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APPRENTICEMENT LEVY

Report of the Director of Children's Services

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1. Purpose

- 1.1 To update the Forum on the proposed introduction of a levy on payroll costs, for apprenticeship training, together with the introduction of targets for apprentice numbers.

2. Recommendations

To note the report and financial implications

3. Background

- 3.1 The Government will be introducing from April 2017 a 0.5% levy on payroll of all qualifying employers with a pay bill in excess of £3m per year. A £15,000 annual allowance will be provided to offset the cost of this for the first £3m of pay bill.
- 3.2 A system of digital training accounts will be set up to allow employers to recover the costs of apprenticeship training for their staff.
- 3.3 A target for employers of 2.3% of workforce to be apprentices has been set.
- 3.4 The attached Appendix sets out in summary form the main provisions and features of the new system.
- 3.5 There are a number of points for schools to note:
 - The levy applies to individual employers. Thus Community Schools will be treated for this purpose as part of HCC and a levy deduction made via payroll at a rate of 0.5%. The £15,000 allowance applies to HCC as a whole and not to individual schools.
 - Academy chains will be treated as single employers

- Foundation and VA schools will be treated as single employers, for the purposes of the levy, but it is not clear what their status is in relation to the employment target.

3.6 Set out below are some extracts from FAQs relating to the scheme issued by the Government, which cover some points of detail so far as schools are concerned.

	Question	Response
1.	Can you confirm that Voluntary Aided, Foundation and Trust schools will be considered as separate employers whilst other maintained schools (community and voluntary controlled) will be counted as part of the authority?	The schools sector has a wide variety of arrangements in place; however, there are no exceptions to the liability for the Apprenticeship Levy. If the school is a community school maintained by the Local Authority, where the Local Authority is the employer, or a foundation school or academy where the school is the employer, it is the employer who is responsible for calculating and paying any levy liability due.
2.	Where there are roles which have a statutory training approach (e.g. teachers) and therefore for which apprenticeships are not an option and reduces ability to use your levy allowance, has there been any consideration or representation regarding disaggregating these staff from the pay bill?	You will not be able disaggregate certain types of staff from the bill pay. The levy is based on your total pay bill, regardless of whether certain staff have a statutory training approach or not.
3.	Will the 2.3% apprenticeship target be based on headcount or full time equivalent figures?	In the consultation document we used headcount figures for illustration purposes as these were readily available for the majority of public sector organisation. We asked in the consultation whether headcount was the correct basis for the target and will confirm the outcome in the Government Response which we aim to publish in early July.
4.	Will schools have to comply with the 2.3% apprentice target? If so can trainee teachers count as apprentices?	In the consultation document we proposed that Academies will be treated in their own right. Grant maintained schools would come within the Local Authority target. Approved apprenticeship frameworks or standards where an apprenticeship agreement is in place count towards the apprenticeship target

	Question	Response
5.	How will the 2.3% target be enforced? Will there be penalties for local authorities who do not meet their 2.3% targets?	<p>Bodies within scope of the duty will have to 'have regard' to the target and report annually. This means that in their annual report, bodies should set out how they have considered their target, for example in workforce planning, recruitment, etc and the results of this. If this means that the target has not been met to date then the body should set out what their plans are to redress this. For example if there were no relevant standards available but a body has become part of a Trailblazer group to develop new ones to enable them to meet the target in the future then they would have met the duty to have regard to the target.</p> <p>However, if a body cannot show that they have 'had regard' to the target we will work with them to see what support is needed to enable them to meet the target in future years.</p> <p>There are no legal or financial penalties or sanctions for not meeting the target. However, information will be published and therefore others able to see who has and has not met the target. We are considering how we might celebrate the success of those who have met the target and will set out more on this in future.</p>
6.	Will there be an Apprenticeship route to achieve Qualified Teacher Status?	We are currently working with DfE to look into the possibility of developing a Teaching apprenticeship which would lead to bring a Qualified Teacher. Further details are available from DfE.

Issues arising:

- 3.7 The requirement to pay the levy depends on pay roll. A number of secondary schools have recently taken the decision to move from community to Foundation Trust status. It would appear that they will either be exempt from the levy, or (if their pay-bill is over £3m) be subject to the levy only on the excess figure.
- 3.8 HCC is considering at the moment how to operate the levy scheme so far as its own account is concerned. But it would seem that this account will include levy payments in relation to community schools. We will seek to provide further information on the operation of the scheme to community schools as this becomes clearer.

- 3.9 Eligible schools will need to consider the opportunities for accessing the fund, especially where apprentices will in any case be employed. It may be that some training and development posts can be restructured to benefit from the levy.
- 3.10 Clearly schools will also need to consider the financial impact of an additional levy of this nature on their budgets and staffing for future years.

4. Conclusion:

Forum is asked to note the report.