

# Birmingham City Council

## Report to Cabinet

18 May 2021



**Subject:** APPRENTICESHIP LEVY – TRANSFER OF FUNDS

**Report of:** Kevin Crompton,  
Interim Director, Education & Skills

**Relevant Cabinet Member:** Cllr Jayne Francis - Education, Skills & Culture  
Cllr Tristan Chatfield - Finance & Resources

**Relevant O &S Chair(s):** Cllr Kath Scott - Education and Children's Social Care  
Cllr Sir Albert Bore - Resources

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Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 008823/2021		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, state which appendix is exempt, and provide exempt information paragraph number or reason if confidential:		

### 1 Executive Summary

- 1.1 The apprenticeship levy is payable by employers with an annual pay bill of more than £3 million at a rate of 0.5%. As a levy paying employer, Birmingham City Council (BCC) can gift up to 25% of its annual levy fund to SMEs and non-levy paying schools to pay for the training and assessment costs of an apprenticeship.
- 1.2 The Council's Apprenticeship Pledge, launched in February 2020, sets out the potential to transfer up to 25% of unused apprenticeship levy funds that can be applied for by non-levy paying employers to fund the costs of apprenticeship

courses for staff. At the time, pre-pandemic, the Pledge focused the Levy benefits on the Council's supply chain, Voluntary, Community and Social suppliers and schools.

- 1.3 However, the pandemic has had a huge impact on our city's core economy, including previously thriving leisure, retail and hospitality providers, as well as our creative sector, transport providers and some manufacturing sectors. Levels of unemployment are at their highest since the 1980s.
- 1.4 There is an opportunity to build on the ambition of the Pledge, and this is recognised in the Council's Covid 19 Economic Recovery Strategy, approved in March 2021, which cites the transfer of unused levy funds as a key early action: 'to launch levy grants for Apprenticeship learning costs in Spring/Summer 2021'.
- 1.5 The Council's strategic aspirations for the gifting of the Levy are proposed as follows:
  - 1.5.1 To prioritise apprenticeship opportunities that are inclusive, accessible and supportive for disadvantaged residents, including care leavers, women, BAME residents, disabled residents and others who experience inequity in the labour market.
  - 1.5.2 To create apprenticeship opportunities in known skills shortage areas, such as the Health & Social Care sector, Engineering and Digital and Creative Sectors.
  - 1.5.3 To support smaller employers across the city and wider conurbation to recover and reskill/diversify following the impact of the COVID 19 pandemic (jobs will be targeted at Birmingham residents).
  - 1.5.4 To use the fund to encourage local uplift in apprenticeship pay to Real Living Wage (where this is compatible with market pay levels and does not cause exclusion of some sectors).

## **2 Recommendations**

- 2.1 That Cabinet;
  - 2.1.1 Approve to transfer up to 25% of unused annual apprenticeship levy to gift to smaller employers to support the creation of apprenticeship opportunities;
  - 2.1.2 Delegates the decision about calculating the annual fund value to the Cabinet Member for Finance and Resources and the Director of Human Resources (or their delegates);
  - 2.1.3 Delegates management of the fund and of the collaborative partnership with Greater Birmingham and Solihull Local Enterprise Partnership (via a Memorandum of Understanding) to the Cabinet Member for Education, Skills and Culture and the Director for Education and Skills in consultation with the Director of HR (or their delegates);

2.1.4 Authorises the City Solicitor (or delegates) to execute and complete all necessary legal documents to give effect to the above.

### **3 Background**

- 3.1 In February 2020, the Council's Apprenticeship Pledge was officially launched by Cabinet Members for Education, Skills and Culture, and Finance and Resources.
- 3.2 The Pledge sets out the strategic approach towards apprenticeships and makes a key commitment to ring-fence any of the Council's own new apprenticeship vacancies for Birmingham residents only: local jobs for local people.
- 3.3 Currently, the Council does not fully utilise the Apprenticeship Levy that it generates, with up to 25% available for transfer, which is currently estimated at £0.68m. Currently all of this transferable portion is returned to the Treasury each year.
- 3.4 One of the principles for utilising the transferable funds, as identified in the Pledge, is to gift to SMEs (who are part of the Council's supply chain) and non-levy paying schools so that local residents can benefit from high quality training and meaningful employment that an apprenticeship brings.
- 3.5 Since the Covid 19 pandemic and the impact on so many employers and residents, it seems appropriate to revisit this aim set out in the Pledge, and widen the support that a Levy fund could offer to all non-levy paying employers, beyond the Council's direct supply chain, to create apprenticeships for local residents, especially for those facing inequity in gaining jobs and training.
- 3.6 Utilising approximately £0.68m per annum as a fund would create approximately 90 apprenticeships (cost per apprenticeship can vary). This relates to course and assessment costs. If a fund is created, a key consideration will be the volume of funding to commit to a new Apprenticeship Levy Fund per annum, which may depend on a) the overall levy volume of funding generated (which depends on the size of the workforce) b) the internal apprenticeship opportunities that can be maximised for existing and new staff. This could support equity, for example recruiting young people with additional needs, and c) the level of commitment carried from previous years of the Fund (in year 2 onwards) to fund the lifetime of each apprenticeship course.
- 3.7 There is need and demand for a Birmingham levy fund; this is proven by the take-up of the West Midlands Combined Authority (WMCA) fund in Birmingham. A WMCA report shared in March 2021 shows that to date Birmingham employers represent 27% of supported businesses (174) and 30% (568) of apprenticeships created to date, at a spend value of £3.8M. This is a strong contribution of apprenticeship levels in Birmingham.
- 3.8 However, going forward WMCA is re-tightening its targeting criteria following temporary broadening in 2020, so the fund will only support apprenticeships for young people up to 25 years old, and only for new jobs (not supporting upskilling/changing skills). Furthermore for 18 – 24 year olds, the WMCA-led funds will be targeted to certain sectors (Science, Technology, Engineering,

Manufacturing, Accountancy, Digital, and Construction), excluding health and social care and childcare, which together represented 41% of apprenticeships created by the fund in the region to date, and presumably also excludes some of the previously supported in a general 'business' category, which accounted for 22% of learners to date. Therefore, there is justification for creating a more local fund that supports all ages and stages of apprenticeship, including new starts and upskilling, and supports all sectors to support our economic recovery.

#### **4 Options considered and Recommended Proposal**

- 4.1 No action: The option to not deliver a fund has been rejected, as currently the 25% of giftable (and some non-giftable) funds are being returned to the Treasury on an annual basis and lost to the area. The funds must be spent on apprenticeship training costs, there are no other expenditure options (this has previously been explored with the Government, including during 2020). Furthermore, the Council's Apprenticeship Pledge sets out the proposals use of the giftable portion as a fund.
- 4.2 Await a national solution: The Education and Skills Funding Agency (ESFA) is trialling a new national solution that links Levy funders with those seeking to utilise funds. However, this system is not yet available, and will not currently enable targeting of local residents. The need for action to support employers and residents this year is so urgent, it is proposed not to delay and await this system, but to enable utilisation of giftable funds this year, and include a review of the national system in the regular reviews of this proposed fund, to ensure it is still the best option to run a local fund.
- 4.3 Join the WMCA Levy Fund: this is a strong option as the regional fund is set up, however as noted above, the fund cannot target Birmingham residents, and as WMCA set the employer funding parameters, which currently cut out some hard-hit sectors and exclude funding apprenticeships for existing staff and residents over 25 years-old, this is not the preferred option.
- 4.4 A new Birmingham fund: A new fund would enable support to all eligible employers and targeting to Birmingham residents. But would have to be deliverable, with minimal running costs and best targeting to maximise benefits. The Council approached Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP), as the strategic aim for a local fund is shared by GBSLEP. The LEP has previously created an Apprenticeship Hub to support delivery of apprenticeships across the GBSLEP area, and a Skills Hub to advise businesses.
- 4.5 The LEP Board endorsed the principle of the development of an Apprenticeship Levy Transfer Scheme with Birmingham City Council at its meeting on 24<sup>th</sup> February 2021.
- 4.6 GBSLEP's cross-LEP research shows there is a currently a human resource needed to deliver a fund to provide advice, compliance and administration of application approval and monitoring processes. GBSEP has offered to utilise its Apprenticeship Hub and Skills Hub resources to support delivery at no additional cost to the Council.

This would be based on a Memorandum of Understanding between the parties to deliver the fund year on year, subject to agreement of due diligence tasks, performance management, risk management and six-monthly review.

- 4.7 Therefore, the preferred option is to collaborate with Greater Birmingham and Solihull Local Enterprise Partnership to create a fund for the GBSLEP area employers but targeting Birmingham residents. The Council will support targeting of Birmingham residents through our programmes and provide readiness support as needed e.g. one to one support via Youth Promise Plus, World of Work or PURE projects, or via in-work learning on Kickstart. The Council will collaborate with other partners such as JCP and community providers to enable local access to the apprenticeships. Our aim is to enable 90% of the people recruited to be from Birmingham, and the rest from neighbouring boundary authority areas, supporting the economic recovery across greater Birmingham and Solihull area. GBSLEP will manage the employer applications and monitoring processes, and the Council to manage the financial checks and grant payments.

## **5 Consultation**

- 5.1 The Council has consulted West Midlands Combined Authority, which runs a West Midlands wide Levy fund and is supportive of the creation of a Birmingham focussed fund that compliments the region-wide fund.
- 5.2 GBSLEP Board has endorsed the joint delivery of a new levy fund.

## **6 Risk Management**

- 6.1 Performance risk: The fund will be closely managed by GBSLEP and the Council on commitment levels and actuals, including frequent review of conversion to actuals, and decommitment as needed for non-delivery/unacceptable delays to manage in-year budgets. Review of funding priorities will be carried out every 6 months initially, then annually.
- 6.2 Compliance and irregularities: A check on financial standing will be carried out for each applicant by BCC, with the process to be agreed with Birmingham Audit. Follow up checks will include contact with apprentices i.e. spot checks to verify delivery.
- 6.3 A Full Risk Assessment is attached as **Appendix 1**.

## **7 Compliance Issues:**

### **7.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?**

7.1.1 The proposals contained in this report directly contribute to the Council's Council Plan 2018 – 2022 (published in June 2018), specifically:

7.1.1.1. Birmingham is an entrepreneurial city to learn, work and invest in

7.1.1.2. Birmingham is an aspirational city to grow up in

- 7.1.2 These proposals directly deliver to the Council's Apprenticeship Pledge launched in February 2020, by supporting local employers to employ young people and citizens of all ages enabling them to benefit from the high-quality training and meaningful employment that an apprenticeship brings.
- 7.1.3 As part of the Council's response to the pandemic, these proposals begin to fulfil the aims for employment support set out in the COVID-19 Economic Recovery Strategy specifically the commitment to create an apprenticeship levy fund and also to support the numerous opportunities for apprenticeships presented by investments such as HS2, CWG 2022 and the North Birmingham Economic Recovery Summit Action Plan, the East Birmingham Inclusive Growth Strategy, and other major housing and regeneration developments across the city.

## **7.2 Legal Implications**

- 7.2.1 The City Council has the power to enter into this activity by the general power of competence secured by Section 1 of the Localism Act 2011. The activity is within the boundaries and limits of the general power set out in Section 2 and 4 of the Localism Act 2011 respectively.
- 7.2.2 A non-legally binding Memorandum of Understanding setting out how BCC and GBSLEP intend to work together is being drafted This will be reviewed annually or if triggered by a significant change to funding or delivery circumstances.

## **7.3 Financial Implications**

- 7.3.1 The primary loss that would be mitigated is the annual loss of around £0.65m Apprenticeship Levy funding which could have been used for gifting purposes and is returned to the Treasury if no action is taken.
- 7.3.2 The recommended option does not require any additional staffing resources due to the proposed collaboration with the GBSLEP Skills Hub.

## **7.4 Procurement Implications (if required)**

- 7.4.1 None

## **7.5 Human Resources Implications (if required)**

- 7.5.1 The administration of the authorisation of the grants to each grantee will be managed by HR Organisational Development.

## **7.6 Public Sector Equality Duty**

- 7.6.1 The fund will enable increased support for those most disadvantaged in the labour market, principally young people, but also for disadvantaged communities and residents, including care leavers, women, BAME residents and those with learning difficulties or disabilities, and disabled residents.
- 7.6.2 The fund will initially trial requiring uplift to Real Living Wage, however this will be reviewed if it is detrimental to the fund aims, for example it excludes

key sectors such as health and care work due to incompatibility with general pay levels.

7.6.3 An Equality Impact Assessment is attached as **Appendix 2**.

## **8 Appendices**

8.1 Appendix 1 - Risk Register

8.2 Appendix 2 - Equalities Impact Assessment

8.3 Appendix 3 - Environment and Sustainability Assessment

## **9 Background Documents**

Birmingham City Council Apprenticeship Pledge February 2020

[https://www.birmingham.gov.uk/downloads/file/15117/apprenticeship\\_pledge](https://www.birmingham.gov.uk/downloads/file/15117/apprenticeship_pledge)