

# **Proposed Decision to be taken under the Council's Urgency Procedure by the Leader of the Council on 5 March 2019**

## **Small Business Apprenticeship Support Programme: Making the Levy Count**

### **Recommendation**

That the Leader of the Council approves the creation of the Small Business Apprenticeship Support Programme.

### **1.0 Background and Key Issues**

- 1.1 Warwickshire County Council is required to pay an Apprenticeship Levy, which is set as 0.5% of our annual employee pay bill. Contributions are taken monthly, moved into a digital account, and can only be used to fund the training costs associated with the delivery of apprenticeships (i.e. it cannot be used to pay the wages of an apprentice). The funds will remain in the digital account for 24 months – after which, any unused funds that have been in the account for this period will be removed and taken by central government.
- 1.2 The introduction of the Apprenticeship Levy has led to significant sums of money being automatically transferred into a digital account, which can only be used to fund the training costs of apprenticeships (not the wider costs incurred to employers through wages). As such, it has been difficult for employers to fully utilise their levy funds. This has been equally true for Warwickshire County Council, which in the first full year (2017/18) we could only utilise 6% of the available funds, slightly less than the 8% national average in that year. This percentage is now rising as we are addressing the situation, but as of 31st December 2018, we have spent just £246,821 of the £1,990,364 available funds in our Digital Account (12.4%) since the Levy began.
- 1.3 We add approximately £100,000 per month into the account, but spend significantly less. While our levels of spend are increasing as we seek to continue to increase our utilisation of apprenticeships within the organisation, it is clear that it is not practically possible for the County Council to fully utilise our apprenticeship levy contributions. Without further action, a significant amount of this money will therefore be lost as the deductions start to take effect from April 2019.
- 1.4 Warwickshire County Council has already piloted a levy transfer with a social care provider. Expressions of interest were invited from care providing companies by the Council's Care Commissioning service, to effectively bid for the levy funds and justify how they could make use of the funds and invest them in training for staff within their business. The decision to make the funds

available to care providers was based on the government advice that levy funds are made available to an employer's supply chain. A company called Unique Senior Care provided an excellent bid for the funds and an agreement is now in place to transfer £50,000 of levy funds to cover the training costs for apprenticeships in adult care provision and management.

- 1.5 There is an opportunity now to build on this pilot, and extend the concept to a wider small business apprenticeship support programme. We would be one of the first local authorities in the country to undertake such a pro-active and extensive levy transfer programme, and there is already significant interest from other local authorities on how we are looking at this issue.

## **2.0 Small Business Apprenticeship Levy Transfer Programme**

- 2.1 It is proposed to ring-fence up to £300,000 per year of Warwickshire County Council's apprenticeship levy contained within our digital account to support a Small Business Apprenticeship Support Programme. We would ensure that this ring-fenced amount is monitored alongside our own current use of the apprenticeship levy, and would be reduced accordingly if our levels of spend increased significantly enough to impact on this (considered unlikely in the short and medium-term). The Autumn 2018 Budget introduced greater flexibilities for use of unspent levy funds, both by increasing the amount that can be shared (rising from 10% to 25%), and widening the range of third parties that can benefit from the levy transfer by enabling organisations to go beyond their immediate supply chains and support apprenticeship training costs in any non-levy paying third party. The £300,000 fund is therefore within our limit, and is considered a level that will not impact on the County Council's abilities to utilise the levy for our own staff, and those within our maintained schools.
- 2.2 This ring-fenced funding would be made available to support small businesses (who are non-levy payers) to fully fund their apprenticeship training costs. Currently non-levy payers enter a co-investment payment process, paying 10% of the costs of apprenticeship training while government funds the other 90%. In April 2019 this proportion will be reduced to a 5% contribution from non-levy payers and 95% from government. Whilst we recognise that this is actually a relatively small proportion of the costs, we do know from business engagement that this still represents a barrier (or a reason not to invest in apprenticeships), and that support to cover this would be welcomed. Furthermore, our approach through this programme would integrate the financial element with pro-active advice and support around the apprenticeship process, reducing bureaucracy and increasing confidence around the quality and appropriateness of apprenticeships to the company. This advice would be part of the wider package of support that the County Council can provide to businesses (i.e. property advice, access to finance, growth support) and so would be part of a longer-term engagement with the company as they go on their growth journey. The Small Business Apprenticeship Support Programme will therefore add significant value beyond the standard co-investment route.

2.3 As mentioned above, the programme would be integrated into the County Council's wider business support package, and part of the "offer" that can be provided. By working with our business support advisors, and particularly our Business Skills Advisor, the company would become eligible for securing the resources. We would not support any business that had not engaged with us, and had not gone through Business Skills Review with our advisor. This ensures that we have a good understanding of the business, how they are looking to grow, and what they are seeking to achieve through apprenticeships. The application, approval and monitoring process has been developed to enable an objective review of applications and monitoring of apprenticeship level spend by the County Council to ensure affordability. It is proposed that the County Council's existing Apprenticeship Board would provide the overarching governance for this programme.

### 3.0 Expected Impact

3.1 There is an opportunity now to build on this pilot, and extend the concept to a wider small business apprenticeship support programme. We would be one of the first local authorities in the country to undertake such a pro-active and extensive levy transfer programme, and there is already significant interest from other local authorities on how we are looking at this issue.

3.2 We would look to target our activity with respect to this programme in three broad strategic areas of importance for Warwickshire County Council. These are detailed below:

- **Supporting WCC's "supply chain"**: this is focused on supporting businesses within key areas of the wider supply chain where there are known recruitment difficulties. This would cover health and social care apprenticeships (building on the pilot programme), children's services, and voluntary aided/foundation schools who fall outside of our levy. We would indicatively allocate c. £75,000 towards this element, and would expect to be able to support at least 6 apprenticeships.
- **Targeted businesses**: this will include focused attention on a number of priority sectors for Warwickshire that also face particular recruitment problems (these are suggested as advanced manufacturing, logistics, tourism and retail businesses); and also a broader range of growth orientated businesses that the Economy & Skills Team (and our business support partners) would be working with in a range of different ways to help provide a co-ordinated and coherent package of support. It is envisaged that this element would utilise c. £175,000 of the allocation, and would support at least 28 apprentices.
- **Disadvantaged & vulnerable learners**: We will seek to allocate c. £50,000 towards supporting Cared for Children and Young Carers into employment through apprenticeships, working with identified businesses to support the process and provide the funding incentive. This would help support 8 apprenticeships.

3.3 In total, we expect that through this Apprenticeship Support Programme, we expect to be able to support the creation of at least **42** apprentices per year. This is, of course, in addition to the c. 150 apprenticeship starts per year within Warwickshire County Council (and maintained schools) that are supported through our internal Apprenticeship Hub via our levy contributions. This increase would help increase the numbers of apprenticeships being undertaken in Warwickshire, and help to offset the reductions that we have seen over the past year.

## 4.0 Financial Considerations

4.1 The Small Business Apprenticeship Support Programme will be funded through the anticipated unspent Apprenticeship Levy contributions, which would otherwise be removed from our digital account if not utilised. The use of our levy will be closely monitored to ensure that we do not over-allocate and impact upon the use of the levy internally within Warwickshire County Council to fund our own apprenticeship training costs.

4.2 The operation of the programme will be integrated into the work of both our (external) Business Skills Advisor and (internal) HR apprenticeship lead, so will not involve any additional expenditure. Costs of marketing and promotion will be covered by the Economy & Skills general communications budget. As such, there no additional revenue implications for the County Council in administering this new approach.

## 5.0 Reason for Urgency

5.1 Corporate Board expressed its support for the proposal to extend the scheme at its meeting on 13 February 2019. The County Council wishes to launch the extended scheme on 6 March 2019. It is important that before then the Leader's approval has been given.

5.2 Consent to urgency was given by Councillor Alan Cockburn (Chair of the Communities Overview and Scrutiny Committee).

## Background papers

None

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