

ANGUS COUNCIL

POLICY AND RESOURCES COMMITTEE – 12 MARCH 2024

SHARED APPRENTICE LIMITED (SAL) CESSATION OF SCHEME

REPORT BY ALISON SMITH, DIRECTOR OF VIBRANT COMMUNITIES & SUSTAINABLE GROWTH

1. ABSTRACT

This report advises the committee of the Scottish Government report on the review of the Shared Apprentice Limited (SAL) scheme criteria and subsequent letter confirming their decision that SAL should cease as of 31st March 2024.

2. ALIGNMENT TO THE COUNCIL PLAN AND COUNCIL POLICIES

2.1 This report contributes to the following priorities contained within the Angus Council Plan 2023 – 2028:

Caring for the Economy:

- We will encourage and invest in fair work opportunities for those that live, work and study in Angus

Caring for People:

- We will provide young people with accessible life-long learning opportunities in quality and flexible learning environments.

3. RECOMMENDATIONS

3.1 It is recommended that the Committee:

- (i) Notes the findings of the Scottish Government review into the criteria the Shared Apprentice Limited was working to; and
- (ii) Notes the closure of Shared Apprentice Ltd in accordance with Scottish Government decision as of 31 March 2024.

4. BACKGROUND

4.1 After the 2008 recession, construction companies who survived, reduced the number of apprentices they employed to a minimum as a result of fewer orders or stopped recruiting young people because of economic uncertainty. That in turn put even more stress on the construction industry who has been facing imminent skill shortages and an ageing workforce.

4.2 After discussions with local employers, it was established that a Shared Apprentice Programme would benefit both young people locally and the construction industry within Angus. The Programme would not replace traditional apprenticeship models but instead create additionality and a different model that would exist alongside the mainstream apprenticeship model.

4.3 A number of employers couldn't or didn't want to commit to take on apprentices through mainstream programmes. The reasons they preferred SAL were:

- couldn't commit to full four year apprenticeship;
- bad experience with previous apprentices in the past;

- uncertainty in the industry if they wanted to take on apprentices;
 - uncertainty about future orders;
 - short term demand for semi-skilled tradesmen in the form of apprentices in their busy times etc.
- 4.4 Angus Shared Apprentice Programme Ltd was therefore established in 2015 following approval by committee (Report No 69/15) to offer added value apprenticeships in a geographical area that identified low wage rates, high youth unemployment, and an industry skills shortage within the construction sector. The Programme specifically enabled small and medium size enterprises (SMEs) to deliver apprenticeship opportunities that they have would otherwise have been unable to provide. It was also established to create additionality and address skilled tradesmen shortages in Tayside.
- 4.5 In 2017 Dundee City Council became a partner and the company changed its name to Shared Apprentice Limited (SAL). SAL is a stand alone Company Limited by Guarantee with a Board of Directors and Articles of Association.
- 4.6 SAL was the first of its kind in Scotland attracting interest from across Scotland about the model from other Local Authority areas with a view to joining or replicating the model including Aberdeen, Aberdeenshire, Orkney, Fife, Edinburgh, Ayrshire and Stirling.
- 4.7 SAL was a collaborative approach between public and private partners. The main partners and Board Members were Angus Council, Dundee City Council, Construction Industry Training Board (CITB), Dundee and Angus College, Pert Bruce Construction Ltd, Andrew Shepherds Construction Ltd, and Robertson Construction Ltd. The Board have been instrumental in the success of SAL providing insight into the construction industry's changing landscape and identifying how SAL could link to the community benefit opportunities from both councils.
- 4.8 SAL employed apprentices only whilst they were completing their training.
- 4.9 Staffing, payroll, administration support, HR, marketing etc has been provided through in-kind support from the partners.
- 4.10 Angus Council has funded an officer since the inception of SAL who acts as Project Manager for SAL hosted within Economic Development. The officer has been responsible for the day to day running of the scheme including securing new placements, monitoring course and portfolio progression and moving apprentices to help them achieve qualifications, mentoring apprentices who require additional support (that includes physical and mental health, financial support in crisis, travel, tools and PPE subsidies), resolving conflicts at workplace and college, sourcing new host employers. He also has been responsible for recruitment of apprentices, liaising with the college and CITB to secure spaces on the course for the new applicants, preparing evidence for disciplinary hearings, organising board meetings and reporting to the board, preparing case studies and organising events to promote the scheme.

5. THE MODEL AND CRITERIA

- 5.1 The Shared Apprenticeship Programme allowed apprentices to complete a full apprenticeship by working with a number of different employers to gain the skill sets they required to become qualified throughout their four year apprenticeship. This allowed employers who wanted to support the development of skills while working on local contracts but were not in a position to offer a full-term apprenticeship and allowed employers the flexibility to meet the labour demands of their business at times when they needed it most.
- 5.2 Once the apprentice had finished working with an employer, they were found another placement and upon completing their apprenticeship, they were assisted in sourcing permanent employment within their chosen trade.
- 5.3 SAL was targeted at companies with under 25 staff; however, this was not exclusive as it was likely that larger companies would win local public sector contracts and pass the apprenticeship responsibility on to their sub-contractors. These sub-contractors would all be SMEs.
- 5.4 Each apprentice was placed with a number of private sector employers throughout the duration of their apprenticeship and the employer contributed towards the cost of having the apprentice. The employer paid SAL the wages of the apprentice plus 20% for the duration of the time spent with that employer. There was no contribution required from the employer when the

apprentice was on holiday or at college. All employment terms and conditions lay with SAL, thus offering the young person comfort that they would get a well-rounded apprenticeship and for the employer the comfort that there was no risk in committing to a four year apprenticeship.

5.5 SAL had full support from industry and the public sector to help offer and champion apprenticeship opportunities for our young people. It was an innovative way in which to deliver apprenticeships within an economic climate of uncertainty.

5.6 The key characteristics of the model that were essential to its success included:

- Not for profit organisation
- Main focus was apprentices, their progress and wellbeing
- Partnership approach and close cooperation (Dundee & Angus College, Angus Council, Dundee City Council, CITB, SBATC, SECTT, local employers)
- Close links with and involvement of industry representatives
- Mentoring support for apprentices
- Willingness of the partners to participate and cooperate
- Attractive model to employers who couldn't or did not want to commit to taking on mainstream apprentices
- SAL was:
 - Young person centred
 - Future skills focused for industry
 - About business enablement and growth for our SMEs

6. SCOTTISH GOVERNMENT REVIEW AND CURRENT POSITION

6.1 Scottish Government (SG) through Skills Development Scotland (SDS) were involved in the creation of SAL. A SDS representative attended Board Meetings for first two years of the scheme, but due to changes in personnel, there was no further representation from SDS at the Board meetings, despite requests from the SAL Board.

6.2 Such was the success and the positive outcomes of SAL that it won the Delivering Excellence Award at the COSLA awards in 2018, which was perceived as an indication of recognition and support from SG.

6.3 In 2019 the SG Directorate for Fair Work, Employability and Skills carried out a short review of SAL. SG published their findings in January 2020 and in their report, they reflected on the performance of the model against the original Business Plan & Articles of Association. SG not only acknowledged in their review the range of SMEs involved in terms of their size and the importance of this variety but critically also that some employers used both the shared and non-shared model, and this had created additionality and not displacement. It was also confirmed at the time that SDS remained content that this programme of work can continue.

6.4 In April 2022 the SG Directorate for Fair Work, Employability & Skills informed SAL of the criteria that every Shared Apprentice scheme in Scotland needed to meet to operate ie that only SMEs could support an apprentice. This criteria was different from the original criteria agreed at the time of the inception of the Angus Shared Apprentice Programme that there could be flexibility between using SMEs and larger companies. Had these requirements been in existence at the time, the Angus Shared Apprentice Programme would never have been established. The SAL Board challenged this robustly but the Scottish Government position is that the requirements have always existed and should have always been followed. Comparison of these findings/requirements from SG from January 2020 to those in April 2022 highlights the conflicting and contradictory positions.

6.5 The SAL board has continually communicated with SG, at policy officer and Ministerial level and SDS providing information as to why SAL cannot meet all of the requirements to operate as per the criteria shared in April 2022. However the Directorate for Fair Work, Employability & Skills wrote to the SAL Board and confirmed that due to SAL being unable to meet the SG Shared Apprenticeship criteria, SG would support the programme until the current cohort of apprentices complete, with funding support ceasing at this point .

6.6 The SAL Board therefore agreed in light of this decision from Scottish Government that the winding up of SAL should commence.

7. OUTCOMES

- 7.1 Over the seven years SAL has employed 68 young people from local communities in construction trades, electrical and civil engineering. Due to the collaborative nature of the scheme and additional resources available from the partners, it targeted underrepresented groups and supported many young people from complex and challenging backgrounds. 3 of the 68 were apprentices that had been made redundant and SAL adopted them so that they could complete their apprenticeship.
- 7.2 So far, 35 (57%) have graduated of which 89% were employed into the construction industry, 14 (21%) are currently in training, 9 (64%) are directly employed by the programme, 5 (36%) have transferred employment directly to a host employer. 14 (21%) did not finish their apprenticeship, 2 transferred into higher level courses. A painter and decorator apprentice moved into a full-time Interior Design course and a civil engineering apprentice moved from a Modern to a Graduate Apprenticeship programme. Both apprentices were from underrepresented groups, one relating to gender and the other ethnicity. The remaining 12 left for other reasons, a mixture of behaviour (6), changed sector (3), personal reasons (2) and health (1).
- 7.3 Each non completion was treated as a significant event and learnings were identified and built into the model. Transfers of employment to host employers were actively supported and encouraged and seen as a positive destination and the progress of the apprentice was tracked and accounted for in the overall scheme performance outcomes.
- 7.4 SAL has worked with 68 employers supporting the local economy, helping contractors meet their community benefit clauses in Angus Council and Dundee City Council. The majority of the employers engaged in the programme have been SMEs (10-49) from the Angus and Dundee areas. The main reason cited by employers for supporting the apprentices through the shared scheme is the flexibility that the placement offered and the additional number of skilled workers the programme brings into the sector.
- 7.5 The programme has specifically targeted support at micro businesses to engage in apprenticeships. Since inception, of the 68 employers, 11 were micro (0-9 employees), of which 9 supported only one placement. 2 out of 11 micro employers engaged with a second placement. The reasons for this are directly related to the capacity and size. Micro businesses, particularly those that are sole traders, were unable to provide the time required to provide the training, they experienced financial challenges relating to VAT and cash flow and others simply ceased trading.
- 7.6 There has been a spectrum of employers involved, from those engaging with apprenticeships for the very first time through to those that have been recruiting apprentices for generations and use the scheme to increase the number of skilled workers entering the local skills pool. For many employers, the scheme allowed them to engage and invest in apprenticeships for an agreed period, often linked to work volume, or specific projects or contracts that included community benefits.
- 7.7 Other achievements for the scheme –
- 78% achievement rate for apprentices over four-year apprenticeships which is higher than the national average.
 - SAL won the Scottish Government Delivering Excellence Award at the COSLA 2018 Awards.
 - In November 2023 the SAL Recognition Event was held to thank all employers and partners for their contribution to the scheme. Over 40 people attended.

8. NEXT STEPS

- 8.1 SAL will still be operational to allow employed apprentices to continue their apprenticeship until they graduate or are employed directly by host employers. The scheme will then close. Out of nine remaining apprentices currently employed, two will graduate in April 2024. Of the remaining seven apprentices, one will graduate in February 2025 and six in September 2026. The Board are working with the apprentices and actively looking for host employers for the apprentices to be transferred directly to. It is anticipated that host employers will be found for all apprentices remaining by April 2024. The closure will not result in apprentice redundancies.

Therefore it is anticipated that SAL will be fully wound up in September 2026.

8.2 The Board of Directors have engaged the services of Thornton Solicitors to begin the process of winding up of the company and agreeing how any remaining assets will be reallocated, as per the Articles of Association.

8.3 Details about how and why SAL was set up, the model and procedures, lessons learned, outcomes and feedback will be published on the SAL website for others to use and also in case the Programme is ever resurrected. <https://sharedapprentice.org/>

9. RESOURCE IMPLICATIONS

9.1 Currently Angus Council fund an officer who acts as Project Manager for SAL hosted within Economic Development. As the scheme winds down, the officer has been taking on other duties in Economic Development and will be reviewed as part of the proposed service review in Economic Development.

9.2 Angus Council also provide a Business Support Officer to SAL to assist with paying of wages to apprentices, raising invoices and other duties. This support will be provided until the apprentices have graduated or moved to host employers. The staff member will be subsumed into existing duties within Business Support on closure of the scheme.

9.3 Angus Council also support SAL by providing finance advice to the Board, preparing the company's financial projections, reviewing its draft annual accounts and liaising with SAL's external auditors: during audits and statutory submissions to Companies House and HMRC. Support will be required from this team to assist with the winding up process and will thereafter cease.

10. FINANCIAL IMPLICATIONS

10.1 There are no direct financial implications to Angus Council arising from the recommendations in this report.

10.2 SAL has its own budget and accounts managed by the Board of Directors.

11. RISK MANAGEMENT

11.1 There are two risks identified in the cessation of SAL

- Remaining apprentices would not be employed by host employers. The SAL Board have discussed this risk and regard this as a low risk due to the number of host employers supporting the scheme. The Board have discussed a potential solution to this risk if it arises which would be to offer a recruitment incentive similar to the Adopt an Apprentice Scheme where new employer would get a fixed amount of money to employ an apprentice and for keeping them for at least a year.
- Finances – SAL debtors would not pay their invoices. This is considered a low risk. During the winding up of the company. Thornton's Solicitors are engaged to recover debt for the scheme.

12. ENVIRONMENTAL IMPLICATIONS

12.1 There are no direct environmental implications arising from the recommendations of this report.

13. EQUALITY IMPACT ASSESSMENT, HUMAN RIGHTS AND FAIRER SCOTLAND DUTY

An Equality Impact Assessment has been carried out and is attached.

14. CONSULTATION

The Director of Finance and the Director of Legal, Governance & Change have been consulted in the preparation of this report.

NOTE: The background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) which were relied on to any material extent in preparing the above report are:

Report No 69/15 – Angus Shared Apprentice Programme – 12th February 2015

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List of Appendices:

Appendix 1 – Equality Impact Assessment