

REPORT TO CABINET

26 June 2019

Subject:	Apprenticeship Levy
Presenting Cabinet Member:	Cllr Danny Millard Cabinet Member for Skills and Employment
Director:	Executive Director – Resources – Darren Carter Director – Education, Skills and Employment – Chris Ward
Contribution towards Vision 2030:	
Key Decision:	Yes
Cabinet Member Approval and Date:	Cabinet Member for Skills & Employment – Cllr Danny Millard: 30 May 2019
Director Approval:	Executive Director – Resources – Darren Carter: 23 May 2019 Director – Education, Skills and Employment – Chris Ward: 23 May 2019
Reason for Urgency:	Urgency provisions do not apply
Exempt Information Ref:	Exemption provisions do not apply
Ward Councillor (s) Consulted (if applicable):	Ward councillors have not been consulted
Scrutiny Consultation Considered? 	Scrutiny have not been consulted
Contact Officer(s):	Kelly Thomas – kelly_thomas@sandwell.gov.uk Sarah Cash – sarah_cash@sandwell.gov.uk

DECISION RECOMMENDATIONS

That Cabinet:

- 1.1 Note the progress that has already been made since the introduction of the Apprenticeship levy in May 2017.
- 1.2 Amend the existing scheme to authorise the Director - Education, Skills and Employment, in consultation with the Executive Director of Resources to transfer up to 25% of apprenticeship levy funds to local businesses, including voluntary sector organisations, in support of Vision 2030 and the delivery of the Council's Inclusive Growth strategy.
- 1.3 Authorise the Director of Education, Skills and Employment, in consultation with the Executive Director - Resources to transfer any funds that remain unspent to the West Midlands Combined Authority (WMCA).

2 PURPOSE OF THE REPORT

- 2.1 On 22 February 2017 (minute number 47/17 refers) Cabinet approved the reforms to apprenticeships and the impacts for the Council and Local Authority maintained schools arising from the introduction of the Apprenticeship Levy.
- 2.2 Since the inception of the Apprenticeship Levy in May 2017, Sandwell Council have started 291 apprentices across all Directorates and Local Authority maintained schools. The apprentices range across all ages, from 16 years to 62 years, including 88 existing staff and 203 new starters. The apprenticeship levy is being used to increase the skills of our existing workforce and new entrants to the organisation. The programme is on target to over-achieve the 2.3% public sector target for apprenticeship starts. However, despite achieving this target the funds for the apprenticeship levy are underspent.
- 2.3 Plans are in place to expand the apprenticeship programme across the organisation to maximise the use of the funds. These include upskilling the existing workforce by meeting individual learning needs and fulfilling Qualification Sponsorship requests with apprenticeships where available and introducing career pathways to aid succession planning across the organisation. However, there remains a risk that some funds will remain unspent.
- 2.4 Funds are managed within the Digital Apprenticeship Service account and expire within 24 months of entering the account. Any unspent funds are returned to government.

- 2.5 Changes have been made to the apprenticeship levy which allow organisations to transfer up to 25% of their allocation to businesses who are non-levy payers or those businesses who have used all of their levy fund for apprenticeship delivery. The funds would still be managed within the digital apprenticeship service account and take the form of vouchers. Local businesses who would receive funds would need to set up a digital account and would be accountable for the responsibility of the learner and procurement of the training provider.
- 2.6 This report seeks approval to allow up to 25% of funds to be transferred to local businesses. The value which can be transferred is based on the previous full financial year's contribution.
- 2.7 It is proposed to administer this process through the Think Sandwell Employment team which currently administers the Sandwell Guarantee scheme using an Expression of Interest and Funding agreement. This process could be adopted for the transfer of funds as it provides assurance of the quality of the vacancy and allows the team to support the recruitment process.
- 2.8 Funds transferred would be used for Sandwell residents and/or Sandwell businesses, including voluntary organisations. This supports the Vision 2030 ambition 3 as it would upskill residents and provide support to businesses to reduce skills gaps, supporting the growth of the local economy.
- 2.9 The West Midlands Combined Authority (WMCA) are currently requesting unspent levy funds from levy contributing employers. In the event of exhausting options to transfer funds to local businesses and to prevent expiration of funds this report also seeks approval to transfer funds to the WMCA. Transferred funds could not be guaranteed to be spent in Sandwell, however this would support the regional economy with potential to create more opportunities for Sandwell residents.

3 IMPLICATION FOR THE VISION 2030

- 3.1 The proposals in this report directly support the Vision 2030 relating to Ambitions 1 and 3.

Ambition 1 – By 2030, Sandwell will be a borough where families' aspirations are raised and that prides itself on equality of opportunity and resilience to change.

Ambition 3 – By 2030, Sandwell's young people will have better skills and working people will have developed new skills, giving Sandwell a workforce geared up to respond to changes in business needs and the economy.

- 3.2 An increase in the number and range of apprenticeships will contribute to sustainable economic growth, supporting people into jobs and improving skills within the workforce. The apprenticeship programme will provide opportunities for local people including the disadvantaged, vulnerable and those not represented in the workforce. It will also provide development opportunities for the existing workforce.
- 3.3 In addition to the above, apprenticeships indirectly support a number of the other 2030 ambitions. For example, there is a strong link between ambition 9 which aims for Sandwell to host the industries of the future and will help the best performance companies to grow. For this to happen Sandwell borough will need to have the necessary skills within the local economy and an increase in apprenticeships should support this.

4 BACKGROUND AND MAIN CONSIDERATIONS

- 4.1 The Apprenticeship Levy commenced in May 2017 and is a requirement for all employers with a turnover in excess of £3 million to pay 0.5% of the wage bill for the delivery of apprenticeships in their organisation. In addition, public sector organisations are targeted to achieve 2.3% of the workforce as apprentices.
- 4.2 Organisations with a turnover of less than £3 million are required to pay a 10% contribution towards apprenticeship delivery. If funds were transferred to them the entire qualification cost would be paid. Businesses would still be required to pay the salary of the apprentice or utilise the funds for their existing workforce.
- 4.3 In order to receive funds, the businesses would be required to set up their own digital account and manage the apprenticeship online. The business would also be responsible for the procurement of the training provider to deliver the qualification.
- 4.4 The Think Sandwell employment team would aim to support the recruitment of the apprentice or support the business with the process for existing staff. Funding allocations would follow the individual and therefore would be allocated per qualification. The cost of qualifications ranges between £2,000 and £27,000.
- 4.5 In Sandwell, apprenticeship numbers have declined which is also a pattern replicated regionally and nationally. It is reported that the Apprenticeship levy has contributed to the decline in numbers completing apprenticeships.

- 4.6 Transferring our apprenticeship levy funds should lead to an increase in the uptake of apprenticeships in Sandwell. Targeted recruitment into key priority sectors will also plug skills gaps identified in the Strategic Economic Plan and Regional Skills plan.
- 4.7 The current skills picture shows Sandwell has a high percentage of people with no qualifications (21% 2017) and also lags behind the Black Country and National figures at Level 3 and Level 4 and above. Nationally, 38% of residents hold a Level 4 or above in comparison to Sandwell at 21%. These figures are taken from the Employer Skills Survey 2017.
- 4.8 As part of the agreement for transferring funds, employers would be encouraged to upskill existing members of staff which would improve their skills profile and contribute towards improving skills levels in Sandwell.
- 4.9 Businesses who could benefit from transfers include small to medium enterprises and medium sized enterprises. Businesses would be targeted alongside the business growth team to maximise the overall business support package and support the delivery of the Inclusive Growth strategy and the principles of Community Wealth Building.
- 4.10 If funds were transferred to the WMCA priority would be given to apprenticeships in Science, Technology, Engineering and Mathematics (STEM). Funds would still need to be utilised within the 24-month term and could only be used for apprenticeship delivery.

5 THE CURRENT POSITION

- 5.1 The Council is currently managing the Apprenticeship Levy which funds apprenticeship qualifications from Level 2 to Level 7 for new entrants and existing members of staff within the Council and Local Authority maintained schools.
- 5.2 The annual expenditure into the apprenticeship levy digital account will be approximately £950,000 for the financial year 2018-2019. This equates to 0.5% of the Sandwell Council pay bill (including local authority maintained schools and excluding Sandwell Children's Trust). The levy contribution receives a 10% top up from government.
- 5.3 The Council's apprenticeship levy programme is currently on target to over-achieve the 2.3% public sector target for apprenticeship starts. However, despite achieving this target the funds for the apprenticeship levy are underspent.

- 5.4 Plans are in place to expand the apprenticeship programme across the organisation to maximise the use of the funds. These include upskilling the existing workforce by meeting individual learning needs and fulfilling Qualification Sponsorship requests with apprenticeships where available and introducing career pathways to aid succession planning across the organisation.
- 5.5 Funds are managed within the Digital Apprenticeship Service account and expire within 24 months of entering the account. When funds expire they would be returned to government. Funds take the form of vouchers.

6 **CONSULTATION (CUSTOMERS AND OTHER STAKEHOLDERS)**

- 6.1 This proposal reflects national priorities in order to increase apprenticeship numbers and upskill residents. It was not deemed necessary to consult customers or stakeholders in Sandwell.

7 **ALTERNATIVE OPTIONS**

- 7.1 To not transfer any funds may result in the expiration of funds which potentially could be returned to national government, and would not result in as wide-ranging benefits for employers or residents.

8 **STRATEGIC RESOURCE IMPLICATIONS**

- 8.1 Sandwell Council (excluding local authority maintained schools) has a projected contribution of approximately £545,300 per annum. This was built into the 2018-19 budget plan that was presented to full Council in March 2018. Local Authority maintained schools projected contribution is £404,700 per annum, this will be built into individual school budget plans.
- 8.2 The annual projected expenditure related to apprenticeship training and assessment for 2018-2019 is:

Sandwell Council Contribution	£545,300
Local Authority maintained schools	£404,700
Government 10% top-up	£95,000
Total	£1,045,000.00

9 **LEGAL AND GOVERNANCE CONSIDERATIONS**

- 9.1 Appropriate contract documentation should be put in place to adequately record the duties and obligations Sandwell Council wishes to impose on recipients of funds from the Council.

10 **EQUALITY IMPACT ASSESSMENT**

- 10.1 The proposals, if agreed, will have no negative impact on any of the equality strands (protected characteristics). There will be a positive impact on residents accessing apprenticeships and local employees upskilling as more opportunities will be created for apprenticeships at all levels.

11 **DATA PROTECTION IMPACT ASSESSMENT**

- 11.1 There are no data protection implications for content in this report.

12 **CRIME AND DISORDER AND RISK ASSESSMENT**

- 12.1 There are no crime and disorder issues relevant to this proposal.
- 12.2 The Corporate Risk Management Strategy (CRMS) has been complied with - to identify and assess any significant risks associated with this decision/project. This includes (but is not limited to) political, legislation, financial, environmental and reputation risks.
- 12.3 Based on the information provided, it is the officers' opinion that no significant risk has been identified.
- 12.4 Risks associated with the apprenticeship levy are currently noted in the council's strategic risk register and currently assessed as amber. The approval of the transfer of apprenticeship levy funds will assist in the mitigation of this strategic risk.
- 3.4 Unspent levy contributions return to HMRC after 24 months of entering the online account therefore there is a potential reputational risk if we do not make effective use of the levy. This would also result in a potential loss of opportunity for the Council's workforce development and that of residents.
- 3.4 Expiration of funds are currently forecast to commence in Jan 2020 with £23,424.68 being returned to the HMRC in the first instance, this could change and take place at a later date if the take up of apprenticeships continues to increase across the organisation.
- 3.5 Risks associated with the transfer of apprenticeship levy funds will be mitigated by ensuring that funding agreements are signed between the Council and employers.

13 SUSTAINABILITY OF PROPOSALS

13.1 The proposals in this report are sustainable, however they depend on government policy which is open to change.

14 HEALTH AND WELLBEING IMPLICATIONS (INCLUDING SOCIAL VALUE)

14.1 These proposals, if agreed, contribute towards individuals' wellbeing as they offer them greater opportunities in the workplace and to access employment and support businesses to meet corporate social responsibility (CSR).

15 IMPACT ON ANY COUNCIL MANAGED PROPERTY OR LAND

15.1 There is no impact on any council managed property or land.

16 CONCLUSIONS AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

16.1 A proportion of apprenticeship levy funds are now able to be transferred to other organisations, 10% with immediate effect and rising to 25% from April 2019.

16.2 Transferring apprenticeship levy funds to local employers would be beneficial for the local economy and for the prospects of local residents including upskilling the employer workforce.

16.3 Transferring funds could prevent the Council from having expiration of funds which would be returned to government.

17 BACKGROUND PAPERS

Figures are taken from the Employer Skills Survey 2017.

18 APPENDICES:

None.

Darren Carter
Executive Director – Resources