


Grants Determination Sub Committee 4th March 2020	 TOWER HAMLETS
Report of: Wendy Dobbin (Senior Practitioner LOCD) and Ripon Miah (Apprenticeship Levy Manager)	Classification: Unrestricted
Apprenticeship Levy Transfer	

Lead Member	Cabinet Member for Work and Economic Growth (Councillor Motin Uz-Zaman)
Originating Officer(s)	Wendy Dobbin (Learning, Organisational and Cultural Development Senior Practitioner, Resources Directorate)
Wards affected	All wards
Key Decision	No
Forward Plan Notice Published	03/02/2020
Reason for Key Decision	N/A
Community Plan Theme	People are aspirational, independent and have equal access to opportunities

1. Executive Summary

- 1.1. This report sets out a proposed approach to transfer apprenticeship levy funds to other employers as outlined by the Education & Skills Funding Agency (ESFA).

2. Recommendations

- 2.1. Grants Determination Sub-Committee is recommended to:

- 2.1.1. Approve the proposed process for determining who the employers are that levy funds can be transferred to (see Paragraph 5)
- 2.1.2. Support the pilot project in conjunction with Workpath (see paragraph 5)
- 2.1.3. Delegate to the Corporate Director Resources the ability to approve the transfer of levy to such organisations as successfully complete the application process in accordance with this report and
- 2.1.4. Delegate to the Corporate Director Resources the ability to authorise the execution of all necessary documentation to give effect to any decision under recommendation 2.1.1

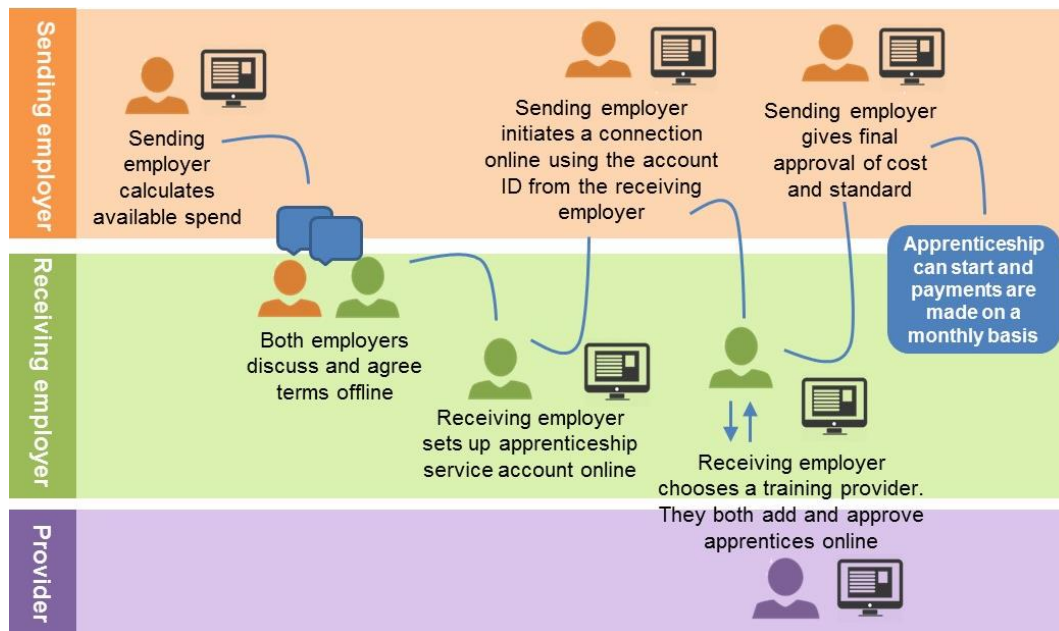
3. Background

- 3.1. LBTH currently has an annual apprenticeship levy of approximately £1.3m which is used to fund the cost of training and assessment associated with an apprenticeship. The figure is an approximation due to the Levy being charged at 0.5% of our annual pay bill and can fluctuate. Employers have 24 months from the date funds are deposited into their account to spend it. Funds expire after the 24 months and are retained by the government.
- 3.2. From April 2019, levy-paying employers are able to transfer a maximum of 25% of their annual funds, for LBTH this equates to approximately £325 000 per year. The organisation can transfer from its apprenticeship account to as many employers as they choose.
- 3.3. In order to better utilise the levy it is recommended that the organisation transfer the funds permitted by the government, to support the following employers/stakeholders:
 - Partner organisations
 - Businesses in our supply chain
 - Local businesses/Small to Medium Enterprises
 - Local Community & Third Sector Voluntary organisations
- 3.4. The council already works with many stakeholders and organisations within the community who are not levy employers. Many of these are small/medium size businesses, voluntary and charity organisations providing vital services to residents of Tower Hamlets. By transferring our levy funds it will support these organisations to recruit and upskill their existing workforce and build stronger relationships with the local authority. For example businesses who recruit an apprentice living in the borough can be supported via the transfer of levy funds to pay for the training & assessment cost of the apprenticeship. Any salary costs would need to be met by the business as the levy fund can't be used to meet this cost.
- 3.5. Colleagues in Workpath engage with many businesses and have different programmes to help long term unemployed residents back into work. They have successfully placed clients within nurseries and other organisations in the borough and have formed good working relationships. Subsequently a number of these organisations have requested a transfer of levy funds from us to upskill their staff and create further apprenticeship opportunities. This will also help reach the Mayoral target for new apprenticeship starts in the community.
- 3.6. Currently LBTH uses the Apprenticeship levy to upskill existing staff and to create new apprenticeship opportunities. However, there is a long way to go before the organisation is able to use all of the levy. Working with other employers would be a good opportunity to ensure that the levy LBTH is not able to utilise can be put to good use. If we do not explore the option of levy transfers we risk losing on average £57k a month due to expired/unused

funds.

4. The Process for Transferring funds

- 4.1. The government provides extensive guidance on the rules around transferring funds and these have been used to formulate the proposed approach.
- 4.2. Employers who pay the apprenticeship levy and have unused apprenticeship funds can work with others who want to receive a transfer and this can be in the following way:
 - work with employers you currently work with
 - get in touch with other employers in your industry
 - get in touch with an Apprenticeship Training Agency (ATA)
 - work with regional partners
- 4.3. Transferred funds can only be used to pay for the training and assessment cost of the apprenticeships agreed with the receiving employer, not for salaries or other costs.
- 4.4. Sending and receiving employers need to be aware that:
 - funds are paid monthly for the duration of the apprenticeship
 - only levy-paying employers can make a transfer
 - any employer can receive and use transferred funds
 - sending and receiving employers have to be registered on the apprenticeship service
 - transfers can only be used for new starts, except where the apprentice is changing employer and an agreement to continue their apprenticeship with their new employer is through a transfer of levy funds
- 4.5. The sending employer and the receiving employer need to agree the details of the transfer of funds; for example, which apprenticeship standard, how many apprentices and the cost. Once both employers are registered on the apprenticeship service the following must be undertaken to make a transfer complete in their accounts:
 - connect the two digital accounts of the receiving and transferring employer
 - receiving employer adds the apprentice details to their digital account
 - transferring employer confirms and approves the transfer
- 4.6. Below is a diagram that outlines the transfer process and the roles of those involved:



5. Selecting Employers To Receive the Levy Transfer

5.1. In order to be open and transparent it is proposed to create a tiered priority approach to determine who we support. The proposed tiered approach is linked to the organisation's strategic priorities and would be:

Priority 1 – Organisations that work directly with children, young people and vulnerable adults

Priority 2 – Organisations that support community work e.g. Housing, Welfare, VCS

Priority 3 – Supports business growth to local businesses/Small to Medium size Enterprises

Priority 4 – All other organisations.

5.2. Organisations submit an application to the LOCD team, completing detailed information around how the received funds will benefit their organisation and in turn the borough. The LOCD team will check:

- who the receiving employer is,
- which service within the council they engage with and
- how much funds are being requested

5.3. Once an organisation is awarded Levy funds a service level agreement will be put in place outlining the terms and usages of the transfer as instructed by ESFA. Misuse of funds is minimal as the transfer levy goes into the receiving employer's digital account and funding is drawn by the provider each month following ILR submission to ESFA. The receiving employer cannot use the funds for any other purposes or withdraw the amount from their account. The service level agreement will also detail when the receiving organisation is expected to provide Tower Hamlets with performance and progress updates.

5.4. It is proposed that a pilot be run initially with the organisations who have approached Workpath before inviting other organisations to apply. This will

enable a fuller understanding of the transfer process to be achieved.

- 5.5. LOCD will monitor the requests coming in, the organisations which we agree to support and the numbers of learners on the various programmes. At the end of the programme the supported organisation will be required to provide feedback on the learning and how it has impacted the individual and business outcomes.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 This report sets out a proposed approach to transfer apprenticeship levy funds to other employers as outlined by the Education & Skills Funding Agency (ESFA).
- 6.2 The council currently has an annual apprenticeship levy of approximately £1.3m. Since April 2019 the council is able to transfer up to 25% to other employers which equates to approximately £325 000 per year.
- 6.3 The proposed approach to transfer apprenticeship levy funds to other employers will ensure maximum usage of the levy where there is a risk of losing on average £57k a month due to expired/unused funds.

7 COMMENTS OF LEGAL SERVICES

- 7.1 The Council has the ability to draw down on the funds in its apprenticeship account. However, the Council is giving up that right in favour of other nominated organisations. This has the effect that the Council is giving its right to receive funds to another organisation and this is why this constitutes a grant. Under the Constitution Grants Determination Sub-Committee is the appropriate decision making body in these circumstances.
- 7.2 An organisation that receives a grant may gain an advantage in the market place within which they operate over similar organisations who do not receive such a grant. Therefore, the transfer of levy could constitute state aid. However, this is only an issue where the total amount of levy utilised by an organisation amounts to over 200,000 euros in any continuous 3 year period which is unlikely. In the event that one organisation exceeds this threshold there are further exemptions relating to the provision of training dependent upon the type of apprenticeship and therefore it is highly unlikely that the Council could be subject to challenge under the state aid rules by operating this scheme.
- 7.3 The Council has the legal duty to ensure that any grant achieves Best Value. In this scheme this will be achieved by supporting the grant with an appropriate agreement which gives the Council rights to see information for the purposes of monitoring. However, in any event the

scheme itself is monitored by central government with payments being physically made between central government and the organisation who has registered with them.

- 7.4 The Council has determined application criteria for this grant based upon the central government criteria. However, the Council will also produce prepublished assessment criteria in order to evaluate whether and how far an organisation complies with the general priorities shown at paragraph 5
 - 7.5 As part of the criteria referred to in paragraph 7.4 the Council will also include an equalities assessment and take appropriate action to ensure that the Council applies with the Equality Act 2010
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