

## A West of England Apprenticeship Levy Sharing Service

delivered through Workforce for the Future and the West of England Apprenticeship Team

1<sup>st</sup> October 2020

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### 1. Executive Summary

This brief introductory paper outlines a proposal for a regional Apprenticeship Levy Sharing Service, led and managed by the Western Training Provider Network in collaboration with and funded by the West of England Combined Authority.

***“Up to £8m of investment in training each year is lost to the West of England and returned to the Treasury”.***

Mayor Tim Bowles, West of England Combined Authority (February 2020)

Announced in February 2020, WECA has already identified the need for a service that will “encourage more businesses to make use of the Apprenticeship Levy and offer a ‘match-making service’ to employers who don’t pay the levy but want to employ apprentices, to access funding which would otherwise be returned to central Government.” It also acknowledged that “unlocking this funding could help match local businesses with untapped talent in the region and support them as they strike out on a rewarding new career” whilst recognising the benefits of such a service to “help our businesses and our economy grow, and help attract and keep the brightest and best people here in our region”.

The WTPN has recently secured the Apprenticeship strand of ‘Workforce for the Future’ and over the next three years its West of England Apprenticeship Team (WEAT) will be supporting SMEs to navigate the system and ultimately grow apprenticeships in the region. As part of the service, WEAT will support SMEs to understand and benefit from the transfer of levy funds from gifting levy payers. What is missing is a service that will work with the levy payers, encouraging them to gift, helping them with the technical requirements of transfer and matching them to willing SMEs and learners.

This proposal outlines the benefits of the Apprenticeship levy matching service being run by WEAT, augmenting the SME service and will integrate the system in a more streamlined way, matching funds to need, larger employers to SME’s, all under one bonnet. Combined, the West of England Apprenticeship service team and WTPN levy transfer service will transform an SME focused-service into a truly Universal service. It is proposed that the service will offer innovative and intensive technical support to ensure apprenticeship levy payers are encouraged and supported to keep these funds local. The support will include contact and support with disengaged levy payers, analyses of their team skillsets to find those that could support the process, understanding of what may drive engagement (CSR/supply chain benefits/supporting local businesses etc) technical training advice to help navigate Govt systems, matching to the relevant SME’s or learners (driven by the levy gifter) and ongoing advice and mentoring including updates of learner and SME progress throughout the programme of Apprenticeship development.

The result will be a significant amount of funding investment retained locally, supporting skills development, jobs and residents in the region. More SMEs will engage in the skills system by forming partnerships with larger benefactor businesses, hiring more young people, potentially from diverse or disadvantaged backgrounds, decreasing unemployment, strengthening supply chains, creating mentoring relationships between larger employers and SME’s and increasing regional productivity. Additionally, real-time labour market intelligence and barriers to growth will be aggregated to inform place-based planning for West of England Growth Hub activities and a more tailored local apprenticeship offer.

This model provides a solution that WECA needs and has stated it will run. It’s identified in its Local Industrial Strategy and Employment and Skills Plan – and would be managed by the most appropriate organisation and network in the region with the independence, impartiality, expertise and track record in delivering skills interventions of this scale.

The Service will be run by a Levy Transfer Specialist employed by the WTPN, supported by a Project Assistant. Both will work alongside the WEAT Project manager and Project Director – both already funded through WFTF – thus pooling resources, sharing insights and expertise and creating real value for money. **The anticipated cost of this service over three years will be £118,950.**

## 2. Context

In 2018/19 there were 393,400 apprenticeship **starts** in England, with 7,670 of those (1.9%) based in the West of England. Whilst the number of starts increased nationally from 2017/18 to 2018/19, this was not reflected in the West of England with a slight fall (0.8%). Compared to the previous year, nationally there 72,400 fewer people were **participating** in an apprenticeship in 2018/19, with a higher proportion of starts from apprentices over the age of 24.

Since the move towards Standards, end-point assessment, introduction of the Apprenticeship Levy and increased government bureaucracy, the apprenticeship landscape has become ever more complex to navigate with a many number of unintended consequences as a result. This, coupled with SMEs now being required to use the digital apprenticeship system and a requirement that SME's must now co-fund apprenticeship starters over the age of 18 points to an urgent and important need for SME support to slow and reverse the continued decline of apprenticeship starts.

It is also true that larger levy paying employers locally have disengaged from the levy initiative because of complexity and the lack of skills within their inhouse teams to manage their levy commitment. It is estimated that between £4m-£8m of investment in training each year is lost to the West of England and returned to the Treasury as Apprenticeship Levy funds paid by employers expire after two years if not used. Its crucial that this investment opportunity is used locally.

The **West of England Local Industrial Strategy** (2019) states that the region will *"look to drive increased uptake and diversification of apprenticeships within the region. Through the forthcoming, locally funded, West of England Workforce for the Future programme (focused on supporting SMEs develop the skills they will need for future growth) the region will explore the opportunity to use an apprenticeship brokerage system to enhance the apprenticeship brand in the marketplace leading to an increase in the take-up of apprenticeships across the SME base"*.

The **WECA Employment and Skills Plan** (2019) confirms that *"awareness and use of apprenticeships is low, despite opportunity to address shortages [and] the overall number of enrolments onto apprenticeships has decreased over the past three years, potentially due to a lack of business awareness and perceived complexity of the apprenticeship reforms programme ... indicating the need for further interventions to boost apprenticeship take-up, as well as increase diversity."* Additionally, an action to *"significantly increase take up apprenticeships"* is identified as a priority which itself meets all five Strategic Objectives identified in the Plan.

Finally, current economic challenges posed by Covid-19 present new opportunities for innovative use of Apprenticeship Levy and exploring with new ways of working between large businesses, public sector bodies and SMEs across sectors and supply chains throughout the region.

## 3. The service

Meeting the needs of ESF Priority Axis 2.2, the **Western Training Provider Network (WTPN)** has secured Workforce for the Future funding to lead a consortium (**The West of England Apprenticeship Team**) offering an independent, impartial and highly responsive brokerage, and advice service, supporting and connecting SMEs to appropriate, local high-quality apprenticeship providers across the West of England.

The Apprenticeship levy service will take this service to the next step of development and form an integral part of the overall West of England Apprenticeship Team and wider West of England 'Workforce for the Future programme. The service will employ a levy specialist on a part time basis with the ability, experience and knowledge to engage with all of the regions levy payers and maximise local levy investment.

The specialist working hand in hand with the wider team will ensure the matching of levy payers as gifters and benefactors to interested SME's, the service will become seamless. It will ensure local levy stays local, creating strong relationships between larger and smaller businesses, strengthen relationships within supply chains and further investment opportunities by targeting National levy payers through national training provider members of the WTPN, encouraging the largest companies in the UK to invest in the West of England. The service will be highly ambitious and innovative.

Working with referral partners which will include West of England Growth Hub, sector groups, WTPN members, other Workforce for the future programmes, Kickstarter Consortiums, Business West, Business West, West of England Initiative, IoD, local authority skills and economic development teams plus the National Apprenticeship Service, the levy consultant will find and begin engagement with levy payers that are at risk of returning their levy to the treasury through the expiration of funds after the 24 month period.

Following an initial consultation with the levy payer the Workforce for the Future and WEAT levy transfer specialist will:

- Seek to understand how and why there is a levy underspend – complete a levy analysis
- Discover driving motivations for potential levy transfer (eg supply chain partnerships, developing apprentices in specific sectors, CSR motivations, supporting communities, redundant apprentices etc etc)
- Discussing barriers to commitment such as reputational risk or the barrier to themselves of receiving funds in the future if they get involved and gift
- Discussing technical aspects such as:
  - Having enough funds to transfer to another employer
  - Have a clear understanding of the forecasted cost which will cover the duration of the apprenticeship they agreed to fund through a transfer
  - Understanding funding commitments (funding the total cost of the apprenticeship and not just the co-investment)
  - Awareness of the funding rules around transferring apprenticeship funds
  - Training in the use of Govt software and accounting oversight
- Securing the employer or learners who will be beneficiaries, building relationships and bonds through work with the WEAT SME Project manager, Project Director and admin support
- Support smaller employers to navigate the levy transfer process and benefit from funding gifts and mentoring opportunities of larger levy paying employers
- Improving open and inclusive recruitment processes
- Create good news stories, newsletters and comms for the Growth Hub, referral partners and gifting levy payers to ensure case studies and best practice are shared around the region.

#### 4. The result

##### *For the Region*

Up to £8m of skills investment being secured and utilised within region, potential for further National levy paying employers to invest in the region, supply chains and sector relationships strengthened between SME's and larger businesses. The creation of new apprenticeships/jobs for local residents particularly young people and people from disadvantaged communities most affected by the Covid economic downturn. This service would widen participation in Apprenticeships.

##### *For the levy payer*

Useful resource for Corporate Social Responsibility (CSR) and Public Relations (PR), take back the control over where the tax is being spent, help support local talent (this could benefit their employee's family and friends) support the local SME network, support within the supply chain, helping customers could grow their business and in turn bring more custom, choose to support their sector to increase the talent pool, choose to support a sector in need of workforce development and job opportunities for young people, sponsor a learner to further their career. This could ultimately support redundant apprentices, social mobility and widen participation in apprenticeships.

##### *For SMEs*

SMEs previously disengaged from Apprenticeships or put off by co-investment will have employed or developed one or more apprentices, have a much greater understanding of apprenticeships and the benefits they can bring and have developed a medium-long term workforce development plan to safeguard against skills gaps/shortages being a barrier to growth. They will understand how the local skills ecosystem can support business growth and boost productivity. They will have developed bonds and potentially mentoring relationships with their larger levy gifting employer. This intervention will transform disengaged SMEs to high-performing businesses with a workforce development plan, utilising apprenticeships to develop both a talent pipeline of skilled staff and its existing staff through a powerful programme of retraining and upskilling.

##### *For Individuals*

Local people will benefit from the creation of more quality apprenticeship opportunities and improved employment and progression outcomes

The programme will develop a toolkit of learning, best practice and impactful interventions. This will be shared across the sector.

## 5. Matching ambitions in other regions

Other regions are taking a lead and keeping levy within region.

Greater Manchester Combined Authority launched #SEEDIFFERENT SME Apprenticeship Support offering grants to non-levy paying employers to recruit and deliver high quality Apprenticeships, workforce planning support and advice and a Levy Transfer Matchmaking Service.

The West Midlands Combined Authority is the first in the country to support apprenticeship levy transfers. The local equivalent of the WTPN is playing a pivotal role in working with the Combined Authority and local large employers to transfer unspent levy funds to local SMEs in need of apprenticeship funding. In its first three months of operation, £4.2m of levy funding was retained within the West Midlands, helping to boost growth, support young people, and develop core skills in the area.

## 6. Cost of the Service

The service will be delivered by the Levy Transfer Specialist, 3 days a week, supported by the Project Director, Project Executive and the WEAT Project Manager (already funded by workforce for the future) for levy matching to relevant SME's. This brings the team under one roof with the ability to pool and share resources.

Levy Transfer Specialist (0.6FTE)	£24,150 per annum <i>(including on-costs)</i>
Project Assistant (0.2FTE)	£5,750 per annum <i>(including on-costs)</i>
Project running costs	£9,750 per annum <i>(overheads, travel, events, case studies, dissemination, etc)</i>
Total salary costs over 3yrs	£89,700
Total revenue costs over 3 years	£29,250
<b>Total project cost over 3 years</b>	<b>£118,950</b>

By aligning and bringing together the two specialisms of SME and larger business focus in the one service the WEAT Apprenticeship levy matching service via Workforce for the future will offer excellent value for money and narrow the gap that has been created since the advent of the apprenticeship reforms and apprenticeship levy. It will retain more Apprenticeship levy investment in our local region and attract levy investment from National levy payers and benefit job creation, businesses and residents.

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