

Cynulliad Cenedlaethol Cymru / National Assembly for Wales  
Pwyllgor yr Economi, Seilwaith a Sgiliau/ Economy, Infrastructure and Skills  
Committee  
Yr Ardoll Brentisiaethau yng Nghymru / The apprenticeship levy in Wales  
Ymateb gan Conffederasiwn GIG Cymru / Evidence from Welsh NHS  
Confederation

## Introduction

1. We welcome the opportunity to contribute to the Economy, Infrastructure and Skills Committee inquiry into the Apprenticeship Levy.
2. The Welsh NHS Confederation represents the seven Health Boards and three NHS Trusts in Wales. The Welsh NHS Confederation supports our members to improve health and well-being by working with them to deliver high standards of care for patients and best value for taxpayers' money. We act as a driving force for positive change through strong representation and our policy, influencing and engagement work.
3. NHS Wales Employers is hosted by and operates as a part of the Welsh NHS Confederation. NHS Wales Employers supports the strategic workforce agenda of the NHS in Wales from an NHS employers' perspective. NHS Wales Employers support the employers with workforce policy development, practical advice and information, and enables the NHS Wales Workforce and OD community to network, and share knowledge and best practice.
4. Our response, which has been developed with our members, including Directors of Workforce and Organisational Development (OD), highlights the key issues and concerns for the NHS in Wales. We are not answering all the questions within the terms of reference, but are highlighting the implications of the introduction of the UK Apprenticeship Levy for the NHS in Wales, specifically the financial implications with the estimated cost in 2017-18 of £13.812 million.
5. The Welsh NHS Confederation and Directors of Workforce and OD would be happy to give oral evidence to the Committee as part of this inquiry.

### **1) What are the implications of the introduction of the UK Apprenticeship Levy for employers in Wales?**

6. The NHS in Wales currently employs around 86,500<sup>i</sup> staff, providing a significant contribution to both the national and local economy. The cost of the NHS workforce for 2015/16 was circa £3.3 billion.<sup>ii</sup> Over the past six years the pay bill has increased annually due to a number of factors: including an increase in staff numbers; the cost of national pay awards and incremental drift; the introduction of the Living Wage; and an increase in agency pay.
7. The Levy will be payable by employers that have pay bills in excess of £3 million per annum. It will be payable through Pay As You Earn (PAYE) alongside income tax and National Insurance. NHS organisations, as large employers, will have to contribute 0.5% of their pay bill (based on total employee earnings excluding payments such as benefits in kind) each year from 1 April 2017. At present it is understood that the Levy will not be returned to the NHS in Wales, which is a real concern for our members.

8. The first year cost to the NHS in Wales as a result of the introduction of the UK Apprenticeship Levy is estimated to be £13.812 million. The table below provides a breakdown of the estimated costs for the seven Local Health Boards, three NHS Trusts and NHS shared services.

### Estimated 2017-18 Cost to NHS Wales

Organisation	Estimated 2017/18 Costs
Abertawe Bro Morgannwg University Health Board	£2.326m
Aneurin Bevan University Health Board	£1.956m
Betsi Cadwaladr University Health Board	£3.014m
Cardiff & Vale University Health Board	£2.126m
Cwm Taf University Health Board	£1.2m
Hywel Dda University Health Board	£1.531m
Powys teaching Health Board	£0.25m
Public Health Wales NHS Trust	£0.255m
Velindre NHS Trust	£0.18m
Welsh Ambulance Service NHS Trust	£0.53m
NHS Wales Shared Services Partnership (NHSWSSP)	£0.35m
NHS Wales Informatics Service (NWIS)	£0.094m
<b>Total</b>	<b>£13.812m</b>

There is concern within the NHS about the funding of apprenticeships after the introduction of the UK Levy. The NHS concerns relate to the following areas:

- The cost of the Levy and the additional finance pressure this will put on NHS budgets;
- The opportunity cost in view of the concern that the NHS is unlikely to receive the direct benefit of the Levy they will be charged;
- potential for the Levy to undermine existing devolved apprenticeship policies;
- The methodology that will be applied to redistribute the Levy raised across the devolved administrations, including transparency around UK departmental budgets;
- The need to ensure that the changing apprenticeship landscape will be clear to cross border employers and training/ education providers;
- There will be implications, due to the size of the public sector in Wales, that the workforce Levy payments will be significantly higher in the public sector than the majority of the private sector;

- The majority of apprentices within the NHS are commissioned from Wales, but there may be small pockets via England. This could lead to confusion if the voucher system is not used in both countries as we currently understand vouchers will not be used in Wales; and
- Engagement with employers is paramount, those paying the Levy are concerned about returns on their payments. A clear statement on funds made available as a result of Levy is needed from the UK Government.

## **6) Do you have any views about how the Welsh Government has engaged with employers with regard to the Apprenticeship Levy?**

Senior Welsh Government civil servants have engaged with the NHS and kept the NHS informed of the implications of the introduction of the Apprenticeship Levy through regular meetings with NHS Wales Workforce & OD Directors and Assistant Directors.

There are some specific issues that the Welsh Government has discussed with the NHS;

### **Accessing money paid under the Apprenticeship Levy**

In England, once employers have paid the Levy to HM Revenue and Customs (from April 2017), they will be able to access funding for apprenticeships through a new digital apprenticeship service account. These accounts will have voucher systems where employers can bid for money to support Apprenticeships. However, large employers are stating that even with access to these digital accounts they do not expect to be able to claim back any more than 20% of what they will have paid to HMRC against their pay bill. Any unused money in the digital accounts will be repatriated to HMRC after 18 months for distribution to Small and Medium Enterprises.

The Welsh Government has advised that it is unlikely that NHS Wales will see a return on this Levy, and there is still a lot of uncertainty about how the new system will work in Wales. It is understood that the Levy will be repatriated to Wales through the Barnett formula and that there are no plans for Welsh Government to redistribute this back to employers. Welsh Government anticipate continuing to fund modern apprenticeships in the way they currently do. This system allows employers to access funded courses in a range of subject areas through accredited training providers. This does not include the employment costs for what we would think of as traditional apprenticeships (only education costs). It is anticipated that NHS Wales, as a result of the Levy, will increase its use of these funded modern apprenticeships and that there is a risk that this increased demand will not be met in terms of numbers of places available. A number of NHS Wales organisations are also using these funded modern apprenticeships to support implementation of the Welsh Government NHS Wales Skills and Careers Framework. This requires those undertaking Healthcare Support Worker roles to complete programmes of study at the appropriate level commensurate with their role.

In January 2016, Julie James, the then Deputy Minister for Skills and Technology, made an oral statement on apprenticeship policy and answered questions from Assembly Members on the implementation of the Apprenticeship Levy in Wales. The Deputy Minister noted that it was not clear what the redistribution method will be, whether it will be apportioned on the same basis as the Barnett formula or whether some other mechanism will be used. The NHS will ensure that we are kept informed and updated of future developments and provide sufficient feedback and evidence to the Welsh Government of the financial and practical impact the introduction of the Apprenticeship Levy will have on the NHS.

## Conclusion

As highlighted in our written evidence the Apprenticeship Levy will have significant cost implication for the NHS in Wales and the NHS has a number of concerns which we would be more than happy to provide further detail to the Committee on.

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<sup>i</sup> Stats Wales, May 2016. NHS staff by staff group and year 2015.

<sup>ii</sup> WEDS, Shared Services: NHS Wales' Workforce Trends (2016).