

AGENDA ITEM 12

REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET

30 NOVEMBER 2018

REPORT OF THE HEAD OF EDUCATION, EMPLOYMENT AND SKILLS

PORTFOLIO: EDUCATION, EMPLOYMENT AND SKILLS

SUPPORTING APPRENTICESHIPS

SUMMARY

This report provides a summary of apprenticeships created in Tees Valley with a view to provide information to inform proposed changes to the Apprenticeship grant Support for Employers. The report highlights that in the last twelve months there has been a significant reduction across England in the number of apprenticeships being created. This is also the case in Tees Valley. The report also proposes changes to the current Apprenticeship grant Support for Employers. The proposed changes would encourage businesses to create more apprenticeship opportunities. It is proposed to continue to assist priority and high growth sector businesses to recruit more apprentices and provide incentives to retain them to progress onto higher level apprenticeships.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. Agrees to amend the current criteria for the Apprenticeship Support for Employers grant to:
 - Widen the range of Businesses from priority sectors eligible for the grant;
 - Increase the value of individual Grants available to employers and provide incentive grants for retention and progression of apprentices

DETAIL

Background

1. The current Apprenticeship Grant for employers in Tees Valley as agreed by cabinet was launched in August 2017. £1.3 million was allocated from the Combined Authorities Investment Fund to provide grants to employers and brokerage services.
2. The scheme offers two grants:

Grant A £2,500

The eligibility criteria includes that the employer must have less than 250 employees, the apprentice must be over the age of 19, the business has to be in a priority sector decided by the companies Standard Industrial Classification (SIC) code that defines the sector of the business.

Grant B £1,000 (£500 payed initially and a further £500 on completion of 13 months in employment)

The eligibility criteria includes that the employer must have less than 50 employees and that the apprentice must be aged between 19 and 24.

Additional criteria for both grants includes that the apprentice must be employed in a Tees Valley workplace, be a new employee, an existing employee or an existing apprentice progressing to a higher level apprenticeship. In order to receive the Grant the apprentice must have completed a minimum of 13 weeks in learning and employment, and undertaking an approved apprenticeship framework or standard qualification.

3. From August 2017 to 30th September 2018 this grant scheme had supported the creation of 171 apprenticeships with 163 businesses. 35 apprenticeships were supported by Grant A and 128 by Grant B.
4. The funding committed up to the 30th September totals £223,500. £87,500 to Grant A and £136,000 to Grant B. There remains £1.77m unallocated.

Apprenticeship performance in Tees Valley

5. In May 2017 the new Employer 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, pay approximately 0.5% of their annual wage bill as a levy via PAYE. Businesses then draw down from this contribution to pay training providers for the training received. This gave employers greater control of the type of training provider to use and the ability to negotiate a price for the training.
6. It has taken some time for employers to become knowledgeable about the changes and understand the complex process to utilise their levy contributions for training. Therefore there has been a significant reduction in the number of apprenticeships created nationally and in the Tees Valley during the period from launch of the Apprenticeship Levy. A summary of the number of apprentices created compared to national and North East performance is attached at Appendix 1.
7. This has resulted in a significant reduction in the number of businesses applying for an apprenticeship grant from the Combined Authority. It is therefore proposed to continue to offer a grant but to enhance the criteria and funding available to priority sectors.

8. The Combined Authority has challenged the Department of Education to assist in supporting Tees Valley businesses to create more apprenticeships. This includes a request for better employer data so that those employers that are not fully utilising their levy can be identified and provided with support. This data would also provide information regarding the level of unutilised levy funding. Working with other Combined Authorities a request has also been made to ring fence and devolve to the Combined Authority the unutilised levy funding to then redirect it to Tees Valley businesses that could create apprenticeships. Work will continue to request this as part of the ongoing devolution discussions.

Proposal

9. It is proposed that revisions are made to the current grant to continue to support economic growth and the creation of apprenticeships as highlighted in the Strategic Economic Plan and the Education, Employment and Skills Strategy.
10. The proposal is to widen the range of employers that are eligible to apply for the grant within each priority sector. The proposal will also promote retention and career progression up to higher and degree level apprenticeships.
11. It is also proposed to continue to target the priority sectors as identified in the Strategic Economic Plan but to add the high job replacement demand sectors, including construction, health, care and social care. The additional SIC codes that will be eligible is attached at Appendix 2.
12. It is also proposed to offer a higher value grant for those employers creating higher level apprenticeships that reflects the higher financial commitment required by employers.
13. The new offer will also include a financial incentive to progress apprentices through the levels from level 3. This would result in stability for those undertaking the apprenticeship, to increase their skill levels and ultimately the skill set of the business.
14. The new Grant offer is proposed is:

Grant A

This grant would be available for employers from a priority sector identified via the SIC codes and would offer a sliding scale related to the level of the apprenticeship as follows:

Levels 2 & 3	£2,000
Levels 4 & 5	£3,000
Levels 6 & 7	£4,000

If the apprentice is progressing between levels 3 to 7 an additional grant of £2,000 would be offered for each progression.

Additional Criteria will include that the apprentice must be aged over 19, the business must have less than 250 employees, be undertaking an approved apprenticeship framework/standard qualification and have completed a minimum of 13 weeks in learning and employment at the level applied for.

Grant B

This grant would be available for employers with less than 50 employees from any sector and would offer a sliding scale relating to the apprenticeship level as follows.

Levels 2 & 3	£500
Levels 4 to 7	£1,000

If the apprentice is progressing between levels 3 to 7 an additional grant of £1,000 would be offered for each progression.

Additional criteria will include that the apprentice must be aged over 19 and undertaking an approved framework/standard qualification and have completed a minimum of 13 weeks in learning and employment at the level applied for.

FINANCIAL IMPLICATIONS

15. This proposal requires an agreement to widen the criteria for awarding previously agreed funding to provide Apprenticeship support for businesses creating apprenticeships.
16. This programme will utilise the existing approved funding envelope of £1.3m. No additional funding is being requested. The budget will be continually reviewed and if applications increase significantly Cabinet will be informed to consider if further funding is required or any further changes to eligibility should be made.

LEGAL IMPLICATIONS

17. There are no significant legal issues and implications for implementing this programme of activity.

RISK ASSESSMENT

18. Any risk is related to the contracting and award of funding to third parties. This process of award will be undertaken taking notice of public contracting guidance and managed accordingly.
19. This programme is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION AND COMMUNICATION

20. Consultation has been undertaken with Employers and Providers of the current grant, the Tees Valley Combined Authority Management Group and Education, Employment and Skills Officer Group.
21. Further communication and marketing of the new Grant will be undertaken to employers, training providers and key stakeholders. This will include a launch at a Business Summit in December 2018.

Name of Contact Officer: Shona Duncan
Post Title: Head of Education, Employment and Skills
Telephone Number: 01642 528832
Email Address: shona.duncan@teesvalley-ca.gov.uk