

REPORT TO: Schools Forum

DATE: 23 January 2017

REPORTING OFFICER: Senior Finance Officer, Financial Management Division

SUBJECT: Apprenticeship Levy

1.0 **PURPOSE OF REPORT**

1.1 **To report to the School Forum on the new Apprenticeship Levy being introduced from April 2017.**

2.0 **RECOMMENDATION: That the report be noted.**

3.0 **SUPPORTING INFORMATION**

3.1 Issued by the Department for Education:

From April 2017 the way in which apprenticeships are funded is changing as part of a series of wider reforms to the apprenticeship system in England. Employers with a pay bill of more than £3M will be required to pay an apprenticeship levy and will be able to access funding for apprenticeship training and assessment via a new Digital Apprenticeship Service.

Available funding can be used to meet the cost of apprenticeship training and assessment against an approved apprenticeship framework or standard. This can be for both existing employees as well as new starters. The training provider must be on the Register of Apprenticeship Training Providers. You can find out more about the register here: <https://www.gov.uk/government/collections/register-of-apprenticeship-training-providers>

This briefing summarises how the apprenticeship levy will typically work for schools. There are a variety of pay bill arrangements in the education sector so there is no single approach. This briefing does not constitute tax advice. Schools should read this alongside the full published guidance on calculating, paying and spending the levy and seek appropriate professional advice on their liability. Detailed guidance on paying the levy will be published by HMRC in December 2016.

Apprenticeships are now the cornerstone of the skills system and provide opportunities for all sectors, including education, and at all levels. The apprenticeship levy aims to boost economic productivity, while increasing the country's skills base and giving millions a step on the ladder of opportunity. Local authorities and schools are encouraged to work together, using the levy to meet skills gaps and plan future workforce needs.

Who pays the levy?

1. Community schools (including voluntary controlled schools)

Local authorities will typically be responsible for paying the levy in community schools they maintain, where the local authority employs the staff and pays National Insurance contributions (NICs). Such staff will be counted as part of the local authority's payroll. We expect the cost of the levy to be passed on to schools in the same way that employer National Insurance and superannuation is. Where the local authority is the employer, schools will have access to funding for apprenticeship training, via the local authority's Digital Apprenticeship Service account. [Where community and VC schools use external payroll providers, their employees are still employees of the LA and these schools are therefore liable to pay the levy. These schools will need to liaise with its payroll provider and the LA on this, to ensure correct payment is made.]

2. Foundation and voluntary aided schools

Foundation and voluntary aided schools typically employ their own staff so they will be responsible for paying the levy. [Each VA school's liability will be based on its own pay bill. HMRC has stated that only VA schools with a pay bill of over £3 million need to be set up on a new HMRC payroll reference number and will need to do so between 6th February and the end of February 2017.]

3. Standalone academies

The Trusts of standalone academies will typically be responsible for paying the levy where they are the employer responsible for paying Class 1 secondary NICs.

4. Academies that are part of multi-academy trusts

Multi-academy trusts (MATs) generally employ the staff in their academies, and will be responsible for paying the levy.

Schools that do not pay the levy

The government will pay 90% of the cost of apprenticeship training and assessment for:

- employers that have a pay bill of less than £3m and
- those that have used all the funds in their digital account.

The employer will be required to pay the remaining 10%.

Apprenticeship roles available

Apprenticeships are available in many job roles within schools, including teaching assistants, business administration, management, science and ICT technicians. Early work on developing a Teacher apprenticeship standard is also underway, led by a group of schools coordinated by the Teaching Schools Council. There is not yet a firm timescale for the introduction of a teaching apprenticeship, but we expect more information to become available in the New Year. In addition a consortium of schools led by Hughenden Primary in Buckinghamshire, are developing a Teaching Assistant apprenticeship standard and assessment criteria. The aim is to have this in place by the end of 2017. You can find more information on apprenticeships available here: <https://www.gov.uk/topic/further-education->

skills/apprenticeships.

Public Sector Duty

- As part of the 3 million starts commitment, we want to expand the number of apprenticeships within the public sector. This will improve the capacity and capability of the public sector, ensuring that it benefits from the same positive impacts as in the rest of the economy and enable more people to achieve their potential.
- As part of this we want to encourage Local authorities and schools to work together, using the levy to meet skills gaps and plan future workforce needs.
- The government has therefore proposed targets for public sector organisations, including publicly funded schools, to increase the number of apprentices they employ. Details of how this will work are being finalised. The government's response to the consultation will be published in due course. Further information can be found at:
<https://www.gov.uk/government/consultations/public-sector-apprenticeship-targets>

3.2 Funding the extra cost of the levy

Liability schools will have to make provision for the relevant cost of the levy in their individual budgets, in the same way as other payroll costs such as NI etc. The DfE does not intend to allow the Schools Budget to be top-sliced by the LA for the levy, and the operational guidance for schools revenue funding in 2017-18 does not make any provision for DSG to be top-sliced in this way. As a result, all liability schools will need to ensure they have taken account of this additional cost when they set their budgets for 2017-18.

3.3 Working Group

Halton has set up a working group to ensure the Council's apprenticeship levy account is managed effectively and will also:

- explore the possibility of converting Intermediate Labour Market placements (on their completion) to the apprenticeship framework where appropriate
- investigate sub-regional joint procurement of training provider(s)
- investigate the possibility of converting existing posts to apprenticeships
- explore the possibility of securing City Region funding (as from April 2017).

4.0 POLICY IMPLICATIONS

4.1 None

5.0 OTHER IMPLICATIONS

5.1 None