

LEADER OF THE COUNCIL	DATE 27 March 2023
TITLE Transfer of Apprenticeship Levy 2023-24	WARD (S) All
CHIEF OFFICER Director of Regeneration, Enterprise & Skills	CABINET MEMBER Inclusive Economy, Business & Skills
DECISION CLASSIFICATION Non-Key Non-exempt	IS THE FINAL DECISION ON THE RECOMMENDATIONS IN THIS REPORT TO BE MADE AT THIS MEETING? Yes

I. Decision required

This report makes the following recommendations to the decision-maker:

- I.1 To agree to make available **£269,655** of the Council’s unspent levy fund contribution, for continued delivery of the Council’s **Greenwich Access to Apprenticeships Fund scheme**, and to transfer this amount to local employers in the year **2023/24**.
- I.2 To also consider further proposals in March 2024, for future years, subject to any changes in the rules relating to the funding of apprenticeships and transferring of levy funds.
- I.3 To note that the transferrable allowance is based on 25% of last year’s levy contribution, which is available until the funds expire, when they have reached the 2-year maximum period.

Signed: **Date: 27/03/2023**

Councillor Anthony Okereke, Leader of the Council

2. Links to Our Greenwich missions

- 2.1 This report relates to the Council’s agreed missions as follows:

- 2.2 Mission 11 - Economy: Everyone has the opportunity to secure a good job.
- 2.3 Mission 14 - Economy: The voluntary, community and socially motivated sectors in Greenwich are strengthened and able to provide more support to the most in need.
- 2.4 Mission 19 - Organisation: Our Council works in the most efficient and effective ways possible.
- 2.5 Transfer of unspent levy funds provides an opportunity to support local employers, including micro and small businesses including charities, third sector organisations and social enterprises, to upskill the existing workforce, and to recruit new apprentices, expected to be borough residents. The fund can encourage local organisations in the creation of apprenticeships, which in turn will create and safeguard jobs.

3. **Purpose of Report and Executive Summary**

- 3.1 In April 2017, an apprenticeship levy was introduced as part of the government's reforms to apprenticeships. Large employers, including the public sector, with a wage bill of more than £3m were required to pay 0.5% of their pay bill into central levy pot. The reforms included the option to transfer 10% of the organisations' annual levy fund, to non-levy paying employers, to cover 100% of apprentice training and assessment costs, but not salaries. In April 2019, the transferrable levy amount increased to 25%.
- 3.2 Funds not drawn down by employers are forfeited and retained by central government after two years. In June 2019, £1,391,767 of the Council's levy fund expired and was retained by central government. A further £130,000 of the levy fund is estimated to expire by March 2023 (on average £60,000 expires each month).
- 3.3 This report sets out the case to agree transfer of 25% (£269,655) of the Council's unspent levy to non-levy paying organisations in the borough, for continuation of the Greenwich Access to Apprenticeships Fund, for a third year.

4. **Introduction and Background**

- 4.1 Since introduction of the levy reforms, over 700 new apprenticeship standards have been introduced, which lead to nationally recognised qualifications, from Level-2 to Level-7, equivalent to a master's degree. There is consensus amongst training providers and employers that replacing the old

apprenticeship Frameworks with the new Standards has led to higher quality provision. However, there remains ongoing criticism from employers paying into the fund, over the lack of flexibility in the use of transferred funds.

- 4.2 While, reports, including the 2019 Resolution Foundation report, attributed the decline in apprenticeship starts to stricter quality regulations introduced at the same time, including the requirement for apprentices to spend 20% of their working time in off-the-job training, employers also cite restricted use of the levy to approved apprenticeship training and assessment costs only. Employers say this has left them unable to spend £3.5bn of funds set aside. Since the levy's introduction, take-up of apprenticeships has in fact declined, as the 713,000 apprenticeship starts in 2022 represent the lowest annual total since 2010.
- 4.3 A recent letter sent to ministers, from the British Retail Consortium (BRC), UK Hospitality, Tech UK, and the Recruitment & Employment Confederation (REC), said the government was “holding back investment” in critical training that could increase productivity, fuel economic growth and raise wages.
- 4.4 There continues to be calls for the government to introduce greater flexibility in the system, to widen the apprenticeship levy into a broader skills levy that can be spent on a range of accredited courses, including shorter, more targeted courses, to match levy funds to training that addresses specific skills gaps for employers. To address the growing amounts of unspent levy and falling number of young people starting an apprenticeship, there is lobbying to extend of the expiry date of funds; levy payers required to dedicate at least 50% of their levy spend to those under-30s and an overlapping 50% to new apprentices.
- 4.5 Meanwhile, government statistics confirm the trend in the increased take up of higher-level apprenticeships since the reforms and use of the levy by employers to train existing employees, rather than to take on new apprentices.
- 4.6 Government figures for the 2021/22 academic year show:
 - Advanced apprenticeships accounted for 43.3% or 151,300 Starts.
 - Higher apprenticeships accounted for 30.5% or 106,400 Starts.
 - Under 19s accounted for 22.2% or 77,500 Starts.
 - Out of the 349,200 apprenticeship starts reported in the 2021/22 academic year:
 - The English region with the highest number of starts was the South-East with 53,100.

- The English region with the lowest number of starts was the North-East with 19,700.
- London has the lowest rate of starts (625 per 100,000 population aged 16-64).

4.7 To note that London Councils apprenticeship data by borough for 2021/22 have not yet been released. However, the latest available data set for 2020/21 showed that

- London boroughs generated a total of 3,137 apprenticeships during the 2020-21 financial year, compared to 3,693 in 2019-20.
- This represents a 15% fall on the previous year.
- Boroughs directly employed 1,505 apprentices; a 15% drop on the previous year when they employed 1,772 apprentices.
- At the time, there was a historically high number for London boroughs.
- In 2017-18, the year that the apprenticeship levy was introduced, 1,146 apprenticeships were created in boroughs.

4.8 On average, London boroughs spent 26% of the total levy funds available to them between April 2018 and March 2020. The borough that spent the highest percentage of levy funds available to them spent 61%, while the borough spending the lowest percentage spent 8%. Between Apr 2017 and Sept 2020, Greenwich has spent 25.4% of its total levy funds.

4.9 Public Sector Target

Part of the apprenticeships reforms included a public sector target for organisations with 250 or more staff, to employ an average of at least 2.3% of their staff as new apprentice starts, between 01/04/17 to 31/03/21. The target was repeated for the period April 2021 to March 2022, as a single-year stand-alone target. Government data shows that between 2017/18 and 2021/22, local government bodies achieved an average of 1.3%, compared to the Armed Forces at 7.1%.

The public sector apprenticeships target came to an end on the 31st of March 2022. However, public sector employers who were required to report against the public sector apprenticeships target are asked to continue to gather, and later report on the number of new apprenticeships starts, total number of apprentices and organisational headcount.

4.10 **Greenwich Access to Apprenticeships Fund (GAAF)**

As part of the Council's response to the apprenticeships reforms, and specifically the levy fund, The Greenwich Access to Apprenticeship Fund, (GAAF) was established in March 2020, and launched in November 2020, allowing the transfer of up to 25% of annual levy funds to non-levy paying

organisations, to encourage an increase the number of apprenticeships created in the borough. This made available £270k to fund a one-year pilot.

GLLaB acts as the main interface to support employers to identify Greenwich residents and recruit an apprentice, provide information about the levy transfer process, and can also advise on relevant training providers.

Due to the uncertainty created by the Covid-19 epidemic, several employers withdrew from the 26 opportunities identified at launch or put recruitment on hold. As a result, the original allocation of £270k for the one-year pilot, which was anticipated to fund the training costs for up to 30 apprenticeship starts, was not spent in full. Table I below shows the nine starts achieved against a drawdown of £62,000, 30% of the available fund.

Table I: Phase I outcomes

Phase I Greenwich Access to Apprenticeship Fund			
Organisation	No. apprentice	Apprenticeship Standard	New recruit / Upskill Workforce
The Sapphire Foundation	2	L3 Business Admin / L3 Digital Marketing	New recruit
Greenwich Pantry	2	L3 Digital Marketing L2 Production Chef	Upskill Workforce
The Nursery on the Green at Eltham	2	L3 Early Years Educator	Upskill Workforce
Top Tots Daycare Ltd	1	L3 Early Years Educator	Upskill Workforce
BME Volunteers	2	L4 Associate Project Managers	New recruit / Upskill Workforce
Total	9		

4.12 Phase 2 Greenwich Access to Apprenticeship Fund

In 2021, funding of £297,312 was agreed to deliver Phase 2 of the GAAF, of which £135,000 (45%), has been drawn down to support 21 apprenticeship starts, made up of nine new apprenticeship starts and 12 starts by existing employees. Table 2 below shows the 21 Starts achieved so far in Phase 2.

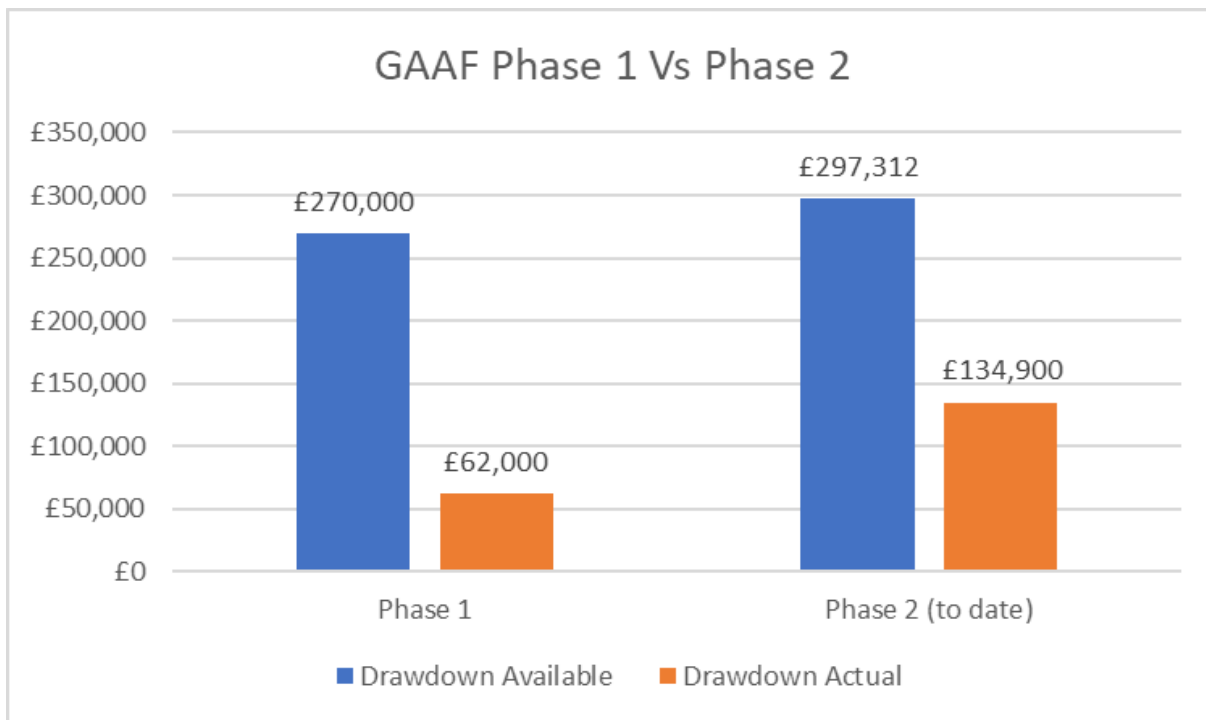
Three further starts are imminent; two with Greenwich Virtual School and one with Eltham Church of England Primary School, with anticipated draw

down of 35K, meaning total draw down of the fund to date would be £170k, 57% of the available fund, to fund 24 Starts.

Table 2: Phase 2 outcomes to date:

Phase 2 Greenwich Access to Apprenticeship Fund			
Employer	No. Apprenti ce	Standard	New Recruit/Upskill
Woolwich Works	2	Level 3 Business Digital Marketing Level 3 Customer Service Specialist	New Recruits
Famous Recruitment	1	Level 2 Customer Service Practitioner	New Recruit
SV Academy	2	Level 3 Teaching Assistant Level 4 Professional Accounting/Tax Technician	New Recruits
Good Neighbours Estate	1	Level 3 Letting Administrator	Recruit
Sapphire Group	2	Level 3 Business Administrator	New Recruits
Old Royal Naval College	1	Level 4 Historic Environment Advice Assistant	Upskill
ABM Training	9	Level 4 Children Young & Families People	Upskill
Pro standard	1	Level 3 Employability Administrator	New Recruit
JAG training	1	Level 7 Senior Leader	Upskill
Visit Greenwich	1	Level 3 Digital Marketer	Upskill
Total	21		

4.14 Chart 3: Comparative draw down between Phase 1 and Phase 2, to date: (exclusive of projected drawdown of £170k, pending 2 x Starts, by March 2023).



4.15 Challenges: Use of the apprenticeship levy scheme

This remains a challenging area of work, considering that the Council levy transfer to employers can only be used to cover the cost of the training and assessment for the apprenticeship. And that without the levy transfer, the Government would cover 95% of these costs, so the effect of the levy transfer is offsets the 5% contribution the employer would have to make. While for newly recruited apprentices the highest cost to the employer is the salary.

To also note that:

- Larger employers that are levy payers cannot receive levy transfers from the Council, unless, in the likely event, they have spent all their levy pot.
- SMEs with fewer than 50 employees are not eligible for levy transfers when they recruit 16 -18 years old, or some 19–24-year-olds, for whom, based on educational or health criteria, 100% of the apprenticeship training and assessment costs are already funded by Government.

4.16 Notwithstanding the challenges around utilising levy funds, it is acknowledged that more needs to be done to increase the number of apprenticeships created through the fund, therefore locally, the GLLaB Employer Engagement Team will be encouraging employers to consider whether vacant positions could be filled by an apprentice. A promotional campaign was also launched during National Apprenticeship week (06/02/23 to 12/02/23). This will include promotion via the Business e-bulletin, Twitter and Facebook with an employer testimonial highlighting a success story for a resident who secured an apprenticeship through GAAF.

5. **Available Options**

5.1 Option 1:

Do nothing and allow the unspent levy to be returned to government each month as it expires, thus losing the potential funding opportunity for apprenticeship training from the local economy.

5.2 Option 2:

Agree for the transfer of levy funding to targeted local employers, including those in the third sector. This will allow the Council to maximise options to make use of the current funding with local employers before it expires.

6. **Preferred Option**

6.1 The recommendation is to agree Option 2, as an opportunity to **maximise use of £269,655** of the Council's unspent levy funds, that would otherwise be forfeited government. This option will also enable the Council to encourage local employers to create apprenticeship opportunities, upskill existing staff and develop a skills base in the borough.

Full details of how the Levy Transfer would work can be found below in Appendix A.

7. **Reasons for Recommendations**

7.1 To maximise use of the Council apprenticeship levy contributions, and minimise the amount of unspent levy, which must be returned to central government, following the expiry period of two years.

7.2 An opportunity to increase the number of apprenticeship opportunities created to help tackle unemployment levels, among key historic disadvantaged groups, including young people, the rising number of economically inactive people, and the low-skilled.

7.3 As part of the 2021 London Councils' Apprenticeship Awards, the Council's work was also recognised, with the GAAF scheme being shortlisted for the category for Best Work with the supply chain and local businesses to create new apprenticeships.

8. Consultation Results

- 8.1 There has been no specific consultation, however feedback from Employer Engagement Team's and GLLaB's work with employers shows that SMEs would like to support and increase vocational training of staff in relevant skills but often lack the resources to do so.
- 8.2 Data from the last London Councils Apprentice Pay and Levy Survey 2020, showed that boroughs doubled their spending of apprenticeship levy funds from last year's survey. However, there is a significant underspend of the apprenticeship levy across all London boroughs. A total of £51,683,390 in levy funds was available to boroughs in between April 2018 and March 2020, of which £13,272,372 was spent. More recent data is yet to be published.

9. Next Steps: Communication & Implementation of the Decision

- 9.1 The GLLaB Employer Engagement Team will be communicating Phase 3 of the fund to employers through local publications and the E-Business newsletter.

10. Cross-Cutting Issues and Implications

Issue	Implications	Sign-off
Legal including Human Rights Act	<p>The Leader is requested to agree the proposal to make available £269,655 of the council's levy fund contribution and to transfer this amount to local employers in the year 2023/24.</p> <p>This report recommends the transfer of levy funding to targeted local employers, including those in the third sector.</p> <p>The Apprenticeship Levy was introduced under Part 6 of the Finance Act 2016 and the Government issued guidance on its implementation.</p> <p>The current Apprenticeship Funding rules and guidance provides that levy-paying employers can transfer a percentage of their levy funds, which were declared for the previous tax</p>	Andre De Freitas, Assistant Head of Legal Services 07/03/23

	<p>year, to other employers, including apprenticeship training agencies. The transfer allowance percentage is currently set at 25%.</p> <p>The Council and local employers will have to agree, the criteria of the apprenticeships that will be funded, and the price agreed with the local employer's main provider and end point assessment organisation.</p> <p>There is a requirement to adhere to the Public Contracts Regulations 2015, when selecting a training provider.</p> <p>Employers need to take account of state aid rules when receiving funds from the Council.</p> <p>Under the Responsibility for Functions section of the Constitution, the Leader is authorised to agree the recommendations in this report.</p>	
Finance and other resources	<p>The Leader is requested to agree to make available £269,655 of the Council's unspent levy fund contribution, for continued delivery of the Council's Greenwich Access to Apprenticeships Fund scheme, and to transfer this amount to local employers in the year 2023/24.</p> <p>The transferrable allowance is based on 25% of last year's levy contribution, which is available until the funds expire when they have reached the 2-year maximum period. Any unspent levy funds would then be returned to central government.</p>	<p>Sue Rock Accountancy Business Change Manager 07/03/2023</p>
Equalities	<p>The decisions recommended through this paper have remote or low relevance to the substance of the</p>	<p>Fiona Apio-Matanda,</p>

	<p>Equality Act in that there is no apparent negative equality impact on end users.</p> <p>The report contributes to the Council's Equality and Equity Charter and Equality Objectives 2020-2024 to:</p> <ul style="list-style-type: none"> - ensure opportunities are signposted to our residents to ensure our workforce is representative of the Greenwich Borough population. - to create a culture of measuring and rewarding "outputs" through the DMT performance dashboards. 	<p>Head of Employment Programmes 15/02/23</p>
Climate change	<p>This report contributes to the Greenwich Carbon Neutral Plan 2021-2030, as part of Empowering Wider Change – considering a 'green recovery' has maximised the climate impact of jobs and boosted growth, the fund encourages employers to create opportunities for residents to undertake an apprenticeship linked to green skills.</p>	<p>Fiona Apio-Matanda Head of Employment Programmes 03/03/23</p>
Risk management	<p>The main risk is underspend of the levy transfer amount, which would mean funds are not spent and retained by central government. To mitigate these, the actions in Section 4.16</p>	<p>Fiona Apio-Matanda Head of Employment Programmes 15/02/23</p>

11. **Report Appendices**

Appendix A – How the levy transfer works

12. **Background Papers**

None

Report Author: Fiona Apio-Matanda, Head of Employment Programmes
Tel No. 020 8921 5427
Email. Fiona.apio-matanda@royalgreenwich.gov.uk

Reporting to: Michelle Rankin, Assistant Director, Employment & Skills
Tel No. 020 8921 3906
Email. Michelle.rankin@royalgreenwich.gov.uk

Chief Officer: Pippa Hack, Director, Regeneration, Enterprise & Skills
Tel No. 020 8921 5519
Email. Pippa.hack@royalgreenwich.gov.uk