

**Contracting Strategy for
Modern Apprenticeships
2013-14**

Introduction

Modern Apprenticeships (MAs) continue to be an important component of the Scottish Government's measures to promote sustained employment. In our Corporate Strategy we outline our commitment to the continued development of the programme so that it responds to the needs of employers and key industries as outlined in our development of Skills Investment Plans.

A key part of our evaluation and research strategy is an extensive programme of research on the impact of MAs with individuals and employers. From our survey of those in training earlier this year, we know that MAs are positive about their experience; with 98% finding the programme as useful overall and 75% stating it is very useful.

As the full research work is not yet finalised, there will be no change to the contribution rates for 2013/14. We will be reviewing the evidence gathered, over the coming months, to consider what adjustments should be made to contribution rates for 2014/15 to maximise value-for-money and impact. The research findings will also inform our ongoing programme of improvement activities.

You will note changes to the contracting process and paperwork which represents further progress in our aim to minimise bureaucracy whilst encouraging delivery of provision which ensures positive outcomes and good return on public investment.



Damien Yeates

Damien Yeates,
Chief Executive



John F McClelland

John F McClelland CBE,
Chair

1. Operating Context

Economic Outlook and Recovery

The OECD Economic Outlook projects a hesitant and uneven global recovery over the next two years. It has revised its growth forecast for 2013 downwards to 1.4 per cent, this from the 2.2 per cent forecast in May.

Unemployment in the European Union increased for the eighteenth month in a row, reaching almost 26 million. Over the 12 months to September 2012, unemployment in the EU rose by 2.1 million. Youth unemployment remains a particular concern, having risen to over 5.5 million.

Expectations from the Bank of England are that UK economic growth will remain sluggish. Despite this relatively weak economic growth, the UK labour market has remained remarkably resilient thus far.

The SCDI Skills Pulse Survey indicated that attracting and retaining skilled staff remains a challenge for some Scottish businesses. However, the impact of the economic climate and the need to attract & retain customers were more pressing challenges for many.

The November 2012 economic update from the Fraser of Allander Institute (FAI) shows weak growth in the Scottish economy, driven by the production sector, with fewer jobs created in agriculture, production or services. The ILO unemployment rate is forecast to rise from 8.5% to 8.8% in the next year, falling back to 8.7% in 2014. As the FAI suggest, growth appears to be weakening and the recovery seems to have stalled. The recent publication of Q2 Scottish GDP figures for Scotland confirmed this picture.

There also seems to be a recurring theme of 'rolling optimism' for recent Scottish and UK GDP and employment forecasts, with estimates for a given year being revised downwards as that year approaches. Longer-term growth and employment forecasts should therefore be treated with caution

Current unemployment

The latest figures show that unemployment has fallen faster in Scotland than in the UK as a whole, with the unemployment rate now lower in Scotland than in the UK. Scottish unemployment for October 2012 fell by 19,000 to 204,000 on the previous quarter (unemployed ILO – Labour Force Survey); and the unemployment rate fell from 8.2% to 7.6%. Over the same period, the unemployment rate in the UK fell from 8.0% to 7.8%. Latest (November 2012) claimant count figures for those aged 16-64 stand at 3.9% and also highlight spatial differences within Scotland from 6.5% in North Ayrshire to 1.2% in Aberdeenshire.

Current youth unemployment figures highlight a particular challenge. The Scottish ILO unemployment rate for 18-24 year olds for the period Aug-Oct 2012 stands at 18.4%, higher than the UK rate of 18.2%, and the unemployment level for 16-24 year olds in Scotland is 87,000, down 25,000 over the year. As the economic stagnation lengthens, long-term youth unemployment remains a serious issue. In October 2012 there were around 7,900 young people aged 16-24 who had been claiming benefits for over one year, this is *more than double* the number of a year earlier.

School Leavers Destinations

There has been a shift in school leaver destinations over the past decade. The number of leavers entering FE has steadily increased. In the past four years, since the recession there has been a sharp fall in the number of school leavers entering employment, and a corresponding increase in those entering HE and FE. The numbers in other types of training have levelled off, but remain very low compared with the early 1990s.

Looking at the trend in other (negative) destinations, the number of school leavers who are unemployed and seeking employment or training has fallen slightly since records began in 2002-03. There has also been a fall in the numbers unemployed and not seeking employment or training (economically inactive), and those with unknown destinations. Again, this is partly explained by an increase in the number of people entering post-school education.

Local authorities with the highest percentage of school leavers *unemployed and seeking employment or training* in 2010/11 were as follows. The Scottish average was 9.6%.

- Midlothian (13.8%)
- North Lanarkshire (12.9%)
- Clackmannanshire (12.1%)
- Glasgow (11.9%)
- East Lothian (11.6%)

The Modern Apprenticeship Programme Response

The priorities for MA funding are consistent with the focus for 2012/13. The primary focus for public funding, though Modern Apprenticeships, is to offer support for young people to take up training opportunities for sustained employment and progression. Evidence shows that employers tend to favour older recruits, especially in the current job market, and thus the contribution assists employers to invest in training young people and their future workforce. MA funding also inputs to workforce development for certain occupations which are deemed to be of greater benefit to the Scottish economy.

2 Programme Offer

Skills Development Scotland (SDS) will contract for Modern Apprenticeships, on behalf of the Scottish Government, as a key investment in the economic recovery of Scotland.

Subject to budget availability, SDS intends to contract for the delivery of 25,000 MA starts in 2013/14. SDS administers the public sector's funding contribution towards the costs of training and/or assessment for employees that employers wish to support through an approved Modern Apprenticeship framework.

MA frameworks are devised by Sector Skills Councils/Bodies (SSC/Bs) in consultation with relevant employers and are based on National Occupational Standards. They are approved for delivery in Scotland by the Modern Apprenticeship Group. The type and level of framework must be appropriate to the job role undertaken by the apprentice.

The priorities for SDS funding decisions for 2013/14 are in line with Scottish Government policy imperatives, and at the time of publication, seek to contribute towards the following:

- Maximising jobs with training opportunities for 16-24 year olds, with priority given to 16 to 19 year olds;
- Maximising opportunities for the wider availability of higher level Apprenticeships including Technical Apprenticeships at SCQF Levels 8 and 9, and Professional Apprenticeships at SCQF Level 10 as and when these are approved; and
- For those aged 25 plus, priority for funding contributions will be given to the following occupational-related areas: Scottish Government key sectors; construction and related; engineering; automotive; and traditional craft occupations e.g. bakery.
- Addressing occupational segregation issues.

3. Programme Rules

Updated Programme and Operating Rules will be published on the SDS website in due course. These rules will take account of the drive by the public sector to reduce any unnecessary administration and bureaucracy whilst still providing assurance of appropriate public funding spend.

4. Equal Opportunities

Learning Providers will have a written Equal Opportunities policy statement in respect of Modern Apprenticeships programme activity and will provide SDS with a copy of it on request and will comply with the obligations of the relevant Equal Opportunities related Acts which are highlighted in the programme rules.

Except where there are restrictions on recruitment to a programme confirmed by prior, written agreement of SDS the Learning Provider will take steps to ensure equality of opportunity in respect of recruitment and the provision of activity funded through the Modern Apprenticeships programme regardless of race, sex, religion or, subject to any necessary constraints, any disability, marital status, sexual orientation or political or philosophical opinions.

5. Financial Position

The funding rates are set out in the Modern Apprenticeships Contribution Rates document published on the Public Contracts Scotland portal.

Payments will be made in arrears according to the payment plans for each MA framework.

6 Contracting Process

6.1 The Process

The outline process for stage 2 is as follows:

- Invitation to successful Invitation to Tender applicants to complete the Proposals posted on Public Contracts Scotland Portal
- Submission of Proposals to gather consistent information to inform contract awards.
- Review of Proposals to make informed decisions regarding public investment and award of contracts using standard criteria.
- Sign off by SDS Board Appropriate governance of public investment
- Contract Awards

6.2 Review Criteria

The outline criteria for the review of proposals is provided in the attached documents within Public Contracts Scotland Portal – *Modern Apprenticeship scoring criteria*.

6.3 Responding to changing needs

Following the award of contracts, SDS reserves the right to amend these to enable greater responsiveness to changing labour market circumstances across Scotland.

7 Performance Management

The following performance measures will be applicable to each contracted provider.

KPI	Title of KPI	Defined	How will KPI be measured	Target
1	Delivery of contracted starts	Delivery of contracted volumes per programme	Monitor volumes delivered each month against contracted/forecasted volumes for the programme Tolerance level of 5% (rationales out with tolerance to be supplied) No clear rationale will result in starts being removed from Provider contract	Deliver government targets for the National Training Programmes
2	CTS record maintenance	CTS records are maintained and kept up-to date at all times	Inactive report to identify CTS records with no claims for over 12 months and end dates not being updated	Reduce the number of inactive records over 12 months with no claim and ensure no more than 10% of Provider records are inactive (rationales out with tolerance to be supplied) and have no live records end date beyond date report run
3	Achievement Rates – Modern Apprenticeships	Delivery of MA minimum achievement rates	Achievement rate report to identify providers not delivering at minimum achievement rate (rationales and corrective action out with minimum to be supplied)	All Providers to be delivering at minimum achievement rate – those below must have clear rationale or low volume of leavers that impacts on minimum achievement rate not being achieved

The above Key Performance Indicators have been generated to reflect the key goals for successful delivery of SDS National Training Programmes 2013-14.

8 The Way Forward and Key Dates

This Contracting Strategy paper is provided as part of 'Stage 2 of the Contracting Process for National Training Programmes.'

The timescales for all stages of the process are set out below.

SDS reserves the right to alter timescales, based on business need.

- Stage 2 Publication of proposal documentation on 13 December 2012
- Stage 3 Submission of proposals **no later than 3pm on 17 January 2013 to Public Contracts Scotland.**
- Stage 4 Review of all submissions and recommended allocations.
- Stage 5 Sign off by SDS Board.
- Stage 6 Contracts issued **no later than 30 March 2013.**

It is important for Learning Providers to note that **all late or incomplete submissions for stage 3 of the process will be rejected.** This will ensure fairness and transparency in the process.