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| Tuesday 03 January 2017 |

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|  | Transfer of Levy Funds Between Employers |
|  | A response from London Councils |

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|  | London Councils represents London’s 32 borough councils and the City of London. It is a cross-party organisation that works on behalf of all of its member authorities to make the case for powers, freedoms and resources to best serve the needs of London’s residents and businesses. London Councils welcomes the opportunity to comment on the Government’s proposals for the Institute for Apprenticeships.  |  |
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London Councils strongly supports giving employers the flexibility to decide if they want to transfer some of their levy funds to another employer. However, we believe that the current proposals to do this are too restrictive to be effective.

London boroughs have been particularly effective in using their supply chains to generate apprenticeships, and some boroughs are also outsourcing an increasing number of their services. A few boroughs also employ a large number of their apprentices via Apprenticeship Training Academies (ATAs). Since 2009, a total of 3,215 apprentices have been recruited via London boroughs supply chains and a further 1,008 through ATAs.

The proposed cap on transfers of 10% is too restrictive to make much of a difference for those boroughs that want to generate more apprenticeships in their supply chains and will also have a significant knock-on effect for those boroughs that use the ATA model, who will struggle to sustain their current intake of apprentices. This in turn will slow down progress on meeting the target of creating 3 million apprenticeships by 2020.

Over the last five years 3,652 apprenticeships generated by London boroughs have been created in their supply chains or via an ATA, accounting for just over half of all apprenticeships generated by the boroughs. As a result, we believe that the cap on transfers should be raised to 50% to provide employers with greater flexibility to maintain and enhance this performance.

Transferring funds to another employer would be a key priority for many London boroughs. Anecdotally, some London boroughs have told us that they are unlikely to be able to spend all of their levy funds and would like greater flexibility around how these unspent funds can be spent. London has traditionally had lower levels of apprenticeships than elsewhere in the country. If employers are given more flexibility on transfers, instead of seeing unspent levy funds reabsorbed into the system and spent elsewhere, boroughs would be able to work with their suppliers and other employers in their area to use this money to generate more apprenticeship opportunities locally.

The amount of funding London boroughs would look to transfer to any one employer in a calendar year would vary; however, given the relationship that some boroughs have with ATAs, we would support giving employers maximum flexibility on this, including the ability to transfer in excess of £200,000 to an individual organisation where this was appropriate.

Transfers would represent an integral part of an effective apprenticeship levy scheme if implemented correctly. As well as increasing the cap, the government should also consider whether additional flexibility could be added into the system, by allowing a proportion of levy funds to be spent on other things, such as providing practical support for small businesses to navigate and participate in the apprenticeship system.

The rules around who should purchase the training should also be kept flexible. Some, but not all, organisations in receipt of transferred levy funds may need help in procuring training. However, if the employer transferring the funds is solely responsible for purchasing the apprenticeship training on behalf of the other organisation, this rule could create an additional burden for employers. So it is important that this is kept flexible to be dealt with appropriately on a case by case basis.

**Response submitted by:**

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