



Schools Forum Date: 24 November 2016 Time: 8:30 am Venue: Shrewsbury Training and Development Centre	<u>Item</u> Public	<u>Paper</u> E
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APPRENTICESHIP LEVY

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Summary

This report provides an overview of the Government's Apprenticeship Levy – which is to be introduced from April 2017 - and specifically what this means for Shropshire Council maintained schools and academies.

Recommendation

Schools Forum members are asked to note the contents of this report.

REPORT

Introduction

1. The Apprenticeship Levy was first announced by the Chancellor George Osborne in the November 2015 Budget Statement when he said: "by 2020, we want to see 3 million apprenticeships". In order to meet this target, the Government plans to introduce, from April 2017, an Apprenticeship Levy on all large public or private sector employers defined as those with an annual wage bill exceeding £3 million. This includes all maintained schools since their wage bill will be part of the wider local authority wage bill.
2. The levy is to be paid at 0.5% of the entire pay bill minus a levy allowance of £15,000 for each tax year (0.5% of £3 million = £15,000). The levy will be collected monthly by HMRC via the PAYE system and converted into digital vouchers that are accessed through a new digital apprenticeship account and can only be spent on apprenticeship training. The Government plans to apply a 10% monthly top up to the funds for spending on apprenticeship training.

3. In addition, the Government has proposed that all public sector employers with over 250 staff should comply with the Enterprise Bill. This means that by 2020, 2.3% of Shropshire Council headcount are expected to be in an apprenticeship at any given time. This target is expected to be reached through a combination of recruiting new staff and converting existing staff to apprenticeships, which can be achieved with no change to their job title, duties and pay grade. Employers will need to submit a report to Government detailing their progress towards this target and explaining any reasons for failing to meet the target, and again maintained schools will be included within this target.

The Benefits

4. The introduction of the levy should benefit the young people of Shropshire through the increased opportunities for apprenticeships.
5. Maximising the levy should give Shropshire Council the best opportunity for attracting new talent into the workforce, particularly as the Government is promoting vigorously the expansion of higher and degree level apprenticeships.
6. The scheme will benefit employers through the upskilling of existing staff which could boost current training and development planning in the Council and schools, and this assist with staff retention. The introduction of flexibilities for the development of employer-led apprenticeship frameworks will improve the relevance and quality of the programmes for the employer.

Impact on Schools

7. As currently proposed, all maintained schools will be included in both the levy and the public sector target for 2.3% apprenticeships because they are counted as being part of a local authority's wage bill and their employees treated, for the purposes of the levy, as Council employees.
8. In theory, 0.5% of each school's annual wage bill will contribute to the aggregate sum that the council will pay, along with the wage bill for other non-school Council employees, as its contribution to the Apprenticeship Levy. The Council will be required to co-ordinate the payment of the levy on behalf of all maintained schools for which it remains responsible. It will not be expected to undertake this role for academies.
9. Based on 2016-17 staffing budgets published within the Council's Financial Strategy, the annual staff wage bill for Shropshire Council is £151.8 million, of which £60.4 million relates to maintained schools. This would mean that the levy contribution from schools is £0.296 million, while the levy pot to be utilised by schools after the Government applies its 10% top-up is estimated to be £0.325 million.

10. Once the detail is known, the Council will need to work with schools to establish the contribution that each maintained school maintained should make to the public sector target and to determine the impact on individual school budgets of paying a contribution to the levy.
11. Academies are less likely to fall within the scope of the Apprenticeship Levy, but if they do exceed the annual wage bill of £3 million or headcount threshold of 250 employees for the 2.3% apprenticeship target, then they will need to calculate the cost of their levy for their school and the number of apprentices needed to fulfil the target obligation. The same guidance applies to Multi-Academy Trusts (MATs).
12. School representation is being sought for the Council's Project Board, to compliment the officer representation from Learning & Skills. The Board will be co-ordinating all aspects of the work related to the introduction of the levy. The communications around the roll-out of the levy has been low key to date, in part due to the delay in the Government producing the guidance and confirming the process for establishing a national list of providers.
13. This paper is part of the awareness raising process. Further presentations and communications are being planned to brief the wider community of schools early in the spring term.