

Item No.	Classification: Open	Date: 11 November 2022	Decision Taker: Cabinet Member for Communities, Equalities and Finance
Report title:		Adoption of Southwark Council Apprenticeship Levy Transfer Approach	
Ward(s) or groups affected:		All	
From:		Director of Human Resources and Organisational Development	

RECOMMENDATION(S)

That the Cabinet Member for Communities, Equalities and Finance;

1. Approve an approach to the transfer of Southwark Council's unspent apprenticeship levy working in partnership with the London Progression Collaboration (LPC) and the GLA.
2. Agree that operational decisions in regards to implementation of this approach is delegated to the Director of Human Resources and Organisational Development.

BACKGROUND INFORMATION

3. In 2017 the Government introduced an apprenticeship levy tax on all businesses with an annual wage bill of more than £3,000,000. The goal of the apprenticeship levy is to facilitate and encourage the creation of new apprenticeships, with the funds ring-fenced for spending on the training costs of apprenticeships created by the organisations.
4. In 2019 the rules on sharing unspent levy were relaxed, with 25% of an organisations levy allowed to be shared with other businesses.
5. Historically Southwark Council has returned approximately £50,000-70,000 unspent levy funds per month to central government. Whilst the council is increasing its apprenticeship programmes through the creation of new apprenticeship roles along with upskilling existing staff through higher level apprenticeships such as; management development programmes and Early Talent pathways the levy transfer can act as a contingency in the event levy funds are not spent. This therefore necessitates the implementation of a levy transfer policy to ensure funds can be utilised within the local area as opposed to being returned to the Government.

6. It is important to note there is ongoing lobbying from a variety of groups such as the GLA and London Councils around reforming the apprenticeship levy. The lack of flexibility in the system has prevented levy-paying employers making full use of the levy. For example, London Councils reported between 2018 and 2020 London boroughs spent just 26% of their levy funds, citing the inflexibility of the system. Proponents of reform have argued for extending the period of time in which employers have to spend their levy, as well as broadening the levy to be spent on not just training costs, but apprentice's wages, the administrative costs to hire an apprentice, and alternative training options. Whilst this wider lobbying continues, it is important we address the current underspend through this levy transfer approach.
7. A number of other London boroughs have been engaged as part of the development of the proposed apprenticeship levy transfer approach.

KEY ISSUES FOR CONSIDERATION

8. Southwark Council has historically returned significant sums of unspent apprenticeship levy to central government. Whilst many levy paying businesses struggle to utilize 100 percent of their levy, small businesses often struggle with the costs of apprenticeship training. Therefore a policy of transferring 25% of Southwark Council's annual apprenticeship levy to local small and medium enterprises will allow for the council's unspent levy to remain in the borough and support the delivery of the Southwark's Council Delivery plan and in particular apprenticeship creation and delivery within the borough.
 - a. It is proposed that local SMEs would need to meet the relevant criteria, established below, to be able to apply for and receive transferred levy.
 1. SME must be based within the London Borough of Southwark and the levy funds should be used to train a Southwark resident.
 2. The SME must commit to pay the apprentice London Living Wage.
 3. The SME must commit to report to Southwark Council on the outcome of the apprenticeship.
 - b. Eligible SMEs interested in receiving a levy transfer must then apply to the council for funds. Southwark has listed specific assessment criteria for the levy transfer, and whilst not compulsory for SME's to meet all of them, it will allow us to prioritise which organisations secure levy funding. The LPC will match the Council with SME's who have already recruited into the position in order for us to use our assessment criteria. It is proposed that SMEs be assessed on the following criteria:
 1. Addressing a skills shortage in a priority sector. Priority sectors include health and social care, hospitality, green economy and digital and technology.
 2. Creating apprenticeship opportunities for

disadvantaged groups such as:

- Care leavers
 - NEETs
 - Those with disabilities
 - Long-term unemployed
 - Residents from Black, Asian and minority ethnic backgrounds
3. The payment of London Living Wage, with priority given to businesses who have committed to paying all staff London Living Wage.
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9. The London Progression Collaboration (LPC) was launched in 2020 by the Institute for Public Policy Research, the Greater London Authority (GLA) and J.P.Morgan Chase with the aim of addressing progression barriers faced by low-paid Londoners and addressing skills shortages within London. The LPC offers a free business support service to small businesses, specifically offering advice and guidance for getting SMEs ready to hire apprentices and supports with the facilitation of apprenticeship levy transfer between SMEs and levy paying organisations. The LPC is currently working with over 1/3 of London councils to facilitate the transfer of their unspent apprenticeship levy. This service is offered free of charge to the SMEs as well as to the levy paying organisation.
 10. The implementation of this apprenticeship levy transfer approach will be primarily coordinated by Southwark Council's Organisational Development Team in partnership with the Local Economy Team. A partnership agreement with the LPC will lead to them sourcing Southwark SMEs that are suitable for a levy transfer and offering support through the application process. Applications for levy transfer will be reviewed by the council and if the application is satisfactory, and there are remaining levy funds available, the levy will be duly transferred. Businesses will be required to report to the council upon the apprentice's completion of their apprenticeship or if the apprentice does not complete their course.

Policy framework implications

11. The allocation of unspent levy funds will have an impact on the community by supporting the delivery of key council delivery plan objectives such as:
 - a. Create new quality apprenticeships and internships through the use of unspent Southwark Apprenticeship Levy, specifically supporting the council delivery plan objective of creating 2,000 apprenticeships.
 - b. Help support the creation of 2,000 Green jobs. This will be supported through one of the eligible funding parameters being the apprenticeship is in the 'green economy'.
 - c. In addition to the above community impacts, the transfer of unspent

apprenticeship levy to fund apprenticeships in the borough will also help support Southwark's commitments as a London Living Wage employer, by requiring all apprenticeships funded through the Apprenticeship Levy to be paying London Living Wage, which will support the Council's pledge to tackle low pay within the borough.

12. As part of the borough's Southwark Stands Together Initiative Southwark is aiming to address racial inequality within the borough. This project will therefore have a key impact on the Black, Asian and minority-ethnic community within Southwark, as SMEs owned by members of the Black, Asian and minority-ethnic community, as well as apprenticeships started by members of the Black, Asian and minority-ethnic community will be eligible for the funding.

Community, equalities (including socio-economic) and health impacts

Community impact statement

13. The transfer of portions of Southwark's Apprenticeship Levy will impact across the Southwark community, including the borough's SME community, the borough's Black, Asian and minority-ethnic community, young people and certain industry sectors, such as culture, hospitality, tech and green.

Equalities (including socio-economic) impact statement

14. The [Public Sector Equality Duty](#) has been considered and no additional consultation is required
15. According to Southwark Stands Together consultation findings in 2021, two thirds of Southwark's ethnic minorities have experienced racial discrimination within their employment. Through having ethnicity within our assessment criteria, and prioritising apprenticeships for residents from Black, Asian and minority-ethnic backgrounds, Southwark is able to support the Southwark Stands Together initiative, attempting to combat racial bias and inequality in the borough.
16. By also including those with disabilities as part of our listed priorities, this policy is also creating opportunities for disabled residents, encouraging opportunities for those that fall within this protected characteristic group.
17. In terms of socio-economic impact, the assessment criteria prioritises NEET's, Care leavers and the long-term unemployed, which will create new opportunities for residents with the most barriers to employment, reducing the inequalities of outcome which result from socio-economic disadvantage.

Health impact statement

18. Unemployment and low quality work has been shown to have a direct impact

on people's health. Through the transfer of unspent apprenticeship levy, Southwark can upskill residents supporting them to achieve qualifications as well as additional experience, to therefore increase the opportunities for in-work progression and reduce unemployment.

Climate change implications

19. Southwark's Climate Change Strategy establishes a number of mechanisms through which Southwark Council will seek to mitigate the damage caused to the environment within the borough. By having Green related apprenticeships in the funded category, Southwark can utilise the transfer of unspent Apprenticeship Levy to support the Council's stated aim of creating 2,000 green jobs.

Resource implications

20. The proposed method of implementation has minimal resource implications. The primary resource is that of officer time, with the need for an officer responsible for processing funding applications.

Legal implications

21. N/A

Financial implications

22. There is no immediate financial implications to the council because of this policy; given it is a pledge to transfer, rather than a commitment to spend.
23. The estimated annual apprenticeship levy available for transfer is £240,000. Southwark Council's currently levy utilization is below 75% and therefore if not transferred to relevant SMEs, these funds would be returned to central government and not available for use locally.
24. Therefore, whilst this policy comes with a potential significant cost element, the council would be utilizing funds which would not otherwise be available for use and without their transfer would be permanently lost.
25. The proposed policy allows for annual agreements with the LPC for the amount of levy transferred, therefore if the council is able to increase levy utilization over 75%, the amount transferred can scale down as needed, which provides appropriate flexibility.
26. The structure through which apprenticeship levies are transferred has been established by central government and is actioned through the government's [apprenticeship website](#). Funds are kept within the levy payer's account and paid directly to training providers. No money will be exchanged between Southwark Council and the SMEs or the LPC.

Consultation

27. N/A

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Governance

28. This report sets out the council's policy for transferring apprenticeship levy funds. The council as a large employer can choose to transfer up to 25% of the apprenticeship levy funds each year to other businesses. The report recognises that this policy will increase the amount that can be retained in Southwark to support apprenticeships by transferring funds to SMEs in the borough. The relevant rules enable the employer to choose which employers to support and the criteria that the council wish to adopt are set out in this paper. The process will be managed in conjunction with the London Progression Collaboration as referred to in the report.
29. The production of this policy is an executive function of the Council which can be considered by the cabinet member in accordance with the Local Government Act 2000 and Part 3D of the council's Constitution.
30. The cabinet member will need to ensure that the public sector equality duty in section 149 Equality Act 2010 is considered i.e. to have due regard to the need to eliminate discrimination, advance equality of opportunity, and to foster good relations between people with protected characteristics and others. Reference is made to this in the "Community, equalities (including socio-economic) and health impacts" section above

Strategic Director of Finance and Governance (CE22/039)

31. This report is requesting the Cabinet Member for Finance, Democracy, and Digital to approve the policy regarding the transfer of Southwark Council's unspent apprenticeship levy and to agree that operational decisions in regards to implementation of the policy is delegated to the Director of Human Resources and Organisational Development.
32. The strategic director of finance and governance notes that there are immediate financial implications arising from this report and notes other comments in the financial implications.
33. Staffing and any other costs connected with this report to be contained within existing departmental revenue budgets.

Other officers

34. N/A

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Apprenticeship Levy Transfer Briefing note V6	Local Economy Team/ 160 Tooley Street	Jas.Dhell@southwark.gov.uk

APPENDICES

No.	Title
None	

AUDIT TRAIL

Lead Officer	Ben Plant, Director of HR and OD	
Report Author	Oli Newnam, Strategy Officer	
Version	Final	
Dated	1/11/22	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Governance	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	11 November 2022	