

Schools Funding Forum 18th January 2017

ITEM 9

Subject Heading:

**Apprenticeship Levy and Local
Government Pension Contributions**

Report Author:

**David Allen – Strategic Finance
Manager**

Eligibility to vote:

All members

SUMMARY

This item is to advise members of the Apprenticeship Levy which is to be introduced from 1st April 2017 and increases in the Local Government Pension Employer Contribution rates.

RECOMMENDATIONS

To note the report.

REPORT DETAIL

1. Apprenticeship Levy

From April 2017 the way apprenticeships are funded is changing as part of a series of wider reforms to the apprenticeship system in England. Employers with a pay bill of more than £3m will be required to pay an apprenticeship levy. In England employers who pay the levy will be able to access funding for apprenticeship training and assessment via a new Digital Apprenticeship Service.

Available funding can be used to meet the cost of apprenticeship training and assessment against an approved apprenticeship framework or standard. This can

be for both existing employees as well as new starters. The training provider must be on the Register of Apprenticeship Training Providers.

This briefing summarises how the apprenticeship levy will typically work for schools. There are a variety of pay bill arrangements in the education sector so there is no single approach. Detailed guidance on paying the levy is yet to be published by HMRC.

The Government considers apprenticeships to be the cornerstone of the skills system and provide opportunities for all sectors, including education, and at all levels. The apprenticeship levy will boost economic productivity, while increasing the country's skills base and giving millions a step on the ladder of opportunity. Local authorities and schools are encouraged to work together, using the levy to meet skills gaps and plan future workforce needs.

2. Who pays the levy?

Community schools (including voluntary controlled schools)

Local authorities will be responsible for paying the levy in community schools they maintain where the local authority employs the staff and pays National Insurance contributions (NICs). Such staff will be counted as part of the local authority's payroll. As in most other local authorities Havering will pass the cost of the levy to be on to schools in the same way that employer National Insurance and superannuation is. Where the local authority is the employer, schools will have access to funding for apprenticeship training, via the local authority's Digital Apprenticeship Service account.

Foundation and voluntary aided schools

Foundation and voluntary aided schools typically employ their own staff so they will be responsible for paying the levy.

Standalone academies

The Trusts of standalone academies will typically be responsible for paying the levy where they are the employer responsible for paying Class 1 secondary NICs.

Academies that are part of multi-academy trusts

Multi-academy trusts (MATs) generally employ the staff in their academies, and will be responsible for paying the levy.

Schools that do not pay the levy

The government will pay 90% of the cost of apprenticeship training and assessment for:

- employers that have a pay bill of less than £3m and
- those that have used all the funds in their digital account.

The employer will be required to pay the remaining 10%.

3. Apprenticeship roles available

Apprenticeships are available in many job roles within schools, including teaching assistants, business administration, management, science and ICT technicians. Early work on developing a Teacher apprenticeship standard is also underway, led by a group of schools coordinated by the Teaching Schools Council. There is not

yet a firm timescale for the introduction of a teaching apprenticeship, but we expect more information to become available in the New Year. In addition a consortium of schools led by Hughenden Primary in Buckinghamshire, are developing a Teaching Assistant apprenticeship standard and assessment criteria. The aim is to have this in place by the end of 2017.

4. Public Sector Duty

- As part of the 3 million starts commitment, we want to expand the number of apprenticeships within the public sector. This will improve the capacity and capability of the public sector, ensuring that it benefits from the same positive impacts as in the rest of the economy and enable more people to achieve their potential.
- As part of this we want to encourage Local authorities and schools to work together, using the levy to meet skills gaps and plan future workforce needs.
- The government has therefore proposed targets for public sector organisations, including publicly funded schools, to increase the number of apprentices they employ. Details of how this will work are being finalised. The government's response to the consultation will be published in due course.

5. Financial impact on school budgets

The apprenticeship levy is charged to employers at 0.5% of the payroll bill when it is above £3m. This cost is to be passed on to schools on the basis of the schools own payroll bill. Details of how this will be charged are yet to be determined but for a school with a salary budget of £1m the additional cost will be £5,000. Schools should account for this in their budgeting for financial year 2017-18. The 0.5% is to be charged on the basic salary cost only, excluding on costs.

6. Local Government Pension Contributions

The current employer contribution is 26.2%. From 1 April 2017 increased rates will be applied to the schools payroll as follows:

- 29.6% for 1 April 2017 to 31 March 2018
- 31.0% for 1 April 2018 to 31 March 2019
- 32.3% for 1 April 2019 to 31 March 2020

7. Combined financial impact on school budgets

The combination of the Apprenticeship Levy and increase in pension contribution will increase the costs of staffing by approximately 1.5% in 2017-18, 2.0% in 2018-19 and 3.0% in 2019-20. The pay award for 2017-18 is 1%.