

TITLE OF REPORT: **Apprenticeship Levy**

REPORT OF: **Mike Barker, Strategic Director, Corporate Services & Governance**

Purpose of the Report

1. To agree to establish a Gateshead Apprenticeship levy fund and transfer money from the Council's apprenticeship levy fund to local employers to support them to increase the uptake of apprenticeships.
2. The report also seeks to agree an amendment to the Council's Constitution to grant the Strategic Director Resources & Digital delegated authority to award funds from the Council's apprenticeship levy pot to individual businesses in Gateshead.

Background

3. Large employers with a payroll bill of £3million or more per year are required to pay an apprenticeship levy which is used to pay for the training and assessment costs of apprenticeships.
4. Take up of apprenticeships nationally, regionally, or within the Council has not been as high as anticipated, largely due to the absence of any funding to offset the salary cost and the financial and administrative burden. Whilst uptake was increasing prior to the COVID-19 pandemic, to achieve the desired uptake of new apprenticeships it needs to be attractive and easy for businesses. Following the COVID-19 crisis, it has become increasingly important to support the growth of local economies and keep much needed monies within the local community.
5. Under current ESFA rules, the Council can transfer up to 25% of its total levy pot per annum to other employers, to pay for the training and assessment costs of a new apprenticeship, which based on current figures would be approximately £165,000 pa. Any unspent levy funds are transferred back to the Treasury after 24 months.

Proposal

6. It is proposed that the Council makes available, on an annual basis, up to £165,000 of its levy funds for the development of a Gateshead apprenticeship levy fund. This will enable money to be transferred to other organisations within our supply chain, partners, and community and voluntary organisations within the borough as part of our commitment to community wealth building and will support these organisations with the cost of apprenticeship training and assessment and increase the number of local people in sustainable employment.

7. Priority will be given to those organisations who are working closely with the Council to deliver the Thrive agenda, as well as those sectors key to our post-COVID economic recovery.
8. Levy funds can be transferred to employers for new apprenticeship starts only. This can include new apprentices recruited by the employer or existing employees offered an apprenticeship as a means to develop the workforce.
9. In order to make the greatest impact, funds will be prioritised to organisations creating new jobs or hiring new apprentices to fill existing vacancies as this will increase employment opportunities for Gateshead residents. Consideration will still be given to transferring funds to employers to upskill existing employees where this would support the Council's Thrive agenda and fill a skills gap or support the CV19 economic response and recovery.
10. It is essential that appropriate financial approval processes are in place to enable the transfer of funds from the Council's apprenticeship levy to local businesses as efficiently and effectively as possible. There is currently no provision within the Financial Regulations in the Council's Constitution that specifically cover the ability to approve the transfer of the Council's apprenticeship levy to other organisations.
11. It is therefore proposed that the Strategic Director, Resources & Digital is given the delegated authority to approve the transfer of levy funds from the Council to other local organisations.

Recommendation

12. Cabinet is asked to:
 - a) Approve the proposal to make available on an annual basis up to 25% (approx. £165k) from Gateshead Council's levy pot for the development of a Gateshead apprenticeship levy fund so that money from this fund can be transferred to local businesses.
 - b) Approve the proposed delegation to the Strategic Director, Resources & Digital to enable funds to be awarded from the Council's apprenticeship levy pot to individual local businesses and to recommend Council to amend Part 3, Schedule 5, of the Council's Constitution (Delegations to the Strategic Director, Resources and Digital) accordingly.

For the following reason:

To ensure that money can be transferred to other businesses in the borough to support them with the cost of apprenticeship training and assessment and increase the number of local people in sustainable employment.

Policy Context

1. The transfer of the Council's apprenticeship levy to other local organisations supports the Council's community wealth building aims.
2. The proposals will have a direct impact on the outcomes set out in the Council's strategic approach, Making Gateshead a Place Where Everyone Thrives, as well as supporting the COVID19 economic response and recovery.

Background

3. The apprenticeship levy was introduced in April 2017. Large employers with a payroll bill of £3million or more per year pay the apprenticeship levy which is used to pay for the training and assessment costs of apprenticeships.
4. Take up of apprenticeships nationally, regionally, or within the Council has not been as high as anticipated, largely due to the absence of any funding to offset the salary cost and the associated financial and administrative burden.
5. In 2019 Employers paid a combined total of £2.8bn into the levy pot, however, employers only spent £864m of this. This has led to a rapid increase in the value of unused or 'expiring' levy funds, from an initial £11m in May 2019 to £72m in November 2019. The amount being paid out by employers (by purchasing training) is clearly not rising as quickly as the amount being lost through levy 'expiration' and is only about 35% of the amount being paid in each month. According to an FOI request from the DfE, between May and November 2019, nationally £330m was transferred back to the treasury, demonstrating a real need to increase levy transfers to SMEs and keep much needed and underused money in the local region.
6. Employers who pay the apprenticeship levy can transfer up to 25% of their uncommitted levy funds to support other employers to pay for the training and assessment costs of an apprenticeship. Any unspent levy funds are transferred back to the Treasury after 24 months. Under current ESFA rules, the Council can transfer up to £165,000 of its levy pot per annum to other employers.
7. Following the COVID-19 crisis, it has become increasingly important to support the growth of local economies and keep much needed monies within the local community.
8. The Council is looking to make available up to £165,000 of its levy funds to transfer to local supply chain partners and local businesses. Priority will be given to those organisations who are working closely with the Council to deliver the Thrive agenda, as well as those sectors key to our post-COVID economic recovery. It is proposed that in order to make the greatest impact, funds are prioritised to organisations creating new jobs or hiring new apprentices to fill existing vacancies as this would increase employment opportunities for Gateshead residents.
9. The Council's Business, Employment and Skills Service has had early conversations with the Queen Elizabeth Hospital, also a levy paying public-sector organisation, regarding the opportunity to pool resources and work together to offer a collective Gateshead levy fund to support our business community through the

passporting of levy monies. The aim of this fund will be to increase the uptake of apprenticeships, encourage the recruitment of Gateshead residents and ensure much needed funding remains in the local economy.

10. There is also the opportunity to involve large private sector employers in the borough in the collective approach, such as those businesses where we have developed strong relationships through key account management and who have the desire to work with the Council to benefit the local community such as Komatsu Ltd. in Birtley and Parker Hannifin on Team Valley with whom preliminary discussions are underway.

Consultation

11. The Leader, Deputy Leader, Economy Portfolio Members and Trade Unions have been consulted on the proposals and are supportive of the recommendations.

Alternative Options

12. All requests to transfer the levy to other organisations would have to be approved by Cabinet and Council and this could limit the Council's ability to make timely transfers. It could also limit the receiving organisations ability to ensure that apprenticeships are started at the earliest opportunity if training providers start dates cannot be met.
13. Regular updates can be provided to Cabinet on how many levy transfers have been approved and how many new apprenticeships starts there have been across Gateshead as a result.

Implications of Recommended Option

14. **Resources:**

- a) **Financial Implications** – The Strategic Director, Resources & Digital confirms that there are no direct financial implications arising from the transfer of unspent levy funds to local organisations. The Apprenticeship Levy guidance states that provided the transfer cap is not exceeded, the Council can transfer funds to any number of employers.
- b) **Human Resources Implications** – There are no direct human resource implications for the Council. However, the transfer of levy funds to other businesses in the borough aims to increase the number of local people in sustainable employment as well as supporting other businesses to fill skills gaps and support the CV19 economic response and recovery.
- c) **Property Implications** – there are no property implications arising from the recommendations within this report.

15. **Risk Management Implications** – Corporate Finance will ensure that the apprenticeship levy transfer cap is not exceeded and that appropriate levy funds remain to fully support the Council's apprenticeship approach.

16. **Equality and Diversity Implications** – the proposal will support vulnerable groups most at risk of poverty and deprivation to access opportunities for sustainable

employment and aims to increase levels of ambition and aspiration of vulnerable groups.

17. **Crime and Disorder Implications** – There are no crime and disorder implications.
18. **Health Implications** - There are no health implications.
19. **Climate Emergency and Sustainability Implications** - There are no climate emergency or sustainability implications.
20. **Human Rights Implications** - There are no human rights implications.
21. **Ward Implications** - There are no ward implications.
22. **Background Information** - none