

LOWLANDS AND UPLANDS SCOTLAND ESF PROGRAMME 2007-13

PAPER FOR PRIORITY 2 STANDING ADVISORY GROUP CONSIDERING THE “INNOVATE WITH AN APPRENTICE” PROJECT UNDER THE EXCEPTIONAL PROJECT PROCEDURE

Purpose

1. To give the additional information requested at the Standing Advisory Group meeting on 22 July 2009, and to make recommendations to the members on the next actions. The additional information covers the 8 topics agreed:-

- Additionality
- Intervention Rate
- Risk of Reduced take up by Employers
- Evidence of Company Involvement in the MAs
- Expression of Interest Process
- Information on the Apprenticeship Framework
- Project Costings
- Widening Access to these Modern Apprenticeships

Finally, the paper provides recommendations to the Standing Advisory Group on taking this application forward.

Background

2 The Standing Advisory Group at its meeting on 22 July 2009 had an extensive and constructive discussion on the above application. It was finally agreed that the Advisory Group would recommend this project for approval in principle to the Programme Monitoring Committee on 4th September 2009. However, they were not prepared to recommend that the funding requested should be offered to the project without further information and possibly a further discussion. The following report was requested by the Managing Authority for the LUPS ESF Programme to address the issues raised by the Advisory Group members. The Scottish Government has also taken this opportunity to provide an update on further developments since the application was submitted - particularly in relation to engaging with the Sector Skills Councils and prospective employers.

Additionality

3. The incentive being offered to employers through this ESF project will be offered as a package, given in return for a commitment to employ and train apprentices over the next 3 years. Firstly, employers must agree to take up two apprenticeships at the same time (or multiples of 2), and they must complete and adhere to the MA rules and Training Agreement. In return they will receive a training contribution towards the apprenticeship training costs for both apprentices. The level of training contribution they will receive will vary depending on the age of the apprentice and the level of training being undertaken. As an incentive to encourage employers to start 2 or more apprentices, the Scottish Government will pay the wage cost of every second apprentice. Where the apprentices are started at different levels or pay scales the offer will be to pay for the lower wage. Before any

wage costs are agreed the employer will be required to provide evidence of the salary scale and scale point for an employee at that level within the organisation, to ensure that the salary costs are not being inflated.

4. Employers have been consulted on a number of occasions during this year - at the Apprenticeship Summit in April and follow up events, and during the development of the new apprenticeship frameworks. The general views expressed by employers in relation to new MA recruitment is that there is a general reluctance to commit to employ new, additional apprentices in the current economic climate. The contracting process for MAs is currently underway and uptake has been lower than expected, although in some areas there is evidence that employers who have previously had, or have apprentices at the moment, are likely to continue to recruit apprentices this year. However, overall, the indication is that they will not increase the number on last or previous years' levels, and in many cases are reducing their number of apprentices. In the case of Life Sciences and Wind Turbine Maintenance, employers are unlikely to have engaged with the MA programme in the past, although evidence shows that once employers engage with the programme they are very likely to continue to use it as the route to train staff. Any apprentices recruited as a result of the incentives offered through this project should therefore be viewed as completely additional.

5. The additionality of this project will therefore be that 120 additional apprentices will be supported as a result of this project, and 60 of these will receive wage support. Employers can propose making an existing member of staff an apprentice – providing they take on another new employee at the same time. The apprenticeships under this scheme will be open to all ages and gender. The Cabinet Secretary for Education and Lifelong Learning has agreed to this at the time of proposing the scheme to ensure equal access to the apprenticeship programme for everyone, to encourage the training and development of existing staff in low paid/low skilled jobs whilst also creating new job opportunities within these growing key sectors during the economic downturn. Both these sectors fall within the Government's key sectors as highlighted within the Scottish Economic Strategy as sectors with high growth potential. However, given the current economic climate it is vital that innovative, new ways for Government to support this growth and capitalise on the upturn when it comes are considered. In addition, both the Life Sciences Sector and the Energy Sector have sector plans which indicate the importance that ongoing skills investment will have in allowing these sectors to fulfil their potential in Scotland.

Intervention Rate

6. The most recent £16m allocation to SDS from the Scottish Government was provided to cover the training costs of an additional 7,800 new MAs in 2009/2010. Through various means of communicating with training providers and employers (Apprenticeship Summit and follow up events, contracting process for existing 10,700 apprenticeship places for 2009/2010) there is anecdotal evidence to show that unless new incentives are provided, employers are very unlikely to take up all of

the MA places being offered. There is no additional funding for incentives so they must be funded through a combination of the following:

- a) some of the training contributions being a lower value than anticipated,
- b) reducing the contracted number of apprentices.
- c) securing additional ESF funding

Option a) will only be apparent after the contracting process for all MAs has been completed, but due to the timing of recruitment in some sectors it will be several months before this process is complete and the opportunity to recruit and start the training of apprenticeships in these two key sectors will be lost for 2009/2010.

The anticipated total cost of this project is £4,285,550 for 120 completers 3 year apprenticeships.

The SDS budget includes provision for all of the training contribution for the 120 MAs which is approximately £1,080,000.

The funding gap is therefore £3,205,550.

The maximum ESF requested for this project (@ 45% intervention rate) is £1,928,497 – still leaving a gap of £1,277,053. This will have to be met by SDS through a combination of options a) and b) which has been accepted due to the importance of these sectors, and the value of using them to innovate on widening access to MAs through a wage subsidy.

Risks of Reduced Take Up by Employers

7. SDS are currently contracting with training providers for 2009/2010 MA starts. The main contracting timescale is between now and October (although this varies by sector) but SDS have conducted a short telephone survey of MA providers to gauge take up by employers and the likely outcome against the total number of apprentices they hope to support this year. Indications are that around 50% of contracted starts are committed - that is providers have had positive responses from employers that they will recruit about 50% of the number of apprentices needed, although even these are not all signed up as yet.

8. Recruitment and marketing is very much an ongoing activity for training providers with the bulk of recruitment taking place between now and mid October. The Scottish Government and SDS still anticipate that due to the recession a number of sectors, including Life Sciences and Energy, will not be able to secure the level of apprenticeships anticipated unless the apprenticeships are incentivised.

Evidence of Company Involvement

9. The Life Science Modern Apprenticeship frameworks were developed by SEMTA earlier in 2009 to address the key components industry has been asking for in their life science technicians. The following employers were involved in the development process:

- Axis Shield

- Biofilm
- Charles River Laboratories
- Cyclacel
- CXR Biosciences
- Controlled Therapeutics
- GlaxoSmithKline
- Intercell
- Lifescan
- Schering Plough/Organon
- Scottish Biomedical

Four colleges played an integral part in the development process and these will be the first to deliver the Framework in September 2009:

- Forth Valley College
- Dundee College
- Inverness College
- Adam Smith College

In addition, the following colleges have expressed a keen interest in delivering the MA:

- Stow College
- Reid Kerr College
- West Lothian College
- James Watt College

10. The framework for the Wind Turbine Maintenance apprenticeship is currently being developed by Energy and Utility Skills Council in conjunction with employers from that sector. It is hoped that this will be completed by the end of September/October.

Expression of Interest Process

11. Following the announcement by the Cabinet Secretary of the new Life Sciences framework on 29th June 2009 information on the new framework content and the proposed Innovate with an Apprentice scheme, FAQs, were prepared and issued to approximately 200 companies by SEMTA. Some of these companies (listed above) had been involved in the development of the framework but others have since expressed an interest in the scheme as a result of the press coverage from the Ministerial announcement. An Expression of Interest form was developed and issued to companies by SDS and SEMTA in order to capture some key information at as early a stage as possible.

12. The information from the Expression of Interest form will capture information about the company's products/services; total number of employees; an indication of the number of apprentices they wish to start in 2009/10; how many of these will be

new recruits; the level of apprenticeship which best suits their business needs; proposed salary costs (inc NI) for Year 1 – 3 apprentices.

13. Initially, it was envisaged that all Expression of Interest forms received by 31 July 2009 would be batched and reviewed to ensure that the additional wage support offer was spread over as many companies as possible and that no single company would receive a disproportionate level of funding from the scheme. These are currently being processed by SDS/SEMTA. Based on discussions with SEMTA the initial response from some employers is that decisions on recruitment of apprentices may take longer to confirm – but should still be confirmed in advance of the start of the College year. By the end of July there had been 10 expression of interest forms returned, indicating the take up 22 apprentices, 17 of which being new employees, and 5 being recruited onto the MA scheme from existing low skill employees.

14. SEMTA are taking a further few weeks to contact other companies and will provide further information on either the numbers expected or the reasons why companies will not be taking up the apprenticeships. The Scottish Government expects to have this information no later than the end of August. At that time – if they believe that the numbers indicated in the application form for Life Sciences have been over estimated they will revise the ESF application in terms of outcomes/results and costs.

15. Discussions and procedures are now underway with the Training Providers, SEMTA, SDS and the Scottish Government to ensure that recruitment, engagement with training providers and the contracting processes are carried out on time and in advance of the time when training needs to start.

Information from Apprenticeship Framework

16. The full Apprenticeship Framework for Level 2 is annexed to this report for information and to demonstrate the content and breadth of skills being offered. For Level 3, Section 4 – the Framework is attached to demonstrate the range of core skills and outcomes offered at that level.

17. As well as detail on the framework, learning pathways, core skills and outcomes the document provides detailed information on registration, recruitment, Equal Opportunities, Health and Safety, Terms and Conditions etc. To emphasise that the responsibility for ensuring that the Modern Apprenticeship programme is implemented to the highest possible standard the roles and responsibilities for all stakeholders is set out in the appendices to the framework.

Project Costs

18. This application has been developed on the basis of an average training cost per apprentice of £9,000. This will have to be confirmed when the contract is finalised. As with many ESF projects the information provided on costs can only be a best estimate, the total project costs can only be absolutely confirmed once the contracts for these apprenticeships have been finalised. However, it is clearly stated that the ESF required is the minimum required to allow the project to go ahead. It is

also clear that the match funding to be agreed on the basis set out in paragraphs 6 and 14 above will be locked into the project and that any underspend will reduce the amount of ESF paid out.

19. The wage costs for half of the apprentices included in the application are estimated based on the following - Year 1 £15,000; Year 2 £17,500 and Year 3 £20,000 – a total of £52,500 per apprentice over 3 years. When employers submit the Expression of Interest form they are asked to indicate the level of salary they anticipate paying for each of the first 3 years of the apprenticeship. As part of the agreement process SDS/SEMTA will check that these wages are based on actual pay scales/scale points formally adopted by the employer. Once the apprentice is employed, and before any wage payment is reimbursed, the employer will be required to provide evidence of the actual wage cost and NI contributions paid to the apprentice.

20. Where apprentices recruited by an employer are started on different grades/salary levels - the employer will be reimbursed for the lower of the two salaries. From the Expression of Interest forms received to date the average wage costs are in the region of:

Year 1 - £16K - £19K
Year 2 – £18K - £20.5K
Year 3 - £19K - £22K

On this basis the anticipated wage costs in the application are broadly correct. However, by the end of September when further applications have been received , a further calculation of the average salary cost per apprentice could be made and if necessary the costs in the application could be revised at that time.

Widening Access to Modern Apprenticeships

21. The LUPS Operational Programme section on ESF Priority 2 specifically refers to supporting activities enabling disadvantaged young people and adults to enter apprenticeships. This ESF application indicates that a high number of the individuals supported will be multiply disadvantaged by having a lack of work experience, and/or being in low skill employment. Employers will take account of this during the recruitment and selection process and additional support from SDS staff with careers guidance expertise will be available to them during this. In anticipation of a high percentage of more disadvantaged people coming onto these MAs, the Core Skills package includes Communications, Working with Others, Problem Solving, Information Technology and Numeracy training. Although everyone needs these skills in their work, the specific inclusion in these MAs will ensure that employers will have confidence that individuals undertaking these MAs will not find that lack of previous work experience or soft skills will detract from them being able to achieve the apprenticeship and contribute fully to the productivity of their companies.

Recommendations

21. The Standing Advisory Group is invited to approve the following recommendations:-

- That the project be approved subject to the Scottish Government agreeing to carry out an evaluation of the impact and value for money of this approach to encouraging employers to take on additional MAs in these sectors.
- That the Scottish Government is asked to revise the costs prior to an offer of grant being issued in the light of the full information available as indicated in paragraphs 19 and 20 above; and that ESEP (IAB) is given authority accordingly to reduce, but not to increase the ESF offered from that in the original application.

It would also be helpful if members would respond by 1st September 2009, and note whether they would want to meet to discuss these recommendations or if they are content to provide an e-mail response.

Managing Authority ESF LUPS Programme
17 August 2009