

## Apprenticeship Levy

### Background

The investment of UK employers in training has rapidly declined over the last 20 years, and is low when compared to our international competitors. By increasing the number of apprenticeships significantly to reach the governments three million target by 2020, the goal is to secure greater benefits from apprenticeships for more apprentices, employers and the economy.

This means in spring 2017 the way the government funds apprenticeships in England is changing. Some employers will be required to contribute to a new apprenticeship levy, and there will be changes to the funding for apprenticeship training for all employers.

The government are introducing the apprenticeship levy on 6 April 2017. The levy requires all employers operating in the UK, with a pay bill over £3 million each year, to invest in apprenticeships. The Levy will be paid to HM Revenue and Customs (HMRC) through the PAYE process and will be based on the total amount of earnings subject to Class 1 secondary National Insurance contributions (NIC's).

Accessing Levy funds for the purchase of training to support apprenticeships will be via a 'Digital Account' (DA). Levy-paying employers will be able to use accounts from April 2017 to pay for training and assessment of apprentices. Funds will arrive in the DA monthly with the first funds appearing in late May 2017. These funds expire 24 months after they enter the digital account unless used within that period.

Apprenticeship Levy Factsheet	
Why are the government introducing the apprenticeship levy?	The levy is being introduced to fund a step change in apprenticeship numbers <u>and</u> quality – delivering on the commitment that there will be 3 million additional apprenticeship starts by 2020. The levy will put apprenticeship funding on a sustainable footing and improve the technical and professional skills of the workforce (an important component of productivity).
What is the apprenticeships levy?	0.5% of an employer's pay bill collected monthly via PAYE. All employers will have an allowance of £15,000, which means that the levy is only applicable on pay bill over £3,000,000.
When will the levy come into effect?	In April 2017
What happens to the money once it is paid under the levy?	The money will be collected by HMRC. Individual employers' funding for apprenticeship training in England will then be made available to them via a new Digital Apprenticeship Service (DAS) account, through which employers will be able to pay for training for apprentices. The Service will also support employers to identify a training provider, choose an apprenticeship training course and find a candidate.
Will employers only be able to spend their levy money on apprentices?	Yes. Specifically, employers will be able to use their funding (up to a cap which will depend upon the standard or framework that is being trained against) to cover the costs of an apprentice's training, including English and maths, assessment and certification. Currently these costs are eligible for government funding under the trailblazer standards.  It will not be possible to use levy funds to cover the salary costs of an apprentice. As now the employer will need to cover the costs of an apprentice's wages themselves.
If levy money is unspent?	The employer will have 24 months to spend the levy funds. If an employer does not spend their entire levy funds by this point then the unspent portion will be made available to other employers who are investing in apprenticeship training.

Exemptions & Public sector target?	There will be no exemptions. Public sector employers with a pay bill over £3,000,000 will pay the apprenticeship levy. To ensure that it does, the government will set apprenticeship targets for public sector bodies. Currently the target is set at 2.3% of the workforce
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### Apprenticeships - Schools

Information from Oracle suggests that Schools currently have 24 apprentices undertaking qualifications such as Learning Support Assistant, Business Administration and IT.

### What the Levy will mean for Schools

- As reported to the Employment Committee in June 2016, the introduction of the Apprenticeship Levy will place a financial burden on the City Council. In June, the cost of the Levy was estimated to be £740,000 per year. The current costs are estimated to be;
  - General fund £372,000
  - HRA £80,000
  - Schools £227,000\*
  - Total Levy £679,000**
- PCC & Schools will need to increase its apprenticeship numbers to approx. 147 to reach the current 2.3% government target, PCC's target will be 84 apprentices per year and Schools is will be 63.\*
- The levy will provide an opportunity to provide existing staff of any age (subject to eligibility) the chance to upskill and gain higher qualifications through the apprenticeship route, meaning schools can maximise levy spending. For example this could mean that you receive more from the levy pot than you pay in.
- There is a wide range of qualifications eligible for funding through the Apprenticeship Levy, alongside the intermediate & advanced apprenticeships currently taking place within Schools, there are also many higher level and degree qualifications available some of which are detailed below:
  - Leadership & Management - Level 4 & 5
  - Chartered Institute of Management - Degree
  - Project Management - Level 4
  - Digital & Technology Solutions - Degree
  - HR Resources Management - Level 5

In addition to those already in place there are a number of Apprenticeship 'Trailblazer' applications with the Department for Education (DfE) including; Social Work, Occupational Therapy, Teaching and Town Planning and we hope these will come 'online' over the next few years. Please note the Levy can only be used for qualifications approved by the DfE for apprenticeships.

- Schools will need to ensure they are compliant to the Public Contracts Regulations 2015, this will mean procuring training providers and local colleges to provide apprenticeship qualifications. PCC is working with colleagues from Southampton City Council to develop a Dynamic Purchasing System (DPS) across the area. The DPS will ensure the City Council is compliant when the new arrangements for funding come into place and enable local authorities to 'partner' on some qualification routes in order to increase and improve their availability. All local training providers are being encouraged to register on the DPS ahead of the introduction of the Levy. Schools will be able to benefit from this DPS.

*\*St Edmunds as a VA school has a wage bill of 3 million will be given its own PAYE code, meaning St Edmunds will be removed from the schools total and target.*