

# LGA submission the Sub-Committee on Education, Skills and the Economy inquiry into apprenticeships

## March 2016



# Submission

## 1. About the Local Government Association (LGA)

- 1.1. We are a politically-led, cross party organisation which works on behalf of councils to ensure local government has a strong, credible voice with national government. We aim to influence and set the political agenda on the issues that matter to councils so they are able to deliver local solutions to national problems.
- 1.2. The LGA works directly with councils to help them improve their productivity and the productivity of local services in their area, through the Sector-Led Improvement programme and various other activities across local government. We run, among others, projects relating to workforce productivity, economic growth, public procurement, the productive use of public assets, digitalisation, innovative service delivery and public service collaboration and integration, in some cases in partnership with Government and other stakeholders. We support this in a number of ways, including providing specialist expertise to councils, supporting the development of tools to promote new ways of working, and researching and sharing good practice.

## 2. Summary

- 2.1. The LGA welcomes the Government's ambitious commitment to create three million new apprenticeships by 2020. However we have significant concerns about the proposed policy approach to achieve it. National targets are being imposed on a reducing local government workforce and it is a missed opportunity not to have given councils a key role to commission provision using local Apprenticeship Levy contributions.
- 2.2. It is disappointing that the Government has chosen not to utilise the significant wider economic development role that local authorities are increasingly playing in creating and attracting apprentices in their area: as employers, working with local businesses both large and small, and through their contracting arrangements as a major purchasers of goods and services.
- 2.3. Councils should have a formal commissioning role in the apprenticeship system. Local partnerships, led by employers and supported by local authorities, should be allowed to target funding to increase the quality of apprenticeships and target employers and residents with the most to gain from the Apprenticeship Levy and any remaining public resources.

## 3. The target of three million apprentices by 2020, how the Government proposes to achieve this and how this may affect the 'skills gap'

- 3.1. The LGA welcomes the Government's ambitious commitment to create three million new apprenticeships by 2020. However we have significant concerns about the proposed policy approach to achieve it. National targets are being imposed on a reducing local government workforce and it is a

missed opportunity not to have given councils a key role to commission provision using local Apprenticeship Levy contributions.

#### *Missed opportunity*

- 3.2. It is disappointing that the Government has chosen not to utilise the significant wider economic development role that local authorities are increasingly playing in creating and attracting apprentices in their local area – not only as employers, but also working with employers both large and small, and through their contracting arrangements as a major purchasers of goods and services. This is a missed opportunity.

#### *Case study 1: Oxford*

- 3.3. Oxford provides schools visits by an apprentice coordinator, and enabled apprentices to talk directly to interested Year 11–13 students. It has extensive induction and bespoke apprentice training programmes; apprentice debates; mock tribunals and other equalities and discrimination workshops; mock interviews and CV building for those with learning disabilities; mentoring workshops for managers; apprentice ambassador support and dedicated one-to-one support for apprentice mentors.<sup>1</sup>

#### *Case study 2: Brighton and Hove*

- 3.4. Brighton and Hove's apprenticeship programme focusses on people who are disadvantaged in training and job opportunities, as well as individuals affected by policy changes in the benefits system. Opportunities in construction are promoted through a network of organisations including Work Programme providers, the Department for Work and Pensions (DWP), City College Brighton and Hove, the council's Youth Employability Service and Support Through Care teams. Brighton and Hove has developed a requirement for employment and training in its construction-related invitations to tender and awards. The company awarded the strategic construction partnership will be required to provide apprenticeships, with the number determined relative to the value of developments, using the Construction Industry Training Board (CITB) benchmark guidance. Brighton and Hove was awarded Skills Academy status by CITB in 2014 in recognition of its work to embed employment and skills through procurement.

#### *Case study 3: Darlington*

- 3.5. Darlington's Foundation for Jobs works to address employers' reasons for not recruiting apprentices, by simplifying the process and preparing candidates for interview. Since March 2012 there have been 274 starts with employers who had never previously recruited apprentices. Darlington provides a grant of £1,000 towards the cost of employing an apprentice, which increases to a maximum of £1,500 for priority groups such as residents of priority wards, those in care, looked-after or under a supervision order, youth offenders, or those known to the young persons' probation service.

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<sup>1</sup> IPPR: Learner Drivers: Local authorities and apprenticeships  
[http://www.ippr.org/files/publications/pdf/learner-drivers-apprenticeships\\_June2015.pdf?noredirect=1](http://www.ippr.org/files/publications/pdf/learner-drivers-apprenticeships_June2015.pdf?noredirect=1)

#### *Case study 4: Nottingham*

- 3.6. Nottingham uses section 106 agreements to set out specific obligations which cover apprenticeships – as well as new entrants, job vacancies and work experience placements – and (depending on the development) apply to both construction and operational phases. They also require developers to work with the Nottingham Jobs Hub to meet those targets, and make a financial contribution toward pre-employment training for unemployed jobseekers.

#### *Public sector targets*

- 3.7. Moreover, focusing entirely on local government's role as an employer is a mistake. The LGA has calculated that the proposed policy will cost local authorities at least £600 million a year if it is to pay the proposed Apprenticeship Levy (£200 million) and meet national apprenticeship targets (£400 million). Year on year this will reach almost £2 billion by 2020 and add further pressure on councils already having to make significant savings over the next four years.
- 3.8. The top-down blanket approach to applying an annual 2.3 per cent arbitrary public sector target (based on headcount) to all local authorities with over 250 staff would require 33,000 new apprentices to be recruited at a cost of £400 million each year until the end of the Parliament.<sup>2</sup>
- 3.9. The local government workforce has shrunk considerably, some by up to 40 per cent. This has inevitably led to reduced workforce capacity to support and deliver training and development, including for apprenticeships. Support for internal programmes has been reduced due to lack of funding, and there is no longer any additional capacity in local government to run or manage apprenticeship programmes. Much of this decline in workforce numbers relates to roles being lost or other agencies delivering council services. As such, including local authorities in the target is unworkable and unfair.
- 3.10. In the event that the target is imposed, there must be safeguards which limit the damage this would have on scarce local authority resources. These includes basing any targets on Full-Time Equivalents rather than headcount and excluding schools, and any apprenticeships created through councils' contracting arrangements are included.
- 3.11. For instance, local authorities currently spend some £40 billion in revenue and a further £18 billion in capital contracting for goods, services and works. Local government wants to build long-term partnerships with suppliers that can help deliver significant local growth, while increasing skills and jobs. There is an opportunity for councils to use their buying power to work with suppliers to create apprenticeships, particularly in, but not limited to, the construction and care sectors.

#### *Local skills challenges borne out of a national system*

- 3.12. The current national skills system is failing to respond to future local economic needs. LGA commissioned research by the Centre of Economics and Social Inclusion (CESI) explored the impact of a nationally commissioned employment and skills system on local growth. *Realising*

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<sup>2</sup> Local Government Association analysis based on minimum apprentice hourly rate, 2016

*Talent: employment and skills for the future*<sup>3</sup>, highlighted the growing skills gap in England, as we fail to keep pace with the growing demand for higher skilled jobs.

- 3.13. By 2022 9.2 million low-skilled people will be chasing 3.7 million low-skilled jobs. This is a surplus of 5.5 million low-skilled workers with an increasing risk of unemployment. Meanwhile, employers will struggle to recruit to the estimated 14.8 million high-skilled jobs with only 11.9 million workers, a gap of 2.9 million. This will result in the skills gap for England which is the equivalent of increasing everyone from an average of five GCSEs to an average of three 'A' levels by 2022. Furthermore, their research found that the skills gap varies by area, with local rather than national shortages in many sectors.
- 3.14. Economic growth will be restricted if employers are unable to recruit people with the right skills and capabilities that support their business needs. CESI calculated this lost growth adds up to £375 billion by 2022 – with £174 billion in lost tax.
- 3.15. Recent LGA research, *Skills to Build*, found that the skills deficit is likely to hinder the Government's growth ambitions.<sup>4</sup> Government has set out an ambitious house building and infrastructure programme which will put demands on the construction industry. However, employment in the construction sector is growing slowly. 56 per cent of skilled trade vacancies in the construction sector were hard-to-fill in 2013, up from 46 per cent in 2011. In contrast, just 19 per cent of skilled trade vacancies across the economy were hard-to-fill, down from 21 per cent in 2011.

#### *The local solution*

- 3.16. Councils want to stimulate local economies, so all residents contribute and benefit from growth. Working across functional economic areas with businesses and local partners, they are building on their unique ability to integrate services for vulnerable people and anticipate and respond to local employer needs. Yet their ability to address unemployment and skills demands is constrained by the £13 billion (2013/2014) national employment and skill funding system, which we recognise has been significantly reduced.
- 3.17. As well as delivering three million new apprenticeships over the course of this Parliament, the Government has committed to achieve full employment, restructure and localise the skills system, reduce worklessness by halving the disability employment gap, supporting more people with mental health and long term 'treatable' conditions into work, and make young people 'earn or learn'. These reforms need to be delivered within reduced departmental budgets, and require careful and planned use of resources.
- 3.18. More needs to be done to break down the silo approach in Whitehall to employment and skills. Otherwise funding streams, initiatives and institutions will lack coherence on the ground and relevance to local economic need, and ill-serve people and places which most need it.

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<sup>3</sup> *Realising Talent: employment and skills for the future*, Local Government Association, 2014  
<http://www.local.gov.uk/documents/10180/11431/Realising+talent+-+employment+and+skills+for+the+future/be9a4027-7cc6-47bc-a3d7-7b89eaf3ae69>

<sup>4</sup> *Skills to Build: Creating the houses and jobs our communities need*, Local Government Association, <http://www.local.gov.uk/documents/10180/49942/Skills+to+build+-+Creating+the+houses+and+jobs+our+communities+need/c624085f-6e56-4cb7-9e83-5a37f481fea5>

- 3.19. In the LGA submission for the Spending Review, we called on the Government to enable groups of councils to manage these reductions if the Government devolved apprenticeship, skills and employment funding and careers advice and guidance for all ages to local areas allowing them to integrate and plan investment across an area. In return, councils would help deliver Government priorities to target skills spending to local economic need, boost apprenticeships, tackle worklessness, increase employment and stimulate local economies to boost productivity. While many areas have benefited from elements of devolved funding through City, Growth and Devolution Deals, all areas need secure funding into one place so they can plan more effectively. Apprenticeship provision is critical to that.
- 3.20. To achieve that, we need a devolved mainstream skills system – further education, 16-19, adult skills, apprenticeships, higher skills, learner loans and careers advice and guidance – to prepare people to enter and progress into jobs market. Alongside this, a locally responsive re-engagement system, through Jobcentre Plus and back to work schemes, is critical to help people who require extra support to enter, get back into, or progress in work.

#### **4. The proposal for an apprenticeships levy and how this may be implemented**

- 4.1. Taking effect from April 2017, an Apprenticeship Levy expected to raise £3 billion by 2019/20 will pay for this. All public and private employers with a pay bill of over £3 million, including local authorities, will be subject to it, contributing 0.5 percent of their payroll. This means that around 2 per cent of all employers will be in scope. Contributing employers will receive an allowance of £15,000 to offset their levy payment. This will be centrally managed by HM Treasury and will operate as voucher system available through an online digital account system (DAS).
- 4.2. As employers, this will cost local authorities over £200 million per year. In the debates on the Enterprise Bill, the LGA has called for councils to be exempt of the Levy given the financial burden it would bring at a time of cuts. However as this is widely expected to be applied across the board, we want to make the Levy as effective as possible, and believe significant changes are required to proposed management and implementation of it.
- 4.3. While we support an employer-led approach to skills, we do not believe that the national DAS as currently proposed is the right way to do it. Making each individual employer responsible for commissioning a training provider could distract them from their day job of generating growth and increasing productivity unless they have HR capacity and risks making the system unwieldy, duplicative and expensive. Cost savings could be made through local coordination. For instance it is not clear how several employers in one local area seeking similar training provision will be able to coordinate activity with a training provider through the online DAS. For areas which already have a degree of devolved levers and funding over skills and employment, the centralised Levy approach and the DAS will be problematic to coordinate.
- 4.4. Rather than being centrally managed by HM Treasury and creating an unwieldy DAS, the Government should give councils a formal commissioning role so they can coordinate Levy provision across a local area. In order to achieve this, all public (and possibly private) contributions

should be pooled across functional economic areas which businesses and people recognise as travel to work and travel to learn patterns. Pooling could follow existing local mechanisms such as Local Apprenticeship Hubs, ATA, and GTAs.

- 4.5. A local approach would allow local partnerships, led by councils to assess demand by sector and employer type, commission provision, and promote the Fund to all employers across the local area. This will ensure it is targeted in the most cost efficient and effective way, bringing coherence to apprenticeships provision addressing local economic priorities.
- 4.6. The Government is yet to make a decision on whether or not contributing employers will be able to use their Levy contribution to support their supply chains. In the main, these are small- and medium-sized enterprises (SMEs), and we need to ensure they continue to benefit from funding to support apprenticeships. There is a concerning assumption that state funding will be phased out. The Levy should not replace existing national apprenticeship funding streams. Rather national funds should be matched with it, and devolved into mechanisms which allow local pooling.

## **5. Take-up of apprenticeships amongst 16–19 year olds and steps that can be taken to make more young people aware of available opportunities**

- 5.1. Impartial and independent Careers Education, Information, Advice and Guidance (CEIAG) is important for all young people at pivotal stages before they have to make decisions on which learning and career route to pursue. This includes the decisions they make on whether or not through Raising the Participation Age (RPA) to stay on at school, go to college or pursue an apprenticeship. As suggested above the LGA believes a devolved approach to employment, skills, apprenticeship policy and funding together with independent careers advice and guidance would lead to better coordination on the ground, and more informed decisions.