

## **REPORT OF SERVICE DIRECTOR - CUSTOMERS AND HUMAN RESOURCES**

### **IMPLICATIONS OF THE GOVERNMENT'S APPRENTICESHIP LEVY AND PUBLIC SECTOR DUTY FOR NOTTINGHAMSHIRE SCHOOLS**

#### **Purpose of the Report**

1. To inform the Schools Forum about the implications for schools of the implementation of a new Apprenticeship Levy and Public Sector Duty by central Government; following recent confirmation concerning the position in relation to schools.

#### **Information and Advice**

2. From April 2017 the way that the Government funds the national Apprenticeship Programme will change with a target of 3 million Apprentices in England by 2020.
3. UK based employers who have an annual pay bill in excess of £3 million will be required to pay an Apprenticeship Levy. The levy will be based at a rate equating to 0.5% of the employer's pay bill. The pay bill calculation will be based on the earnings subject to Class 1 National Insurance.
4. Employers will need to calculate, report on and pay the levy monthly through the PAYE self-declaration process directly to HMRC. The levy will be taken at source by HMRC and placed in a digital account for the employer to recover to fund the training and assessment costs of apprentices in conjunction with approved training providers. This excludes salary and other employment costs.
5. It has recently been confirmed nationally that maintained schools where the Council is deemed to be the employer must be included in the employer levy where they are included in the Council's PAYE declaration return to the HRMC, as is the case in NCC.
6. A set of industry specific national Apprenticeship Standards have been approved and further standards are being developed, or have been approved for development by groups of employers. An apprenticeship will need to map against one of these standards to be able to draw down the levy money in the digital account. These include accredited frameworks for teaching assistants and school business managers.
7. Apprenticeships must be of at least a 12 month duration. An individual can be funded to undertake an apprenticeship at the same or lower level than a qualification they already hold so long as the content of the training is materially different from any prior training.
8. The **table overleaf** shows the current four levels of apprenticeship funding bands which are underpinned by over 200 different types of apprenticeships (known as frameworks) available in thirteen broad sector subject areas.

Type	Level	Educational equivalent
Intermediate	2	5 GCSE passes at grades A* to C
Advanced	3	2 A level passes
Higher	4,5,6 and 7	Foundation degree and above
Degree	6 and 7	Batchelor's or master's degree

Further information can be found at:

<https://www.gov.uk/government/publications/apprenticeship-frameworks-live-list>

9. Cost will be spread over the lifetime of the apprenticeship and the Skills Funding Agency will hold back 20% of the total cost, to be paid on completion (as opposed to achievement), of the apprenticeship.
10. Any unused funds in the digital account will expire after 24 months and will return to a central Government fund for redistribution to other employers who have spent their own levy contribution and are seeking further funding or to non-levy paying organisations to enable them to access funding.
11. In addition, a headcount target for apprenticeships has been imposed on public sector organisations under the Enterprise Act 2016 which obligates all public sector organisations to ensure that **2.3%** of the workforce are Apprentices. This will require the Council, including maintained schools, to create additional apprenticeships and to broaden the current offer to include higher level apprenticeships.
12. The requirement to include maintained schools brings the eligible employee headcount cohort (excluding supply staff), to over 18,000. To meet its headcount target, based on current organisational scope, the Council will need to directly employ at least 176 Apprentices, the inclusion of schools brings this up by a further 196 to 372.
13. Maintained schools will be able to apply for funding for apprenticeship training and assessment costs via the Council's digital account but would be required to directly fund all associated salary costs. Further detail about how these arrangements will work in practice will be communicated to maintained schools in due course.
14. The levy will apply direct to Multi Academy Trusts and large stand-alone academies where the annual pay bill exceeds £3 million as the school governors are the employer.
15. Voluntary Aided and Foundation schools are also deemed to be their own employer and therefore directly liable for payment of the levy where the pay bill exceeds £3m. Only one Foundation school in Nottinghamshire exceeds this threshold. A separate PAYE account will be set up by this school in order that it can be treated as a separate employer for the purposes of making its own contribution to the levy.

### **Other Options Considered**

16. All reasonable mitigations to minimise the impact on maintained schools have been explored with due regard to statutory taxation requirements.

### **Reasons for Recommendations**

17. To ensure statutory compliance with new legislative requirements in relation to the payment of the Apprenticeship Levy and to meet the requirements of the Public Sector Duty as set out in the Enterprise Act 2016.

## **Statutory and Policy Implications**

18. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

### **Financial Implications**

19. Modelling of the potential financial implications for individual schools has been undertaken using October 2016 payroll records. A copy of this is attached as Appendix A. This is for indicative purposes only to illustrate the likely scale of levy payments. Actual deductions will be calculated each month against employees Class 1 National Insurance earnings and deducted in a similar manner to Employer National Insurance contributions.

20. Maintained schools will be able to access the Council's digital account to refund apprentice training and assessment costs which meet the government's requirements for accessing Levy funding. Other schools with a payroll in excess of £3 million will be able to access their own digital account.

### **Human Resources Implications**

21. The Council recognises the benefits that apprentice placements in general bring to the County's wider Economic Development agenda; particularly higher level apprenticeships and skills development.

22. Apprenticeships add value to staff groups by encouraging new ideas and approaches. The Council will be able to offer advice and support to maintained schools and Foundation and Voluntary Aided Schools and Academies which buy back its HR offer to support their plans for apprentice recruitment and training.

## **RECOMMENDATIONS**

It is recommended that the Schools Forum note:

- I. The financial implications of the Apprenticeship Levy for schools.
- II. The position in relation to the Public Sector Duty and requirement for 2.3% of the workforce to be apprentices.
- III. The ability of maintained schools to draw down levy funds from the Council's digital account to pay for the training and assessment costs of apprenticeships delivered using approved providers which meet the national standards and frameworks.

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