

SCHOOLS' FUNDING FORUM

SUBJECT:	Apprenticeship Levy
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SUMMARY OF REPORT: Update Forum members of the Apprenticeship Levy which is being introduced by the Government on 1 April 2017.	
FOR:	Information

1. What is the Apprenticeship Levy
 - 1.1 The Apprenticeship Levy is a new Government initiative to increase the level of investment in training, and improve the UK's productivity compared to other developed countries.
 - 1.2 It is a payment made to the HMRC via the PAYE return which will apply to large businesses with a wage bill in excess of £3m.
 - 1.3 The purpose of the Levy is to encourage employers to invest in apprenticeship programmes and to raise additional funds to improve the quality and quantity of apprenticeships.
 - 1.4 The new scheme starts from April 2017 and is payable at a rate of 0.5% of employer's earnings which are subject to Class 1 secondary NIC's. This includes wages, bonuses, commissions and pension contributions. This does not include other payments such as benefits in kind and expenses that are subject to Class 1A NICs.
 - 1.5 Each employer is issued a £15k allowance, which means single employers with multiple PAYE schemes will only have one allowance.
 - 1.6 Each employer will have a shared digital account which can have multiple PAYE schemes linked.
 - 1.7 The government will top up the funds in the digital account by 10%.

- 1.8 The digital account will hold the employers funds (including 10% government top up) and enable the employer to recruit apprentices, pay providers for the training and assessments, and track balances and transactions.
 - 1.9 The funding can be used for apprenticeship training from the approved framework from an approved provider and assessment from an approved provider. It cannot be used to cover any other costs such as wages or travel or recruitment.
 - 1.10 Funds will be available in the digital account for a period of 24 month period calculated on first in first out. After 24 months any unused funds will be redirected by government.
2. How does this affect your school:
- 2.1 For the purpose of calculating the Apprenticeship Levy there are two categories of schools:
 1. Community (Com) and Voluntary Controlled (VC) schools - the employer is considered to be the local authority and so for the purpose of the Levy calculation the schools are included. This means any school in this category will be liable to pay the levy, regardless of whether they use the Council for payroll services.
 2. Voluntary Aided (VA), Foundation and Academy (incl. MAT's) schools – the employer is considered to be the governing body and so they must assess the size of their pay bill and act accordingly.
 - 2.2 If practice the council is likely to administer the payroll for some VA/foundation schools and the school may not have its own HMRC payroll reference number separate from the LA. If this is the case, the VA/foundation school should ensure it is set up as a separate employer with HMRC with a different number to the LA, in order for it to be able to take advantage of the exemption for employers with paybills of less than £3 million. Employers who need to set up a new PAYE scheme will need to set it up between 6th February and the end of February. The LA will be contacting affected schools directly.
 - 2.3 Community/VC schools will have to make provision for the relevant cost of the levy in their individual budgets, in the same way as other payroll costs e.g. National Insurance etc.
 - 2.4 The DfE does not intend to allow the Schools Budget to be top-sliced by the council at the LA level for the levy, and the operational guidance for schools revenue funding in 2017-18 does not make any provision for DSG to be top-

sliced in this way. As a result, all community/VC schools (and VA/foundation schools with payrolls over £3m) will need to ensure they have taken account of this additional cost when they set their budgets for 2017-18.

3. Accessing the Levy from the digital account

- 3.1 Each employer will have access to the digital account to enable apprentices to be recorded and payments be tracked and made.
- 3.2 If you fall under the local authority umbrella then the digital account will contain pooled funds from all the connected parties. Exactly how community/VC schools will be able to access the LA digit account is to be decided.
- 3.3 Guidance on utilising the funds will follow in the New Year once a response has been received from the latest consultation and the digital account goes live online.

4. What happens next

- 4.1 The LA is planning to write to each school in the next few weeks to provide further information on the Levy and to confirm their payroll provider and what steps will be followed to ensure compliance with this new scheme.
- 4.2 The Governments response to the Levy consultation is expected shortly and the LA will be reviewing this to see whether there is any changes to the proposals affecting schools and will keep its schools informed.

5. Recommendations

- 5.1 Members of the Forum are asked to note the content of this paper

Background Information

Government guidance can be found:

<https://www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work>

