
Cabinet Member for Strategic Finance and Resources

26 September 2019

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources – Councillor John Mutton

Director Approving Submission of the report:

Director of Human Resources

Ward(s) affected:

All

Title:

Apprenticeship Levy Transfer

Is this a key decision?

No

Executive Summary:

Coventry City Council through its Apprenticeship Levy is able to transfer up to 25% of its £1.1M apprenticeship fund on an annual basis to either one or a number of non-levy paying employers.

The purpose of this report is to provide the Cabinet Member for Strategic Finance and Resources with a recommendation on how the Council could use its 25% Levy Transfer and to confirm what elements of the transfer should be ring-fenced for Looked After Children.

There is an ideal opportunity for the Council, through its Economic Development Service (EDS) who have links to businesses across the City to support the Council's work in having a City-wide approach to apprenticeships.

Recommendations:

The Cabinet Member for Strategic Finance and Resources is requested to agree and approve the utilisation of up to 25% of Coventry City Council's annual Levy transfer as detailed in section 2 of the report.

List of Appendices included:

None

Background papers:

None

Other useful documents

None

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?

Yes – this report has been considered by The Skills Board on the 19 June 2019

Will this report go to Council?

No

Report title: Apprenticeship Levy Transfer

1. Background and Context

- 1.1 In April 2017, the way the government funded apprenticeships in England changed 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 is collected monthly by HMRC via the PAYE system and converted into digital vouchers accessed through a new Digital Apprenticeship Service account (DAS). Levy funding can only be spent on Apprenticeship training it cannot be used to recruit employees.
- 1.3 The Employment & Skills funding Agency (ESFA) previously funded Apprenticeship training by paying training providers directly. Depending on the amount of funding a provider received for a qualification, it would be possible for them to pass some of the costs on to the employer.
- 1.4 Prior to the introduction of the Apprenticeship Levy, payment for the Council's Apprenticeship training cost approximately less than £5000 per year in total. The reason for this was due to Providers forfeiting the cost.
- 1.5 The yearly cost of the Levy to Coventry City Council is in the region of £1M with approximately £600K allocated from the corporate wage bill and a further £400K allocated from our maintained schools wage bill. The government also tops this up by a further 10%, making the total amount of funding available circa £1.1M.
- 1.6 Apprenticeship Levy funding lasts for 24 months and if it is not spent in this period it is re-absorbed by the ESFA.
- 1.7 Apprenticeship Levy paying employers including Coventry City Council can support apprenticeships in other organisations by transferring up to 25% (a rise from 10% from April 2019) of their apprenticeship levy funds to other non-levy employers. These funds can be transferred to any employer, including smaller employers in the supply chain and Apprenticeship Training Agencies (ATAs), to support new apprenticeship opportunities and widen participation in apprenticeships across the City.

2. Recommendations for the transfer of 25% of the Council's Levy

- 2.1 Like many employers, the City Council has been unable to utilise all of its Levy and to maximise the local impact is considering how it could use the 25% levy transfer option to best effect. A number of informal conversations have taken place with Senior Leaders and Members as to how the Council might be able to make best use of its 25% transfer including supporting the City of Culture, focusing the funds on LAC/Care Leavers and targeting hard to reach/vulnerable groups.

- 2.2 At the Skills Board held on 19th June 2019 which is chaired by the Director of Education & Skills and attended by a number of managers across the Council, further discussion took place in relation to the Council's 25% levy transfer and the possible options available to the Council. One of the proposals being put forward is that the transfer could be allocated to non-levy employers across the City on a first come first served basis via the work of the Economic Development Service whose role would be to support non-levy employers to increase their own apprenticeship numbers, increase the skills levels across the City and reduce the numbers of unemployed.
- 2.3 The Skills and Growth (S&G) Team which sits within the Economic Development Service can offer support for the Council's transfer of levy work by assisting with activity that would support engagement, registration and the qualification of interested employers and employees who would benefit from the levy transfer. The support being offered by the Skills and Growth Team is set out below and would include the following detailed activities: -
- Registering relevant employers for a levy transfer in line with GDPR requirements which would require the qualification of that employer to meet State Aid Law de minimis requirements. Where employers do not meet State Aid requirements the S&G Team would advise the employer of this.
 - Where employers meet State Aid eligibility requirements the S&G Team would liaise with the employer to ascertain the apprenticeship standard that the employer has identified for their employee/s, associated costs, the training provider and end point assessment provider and costs. The team would also complete a template to record this information.
 - When a training provider has not been identified by the employer the S&G Team will provide relevant information on suitable providers to the employer thereby giving choice and ownership of the selection process to the employer.
 - The S & G Team will gather information on identified employees for apprenticeships ensuring that the process is in line with the Council's commitment to Equality, Diversity & Inclusion. They will liaise with the employer to gather the required information complying with GDPR requirements to complete the participant eligibility check and ensure individual employees are eligible to benefit from apprenticeship funding in the UK in line with ESFA funding guidelines.
 - On completion of the above the S&R Team will liaise with the Organisation Development Team to transfer the necessary information to enable the levy transfer to be set up/made to the employer via the Councils Digital Account.
 - Employers Digital Accounts - Members of the Organisation Development Team will support employers receiving a levy transfer to set up and

operate their digital accounts where needed as these will be required for the Council to make the transfer.

- When the commencement of Levy Transfer takes place the Organisational Development Team will inform the S&G Team who will write a letter to the employer advising them that they are receiving funds (including the expected amount of funding) from the Council under de minimis State Aid Law.
- On completion of the apprenticeship standard and the transfer of levy funds to the employer, the Organisation Development Team will advise the S&G Team who will write to the employer to confirm the actual amount of State Aid transferred (as advised by Organisation Development). The S&G Team will also advise employers of their requirement to declare this funding in future public aid applications and their document retention responsibilities in regard to de minimis.
- Case studies – to demonstrate how the Council, employers and the wider City are benefiting from the 25% levy transfer the S&G Team in partnership with the Organisational Development Team will produce a series of case studies for publication which will promote and raise awareness of the Council's activity in this area and the benefits to employers and residents supported from across the City.

2.7 It is proposed that if the above recommendations are adopted, that the activity commences immediately so that the Council can transfer 25% of its levy to multiple employers. This would enable processes and a marketing and communications plan to be agreed and put in place with immediate effect.

2.8 The Economic Development Service and the Coventry & Warwickshire Growth Hub via its teams of Business Advisers and Account Managers can raise awareness of this support to employers and make referrals to the Skills & Growth Team to support take up by employers.

2.9 State Aid

5% of all the funds received as a transfer from another employer count as state aid. Levy-paying employers, in this instance Coventry City Council, who wish to transfer funds have to agree the individual apprenticeships that will be funded by a transfer with the employer receiving the funds. Employers receiving transferred funds will only be able to use them to pay for training and assessment for apprenticeship standards. Transferred funds cannot be used to pay for training and assessment for apprenticeship frameworks.

2.10 Employers will need to be aware of 'state aid' rules when receiving funds from other organisations. The maximum amount that an organisation can receive through a transfer of funds is 200,000 euros over a rolling 3-year period. Before accepting a transfer, employers will need to check how much state aid they've already received in any 3-year period, so they don't go over the 200,000 euro limit they're allowed under 'de minimis' funding rules.

- 2.12 It is possible that a large number of employers who can receive and will want to receive a levy transfer will be Small and Medium sized Enterprises (SME's)
- 2.13 SMEs with less than 50 employees can only receive transfers for employees who are aged 25 years plus as the Government currently funds all other apprenticeships for these businesses.
- 2.14 The Job Shop will be able to work with employers who qualify to receive a levy transfer. The recommendations proposed would enable the Job Shop to promote the offer on a first come first served basis and refer interested employers to the Skills & Growth Team to process their expressions of interest and gather all of the information required for a levy transfer to be made as detailed above.
- 2.15 Public Relations – there is an opportunity for good public relations with businesses and residents if the levy transfer to employers is promoted well and case studies created and published.

3. Results of consultation undertaken

- 3.1 Various meetings have taken place at The Skills Board with colleagues from Economic Development Service, Employment and Skills, Education and Skills, Adult Education and LEP to consult on the best utilisation of the Levy Transfer.

4. Timetable for implementing this decision

- 4.1 Economic Development Services will commence raising awareness of the Levy Transfer available with immediate effect.

5. Comments from Director of Finance and Corporate Services

5.1 Financial implications

The yearly cost of the Levy to Coventry City Council is in the region of £1m which is made of approximately £600k from the corporate wage bill and £400k from maintained schools. Since its launch up to the end of 2018/19 the City Council has drawn down £601k of levy resources to support training.

A maximum of 25% of the annual Levy funds can be transferred to other employers to fund training and assessment for apprenticeship standards only. Any unused levy is reabsorbed by the Employment and Skills Funding Agency.

£248,446 is the current transfer allowance available. All transfers are transacted through the Apprenticeship Service Account.

5.2 Legal implications

The Apprenticeship Levy was introduced under Part 6 of the Finance Act 2016 and has taken 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

6.1 How will this contribute to the Council Plan (www.coventry.gov.uk/councilplan/)

Locally committed, improving the quality of life for Coventry people by raising educational standards and focussing on local job opportunities across a range of sectors.

6.2 How is risk being managed?

The Apprenticeship and Career Pathway Development Lead will ensure that all transactions involved with the transfers are undertaken through the Apprenticeship Service Account and adhere to the funding rules surrounding this as set out by the Education and Skills Funding Agency.

6.3 What is the impact on the organisation?

The Council will be utilising the Levy effectively ensuring that employers, employees and residents across the City can benefit from the transfers. This does create additional work for colleagues in the Organisational Development and Economic Development Service Teams who will be developing and transacting the transfers. However, this is an opportunity to widen participation by working with local residents and employers to fund apprenticeships across a wide range of apprenticeship standards and levels.

6.4 Equality and Consultation Analysis (ECA)

N/A

6.5 Implications for (or impact on) climate change and the environment

N/A

6.6 Implications for partner organisations?

Employers across the City will have access to funds that will enable them to fund an apprenticeship programme. This will open opportunities for employers to employ individuals that can help develop their skills whilst gaining a recognised qualification and reducing unemployment.

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