

REQUEST FOR DIRECTOR DECISION – DD1227

Title: Award of Apprenticeships Marketing Grant to Skills Funding Agency

Executive Summary:

In November 2013, the Mayor (via MD1282) approved the allocation of up to £1m Growing Places Fund investment to support a marketing campaign aimed at increasing the number of Apprenticeship opportunities in London. It was proposed that the £1m investment be used to support two distinct strands of activity:

1. A greater awareness campaign targeting SMEs on the range and quality of Apprenticeships.
2. An employer facing marketing campaign aimed at increasing the number of employers becoming a 'qualified lead' for Apprenticeships opportunities in London.

The GLA's London Engagement Team, Economic and Business Policy Unit have worked with the Skills Funding Agency (SFA) to assist the development of the Agency's proposed campaign activities.

In May 2014, the Investment and Performance Board approved in principle a proposal to award £318,600 grant funding to the SFA to conduct an employer facing London marketing campaign activity from June 2014 to March 2015. This Decision seeks formal approval to award funding to the Agency for this purpose.

MD1282 records the Mayor's approval of a provisional expenditure profile for the £1m investment but following GLA and Agency discussions around how both strands of activity would most effectively be delivered, the profile has been revised. Therefore this Director Decision paper also requests approval to formalise the revised expenditure profile.

Decision:

That the Director approves:

1. Expenditure of £318,600 by way of grant funding to the Skills Funding Agency as a contribution to its costs for an employer facing marketing campaign aimed at increasing the number of employers becoming a 'qualified lead' for Apprenticeships opportunities in London; and
2. The revised expenditure profile as more fully described in section 2.2 of this paper.

AUTHORISING DIRECTOR

I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities. It has my approval.

Name: Fiona Fletcher-Smith

Position: Executive Director-Development, Enterprise & Environment

Signature:

Date: 17 June 2014

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1 Introduction and Background

- 1.1 Apprenticeships have been a key focus for the Mayor during his two terms. Despite having the second lowest share of Apprenticeship starts, London has seen the largest growth in Apprenticeships since August 2008 (162% increase).
- 1.2 In 2012 the Mayor committed to deliver a further 250,000 Apprenticeship starts in London, refer to table 1 below:

Table 1:

	Performance	Future targets			
Year	2012/13	2013/14	2014/15	2015/16	Project Lifetime (2012-16)
Starts required	47,230	56,204	66,882	79,684	250,000
Performance uplift required (Apprenticeship starts)	0	8,974	10,678	12,802	32,454
Percentage increase required on previous year (%)	0%	19%	19%	19%	

- 1.3 In order to meet this target, 56,204 Apprenticeships starts need to be created in 2013/14, with a subsequent 19% year on year increase until May 2016¹. Since May 2012 to January 2014, there have been 73,860 starts reported by the Skills Funding Agency.
- 1.4 In September 2013, IPB approved the allocation of £1m Growing Places Fund resources to support Apprenticeships Marketing Campaigns delivering the following activities:
- Research and creative message testing;
 - Working with a creative marketing agency;
 - Engaging with a media planning agency;
 - Supporting some uplift of existing planned activity by campaign partners, including the National Apprenticeship Service, the launch of the London Professional Apprenticeships (LPA) Network and London Boroughs.
 - Governance – it is proposed that outside of the standard GLA reporting mechanism, the campaign team use the LEP Skills and Employment Working Group as a key employer facing sounding board and the wider stakeholder workshop group that met on the 28th March, 2013.
- 1.5 A project steering group comprising the GLA's London Engagement Team, Economic and Business Policy Unit and Skills Funding Agency was set up in October 2013 to enable the GLA to assist the Agency with the development of its proposed campaign activities.

¹ All Apprenticeship starts created in London will count towards the final target.

- 1.6 The steering group proposed that the £1m funding should be used to support two distinct strands of activity:
- i) A greater awareness campaign targeting SMEs on the range and quality of Apprenticeships (£500,000). This campaign will focus on:
 - raising awareness amongst London SMEs about the range and quality of the Apprenticeships available and how to find information; and
 - raising awareness amongst London SMEs of Apprenticeships as a recruitment and/or development tool
 - ii) Increase the number of employers becoming a 'qualified lead' for Apprenticeships opportunities in London (£500,000).
- 1.7 The greater awareness campaign is being led by the GLA's London Engagement Team, who has contracted the services of advertising creative and media planning agencies (approved under cover of MD1282).
- 1.8 Following endorsement from IPB, it is proposed that grant funding is awarded to the Agency as a contribution to its costs of delivering a Direct Mail / Telemarketing (DM/TM) campaign with a view to increasing in the number of employers becoming a 'qualified lead' for Apprenticeship opportunities in London. The steering group proposal to grant fund the Agency was made in recognition that the Agency has a proven track record of engaging employers through DM/TM and have suppliers in place to deliver a specific London activity within its campaign. The Agency also has a dedicated resource for managing the fulfilment of leads through to referrals to Apprenticeship training providers and colleges. Furthermore the Agency also has an established reporting and evaluation system in place that would ensure regular updates on lead conversion.

2 Objectives and expected outcomes

2.1 Marketing campaign to increase the number of employers becoming a 'qualified lead' for Apprenticeships opportunities in London

- 2.1.1 The expected outcomes of the employer facing marketing campaign aimed at increasing the number of employers becoming a 'qualified lead' for Apprenticeships opportunities in London are detailed in table 2 below.
- 2.1.2 It is proposed that the funding will be granted subject to the Agency reporting against the performance measures in table 2 on a monthly basis, stratified by company size and sector.

Table 2:

Overall Strategic Aim of the Project:	To create 500 or more additional Apprenticeship starts within London's SME businesses.
Overall Impact of this Project:	To encourage SME businesses in London to take on an Apprentice.

Objective 1:	To promote Apprenticeships to 60,000 of London's SMEs from June 2014 to March 2015 using Direct-mail and Tele-marketing activity.
Measurable Benefits and key outputs:	<ul style="list-style-type: none"> - 22% conversion of Outbound leads to Apprenticeships Opportunities; - 7% conversion rate of records to Outbound leads. <p>Data to be reported on a monthly basis.</p>
Objective 2:	To create 500 or more Apprenticeship starts within London's SME businesses
Measurable Benefits and key outputs:	- The conversion of leads to starts to be reported by the Agency to GLA with leads data on a monthly basis.
Objective 3:	Evaluation of the DM/ TM activity for London and Apprenticeship take-up.
Measurable Benefits and key outputs:	Dedicated evaluation of DM/ TM activity IN London to be commissioned by the SFA. The evaluation is to be an externally commissioned piece of research and presented in a detailed report including statistics and survey feedback.

2.1.2 The Agency's DM/TM campaign for generating employer leads and increasing the number of employers becoming a 'qualified lead' consists of:

- i) An integrated system with two calls to action;
- ii) Clear tracking reporting system; and
- iii) The ability to de-dupe data to maximise return on investment.

2.1.3 The GLA has enlisted agencies to develop the messaging and creative for the Awareness Raising campaign. The Project Group has agreed that these messages will be the basis for the direct marketing creative used by the Agency to ensure a coherent Apprenticeship Campaign 'look and feel' for London.

2.1.4 Whilst the key aim is to produce enhanced collateral (digital, print) including London-centric messaging, the enhanced DM/TM activity will also align with the existing Agency campaign, with a clear customer journey and calls to action to contact for the 0800 number and /or the Apprenticeship website.

2.2 Revised expenditure profile

2.2.1 The Mayor (via MD1282) approved a provisional expenditure profile for the £1m Growing Places Fund investment on the basis that the yearly profile maybe subject to change once all marketing activity had been fully scoped. Table 3 details the impact changes on the yearly expenditure profile now the delivery approach has been finalised. Note that the maximum budget has not changed.

Table 3:

Year	Original budget	Revised budget
2013/14	£400,000	£4,267
2014/15	£350,000	£745,733
2015/16	£250,000	£250,000

Total	£1,000,000	£1,000,000
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3 Other considerations

- 3.1 This investment supports the achievement of the Mayor's commitment to deliver 250,000 apprenticeship starts by 2016.
- 3.2 The LEP endorsed the £1m investment to support a marketing campaign aimed at increasing the number of Apprenticeship opportunities in London in April 2013.
- 3.3 IPB approved the activity included within this paper in May 2014.
- 3.4 The risks associated with the project are detailed in table 4 below.

Table 4:

Risk	Mitigation
Economic climate. Growth in new Apprenticeship starts will be constrained if private sector employment does not continue to increase. Public sector retrenchment also poses a risk.	Ensure future Apprenticeship messages focus on growth (as per the research). Messaging will be tested during the pre-campaign research to determine what has the greatest resonance with the target audience.
The Agency's ERG exemption is not approved or level of investment partially approved.	GLA increases own investment to plug gap.
Changes to Apprenticeships by national government may reduce take-up: <ul style="list-style-type: none"> - Govt committed to increasing the number of Level 3 and above Apprenticeships most likely at the expense of those at Level 2. Level 2 Apprenticeships will increasingly shift to Traineeships. This could impact on the numbers. - The focus on quality provision. Quality will continue to influence starts of all ages well into 2013/14. This can be illustrated through a recent risk analysis of changes to the Customer Service framework. - Changes to the framework away from its widespread generic use to specific customer service job roles could see a reduction of at least 20,000 starts nationally. The focus on quality requires the Agency and providers, to re-sell the benefits of Apprenticeships to employers. - Proposed funding reforms show employers deferring action to take on an apprentice. 	Ensuring messaging focuses on positive return of current Apprenticeship programme available now.
Current AGE incentive may not be sufficient for London employers.	Current £1.5K grant is still available. Officers are reviewing the potential to increase offer through ESF investment.

Multiple organisations (colleges and training providers) marketing Apprenticeships to SMEs	By granting funds through the Agency the risk of multiple contacts being made will be reduced. Develop collateral that providers can use to ensure Apprenticeships messaging is consistent. This will be provided as part of the Awareness Campaign work.
Discontinuation of TM provided by Agency's marketing supplier.	Close management of the Agency's dual relationship with supplier.

4 Financial comments

- 4.1 MD1282 approved the allocation of up to £1 million from the Growing Places Fund (GPF) to deliver the London Apprenticeships Marketing Campaign.
- 4.2 IPB on 11 September 2013 approved an indicative budget profile of £400,000 in 2013/14, £350,000 in 2014/15 and £250,000 in 2015/16, of which £4,267 has been spent in 2013/14.
- 4.3 Approval is now being sought to grant fund up to £318,600 to the Skills Funding Agency in 2014/15 to conduct a marketing campaign to increase the number of Apprenticeship opportunities in London (to be governed by funding agreements).
- 4.4 The revenue cost of up to £318,600 will be funded from existing £1m GPF allocation.
- 4.5 Approval is also being sought to reprofile the £1m GPF allocation as follows :
 - 2013/14 £4,000
 - 2014/15 £746,000
 - 2015/16 £250,000
- 4.6 Although GPF is expected to be a revolving fund, grant conditions do not preclude its use for grant funding.
- 4.7 The proposed funding of £318,600 will be enhanced by a contribution of £66,000 from the Agency (subject to Cabinet Office approval).
- 4.8 All requisite budget adjustments will be made.
- 4.9 As the proposed funding above is to be governed via funding agreement, officers are reminded to ensure that they liaise with both the Legal and Finance Teams in the preparation and execution of the funding agreements. In addition, the monitoring of the funding and associated payments must be line with the Authority's Funding Agreement Toolkit.

Officers will be responsible for assessing the Skills Funding Agency's grant claims against the funding agreement and taking any remedial action should output and costs vary from the agreement. The funding agreements should clearly state milestones to be met in order to claim funding.

Officers should also ensure that the requirements relating to the Authority's Contracts and Funding Code are met.

- 4.10 Any changes to this proposal must be subject to further approval via the Authority's decision-making process.
- 4.11 The Economic Business Policy Unit within the Development, Enterprise and Environment Directorate will be responsible for managing this project and associated funding agreements.

5 Legal comments

- 5.1 The foregoing sections of this report indicate that:
- 5.1.1 the decisions requested of the Director fall within the statutory powers of the Authority to promote economic development and wealth creation, to promote social development, to promote the improvement of the environment, and/or to do anything which is facilitative of or conducive or incidental to the promotion of those purposes, in Greater London; and
 - 5.1.2 in formulating the proposals in respect of which a decision is sought officers have complied with the Authority's related statutory duties to:
 - (a) pay due regard to the principle that there should be equality of opportunity for all people;
 - (b) consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom; and
 - (c) consult with appropriate bodies.
- 5.2 Officers have indicated in the foregoing sections of this report that the contribution of funding to the Skills Funding Agency will amount to the provision of funding and not a payment for services rendered and must ensure therefore that:
- 5.2.1 the funding is disbursed fairly, transparently, and which are considered to afford value for money; and
 - 5.2.2 an appropriate funding agreement is put in place and executed by the Skills Funding Agency and Authority before any commitment is made to the grant of funding.

6 Planned delivery approach and next steps

- 6.1 The Agency has been conducting a national DM/TM campaign from January 2013. The Agency's DM/TM activities have proven to be an effective way to target SMEs in particular sectors and geographies.
- 6.2 Table 5 details the London DM/TM outbound leads from April 2013- March 2014 and the subsequent conversion to apprenticeship opportunities.

Table 5:

Outbound Leads (including ready to talk and further information)	Ready to Talk leads	Outbound leads converted to Apprenticeship Opportunities	Apprenticeships
3,354	1,863	734	395

% conversion of Ready to talk	39%
% conversion of all outbound leads converted into Apprenticeship opportunities	22%

- 6.3 The cost of the DM/ TM activity from April 2013 to March 2014 was £352,000 including VAT. This is in part an estimation based on apportioning the number of telemarketers dedicated to London within the national campaign. The approximate cost per lead generated which is the drive of this activity is £189. The converted cost per Apprenticeship created is £891.
- 6.4 The current national employer campaign is due to end in May 2014. An interim budget has been agreed by the Cabinet Office to continue the London DM/TM until the end of June 2014. The Agency's current marketing plan for 2014-15 includes a series of bursts of activity for London. The GLA's investment will be used to significantly increase this activity and to provide DM/TM activity from June 2014 to March 2015.
- 6.5 The Agency currently contracts with a supplier (Echo) for outbound/inbound TM activity. The intention is to have dedicated TM advisers for London who are highly experienced and have the ability to re-cross sell and up-sell Apprenticeship products (Advanced, Higher Apprenticeships and Traineeships).
- 6.6 The Agency proposes to continue to use this supplier until March 2015. The current design agency (Bray Leino) have a clear understanding of the Agency's brand and has also developed products and creatives using the GREAT brand. They have creative flexibility that would allow them to fully utilise the Mayor's messaging whilst ensuring that all products maintain an Apprenticeship look and feel.
- 6.7 Both agencies have already been through the Agency's tendering process and are the preferred suppliers for delivering DM/TM activity.
- 6.8 Table 6 below provides estimated costs (exc VAT) for ongoing London Activity from June 2014 – March 2015

Table 6:

Description	Net Cost
Creatives including DM, e-shot and photography	£36,500
Print/ Mailing	£55,000
Data	£40,000
Telemarketing (4 agents)	£200,000
Total Net	£331,500

- 6.9 The Agency is submitting an ERG exemption to Cabinet Office that includes £400,000 for national DM/TM of which it is expected one sixth will be allocated to London.
- 6.10 Of the total £331,500 outlined in table 6, the Agency contribution will be £66,000 net of VAT (subject to Cabinet Office approval).
- 6.11 The GLA / LEP investment balance will be £265,500 plus VAT ie £318,600 on TM/DM. VAT will be included in the grant agreement as this is irrecoverable for the Agency.

- 6.12 Table 7 outlines the expected conversion rates for £331,500 (£397,800 incl. VAT). The Agency expects to contact approximately 60,000 SMEs and achieve a conversion rate of 7% into outbound leads, which equates to a cost of £171 per lead (including VAT).

Table 7:

Outbound Leads (including ready to talk and further information)	Ready to Talk leads	Outbound leads converted by Small Business Team	Apprenticeships created
4200	2332	920	500

*Note 1. figures are rounded and do not take account of the uplift from the awareness campaign which is expected to increase the return from each lead (and increase VfM).

- 6.13 Whilst the over-arching objective of the investment is to generate Apprenticeships, the DM/ TM campaign drives the lead generation and includes costs for this and not Apprenticeship starts. The unit cost for Apprenticeships created is £795.60 (including VAT). This does not reflect other costs associated with the campaign work such as lead handling costs absorbed by the Agency and indeed costs incurred by providers and/ or colleges to convert opportunities into Apprenticeship starts.
- 6.14 The balance of the £500,000 budget allocated for the purposes of increasing the number of employers becoming a 'qualified lead' for Apprenticeships opportunities in London (£181,400) will be held back to support further bursts of activity focused on lead generation to December 2015. The activity for this is currently being scoped out and therefore does not form part of the initial grant agreement awarded to the Agency for DM/TM activity.
- 6.15 The GLA Engagement Team is working with the appointed marketing agencies to develop the awareness raising campaign activity for launch in the summer following the pre-election period. This will align to the DM/ TM activity proposed in this paper.

Activity	Timeline
Procurement of contract [for externally delivered projects]	15 June 2014
Announcement [if applicable]	n/a
Delivery Start Date [for project proposals]	23 June 2014
Final evaluation start and finish (self/external TBC)	1 st November 2014 – 30 April 2015
Delivery End Date [for project proposals]	31 March 2015
Project Closure: [for project proposals]	30 May 2015

Appendices and supporting papers: None

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.

Note: This form (Part 1) will either be published within one working day after approval or on the defer date.

Part 1 Deferral:**Is the publication of Part 1 of this approval to be deferred? NO**

If YES, for what reason:

Until what date: (a date is required if deferring)

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer:

James Spacey has drafted this report in accordance with GLA procedures and confirms that:

✓

Assistant Director/Head of Service:

Mark Kleinman has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

Financial and Legal advice:

The Finance and Legal teams have commented on this proposal, and this decision reflects their comments.

✓

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature

Date