

Open Report on behalf of the Executive Director for Environment & Economy

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| Report to: | Economic Scrutiny Committee |
| Date: | 12 April 2016 |
| Subject: | Role of Apprenticeships in Growing the Local Economy |

Summary:

Apprenticeships have an important role to play in promoting economic growth. However, Apprenticeship provision is complicated. This report provides detailed information about Apprenticeships in Lincolnshire and what Lincolnshire County Council's (LCC) role could be in increasing the levels of Apprenticeships.

Actions Required:

It is recommended that the Economic Scrutiny Committee

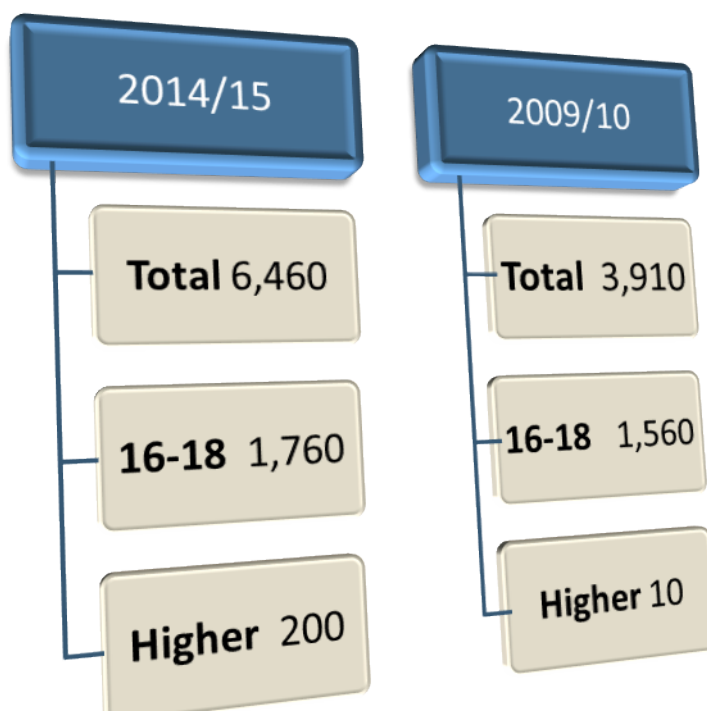
- 1) Support the action that LCC is taking and are listed at paragraphs 31-35.
- 2) Identify any other actions it would wish to promote.
- 3) Task officers with preparing a clear statement showing LCC's role in skills and Apprenticeships.

1. Background

1. Apprenticeships are not new. They were struggling to define the terms and conditions of training as early as 1563. Over the centuries the master-apprentice relationship has grown, and the scope has spread from traditional trades such as construction, paper-making and printing to what were then the emerging sectors of engineering and shipbuilding, to reflecting the economy today including retail, business and information technology.
2. Governments have always had an interest in Apprenticeships. The level of state intervention in this country has varied over recent decades, from levy-funded programmes via the industrial training boards in the 1960s and 1970s, to no support or intervention at all in the early 1990s, the 'Modern Apprenticeship' (a term no longer used) in 1994 and further reforms since to the Apprenticeship available today.

Apprenticeships today

3. Responsibility for public funding of Apprenticeships is shared between the Department for Business, Innovation and Skills (BIS), which funds adult Apprenticeships (age 19 and above) and the Department for Education (DfE) which funds 16-18 year olds.
4. The Apprenticeship programme is delivered by the National Apprenticeship Service (NAS), established in January 2008 to bring about significant growth in the number of employers offering Apprenticeships, and to support, fund and co-ordinate the delivery of Apprenticeships throughout England. NAS is a discrete part of the BIS department, the Skills Funding Agency (SFA). www.apprenticeships.gov.uk
5. Apprentices perform paid, full-time work for at least 30 hours a week, and also training, towards a framework of vocational qualifications. This includes:
 - a competency element, which assesses how well the Apprentice performs a particular occupation;
 - a knowledge element, which covers the theoretical knowledge required by an individual in a particular sector; and
 - training in 'key' or 'functional skills', leading to qualifications in maths and English.The theoretical training is completed in a variety of ways depending on the Apprenticeship type. Examples include: in a classroom once a week with a local College or training provider; or online in the apprentice's own time using special software that the assessor can access.
6. Apprentices study at different levels: Intermediate, Advanced and Higher. Degree level Apprenticeships are new and allow Apprentices to study through to Level 6 and Level 7.



Lincolnshire County Council and the Employment and Skills Board worked together on a range of initiatives between 2011 and 2015 to address the low numbers

Lincolnshire Apprentices

7. In 2010 the evidence showed that Lincolnshire had a lower proportion of its population participating in Apprenticeships and would need to double numbers to achieve the Government's ambition of one in five young people being Apprentices by 2020.
8. The Economic Scrutiny Committee has talked about these initiatives on a number of previous occasions. The table below provides a summary of the measures we believe were responsible for the increase in Lincolnshire's Apprenticeship numbers.

| Priority | Action |
|--|--|
| Ensure best possible alignment between the local apprenticeship offer and the local economy | <ul style="list-style-type: none"> Commissioned research to understand gaps in provision and shared with providers. Funded a project in the food sector to increase the number of higher level apprenticeships |
| Raise the profile of apprenticeships to all parties (employers, especially SMEs, schools and parents) | <ul style="list-style-type: none"> Aspirations - publication of local case-studies and sector information to provide a very local flavour for young people and parents. Annual Local Skills Awards and 'Have a Go' skills events Developed the Apprenticed Champion role to work with schools ESB role in school growth conferences and careers conference |
| Increase participation of smaller businesses in Apprenticeships | <ul style="list-style-type: none"> Developed Apprentice Champions to work with SMEs on a 1-1 basis Piloted an ATA (Apprenticeship Employment Agency) as a route to smaller business participation |

Government Priorities

9. Apprenticeships continue to be an important part of the government strategy to support improved productivity through the skills system. In particular, the growth of Higher Apprenticeships and the development of Degree Apprenticeships are seen as priorities to support the development of new technical and professional workers that evidence indicates will be needed to support the economy.
10. Economic benefits are generated when education and training helps individuals to achieve a higher level of qualification, increasing their employment prospects, productivity and wages. These benefits translate into significant monetary returns for individuals over a working life. These add up to between £48,000 and £74,000 for Level 2 Apprenticeships; and between £77,000 and £117,000 for Level 3 Apprenticeships. Those completing an Apprenticeship at Level 4 or above could earn £150,000 more on average over their lifetime.

11. Apprentices are also clear that their Apprenticeships have increased their productivity and prospects. 85% of Apprentices said their ability to do the job had improved, and 83% said their career prospects had improved.
12. These benefits lead to a significant return for the taxpayer too: the amount of return is between £26 and £28 for every £1 of government investment in apprenticeships at level 2 and level 3 respectively. This is considerably higher than the average of £20 for every £1 of investment for further education qualifications as a whole.

(Data for points 10, 11 and 12 taken from Page 3 of "*English Apprenticeships: Our 2020 Vision*" Dec 2015;
<https://www.gov.uk/government/publications/apprenticeships-in-england-vision-for-2020>)
13. Traineeships, a concept introduced in 2013, continue to be a priority to support those not able or ready to effectively compete for an Apprenticeship or job. A traineeship is a course with work experience that gets you ready for work or an Apprenticeship. It can last up to 6 months and is unpaid. Nationally, 30,000 have benefitted.
14. There are a number of Apprenticeship reforms underway and are planned to be fully implemented at the start of the 2017/18 academic year. They introduce significant changes to the Apprenticeship training curriculum and to Apprenticeship funding.
15. Government's goal is "*for young people to see apprenticeships as a high quality and prestigious path to successful careers and for these opportunities to be available across all sectors of the economy, in all parts of the country and at all levels*".
16. Government has set out how it will achieve 3 million new Apprenticeship starts by the end of the parliament in a document published in December 2015, "English Apprenticeships: Our 2020 Vision". The Skills Funding Agency has released data to Local Enterprise Partnerships (LEPs) under a confidentiality agreement that allows us to analyse activity.

**Progress towards the Government Ambition -
Number of Lincolnshire residents starting an Apprenticeship**

| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|--------------|---------|---------|---------|---------|---------|
| Lincolnshire | 6,070 | 6,920 | 7,330 | 5,760 | 6,460 |
| England | 453,000 | 515,000 | 504,200 | 434,600 | 494,200 |

17. Lincolnshire bucked the national trend in 2012-13 and continued to see an increase in the total number of Apprentices, while others around the county were seeing number of starts slow. Partners believe this was a result of the coordinated effort to raise awareness of Apprenticeships.
18. 2013-14 was a challenge nationally. Changes to the way training was funded for those over the age of 24 had a huge impact on the number of older apprentices and after a few months the Government amended its decision and excluded Apprentices from the new rule that all those over the age of 24 studying a Level 3 qualification must take out a loan. Apprentices continue to remain outside of the rules on learner loans today.

Number and proportion of Lincolnshire residents starting an Apprenticeship by Local Authority District

| | Apprenticeship Starts ALL 2014/15 | 16-64 Population (2014 Mid-Year Estimates) | Proportion of 16-64 year olds starting an Apprenticeship |
|----------------|---|---|--|
| Boston | 594 | 40,600 | 1.5% |
| East Lindsey | 1184 | 77,600 | 1.5% |
| Lincoln | 981 | 66,000 | 1.5% |
| North Kesteven | 998 | 66,500 | 1.5% |
| South Holland | 803 | 53,600 | 1.5% |
| South Kesteven | 1063 | 83,800 | 1.3% |
| West Lindsey | 840 | 55,000 | 1.5% |
| England | 498,384 | 34,475,400 | 1.4% |

19. **Important Note:** The numbers shown in the table are residents who start an Apprenticeship. It does not show how many residents achieve/successfully complete their Apprenticeship. On average (nationally) Apprenticeship success rates are around 70%. Individuals might not succeed for a number of reasons, for example the business might need to make redundancies; the College loses a tutor and can no longer provide the training; the individual fails written exams or does not perform as required. There are financial penalties for Colleges and providers if an individual starts an apprenticeship and does not go on to achieve that apprenticeship.

Number and proportion of 16-17 year olds starting an Apprenticeship by Local Authority District

| | Apprenticeship Starts Age 16-17 2014/15 | 16-17 Population (2014 Mid-Year Estimates) | Proportion of 16-17 year olds starting an Apprenticeship |
|----------------|---|--|--|
| Boston | 90 | 1,475 | 6.1% |
| East Lindsey | 170 | 3,019 | 5.6% |
| Lincoln | 130 | 1,980 | 6.6% |
| North Kesteven | 170 | 2,721 | 6.2% |
| South Holland | 130 | 2,143 | 6.1% |
| South Kesteven | 150 | 3,404 | 4.4% |
| West Lindsey | 130 | 2,325 | 5.6% |
| England | 69929 | 1,288,145 | 5.4% |

20. In terms of the number of residents starting an Apprenticeship, (and progress towards the Government's start target) Lincolnshire is performing above the national average in most areas. To achieve the national start figure of 3,000,000 by 2020, the national start figures per year would need to rise from 494,200 to 600,000, an additional 105,800 starts per year nationally. That equates to a Lincolnshire increase of around 1,375 per year.

Number and proportion of Lincolnshire residents achieving an Apprenticeship, by Local Authority District

| | Apprenticeship Achievements ALL 2014/15 | 16-64 Population (2014 Mid-Year Estimates) | Proportion of 16-64 year olds achieving an Apprenticeship |
|---------------------|---|---|---|
| Boston | 281 | 40,600 | 0.7% |
| East Lindsey | 683 | 77,600 | 0.9% |
| Lincoln | 499 | 66,000 | 0.8% |
| North Kesteven | 584 | 66,500 | 0.9% |
| South Holland | 458 | 53,600 | 0.9% |
| South Kesteven | 644 | 83,800 | 0.8% |
| West Lindsey | 469 | 55,000 | 0.9% |
| Lincolnshire | 3,618 | 443,100 | 0.8% |
| England | 258,400 | 34,475,400 | 0.7% |

21. The numbers in the table above bear no relation to the number and proportions in other tables in this document.

22. Apprenticeships are for people of all ages. Government is keen for employers to use the Apprenticeship route as the way business invests in training for the future

Number of residents starting an Apprenticeship, by age

| | 2012-13 | | | 2013-14 | | | 2014-15 | | |
|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Under 19 | 19-24 | 25+ | Under 19 | 19-24 | 25+ | Under 19 | 19-24 | 25+ |
| Lincolnshire | 1,760 | 2,290 | 3,270 | 1,660 | 2,110 | 1,980 | 1,760 | 2,010 | 2,690 |
| England | 113,000 | 163,500 | 227,700 | 118,200 | 157,100 | 159,300 | 124,300 | 158,500 | 211,500 |

Number of people starting an Apprenticeship, by level

| | Intermediate | | | Advanced | | | Higher | | |
|--------------|--------------|---------|---------|----------|---------|---------|---------|---------|---------|
| | 2012-13 | 2013-14 | 2014-15 | 2012-13 | 2013-14 | 2014-15 | 2012-13 | 2013-14 | 2014-15 |
| Lincolnshire | 3,930 | 3,730 | 3,760 | 3,260 | 1,940 | 2,520 | 130 | 90 | 200 |
| England | 289,300 | 282,900 | 295,000 | 205,200 | 142,700 | 179,600 | 9,700 | 9,000 | 19,500 |

23. The number of higher level Apprenticeships has traditionally been low across the whole country. There are a few reasons for this: there is less demand from employers (i.e. far fewer apprenticeship job vacancies); they take far longer to complete than intermediate and advanced level Apprenticeships; the training/theory element of the Apprenticeship costs more.

24. The table below shows the type of Apprenticeship subjects that are being delivered to residents. Every one of these Apprentices is a job – and therefore the employer has agreed (and might be paying for) the training that it.

(xx = number is lower than 5)

| Number of Apprenticeships starts by Sector 14/15 | Intermediate | Advanced | Higher | Total |
|---|---------------------|-----------------|---------------|--------------|
| Health, Public Services and Care | 836 | 773 | 86 | 1,695 |
| 01.3 - Health and Social Care | 655 | 608 | 86 | 1,349 |
| 01.4 - Public Services | 34 | 7 | | 41 |
| 01.5 - Child Development and Well Being | 147 | 158 | | 305 |
| Science and Mathematics | xx | xx | | xx |
| Agriculture, Horticulture and Animal Care | 79 | 42 | | 121 |
| 03.1 - Agriculture | 23 | 13 | | 36 |
| 03.2 - Horticulture and Forestry | 32 | 6 | | 38 |
| 03.3 - Animal Care and Veterinary Science | 24 | 23 | | 47 |
| Engineering & Manufacturing Technologies | 501 | 413 | xx | 917 |
| 04.1 - Engineering | 105 | 147 | | 252 |
| 04.2 - Manufacturing Technologies | 258 | 222 | xx | 483 |
| 04.3 - Transportation Operations & Maintenance | 138 | 44 | | 182 |
| Construction, Planning & the Built Environment | 159 | 65 | | 224 |
| Information and Communication Technology | 26 | 52 | 5 | 83 |
| 06.1 - ICT Practitioners | 9 | 31 | 5 | 45 |
| 06.2 - ICT for Users | 17 | 21 | | 38 |
| Retail and Commercial Enterprise | 954 | 313 | xx | 1,270 |
| 07.1 - Retailing and Wholesaling | 185 | 70 | xx | 256 |
| 07.2 - Warehousing and Distribution | 120 | 22 | xx | 144 |
| 07.3 - Service Enterprises | 187 | 70 | | 257 |
| 07.4 - Hospitality and Catering | 462 | 151 | xx | 613 |
| Leisure, Travel and Tourism | 92 | 84 | | 176 |
| 08.1 - Sport, Leisure and Recreation | 87 | 81 | | 168 |
| 08.2 - Travel and Tourism | 5 | xx | | 8 |
| Arts, Media and Publishing | | xx | xx | xx |
| 09.2 - Crafts, Creative Arts and Design | | xx | | xx |
| 09.3 - Media and Communication | | xx | xx | xx |
| Education and Training | 52 | 82 | | 134 |
| 13.1 - Teaching and Lecturing | | 5 | | 5 |
| 13.2 - Direct Learning Support | 52 | 77 | | 129 |
| Business, Administration and Law | 1,051 | 682 | 100 | 1,833 |
| 15.1 - Accounting and Finance | 77 | 51 | 29 | 157 |
| 15.2 - Administration | 659 | 322 | 7 | 988 |
| 15.3 - Business Management | 290 | 300 | 64 | 654 |
| 15.4 - Marketing and Sales | 25 | 8 | | 33 |
| 15.5 - Law and Legal Services | | xx | | xx |

25. There is a lot of raw data available and this report has provided a snapshot. Some Apprenticeship data is openly available through the Government's online FE Data library: <https://www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships>
26. This data was received in the last few weeks and further analysis will take place so that an up to date evidence base is available to inform commissioning.

Priorities

Increasing 'starts'

27. The data shows that there has been an increase in the number of Apprentices overall and in the number studying at a higher level which is good. However, further increases are needed to achieve the Government's ambition, particularly around the number of 16-18 year olds participating in Apprenticeships which in some areas is below the national average.
28. Evidence from the work that has already been done shows that many of our SMEs find it difficult to navigate the existing Apprenticeship system and benefit from 1-1 hand-holding support. There is no data available about the number of businesses who are offering Apprenticeships. Nationally, LEP's have lobbied government departments to provide this information so that local plans can target employers who may need support to take on Apprenticeships

Supporting progression

29. Progression is important and we must continue to grow our higher level Apprenticeship opportunities. It is not possible to show through data the progression paths that individuals might take to achieve higher level skills but it is important to schools, young people and parents that these routes are clear so they can see how they might achieve advanced level, degrees and higher level qualifications through a vocational path. The challenge here is that for the route to exist a job must be available and the employer must offer an Apprenticeship option so we must work with our employers to ensure they understand the Apprenticeship offer and the benefits. We must also ensure that the providers of training are able to deliver the provision that is required.

Supporting change

30. Whilst full details of the new Apprenticeship reforms are not yet available, they will bring some additional challenges. These are:
- a. The Apprenticeship Levy: ensuring that our larger businesses are preparing to get the most out of this mandatory payment;
 - b. Purchasing power in the hands of the employer: understanding what this means to SMEs who have previously had this part of the Apprenticeship transaction arranged for them;
 - c. Transition from 'frameworks' to employer-led standards: helping local businesses to work together to develop fit for purpose occupational standards that will replace existing subject frameworks by 17/18.

- d. New Degree level Apprenticeships: where there are higher level skills gaps, support business to work with each other, and industry bodies, to create brand new standards.
- e. Impact on local colleges and training providers: as employers themselves, there may be an impact on them if businesses choose to deliver training themselves, or purchase from training organisations out of the area.

Activity and Plans

Raising Awareness

31. Using funds provided to the LEP's Employment and Skills Board, we have commissioned and just launched a 2-year online Apprenticeship Campaign as part of a wider Apprenticeship Growth Programme. Based on a pilot that ran in Milton Keynes, this comprises of three online platforms: twitter, Facebook and LinkedIn, enabling local residents and businesses to engage directly, to find out about local Apprenticeship vacancies, for local stakeholders to get involved and to raise awareness. It will also be used to promote local Apprenticeship vacancies that struggle to receive applications.

Twitter: <https://mobile.twitter.com/lincsapprentice>

Facebook: <https://www.facebook.com/lincsapprentice>

Supporting business and young people

32. Through European Social Fund (ESF) funds we are commissioning a range of activity via the Skills Funding Agency to increase the number of Apprenticeships locally. This will include support to SMEs to hand-hold them through the process of recruiting an Apprentice; raising awareness to young people and unemployed to inspire them to take Apprenticeship jobs in some of important and growing sectors and support to business to help develop new standards and training. This activity will be procured during April with delivery starting in September.

33. Through the LEP's Employment and Skills Board we are preparing a campaign to help businesses prepare for the Apprenticeship reforms once information is available.

- **Large businesses:** make company accountants aware of the introduction of the Levy, using the LEP's Growth Hub and our employer networks, as accountants will have an interest in the financial impact of the introduction of the Levy. They may therefore be a catalyst for raising awareness and the need for action within their businesses.
- **SMEs:** Continue to raise the profile of apprenticeships to SMEs in particular, and encourage them to increase opportunities, so that they are in a strong position to benefit from the new arrangements. Hold specific awareness sessions for SME's who will not be subject to the Levy once there is more information regarding implementation of the reforms.

34. Lincolnshire County Council is already preparing well for the introduction of the Levy and will help business by sharing this information. Further information is provided in Appendix A.

35. We have recently been successful in securing £50,000 from the Local Government Association (LGA) to continue the work we are doing with the national Behavioural Insights Team. This research will examine the motivations and behaviour of employers around investment in training and find ways to increase the number of employers who invest in their staff.

2. Conclusion

It can clearly be seen that Apprenticeships are important and that there has been an increase in Greater Lincolnshire due to a coordinated effort.

Members may wish to debate:

- Should there be more Apprenticeships?
- How should the Council encourage greater involvement of more small and medium sized businesses to take on Apprentices?
- As employers in their own right, what support should the Council provide to local Colleges and training providers to help them through these reforms?

3. Consultation

a) Policy Proofing Actions Required

n/a

4. Appendices

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| These are listed below and attached at the back of the report |
| Appendix A - Further detail about apprenticeship reforms |
| Appendix B - Example of a degree level apprenticeship |

5. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Clare Hughes, who can be contacted on 01522 550545 or clare.hughes@lincolnshire.gov.uk.