

**EDUCATION, SKILLS AND EMPLOYABILITY THEMATIC BOARD**

**05.01.2021**

**Renewal Action Plan (RAP): Update on the People Theme – Apprenticeship Training Agency**

**Purpose of Report**

This paper seeks members' direction on proposals for development of an enhanced Apprenticeship Training Agency or Hub as a vehicle for increasing the volume and quality of apprenticeships across South Yorkshire as a RAP measure to support residents into employment and support our longer-term ambitions in the Strategic Economic Plan.

**Freedom of Information**

The paper will be available under the Combined Authority Publication Scheme

**Recommendations**

That the Board consider and agree:

Members are asked to consider whether their interest is

- in setting up in the short term an ATA to support an ILM for apprenticeships, or
- a vehicle with longer term potential to support apprenticeships which could either be a flexible hub model, or a more formal ATA with investment to grow in line with a long term business plan.

**1. Introduction**

- 1.1** This paper seeks members direction on proposals for taking forward the proposal for an enhanced Apprenticeship Hub or Apprenticeship Training Agency (ATA) for South Yorkshire.
- 1.2** In October, members were supportive of the proposal to use Gainshare funding to develop a Hub or ATA to reverse the decline in apprenticeship take up and driving improved quality and completion rates.
- 1.3** The paper provides further clarification so members can decide on their preferred model enabling work to start on this in the new year.

**2. Proposal and justification**

- 2.1** Apprenticeship opportunities and completions have fallen across South Yorkshire in comparison with 2019. This follows a national trend but is exacerbated in South Yorkshire because of the low education and skills attainment levels across the region. The overall trend is in part a result of reduced opportunities as a result of COVID, but there was already an issue in the number of people accessing apprenticeships and that very few of them were at advanced (Level 3) or Higher (Levels 4,5,6). The trend is likely to be exacerbated in coming years as smaller and medium sized businesses struggle to recover and grow.

- 2.2** Evidence shows that apprenticeships offer a greater return on investment in skills compared to other programmes, so the decline in take up and the volume of apprenticeship opportunities will impact on our productivity and growth ambitions
- 2.3** Members indicated their support for using Gainshare funding to put in place a hub or ATA to help drive apprenticeship activity across South Yorkshire. The rationale would be to:
- Raise the profile of apprenticeships across South Yorkshire and stimulate demand from both young people and employers;
  - Through a brokerage service quickly matching potential apprentices with vacancies;
  - Help demystify apprenticeships for employers and support them in navigating the levy and non-levy systems;
  - Reduce the risk to businesses uncertain about the future of taking on an apprentice;
  - Drive an improvement in quality and completions across South Yorkshire.
- 2.4** The service could be enhanced by also supporting:
- Progression routes e.g. traineeships into an apprenticeship for those who may not immediately be able to secure an employer to take them on
  - Those who have completed their apprenticeship but who have not been successful in securing a permanent post;
  - Apprentices who for whatever reason have to change programme part way through.
- 2.5** There are options for putting in place an organisation to deliver services across these priorities including commissioning a standalone entity, working with and through partner organisations such as South Yorkshire FE Colleges and/or local authorities as host organisations or working with, for example, existing ATAs to deliver in South Yorkshire. Fundamental to securing the right model is whether this is about quality and de-risking apprenticeships for employers in the long term or whether this is a short-term measure designed to secure apprenticeships for those affected by the pandemic. Critical questions include the extent to which the MCA should bear the cost of wages for apprentices (and the criteria that we might think through around that in terms of age, level and sector) how the 'body' fits with the existing landscape, and the level of service needed, from promotion and support through to the 'clearing house' model as is operational in Greater Manchester.
- 2.6** Hub: hub-type models offer flexibility and an opportunity for a high degree of collaboration between partners and with providers. Employer engagement and influence over direction are critical to building credibility. With the support of Gainshare funding a hub would become a focal point for engagement on apprenticeships and carry out promotional activity. The target would be to address gaps in the market and add value – for example as a target for new investors in South Yorkshire to engage with – rather than to compete with existing provider – employer relationships. A hub could offer an apprenticeship brokerage service, something that has been developed by other MCAs and this could potentially begin by working with larger public sector employers helping them make better use of levy funding which is currently being returned to HMT as it expires. The Authority could also use the hub to support distribution of pooled levy funding if and when that is agreed by government.
- 2.7** Hub / Clearing House: a high quality hub which raising the profile of apprenticeships right across a geographical area and providing a focal point for both potential apprentices and employers could be extended to offer a matching service to help young people and employers fill vacancies. Support to showcase vacancies and to fill them with the right candidates significantly de-risks the process for both apprentices and employers.

- 2.8** ATA: members are asked to consider whether they want to go further and establish an ATA. The core purpose of an ATA is to employ apprentices, usually on behalf of other employers who fund the wages and pay a management fee to the ATA. ATAs carry out HR and payroll functions, manage performance and help with training, placements and pastoral support in addition to the promotional functions described for hubs.
- 2.9** The ESFA's current guidance on ATAs is that to operate as an apprenticeship training agency, organisations must be registered on the register of approved ATAs. The application window is currently closed but may be reviewed in the near future. To note, as a Mayoral Combined Authority we understand that we may not need ESFA approval.
- 2.10** There are broadly three types of ATA currently in existence:
- Provider-led ATAs – set up by an individual College/Local Authority or ITP
  - Sector focused ATAs – established under the umbrella of former Sector Skills Councils, including SEMTA (engineering) and Skills for Health
  - Geographically focused ATAs, offering a service across a locality.
- 2.11** Evidence from existing ATAs is that the business model is challenging. To be effective and offer the 'gold standard' service that would add value to businesses, the ATA must be resource intensive from inception with staff employed to build relations with employers, identifying apprentice vacancies and persuading them to use the ATA service. This is an investment question for the MCA. For a sustainable model, the ATA would be the employer and operate payroll, but with a full contribution from employers to the cost of wages.
- 2.12** An existing ATA in the construction sector estimates its initial costs to have been in the order of £250k per year with at least a year before the service began to realise potential. Essential to the ATA's sustainable business model is access to transferred levy funding so that the ATA itself is not limited by apprenticeship funding restrictions to 10 apprentices and is able to reduce the cost to employers of using its service. Achieving this would require significant leadership across South Yorkshire by the MCA to secure commitment to transfer funds in this way in advance of any pooling arrangement that government may eventually support.
- 2.13** Whilst the purpose of an ATA is to reduce the risk to employers of taking on apprentices, that risk would transfer at least in part to the ATA, and therefore the MCA as sponsor. As the employing organisation, the ATA would have a responsibility for paying wages and finding another opportunity for any apprentice who was affected by redundancy with no coverage for those costs.
- 2.14** ATAs that are well resourced and managed can offer a valuable service to employers and apprentices, offering support and stability and taking the burden away from employers. However, it is unclear whether a South Yorkshire ATA would add sufficient value over other hub models to warrant the level of cost and risks involved.
- 2.15** Additionally, an ATA as described above would be unlikely to make a significant difference to youth employment opportunities at the speed and scale that are required to respond to the problems resulting from the pandemic, although over the long term it would be a significant lever for to improve the take-up quality and completion by apprentices.
- 2.16** ATA / ILM model: The ATA could operate an ILM model, so that it would have responsibility for both employing and funding (or partially funding) the wage costs of apprentices, as well as identifying host organisation and supporting training. The cost of wages in this model would need a long-term commitment from the Authority, probably making use of Gainshare funding. It is not clear what reaction ESFA might have to this ATA models.

- 2.17** There is a significant degree of risk in the ATA ILM model: it is not sustainable for the long term, it distorts the employer / employee relationship that is unique to an apprenticeship, and it may put at risk quality and completions depending on how and whether employer and employee behaviour changed as a result of third party funding of wages. There is also a risk that funding wages would involve significant deadweight, resulting from the Authority paying wages in place of employers who have paused but not stopped their recruitment of apprentices. Our recommendation is that further work on the market failure that this model is trying to address should be undertaken before committing to this model. It may be that the risks involved would outweigh any advantage in this funded model and that focusing on Kickstart / Kickstart 25+ as the ILM models would be preferable.
- 2.18** This paper seeks a steer on the type of vehicle members are seeking to put in place so that further work can be done to develop proposals. The options are:
- A hub – that could carry out promotional and support functions and could co-ordinate use of levy transfer funding?
  - A hub plus – with MCA investment in a matching service and offering a focus point for vacancy filling / recruitment?
  - An ATA – with employers contributing the cost of wages, but de-risked with the MCA as direct employer. The MCA would need to understand and accept the risks in employing apprentices and the resources / time needed to develop the business model.
  - And ATA ILM – designed to get young people into apprenticeships as quickly as possible, but which is sustainable only as long as the MCA is prepared to fund wages, and noting that this does carry a level of risk for both apprentices and employers.
- 2.19** Once we have members' views, we will return in March with a detailed proposal on how the Hub or ATA could operate.

### **3. Consideration of alternative approaches**

- 3.1** Development of an apprenticeship hub for South Yorkshire
- 3.2** Development of an ATA to employ apprentices, with two options: with ATA as employer, and wage costs from employers or ATA as an employer and also paying wages using Gainshare funding.
- 3.3** We could also consider a hybrid model with development of a hub for apprenticeships in South Yorkshire, coupled with an approach to other sector focused ATAs to become more engaged / active in the region.

### **4. Implications**

- 4.1** Use of Gainshare funding as agreed to support RAP: People Strand activities.
- 4.2** **Legal**  
This paper is seeking a view from members on points of principle only.
- 4.3** **Risk Management**
- Risk 1 – that we set up the wrong vehicle for apprenticeships and undermine the quality of the programme across South Yorkshire.
  - Risk 2 – that an ATA would absorb some of the risk that normally rests with employers and may therefore be liable for employing and paying apprentices if an employer went out of business
  - Risk 3 – deadweight in public funds being used to pay wages for apprentices if employers would have done so – for example in sectors where we expect recovery and growth

#### 4.4 Equality, Diversity and Social Inclusion

Apprenticeships support progression and social mobility among all groups

#### 5. Communications

5.1 None at this stage.

#### 6. Appendices/Annexes

6.1 N/A

<b>REPORT AUTHOR</b>	<b>Helen George</b>
<b>POST</b>	<b>Assistant Director Education, Skills and Employability</b>
Officer responsible	Dave Smith
Organisation	<b>MCA Executive</b>
Email	Helen.george@sheffieldcityregion.org.uk
Telephone	<b>07464 980561</b>

Background papers used in the preparation of this report are available for inspection at: 11 Broad Street West, Sheffield S1 2BQ

Other sources and references: