

MEETING:	Date
Barnet Partnership Board	30 January 2017

REPORT OF:
Cath Shaw, Interim Deputy Chief Executive and Commissioning Director for Growth & Development, LB Barnet

SUMMARY AND PURPOSE OF REPORT:
Apprenticeship Levy – Government are introducing a levy on large UK employers to fund an additional 3 million apprenticeships by 2020. From May 2017 larger employers will be charged a levy of 0.5% of their pay bill. This is likely to encourage employers to create apprenticeships and there are opportunities for partners to work together to maximise the use of contributions and to promote opportunities to local residents.

INPUT REQUESTED FROM BARNET PARTNERSHIP BOARD:
To consider the implications of the levy and the opportunities for collaboration

CONTACT FOR FURTHER INFORMATION:
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1. Apprenticeships are paid jobs that incorporate on and off the job training. A successful apprentice will qualify with a nationally recognised qualification on completion of their contract. Apprenticeships are available in 1,500 occupations across 170 industries. Apprenticeships are available at a range of levels from level 2 to level 6 or 7 which is the equivalent of a Master's Degree.
2. In 2015 the Government set out its intention to make 3 million new apprenticeships available by 2020. The Enterprise Act 2016 provided the Secretary of State with the power to set targets for apprenticeships in public bodies in England to contribute towards meeting the national targets. In Barnet in 2015/16 1,500 people started an apprenticeship, and increase of 60% from the year before.
3. In 2015 the government announced it would introduce a levy on large UK employers to fund the new apprenticeships and to reverse the long term trend of underinvestment in training by employers.
4. The Apprenticeship Levy will be a levy on UK employers to fund new apprenticeships from 6 April 2017 onwards. The levy will be paid by those who have annual pay bills of

more than £3 million. The levy will be charged at a rate of 0.5% of an employer's pay bill. The levy will be payable through Pay As You Earn (PAYE) and will be payable alongside income tax and National Insurance. Each employer will receive an allowance of £15,000 to offset against their levy payment.

5. Employers can then draw down their levy to pay for training for any apprentice they take on. Levy funding can only be spent on apprenticeship training and assessment by approved providers. It cannot be spent on wages or administration of a scheme.

6. Opportunities brought about by the Levy

- a. Increasing the volume of apprenticeships will increase training opportunities for those who do not wish to attend university or full time Further Education.
- b. The drive for apprenticeships will allow employers to formalise some of the current investment in training. This will help people who are in work to gain qualifications and achieve salary progression.
- c. The policy applies to all larger employers. This brings opportunities for greater collaboration between larger public sector employers and businesses. This could support creation of new partnerships with broader benefits.
- d. To broaden and strengthen the apprenticeship training offer in key areas as the volume of apprentices increase

7. Key considerations

- a. Employers paying the levy are likely to hire apprentices to balance the books. Many organisations will need to review their recruitment strategies and workforce planning to maximise their use of the Levy. Providers such as Barnet and Southgate College and Middlesex University are set up to support businesses with this.
- b. However many organisations will struggle to draw down all of their funds. For example, an organisation of Barnet Council's size would need to take on over 100 apprentices at the current average fee rate in order to recoup all of its contributions. Funds that are not spent will be used by the Government to pay for training of apprentices in smaller businesses.
- c. That an increase in the quantity of apprenticeships does not necessarily equate to an increase in quality training.

8. Areas for lobbying

- a. As businesses are likely to struggle to recoup all of their costs we should press for the right to transfer training funds to other companies in their supply chain. The Skills Funding Agency is currently proposing that businesses could transfer just 10% of their funds from 2018.
- b. To ensure that skills meet employers' needs, businesses should be able to use the levy to re-train existing staff even where they have a higher qualification in another subject. SFA are currently considering this proposal.
- c. To create a level playing field with academies and Voluntary Aided schools, small council-maintained schools should be exempt from the levy.

9. Opportunities for collaboration

- a. Joint work across providers and employers to develop new, fit-for-purpose training frameworks, particularly at higher levels.

- b. Joined up promotion and recruitment across public sector partners to encourage local people to apply for apprenticeships.
- c. Integration of apprenticeships to create non-University training routes from Level 2 right up to Level 6/7.
- d. Transfer of funds to supply chains to encourage apprenticeship opportunities in key sectors.
- e. Public sector partners work together to support and encourage smaller businesses to take on apprentices.