

# Report to Employment Panel

Agenda  
Item:  
  
**A.1**

Meeting Date: 23<sup>rd</sup> August 2016  
 Portfolio: Finance, Governance and Resources  
 Key Decision: No  
 Within Policy and Budget Framework YES  
 Public / Private Public

Title: APPRENTICESHIP LEVY  
 Report of: Director of Resources  
 Report Number: RD22/16

**Purpose / Summary:**

This report highlights the potential impact of the Apprenticeship Levy on Carlisle City Council. Consider implications regarding current Apprenticeship arrangements and impact on future Apprenticeship arrangements.

It also highlights the requirements of the Public Sector Apprenticeship scheme including targets and conduct risk assessment (once clarity on actual targets and calculation of received).

**Recommendations:**

Note that HR will track future announcements regarding Apprenticeship Levy, ensure Apprenticeship recruitment included within workforce design and ensure using appropriate Apprenticeship frameworks and delivery partners to enable drawdown of Levy paid. Also monitor the debate on Public Sector Apprenticeship Targets and ensure the Council has mechanisms in place to comply with requirements.

**Tracking**

Executive:	<b>Not applicable</b>
Overview and Scrutiny:	<b>Not applicable</b>
Council:	<b>Not applicable</b>

## **1. BACKGROUND**

### **Levy**

- 1.1 From April 2017 the way the government funds apprenticeships in England is changing. Some employers will be required to contribute to a new apprenticeship levy, and there will be changes to the funding for apprenticeship training for all employers.
- 1.2 The apprenticeship levy requires all employers operating in the UK, with a pay bill over £3 million each year, to make an investment in apprenticeships, but also benefit from this investment by training apprentices.
- 1.3 The apprenticeship levy is paid if an employer, in any sector, has a pay bill of more than £3 million each year. For the purposes of the levy, an 'employer' is someone who is a secondary contributor, with liability to pay Class 1 secondary National Insurance Contributions (NICs) for their employees.

## **2. IMPACT ON CARLISLE CITY COUNCIL**

- 2.1 The levy will be charged at a rate of 0.5% of the annual pay bill. We will have a levy allowance of £15,000 per year to offset against the levy we must pay. This means we will only pay the levy if our pay bill exceeds £3 million in a given year.
- 2.2 We will pay the levy on our entire pay bill at a rate of 0.5%. However, we will have a levy allowance to offset against this. The levy allowance is worth £15,000 for each tax year. This means the levy is only payable on pay bills over £3 million (because  $0.5\% \times \text{£}3 \text{ million} = \text{£}15,000$ ).
- 2.3 Finance have carried out a modelling exercise based on current information and staffing costs which has resulted in £45,000 being added to budget (recurring). Please note this figure will increase or decrease in line with any change to the pay bill.
- 2.4 Once we have paid the levy to HM Revenue and Customs (HMRC) we will be able to access funding for apprenticeships through a new digital apprenticeship service account.

- 2.5 We will be able to use this to pay for training and assessment for apprentices in England. The service will also help find training providers to develop and deliver apprenticeship programme.
- 2.6 The government will apply a 10% top-up to the funds we have for spending on apprenticeship training in England. They will apply the top-up monthly, at the same time the funds enter a digital account.
- 2.7 The Council currently has two Apprenticeships in place; existing Apprenticeships will not be affected by the new process.
- 2.8 Apprentices who have been accepted on to an apprenticeship programme before April 2017 will be funded for the full duration of the apprenticeship under the terms and conditions that were in place at the time the apprenticeship started.
- 2.9 This will be the case for apprentices following programmes underpinned by both apprenticeship 'frameworks' and new 'apprenticeship standards'. Where the apprenticeship requires us to make a payment to the provider or to the Skills Funding Agency, this will continue at the same rate.
- 2.10 If we are spending funds in our digital account, or accessing funding through co-investment, we can only spend it with an approved training and /or assessment provider. All employers will be able to access a register of approved training providers through the digital apprenticeship service.
- 2.11 Public sector bodies will need to comply with Public Contracts Regulation 2015 when selecting a provider and an assessment organisation from the approved registers.
- 2.12 As we pay the levy, we may find that over the course of an apprenticeship the funds in our digital account aren't enough to cover the full cost of the apprenticeship training and assessment. When this happens, we will set a price with the training provider and the government will provide some government support to help meet the additional costs. Support is available, up to the maximum amount of funding available for that apprenticeship. It is highly unlikely that this will apply to the Council unless we select a high cost Apprenticeship framework such as engineering etc.
- 2.13 We will be asked to make a contribution to the extra cost of training and to pay this directly to the provider. We will be able to spread this contribution over the lifetime of

the apprenticeship. As both employer and government make a payment, called 'co-investment'.

2.14 Further information will be available over the next six months.

### **3.BACKGROUND**

#### **Targets**

- 3.1 The Government has committed to deliver three million apprenticeships by 2020. With ministers insisting "the public sector needs to improve from its current position of delivering comparatively fewer apprenticeships than the private sector" , legislation recently passed in The Enterprise Act gives the Secretary of State powers to set public bodies individual apprentice targets.
- 3.2 The target is proposed to be a minimum 2.3% starts each year based on the headcount of employees working for a body in England.
- 3.4 The intention is to use the Office for National Statistics (ONS) classification for public sector organisations for National Accounts as a starting point. Proposing that the duty applies to public bodies that have 250 or more employees in England to ensure it is practicable for organisations to achieve.
- 3.5 Headcount is currently considered as the basis of the target however, a further option could be to use Full Time Equivalent (FTE) numbers this would reduce the number of apprentices that would be delivered by the 2.3% target.
- 3.6 To ensure public bodies are having regard to the target and in order to increase transparency there will be a duty for public bodies to publish information on progress towards meeting the apprenticeships targets annually. Public Bodies will also be required to publish and send additional supporting information to the Secretary of State to understand more about the recruitment and retention of apprentices.
- 3.7 As the regulations need debating following passage of the Bill, it is unlikely that the duty will come into force before September 2016, therefore proposed target periods for the duty are as follows:
  - Date duty comes into force until 31 March 2017;
  - 1 April 2017 to 31 March 2018;

- 1 April 2018 to 31 March 2019;
- 1 April 2019 to 31 March 2020

#### **4. IMPACT ON CARLISLE CITY COUNCIL**

- 4.1 The levy will pay for training and not pay; the introduction of the target will have a major impact on budgets and workforce profile, depending on how the target is introduced.

#### **5. CHANGES PROPOSED**

- 5.1 HR will track updates and investigate opportunities for Apprenticeships to ensure the levy paid is accessed and to support workforce design.
- 5.2 HR will monitor finance implications as workforce increases and decreases over time.
- 5.3 Also ensure Council utilise appropriate support when recruiting and developing Apprentices.
- 5.4 Prior to making changes to workforce planning the Council will monitor progression and up to date requirements of the proposals to ensure appropriate compliance whilst managing workforce budgets.
- 5.5 Once scheme in place HR will ensure Council recruit Apprenticeships in line with timeframe to hit proposed targets.
- 5.6 Ensure Council report as required on numbers of Apprenticeship working for the Council.

#### **6. CONSULTATION**

- 6.1 This is not a change to terms and conditions and therefore does not require consultation.

#### **7. CONCLUSION AND REASONS FOR RECOMMENDATIONS**

- 7.1 This levy is a legislative change.

## **8. EQUALITY IMPACT ASSESSMENT**

8.1 Potentially a positive impact on diversity regarding age profile of the Council workforce.

## **9 CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES**

9.1 The commitment to recruitment of Apprentices contributes to the creation of a motivated and committed workforce to deliver the Carlisle priorities.

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**Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:**

### **CORPORATE IMPLICATIONS/RISKS:**

**Chief Executive's –Not applicable**

**Deputy Chief Executive's – Not applicable**

**Economic Development – Not applicable**

**Governance – Not applicable**

**Local Environment – Not applicable**

**Resources –There has been a commitment made in the budget for the funding of the Apprenticeship levy. This has been estimated at £45,000 after allowances. This will fund training for apprentices, however it will not fund pay costs. There could be further budgetary pressures through the government commitment to ensure all public sector bodies increase their use of apprentices. This will need to be considered when setting the budget for 2017/18.**