 2018.

## **FINANCIAL IMPLICATIONS**

18. This proposal requires an agreement to allocate funding to cover demand for this incentive over the next year. As a demand-led programme, we have estimated take-up based on experience with the current grant offer. DfE funding is no longer available, so the programme will be fully funded locally.
19. Our estimate of the total cost of the programme is £1.3 million. Currently the Investment Fund identifies £8.5 million over 4 years for programmes that support access to Jobs, flexible training, job creation and employer engagement and support. This proposal supports all of these activities, and can therefore be funded within the resources allocated in the agreed Investment Plan for this purpose.
20. This programme will be reviewed early in 2018 to ensure the offer continues to deliver to the demands and expectations of businesses and compliments national policy. A full report will then be provided to Cabinet in the spring of 2018 with performance details and recommendations for any future consideration of the scheme.

21. As part of the programme, £110k would be allocated to provide the resources for management and implementation of this programme. It is anticipated that this will provide resource for Combined Authority staffing and a contribution to employer brokerage to market the grants. This funding will be subject to appropriate due diligence through the Tees Valley Assurance Framework.

#### **LEGAL IMPLICATIONS**

22. There are no relevant legal issues and implications relating to this proposal

#### **RISK ASSESSMENT**

23. The risk to the Combined Authority is primarily reputational if the grants offered are not taken up, and there are financial risks if the offer is substantially oversubscribed. The proposal is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

#### **CONSULTATION**

24. The Mayor and Council Leaders and Employment, Education and Skills Partnership Board have been consulted. Engagement has also taken place with providers, business and apprentices as the current programme has been delivered.

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Overall Apprenticeship performance in Tees Valley	
<ol style="list-style-type: none"> <li>1. Recent data analysis provides evidence that 9, 920 apprentices started in 2015/16 and whilst apprenticeship growth is strong in Tees Valley, only 27% of employers create apprenticeships.</li> <li>2. There has been a 26% growth of new apprentices in Tees Valley aged over 25, compared to 5% growth nationally.</li> <li>3. The number of 19-24 year olds starting apprenticeships in Tees Valley has grown by 2% whilst this has decreased by 5% nationally.</li> <li>4. The most popular apprenticeships in 2015/16 were:</li> </ol>	
Apprenticeship sector	Percentage of total starts
Business and professional	28%
Health care	25%
Advanced Manufacturing	15%
Other	11%
Culture and Leisure	8%
Construction	7%

**Tees Valley Apprenticeship Grant for Employers 2016/17 performance summary as at 3<sup>rd</sup> July 2017**

Top Apprenticeship Frameworks supported to 3 <sup>rd</sup> July 2017	Individuals supported
Business & Administration	170
Hairdressing	120
Customer Service	63
Construction building	56
Children & Young Peoples Workforce	53
Hospitality	43
Accounting	35
Plumbing & Heating	34
Social Media & Digital Marketing	34
IT, Software, Web & Telecoms	31

The majority (75%) of apprentices were paid at the National Apprenticeship minimum wage for their age.

The number of priority sector apprentice roles supported is 247, 26% of the total apprentices created.

Breakdown of results to 3 <sup>rd</sup> July 2017	Number and % of total apprenticeships created*
Company size (No of employees):	
1-10	573 (61%)
1-49	844 (90%)
50-100	53
101-200	35
201-249	7
Individuals supported:	
Age 16-18	529 (56%)
Age 19-24	410 (44%)
Framework Level:	
Level 2	658 (70%)
Level 3	272 (29%)
Level 4	5
Unknown	4

**Please note: this is the number of apprentices not the number of businesses, further analysis is required to report on number and size of businesses.**