**Apprenticeships for Schools – Impact of the Apprenticeship Levy and Public Sector Target**

***What is the Apprenticeship Levy?***

In order to help meet its target of 3 million apprentices by 2020, the government plans to introduce, from April 2017, an **Apprenticeship Levy** (i.e. a tax) on all large (public or private sector) employers defined as those employers with a wage bill of over £3m. This includes all maintained schools that remain part of their local authority and larger academy trusts. The levy will be collected monthly by HMRC via the PAYE system and converted into digital vouchers that can **only** be spent on apprenticeship training.

***What is the Public Sector Target?***

In addition, the Government has proposed that **ALL** public sector employers with over 250 staff should recruit 2.3% of their staff to apprenticeships every year. These employers will need to submit a report to government detailing their progress towards this target and explaining any reasons for failing to meet the target. Again, schools will be included in this target if they remain within the local authority, or if they are a very large institution, part of any legally recognised grouping, or a Multi-Academy Trust that has in excess of 250 staff.

***What will be the impact on my School?***

**Schools** – As currently proposed, all maintained schools that remain part of their local authority **will** be included in both the levy and the public sector target because they are counted as being part of a local authority’s wage bill and their employees treated, for the purposes of the levy, as council employees.

This means that 0.5% of each school’s annual wage bill will contribute to the aggregate sum that the council will pay (along with the wage bill for other council employees) as its contribution to the Apprenticeship Levy. Sheffield City Council will be required to co-ordinate the payment of the levy on behalf of all maintained schools for which it remains responsible. It will not be expected to undertake this role for academies.

If a larger employer, such as a local authority or a larger private business fails to take on apprentices to the value of the levy that it has paid, the money is retained by government. Sheffield City Council intends to organise the recruitment of apprentices within the organisation to both meet its public sector target and to maximise the funding that government will make available to it to train apprentices through access to the digital vouchers. There is an opportunity for schools to utilise the vouchers to which they are eligible either individually, collectively, or in partnership with the council. The council will consult with schools and Learn Sheffield about the way that they wish to proceed early in the 2016/17 academic year. The advent of a new prime minster, the transfer of responsibility for apprenticeships from BIS to DfE and the delayed technical guidance (some of which is still subject to consultation) that was eventually published in August (promised in June), would have raised more questions than could have been answered in the 2015/16 academic year. Colleagues might have noted also speculation in the press that attempts to revive economic growth might include a delay in introducing the levy, although there has been no indication to date that the new government is considering this.

There are approximately 35 apprentices currently employed across schools that remain within the local authority. In order to meet the public sector target and take advantage of the levy spend, every Sheffield school that remains part of the local authority would need to employ, **on average,** 2.5 apprentices each year. In reality, the number will vary widely from institution to institution depending on its wage bill. The council will need to work with schools and Learn Sheffield to establish the contribution that each institution that is still part of the local authority should make to the public sector target and to determine the impact on individual school budgets of paying a contribution to the levy.

Achieving the public sector target does not necessarily mean taking on new staff – the upskilling or re-skilling of existing staff who are not graduates is an option and could work as an added boost to existing training and development planning in the council and schools. It is worth noting that the government is promoting vigorously the expansion of higher and degree level apprenticeships and universities and colleges are beginning to respond by converting their existing courses, or some vocational degrees to these higher level apprenticeships.

***How does the levy affect freestanding Academies/Free Schools/Foundation Schools/Voluntary Aided Schools?***

According to the provisional guidance, the majority of institutions that fall into this category will **not** be in scope for the levy or the public sector target unless they are very large schools that have more than 250 employees. However, if any schools do find that they are in scope for the levy and the public sector target they will need to work out:

* the cost of the levy
* the number of apprentices needed to fulfil the target obligation.

***How are Multi Academy Trusts (MATs)******affected?***

Schools that are part of a MAT will be subject to the levy and the public sector target if the MAT, as is more likely, has in excess of 250 employees. MATs in scope for the levy and the target will, likewise, need to calculate the cost and the number of apprentices that they are expected to take on.

***Next Steps***

The council will work with Learn Sheffield, to help the city’s schools develop an apprenticeship strategy that helps them prepare for the Apprenticeship Levy and the Public Sector Target to which they will be subject and it will set out the implications of the technical guidance as it is released and finalised (further updates are due in September, October and December 2016).