

**Decision session – Executive Member for
Economy and Strategic Planning**

24 November 2020

Report of the Assistant Director Education and Skills
City of York Council – Apprenticeship Levy Transfer Strategy

Summary

1. This report recommends that the council promotes its apprenticeship levy transfer service to:
 - i. support micro, SME, public sector and VCSE organisations to benefit from any of the council’s unallocated levy funds, up to a maximum of 20% (threshold for reviewing allocated funds) and,
 - ii. encourage other local levy paying businesses and public sector organisations to do similar.

This will help to ensure that any unallocated apprenticeship levy funding is reinvested in York to support local priorities, rather than it being lost to the city.

2. It also suggests the framework through which local employers (micro, SME, public sector and VCSE) can apply to receive a transfer of the council’s unallocated levy funds to support new apprenticeship starts within their organisation.

Recommendation

3. The Executive Member is asked to:
 - i. Confirm the council’s commitment to transfer any of its unallocated annual apprenticeship levy funds, up to a maximum of 20% (threshold for reviewing allocated funds), to local employers to support the city’s economic recovery.
 - ii. Agree the framework through which local micro, SME, public sector and VCSE organisations can apply to receive a transfer of the council’s unallocated levy funds to support new apprenticeship starts within their organisation.

- iii. Note the expansion of the Council Apprenticeship Task Group's remit to include decision-making on applications for Levy Transfer.
- iv. Agree that the City of York Council can actively promote the opportunity for local micro, SME, public sector and VCSE organisations to benefit from the council's apprenticeship levy transfer service and its support for other local levy paying businesses to do similar.

Reason: To support local businesses (large and small) to make use of any unallocated apprenticeship levy funding, by reinvesting it in the city to support local priorities

Background

4. Businesses with an annual wage bill of more than £3m are required to set aside 0.5% of their payroll for apprenticeship training – this is known as the Apprenticeship Levy.
5. Levy funds are accrued on a monthly basis, with any unspent monies being returned to Central Government (“clawed back”) on a rolling 24 month cycle e.g. If not all funds set aside in April 2017 had been spent by April 2019 the underspend was ‘clawed back’.
6. In April 2019 the Government made it possible for all Levy paying employers to transfer up to 25% of their annual Levy funds to other employers and organisations. For instance, within the supply chain, across industry and with council and regional partners. This transfer can only be made to organisations who are signed up to the Digital Apprenticeship Service (DAS).
7. The funds can only be used to pay for training and assessment for apprenticeship standards, and for new apprenticeship starts.
8. In early 2020, the council worked with the Local Government Association under their Accelerator programme to engage colleagues in the development of a Council Apprenticeship Strategy. The proposal that the council could support apprenticeship starts in York by transferring up to 20% of its annual levy to non-levy paying businesses received support from the Council Leader.

Opportunity

9. In the Summer Budget Statement (response to Covid-19), the Chancellor announced a package of measures to support people into employment. This included additional payments for employers who take on 'new' apprenticeship starts during the subsequent six months (August 2020 – January 2021 inclusive). In brief:

A new, additional £2,000 payment to employers for each 'new' apprenticeship start under 25, and £1,500 for over 25. So that means:

 - an apprentice aged 16-18 will attract £3,000 (new £2,000 + £1,000 existing incentive in place)
 - an apprentice aged 19-24 will attract £2,000
 - an apprentice aged 25 or older will attract £1,500
10. The council's Skills Team already provides support to local employers through the impartial York Apprenticeship Hub and works with North Yorkshire County Council and Leeds City Region Apprenticeship Levy Support Service to help York-based SMEs seeking a transfer of levy funds. To date four York-based businesses have applied for support with a total commitment of £80,000 having been requested.
11. Since lockdown, local demand for apprentices has significantly declined but apprenticeships could have a key role to play in York's economic recovery, particularly if SMEs are encouraged to take on those aged 24 and under, who are being economically impacted by Covid-19 (according to Jobcentre Plus, we have circa 1,100 unemployed young people aged 16-24). Benefits to business include growing their own, local and resilient workforce - with a minimum employee commitment that matches the term of the apprenticeship.
12. Even before Covid-19, the salary and 5% training costs of a new apprentice (perceived as an inexperienced employee) were key barriers for SMEs and, for non-levy paying employers, the choice of training provider can also be more limited.
13. The Chancellor's funding announcement has the potential to stimulate demand for apprentices by helping to mitigate the first financial barrier (salary). By offering to transfer levy funds to local SMEs, the council

would in effect cover the 5% training cost for these employers and consequently, help to broaden their choice of training provider.

14. In turn, it will enable training providers to engage with more local businesses and has the potential to influence York's apprenticeship provider network to develop more local provision.
15. It would also help to demonstrate the benefits of utilising unallocated levy within the local area and prepare businesses, large and small, to make the most of the apprenticeship expansion plans and system reforms announced by the Prime Minister on 29 September. Details are still to be released but the aim is *"that unspent funds can be used more easily to support apprenticeships not just in big companies, but in the SMEs where there is so much potential for job creation."*

Apprenticeship Levy Funds

16. City of York Council's levy pot currently accrues approximately £500,000 per annum. Therefore, transferring up to 20% would equate to a maximum of £100,000 p.a. (subject to the number of apprenticeships within the council). Dependent upon the level, subject and duration of apprenticeship, this could potentially cover the costs of training between 9 and 30 apprentices per year.
17. The funds in the pot currently stand at approx. £1m and implementing the transfer strategy would help to ensure circa £38,000 per month (projections to March 2021) is retained within the city and not 'clawed back'.
18. It is unlikely that the council will be able to spend its full levy in the short term. Whilst the number of apprentices increased in 2019 to 44 new starts (22 in 2018), this fell to 31 in 2020.
19. Whilst the reduction in numbers was mainly due to Covid restrictions, there were also concerns from managers about the complexity of apprenticeships and requirement to find salary costs. Current budget restrictions will mean that numbers will continue to be low in the short term but should increase as the focus shifts to future workforce plans and requirements.

20. The council's strategy to date has predominately used apprenticeships to provide entry level opportunities for young people, which was beneficial in starting to address our workforce age profile. However, this has meant that we have looked for individual opportunities rather than looking at large cohorts of individuals all undertaking the same qualification.
21. Other councils have chosen to focus on high value apprenticeships such as Level 7 Leadership and Management in order to increase their levy spend. However, the Government has indicated that they do not believe the investment in high level management apprenticeships to be an appropriate use of the Levy.
22. Agreeing a strategy for levy transfer does not prohibit the council from utilising more, or indeed all, of its levy funds but will ensure that York benefits from a reinvestment of any unallocated council apprenticeship levy funding to support local priorities.

Priorities

23. In order to support York's economic recovery and help deliver our Council Plan 2019-2023, it is suggested that City of York Council should transfer Levy to employers who meet the following criteria:
- i. A micro, SME, public sector or VCSE organisation based within the York Local Authority boundary or who supplies good or services as part of the City of York Council's supply chain,
 - ii. and is offering a new apprenticeship start that supports one or more of the following priorities:

Council Plan Outcome	Description	Priority sector / apprenticeship area*
Well paid jobs and an inclusive economy	High-skilled and better-paid jobs in sustainable businesses, providing opportunities for all York's people in an inclusive economy	Initiatives which support the development of a workforce that meets the social and economic needs of the city: <ul style="list-style-type: none"> • Women and young people into STEM roles • Entry level roles (Level 2 or 3) to support young people (aged 16-24) and those hardest to reach into work e.g. Not in Employment, Education or Training, care leavers, long term unemployed, • Higher-level technical skills in growth sectors, such as Rail. • Cybersecurity & digital roles in all sectors
A greener and cleaner city	York's environment is protected and enhanced through investment in the council's frontline services working towards becoming a carbon neutral city by 2030	<ul style="list-style-type: none"> • Reskilling of those in roles impacted by automation • Development of skills that support adoption of sustainable business processes or technology • Bio-economy, agri-tech and digi-tech sectors
Getting around sustainably	More people choose to travel by public transport, walking or cycling, benefiting from improved roads, footpaths and cycle routes across the city, cutting congestion, pollution and carbon emissions as part of renewed efforts to tackle the climate emergency	<ul style="list-style-type: none"> • Electric vehicle maintenance • Initiatives that support community behaviour change / use of sustainable transport

Good health and wellbeing	Every resident enjoys the best possible health and wellbeing throughout their life	<ul style="list-style-type: none"> • Initiatives that support mental wellbeing, including mental-health first aid • Health and social care – e.g. Nursing Associate, Care Leadership Management and associated pathways • Health-related initiatives that support people into work
Safe communities and culture for all	Residents live safe from harm as part of strong and vibrant communities, participating in their local area and have access to a range of quality cultural activities	<ul style="list-style-type: none"> • Digital inclusion • Creative and Heritage sectors • Initiatives which promote equality, tackle discrimination and support York Armed Forces Covenant
Creating homes and world-class infrastructure	The right housing is available, affordable and environmentally sustainable for everyone with good quality infrastructure that supports community and local businesses	<ul style="list-style-type: none"> • Local supply chain construction contractors – job creation and workforce upskilling (e.g. green construction Skills) • Accredited suppliers under recognised schemes e.g. Government Green Homes Grant
A better start for children and young people	Families, carers and schools are supported so that every child and young person has the opportunity to develop, learn and achieve their aspirations	<ul style="list-style-type: none"> • Early years settings • SME, public sector and VCSE providers of wraparound services e.g. before or after-school clubs • Non-levy paying schools
An open and effective council	We work as an efficient, open, transparent, democratically-led and accountable organisation, in partnership with key stakeholders, to deliver on residents' priorities and achieve the council plan outcome for our city	VCSE organisations that support the Council to engage with, represent the needs of, and provide services to York's residents and businesses e.g. those who provide IAG and help people gain the vocational and soft skills employers needed for employment.

*Demand for support could outweigh transfer funds available in any one period. Therefore, in developing a process for determining who to support, priority will be given to applications that meet City of York Council's target sectors and apprenticeship areas detailed above. However, consideration will be given to any application that demonstrates alignment with the objectives set out in the Council Plan 2019-2023.

Opportunities for SME apprentices to join a council apprenticeship cohort will also be considered.

Applicants may be asked to review/revise an application to enable the council to maximise benefit to the local area.

Communications

24. It is suggested that the launch of this strategy aligns with the Council's external communications on the Government funding and the support available to businesses through York's impartial Apprenticeship Hub.

Resource

25. Additional HR resource is currently being recruited to manage utilisation of the council's apprenticeship levy funds. They will also develop and manage the application and wider administration (Digital Apprenticeship Service) processes.
26. Existing business engagement resource (Council and Make It York) will continue to advise and refer businesses into the Apprenticeship Hub. The Business Engagement Officer within the Skills Team already provides advice and guidance to businesses wishing to utilise public-funded skills provision, such as apprenticeship funding. This includes a limited transfer service by signposting SMEs in need of levy transfer to partners at North Yorkshire County Council and Leeds City Region Apprenticeship Levy Support Service, who can facilitate transfer. However, by promoting its own transfer service, the council will be able to further support local businesses (large and small) to make use of any unallocated apprenticeship levy funding within the City.

Decision making

27. Applications will be assessed against the priorities outlined above (section 23). It is suggested that the remit of the Council Apprenticeship Task Group be expanded to include decision-making on applications for City of York Council Levy Transfer.
28. Headline updates can also be provided at meetings of the School Apprenticeship Panel for information only.
29. The council may wish to consider ring-fencing funds to focus on particular priorities (age groups, sectors, immediate and longer-term needs) or to reflect the proportion of unallocated Levy that was set aside by Local Authority maintained schools. However, this additional layer of complexity could have unintended negative consequences e.g. not being able to flex in response to local needs, a perceived lack of accessibility and increased administration.

Consultation

30. Members of the City of York Council Apprenticeship Task Group have been consulted, with direct contributions made by the Head of HR and Finance Accountant.
31. Views of the School Apprenticeship Panel are reflected in the Priorities and Decision making sections.
32. A discussion with a Senior Solicitor in the Legal Team confirmed no legal implications.

Council Plan

33. The Council Plan identifies eight priorities, four of which are relevant to this work:
 - Well-paid and an inclusive economy;
 - A better start for children and young people;
 - Safer communities and culture for all;
 - An open and effective council.

Implications

34. The following implications have been considered:
 - **Financial** - as outlined in 'Apprenticeship Levy Funds' (sections 16 - 17 inclusive)
 - **Human Resources (HR)** – as outlined in 'Apprenticeship Levy Funds' (sections 18 – 22 inclusive) and Resource (section 25)
 - **Equalities** – no implications.
 - **Legal** – no implications as outlined in 'Consultation' (section 32)
 - **Crime and Disorder** – no implications.
 - **Information Technology (IT)** – no implications.
 - **Property** – no implications.

Risk Management

35. Agreeing a strategy for levy transfer does not prohibit the council from utilising more, or indeed all, of its levy funds but will ensure that York benefits from a reinvestment of any unallocated council apprenticeship levy funding to support local priorities.

Recommendations

36. The Executive Member is asked to:
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 - iii. Note the expansion of the Council Apprenticeship Task Group's remit to include decision-making on applications for City of York Council Levy Transfer.
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Background Papers: None

Annexes: None

Abbreviations:

Micro - Microbusinesses (normally 1-9 employees)

SME - Small and Medium Enterprises (normally fewer than 250 employees)

VCSE - *Voluntary, Community and Social Enterprises*