

Investment Fund - Feasibility and Development Funding Application Form



**SCHEME:** APPRENTICESHIP LEVY MAXIMISATION

1. Lead Organisation

WEST OF ENGLAND COMBINED AUTHORITY

2. Partner organisations

Likely to include the West of England Training Provider Network, Apprenticeship Training Providers, and other strategic partners such as Local Authorities and Business West.

3. Scheme contact details

Name:	Matt Hempstock	
Email:	matt.hempstock@westofengland-ca.gov.uk	
Telephone:		

4. Scheme Type – mark with an X

Transport	<input type="checkbox"/>
Non-Transport Housing Enabling	<input type="checkbox"/>
Business Support	<input type="checkbox"/>
Skills	<input checked="" type="checkbox"/>
Other (please specify)	

5. Is this investment linked to any others within the early investment or wider Investment Fund programme? If so please set out the relationship and linkages.

Details: NO

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6. Total Funding required for this phase of works

A. *Spending Profile (£).*

**NB: Assumes financial year rather than academic**

	19/20	20/21	21/22	Total
Investment Fund	£20k	£80k		£100k
Match Funding - please state source(s)				

B. *Cost Breakdown (£)*

	Investment Fund (£)	Match Funding (£)
In house staff costs	£50,000	
Third Party Support	Tbc*	
Other Marketing	£50,000	
Other (please specify)		
Total	£100,000	

\*elements of the £50k marketing budget may be delivered through third parties. It is not possible to specify a precise proportion at this stage.

7. Please describe the scheme to be developed (including its objectives and expected impacts) **and** the proposed activity to be undertaken through this investment.

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### A. Details of the scheme to be delivered:

*[Note: please include details of the intervention expected to ultimately be delivered including the strategic fit, how the scheme is planned to be delivered and the cost. Programme information should be included in section 10b]*

#### BACKGROUND

It is estimated that under the current Apprenticeship Levy funding system, c.£4m-£8m of potential investment in skills training is lost to the West of England per annum as a result of 'expiration'.

Employers with annual pay-bills in excess of £3m are required to pay a figure that equates to 0.5% of their pay-bill into an Apprenticeship Levy Account via the PAYE system. The government uplifts this funding by 10% and the employer is then able to draw upon the funding in their account to support the delivery of Apprenticeships to their employees.

However, funding paid into the employers account 'expires' and is recovered by HM Revenue and Customs 24 months after being paid into the employers account if it has not been used to support Apprenticeship delivery. Rates of expiration are currently far higher than the government planning assumption. Between April 2018 and February 2019 (the second full year of the levy funding methodology) 88% of all funding paid by employers into levy accounts reached the expiration date and was recovered by HMRC.

Employers with annual pay-bills below £3m are currently required to access funding through an approved Apprenticeship Training provider but will need to 'reserve' funding through the Apprenticeship online system from March 2020. Such employers report significant difficulties in relation to accessing funding to support Apprenticeships. The Association of Employment and Learning Providers (AELP) estimate that the level of funding available to support non-levy paying employers has fallen from c.£1b in 2017 (the levy methodology being implemented in April 2017) to only £500m between January 2018 and March 2019.

In response to some of these challenges, ESFA have introduced some flexibilities intended to both maximise levy utilisation and increase access to funding amongst non-levy paying employers. The most significant flexibility is the option for levy paying employers to transfer up to 25% of the funds held in their levy account per year to non-levy paying employers (including but not restricted to employers who form part of their supply chain, deliver services on their behalf or are considered to be strategic partners).

Although this option is now available the utilisation of the flexibility is understood to remain very low. The process required is relatively complex and the level of awareness amongst employers concerning the apprenticeship levy and associated flexibilities is generally limited.

#### PROPOSED INTERVENTION

This scheme proposes the creation of a resource (with appropriate underpinning systems) which will:

1. Raise awareness of the Apprenticeship Levy Funding System amongst levy paying employers;
2. Engage with levy paying employers to encourage and facilitate increased utilisation of Apprenticeship levy funding within their own organisation;

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3. Create a 'matchmaking service' to encourage and facilitate the transfer of funding between levy-paying employers and non-levy paying employers to minimise the risk of expiration whilst maximising participation (aligning to the West of England Growth Hub);
4. Promote the value of apprenticeships to the employer and the individual at a regional level, aligned with the objectives of the West of England Employment and Skills Plan and joining up existing local delivery to maximise impact.

It is envisaged that WECA will pump-prime the creation of this resource with the expectation that it is funded through Apprenticeship Training Providers in the long-term. The level of contribution required from each provider would be minimal in comparison to the increased profits released through the proposed intervention.

### STRATEGIC FIT

The proposed scheme forms part of Strategic Action 8 within the Employment and Skills Plan (further development / re-boot of the Apprenticeship Hub) and is intended to directly address the concern that

*"The overall number of enrolments onto apprenticeships has decreased over the past three years, potentially due to the lack of business awareness [...] From an employer perspective, 64.9% of businesses in the West of England have not used apprenticeships in their businesses and awareness of apprenticeship reforms, funding or new standards was also low". (p.17)*

*"Awareness and use of apprenticeships is low, despite their value in addressing skills shortages and skills gaps – indicating the need for further interventions to boost apprenticeship take-up, as well as increase diversity". (p.18)*

The proposed scheme is expected to make a significant impact against all of the strategic objectives set out in the Employment and Skills Plan (p.2) and a quantifiable contribution to all but one of the specific performance indicators that sit below the strategic objectives (p.23).

The scheme will be developed and implemented in a manner that compliments related initiatives such as Workforce for the Future and the emerging Productivity Challenge.

### COST

The scheme seeks £50k to appoint a manager to develop and implement a range of activities concerning the promotion of Apprenticeships and the facilitation of levy-transfer. In addition to this, the scheme seeks a further £50k to support marketing / communications and other awareness raising activities, and help catalyse a shift change in the perception and uptake of apprenticeships across different sectors.

If the initial scheme is successful it is anticipated that further monies will be required to either secure or develop software to underpin the matchmaking and levy-transfer service. Such funds could potentially be secured from other sources such as Workforce for the Future.

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B. Details of the activities to be undertaken through this feasibility or development phase:

*[Note: If the planned output is other than an Outline or Full Business Case or Second Stage Skills Capital Application please describe the scope and content of the report which will mark the completion of this phase]*

1. Recruit manager to develop scheme on a 12-month fixed term contract
2. Manager develops and secures approval for an initial project implementation plan (which includes long-term sustainability through transfer to an appropriate intermediary organisation and proposes appropriate measures of success / impact)
3. Concurrently:
  - a. Manager works with Apprenticeship providers and appropriate intermediaries to develop an initial (non-software based) matchmaking service;
  - b. Manager works with WECA marketing a communications team to develop an appropriate awareness raising campaign (including resources for employers);
4. Awareness raising campaign launched in collaboration with the local authorities and business network organisations
5. Manager directly engages with levy-paying employers to maximise levy utilisation both directly and through transfers supported by the matchmaking service;
6. Interim evaluation of project and production of the Option Development Report to inform further development of the long-term approach;
7. Manager translates the initial matchmaking service principles and outcomes of the interim evaluation into a long-term project implementation plan supported by specifications and business cases to secure any additional required resource as appropriate. Key elements within this implementation plan include:
  - a. Securing or developing appropriate software to both facilitate and increase the capacity of the matchmaking service;
  - b. Ongoing marketing / awareness raising;
  - c. Options to transfer the day to day operation of the service to an appropriate intermediary organisation;
  - d. Options to provide sustainability to the service through transferring the burden of funding from WECA to Apprenticeship providers.
8. Manager oversees the transfer of responsibility to the identified intermediary organisation.

NB: Through pump-priming the creation of the resource, WECA would retain the right to oversee and influence the ongoing operation of the approach.

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### COMMUNICATION AND MARKETING

Encouraging employers to fully use their apprenticeship levy, either within their business or through levy transfer, will be a complex message and the success of this work will rely heavily on communication and marketing.

Each business will have different barriers preventing them from using their levy funding effectively, which will need to be addressed. Through our communication & marketing strategy, we will segment our target audience according to their situation and develop tailored messaging which addresses their key barriers and drivers.

To change their behaviour, an employer needs to have the motivation, ability and opportunity to use their levy in a different way. Communication and marketing has a key role to play in shifting an employer's attitude in each of these areas, most notably in providing motivation to change and facilitating an employer's ability to act:

- **Motivation** – Tailored messaging to help employers understand the value of apprenticeships, within their own business, supply chain, or sector. Enabling them to see the lost opportunity when levy funding expires and is returned to HMRC. To do this, we will need to identify the key stakeholders & decision makers who will drive the change (HR/Finance/CEO), and tailor the message for each group to address their specific barriers.
- **Ability** – Educate employers on the possible options for using or transferring their levy funding. Create resources to simplify the process and reduce time & effort required to make use of the levy.
- **Opportunity** – While the opportunity to use or transfer the levy already exists, the system is complicated and the match making service will encourage uptake.

Our messaging will aim to:

- Encourage employers, in the first instance, to use their apprenticeship levy within their business
- Encourage businesses who do not use their levy to transfer the funding to SMEs within their supply chain
- Motivate businesses unable to meet objective 1 or 2 to transfer their levy funding to an SME within the region as part of a CSR initiative (potentially a sectoral approach with a focus on inclusivity & diversity).

Suggested budget of £50,000, used for the following:

- Team resource to support creation of targeted messaging, communication & marketing strategy, and development of materials.
- Lead generation activity with target businesses to feed into the levy match making process.
- Development of a website/microsite within WECA website providing information on apprenticeships and levy transfer.
- A suite of resources designed to inform & persuade employers to alter their behaviour, to be used in business development meetings.

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- PR & communications about apprenticeships and levy transfer.

Some of the above will be delivered by 3rd party agencies and external partners (ie. Web design & graphic design).

Our Marketing Manager and Snr communications officer are likely to dedicate 10% of their time to this, in addition to this proposed investment.

8. Please set out how the activities to be undertaken through this Feasibility and Development Funding Application will be managed and resourced. If use of consultants or other third parties is proposed please describe how these have been, or will be, procured.

### Details:

The scheme will be directly managed by a WECA employee throughout the 12-month fixed term of their employment. Beyond this time the responsibility will transfer to an appropriate intermediary organisation.

Elements of the scheme are likely to require input from third parties (both internal and external) including:

1. The WECA marketing and communications team – this would not need to be procured if delivered in-house.
2. A software developer – This would potentially need to be procured as part of the scheme. Alternatively, it may be possible to secure a licence to use the existing software developed by West Midlands MCA.
3. The intermediary organisation – It is envisaged that the majority of support from the appropriate intermediary organisation would be offered at no cost (in exchange for the significant investment intended to directly benefit Apprenticeship providers). It is however anticipated that some specific costs may be incurred, and these will be dealt with through normal WECA procurement processes.

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9. What output will be produced using the funds awarded as part of this Feasibility and Development Fund Application, and when will this be completed?

	Mark with an X	Date (mmm/yy)
Feasibility Study Report	<input type="checkbox"/>	
Option Development Report	<input checked="" type="checkbox"/>	
Option Assessment Report	<input type="checkbox"/>	
Outline Business Case	<input type="checkbox"/>	
Full Business Case	<input type="checkbox"/>	
Second Stage Skills Capital Application	<input type="checkbox"/>	
Other (please state)		

10. When do you plan to start and complete your project and what are the main project milestones? Please include the milestones related to the feasibility or development work to



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be undertaken through this application **and** the milestones for the subsequent implementation phase through to completion.


### A. Milestones for the activities through this Feasibility and Development Funding

Milestone	Date (mmm/yy)
Manager Appointed	March 20
Initial matchmaking service design complete	April 20
Awareness Raising Campaign Launched	April 20
First employers engaged / levy funding transferred	April 20
Interim Evaluation / Option Development Report	October 20
Long-term project plan approved	December 20

### B. Planned milestones for scheme development or delivery beyond this initial phase.

Milestone	Date (mmm/yy)
Quarterly performance report from intermediary organisation (ongoing)	

11. Application sign off by the promoting organisation:

Senior Responsible Owner	Name:	Stephen Bashford
	Signature:	
	Date:	2 <sup>nd</sup> December 2019

Section 151/Chief Finance Officer *	Name:	
	Signature:	
	Date:	

\* Where WECA are the applicant this should be signed by the appropriate Director/Head of Service

# Feasibility and Development Funding Application Form

<b>Date approved by WECA Committee:</b>	
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