

<p align="center"><b>CABINET MEETING – 18 JUNE 2014</b></p> <p align="center"><b>EXECUTIVE SUMMARY SHEET</b></p>	
<p><b>Title of Report:</b></p> <p>Proposal to develop and implement a commissioning model for the provision of apprenticeships for learners aged 16-18</p>	
<p><b>Author(s):</b></p> <p>Report of the Deputy Chief Executive and the Executive Director of People Services</p>	
<p><b>Purpose of Report:</b></p> <p>This report:</p> <ul style="list-style-type: none"> <li>i. Seeks approval of Cabinet to a proposed change in the Council's current approach to 16-18 apprenticeships, moving from direct delivery to the development and implementation of a commissioning model.</li> <li>ii. Sets out a series of next steps to implement the process, including ceasing direct delivery via the Council's internal training centres (ITeC and Riverside Training) and the procurement of future delivery through third party providers.</li> </ul>	
<p><b>Description of Decision:</b></p> <p>That Cabinet be recommended to:</p> <ul style="list-style-type: none"> <li>i. Authorise commissioning of the delivery of apprenticeships, under the Council's existing Skills Funding Agency (SFA) contract, through external training providers, to ensure quality outcomes for learners aged 16-18.</li> <li>ii. Delegate to the Deputy Chief Executive and Executive Director of People Services the necessary responsibilities associated with ceasing the direct delivery of apprenticeships.</li> <li>iii. Formally dissolve the Community Interest Company (CIC) described in paragraph 3.6 of the Cabinet report.</li> </ul>	
<p><b>Is the decision consistent with the Budget/Policy Framework?</b>      <b>*Yes</b></p> <p><b>If not, Council approval is required to change the Budget/Policy Framework</b></p>	

**Suggested reason(s) for Decision:**

Approval of the proposals contained within this report would enable the Council to:

- i. Influence the growth of skills within the city and preserve outcomes for learners.
- ii. Improve strategic alignment of the delivery of 16-18 apprenticeships with the learning provision currently procured by the Family, Adult and Community Learning team to better support the economic needs of the city.
- iii. Ensure the Council's support for the delivery of 16-18 apprenticeships is targeted to key economic growth sectors in Sunderland in line with the Economic Masterplan.

**Alternative options to be considered and recommended to be rejected:**

- i. The option to remain "as is" is not sustainable longer term.
- ii. Consideration has previously been given to the development of a Community Interest Company (CIC) to deliver 16-18 apprenticeships. However the business plan for this model is not sustainable in the longer term and so this option is not recommended for further consideration.
- iii. Closure of the Training Centres with no proposal to commission provision is not recommended. Cabinet has previously expressed a clear desire to continue to influence skills provision within the city and the proposal outlined in this report enables that to happen.

**Impacts analysed;**

Equality  Privacy  Sustainability  Crime and Disorder

**Is this a "Key Decision" as defined in the Constitution?** Yes

**Is it included in the 28 day Notice of Decisions?** Yes

**Scrutiny Committee:**

**PROPOSAL TO DEVELOP AND IMPLEMENT A COMMISSIONING MODEL FOR THE PROVISION OF APPRENTICESHIPS FOR LEARNERS AGED 16-18****Report of the Deputy Chief Executive and the Executive Director of People Services****1.0 Purpose of the Report**

This report seeks approval of Cabinet to a proposed change in the Council's current approach to 16-18 apprenticeships, moving from direct delivery to the development and implementation of a commissioning model. This report sets out a series of next steps to implement the process, including ceasing direct delivery via the Council's internal training centres (ITeC and Riverside Training) and the procurement of future delivery through third party external providers.

**2.0 Description of Decision (recommendations)**

That Cabinet be recommended to:

- iv. Authorise commissioning of the delivery of apprenticeships, under the Council's existing Skills Funding Agency (SFA) contract, through external training providers, to ensure quality outcomes for learners aged 16 - 18.
- v. Delegate to the Deputy Chief Executive and Executive Director of People Services the necessary responsibilities associated with ceasing the direct delivery of apprenticeships.
- vi. Formally dissolve the Community Interest Company (CIC) described in paragraph 3.6 of this report.

**3.0 Background and Rationale**

- 3.1 The Council's internal training centres have historically provided training funded by two contracts – apprenticeships, which are funded by the Skills Funding Agency (SFA) and the Study Programme, which it delivers as a sub-contractor as part of a city-wide consortium led by Springboard Training. Both contracts run on an academic year, from 1 August to 31 July annually.
- 3.2 The SFA apprenticeship funding is part of a wider contract awarded to the Council. Other areas also delivering as part of this SFA contract are Family, Adult and Community Learning (FACL) and the Tyne and Wear Care Alliance (TWCA).

- 3.3 In June 2013, Cabinet recommended that, subject to certain conditions including future viability, the preferred route for the Training Centres would be to operate outside the Council through an independent community interest company (CIC) model. It was acknowledged that this move would allow the service area greater freedom and flexibility to respond to customer needs and improve delivery levels. The rationale for this recommendation was based on a Business Plan showing projected levels of income, which would be achieved only by delivering both contracts to maximum levels.
- 3.4 Over a sustained period of time and in parallel with the lead-in process for the implementation of the CIC proposal, business performance levels and trading conditions for the Training Centres reduced significantly, with a marked decline in learners and corresponding income being much lower than that set out in the Business Plan. Factors contributing to this situation include a competitive recruitment market, with many employers favouring “job-ready” adults over apprentices, as well as the impact of the RPA (Raising the Participation Age) policy, with more young people post 16 remaining at school. A reduction in the Study Programme bursary from August 2013 also discouraged many NEET young people from engaging.
- 3.5 Given this trading position, the Training Centres (whether retained through the in-house arrangements or externalised via the CIC proposal) are considered no longer viable in the longer term. However the Council has always had as a priority the desire to protect and, where possible improve, the training outcomes for residents.
- 3.6 In readiness for the formal implementation of the CIC proposal, the CIC was created as a shell community interest company with certain members of the training centre staff as members and directors of the CIC. In addition, the Council has also appointed a Council Member as a Director to the Board. At this stage, the CIC currently remains as a shell company which has undertaken no activities and has no assets or liabilities. If the proposal to move to a commissioning model is agreed, the CIC should be formally dissolved.

#### **4.0 Current Position**

- 4.1 Discussion has taken place with the SFA and Springboard Training to establish the implications of moving from a direct delivery to commissioning model over recent months.
- 4.2 The SFA has been aware of the proposed changes for some time (given the original CIC proposal) and of the potential move to a commissioned service and has indicated its willingness to continue to award the Council funding to support apprenticeship delivery for learners aged 16-18 years old, post 31 July 2014 when the current funding agreement expires. This is the part of the SFA “Single Contract” with the Council which traditionally ITeC has delivered. It should be noted that the SFA “Single Contract” is an annual funding agreement which the Council applies to the SFA to renew on annual basis. The indicative allocation for 2014-15 from the SFA for the delivery of 16-18 Apprenticeships is £211,217.

- 4.3 All apprentices who are still in learning at the point when the Council steps away from direct delivery will be transferred to another suitable provider in the city, who will ensure they continue to progress with their qualification and achieve their learning outcomes.
- 4.4 At every stage of this transition from direct delivery to commissioning, the priority is always to ensure no learner will be disadvantaged by the change in arrangements and every effort is being made to protect and support existing learners through the process. The focus is also on protecting, and potentially increasing, learning outcomes for the city, rather than on any particular method of delivery.
- 4.5 Under delegated authority, a decision has been taken to terminate the Study Programme contract with Springboard Training early during May 2014. This covers the Study Programme learners. A comprehensive package of support has been put in place to ensure all existing learners transfer smoothly to other suitable providers within the citywide consortium and are able to continue with their programme and achieve the desired learning outcomes.
- 4.6 As previously mentioned in paragraph 3.2, there is already a process in place to commission the delivery of learning using SFA resources in two other Council-led areas: Family, Adult and Community Learning (FACL) and the Tyne and Wear Care Alliance (TWCA). The commissioning model used by TWCA currently procures apprenticeships for learners aged 19+ working in the care sector, using the “Adult Skills” budget line of the Council’s SFA contract.
- 4.7 Similarly, the Council receives a “Community Learning” budget from the SFA. This budget is managed by FACL, which sits within the Educational Attainment and Lifelong Learning Service in the People Directorate. FACL procures the delivery of a range of accredited, non-accredited and family learning courses, which are classroom-based and run within community settings across the city. Commissioning arrangements with a range of training providers are already in place and which could be expanded to include the delivery of apprenticeships. It is proposed the “new” apprenticeships will be recruited into the areas of ICT, Engineering and sectors involved with the Low Carbon economy and the Environment. These apprenticeships will enable learners to develop skills within these growth sectors in the city economy.
- 4.8 Procurement has advised on the method and timescale for commissioning providers to deliver 16-18 Apprenticeships from 1<sup>st</sup> August 2014.
- 4.9 In order to test the market and identify potential delivery providers, the Pre-Qualifying Questionnaire (PQQ) was released in early May 2014. Invitation to Tender (ITT) documents have been released in early June to those organisations that passed the PQQ stage. It has been made clear through this process that any award of tenders is reliant upon Cabinet’s approval of this process. Subject to Cabinet’s authorisation of the commissioning proposal and following evaluation of tender submissions, the contract will be awarded to external third party sub-contractors in July, with delivery to commence on 1 August 2014.

## **5.0 Reasons for Decision**

- 5.1 The new commissioning model proposed will enable the Council to seek to influence the growth of skills within the city and preserve the outcomes for learners, ie the successful delivery of apprenticeships to learners aged 16-18. This is also a national priority to help support economic recovery and growth and a key focus for the Skills Funding Agency, tasked with driving forward this target.
- 5.2 There is a clear benefit and opportunity to strategically align the commissioning of 16-18 Apprenticeships with Family, Adult and Community Learning, which must also focus on employability skills linked to economic recovery. It is proposed these two areas of activity are brought together under a single management arrangement, in order to align delivery to achieve better outcomes for all learners, linked to the Council's strategic objectives and to support the economic needs of the city. For example, a greater focus would be placed on short courses that raise the skill levels of individuals across a range of levels and prepare people for employment in growth sectors.
- 5.3 The Economic Masterplan for Sunderland lists a number of key economic growth priorities (ICT and software development, high technology manufacturing, particularly for the offshore energy sector and engineering, to support the development of low carbon industries), as well as recognising those current employment sectors that represent the majority of jobs held by people today (administration, education & health, retail & leisure, manufacturing and financial & business services). By focusing resource on key priority sectors and encouraging the creation of more apprenticeship vacancies for 16-18 year olds in those sectors, the Council can better target its support for growth. We will also work closely with other apprenticeship providers in the city, through the Work Based Learning Network, to ensure that the provision that we commission is complementary to existing apprenticeship opportunities.

## **6.0 Alternative Options**

- 6.1 Continuing the operation "as is" is not sustainable longer term.
- 6.2 Consideration has previously been given to the development of a Community Interest Company (CIC) to deliver 16-18 Apprenticeships. However the business plan for this model is not sustainable in the longer term and so this option is not recommended for further consideration.
- 6.3 Closure of the Training Centres with no proposal to commission provision is not recommended. Cabinet has previously expressed a clear desire to continue to influence skills provision within the city and the proposal outlined in this report enables that to happen.

## **7.0 Impact Analysis**

- 7.1 An Equality Impact Analysis has been undertaken in respect of the commissioning model, which has identified positive impacts will be created for service users as a result of adopting this alternative service delivery model.

## **8.0 Other Relevant Considerations / Consultations**

### **8.1 People and Economy**

The proposals seek to continue to support and improve delivery of the Economic Masterplan, under the themes of People (a city with high levels of skills and educational attainment and participation) and Economy (an inclusive city economy – for all ages).

### **8.2 Disadvantaged and Vulnerable People**

The proposal also seeks to continue and sustain delivery to the Council's intended demographic target of disadvantaged and vulnerable people, including those Not in Education, Employment or Training (NEET) and people with low or no skills.

### **8.3 Financial implications**

The SFA has confirmed that the grant funding available to commission provision from 1 August 2014 will be £211,217. This is based on the level of delivery in 2013-14. If the target number of learners is exceeded, then further funding is available to be drawn down. The Council's contract with the SFA allows up to 18% of the grant to be retained for management and administration costs and to ensure contract monitoring for quality and compliance.

With regard to premises, the service area currently operates out of a unit which is owned and leased by the Council. It is proposed that new tenants will be sought for occupation, once ITeC and Riverside staff vacate the property. Temporary arrangements have already been put in place with a new tenant, who will be entering into a lease agreement for part of the premises for 12 months to April 2015. The lease will contain a break clause that the Council can operate in the event that a new tenant is found for the property.

### **8.4 Employee Implications**

Employees within the Training Centres who have been affected by the changes have been supported in the decision-making process by the service, HR and the Trade Unions. One employee has been successfully redeployed, the remaining employees applied for severance and all applications have been approved. Staggered leave dates have been agreed to accommodate and reflect the different roles and responsibilities of the employees; two employees left the organisation on 30 April 2014 and the remaining three employees will leave on 31 July 2014, which is the point at

which all learners will transfer to the new delivery provider. The delayed leaving date for the three remaining employees will also ensure that all learners are fully supported during the transition period and that the proposed changes are well managed.

## **9.0 Background Papers**

Equality Impact Assessment