

Transfer of Apprenticeship Levy Funds 2020 -2021

Responsible Officer Michele Leith, Director of Workforce and Transformation
e-mail: Michele.leith@shropshire.gov.uk Tel: 01743 254402 Fax

1.0 Summary

- 1.1 This report provides information on the Apprenticeship Levy and seeks the permission of Cabinet to agree the transfer of unallocated levy funds through an application process outlined in the policy and guidance set out by Shropshire Council (Appendix 1) in line with funding rules set out by the Education and Skills Funding Agency (ESFA).
- 1.2 Transfer of Apprenticeship Levy Funds will ensure that unused funding is spent within Shropshire to enable the creation of new opportunities for employers and communities, in key employment sectors for vulnerable and priority groups within the county i.e. Care Leavers, Not in Education, Employment or Training (NEETS), unemployed and socially excluded.
- 1.3 Transfer of Apprenticeship Levy Funds were introduced in April 2019, enabling Levy Paying employers to maximise the use of their funds.
- 1.4 Apprenticeship Levy Transfer requires a fair and robust process to ensure transparency and support the delivery of the strategic priorities of the Local Authority, in particular, A Good Place to do Business and Sustainable Places and Communities.
- 1.5 Apprenticeship Levy can only be spent on Apprenticeship Training so this funding would not be able to be used elsewhere and Apprenticeship Levy Transfer would ensure that the funding is utilised within Shropshire.

2.0 Recommendations

- 2.1 Cabinet agrees to transfer up to 25% of annual Apprenticeship Levy Funds, in line with the ESFA Funding Rules, to local businesses including voluntary aided schools, voluntary and community sector organisations and small to medium sized enterprises via a transparent and robust application process (Appendix 1).

- 2.2 Cabinet agrees to support the following priority sectors within the process of Apprenticeship Levy Transfers;
- Health and Social Care
 - Engineering and Manufacturing
 - Digital and Creative
 - Construction
 - Visitor Economy
 - Education and Childcare

2.3 Cabinet agrees to support the following priority groups:

- People in Protected Characteristic groups and people at risk of social exclusion (i.e. Care Leavers, NEETs) outlined on the Shropshire Council webpages for Equality, Diversity and Social Inclusion.
- People who are currently unemployed or have been affected by COVID-19 (i.e. redundancy)
- 16-18-year olds who cannot access training via other funding opportunities.

REPORT

3.0 Risk Assessment and Opportunities Appraisal

- 3.1 Details of potential risks and opportunities in relation to the Transfer of Apprenticeship Levy Funds are detailed within the report.

4.0 Financial Implications

- 4.1 Since May 2017, the Council (and Government top up) has added approximately £600,000 per annum into the Apprenticeship Levy Fund. Of the funds added since 1st April 2019, the Council is permitted to transfer up to 25% to other organisations. This equates to approximately £150,000 per annum that is available for transfer, should the Council choose to do so.
- 4.2 The Apprenticeship Levy works in the same way as a tax on the Council's pay bill, and the Council cannot access the Levy Fund without incurring eligible expenditure in the form of apprenticeships. If the Council does not make full use of the Fund available, then after 24 months a proportion of the Fund expires, and the expired funds are retained by the Government. Although, to date, the Council has committed to expenditure within the Digital Apprenticeship Service of over £1,350,000, since February 2020, the Council has been unable to make full use of the Levy Fund, resulting in expired funds of £90,222 as at the end of June. It is currently forecast that a further £156,000 will expire within this financial year.

- 4.3 Transfer of up to 25% of funds added annually would reduce the value of expired funds retained by the Government in the future. Careful management of funds will be required in order to ensure that the balance of internal expenditure and transferred funds results in maximum use of the available Fund.

5.0 Background

5.1 Apprenticeship Levy and Shropshire Council

- 5.1.1 The Apprenticeship Levy commenced in May 2017 and it is a requirement for all employers with a pay bill in excess of £3 million to ring-fence 0.5% of the wage bill for the delivery of apprenticeships within their organisation. Less than 2% of UK employers will pay the Apprenticeship Levy. The Government then provides a top up of 10% to each Levy Paying Employer. The main objective of the Apprenticeship Levy is to invest in people, developing vocational skills and increasing the quality and quantity of apprenticeships in England. The Government committed to support 3 million apprenticeships to start by 2020. The Apprenticeship Levy can only fund approved apprenticeship training delivered by approved training providers.
- 5.1.2 In addition to the national target, Local Authorities are required to aim to meet the Public Sector Target which is 2.3% of the workforce to start on an apprenticeship within each financial year; 2020-2021 will be the final year of this current target. In 2018-2019, Shropshire Council's apprenticeship target reached 1.58% based on new apprenticeship starts within the financial year; in comparison to the previous this had risen from 0.44% of the workforce on an apprenticeship programme in 2017-2018. The percentage is based on total headcount not just full-time equivalents. Shropshire Council will be required to submit figures for the 2019-2020 Public Sector target in the Autumn.
- 5.1.3 Shropshire Council's branding for the internal Apprenticeship Levy Programme is called "Upskill Shropshire". Upskill Shropshire, based in the HR and OD Team, are currently managing the Apprenticeship Levy Funds. Since 2017, Shropshire Council has started 256 employees on an Apprenticeship programme (179 Corporate, 77 Maintained Schools) with qualifications ranging from Level 2 to Level 7 for both new entrants and existing staff within the Council and Local Authority Maintained Schools. Despite an increasing number of apprentices starting on programmes across the Local Authority and Maintained Schools, Shropshire Council has been unable to spend the total amount of funding within the Levy Fund.
- 5.1.4 Annually, Shropshire Council pay approximately £600,000 into the Apprenticeship Levy Fund. Shropshire Council's pay bill includes our corporate employees and Maintained Schools; there are Corporate and Schools allocations for available levy funds. The amount available to each

(Schools/Corporate) is dependent on the total pay bill; however, the funds do combine into one total Levy Fund. Currently, Shropshire Council's Apprenticeship Levy expenditure, for apprenticeship starts across both Shropshire Council services and Maintained Schools is a total £620,077 (Correct as of June 2020). The total committed expenditure on the Digital Apprenticeship Service (DAS) is £1,351,761. Payment for apprenticeship training is taken from the DAS on a monthly basis rather than in one amount as a total cost for the training, therefore the expenditure is less than the committed amount of funds.

5.2 Apprenticeship Levy Transfer

5.2.1 From 1 April 2019, organisations who pay into the Apprenticeship Levy have been able to transfer unused funds within their account to any number of employers, up to the maximum of 25% allowance. This is calculated by the following:

- The total amount of levy declared in the previous tax year
- With the percentage applied
- Plus, the top-up payment of 10% from the Government.

5.2.2 Transferred funds can be used to pay for Apprenticeship training and assessment costs only; these apprenticeships must be agreed with the receiving employer at the point of the transfer of Apprenticeship Levy Funds. Employers receiving the transfer of funds will need to set up an account on the Digital Apprenticeship Service (DAS), used to pay registered Apprenticeship Training Providers for apprenticeship training. The employer receiving Transferred Levy Funds will not receive the total amount of funding to cover the training as training is paid for on a monthly basis. As the Levy Paying Employer, Shropshire Council will need to ensure that they can cover the cost of the apprenticeship for its entire duration; once transferred Shropshire Council as the Levy Paying Employer will not be able to stop these payments. State Aid rules apply to employers when receiving funds from other organisations. Employers applying for Transfer of Apprenticeship Levy Funds will be advised to check the amount of state aid receiving within a 3-year period ensuring that they do not over the limit which they are allowed under "de minimis" funding rules.

5.2.3 Transferring unused Apprenticeship Levy Funding to other employers would enable Shropshire to maximise the use of the Apprenticeship Levy and minimize the risk of expiry of funds, keeping this to a minimum or even not expiring at all. In this financial year, 2020-2021, Shropshire Council would be able to transfer up to £149,542. This could equate to approximately 25 apprenticeship starts based on an average total cost of £11,425 (staggered apprentice starts across the remaining financial year).

6.0 Shropshire Council Transfer of Apprenticeship Levy Funds

6.1 In 2019, the Local Government Association (LGA) conducted an Apprenticeship MOT which resulted in the production of a report which outlined several recommendations. Directors agreed to take on board the

recommendations. There is now a strategic plan, linked to the Workforce Strategy 2020-2023, to support the delivery of Apprenticeships for the future at Shropshire Council. A recommendation from the Local Government Association was that Shropshire Council considers the Transfer of Levy Funds to maximise the use of the Apprenticeship Levy Fund and to support other employers in the county to create apprenticeship employment opportunities and access Apprenticeship Training.

- 6.2 The LGA offered further support to Shropshire Council following the MOT report to provide resources, best practice and facilitation in considering implementing Transfer of Apprenticeship Levy Funds. In April 2020, the Apprenticeship Lead from the LGA facilitated a virtual workshop for Shropshire Council Senior Managers to start to develop the programme and processes for Apprenticeship Levy Transfer including the identification of priority groups and sectors. Outcomes from the workshop suggested that we should not to implement too many restrictions around access to the funds, particularly in the current economic climate. A Task and Finish Group was formed to focus on the processes surrounding the implementation of Transfer of Apprenticeship Levy Funds. The group comprised of colleagues from different directorates from across Shropshire Council, the majority being representatives on the Upskill Shropshire Board.
- 6.3 The Task and Finish Group received additional support from the Local Government Association in the development of the Apprenticeship Levy Transfer policy and processes. The LGA were able to act as a critical friend, challenge where necessary and share best practice and approaches conducted by other Local Authorities within the West Midlands when setting up their Apprenticeship Levy Transfers.
- 6.4 Using best practice approaches from other West Midlands Local Authorities i.e. Dudley Council, Staffordshire County Council, the Task and Finish Group created a robust, transparent and fair approach to Apprenticeship Levy Transfer including a policy and guidance document (*Appendix 1*). An appropriate application window would be put in place to receive applications which would then be reviewed, scored and ratified by the Upskill Shropshire Board representatives. If, following the initial application window, funds were still available for Apprenticeship Levy Transfer then a second opportunity for applications would be put in place. Applications would be assessed on their eligibility to access Transfer of Apprenticeship Levy Funds, the benefits of the Transfer to their organisation and how they will meet the criteria set out in the guidance policy to support priority groups and sectors within Shropshire. Organisations interested in Transfer of Apprenticeship Levy Funds would be able to access the documentation directly via Shropshire Council website. Full advice, support and training for employers receiving Apprenticeship Levy Transfer would be offered by Upskill Shropshire.
- 6.5 The priority sectors and groups were identified from research conducted by the LGA into our corporate strategies, data and information, policies and processes available through local and national portals i.e. ONS, Shropshire Council website. The sectors identified are broad categories, meaning that

they could encompass many Shropshire businesses and organisations within the county who would be eligible for Transfer of Apprenticeship Levy Funds. The following points explore valid reasoning for the selection of these sectors and priority groups.

- 6.6 The key sectors identified and outlined in this report, encompass mainly small to medium enterprises, with 90.4% of businesses in Shropshire being micro businesses, who would not already be Apprenticeship Levy Paying employers. These sectors are also identified as high employment sectors or highest job growth sectors within the county. Many of these sectors have experienced significant strain due to the current pandemic and the majority have been able to access Government grants and incentives put in place to support business and economic recovery in the present and future. Creating the opportunity for a specific fund for training of staff via an apprenticeship route would enable another funding opportunity to support the incentives already in place and continue to support economic regeneration.
- 6.7 Shropshire's ageing population and rurality brings challenge and demand for the Health and Social Care Sector. As the third biggest employer in Shropshire, absorbing 15.6% of jobs, the Health and Social Care sector will be looking to make significant investment into new recruitment and upskilling current staff to respond to the growing need and demand to support the most vulnerable children and adults within Shropshire communities. In other areas of the West Midlands, other local authorities transferring Apprenticeship Levy Funds have reported significant interest from the health and social care in accessing Apprenticeships as a key route of training for their staff. Organisations providing Health and Social Care services are from a broad range of sectors including private organisations and Voluntary, Community and Social Enterprise sectors and are likely to be eligible organisations to access Transfer of Apprenticeship Levy Funds. Investment into upskilling people to work within the health social care sector via the Apprenticeship route would tackle some of the economic pressures this industry faces and ensure that workers receive contracts of employment, access to apprenticeship wages, resources to learn and develop and tackle issues of lack of budgets to support training within this sector.
- 6.8 Engineering and Manufacturing including food production and Agri-tech are developing sectors within Shropshire. In a 2018 Shropshire Council Sector report, over 12,000 employees worked within this sector in Shropshire across 810 enterprises. The Engineering and Manufacturing sector contributes more than 10% to the Shropshire economy and employment in this sector has seen little growth rate in the last 10 years but is a prevalent sector in offering full time employment. Of the manufacturing enterprises within Shropshire, 79% have between 0-9 employees and 16% have 10-49 employees; these low staffing numbers suggest that the pay bill for these organisations would be less than £3million per annum so it is likely that there are a high number of organisations within this sector without access to training and development funding. As a key developing sector within Shropshire, micro businesses and small to medium enterprises would be an appropriate sector to apply for transfer of Apprenticeship Levy Funds to upskill or recruit and train new staff

via the vast number of engineering and manufacturing apprenticeship training routes and provide new employment and skills development opportunities within the county.

- 6.9 The construction sector within Shropshire makes up approximately 11% of the total businesses and is within the top five sectors of business within the county. Within the last 10 years, the number of construction businesses based in Shropshire have increased by 3% with around 1,700 businesses. In 2017, it was the fastest growing sector for jobs within the county, creating over 500 new opportunities for employment. National reports have stated the construction sector is suffering a skills shortage in trained individuals such as surveyors and project managers, meaning there could be a skills gap in the future and a delay in implementation when the demand for construction gradually starts to improve in the recovery period following the pandemic. The industry has suffered over several years in a diminishing take up within the profession, ageing workforces and an increase in demand in services. Shropshire's construction businesses are relatively small organisations, who again, would benefit from accessing Apprenticeship Training Funds via the transfer opportunity and securing their business, skills and workforce for the future.
- 6.10 The Digital and Creative sector within Shropshire is another emerging and developing sector. 97% of businesses in the county categorised within this sector have fewer than 10 employees but these businesses employ approximately 2,400 people with around 840 enterprises located in Shropshire. The value of this sector has grown 500+% over the last 25 years and encompasses a wide range of business types including computer programming, creative and arts, media and advertising and information services to name a few. The workforce required to work within this industry is high-skilled and mostly degree educated. The growing number of Apprenticeship Training programmes related to this sector would be highly relevant for Shropshire based Digital and Creative businesses. Supporting and developing this sector by allowing access to Transfer of Apprenticeship Levy funds would support income generation in the local economy, encourage the population to develop higher level skills and stay within the county, allowing us to retain talent. In 2018, this sector was forecast to grow more than six times faster than the average in Europe; developing local skills and talent within this area could be highly valuable to Shropshire in the future and could be a key sector to tackling the need for higher level qualified people.
- 6.11 Visitor Economy sector in Shropshire can encompass various industries including:
- Accommodation
 - Food services
 - Arts, entertainment, recreation and other services
 - Leisure
- Throughout the pandemic, the visitor economy industry has been widely affected but for many the phased reopening of local venues, services, attractions etc. is important to many to support safe social opportunities to allow those who have been isolated during the lockdown phase to spend time

with families and friends and improve mental health by being in the outdoors. There has been significant investment into the Visitor Economy sector with the implementation of several Business Improvement Districts (BID)s, and tourism partnerships and associations coming together, particularly as a result of COVID-19. Tourism and Economy is one of the top 5 sectors for economic growth and prosperity for Shropshire and is a key industry to create upskilling opportunities across a broad range of skills including customer services, general business admin, finance, catering, hospitality, marketing and other professional services. This sector would allow for entry level Apprenticeship Training, opening up opportunities to a wider potential workforce who may not be able to access qualifications or opportunities requiring a level 4 qualification or higher.

- 6.12 The Education sector is within the top 5 employment sectors for Shropshire with approximately 8.8% of employment opportunities. Shropshire Council works with maintained schools to create and offer apprenticeship training in various occupations via the Apprenticeship Levy offer. These apprenticeship positions include, teaching assistants, teachers, school business managers, business administrators, catering and IT staff plus other opportunities. Voluntary Aided, Foundation Schools and small Academy Trusts are not eligible to directly access Apprenticeship Levy Funds via Shropshire Council as they are not included within our pay bill, however, they could access training via the Transfer of Apprenticeship Levy Funds. This would enable Upskill Shropshire to broaden the offer to these schools within the county and provide a route to training for apprenticeships where funding for training is not available to schools.
- 6.13 The priority groups identified within this report would encompass most individuals, potentially seeking apprenticeship training, development of new skills and/or employment within Shropshire. According to official labour market statistics (NOMIS), there are 190,300 people aged 16-64 (working age) in Shropshire; 3.2% of these people are unemployed (correct as of March 2020); this number is likely to have risen during the lockdown period of the pandemic. 5.4% of 16-64-years old have no qualifications, with 61.8% with NVQ Level 3 and 39.6% with NVQ Level 4. There is a need to create opportunities to allow people working within Shropshire to develop skills, gain higher level qualifications and support Shropshire's economic growth.
- 6.14 The priority groups are in line with Shropshire Council's practices for Equality, Diversity and Social Inclusion, support our role as Corporate Parents for our Looked After Children and Care Leavers and also considers those who may have been affected by the current pandemic either by redundancy or young people seeking alternative employment/development routes following exam results, and now seek employment and/or need to develop new skills.
- 6.15 Socially excluded individuals are defined by government as those excluded from society or parts of society as a result of one of more of the following factors: unemployment, financial hardship, youth or old age, ill health, substance abuse or dependency, discrimination i.e. sex, race, disability, ethnic origin, religion, belief, creed, sexual orientation or gender assignment.

Social exclusion also encompasses poor educational or skills attainment, relationship and family breakdown, poor housing, crime (either as a victim of or as an offender). People within our communities who face equality, diversity or social exclusion challenges tend to be those furthest away from the labour market and face various barriers to accessing employment or training, particularly if they lack certain skills to access job roles. Apprenticeship Training can create opportunities at an entry level, making this route accessible to those priority groups that would need to start from a low skill level, obtain on the job learning and knowledge, have a contract of employment and receive a regular wage.

6.16 Creating opportunities for these priority groups within Shropshire, removing barriers to employment and allowing individuals to gain new skills or develop those they already possess could have a positive impact for Shropshire including:

- Reducing the demand on services for Shropshire Council i.e. benefits, housing support etc. 4.8% of Shropshire's population are currently claiming Universal Credit which requires them to look for work.
- Higher level of skilled individuals within the county, growing our local talent to support industry development.
- Boost the local economy

7.0 Additional Information

- 7.1 Employers who do not pay the Apprenticeship Levy and wish to invest in apprenticeship training can access funding via the co-investment route. Under this route, 95% is covered by the Government funding; employers would need to invest 5% of the maximum funding band of the apprenticeship. Employers would also need to cover the cost of the Apprentices' wages.
- 7.2 The Apprenticeship Levy Transfer is an alternative option to co-investment and enables employers who do not access the Apprenticeship Levy to invest in apprenticeship training. This differs to the co-investment route as an employer would receive the full amount of funding for the cost of apprenticeship training.
- 7.3 In a recent Cabinet Report, detailing Quarterly performance, figures showed that 5.4% of Shropshire's population did not have qualifications. 61.8% of the population had a qualification at an NVQ Level 3 (or equivalent) and above. Research conducted by the Local Government Association showed that within Shropshire, there is a lower proportion of residents in high-level occupations but a high proportion of medium level occupations such as skilled trade workers and administrators. Within certain pockets of the county, there is a high proportion of residents with no or low qualification levels who may require new skills development or training. Transferring Apprenticeship Levy Funds would enable employers to create additional opportunities locally and enable employment opportunities for people within our communities to upskill and develop further.

- 7.4 Shropshire Council currently offers apprenticeships to Care Leavers and Looked After Children via an internal programme and offer. Enabling employers to access Apprenticeship Levy Funds could widen the employment opportunities for our Care Leavers and Looked After Children but also other vulnerable young people and adults within our communities. If a variety of employers were willing to support these priority groups, then the apprenticeship opportunities available to these groups would be much broader than Shropshire Council could offer.
- 7.5 When employers take on a 16-18-year-old apprentices, they receive £1,000 incentive payment, paid over two installments, which can be used to supplement the apprentice's wages, pay for equipment required in the workplace etc. Any Care Leaver who is aged between 16 and 24 years old who starts an apprenticeship will receive a one-off incentive payment of £1,000, paid directly to them to support with such things as equipment, uniform costs, travel to work etc. The Government have recently announced new incentives for employers during August 2020 and January 2021 to support the generation of apprenticeship employment. Employers can receive up to £2,000 for an apprentice aged 16-24 or £1,500 for an apprentice over the age of 25+; this is in addition to the current incentive schemes which are also in place. The incentive payments would be paid directly to the employer and can be used for subsidising wages which may be more appealing to Small to Medium Enterprises or Voluntary, Community and Social Enterprise Sector employers when considering recruiting an apprentice.

Conclusions

It would be a missed opportunity for not only the Local Authority but also our communities, particularly our employers and priority groups within our County. This could enable employers to access different opportunities, create new jobs and upskill people to plug skills gaps within some of our key sectors. It could inspire our young people to take different and varied routes of employment and stay within Shropshire whilst developing and enhancing their careers. It would be an unmissable opportunity to work with employers to support those who have been most affected by COVID-19 and having access to this bespoke and accessible funding could help us drive skills in some of those key sectors where they are needed in this recovery phase. The recent Government announcement of additional incentives for employers for the recruitment of new apprentices at all ages will spur employers on to consider this a viable route for their organisations. As a Local Authority, we have the means to support this via Transfer of Levy Funds, and proactively support and engage with our communities at this time of crisis.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Cabinet Member (Portfolio Holder) Lee Chapman, Portfolio Holder – Organisational Transformation and Digital Infrastructure

Local Member

All

Appendices

Appendix 1 Shropshire Council Apprenticeship Levy Transfer Policy and Guidance 2020_2021