

# Understanding Levy Transfers and the role for LEPs

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**Learning and Work Institute**

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## About Learning and Work Institute

Learning and Work Institute is an independent policy, research and development organisation dedicated to lifelong learning, full employment and inclusion.

We research what works, develop new ways of thinking and implement new approaches. Working with partners, we transform people's experiences of learning and employment. What we do benefits individuals, families, communities and the wider economy.

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## Introduction

Late in 2017/18, £5,000 was made available to all Local Enterprise Partnerships (LEPs) from the Education and Skills Funding Agency (ESFA) to develop and deliver a programme of apprenticeship engagement and readiness activities to local employers. In addition, ESFA have funded a parallel programme of support to LEPs offered by Learning and Work Institute (L&W).

One area of this work was to explore what the role of LEPs and Mayoral Combined Authorities (MCAs) might be in supporting employers with the introduction of the policy to allow levy-paying employers to transfer up to 10%<sup>1</sup> of their annual funds to other employers to support apprenticeships.

Employers who [pay the apprenticeship levy](#) and have unused apprenticeship funds can find employers who want to receive a transfer in a number of ways, for example working with:

- employers in their supply chain and/or across their industry
- an Apprenticeship Training Agency (ATA)
- local or regional partners

From April 2018, levy-paying employers can transfer a maximum amount of 10% of their annual funds and they can make transfers to as many employers as they choose.

This report draws on discussions with LEPs, a small number of employers as well as colleagues in ESFA.

## Discussions with employers

Facilitated by Tees Valley LEP we had the opportunity to discuss the policy with 3 levy paying employers. This included a large public sector organisation, an SME and a large organisation connected to a global group structure.

Employers seem genuinely interested to further explore the options around transferring or receiving transfer of levy funds. The primary interest for employers is not to understand 'how' they would do it but 'why' and what would be the business benefit. This was the focus of further in-depth discussions.

Whilst the functional change to allow transfer of levy funds is at a very early stage, there were some common views from employers that challenged their willingness to engage. They include:

- Lack of internal resource to manage further partnership arrangements and administer the apprenticeship service. Employers commented that they already struggled for human resource to manage the administration of the digital service and adding extra

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<sup>1</sup> This reflects existing policy however; an announcement was made at the Conservative Party Conference on 1<sup>st</sup> October 2018 that this would increase to 25% from April 2019.

workload and complexity, e.g. supporting another employer with the apprenticeship service, lacked appeal.

- An employer with a more complex group structure shared that they already had internal challenges in managing and reconciling devolved levy funds to their various business units/companies. They were not yet in a place where there was clarity or confidence on the forecast of underspend and therefore would be unable to make decisions on transfers although the likely picture would be that funds could be available.
- Employers questioned whether the cost of negotiating, agreeing, setting up/contracting, overseeing and administering a transfer would cost less than expecting a receiving employer to contribute 10% of the cost of the apprenticeship when funded through the standard route. This wouldn't apply if a larger cohort of apprentices were funded through the levy transfer mechanism
- Experienced apprenticeship employers shared concerns that access and availability of quality provision is not easy and stated that they would feel the need to be involved in any procurement of provision for receiving employers so that they could support them to engage positively in apprenticeships.
- Similarly, as a receiving company they too were concerned about the cost compared to the overall benefit or even compared to paying 10% - in some cases i.e. SME with low volumes, they thought it would be cheaper to avoid transfer and just pay 10% govt contribution – but they didn't know as there is nothing which sets out exactly what will be required in terms of resources and / or time.

If some of the above barriers could be overcome or reduced, employers could see the benefit of being able to transfer funds and having a level of control over their underspent levy. The benefits identified and explored included:

- supporting employers and contractors within their supply chain
- supporting employers and contractors within the sector, especially where there are industry skills gaps and ongoing recruitment or ageing workforce challenges
- levy transfer for the NHS with extended health care services, e.g. GPs, Care Homes
- creative ways to use levy transfers i.e. workforce redeployment – example military supporting leavers into new roles/careers e.g. health, in order to support successful exit
- supporting local young people into apprenticeships. A local or sector focussed ATA could work well if available

# Support from ESFA

ESFA are keen to support organisations to implement this policy successfully. In our discussions they explained the type of support which is readily available which primarily focussed on the digital capabilities of the apprenticeship service.

Employers can access individual support with the apprenticeship service by contacting the National Apprenticeship Service on 0800 015 0600 or emailing: [helpdesk@manage-apprenticeships.service.gov.uk](mailto:helpdesk@manage-apprenticeships.service.gov.uk)

Alternatively, should LEPs be able to facilitate a group of employers with an interest in levy transfers ESFA may consider offering face to face engagement or using digital platforms such as webinars to support employers. Enquiries should be made through the LEPs relationships manager.

During August 2018 the National Apprenticeship Service updated the [Employer Guide to Apprenticeships](#) to include a page of common myths about transferring funds. LEP intermediaries working with employers may find this a useful reference point. ESFA are currently developing the webpages to include more content.

## Transfers of apprenticeship service funds

Apprenticeships

### Common myths about transferring apprenticeship service funds

- 1 "You can only make a transfer of apprenticeship service funds to an employer in your supply chain"**

- FACT: You can make a transfer of apprenticeship service funds to any employer of your choice.
- 2 "You can fund any apprenticeship with a transfer"**

- FACT: You can only fund apprenticeship standards with a transfer, not apprenticeship frameworks. Employers are designing new high quality standards to replace frameworks to ensure apprenticeships are more responsive to employers' needs.
- 3 "If an employer makes a transfer to another employer, then they won't know what they will spend it on"**

- FACT: The employer sending the transfer has to give final approval to the apprenticeship(s) being funded in the apprenticeship service, after the receiving employer and training provider have agreed all of the details.
- 4 "Can I transfer 10% of my apprenticeship service funds to a charity as a gift?"**

- FACT: Transfers can only be made to pay for an apprenticeship in another organisation. You can transfer funds to a charity to pay for an apprentice. The transferred money can be used only to pay the training and assessment costs of an apprentice.
- 5 "Training providers can transfer apprenticeship service funds and deliver the training"**

- FACT: Training providers can make transfers, but they cannot then provide the training for that funding, either as the provider or as a subcontractor.
- 6 "You can only fund one apprentice at a time with a transfer and you can only make one transfer transaction"**

- FACT: As a temporary measure when transfers were first introduced, you were only able to make a transfer to one employer (which could have funded as many apprenticeships as you chose, up to your 10% maximum allowance).  
- From July 2018, you can transfer to any number of employers, for any number of apprenticeships with each, up to the maximum of your 10% allowance.
- 7 "If my 10% transfer is less than the cost of the apprenticeship standard, can I still transfer my funds to pay for that apprenticeship? For example, if I can transfer £10,000 but the apprenticeship standard I want to fund costs £27,000"**

- FACT: Before setting up a transfer you need to ensure that your annual 10% transfer allowance is sufficient to cover the annual cost of an apprenticeship standard.  
- When setting up a transfer you agree to cover the full cost of training and assessment up to the funding band maximum for that apprenticeship.  
- You can use the National Apprenticeship Service's 'Estimate my apprenticeship funding' tool, which will tell you whether you can afford a particular apprenticeship standard from within your allowance. You can access the tool from the 'Transfers' section of your accounts. For more information you can go [here](#).
- 8 "I want some of my unspent levy funds to be used to help others by aggregating some of my funds with theirs, but I can't do that"**

- FACT: We do that for you by reallocating unspent funds to other apprentices. There are also other ways that you can support other employers of your choice directly:  
- You can transfer up to 10% of the funds in your apprenticeship service account to other employers of your choice directly (such as in your supply chain), and you can work with others to agree how best to support your supply chains in this way.  
- You can use an existing body, such as a LEP, regional hub or sector body, or set up a new one to co-ordinate or manage transfers activity.  
- You can loan or second an apprentice you employ to another employer for the work based part of their apprenticeship.

You can find more details of the policy on transferring apprenticeship service funds here: [gov.uk/guidance/transferring-apprenticeship-service-funds](https://gov.uk/guidance/transferring-apprenticeship-service-funds)  
For news about the apprenticeship service, follow: [@gov/digital](https://twitter.com/digital) [digital blog.gov.uk](https://www.gov.uk/digital-blog)

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## How can LEPs support?

As detailed in the government's recent publication '[Strengthening Local Enterprise Partnerships](#)'<sup>2</sup>, the roles of LEPs and Mayoral Combined Authorities (MCAs) are being strengthened to support the supply of skills to an area as they respond to the Skills Advisory Panels programme and feed into the development of Local Industrial Strategies agreed by government by 2020.

They will be expected to develop even stronger local labour markets and skills governance through Skills Advisory Panels (where possible, using existing infrastructure). These boards will convene local employers, learning providers and other partners, to achieve a better alignment of the local employment and skills offer.

Within the locality we expect LEPs and MCAs to have a strong interest in the delivery of apprenticeships and the investment that comes with this, whether it be from employers' levy funds or contributions from government. LEPs, as part of their role will want to maximise the amount of investment within their locality and therefore may wish to consider supporting employers to utilise underspent levy funds within the locality.

Unfortunately, there is no data currently available which would assist LEPs to understand if there are employers within the locality which have significant underspend. It may however, be possible to get a rough idea of this through existing networks and relationships. As part of their strategic plans and arrangements LEPs may wish to consider how they could facilitate the upfront business to business discussions and negotiations to transfer unspent apprenticeship levy to local employers and keep funds in the locality.

## Key findings and recommendations

This is a new policy area with what we understand to be limited implementation and no data currently available to confirm this.

Our key findings within this short piece of research is:

1. Employers need more upfront help and support on why they would do it and the business benefits. Whilst the ESFA offer for support is helpful this does appear to focus significantly on the practical use of how to operate the apprenticeship service which for most employers we expect to be a second order issue when considering transfers. LEPs and intermediaries can play a role in delivering this support however, at point of writing, there is a lack of materials and resources for them to use and insufficient capacity to develop these locally.

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<sup>2</sup> Strengthening Local Enterprise Partnerships, 24 July 2018, Gov.uk, <https://www.gov.uk/government/publications/strengthened-local-enterprise-partnerships>

It is recommended that action is taken to develop a suite of case studies from both transferring and receiving employers which focusses not on the how it was done but on the why, the impact it is having and the anticipated return on investment. LEPs and intermediaries should use these to underpin discussions and advisory sessions with employers.

2. Employers are concerned about the bureaucracy of developing and entering into such an arrangement and the cost implications of doing so both in terms of resourcing and expenditure.

We recommend the development of a viability and costing model to identify when it is most appropriate to engage in a transfer vs accessing 90% funding direct from government. This could be supported with some example models and scenarios which would help employers to better understand some of the opportunities this policy can offer.

In addition to this we also recommend the development of a simple 'toolkit' for employers wishing to engage in levy transfers. This would include a step by step guide to include steps such as; establishing the business need, making the business case, contracting, using the digital service to implement and deliver.

3. As part of LEPs role to support the skills delivery within their locality they are particularly interested in investment levels and often have networks which would be able to strategically influence levy transfers. Unfortunately, this currently gets overlooked as there is no data and intelligence available to LEPs which would support this.

We recommend through the Skills Advisory Panel programme DFE considers whether there could be an appropriate data-set made available to all LEPs/MCAs to support these strategic discussions.