

**Notice of Non-key Executive Decision**

<b>Subject Heading:</b>	<b>Transfer of up to 25% of Havering's unspent levy funds to local Havering SMEs and the Voluntary Sector</b>
<b>Decision Maker:</b>	<b>Gareth Nicholson, Director of Partnerships and Organisational Development</b>
<b>Cabinet Member:</b>	<b>Cllr Ray Morgon</b>
<b>SLT Lead:</b>	Gareth Nicholson
<b>Report Author and contact details:</b>	Iona Jackson-Benjamin Talent Hub Manager <a href="mailto:Iona.Jackson-Benjamin@onesource.co.uk">Iona.Jackson-Benjamin@onesource.co.uk</a> ; 0203 373 1367
<b>Policy context:</b>	<p>Employers in England and Wales with a pay bill of over £3 million each year pay an apprenticeship Levy (0.5% of the pay bill) to HM Revenue and Customs (HMRC). The Levy is held for use by the council in an HMRC administered digital account (the Apprenticeship Service online account), and can only be spent by the Council to pay for apprenticeship training and assessment, with payment from the account made directly to authorised training providers. Each month, £60,000.00 is paid by Havering into the Levy account. If not spent within two years, funds expire and are retained by HMRC.</p> <p>Transferring up to 25% of Havering's unspent levy funds to charities and local businesses will help to reduce expiry, and support our commitment to supporting community wealth</p>

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	building, social mobility and making more effective use of the levy.
<b>Financial summary:</b>	If approved, the maximum value of total funds that might be transferred over the next financial year (23/24) is anticipated as not exceeding £183,755. These costs are estimated, based on levy paid in the 22/23 tax year. Employers that successfully apply for funding will be paid via the HRMC Apprenticeship Service online account for Havering. There are no specific direct revenue costs for the Council.
<b>Relevant OSC:</b>	People Overview & Scrutiny Sub-Committee
<b>Is this decision exempt from being called-in?</b>	The decision is exempt from call in as it is a Non-key Decision

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**The subject matter of this report deals with the following Council Objectives**

People - Things that matter for residents **[X]**

Place - A great place to live, work and enjoy

Resources - A well run Council that delivers for People and Place. **[X]**

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### Part A – Report seeking decision

#### **DETAIL OF THE DECISION REQUESTED AND RECOMMENDED ACTION**

The Director of Partnerships and Organisational Development is asked to agree to a regular and planned transfer of up to 25% of the Council's available levy funds each year to charities and other businesses, to pay for their apprenticeship training and assessment; and to note the following:

- Offering the opportunity to local organisations will aid in Havering's post-covid recovery and benefit local residents and organisations impacted by the pandemic and the current cost of living crisis. The transfer of funds will support delivery of apprenticeships that can support local people back into work (in some cases probably more skilled work than they were doing prior to the pandemic) and support businesses in developing the new skills their businesses will need in the future.
- Transferring funds to employers in the voluntary sector will only fund apprenticeships offered to employees; volunteer workers will not be eligible
- Transferring funds to other employers with which the Council currently works limits which organisations can apply to receive funding, and potentially discriminates against small businesses which do not have the advantage of already working with the Council.
- Transferring funds to other employers that work with neighbouring Councils might disadvantage local businesses.
- Transferring funds to other employers contacted through the Apprenticeship Training Agency (ATA) might widen the pool of employers that might apply for a transfer of funds, however might also disadvantage local businesses, and the businesses in neighbouring areas across London.
- Working with regional partners to identify other employers across London and considering transfer of funds to other employers widens the pool of employers that might apply for a transfer of funds, however might disadvantage businesses in the borough.

#### **AUTHORITY UNDER WHICH DECISION IS MADE**

##### **3.3 Powers of Members of the Senior Leadership Team**

###### **Contract powers**

- (a) To approve commencement of a tendering process for all contracts above a total contract value £500,000.

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(b) To award all contracts with a total contract value of between £500,000 and £5,000,000 other than contracts covered by Contract Procedure Rule 16.3.

### **STATEMENT OF THE REASONS FOR THE DECISION**

Apprenticeships are delivered through a Government regulated scheme. The Council draws down the Levy from a fund that the Council contributes to on a monthly basis to HMRC based on the number of employees.

Unused funds expire 24 months after they enter the digital account. For example, funds entered into the Havering account in September 2021 will expire in September 2023. Payments from the Council's account to training providers always use the oldest funds first. Since 2017 when the Council started to pay into the Levy, it has not been possible to spend all the funds accumulated. Please see below:

<b>Year</b>	<b>Levy Paid</b>	<b>Spent</b>	<b>Levy Transferred</b>	<b>Levy Expired</b>
<b>17-18</b>	£583,976.55	£9,126.02	£0.00	£0.00
<b>18-19</b>	£586,714.92	£57,730.13	£0.00	£0.00
<b>19-20</b>	£630,159.90	£120,860.88	£9,960.00	£389,345.58
<b>20-21</b>	£668,888.78	£259,305.56	£73,400.69	£229,223.42
<b>21-22</b>	£689,917.06	£333,487.69	£103,812.19	£199,767.57
	<b>£3,159,657.21</b>	<b>£780,510.28</b>	<b>£187,172.88</b>	<b>£818,336.57</b>

As the Council is not spending the levy funds available at the level required to avoid a return to central government, we are proposing contingency arrangements should the Council not be able to start sufficient apprenticeships to spend available levy funds.

Under the apprenticeship arrangements it is possible for a levy paying organisation to transfer up to 25% of their levy to other employers. This facility has been available since 2019. The transfer allowance is calculated as 25% of the previous financial year's apprenticeship levy funds. The apprenticeship service calculates this amount as 25% of:

- the total amount of levy the Council declared in the previous tax year (see table above); with
- the English percentage applied (the percentage of employees that live in England); plus
- the top-up payment of 10% from the government.

The digital account automatically calculates how much is available to transfer, and using the amount of levy the Council expects to pay in 22/23, the amount that can be

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transferred is estimated at £183,755 for the 23/24 financial year. NB We cannot transfer more than the Council's 25% allowance in each financial year.

Each qualification and level has a different associated cost. For example, training for a Level 2 Customer Service apprenticeship costs £1,500; a Level 3 Fundraiser apprenticeship costs £8000; Level 7 Senior Leadership costs £14000; and a Level 3 Advanced Domestic Plumbing apprenticeship costs £9,000.

Costs are set by government and all the qualification funding bands can be found on the .gov.uk website - [Apprenticeship funding bands](#)

Transferring levy funds provides an opportunity to help reduce unemployment in the borough and increase incomes for residents. This will be achieved by encouraging more local employers to offer apprenticeships and setting an expectation that these should be high quality training with clear employment and wage gains for local residents.

## **OTHER OPTIONS CONSIDERED AND REJECTED**

Other options considered include:

**Option 2:** Continue as is and do nothing, however this would leave the Council in the position of returning unspent levy. This option is not in the best interests of local residents or local businesses. Nor is this option in the best interests of the Council.

**Option 3:** Dramatically increasing the number of apprenticeship starts within the Council so that all levy funds are spent. This is not feasible as currently (as at Feb 2023) the Council has £1,442,486 in the account, with a further £721,968 scheduled to go in over the next 12 months. As a comparator of expenditure, over the last 12 months, the Council has spent £433,012 on apprenticeship training and assessment. Looking forward to the next 12 months, the Council is planning to spend £308,071.

## **PRE-DECISION CONSULTATION**

In addition to actively encouraging the take up of apprenticeships across the Council, and recruiting apprentices to fill vacancies as part of workforce planning e.g. in hard to fill areas such as Social Care and Planning, the Council's Apprenticeship Levy Working Group recommended the transfer of funds to the voluntary sector and local businesses as a means to contributing to local recovery and supporting development within the borough.

Enquiries have been made with senior leaders to establish whether it is helpful to focus on specific business areas in determining whether to allow transfers. The Council has also considered participating in a pilot with Local London which focuses on specific sectors:

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- financial business
- creative and cultural
- advanced urban services
- life sciences
- digital and technical
- tourism
- low carbon

This participation however has been delayed.

We have also consulted with other Councils which have already established a formal offer of transferring unspent funds to their local organisations. Many have aimed to make the transfers fit with their local priorities and skills gaps, however have discovered that they could have transferred more funds if they had not restricted access to specific business areas. The Councils which are most successful in making transfers have been as flexible as possible to ensure greater take up of the transfer offer, and extended the offer to both the voluntary sector as well as local small and medium-sized enterprises.

### **NAME AND JOB TITLE OF STAFF MEMBER ADVISING THE DECISION-MAKER**

Name: Iona Jackson-Benjamin

Designation: Talent Hub Manager

Signature:



Date: 12<sup>th</sup> April 2023

## Part B - Assessment of implications and risks

### **LEGAL IMPLICATIONS AND RISKS**

The Apprenticeship Levy is a charge introduced by government to help fund plans to deliver a step change in apprenticeship numbers and their quality. The levy came into force April 2017 and is designed to put apprenticeship funding in the hands of employers and encourage them to invest in and create apprenticeships.

The levy applies to all employers across all sectors in the UK, including local authorities. The rate is set at 0.5 per cent of an employers' pay bill, collected monthly via Pay As You Earn (PAYE). The levy is applicable on pay bills over the first £3 million. All London boroughs qualify to pay the levy.

All employers have access to the Digital Apprenticeship Service whether they have paid the levy or not and use it to manage the government funding available to them to pay for apprenticeship training. All Levy-paying employers receive a 10 per cent top-up to their digital accounts funded by government. All employers with a digital account have 24 months to spend their funds, including top-ups, before they expire.

#### *Levy Transfers*

According to the current apprenticeship funding policy since the 1<sup>st</sup> of April 2019 levy paying employers wishing to support apprenticeships in other businesses have been able to transfer up to 25% of the annual funding in their apprenticeship service account. Before setting up a transfer the organisation needs to ensure that the annual 25% transfer allowance is sufficient to cover the annual cost of an apprenticeship standard. The Council is making a decision to transfer up to 25% of the annual funding in its apprenticeship service account in accordance with the current apprenticeship funding policy. Therefore, the Council can make the transfer.

Currently, non-Levy paying employers can access apprenticeship training, but they must fund 5% of the training costs. If the Council decides to transfer the levy funds it will be funding 100% of the training cost for the whole period of the apprenticeship.

### **FINANCIAL IMPLICATIONS AND RISKS**

The Council currently pays approximately £60,000 per month from within approved budgets to HMRC. The funds are then allocated to the Havering Digital Apprenticeship Levy account (including contributions for the maintained schools). This funding is subsequently drawn down to cover the costs of approved apprenticeships training.

The transfer fund available is calculated yearly based on 25% of the contributions made by Havering in the previous financial year. Estimations based on what the Council expects to pay in 22/23, show the amount available to transfer in 23/24 will be £183,755. Any transferred sums are shown in the Digital Account Service reports allowing the Council to keep track of what is being spent and ensure that the Council does not commit to transferring more than it is entitled to do. Over the last three years (2019-2022) the Council has committed to making transfers to the London Ambulance



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Service to train paramedics and ambulance practitioners. The total amount transferred during this three-year period amounted to £187,172.88. As a result of making these transfers the amount returned to central government as a result of expiry has been reduced. Increasing the offer more widely to the voluntary sector and other local organisations will allow the Council to keep levy funds in the borough and benefit local employees and organisations.

There are no specific direct additional costs to the Council resulting from this decision

## **HUMAN RESOURCES IMPLICATIONS AND RISKS (AND ACCOMMODATION IMPLICATIONS WHERE RELEVANT)**

The recommendations made in this report do not give rise to any identifiable HR risks or implications that would affect either the Council or its workforce.

## **EQUALITIES AND SOCIAL INCLUSION IMPLICATIONS AND RISKS**

Each month, £60,000.00 is paid by Havering into the levy pot. If not spent within two years, funds expire and are returned to HMRC. Transferring up to 25% of Havering's unspent levy funds to local businesses and local voluntary groups will help to reduce expiry, and support the Council's commitment to supporting community wealth building, social mobility, the equalities and social inclusion agenda and more effective use of the levy.

## **ENVIRONMENTAL AND CLIMATE CHANGE IMPLICATIONS AND RISKS**

The recommendations made in this report do not give rise to any identifiable environmental and climate change implications or risks that would affect either the Council or residents.

## **BACKGROUND PAPERS**

*Guidance – Employer Apprenticeship funding rules 2022 – 2023*  
[Apprenticeship funding rules - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/employer-apprenticeship-funding-rules-2022-2023)

*Transferring your apprenticeship levy to another business -*  
<https://www.gov.uk/guidance/transferring-your-apprenticeship-levy-to-another-business>

## **APPENDICIES**

NONE

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**Part C – Record of decision**

I have made this executive decision in accordance with authority delegated to me by the Leader of the Council and in compliance with the requirements of the Constitution.

**Decision**

Proposal agreed

**Details of decision maker**

Signed:

*G D Nicholson*

Name: Gareth Nicholson

Cabinet Portfolio held:

CMT Member title: Director of Partnerships and Organisational Development

Head of Service title

Other manager title:

Date: 11/05/2023

**Lodging this notice**

The signed decision notice must be delivered to Democratic Services, in the Town Hall.

**For use by Committee Administration**

This notice was lodged with me on \_\_\_\_\_

Signed \_\_\_\_\_