

Apprenticeship Levy Digital Account Schools note

1. What is the Apprenticeship Levy?

- a. The Apprenticeship Levy is a new government initiative to address the reduced investment in training over the past number of years, and improve the UK's productivity compared to other developed countries.
- b. It is a payment made to HMRC via the PAYE return which will apply to large businesses with a wage bill in excess of £3m.
- c. 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.
- d. 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 national insurance contributions. 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 national insurance contributions.
- e. Each employer is issued a £15k allowance, which means single employers with multiple PAYE schemes will only have one allowance.
- f. *[An employer as defined by government guidance is the controlling body and in the case of voluntary controlled schools and community schools is deemed the local authority – i.e. Kent County Council.]*
- g. Each employer will have a shared digital account which can have multiple PAYE schemes linked.
- h. The government will top up the funds in the digital account by 10%.
- i. The digital account will hold the employers funds (including the 10% top-up), hold information of each apprentice, pay providers for the training and assessments, and track balances and transactions.
- j. The funding can be used for apprenticeship training with approved standards and frameworks providers only and the costs of the end point assessment. It

cannot be used to cover any other costs such as wages, travel, recruitment, etc.

- k. Funds will be available in the digital account for a period of 24 months. After 24 months, any unused funds will be removed from the digital account and redirected by central government.
- l. The government has set an annual target of 2.3% of employee head count for public sector organisations.

2. How does this affect your school?

- a. For the purpose of calculating the Apprenticeship Levy schools are split into two categories:
 - i. With 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, these schools are included under the local authority responsibility. This means any school in this category will be liable to pay the Levy regardless of the size of its individual pay bill. As the Local Authority is deemed the employer there is only one £15k allowance.
 - ii. With voluntary aided (VA), foundation and academy (including 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 based on the pay bill either being over £3m or under £3m. In these cases each employer will be allocated the £15k allowance.

3. What is an apprentice?

- a. An apprentice is a genuine job with an accompanying skills development programme. The main rules are:

- i. The apprentice must be employed in a real job (existing employee or a new hire)
- ii. Must be in full time employment (set at a minimum of 30 hours per week).
- iii. They must work towards achieving an approved apprenticeship framework or standard
- iv. The training must be for a minimum of 12 months
- v. They must spend 20% of their time on off-the-job training related to the apprenticeship standard/framework

*Recent guidance has been issued which allows part time workers access to apprenticeships. The calculation extends the training period to ensure the full content is covered. This is based on a formula which calculates the new minimum duration in months: $[12 * 30 / \text{average weekly hours}]$.*

4. Administering and accessing the digital account

- a. Each employer will have to register with HMRC to set up a [digital account](#) where they will have access to allow apprentices to be recorded, payments made to providers and the facility to monitor the spending and commitments of existing apprentices.
- b. If you are a voluntary controlled or community school, and come under the Local Authority then the authority has registered for the account on behalf of all relevant schools and connected parties. Further information will follow shortly on specific processes to access the funds and administer apprenticeships on the system.
- c. If you are any other type of school and your pay bill is over £3m then you will need to register for your own account and begin administering. If your pay bill is below the threshold (£3m) then you will only need to register if it goes above £3m threshold, so you need to monitor this.

5. Payroll

- a. The Levy is to be paid through the PAYE system to HMRC alongside the current process for paying National Insurance and Income Tax. From there the Levy funds will be redirected into your digital account using your PAYE reference number.
- b. PAYE reference numbers cannot be linked to more than one digital account; however multiple PAYE reference numbers can be linked to one digital account. This means if you are in a pooled payroll with other schools you will need to ensure the systems / set up of the PAYE allows the funds to be linked to the correct digital account.
- c. Schools should contact their payroll provider to get assurance the systems / set up of the PAYE payroll can make payments to the necessary digital account in line with government guidance.
- d. *Voluntary controlled and community schools – We have contacted all the payroll providers and asked them for assurance they can align the PAYE's for the schools which fall under Kent as an employer (excluding the Medway area). As the contract is between the school and the payroll provider we need you also to contact your payroll provider and gain assurance they can link your Levy to the authority's digital account.*

6. Training providers and funding band

- a. The government has created a list of apprenticeship standards that each apprentice will be trained against. Training providers have to apply to become a registered provider and are expected to deliver courses to the standards. Only training providers who meet the criteria will be listed on the digital account to use.
- b. Against each standard the government has set a maximum funding band ranging from band 1 (£1,500) to band 15 (£27,000). If a price is agreed with a

training provider for an apprentice course which is above the funding band then you must pay the difference from your own funds.

7. Non-Levy payers co-investment

- a. If you do not pay the Levy (pay bill under £3m and not a voluntary controlled or community school) then you can still access apprenticeship funding through the National Apprenticeship Service. The service will ask you to pay 10% of the cost of the provider and they will pay the remaining 90% towards the training and assessment up to the maximum for the particular funding band.

8. Employer co-investment – levy payer

- a. Where the monthly cost of apprenticeship training cannot be met from the available funds in the digital account, you must co-invest 10% of the outstanding balance for that month. The government will then pay the remaining 90% up to the maximum funding for that band.

9. Employer co-investment – non-levy payer

- a. If you do not pay the levy, then you can still access apprenticeship training through co-investment. You will be expected to pay 10% contribution and the government will pay the remaining 90% up to the maximum funding for that band.
- b. In the first year you will have to go through the National Apprenticeship Service, and then from April 2018 you will be able to use the digital service.

10. Additional funding

- a. Additional support is available for 16-18 year olds, young care leavers and young people with an Education and Health Care (EHC) plan. These categories of apprentices will attract additional support for both the employer and the training provider (£1,000 each). Evidence for these payments must be provided against a very clear criteria set by the government.
- b. Training providers will have access to additional funding to ensure all apprentices gain the minimum standard of Level 2 in English and Maths.
- c. Training providers will also be able to access funding to support the costs required for additional learning support as a result of conditions such as dyslexia, learning difficulties or disabilities.

11. Local Authority schools which transfer to Academy status

- a. Schools which come under the local authority umbrella that subsequently acquire academy status will become their own employer. This means the academy will need to consider its pay bill and take action to pay the Levy if it is above £3m. The academy will be eligible for its own £15k allowance and need to set up a digital account.

12. What you will need to do next

- a. Make assessment on which category you fall into using the flow chart and take appropriate action.
- b. Contact your payroll provider and:
 - i. Request confirmation they have the ability to deal with the new legislation including linking your levy funds (if payable) to the correct digital account through the PAYE system to HMRC
 - ii. If you come under the KCC's responsibility, ask the payroll provider to link your levy payments to KCC's digital account
 - iii. Ask for a forecast estimate of the Levy for your school for the 2017/18 budget build

- c. Begin to consider what apprenticeships you could offer from April 2017
- d. Please could we also ask all community or voluntary controlled schools [e-mail Kent](#) to let us know who your payroll provider will be in April 2017 so we can reconcile our records and ensure we are in compliance with HRMC.
- e. Further guidance will be published for the voluntary controlled and community schools about accessing the Apprenticeship funding through the local authority's account.

13. Further information can be found from the Governments website:

- a. [Apprenticeship Levy – How it will work](#)
- b. [Apprenticeship Levy Manual](#)
- c. [Apprenticeship Rules](#)