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To: Growth, Economic Development and Communities Cabinet Committee - 12 October 2016

Subject: Apprenticeship Levy

Classification: Unrestricted

Past pathway of paper: None

Future pathway of paper: None

Electoral Division: All

Summary

From April 2017, a new Apprenticeship Levy will be charged on all employers with a pay bill of over £3 million. This is intended to support the Government in meeting its target for additional Apprenticeship starts and to incentivise employers to invest in training.

This paper summarises how the Apprenticeship Levy will work and what the impact is likely to be on KCC and on other employers in Kent. Representatives from the EEF, the manufacturing employers' organisation, have been invited to attend the Cabinet Committee to explain how private sector employers will be affected and to discuss KCC's potential role.

Recommendations

The Growth, Economic Development and Communities Cabinet Committee is recommended to CONSIDER this report and to NOTE the proposed establishment of a Member and officer working group to support KCC's approach to increasing the take-up and quality of apprenticeships.

1. Introduction: The Apprenticeship Levy

- 1.1. The Government announced in 2015 that it would establish a new levy to be charged on employers to fund apprenticeships. This will mean that in future, apprenticeships will be funded through the levy, rather than through general Government funds as at present. The policy is also intended to incentivise employers' involvement in apprenticeships and to enable greater employer influence over their design.

How the Apprenticeship Levy will work

- 1.2. The Apprenticeship Levy will be a 0.5% charge on the annual pay bills of employers. The charge will apply to employers in the public, private and third sectors, and will be uniform across the UK. However, as a £15,000 allowance will apply, only those employers with a pay bill of over £3 million will have to pay. The Apprenticeship Levy will come into force in April 2017.
- 1.3. Employers paying the Levy will be able to draw down funding for apprentices in the form of a voucher from an electronic account, which must be used with a registered training provider. The Government will apply a 10% top-up to the funds available for apprenticeship training and it will be possible for employers to draw down more than they have paid in. A system of co-funding between Government and employers will apply to those businesses which are not required to pay the Levy.

Changes to apprenticeships

- 1.4. The Apprenticeship Levy is intended to drive up quality and choice, and will fund the delivery of some new apprenticeship routes. A set of new **Apprenticeship Standards** have been developed by employers, requiring a minimum of a year's training, at least 20% of which must be outside the workplace. In addition, **Degree Apprenticeships** offer a new educational route, enabling a combination of university study and on-the-job training, leading to a Bachelor's degree designed in conjunction with the employer. There are therefore greater opportunities for employers and learners to benefit from apprenticeships.

2. The financial impact on employers

- 2.1. The largest contributors to the Levy in Kent will be public sector employers. For example, it is anticipated that KCC will pay £3.2 million (£1.7 million from schools and £1.5 million from the remainder of KCC). However, the Government's top-up will make around £100,000 extra funding available to KCC in 2017/18.
- 2.2. However, as the majority of Kent's employers are small businesses, most will not be required to pay the Levy: 89% of all businesses in the county employ fewer than ten people. However, larger businesses account disproportionately for employment, with many national and international companies acting as employers within the county. So the impact of the Levy will still be significant: we estimate that 27 of the larger employers in Kent will contribute about £3.1 million.

3. Opportunities

- 3.1. Within the private sector, EEF, which represents manufacturing and engineering employers (and is also a training provider), has carried out analysis of the impacts and opportunities associated with the Levy for its members. Jim Davison, the Regional Director of the EEF will be attending the Cabinet Committee to present on the EEF's – and its members' – views.
- 3.2. The Levy and the new apprenticeship standards also provide opportunities for KCC, both as an employer and as a provider:

Promoting apprenticeships

- 3.3. Kent County Council has a role in increasing access to apprenticeships, both within the private and public sectors. To support this, the Skills and Employability Service has developed a new apprenticeship recruitment website for Kent. www.apprenticekent.com is designed to help employers recruit simply and easily, whilst giving applicants the best chance of finding an apprenticeship. The site enables all feedback; interview offers and recruitment can be completed within the website, whilst the data collected will enable Skills and Employability to offer targeted support to those who need it.

Career development

- 3.4. There is an opportunity for KCC to develop career pathways for staff using Apprenticeship Levy funding. This could include consideration of how work experience, graduate placements and supported internships could lead to apprenticeship placements, including the new Degree Apprenticeship. The new Apprenticeship Standards also include new standards for frontline public service delivery, which is particularly relevant to KCC.
- 3.5. Linked with this, workforce planning activity has identified critical roles to which recruitment and retention resources should be targeted. Modelling work has started in Human Resources to identify areas in which greater investment could be made in apprenticeships.

Commissioning

- 3.6. KCC can influence the number of apprentices employed across Kent through our commissioning and procurement. Many of suppliers will be subject to the Levy anyway and current guidance suggests that organisations within KCC's supply chain may be included in KCC's overall targets, and these may need to be included in contracts.

Assisted Apprenticeships and extra support

- 3.7. The Assisted Apprenticeship programme provides a way to provide apprenticeship opportunities within KCC that support disadvantaged residents. The additional funding secured via the Levy could enhance this programme. In addition, the Government has announced additional funding to provide extra support for employing apprentices who have specific needs requiring additional costs.

Training provision

- 3.8. Finally, there may be opportunities for KCC to generate income and support employment outcomes in Kent, for example by selling training programmes outside of KCC – for example through jointly commissioned programmes with Health or with smaller public service providers who wish to access apprenticeships. In addition, there may be scope for KCC to use its expertise in managing apprenticeships to provide the final assessments required as part of the new apprenticeship standards.

4. Moving forward

- 4.1. The Apprenticeship Levy and associated developments provide significant opportunities for KCC as an employer and service provider and as a strategic partner for local business. It has therefore been suggested that a working group made up of officers and Members should be established, with representation from the Employment and Skills, Organisational Development and Economic Development teams to consider these further.

5. Recommendations

- 5.1. The Growth, Economic Development and Communities Cabinet Committee is recommended to:
- a) CONSIDER this report; and
 - b) NOTE the establishment of a Member and officer working group to consider the implications of the Apprenticeship Levy.

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