

**WIRRAL SCHOOLS FORUM  
28<sup>TH</sup> SEPTEMBER 2016  
REPORT OF THE DIRECTOR OF CHILDREN'S SERVICES**

**Apprenticeship Levy Briefing**

**1.0 Executive Summary**

This report describes the purpose and background to the Apprenticeship Levy, its impact on schools and feedback to a recent consultation paper

**2.0 Background**

As part of the government's commitment to increasing vocational skills in the UK they have decided to introduce an 'apprenticeship levy' which it is believed will help to deliver new apprenticeships across the UK. The policy should help deliver quality training by putting employers at the heart of the system, with the aim being that there will be 3 million more apprenticeship starts by 2020. The LGA have indicated that this policy and the levy on payroll costs will affect 90% of councils and the vast majority of council maintained schools.

**Definition of an apprenticeship:**

- an apprentice must be employed in a real job; they may be an existing employee or a new hire
- the apprentice must work towards achieving an approved apprenticeship standard or apprenticeship framework but these are not necessarily just entry level qualifications – they can extend to Masters degree level
- the apprenticeship training must last at least 12 months
- the apprentice must spend at least 20% of their time on off-the-job training

**Apprentices already on a scheme**

Apprentices who have been accepted on to an apprenticeship programme before April 2017 will be funded for the full duration of the apprenticeship under the terms and conditions that were in place at the time the apprenticeship started. The Levy cannot be used to pay for these apprenticeships.

**3.0 Description of the measure and impact on school budgets**

The government are introducing the levy on 6<sup>th</sup> April 2017 and it will require all employers in the UK, in all sectors, with a pay bill of over £3 million per year to invest into the apprenticeship levy. An employer is classed someone who is a 'secondary contributor, with liability to pay Class 1 secondary National Insurance Contributions (NICs) for their employees'. The levy will affect all maintained schools, most MATs and many larger secondary schools.

- The levy will be paid on the pay bill at a rate of 0.5%, for employers with salary costs over £3 million.

An estimate of the 2017-18 cost of apprenticeship levy has been given to schools. However there is still some uncertainty of the exact meaning of "total payroll".

Estimates have included NI and Pension on-costs. If this is not the case the costs will be reduced.

- There will be a 'levy allowance' of £15,000 per employer each tax year allowed as a deduction from the levy. There will be only one allocation of £15,000 for the council as the council is one employer that includes all maintained schools.
- Employers will be able to use their Apprenticeship Levy contributions to pay for **training (but not salary costs)** for those who meet the definition of an apprentice.

#### 4.0 Accessing the funds

- There will be a new digital apprenticeship service account set up for each employer where they will be able to access the funds they have paid into the levy to pay for training and assessment in England. There will also be a facility to help employers find training providers.
- The government will top up the funds in the accounts with an additional 10%, this will be applied monthly.
- There will be an 18 month expiry on funds in the apprenticeship digital account ('use it or lose it') and this will start as soon as the funds enter the account. This process will operate on a first in, first out basis, therefore limiting the amount of funds likely to expire. Employers will have to ensure that they use the levy funds and top up in the 18 month time frame.
- The digital account can only be used to cover the costs towards apprenticeship training or end point assessment. It can't be used on other costs associated with apprentices or wider training efforts. For example wages, statutory licences to practise, travel and subsidiary costs, managerial costs, traineeships, work placement programmes or the costs of setting up an apprenticeship programme. The money in the digital account will be in the form of 'digital vouchers' (this will be different in Wales and Northern Ireland) and this must be with an approved training provider or assessment organisation.
- Public sector employers choosing a training provider and an assessment organisation will need to comply with Public Contracts Regulations 2015 when selecting a provider and an assessment organisation from the approved registers.
- It will be up to each employer to find a training provider and negotiate the cost of the training. Government funding caps will be set on different qualifications for all employers. This is the upper limit to which Government funding can be used to pay for an apprentice's training. The Government will announce provisional funding cap levels in June and confirm these in October.
- If apprentice training costs are above the funding cap, the employer cannot use apprenticeship levy funds to make up the difference. They must fund this additional cost separately.
- There will be cash incentives to help 16-18 year olds, care leavers and young people with an Education and Health Care Plan enter the workplace.

## **5.0 Liverpool City Region Response to the Consultation: Apprenticeship Funding Proposals in England from May 2017 (September 2016)**

After a slight delay, Government has now published proposals for how apprenticeships will be funded from 1 May 2017. Feedback was invited from employers and providers on these proposals with a view to refining and developing these so that in October 2016 they will publish:

- Final funding bands that will apply in the new system;
- A final set of technical rules that will underpin the system; and
- Confirmation of how the proportion of pay bill that is paid to employees living in England will be calculated.

The City Region's response focused on:

- The need to make accessing the levy as simple as possible for employers;
- Flexibilities for employers in how they use the levy funding;
- Greater flexibility for public sector organisations in how the apprenticeship target is applied and calculated; and
- Ensuring that both employers and providers are prepared for the changes as they are implemented from May 2017.

### **Conclusion / Recommendation**

The Forum notes the report and receives a further update when more information is available.

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