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**Apprenticeship Levy**

1. **Purpose of paper**

This paper reports on the Apprenticeship Levy and how it relates to local maintained schools in Barking and Dagenham. The paper also reports on progress to date and outlines options for maximising spend against levy contributions made by local maintained schools.

1. **Background**

**The apprenticeship levy**

The apprenticeship levy came into effect on 6 April 2017. The levy applies to all employers with a pay bill of £3m or more and is charged at the rate of 0.5% of an employer’s pay bill. The government tops this up by 10%.

For Community and Voluntary-Controlled schools, the local authority is the employer, and so is responsible for payment of the apprenticeship levy for these schools under its control. As the Council’s pay bill is over £3m, the levy must be paid.

Community and Voluntary Controlled schools are included in the Council’s wage bill and are required to pay 0.5% of their payroll towards the Council’s overall levy contribution.

For the financial year April 2017 to March 2018, it was estimated that schools would contribute approximately £616,000 to the Council’s overall levy fund. This contribution is paid out monthly by individual schools depending on the size of their payroll in any given month. The government tops up these contributions by a further 10%.

Schools operating their own payroll must link their PAYE scheme to the Council’s apprenticeship levy digital account. Unless this process is completed, a school’s levy payment to HMRC will not appear in the Council’s digital account and therefore cannot be accessed to pay training providers for apprenticeship training and assessment services.

If funding attached to the levy calculation is not fully spent within 24 months of entering the digital account, the Council has no choice but to hand it back to the government for redistribution to other employers.

The government’s introduction of the apprenticeship levy has proved extremely challenging for both local authorities and schools. Some of the main issues are:

* **Lack of apprenticeship standards** – standards for teachers, teaching assistants, etc
* **Variable interest** – interest in the levy varies. Many schools have never delivered apprenticeships before so this is new territory for them
* **Lack of resources** – many schools do not have the resources to pay the salaries of apprentices
* **The public sector target doesn’t reflect capacity** – Schools contain a significant number of part-time staff, inflating the public sector target
* **The Digital Account System** – the system designed by the government is not entirely fit for purpose and makes it difficult for the Council and schools to administer apprenticeship funding efficiently.
* **20% of the job training requirement** – This is proving to be a barrier, as managers are reluctant to lose staff for that amount of time because of the impact on work priorities.

**Apprenticeship target for public sector bodies**

The government have determined that all public sector employers, including schools, must consider how they can increase the number of apprentices in their workforce.

Furthermore, there is a duty on the Council to employ an average 2.3% of its headcount (including schools) as new apprentices over the period April 2017 to March 2021. The target is for new apprenticeship starts, which includes both existing employees who start an apprenticeship, and newly employed apprentices.

For the financial year 2017/18, and based on headcount in April 2017, Community and Voluntary Controlled schools, are expected to contribute 110 new apprenticeship starts. The Council’s overall public sector target starts target is 190.

At the end of each year, the Council is required to complete a detailed Apprenticeship Activity Return (AAR) for government. The report will outline progress towards the public sector target and detail the activities which are being implemented to overcome barriers to achieving the target. The Council will be encouraging Community and Voluntary Controlled schools to support the AAR by submitting details of their own progress and activities.

1. **Apprenticeship recruitment**

**New apprenticeship starts – 6 April to 31 December 2017**

Set against the schools target of 110, at the end of December 2017, schools had confirmed 23 new apprenticeship starts. These new starts are summarised below:

|  |  |  |
| --- | --- | --- |
| **Name of School** | **Apprenticeship Standard** | **Number of Apprentices** |
| Southwood | L3 Supporting Teaching & Learning | 7 |
| Southwood | L3 Activity Leadership | 2 |
| William Bellamy | L3 Supporting Teaching & Learning | 3 |
| Gascoigne | L2 Business Administration | 2 |
| Trinity | L2 Supporting Teaching & Learning | 3 |
| Trinity | L3 Supporting Teaching & Learning | 3 |
| Robert Clack | L2 IT Applications Specialist | 1 |
| Robert Clack | L2 Business Administration | 1 |
| Henry Green | L2 Business Administration | 1 |
|  |  |  |
| Total apprenticeship starts |  | 23 |

Set against its share of the overall public sector target, the Council has achieved 35 new apprenticeship starts.

**Apprenticeship levy account balance**

The levy balance in the Council’s digital account stands at £542,000, with just over half of this amount attributable to levy contributions made by schools. We believe that levy contribution made by schools is understated because a significant number of schools have not yet used the opportunity to linked their PAYE scheme to the Council’s digital account.Members of the Council’s payroll team are providing support to schools to help them through the process.

**Apprenticeship Standards**

New apprenticeships standards are emerging all the time and are not just designed for new employees. Annex A to this paper, provides a list of published Apprenticeship Standards that would be of interest to schools.

1. **Key issues**

There are several issues which relate to levy paying schools:

* The number of new apprenticeship starts is low when considered against the Council’s overall public sector target of 190. However, the problems and issues associated with the introduction of the new apprenticeship levy have hindered the Council and schools progress.
* Schools who use their own payroll providers are not linking their PAYE schemes to the Council’s digital account. This reduces the overall balance of levy funds available to spend on apprenticeships.
* A minority of schools are taking full advantage of the levy, but the majority are not. The risk is that the Council will have no choice but to hand back expired funds that could have been invested in the workforce.
* As it stands, the levy is ring fenced for each school. There is no agreed framework in place which allows schools to access other schools unused levy contributions to fund additional demand for apprenticeship starts. Options for a possible solution to this problem are covered under point 6 of this paper.
1. **Managing the levy account – 2018/19 options**

The current arrangement for managing the levy is that each individual school has been allocated a ring-fenced amount of funding which can be used to pay training providers for the costs of training and assessing apprentices. The amount of funding available is based on 0.5% of a school’s total payroll and is paid into the Council’s digital account every month. The government tops this up by 10%. The amount of funding available to each school in 2017/18 ranges from approximately £5,000 to £48,000.

Under current arrangements, if a school starts more apprentices with costs greater than the value of their levy payments, they might be liable to pay these costs. Whilst this is an unlikely scenario in the first year of the levy, it might become an issue in future years, when the demand for apprenticeships is expected to increase.

As it stands, there is no formal mechanism in place for a school access more levy funds from the overall pot of funding, even when many schools are not planning to start apprenticeships or use their own ring fenced funds. It would seem nonsensical to prevent new apprentice starts when there are levy funds available to spend, and if unspent, handed back to government after 24 months.

Potential options going forward:

**Option 1:** Continue with the current model of ring fencing funding by individual school based in their 0.5% contribution of payroll. Given the poor take up of apprenticeships to date, this option will potentially result in a significant proportion of the schools levy being handed back to government.

**Option 2:** First come first served for the period April 2018 – March 2019 only, allowing maintained school to access the levy fund, without limit, on a first come first served basis. This could act as an incentive to increase the take up of apprenticeships and minimise the risk of handing back expired funds.

**Option 3:** Keep the current model, but encourage those schools which have no plans to use their apprenticeship levy, to free up their ring fence, thus creating a general funding pool. Schools planning to start a higher number of new apprentices than their ring fence will allow, can then submit bids for an increased allocation of funds.

 There are considerations in relation to the above options:

* All the options will incur administrative costs. However, options 2 and 3 are likely to increase these costs. The levy cannot be used to fund administrative costs.
* Option 2 will require close monitoring throughout the year to ensure cumulative apprenticeship starts, don’t ever exceed profiled income from the levy.
* Option 3 is attractive but will require good governance and buy-in from all levy paying schools. Administrations cost are likely to be higher.

There may be other options which members of the Schools Forum may wish to put forward for consideration.

We would also invite views about how best the Council can work with schools to encourage levy spending on upskilling new and existing employees.

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**APPRENTICESHIP STANDARDS IN EDUCATION SECTOR Appendix A**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Sector** | **Apprenticeship standard** | **Level** | **Published** | **Funding band maximum** |
| Administration | [HR Support](https://www.gov.uk/government/publications/apprenticeship-standard-hr-support) | 3 | 25-Aug-17 | £5,000 |
| Digital Industries | [Digital Marketer](https://www.gov.uk/government/publications/apprenticeship-standard-digital-marketer) | 3 | 23-Mar-16 | £12,000 |
| Digital Industries | [Data Analyst](https://www.gov.uk/government/publications/apprenticeship-standard-data-analyst) | 4 | 23-Mar-16 | £15,000 |
| Facilities management | [Facilities Management Supervisor](https://www.gov.uk/government/publications/apprenticeship-standard-facilities-management-supervisor) | 3 | 17-Feb-17 | £4,000 |
| Financial Services | [Senior Compliance / Risk Specialist](https://www.gov.uk/government/publications/apprenticeship-standard-senior-compliance-risk-specialist) | 6 | 19-Sep-16 | £27,000 |
| Hospitality | [Hospitality Team Member](https://www.gov.uk/government/publications/apprenticeship-standard-hospitality-team-member) | 2 | 27-Apr-16 | £5,000 |
| Hospitality | [Hospitality Supervisor](https://www.gov.uk/government/publications/apprenticeship-standard-hospitality-supervisor) | 3 | 07-Sep-16 | £5,000 |
| Leadership & Management | [Chartered Manager Degree Apprenticeship](https://www.gov.uk/government/publications/apprenticeship-standard-chartered-manager-degree-apprenticeship) | 6 | 08-Oct-15 | £27,000 |
| Leadership & Management | [Operations/Departmental Manager](https://www.gov.uk/government/publications/apprenticeship-standard-operationsdepartmental-manager-approved-for-delivery) | 5 | 01-Jun-16 | £9,000 |
| Leadership & Management | [Team Leader/Supervisor](https://www.gov.uk/government/publications/apprenticeship-standard-team-leadersupervisor-approved-for-delivery) | 3 | 01-Jun-16 | £5,000 |
| Life and Industrial Sciences | [Laboratory Technician](https://www.gov.uk/government/publications/apprenticeship-standard-laboratory-technician) | 3 | 09-Dec-14 | £21,000 |
| Management Consultancy | [HR Consultant / Partner](https://www.gov.uk/government/publications/apprenticeship-standard-hr-consultantpartner) | 5 | 18-Aug-17 | £9,000 |
| Project Management | [Associate Project Manager](https://www.gov.uk/government/publications/apprenticeship-standard-associate-project-manager) | 4 | 19-Aug-16 | £9,000 |
| Property Services | [Property Maintenance Operative](https://www.gov.uk/government/publications/apprenticeship-standard-property-maintenance-operative) | 2 | 26-Mar-15 | £9,000 |
| Public Service | [Teacher](https://www.gov.uk/government/publications/apprenticeship-standard-teacher-approved-for-delivery)  | 6 | 19-Oct-2017 | £9,000 |

Note: Please note that many Apprenticeships Standards are still in development. However, employers can still access Apprenticeship Frameworks such as Supporting Learning and Teaching in Schools Level 2 and Level 3.