

## **Implementation of the Apprenticeship Levy and Impact on Schools**

**20<sup>th</sup> September 2016**

### **1. Purpose of report**

- 1.1 To inform Schools Forum of the background to the implementation of the apprenticeship levy and the impact on school budgets.

### **2. Recommendations**

- 2.1 To note the contents of the report and, where appropriate, ensure that the relevant costs are planned for in future year budgets.
- 2.2 To note that a letter will be sent out to all schools to communicate the content of this report.

### **3. Background**

- 3.1 The Government is set to introduce an apprenticeship levy from April 2017, aimed at raising approximately £3 billion per annum, which will be used to create around 3 million apprenticeships over 5 years. The levy will target employers who have a pay bill in excess of £3 million per year; Local Authorities and schools **will not** be exempt from the levy.
- 3.2 For the purpose of determining an employer's pay bill, this is calculated as the total earnings which are subject to Class 1 Secondary National Insurance (NI) Contributions. The employer will then be charged at a rate of 0.5% of the gross pay bill. The HMRC will collect the levy through the normal PAYE / NI contributions returns. It should be noted that the levy is not per registered company but by PAYE reference (and for Walsall, Community Schools / Voluntary Controlled Schools / Voluntary Aided Schools, and some governor run and community facilities share the same PAYE reference as the Council).

### **4. Detailed Information**

#### **4.1 Apprenticeship Rates of Pay**

The current minimum wage rate for an apprentice is £3.30 per hour. This rate applies to apprentices aged 16 to 18 and those aged 19 or over, who are in their first year. Apprentices aged 19 or over who have completed their first year must be paid at least the National Minimum wage (currently £5.30 per hour for 18-20s, £6.70 per hour for 21-24s and £7.20 per hour for those 25

and over)) for their age. It should be noted that employers can't use the levy to pay for their apprenticeships.

The Government has introduced a zero rate for employers NI for qualifying apprentices under 25 years old on earnings up to a new threshold which for 16/17 has the same value as the upper earnings limit (£827 per week / £3,583 per month).

#### **4.2 Access to the funds paid under the Levy**

It is likely that access to the fund will be managed corporately, access to funding for apprenticeships will be through a new digital apprenticeship service account. The service also enables employers to locate training providers to develop individual apprenticeship programmes. Employers will be able to access their on-line accounts from the end of May 2017, with registration being from January 2017.

Employers will receive a 10% top up which will be credited to their account, so in essence for every £10 that enters the account; employers get £11 to spend. There is a limit to when the funds can be accessed and this is from 18 months after they are credited to your digital account, this arrangement will also apply to any top ups.

#### **4.3 Apprenticeship Training**

All apprentices that are accepted onto the programme before April 2017 will receive full funding for the duration of that apprenticeship, subject to the terms and conditions. The digital apprenticeship service will help employers to;

- Select an apprenticeship framework or standard.
- Choose the training provider or providers they want to deliver the training.
- Choose an assessment organisation.
- Post apprenticeship vacancies.

From April 2017, for employers who pay the levy, they will also be able to:

- See the funds available to spend.
- Set the price agreed with the training provider.
- Pay for apprenticeship training and assessment through the digital apprenticeship service

There will be two main types of training for apprenticeships;

- “Apprenticeship Standards” - The standards are a new type of support developed by employers and cover a specific job role which lays out core skills, behaviours and knowledge etc needed to ensure the apprentice can be fully competent in the role/sector.

- “Apprenticeship Framework” –The framework is a series of work related professional and vocational qualifications. The expectation is that the frameworks will be phased out between now and 2020.

There will be various stipulations connected with how employers choose a training provider and what they do if they are short in terms of funds in their digital account. Training providers will be subject to Ofsted inspections and the associated administration.

#### **4.4 Apprenticeship Funding**

Draft funding rules will be published in October 2016 with the aim to finalise these by December 2016, but in essence government funding can only be used towards the cost of training and `end point` assessment, with approved providers.

To support this there will be stipulations as to what will constitute an apprenticeship, these are essentially;

- The apprentice must be employed in a real job
- They must be working to either the standards or framework as described above
- The minimum duration is one year
- The apprentice must spend at least 20% of their time getting `off the job` training.

The Levy must be spent on the external apprenticeship training provided to that individual, on an approved apprenticeship standard. It cannot be spent on anything else such as internal training or apprentice salaries.

#### **4.5 Employers who pay the levy**

Employers will be expected to negotiate and agree all pricing with the training providers from the approved register for the apprentice concerned, for the duration of the engagement utilising funds in their account. If an apprentice standard costs £6k, but you negotiate £5k, then it is this amount that is deducted. Conversely, if a higher fee is negotiated, the employer will be expected to pay and fund the difference.

There will also be some additional financial support for employers who take on 16-18 year old apprentices and this will be paid by the training provider, it is not clear at the moment, what this payment is.

Finally, to assist with extra costs, the employer will receive the same payment (as a 16-18 year old) if they take on an apprentice who is;

- Between 19 and 24 years old and who has an Education and Health and Care Plan provided by the local authority

- 19 to 24 year old who has been in the care of the local authority

There is access to extra costs for apprentices with particular learning needs and the payment for this is made directly to the training provider, thus reducing that particular administrative activity.

It is also worth noting that all apprentices are required to attain a minimum standard of Level 2 in English and Maths, if an apprentice does not have these levels, it is likely they will need to undertake a course to bring them up to the required level. The payment to address this will be paid directly to the training provider and the employer is not expected to fund this.

#### **4.6 Eligibility for Training**

All the providers of training to support apprentices are to be identified and put on an `approved` database and they will need to meet or exceed the laid out criteria to enable them to be considered for selection.

Employers may wish to provide and manage the training process `in house` and this is possible, any interested employers would need to register on the `Approved Training Provider` database, when that becomes available but there is no definitive guidance on this.

Employers are also able to use their funds to access government support to pay approved assessment organisations that are listed on the [Register of Apprenticeship Assessment Organisations](#). Employers wishing to carry out end point assessments will need to show that they meet or exceed certain criteria.

The funding can't be utilised to fund any other training, it can only be used for Government published apprenticeship standards and the training included within that.

Multiple training providers can be utilised but it may be more beneficial to find one training provider to manage the apprenticeship programme which may include multiple suppliers.

#### **4.7 Timeline**

**Summer 2016**, further information on:

- Provisional funding bands, which will set the maximum amount of funding which is available for each apprenticeship from April 2017.
- The provisional level of the government support that will be available towards the cost of apprenticeship training for non levy paying employers, from April 2017.

- The provisional level of the extra payment you can get for hiring 16 to 18 year old apprentices, from April 2017
- The provisional amount that will be paid for English and math's training for apprentices who require it, from April 2017
- Eligibility rules that set who you are able to spend apprenticeship funding on and where.
- More information on who can provide apprenticeship training and how you can set up your organisation to deliver apprenticeship training.

**October 2016**, further information on:

- The final levels of funding, government support, 16 to 18 payments, and English and math's payments for apprentices starting from April 2017.
- Full, draft funding and eligibility rules.

**December 2016**, further information on:

- Final detailed funding and eligibility rules.
- Further employer guidance from HM Revenue and Customs (HMRC) on how to calculate and pay the apprenticeship levy.

## **5. Financial implications/Value for Money**

- 5.1 Legislation will be introduced in the Finance Bill 2016 and will provide for a levy to be charged on employers' pay bills at a rate of 0.5%. The levy will be payable through Pay As You Earn (PAYE) and will be payable alongside income tax and National Insurance. To keep the process as simple as possible the "paybill" will be based on total employee earnings subject to Class 1 secondary NICs.
- 5.2 This will be payable on all employees based at schools who share the same PAYE reference as the Council (Community Schools / Voluntary Controlled Schools / Voluntary Aided Schools and some governor run / community facilities). The Walsall's Scheme for Financing Schools (based on the legislative provisions in sections 45-53 of The School Standards and Framework Act 1998) sets out at paragraph 6.1.1 that the authority is required to charge the salaries (which would include on costs and associated employer costs) of school based staff to school budget shares. As such as the apprenticeship levy is to be paid via PAYE at 0.5% of an employee's earnings then this cost will need to be covered by the delegated budget for each school (similar to the position for costs of historic superannuation costs that are charged to schools).
- 5.3 Relevant schools therefore need to plan for these costs when setting their budgets for 2017/18 onwards (and where applicable when setting their fees for community facilities / governor run facilities).

## **6. Legal Implications**

- 6.1 The Apprenticeship Levy was announced at Summer Budget 2015, and in the Autumn Statement 2015 it was announced that it would come into effect in April 2017.
- 6.2 Legislation will be introduced in the Finance Bill 2016 and will provide for a levy to be charged on employers' pay bills at a rate of 0.5%. The levy will be payable through Pay As You Earn (PAYE) and will be payable alongside income tax and National Insurance.
- 6.3 At Autumn Statement 2014 the government announced it would abolish employer Class 1 National Insurance Contributions for apprentices aged under 25 on earnings up to the weekly limit of £827 from 2016 to 2017.

## **7. School Improvement**

- 7.1 No issues arising from this report.

## **8. Members eligible to vote**

- 8.1 The report is for information only and no vote is required.