

Report to: Cabinet



Date of Meeting 13 July 2022

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

Apprenticeship Levy Transfer Policy

Report summary:

To agree the Council's policy with regard to the transfer of Apprenticeship Levy funds to other local employers to support a resilient economy.

Is the proposed decision in accordance with:

Budget Yes No

Policy Framework Yes No

Recommendation:

That Cabinet agree that the Council utilise the Government's Apprenticeship Levy Transfer arrangements, allowing the Council to fund apprenticeships for other local employers to support economic prosperity and growth, in line with the eligibility criteria set out in this paper, and that individual decisions about Levy Transfer are delegated to the Head of Paid Service.

Reason for recommendation:

To clarify the Council's approach to Apprenticeship Levy Transfer and ensure it is aligned to Council Plan priorities.

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Portfolio(s) (check which apply):

- Climate Action and Emergency Response
- Coast, Country and Environment
- Council and Corporate Co-ordination
- Democracy, Transparency and Communications
- Economy and Assets
- Finance
- Strategic Planning
- Sustainable Homes and Communities
- Tourism, Sports, Leisure and Culture

Equalities impact Low Impact

Climate change Low Impact

Risk: Low Risk;

Links to background information

Link to [Council Plan](#)

Priorities (check which apply)

- Better homes and communities for all
 - A greener East Devon
 - A resilient economy
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Report in full

1. As part of the Government's apprenticeship reforms in 2018, a Levy Transfer arrangement was introduced, which enables large employers who pay into the Apprenticeship Levy, to transfer some of their Levy funds to other employers to fund their apprentice training. To date the Council has not utilised this provision, but as there are direct links with the Council's Resilient Economy priority, it may be timely to review our approach and this paper sets out a proposed policy for achieving this.

2. Background

- 1.1. The Council automatically pays 0.5% of its pay bill each month into an Apprenticeship Levy account which is ring-fenced to fund apprenticeship training and assessment. If funds are not spent within 24 months of being credited to the Levy account they are lost to the Government. The Council's current Apprenticeship Levy is c£50k per annum. For 2021/22 the Council lost c£35k to the Government, as only some of the funds have been used on Council apprenticeships.
- 1.2. The Government Apprenticeship Levy transfer arrangements allow the Council to transfer up to 25% of its annual Levy monies to other employers. This money can only be used to fund apprenticeship training and assessment – not salary or associated training costs and is for the total duration of the agreed apprenticeship. The receiving employer must meet certain criteria, including setting up an online Levy account in their own right to receive the funds. Levy Transfers can be achieved through an individual employer making an application for funds and/or the Council pledging to provide funds in specific circumstances.
- 1.3. The Council monitors its Levy spend through its own online Levy account. All payments are made on a monthly basis via the account.
- 1.4. From February 2022 the Government have also allowed organisations that undertake Levy Transfer to receive funds from other employers to help fund new apprenticeship starts, even if the Council has existing transfer commitments. This enables us access to a potentially higher amount of Levy monies, to support our 'grow our own' plans, as well as apprenticeships for local employers.
- 1.5. Utilising the Levy Transfer arrangements would support the Council in its Resilient Economy objectives by:
 - supporting local employers which could boost local skills, build sustainability within the local workforce and improve economic growth, helping to meet our strategic priorities generally and/or regarding particular sectors
 - widening the supply of apprenticeship training provision, particularly in areas of need, where there are currently gaps in provision
 - reducing the risk of losing some of our Levy funds to the Government and therefore remain in control of how our funds are spent
 - improving the quality of employment and average wage levels
 - demonstrating that the Council is taking an active role as a local authority and community lead in skills growth and the use of apprenticeships to support this.

3. Proposed Policy and Eligibility Criteria

- 3.1. Appendix 1 sets out the proposed Levy Transfer Policy and criteria. If approved, this would be made available on the Council's website along with the process for organisations to apply for Levy Transfer.

- 3.2. The key focus of the proposed criteria is to ensure that it recognises and supports the value of the employment/employer to the East Devon economy in terms of Gross Value Added (GVA)/productivity factors such as high skill and high value employment. The proposed criteria aligns with relevant wording in the Business Rate Relief Policy.
- 3.3. Levy Transfer application decisions would be delegated to the Head of Paid Service.
- 3.4. Levy spend and apprenticeship activity already forms part of the annual people data report provided to Personnel Committee each summer and would include Levy Transfer activity.

4. Conclusion

- 4.1. A balance will need to be maintained between utilising Levy funds for Council employees, as part of the 'grow our own' work, as well as supporting the wider economy. The HR Manager will be able to retain that oversight and the Levy Transfer 25% rule also provides that assurance. In addition, using Levy Transfer provides the scope to potentially bid for additional Levy funds from other large employers, further supporting the grow our own work. Having a clear and robust Levy Transfer policy and eligibility criteria in place will ensure that we are targeting Levy spend where it is needed most and aligned to our economic resilience objectives.

Financial implications:

There are no direct financial implications on the Council from the recommendation. The proposal is to utilise these deductions locally, the Council has no choice but to make the deductions which is budgeted, and it may benefit from having monies transferred to itself in future.

Legal implications:

The report details the rules around the transfer of a proportion of the apprenticeship levy. The local policy that is recommended appears reasonable given the objectives. There are no other legal implications requiring comment.

Appendix 1 – Proposed Levy Transfer Policy

East Devon District Council utilises the Apprenticeship Levy Transfer arrangements to support the Council's Resilient Economy strategic priority, as set out in the [Council Plan](#), as Levy Transfers enable the Council to:

- Support local employers to boost local skills, build sustainability within the local workforce and improve economic growth
- Help to widen the supply of apprenticeship training provision, particularly in areas of need and where there are gaps in provision
- Support the provision of higher quality employment and increased average wage levels
- Direct Levy funds to meet local need
- Demonstrate that the Council is taking an active role as a local authority and community lead in skills growth and the use of apprenticeships to support this.

The Council recognises that there are potentially many local organisations who will want to work with the Council to receive transferred Levy funds to build workforce capability. In line with the Government's transfer rules, the Council can only transfer up to 25% of Levy funds per annum and has decided to therefore prioritise the transfer of funds to employment/employers that are of most value to the East Devon economy in terms of Gross Value Added (GVA)/productivity factors such as high skill and high value employment. Specifically, this means that we will prioritise Levy Transfer where:

- Gross Value Added (GVA) measures demonstrate the value of the business and employment to the local economy.
- A measurable impact on other businesses and the local community can be demonstrated, for example evidence of working with businesses and support to local communities to offer employment opportunities, including for under-represented groups.
- Supporting apprenticeship training will support opportunities for new business growth, expansion and employment within the area and have a demonstrable positive effect on business cash flow and future viability.
- The employer can provide reassurance of the duration of retained employment and continued production/operation in the area and that any loss of this employment in the area would be significant.
- There is a uniqueness of the service/commodity being provided within the community/district.
- How supporting apprenticeship training with the business could also support the capacity of the Council's interventions to secure further investment and retained and/or new employment opportunities.

When considering and prioritising requests, the Council will also take into account the Government's Levy transfer rules, including:

- The annual % Levy transfer fund maximum
- That the Council would need to commit to funding the total cost of the apprenticeship for the total duration of the qualification
- That the receiving employer must be aware of any 'subsidy control' implications before agreeing to the transfer
- That the receiving employer must set up their own account on the Government's digital Apprenticeship Service to be eligible to receive funds.

The transferring employer would need to agree to the terms and conditions set out by the Council, which complement the Government's Employment and Skills Funding Agency agreements relating to use of the digital Apprenticeship Service account.

The Council will monitor and audit use of the Levy transfer provision and reserves the right to revise its policy, priorities and processes, as required, whilst continuing to honour its commitment to fund apprenticeship training that has been previously agreed.