

Cynulliad Cenedlaethol Cymru / National Assembly for Wales

Pwyllgor yr Economi, Seilwaith a Sgiliau/ Economy, Infrastructure and Skills Committee

Yr Ardoll Brentisiaethau yng Nghymru / The apprenticeship levy in Wales

Ymateb gan Cymdeithas Llywodraeth Leol Cymru/ Evidence from Welsh Local Government Association

### **Question 1 - What are the implications of the introduction of the UK Apprenticeship Levy for employers in Wales?**

There are significant financial implications for local authorities in Wales due to the introduction of the Apprenticeship Levy.

All local authorities have a pay bill in excess of £3.0million and therefore will need to pay the 0.5% levy.

There are already significant pressures upon local authority budgets and the Levy will cost authorities in Wales an additional collective amount of £18m, which is 9% of the total pressures facing local government in 2017-18.

It is the understanding of the WLGA that none of this amount will be returned to Welsh local authorities.

### **Question 2 - Will there be different implications for public sector and private sector employers?**

Local Government will be faced with reduced budgets for the provision of vital public services (as defined in Q1) and without the means of raising additional funding to meet any shortfall, this will inevitably result in some difficult decisions for local authorities. Whilst there is the potential for private enterprises to meet these pressures by increasing the cost of the products and services they supply to absorb the levy. The levy will create pressures in both environments but the implications are different.

### **Question 3 - Are there any specific implications for employers who operate both in Wales and also throughout the UK (that you have not previously referred to in your response)?**

Local authorities in Wales only operate within Wales but there may be issues for those border authorities whose staff may live in England but work for Welsh authorities. Clarity is needed on the access to apprenticeship schemes, including funding for those employees resident in England and also the consistency of standards and outcomes of the training schemes between Wales and England, including their mutual recognition and portability between both nations.

### **Question 4 - If you have concerns about the funding of apprenticeships after the introduction of the UK levy, what would you like the Welsh Government to do to address your concerns?**

The WLGA does not support the levy and sees this as no more than an additional tax burden and workforce cost. There is unlikely to be any significant or additional return as a result of the payment of the levy.

Welsh Government will also be aware that Local authorities' services include those provided by schools. The legislative framework that applies in Wales is that local authority maintained schools have a Governing body who are funded to run the

school. This includes being wholly responsible for the hiring and firing of staff who work within the school. The schools landscape in Wales is very different to that in England where there is a large number of schools with Academy status.

However, it is the view of HMRC that local authority maintained schools form part of the local authority staff complement and as such will be liable for payment of the levy out of the money that is devolved to them. The pay bill of individual schools in the vast majority schools will fall below £3.0million threshold.

This is stark comparison to academy and other non-maintained schools who will not be liable to pay the levy as they will be treated as separate employers for the purposes of the levy.

The WLGA believe that this disproportionately affects smaller schools particularly in rural areas where there are only a handful of staff and the pay bill falls well short of £3.0 m threshold. These schools will be liable for the payment of the Levy whilst a host of larger organisations, schools and companies will not.

It is also worth noting that where local authorities pay the salaries of teachers it does so out of the school's budget on their behalf.

The WLGA would like Welsh Government to raise this issue with UK government as unfair and inconsistent.

There is also softer argument to be made in terms of schools that the main element of the calculation of their pay bill – teachers – are unable to access Apprenticeships schemes as the career pathway for teachers does not involve apprenticeship schemes. It is accepted that there are other non-teaching apprenticeships available.

**Question 5 - What, if any, are the cross-border funding and policy issues which arise from the introduction of the Apprenticeship Levy (that you have not previously referred to in your response)?**

See 3 and 4 above

**Question 6 - Do you have any views about how the Welsh Government has engaged with employers with regard to the Apprenticeship Levy?**

There has been some engagement by Welsh Government with local authorities more latterly on this issue. However, it is worth noting that this has been a UK government issue and there has been a sense of reluctance by Welsh Government to issue any formal advice and guidance on this matter unless asked to do so. This has caused some frustration and confusion.

The line from Welsh Government has been 'business as usual' which may have led to some misunderstanding in authorities of the impact of the Apprenticeship Levy given the very different approach being taken in England.

A clear statement to confirm that Apprenticeship places would/should continue to be accessed in the usual way and with guidance for employers on how to do so would have been useful.