

# Apprenticeship Levy

## CLT Report, February 2017

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On 6 April 2017 the new Apprenticeship Levy is being introduced, as part of changes to the way in which apprenticeships training is funded. All employers with a pay bill of over £3m each year will need to contribute to the levy. The first payment will be made in April 2017 and be available from 1 May 2017.

Where an employer has a pay bill of over £3m each year, the levy must be paid by every organisation with the same employer (called connected organisations) and so all maintained and voluntary controlled schools will be required to pay the levy as the Council is the employer.

The levy from all connected organisations will be paid in to one digital account with the employer, responsible for the mechanism for providing access to the funding. There is no requirement for the employer to ring-fence funding for each connected organisation.

From 1 May 2017, all new apprenticeships will be advertised, commissioned and paid for through a digital account. The levy will not affect the way training is funded for any apprentices who started an apprenticeship programme before 1 May 2017; any such apprenticeships will need to follow the terms and conditions that were in place at the time the apprenticeship started.

The funds are available to be spent on apprenticeship training only and cannot be used for the salary costs of apprentices. However, the levy can be used to fund both new and existing employees who take on an apprenticeship.

### Recommendation and decisions

1. ***The Council must determine how it wishes to coordinate and manage the levy.*** There is no current role or resource identified to manage this and so there will need to be resources identified to deliver this. Apprenticeships are currently delegated to managers to create, recruit and deliver. It is recommended that a resource is obtained and funded in the short-term to set-up a Council-wide apprenticeship programme which can become business as usual, while investigating the opportunity for the Council to become an 'Employer Provider' (see point 4)
2. ***The Council must create a model for making use of the funding for new or existing employees.*** It is proposed that this could be used primarily to support succession planning and Council-wide priorities around social care, education, management and more. Thereby offering existing staff formal development opportunities and removing the need to pay the additional salary costs of new starters.
3. ***The Council will need to determine a mechanism for providing access to the levy from connected organisations (schools).*** It is recommended that the Council set up a working group to consider the options and optimal solution in conjunction with our schools.

4. ***The Council must determine if it wishes to be a provider of apprenticeship training.*** This is an intensive process and comes with risks relating to structured learning and a need for an additional Ofsted inspection. However, being a provider could be a route to ensuring more of the levy is retained by the Council as providers can make broader use of the levy while offering the potential for income by selling these services to others. It is recommended that the Council undertake work to assess the risk and reward associated with becoming a provider.

### **Paying the Levy**

Employers with an annual pay bill of more than £3 million will need to spend 0.5% of their total pay bill on the apprenticeship levy minus the 'levy allowance' of £15,000 per year.

Employers must declare the levy payable, based on their payroll year to date, to Her Majesty's Revenue and Customs (HMRC). The levy will be paid through the normal PAYE process from May 2017. It will be collected each month unless HMRC are informed otherwise. Apprenticeship levy payments are allowable for Corporation Tax.

### **Connected Organisations**

Connected organisations are those where the employer is the same, even where they have separate payrolls. Therefore, all maintained and voluntary controlled schools will be required to pay the levy as the Council is the employer.

The levy for all connected organisations will be paid in to one digital account with the employer, responsible for the mechanism for providing access to the funding. There is no requirement for the employer to ring-fence funding for each connected organisation. Therefore, the employer has flexibility to use all funding as it feels appropriate.

Only one 'levy allowance' will be available across all connected organisation and there will be only one digital account.

### **Digital Apprenticeship Service (DAS)**

A new digital apprenticeship service has been set up and all employers can gain access to their personal digital account by registering for an account. Through this digital account, employers will be able to;

- select an apprenticeship framework or standard (type of apprenticeship)
- choose the training provider or providers to deliver the training
- choose the organisation that will assess your apprentices
- post apprenticeship vacancies
- set the agreed price with the training provider
- pay for apprenticeship training and assessment
- stop or pause payments (e.g. if an apprentice stops training or takes a break)

### **Accessing Apprenticeship Funding**

The levy will be added to the digital account the calendar month after it is taken and will include a 10% top-up from Government.

The funds are available to be spent on apprenticeship training only and cannot be used for the salary costs of apprentices. However, the levy can be used to fund both new and existing employees who take on an apprenticeship.

Funding will expire 24 months after it has entered the digital account. Notification of funding loss will be provided in good time to try to ensure funds can be used and the oldest funding will be used first when payments are made for training.

In the first year the levy will only be available for use on employees of the employing organisation, but changes are being proposed to allow 10% of funding to be directed for use in other organisations e.g. partners or contractors.

### Selecting Apprenticeship Training

Once an apprenticeship is identified the training will need to be sourced through the DAS and costs agreed with the provider. The training will need to be from a government-approved training provider and from the;

- **apprenticeship standards** - each standard covers a specific job role and sets out the core skills, knowledge and behaviours an apprentice will need to be fully competent in their job role and meet the needs of employers
- **apprenticeship frameworks** – a series of work-related vocational and professional qualifications, with workplace and classroom based training

The new apprenticeship funding system places an upper limit on the cost for each standard or framework, with a total of 15 funding bands available ranging from £1,500 to £27,000. Employers are expected to negotiate a price for their apprentice's training and assessment up to the upper limit.

The upper limit is the maximum that the Government will co-invest; however, employers can pay more but would not need to cover the costs beyond the upper limit with their own funds and not from their digital account. There are no lower limits for the bands.

Although providers are obtained through the DAS there remains a need to comply with Public Contracts Regulation 2015.

*Please note:* the funding of apprenticeships has some requirements; therefore an employee can only be funded where the apprenticeship will lead to substantive new skills being obtained or to undertake an apprenticeship at a higher level than any qualifications already held.

### Employer Provider

Organisations have the option to become an employer provider, meaning they employ the apprentices but also provide the training element of the apprenticeship. This training can be provided to their own apprentices only.

However, if there is sufficient demand or ability then organisations can become a provider or subcontractor (for a main provider) and thereby provide apprenticeship training to any organisation.

To become an employer provider the organisation must register as a provider, an opportunity which is permitted every three months. This is an intensive process and requires the organisation to commit to clear standards, including an agreement to undertake additional Ofsted inspections.

## **Paying for Apprenticeship Training**

The agreed costs for the apprenticeship training will then be taken from the employer's DAS account each month to pay the training provider. This will see payments totalling 80% of the negotiated price made on a monthly basis, spread evenly across the period of the apprenticeship. This is paid in arrears for training reported as being completed.

The remaining 20% will be paid at the end of the apprenticeship, as can be used to ensure training is completed to the appropriate level and standard.

It is the responsibility of the employer to ensure there are sufficient funds available to cover the costs of agreed apprenticeships. Where funding is not available, the employer will need to make separate arrangements to make a payment to the provider outside of the DAS.

*Please note:* the money within the DAS account can only be used towards costs of apprenticeship training and end point assessment. It can't be used on other costs associated with your apprentices or wider training i.e. wages, travel and subsistence costs, managerial costs, traineeships, work placement programmes or the costs of setting up an apprenticeship programme.

## **Apprenticeship Training Agencies (ATAs)**

There will be no provision, in the first year, to use the levy to cover the costs of apprenticeships provided through ATAs. In 2018, there will be an ability to transfer 10% of the levy to nominated organisations, such as ATAs. However, even at this time, there will be no provision to allow ATAs to receive additional support.

## **Additional Support**

The Government wishes to get young people (aged 16-18) and care leavers (aged 19-24) into quality apprenticeships and so has chosen to recognise the potential additional costs associated with supporting these groups in the workplace (e.g. more supervision and pastoral care) through an additional payment of £1,000 which will be given to each of the employer and the training provider .

The payment will be made to the training provider in two equal instalments, after 3 months and 12 months, with the employer element passed on by the training provider. These payments will come direct from the Government and will not be deducted from an employer's digital account.

In addition, the government will also pay £471 to training providers for all English and Maths qualifications obtained by apprentices. These payments also come direct from the Government and not from the digital account.

## **Apprenticeship Targets**

The Government has stated that it will not set sectoral or level based targets but that it should be up to employers to create the apprenticeships they require to meet their skills needs. However, there is to be a duty placed on public sector employers to ensure that apprentices make up 2.3% of the workforce headcount.

The number will include those who have started an approved apprenticeship (framework or standard) in the year of measurement. Existing apprenticeships will not count towards the target. This target includes all connected organisations i.e. where the local authority is the employer, and so maintained and voluntary controlled schools will fall into this category and add to the target for apprenticeships.

As an example, 2.3% of 1100 (Council) employees would mean 25 apprentices required each year, while 2.3% of 3000 (Council and School) employees would mean 69 apprentices required each year. The Government has confirmed that Local Authorities can show the results for schools separately in their annual report.

Public bodies must 'have regard' to the target and report annually, setting out how they plan to meet this and where the target has not been met, what plans are proposed to redress this. There are no legal or financial penalties or sanctions for not meeting the target it is purely reputational risk.

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