

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 06 November 2017

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Fareham Borough Council Apprenticeship Scheme</b>
<b>Report of:</b>	Director of Finance and Resources
<b>Strategy/Policy:</b>	Finance Strategy
<b>Corporate Objective:</b>	

**Purpose:**  
To develop the current apprenticeship scheme at Fareham Borough Council following the introduction of the Apprenticeship Levy and Public-Sector Apprenticeship targets.

**Executive summary:**  
To help achieve its target of creating 3 million new apprentices by 2020, the Government has introduced, from April 2017, the Apprenticeship Levy and Public-Sector Apprenticeship targets.

This report details how the changes will affect Fareham Borough Council and seeks approval on a range of measures to develop the existing apprenticeship scheme in light of the new arrangements.

**Recommendation:**  
It is recommended that the Executive agrees to adopt a 3-way approach to grow its Apprenticeship scheme incrementally over a five-year period as set out in paragraph 15 of the report.

**Reason:**  
The proposals enable The Council to make efficient use of the Apprenticeship Levy whilst paying due regard to the Public-Sector Apprenticeship target set.

**Cost of proposals:**  
The Apprenticeship Levy will cost approximately £40.5k per year and will be paid from the apprentice trainee budget. The ongoing costs of apprenticeship training detailed in the proposal will be covered by drawing from the £40.5k paid into the Apprenticeship Levy fund.

**Appendices:**

**Background papers:**

**Reference papers:** Enterprise Bill 2015  
The Finance Bill 2016

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### Executive Briefing Paper

<b>Date:</b>	06 November 2017
<b>Subject:</b>	Fareham Borough Council Apprenticeship Scheme
<b>Briefing by:</b>	Director of Finance and Resources
<b>Portfolio:</b>	Policy and Resources

#### INTRODUCTION

1. As part of the Enterprise Bill 2015 the Government outlined its commitment to creating 3 million new apprenticeship starts by 2020. This was reinforced in The Finance Bill 2016 where Legislation introduced both the Apprenticeship Levy and Public-Sector Apprenticeship Targets to help deliver these new apprenticeships.
2. The Apprenticeship Levy affects all employers with an annual wage bill in excess of £3 million. The Levy will be charged at a rate of 0.5% of the annual wage bill and will be paid monthly via PAYE alongside Income Tax and National Insurance. Employers can then use the amounts that they have paid into the Levy to pay for apprenticeship training costs. The Levy payment that Fareham Borough Council will be expected to pay is estimated at approximately £40,500 per year.
3. The Levy can be used to pay the training costs for new apprentices starting a recognised apprenticeship framework or standard. It can also be used to cover the training costs of existing employees who can embark on an apprenticeship to develop their skills further. For existing employees, the apprenticeship must be either, at an academic level higher than what the employee currently possesses, or the new learning must be substantially different from the qualification that the employee already holds.
4. The Levy can only be used to cover the costs of the apprenticeship training. It cannot cover other costs such as salary, supervisory costs, administration or other employment costs.
5. In addition to the Levy, public sector organisations with a headcount in excess of 250 have been set a target of new apprenticeship starts each year commencing April 2017. The target set is 2.3% of the organisation's headcount. For Fareham Borough Council, this equates to approximately 10 new apprenticeship starts each year.
6. There are no financial penalties for failing to meet the Public-Sector Target but organisations need to give the targets due regard. The steps taken showing this due regard are likely to be published in the future.

7. Both measures will have an impact on Fareham Borough Council's approach to developing apprentices and therefore a plan needs to be in place to utilise the Levy and work towards the Public-Sector Target set.

## **BACKGROUND**

8. In September 2011, the Council commenced a new apprenticeship scheme introducing apprentices to a number of work areas across the organisation. The apprentices were not employed directly by the Council but via an apprenticeship training agency and were paid at the National Minimum Wage rate for apprentices.
9. Since the start of the new scheme until August 2015, there have been 34 new apprentice starts and, although there had never been any guarantee of a permanent job once the apprenticeships had been completed, it should be noted that 10 apprentices out of the 34 were taken on as full-time employees.
10. Despite the initial success of the scheme, by 2015 it was recognised that the economic climate had shifted and Fareham Borough Council's apprenticeship scheme was not being seen as attractively as it once was and the number and quality of potential candidates had dropped considerably.
11. A decision was therefore made to change the focus of the scheme. Instead of trying to recruit larger numbers across a wide range of work areas, the decision was made to concentrate on just 2 areas where it was recognised that there was a high possibility that a permanent job would result. The apprentices would be employed directly by the Council, not through the training agency and the reduction in numbers meant that the Council would be able to pay at a higher rate – age related minimum wage as opposed to the apprentice minimum wage which had been considerably lower.
12. In September 2015, the Council recruited an apprentice gardener and an apprentice vehicle fitter. Both apprentices have proved to be successful and have now completed their apprenticeships. A decision now needs to be made regarding the future direction of the apprenticeship scheme taking into account the Apprenticeship Levy and the Public-Sector Targets.

## **WAY FORWARD**

13. The Council recognises the value that good quality apprenticeships can give, both to the apprentices themselves and to the organisation. The Council is therefore committed to an apprenticeship scheme but one where the focus continues to be on quality rather than quantity.
14. Whilst consideration should be given to the Levy and the Public-Sector Target, targets should not simply be chased for their own sake and Levy spend should only be used where appropriate.
15. It is therefore proposed that the Council should take a 3-way approach to grow the scheme incrementally over a five-year period.
  - i. As any vacancy arises, consideration should be given to whether or not the role can be replaced as a career graded one commencing as an apprentice. There would need to be an appropriate apprenticeship framework or standard that matches the job for it to change to an apprenticeship role. This approach is likely to attract higher quality candidates who are looking for a recognised career path and has already been adopted for a number of recent vacancies within the Communications, the

Leisure and Community and the Democratic Services teams.

- ii. Maintain the existing apprenticeship gardener and vehicle fitter roles and refill them as they become vacant.
  - iii. If appropriate, use the apprenticeship scheme to develop the skills and qualifications of existing employees. This would need to be done in line with the rules regarding the uptake of apprenticeships by existing employees. There would also need to be an appropriate Apprenticeship framework or standard to match the job that the employee is undertaking.
16. The training costs associated with the apprenticeships currently identified will total approximately £27k and these costs will be paid from the Levy payment leaving a surplus Levy of approximately £13k. Employment costs associated with employing an apprentice are approximately £20k per year. To avoid increasing employment costs solely to spend the available Levy it is important to follow the 3-way approach detailed in point 15 rather than simply create and recruit to new apprenticeship roles.

### **PUBLIC SECTOR APPRENTICESHIP TARGET**

17. Point 5 of this report refers to the target that affects all Public-Sector organisations with headcounts in excess of 250. Whilst all Public-Sector organisations face this target, it is particularly demanding for Councils like Fareham who have retained in-house services and therefore maintained higher headcounts. It is anticipated that very few organisations will be able to achieve and maintain their Public-Sector target.
18. To meet its own target, Fareham Borough Council would need 10 new apprentice starts year on year. The Council wants to avoid a situation where permanent, full time posts are having to be deleted to be replaced by apprenticeship roles, solely to meet the Public-Sector target.
19. The Vanguard principles that Fareham Borough Council works to mean that the Council should do the right thing and not take perverse actions simply to meet a target. As such, the Council is committed to an Apprenticeship scheme that puts quality above quantity.

### **CONCLUSION**

20. By taking the 3 main approaches detailed in point 15 of this report, it is anticipated that the Council will be able to develop a high-quality apprenticeship scheme that will continue to grow over the coming years.
21. The Levy that the Council pays will cover the training costs in connection to the apprenticeship starts.
22. Although it is unlikely that the Council will meet its Public-Sector Apprenticeship Target, by focussing on a high-quality scheme that will naturally increase in size as vacancies arise, the Council will be giving the target the due regard that is required.

### **Enquiries:**

For further information on this report please contact Tim Holling. (Ext 4614)