

Report to: Schools Forum

Date of Meeting(s): 27th June 2017

Subject: Apprenticeship Levy

Report of: James Winterbottom – Director Children and Families

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Summary: To update Schools Forum on the Apprenticeship Levy

Implications:

*What are the **financial** implications?* A charge of 0.5% of basic pay for maintained schools and for non-maintained if payroll is in excess of £3m per annum

*What are the **staffing** implications?* n/a

Risks: n/a

Please list any appendices:-

Appendix number or letter	Description
N/A	

1. Introduction

- 1.1 At the last meeting of Forum it was requested that an update be provided on the Apprenticeship Levy and its impact on schools.
- 1.2 Our colleagues in HR & OD Services are currently developing the process for how schools will access levy funding for apprenticeships. The funding can be used to pay for training and assessment for apprentices. The new arrangements will be in place by September and a report will be brought to the next Forum in September.

2. Financial Implications

- 2.1 In Spring 2017 the way the government funds apprenticeships in England changed. Some employers are now required to contribute to a new apprenticeship levy from 6 April 2017, and changes have been introduced to the funding for apprenticeship training for all employers since May 2017.
- 2.2 The apprenticeship levy is set at 0.5% of payroll and requires all employers operating in the UK, with a pay bill over £3 million each year, to make an investment in apprenticeships. It is calculated on the total value of payments to employees that are subject to employer class 1 secondary national insurance contributions. Therefore any pay/deduction code that makes up the pay that NICs are calculated on. All employers get a £15,000 allowance to offset against the first £15,000 of levy liability. This means that only employers with a pay bill of over £3 million each year will actually pay the levy.
- 2.3 There are no exceptions for apprenticeship levy liability. However, the type of school affects who is considered to be the employer for the purposes of the levy, and so who actually accrues the levy liability varies between set-ups.

- Community schools

Where a school is a community school maintained by the Local Authority, the Local Authority is the employer. It is the LA who has the responsibility to pay 'employer' Class 1 secondary National Insurance contributions (NICs) on the earnings of the school staff, and so these earnings will be considered as part of the LA's pay bill for levy liability calculation. Here the LA gets the £15,000 allowance.

The authority will calculate the 0.5% payable by the school based on budgeted payroll figures and will charge this amount to the school in September. For VA schools over the £3m and which use the Authority's payroll service a separate payroll run has had to be created. There are three schools which this applies to.

- Standalone academies

With an academy, the governing body of the academy is the employer with the responsibility to pay Class 1 secondary NICs. They will therefore accrue levy liability based on the pay bill of the academy. They will have one £15,000 allowance.

- Academies that are part of multi-academy trusts

Multi-academy trusts (MATs) encompass multiple academies. In a MAT, it is the MAT itself that is the employer of the staff at any academies that are encompassed by it. This

means that it is the MAT that accrues the levy liability based on the pay bill of all the academies, and gets one £15,000 allowance to offset against its liability.

- Foundation schools

Foundation schools employ their staff in the same way as academies, i.e. the governing body is considered to be the employer for the purposes of Class 1 secondary NICs. Therefore they will accrue and pay levy liability based on their own pay bill. They will have one £15,000 allowance.

3. Conclusions

3.1 Forum to note the content of the report