

Schools Forum			
REPORT TITLE	The Apprenticeship Levy and Public Sector Targets		
KEY DECISION		Item No.	5
CLASS		Date	16 March 2017

1. Purpose of the Report

To brief the Forum on the new government Apprenticeship Levy and the Public Sector Targets for Apprenticeships. To give an analysis of the implications for Lewisham Schools in relation to both the levy and meeting the target. Forum members are advised to take particular note of point 4 in this report.

2. Background

- 2.1 The Government has committed to creating 3 million new apprenticeships in this Parliament, (2015-2020), with 2 primary measures to achieve this ambition. The 2 measures are: -
- The Apprenticeship Levy
 - The Enterprise Act 2016 which introduces apprenticeship targets for public sector organisations including schools.
- 2.2 *Apprenticeship Levy:* Employers with a UK pay bill of over £3m from both private and public sectors will be required to pay 0.5% of that into a levy. The levy payment will be ring fenced in a digital account held by government and can be used to purchase apprenticeship training.

The Enterprise Act 2016: The Enterprise Act came into force on 4th May 2016. It introduced a range of changes to employment law including the introduction of apprenticeship targets for public sector organisations in England. The targets will be set by future regulation but, in principle, will apply only to those bodies with 250 or more employees. The Act also introduced a statutory definition of 'apprenticeship' in England to help set minimum standards. In future it will be an offence to label any training as an 'apprenticeship' unless it satisfies the statutory requirements and forms part of an individual's employment.

3. What does it mean for Lewisham and Lewisham Schools?

- 3.1 In the case of Lewisham Community Schools where the Council is the employer, the levy will be calculated by using the schools' pay bill combined with the rest of the Council pay bill. Payments of the levy will

commence from 1st May 2017 and will be passed to HMRC through the PAYE process on a monthly basis.

- 3.2 A pay bill is made up of the total amount of your employee earnings that are subject to Class 1 National Insurance contributions. That is, salaries, bonuses, allowances, commissions and pension contributions.
- 3.3 Total pay bill for Lewisham = £205m. Levy = £1,028,625
Council pay bill = £72m. Levy = £362,378
Schools' pay bill = £133m. Levy = £666,246

These figures are estimated.

- 3.4 The public sector target for apprenticeships in 2017/18 is 2.3% of the total headcount (not FTE). A list is attached identifying what it may mean for individual schools. The targets will be based on apprenticeship starts and are not limited to new staff joining the organisation. Existing staff completing an Apprenticeship will count towards the target but only if the Apprenticeship is an up skilling opportunity; it cannot be used to qualify staff within their existing roles.

An apprentice who starts on a level 2 course and then progresses onto a level 3 at the end of their first apprenticeship will count as 2 starts.

- 3.5 There are no plans to introduce any legal or financial penalties for not achieving the target. However, to ensure public bodies are having regard to the target and in order to increase transparency there will be a duty for public bodies to publish information on progress towards meeting the apprenticeship targets annually. It is anticipated that school progress will be published individually within the annual report.

4. Implications and Challenges for Schools and the Council

- 4.1 Each employer is allowed one digital account only and therefore levy from community schools where the Council is the employer and levy from the rest of the Council will be held in one account. It is however possible to identify and monitor the contributions on an individual school level..
- 4.2 Where the Council is the payroll provider for particular schools but is not the employer and those schools have an individual pay bill of more than 3 million pounds, the employers will need to set up a new payroll reference with HMRC. The information available indicates that there are 3 schools in this position. There is no need for the schools to change payroll provider. However, these schools will have their own separate digital account and control over their levy contributions. The Council's payroll will make the calculations and make the payments to HMRC

- 4.3 Where the Council is the payroll provider for particular schools but is not the employer and those schools have an individual pay bill of **less** than 3 million pounds, those schools are not required to contribute to the levy. A number of our smaller voluntary aided/faith schools are in this position and may continue to engage apprentices through the colleges. They do not have access to the levy. The challenge here is for the Council payroll provider because the pay bills for those schools will need to be excluded from the total pay bill before the calculation of the Council's liability for the levy is calculated.
- 4.4 Community schools that use their own payroll provider will need to make arrangements for their provider to liaise with the Council's payroll provider as their pay bill will need to be included as part of the Council's pay bill for the levy. The Council's payroll provider will add the school's levy contribution to the Council's monthly contribution to HMRC, the schools will then be required to make reimbursement to the Council. The information available indicates that there are 2 schools in this position.
- 4.5 Schools where the Council is not the employer and they also manage their own payroll will have their own digital accounts and will make their own arrangements for processing the levy if the pay bill is more than £3 million.
- 4.6 Whilst Apprenticeship Frameworks and Standards are available with more in the development stage there is a concern that the availability of suitable options will be limited. In addition, the public sector target is unrealistic for organisations to meet. A list is attached of frameworks that are currently available. Also provided below is a link to a useful search engine that will allow schools to search for suitable courses. The link also includes details of when the courses start and how frequently they are run and of providers that are appropriately located.
The link is:
<https://findapprenticeshiptraining.sfa.bis.gov.uk/Apprenticeship/Search>
- 4.7 The levy funding can only be spent on the costs of the apprenticeship training and end point assessment. It cannot be spent on associated costs such as salary, travel or related administration costs. Furthermore, the requirements are that the apprentice spends at least 20% of their time training away from the job. At a time when many schools are looking to reduce staff due to budget pressures this requirement means spending additional budget on staffing whilst accepting a 20% loss in productivity at the same time.
- 4.8 It is true to say therefore that with the restrictions on what the levy can be spent on and limited resources available to take on extra staff, schools and the rest of the Council will find it difficult to spend all of the funds in their digital account. Furthermore, funds in digital accounts expire after 24 months and therefore there is a risk that these funds will be re-absorbed into the system and spent elsewhere in the UK.

4.9 Access to the digital account will be restricted to a small number of people and it is therefore anticipated that the co-ordination and management of the levy fund will remain at the centre and will need to be carried out on behalf of schools. The resources to undertake this have not been identified or accounted for. However, a proforma is being developed at the moment for schools to use to make application for funding and it is likely that this process will be managed within the Schools' HR Team.

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