

Report to the Cabinet

Meeting to be held on Thursday, 10 August 2017

Report of the Head of Service, Skills, Learning and Development

Part I

Electoral Division affected:
None

Schools Apprenticeship Levy

Contact for further information:

Pam Goulding, 07740392946, Head of Service – Skills, Learning and Development
pam.goulding@lancashire.gov.uk

Executive Summary

The Government aims to recruit 3 million quality apprentices by 2020 and to support their aim, the Apprenticeship Levy was introduced in April 2017 for all employers with a pay bill of over £3 Million. The first payments have been made to HMRC from the April 2017 payroll from both Lancashire County Council and Lancashire Community and Voluntary Controlled School payrolls on an approximate 50:50 basis. The Education, Skills Funding Agency then make payment of the Levy into a single Apprenticeship Levy account for Lancashire County Council (LCC). This account is managed and operated by Skills, Learning and Development (SL&D) service, which provides the only access to this funding for the Authority and for Schools.

It is proposed that SL&D service continue to work with Lancashire Schools through the Lancashire Schools Forum (LSF) to establish working practices to maximise the utilisation of the Schools element of the Apprenticeship Levy. The SL&D service will work with the LSF and others to explore and implement funding options to support this activity.

Recommendation

The Cabinet is recommended to give approval for:

- (i) Lancashire Schools to access Apprenticeship Levy funding through the Lancashire County Council Digital Account;
- (ii) The SL&D Service to establish mechanisms for delivery, governance and operating protocols with Lancashire Schools through the LSF;
- (iii) SL&D to work with LSF to explore funding options to assist in supporting this activity.

Background and Advice

The Apprenticeship Levy came into force on 1 April 2017 and it changes the way that the government fund apprenticeships with its introduction. The Levy is paid at 0.5% of the pay bill minus a Levy allowance of £15,000 for each tax year. It is Lancashire County Council's (LCC's) responsibility to submit one payment to HMRC via the PAYE system on a monthly basis which will be converted into digital vouchers where a 10% top up will be added by the government and will be returned to LCC by Education, Skills Funding Agency (ESFA) through a digital account.

LCC is fully compliant and meets all statutory requirements in respect of payment of the levy via its various payrolls. Lancashire Community and Voluntary Controlled Schools also pay into the LCC levy.

The approximate split for payments between LCC and Schools is 50:50. As an indicative figure, the first monthly receipt derived from the April payroll equates to a total funds available to LCC within the digital account of £233,030.

The SL&D service are registered with the ESFA to monitor the account on behalf of LCC. The Levy funds can only be used solely for apprenticeship training and assessment. The funding cannot be used to cover administrative costs, salaries, statutory licences to practice, travel subsidiary or managerial costs or traineeships. Additional resources will be required to administer the Levy account which is expected to realise in the region of £3.0m per year. The total resource requirement is expected to include: Grade 9 support and management (part), 3x Grade 6 (part) and 2 x Grade 4 (full); this will include both existing and new staff, and where appropriate these will be apprentices.

Schools can only access the Levy through the LCC Digital Account managed by SL&D service and any subsequent work with apprentices and the providers of the training will be through this service. This will include the procurement, management and monitoring of providers on behalf of Schools, as well as regular reporting on the commitment of the available Levy. It is envisaged that decisions regarding the commitment of the Schools element of the Levy will be made following a set of principles to be agreed through the LSF following a period of consultation with schools.

Requests by the Schools have been limited to date and have been managed by SL&D service on an interim basis; however, it is expected that demand will soon increase. Discussions are on-going with the LSF but a decision is required on the basis for this discussion with regards to the approval of schools access to the Levy.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Significant implications for schools and the on-going funding of apprenticeships if their access to the LCC Digital Account is not agreed.

Schools will not be able to continue to work with individual providers in the same way as they have previously. Whilst existing commitments will be honoured all new relationships will be managed through the SL&D service to ensure full compliance with the requirements of the ESFA and Procurement Regulations. It is likely that there will be issues and concerns that will need to be managed through an initial transition period and schools will receive support and guidance from SL&D service through this period and beyond.

Financial

The current and proposed future costs of supporting the administration of the Apprenticeship Levy are presented below:

Current staff resources allocated to managing the apprenticeship levy work stream within Skills, Learning and Development:

1 x Grade 9 (approx. 50%) £44,420 @50% = £22,210

1 x Grade 6 (FTE) £28,114

1 X Grade 3 (FTE) £19,509

Current cost = £69,833

Additional Staff:

Replacement of existing Grade 3 post with Grade 4 (increased cost of £1,680) and;

Additional 1 x Grade 6 (full time) £28,114

Additional 1 x Grade 4 (full time) £21,189

Total Cost = £120,816

The additional staff resources are a current estimate and will be dependent upon the final delivery model agreed with the LSF.

As the Government moves towards the introduction of a Schools National Funding Formula (SNFF) which is used to decide how much money should be given to English state schools every year, the School and Early Years Finance (England) Regulations are placing much tighter restrictions on any local flexibility around the use of the Dedicated Schools Grant (DSG).

Ahead of the conversion to the SNFF, which is expected to commence from April 2018, the Government have reduced the level of the former Education Services Grant (ESG) available and included this as transitional funding in the DSG in 2017/18. The LSF have agreed that the total amount identified as former ESG can be passported to the County Council in 2017/18, which equated to £2.59m.

In addition, the Regulations 2017 prescribe the classes or descriptions of expenditure that can be charged to the Schools Budget. Support for the school focused requirements of the Apprenticeship Levy are **not** included in allowable expenditure. The Education and Skills Funding Agency (ESFA) has also been increasing pressure on Local Authorities to reduce historic commitments from the DSG that contribute towards school focused services and have indicated that they will be monitoring statutory financial returns from LAs to check that this kind of expenditure is reducing and that no new commitments are being entered into.

Within this context it can be seen that direct funding of 50% of the cost of the administration of the Apprenticeship Levy is complex. The LCC is currently investigating funding options for this activity.

Risk management

The on-going management and monitoring of payments in to and commitments out of the Digital Account will be critical. A monitoring system has been established by the SL&D Service with guidance from Finance and Audit departments. This enables the Levy Account to be managed on behalf of both LCC and Schools with separate reports.

It is possible that there will be challenges regarding decision making in the future as the Lancashire Schools element of the Levy becomes committed. This will be especially significant as and when the situation arises whereby all available Levy funds have been committed and not all requests from schools can be accommodated. Discussions with the LSF, and wider consultations to establish principles and protocols will help manage this process.

List of Background Papers

Paper	Date	Contact/Tel
Skills Development within Lancashire County Council – Apprenticeships, Graduates and Trainees Report to Scrutiny Committee	17 th March 2017	Pam Goulding 07740 392946

Reason for inclusion in Part II, if appropriate

N/A