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Cabinet Member for Strategic Finance and Resources

23 March, 2017

**Name of Cabinet Member:**

Cabinet Member for Strategic Finance and Resources – Councillor J Mutton

**Director Approving Submission of the report:**

Deputy Chief Executive (People)

**Ward(s) affected:**

All

**Title:**

Apprenticeship Levy

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**Is this a key decision?**

No

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**Executive Summary:**

As of April 2017 the Council will be required to pay the Apprenticeship Levy. This levy is 0.5% of the pay bill which will be in the region of £1m. The Levy contributions will be used to fund apprenticeship training moving forward, replacing the previous model of apprenticeships being funded between employers and the Skills Funding Agency. Historically, payment for corporate apprenticeship training has been, on average less than £5000 per year in total. The Council's contribution also includes maintained schools and the split of the £1m is approximately £600k Council and £400k between schools.

As the Levy payment is statutory and funds expire if not used, it is paramount to ensure that Coventry City Council effectively utilises these funds.

**Recommendations:**

The Cabinet Member for Strategic Finance and Resources is recommended to approve Option 1 as detailed in paragraph 2.1 of this report in relation to utilising the Apprenticeship Levy Fund.

- 1) Continue to fund the Council's existing apprenticeship programme in line with the Council's Apprenticeship Strategy.
- 2) Offer apprenticeships to existing members of staff.
- 3) Expand the current work undertaken with schools.

**List of Appendices included:**

*N/A*

**Other useful background papers:**

*N/A*

**Has it been or will it be considered by Scrutiny?**

*No*

**Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?**

*No*

**Will this report go to Council?**

*No*

## Report title: Apprenticeship Levy

### 1. Context

- 1.1 As of April 2017 the way the government funds apprenticeships in England is changing with the introduction of the Apprenticeship Levy. The Levy is paid at 0.5% of the pay bill minus a Levy allowance of £15K for each tax year.
- 1.2 The Levy will be collected monthly by HMRC via the PAYE system and converted into digital vouchers accessed through a new digital apprenticeship service account. Levy funding/digital vouchers can only be spent on apprenticeship training.
- 1.3 At present, the Skills Funding Agency funds apprenticeship training by paying training providers directly. Depending on the amount of funding a provider receives for a qualification they may pass some of the costs on to the employer.
- 1.4 Payment for corporate apprenticeship training has been, on average less than £5000 per year in total.
- 1.5 The yearly cost of the Levy to Coventry City Council will be in the region of £1m which is made up of approximately £600K from the corporate wage bill and £400K from maintained schools. The government will top this up by a further 10%, making the total amount of funding available circa £1.1m.
- 1.6 Levy funding lasts for 24 months and if it is not spent in this period it is reabsorbed by the Skills Funding Agency.

### 2. Options considered and recommended proposal

#### 2.1 Option 1 – Recommended

- 2.2 A) Continue to fund the Council's existing apprenticeship programme in line with the Council's Apprenticeship Strategy.
- 2.3 Using Levy funds to provide training to existing and future apprentices. Forecasting has been undertaken to determine how much of the Levy will be required to fund apprenticeship training for the next 12 months moving by analysing the number of apprentice starts in the previous 12 months.
- 2.4 The costs to train the same number and types of apprentices recruited in the previous 12 months under the new Levy arrangements would be:
  - £187K corporately
  - £84.5K maintained schools
- 2.5 This would leave circa £829K in the digital account. Factoring in an increase of 20% in line with the apprenticeship strategy would leave £774K in the digital account (£436K corporate; £338K schools).

- 2.6 B) Offering apprenticeships to existing members of staff.
- 2.7 Under the Apprenticeship Levy existing staff can remain in their substantive posts and undertake an 'apprenticeship' to gain required qualifications and training. As we will have a significant amount of Levy funding available after factoring in the training for our traditional apprentices the Council will be able to utilise this money to spend on apprenticeships for existing staff.
- 2.8 We initially plan to offer apprenticeships to existing staff in the following areas:
- Leadership & Management Development
  - Project Management for non-project managers
- 2.9 An initial analysis of Corporate training spend has been undertaken with several areas identified where it may be viable to use apprenticeships to replace current training. Further scoping and engagement work will need to be undertaken by the Apprenticeship Team, Learning and Development Team members and other relevant Directorates/Departments across the Council to analyse their training needs and match appropriate apprenticeships.
- 2.10 This might have additional resource implications. By using Levy funding to support the Council's corporate training offer will potentially create cashable savings from the corporate training budget.
- 2.11 The introduction of Degree level Social Work Apprenticeships are being explored nationally and Coventry will play a role in developing the Standards however the new Standards will not be ready for delivery for another 2 years.
- 2.12 C) Expanding current work with schools.
- 2.13 A range of information relating to the Apprenticeship Levy has been sent to all maintained schools across the City including those schools who currently are not working closely with the Apprenticeship Team.
- 2.14 In addition to this, Grace Haynes and Andy Hyland will also be attending Primary and Secondary Head Teachers' forums in March to discuss the Levy.
- 2.15 Option 2 – Not recommended**
- 2.16 A) Continue to fund the Councils existing apprenticeship programme in line with the Council's Apprenticeship Strategy (as per option 1a)
- 2.17 B) Schools to manage their own Levy contributions and spending.
- 2.18 Schools to independently manage the Apprenticeship Levy and apprenticeship recruitment; however, this would create potential issues such as:
- Schools not utilising their Levy contributions due to lack of available information and support.
  - Increasing the number of maintained schools who recruit and manage apprentices independently. At present, 17 of the 52 maintained schools employ apprentices, of which 8 work with the Council's Apprenticeship Team. Over the past 6 months a number of issues have been raised by the Trade Unions about poor-practice in some schools who manage their apprentices independently of the Council.

## **2.19 Option 3 – Not recommended**

### **2.20 A) Reducing Coventry City Council's Levy payments to zero.**

The government will fund 90% of any overspend on the digital account. On 06/12/16 a meeting was held with UK Levy Ltd who proposed that it would be possible to utilise this funding to reduce the cash cost of the Levy to zero. In order to do so using their estimates, we would need to recruit 1257 apprentices on a yearly basis with Adult Education delivering all of the frameworks. Potential issues with this approach include:

- Adult Education are only currently able to deliver a small amount of the required frameworks.
- To meet this target would require a sizeable proportion of staff receiving a significant amount of off-site training which could create workload pressures

## **3. Results of consultation undertaken**

- 3.1 Various meetings were held with colleagues from Employment Services, Finance and Adult Education to consult on the implications of the Apprenticeship Levy.

## **4. Timetable for implementing this decision**

- 4.1 Access to Digital Apprenticeship Service account and testing of functions and user access – Starting in February 2017
- 4.2 Scoping of Corporate training spend to be replaced by apprenticeships funded via the Levy – June 2017
- 4.3 Project Management for non-project managers and Leadership & Management Apprenticeships for existing staff – May 2017
- 4.4 Process for school and corporate Levy spending in place – By April 2017

## **5. Comments from the Director of Finance and Corporate Services**

- 5.1 Financial implications  
The Levy has an estimated annual cost of £1m. The £600K which relates to the corporate wage bill is an additional cost to the Council and has been reflected in the Council's Budget Setting Report. The £400K which relates to maintained schools will be funded by the schools themselves.

The funds in the digital account will be more than sufficient to cover the training costs of the current level of apprentices plus potential further increases in line with the Apprenticeship Strategy. However salary costs relating to increases in apprentice numbers will need to be funded from current service budgets as the Levy cannot be used to fund salaries.

The digital account will also contain sufficient resources to fund some of the training costs of "apprenticeships" for current staff as set out in 2.6 – 2.10 above. If this replaces training which is already funded (either corporately or within the service) then this could release budget to be taken towards the Council's overall savings targets.

The training costs relating to Degree level Social Work Apprenticeships are expected to be much higher than training costs for our current apprentices. However, it is expected that this could still be managed within the digital account funds depending on the numbers of apprentices recruited.

Although the further scoping and engagement work to be undertaken by the Apprenticeship Team, Learning and Development Team members and other relevant Directorates/Departments across the Council to analyse their training needs and match appropriate apprenticeships will have additional staffing resource implications, this will be managed as part of the overall team workload.

The maximum resources available from the digital account to fund each apprenticeship is set down by the government (based on discipline and level). Figures provided by the government indicate that the funding available for apprenticeship training currently provided by Adult Education will be lower than the grant funding that they currently receive. Officers are still working to determine the level of this financial pressure.

This pressure could be mitigated by increasing the range and volume of apprenticeship training provided by Adult Education both inside and outside of the Council. Officers within Adult Education and Organisational Development are working together to reduce the financial impact as far as possible.

The Council is not currently in a position to take advantage of the potential opportunities from the 90% government funding of an overspend against the digital account proposed by UK Levy. However, option will be kept under review.

## 5.2 Legal implications

The Apprenticeship Levy was introduced under Part 6 of the Finance Act 2016 and will take effect from 6th April 2017. Anti-avoidance and penalty sections form part of the legislation and the Government has issued guidance on its implementation.

## 6. Other implications

*Any other specific implications*

### 6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

Coventry City Council's vision is to increase apprenticeship opportunities by offering high quality apprenticeship programmes across all service areas of the Council, affording access to a broad range of training and development at multiple levels. The apprenticeship programme will attract participation and raise the aspirations of the widest possible range of young people, and will enable the Council to benefit from a skilled, motivated and flexible workforce.

### 6.2 How is risk being managed?

The HR & OD Division will incorporate the management of the Digital Account into their development and training role and work with services across the Council to ensure that:

- utilisation of digital account resources is led by organisational need.
- staff and management expectations regarding training are managed;
- impact on workload of any increases in training are managed

**6.3 What is the impact on the organisation?**

Additional funding will be available to staff via the Apprenticeship Levy to undertake training and development.

**6.4 Equalities / EIA**

N/A

**6.5 Implications for (or impact on) the environment**

N/A

**6.6 Implications for partner organisations?**

Adult Education are currently the preferred provider for many apprenticeships at Coventry City Council. In order to continue this relationship with Adult Education we have been in consultation with them throughout the decision making process regarding the Levy.

**Report author(s):**

**Name and job title:**

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**Appendices**

N/A