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TBAP Trust

Audit Findings Report

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Year Ended 31 August 2016

1. Introduction and Executive Summary

This report summarises our key findings in connection with the audit of the financial statements of TBAP Trust for the year ended 31 August 2016.

We would like to take this opportunity to thank Nathan Crawley-Lyons, Deepa Martin and the team for their assistance during the course of our work.

Our audit approach

Our work was planned and performed in order to issue an audit opinion on the financial statements in accordance with International Standards on Auditing (UK and Ireland) (“ISAs”) and the terms of our letter of engagement.

Limitations

Our audit procedures, which have been designed to enable us to express an opinion on the financial statements, have included an examination of the transactions and the controls thereon.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

We have included in this report only those matters that have come to our attention as a result of our normal audit procedures and, consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Overall conclusion and opinion

At the time of issuing this report we anticipate issuing an unqualified opinion, without modification on the financial statements.

2. Audit risks and key judgement areas identified during planning

We set out below the key areas of focus for our audit identified at the planning stage and the conclusions of our audit work:

Audit risk/key judgement area	How we addressed this	Commentary
Presumed risk in revenue recognition We are required to consider and respond to the risks of improper revenue recognition.	Detailed testing was performed on the income recognised in the period covering the accuracy, completeness, cut off and occurrence.	Results of planned audit work considered to be satisfactory in this area.
Presumed risk of management override We are required to consider and respond to the risks arising from management override of controls.	We reviewed the appropriateness of general journal entries posted throughout the year and at the year-end for the preparation of the financial statements. Accounting estimates were reviewed for potential bias. The business rationale for unusual or significant transactions outside the normal course of business for the company were evaluated.	Results of planned audit work considered to be satisfactory in this area.
Transition to FRS102/new Charities SORP Transitional adjustments may not be correctly processed, transitional disclosures may be inaccurate and revised accounting policies may not be appropriate or have been applied incorrectly. Presentational changes and additional disclosure requirements to the Directors' Report and financial statements may not have been made.	Assessment of accounting policies; Specific testing of restated amounts; Review of transitional disclosures, including ensuring changes to narrative reporting have been completely addressed.	Results of planned audit work considered to be satisfactory in this area.

Audit risk/key judgement area	How we addressed this	Commentary
Surplus/deficit on conversion to part of multi-academy trust Surpluses/deficits on conversion may not be correctly included and reflected in the accounts.	Substantive testing to ensure surpluses/deficits have been accurately included in the accounts and correctly disclosed.	Results of planned audit work considered to be satisfactory in this area. See **section 3.1** for further information.

3. Accounting and Audit Matters

3.1 Qualitative aspects of accounting practices and financial reporting

Transition to the new Charities SORP (FRS102)

The new Charities SORP (FRS102) has affected the Trust's financial statements for the year ending 31 August 2016. We have set out below the key changes that the transition to the new SORP from SORP 2005 has had on the charitable company's accounts.

Accounting adjustments and accounting policies:

Income Recognition

Under the 2005 Charities SORP there were three basic criteria for the recognition of income: measurement, entitlement and certainty. Under the new SORP the latter criteria has been amended such that income should be recognised when its receipt is 'probable' rather than 'virtually certain'. The remaining two criteria of measurement and entitlement are unchanged.

We reviewed income recognition in both 2015 and 2016 and have found no evidence of any transitional adjustments arising from this change in criteria.

Key management remuneration

The total remuneration paid to key management personnel in the year is required to be disclosed in the 2016 accounts. The new SORP does not give a specific definition of key management personnel so it is at the Directors' discretion as to which staff are included, although this must be consistently applied year-on-year.

The disclosure does not require that remuneration is split according to each staff position, only a total need be disclosed.

Redundancy payments

The SORP (FRS102) requires that the total of redundancy and termination payments made to staff should be disclosed. We understand that there were none in the year to August 2016.

Defined benefit pension scheme

There is a change in calculation of the defined benefit pension scheme finance cost and actuarial gain or loss under FRS 102. Although the comparative balance sheet and net asset position have remained unchanged, an adjustment to increase the reported actuarial loss in the Statement of Financial Activities of £21,000 has been made. Consequently, an increase in finance cost within expenditure of £16,000 and administrative expenses of £5,000 have also been made to the comparative figures.

Directors' Report changes:

Risk management

The statement concerning risk management made by larger charities is no longer required under the new SORP. Larger charities are instead required to provide a description of the principal risks and uncertainties facing the charity, as identified by its trustees, together with a summary of their plans and strategies for managing those risks.

Reserves policy

The Directors are required to disclose their policy on reserves for each class of fund that the Trust holds, including the purpose and proposed timescale for expenditure of any designated funds.

Remuneration of key management personnel

The Directors' Report must disclose the Trust's arrangements for setting the pay and remuneration for its key management personnel, including the details of any benchmarks, parameters or criteria used in this process.

Presentational changes:

There are a number of line heading changes within the Statement of Financial Activities ("the SoFA") and within the Statement of Cash Flows.

Governance costs are no longer shown separately on the SoFA and are instead included as part of support costs.

SORP 2015 requires that the Trust shows comparative figures for all numbers disclosed in the SoFA, including movements on unrestricted and restricted funds. This has been complied with by inserting details within the notes to the accounts.

BT payroll processing

BT took over the preparation and payment processing of the Trust's payroll from April 2015. As with the prior year, we note that there have been a number of difficulties arising from the transfer. These have included poor reporting from BT, payments not being taken and failure to provide reconciliations between payments taken to payroll records. We note that the Trust continues to receive payroll reports monthly from 3BM, as they did previously when the payroll was prepared by the local authority and use these reports to post payroll costs to the Nominal Ledger.

The Trust maintains a payroll control account into which the payroll liabilities and associated bank payments (taken by BT) are recorded. The balances in these control accounts was reconciled to within a tolerable margin to the payroll records and known outstanding payments at year end. A significant amount of time has been spent on this issue by the Trust.

Conversion of Octavia, Cambridge and Unity

During the year Octavia, Cambridge and Unity joined TBAP. On conversion Unity and Cambridge transferred the surpluses of £261,541 and £43,513 respectively. We have reviewed the transfer documentation made available to us during the audit, and are satisfied that these amounts have been correctly reflected as an unrestricted donation within the financial statements totalling £305,054. Octavia did not have any transfer of funds on conversion.

On these conversions the Trust inherited the various fixtures and fittings owned by the predecessor organisations. The Academies Accounting Direction suggests that any material items should be brought in as a donation in kind and shown within the balance sheet.

As these assets would be valued at their depreciated cost, the Trust has taken the view that none of the assets received from the predecessor organisations would be material and hence no donation in kind has been recognised.

On conversion of the schools into the Trust, a deficit for the LGPS was also inherited of £332,000.

Capitalisation of Long-Term Leases

The Trust has a 125 year lease agreement in place in respect of the Octagon, Beachcroft and Courtyard sites over the use of the land and buildings. As these leases transfer the risks and rewards of ownership of the land and buildings to the Trust it has been recognised on the balance sheet as a fixed asset.

Cambridge has also signed a 125 year lease agreement. The property was valued for £6,635,000, and this has been recognised in the accounts as a donation on conversion.

Octavia and Unity also have 125 year lease agreements that are due to be signed. Once signed, the land and buildings should be brought into the accounts at fair value (a reasonable estimate of the current value the Directors would have to pay in an open market for an equivalent item). A valuation will need to be completed for these leases to determine the value included in the accounts.

The Bridge, Latimer and Broadfield House currently constitute short term leases hence no valuation or capitalisation was required.

There is no rent charged for the use of the land and buildings. In these circumstances, the charities accounting guidance (SORP) suggests recognising a gift in kind. This would involve recognising an estimate of the market value of the rental cost and a gift in kind for the same amount. There would be no impact on the surplus.

The Trust has taken the decision not to recognise this gift in kind, in line with the prior years.

VAT Debtor

From our review of the VAT debtor reconciliation, there were three amounts which related to prior periods. These were:

- 2014/15: £1,313
- 2013/14: £4,474
- 2012/13: £3,925

These relate to older VAT reclaims where the monies have not yet been received. These were highlighted to management in the prior year and from our discussions with the finance team, we understand that these amounts are expected to be received, and HMRC have been contacted.

3.2 Unadjusted Misstatements

There were no unadjusted misstatements which were noted as part of our audit other than clearly trivial items.

3.3 Letter of Representation

International Standards on Auditing require us to obtain written representations from the Directors when you approve the accounts. The letter contains only standard matters with no additional items specific to TBAP Trust, other than the following:

- We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date; and
- We confirm that the 125 year lease for Octavia and Unity have not yet been signed.

Seamus Oates, in his role as Accounting Officer, will be required to sign the letter of representation.

3.4 Limited Assurance Report on Regularity

We are required to give a limited assurance report on regularity. Following the completion of our work, we confirm that we expect to issue an unmodified report on regularity and that there were no limitations in the scope of our work.

3.5 Accounts Return

The Trust's Accounting Officer, Seamus Oates, is required to provide an Accounts Return for 2015/16 to the EFA. We will be required to give an assurance report on this return, once completed. The deadline for submission of the return is 28 February 2017. This Accounts Return 2015/16 is additional to the Trust's duties under statute and its funding agreement with the Secretary of State to produce audited financial statements for academic year 2015/16, as set out in the Accounts Direction 2016.

3.6 Timetable for year end reporting

Action required	**Date**
Submit signed financial statements and Audit Findings Report to EFA	By 31 December 2016
Publish financial statements on website*	By 31 January 2017
Complete and submit Accounts Return to EFA	By 28 February 2017
File financial statements with Companies House	By 31 May 2017

* The academy should retain accounts in respect of at least the previous two years on its website.

4. Detailed control points

During the course of our audit we identified a number of detailed control points that we feel need to be brought to the attention of the Directors. These points are set out below, along with certain recommendations for improvements or corrective action as well as an update on the status of matters identified in previous years' audits:

Current year

Risk Level	Issue	Risk	Our comments	Management response
MEDIUM	**Petty cash** During our testing we could not agree one petty cash transaction to supporting documentation, such as a receipt.	There is a risk that incorrect or unauthorised purchases may be made, resulting in the misappropriation of funds.	We recommend that for petty cash expenses, petty cash forms are completed, with supporting documentation attached. These should then be reviewed and authorised.	The Finance Team will remind each school admin team to ensure all petty cash transaction has supporting document for all expenditure**.** ***Timescale:*** *December 2016*
MEDIUM	**Payroll variances** It was not always possible to agree staff salaries to supporting documentation. Differences were discussed the Human Resources department where they were able to offer explanations, but no supporting documentation.	The Trust should have up to date employment information in place for all employees to protect itself against any employment issues or disputes.	All payroll documentation should be updated to reflect any changes. These should be maintained on file.	All salary decisions to be reflected in Appointment Forms or annual performance progression outcome, with changes to be recorded in revised Annual Statement of Teacher Salaries or written confirmation to support staff. Documentation retained on individual file with HR. ***Timescale:*** *Immediate*

Prior year

Risk Level	Issue	Risk	Comments	Current year update
HIGH	**Bank account payments** It was noted that BT have access to make payments from the bank account of TBAP, without providing information as to what the payments relate to.	There is a risk of fraud and the misappropriation of funds.	We recommend that payroll providers provide detailed reconciliations between the payroll records and the payments drawn from the Trust's bank account so the Trust can verify monies drawn are appropriate.	*No change since the previous year's audit.* **Management response:** The new Payroll provider from January 17 will be sending the TRUST monthly list of debits with description from the TRUST bank account. **Timescale:** January 2017
MEDUIM	**Gift and hospitality** There is no gifts and hospitality register in place which records gifts and hospitality received by staff at the Trust.	Lack of register will make it difficult to monitor and effectively manage any situations where judgement is compromised.	In line with the Academies Financial Handbook, the Trust "should have a policy and register on the acceptance of gifts, hospitality, awards, prizes or any other benefit which might be seen to compromise their personal judgement or integrity; and should ensure that all staff are made aware of this". We understand that there is a policy in place, however recommend that a register is implemented documenting the above.	*No change since the previous year's audit.* **Management response:** We are implementing a gift register in each site. At year end this information will be consolidated for the whole TRUST. As per our policy we are stating only gifts with a value of £25 and above need to be registered. **Timescale:** December 2016

Risk Level	Issue	Risk	Comments	Current year update
MEDIUM	**Gifts provided by the Trust** There is no clear record of gifts provided by the Trust in the year.	There is a risk that gifts provided are not reasonable and correctly authorised. There is a further risk that such gifts may not be identified.	In line with the Academies Financial Handbook, "when giving gifts, the Trust must ensure that the value of the gift is reasonable, is within the Trust's scheme of delegation, the decision is fully documented, and has due regard to propriety and regularity in the use of public funds." We would recommend a gifts policy is put in place and any gifts are separately recorded within the trial balance so that they are easily identified. Documentation of the decision process, as noted above, should be recorded.	*No change since the previous year's audit.* **Management response:** Only the TRUST CEO is allowed to authorise gifts from the TRUST. We will be including the Gifts provided by the trust in the Gifts and Hospitality policy. The register for this will be held in the CEO office by the Executive Officer. **Timescale:** December 2016

Risk Level	Issue	Risk	Comments	Current year update
LOW	**Staff Contracts of Employment** For 18 employees selected as part of our audit testing, no signed contracts were held on file.	The Trust should have signed employment contracts in place for all employees to protect itself against any employment issues or disputes.	We recommend that a review is conducted and signed employment contracts are put in place for all employees.	*During this year's testing it was noted that 13 individuals' contracts selected were not signed.* **Management response:** There are gaps relating to pre-TBAP membership and some staff reluctant to sign even when encouraged. It is low risk – hence longer timescale. Audit of contracts for staff on standard TBAP terms. Signed copies to be obtained where these are missing. Review of pre-TUPE contract for other staff. **Timescale:** By September 2017
MITIGATED	**Credit card expenses and expense claims** One item of expenditure was noted as not having a purchase invoice and not being authorised. In addition, for another expense item, relating to the purchase of cupcakes, no purchase documentation was available.	There is a risk that incorrect or unauthorised purchase may be made, resulting in the misappropriation of funds.	We recommend that for credit cards and expense claims, expense forms are completed, with supporting documentation attached. These should then be reviewed and authorised. To further strengthen this control, credit card expenditure of the Senior Leadership Team should	*All credit card expenses and expense claims selected for testing had supporting documentation and evidence of authorisation.*

			be reviewed and authorised by the Executive Headteacher. Credit card expenditure of the Executive Headteacher should be presented to the Board for their review and approval.	

5. Emerging issues

The following are certain key issues which affect academies which have recently come into effect or are currently being debated and are likely to impact the sector within the next year.

Academies Financial Handbook 2016

In July 2016 the Education Funding Agency (EFA) issued a revised Academies Financial Handbook ('Handbook') which applies from 1 September 2016.

The Handbook is a key document for academy's management and trustees, setting out the responsibilities and requirements regarding financial governance and management. Compliance with the Handbook is a requirement of each academy's funding agreement.

The changes to the Handbook this year relate to a focus on the effectiveness and transparency of leadership and governance and also strengthening of messages in respect of internal controls. We detail below some of the key changes in the Handbook from the 2015 edition:

- Emphasis that boards of trustees should identify the skills they need and address any gaps through recruitment or training.
- In respect of registers of interests it has been confirmed that trust's:
    - **must** publish the relevant business and pecuniary interests of their accounting officer even if they are not a trustee
    - local governors should be included when identifying relevant interests from close family relationships
- Trusts **must** use Edubase to notify the Department of Education of appointment and vacating of the positions of member, trustee, local governor in a multi-academy trust, chair of trustees, chairs of local governing bodies, accounting officer and chief financial officer.
- Boards of trustees **must** ensure there is sufficient rigour and scrutiny in the budget management process to understand and address variances between budgeted and actual income and expenditure.
- Emphasis that exposure to investment products **must** be tightly controlled so that security of funds takes precedence over revenue maximisation.
- Trusts **must** have appropriate procedures in place for whistleblowing, including making sure all staff are aware to whom they can report their concerns, and the way in which such concerns will be managed.
- Emphasis that trusts should consider opting into the risk protection arrangement unless commercial insurance provides better value for money.
- Emphasis that the audit committee's (or other committee that includes the functions of an audit committee) oversight of its trusts **must** extend to the controls and risks at its constituent academies.
- Oversight by an audit committee (or other committee that includes the functions of an audit committee) **must** ensure that information submitted to DfE and EFA that affects funding, including pupil number returns and funding claims, is accurate and compliant.
- Emphasis that trusts **must** satisfy the conditions in the handbook in respect of staff severance payments and obtain the required approval **before** making a binding commitment to staff.

It is important that management and trustees are familiar with the requirements of the handbook.

Teachers' Pensions

In the March 2016 budget a change was announced which is expected to lead to an increase in the cost of unfunded public service pension schemes, including the Teachers' Pension Scheme. Specifically, a lower discount rate is to be utilised at the next scheme valuation which will lead to a higher net present value of future pension costs and therefore a higher liability to be covered by future contributions. The next valuation will be carried out between 2017 and 2018, the results of which are expected to be implemented from April 2019. The result of this is expected to be an increase in employer contributions from April 2019.

Charity Commission guidance to trustees

The publication of the Public Administration and Constitutional Affairs Committee's report into the collapse of Kids Company has highlighted several key issues within management and governance that all charities should continue to bear in mind. In particular, the report notes the importance of proper financial management, the need for relevant expertise within the Trustee body and the general duties of the Trustees to act in the best interests of the charity and for the Board as a whole to demonstrate "leadership, judgement and a willingness to challenge assumptions". The report also emphasises the need for charities to manage conflicts of interest properly.

Whilst Kids Company is a unique case, it has raised questions of public confidence in the sector as a whole and some of these areas of concern raised by the Committee may be matters of increased focus for the Charity Commission in the future.

Key guidance documents that all Trustees should make themselves familiar with include:

- ***The Essential Trustee***. The essential Trustee is the topic of a current consultation. The new guidance has been updated to make clear that whilst it identified 'Legal requirements' of trustees as opposed to 'Best Practice', best practice was not always optional. Best practice is often part and parcel of legal requirements and so the new guidance makes this clearer: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/377293/Consultation_The_essential_trustee.pdf
- ***Commission updated guidance on conflicts of interest.*** Across the guidance there is a new emphasis on the seriousness of the issue and the consequences that can follow from mishandling conflicts of interest. For the first time the Commission's guidance expressly explains that potential conflicts of interest may need to be considered as a 'pre-appointment' issue, placing the emphasis on preventing conflicts from arising. There is also an increased emphasis on the responsibility of individual trustees to identify and declare any conflicts of interest. Finally, it is important that the charity's records document the action that has been taken in response to identified conflicts of interest or conflicts of loyalty to ensure that their impact on decision making has been appropriately mitigated. The pdf can be found at: http://www.charitycommission.gov.uk/media/605880/cc29.pdf

People with significant control register

With effect from 6 April 2016, companies will have a duty to maintain a register of People with Significant Control and the information within the register will be required to be submitted to Companies House annually as part of the company's Confirmation Statement, which replaces the Annual Return. A Person with Significant Control ("PSC") is an individual who:

- directly or indirectly owns more than 25% of the shares (LLPs: holds rights over more than 25% of the surplus assets on a winding up)
- directly or indirectly holds more than 25% of the voting rights
- directly or indirectly holds the right to appoint or remove the majority of directors (LLPs: holds the right to appoint or remove the majority of those involved in management of the LLP)

- otherwise has the right to exercise, or actually exercises, significant influence or control
- has the right to exercise, or actually exercises, significant influence or control over the activities of a trust or firm which is not a legal entity, but would itself satisfy any of the first four conditions if it were an individual.

A PSC register must be maintained even if the company has no PSC.

Cyber Essentials

Hardly a day goes by without another headline about a high-profile organisation suffering a cyber security attack. Whilst there is no such thing as being 100% secure, organisations can adopt a series of best-practices to mitigate the risk of them becoming the next headline, along with the associated damage to reputation and potential fines handed out by the Information Commissioner's Office when personal data is involved.

The Cyber Essentials scheme has been put together by the Government with the aim of encouraging SME type organisations to implement a series of technical controls across five areas to mitigate the risks from cyber attacks. These areas consist of:

- Boundary firewalls and Internet gateways – usually the first line of defence for most organisations
- Secure configuration – controls to ensure that computers and network devices are implemented securely
- User access control – which focuses on areas such as password controls
- Malware protection – technical controls necessary to minimise the risks from the countless viruses, works and spyware which can attack IT systems
- Patch management – how systems and applications are kept updated to deal with known vulnerabilities

Employment Tax issues

The following are the key areas where changes have been introduced with effect from 6 April 2016.

Business expense payments exemption

P11D Dispensation Agreements will no longer apply and is being replaced by the Business Expense Payment Exemption. Employers will be required to "self-assess" the tax and National Insurance treatment of benefits and expense payments they meet on behalf of their employees. HMRC has recently published their guidance which sets out the basis upon which employee expenses will need to be reviewed. Four different models are being introduced and the model to be adopted will be dependent upon staff numbers. The following is are key controls that HMRC would expect you to have in place and we can advise you as to the basis upon which the independent checking will need to be undertaken:

- You have an up to date expenses policy.
- There is no self-authorisation of expenses.
- Independent checking of expenses is undertaken.
- Your records enable you to distinguish those expenses which have been incurred "wholly, exclusively and necessarily" in the performance of the employee's duties.

A deduction can be claimed where there is a matching tax deduction available in respect of the expense incurred. Without these controls HMRC can seek to recover any underpaid tax and National Insurance together with interest and penalties.

Summary of additional changes from 6 April 2016

- Abolition of the £8,500 threshold for lower paid employment and form P9D;
- Introduction of a statutory exemption for trivial benefits; and
- Voluntary pay-rolling benefits in kind.

Consultations

The following is the current position in respect of recent consultations:

a) Employer provided living accommodation

We are still waiting for a formal consultation to be published by HMRC following their "Call for evidence" which was concluded earlier this year. It is our understanding that new legislation will be introduced from 6 April 2018.

b) Termination payments

Draft legislation has been published as part of a further consultation paper. From 6 April 2018 secondary National Insurance contributions will be payable in respect of any termination payment which is paid in excess of £30,000. Furthermore, all payments in lieu of notice ("PILON") will be subject to tax and National Insurance in full regardless as to whether there is/is not a contractual right to make a PILON. HMRC is also consulting in respect of changes to the termination payments exemption, specifically in respect of any past foreign services performed by the employee whose employment is being terminated.

c) PAYE Settlement Agreements ("PSA")

HMRC is seeking, via a consultation published in August 2016, to simplify the PSA process. A PSA is used where the employer pays the tax and National Insurance liabilities due on items which are by strict definition taxable on the employee. Part of the proposal is considering the nature of the benefits and expenses which can be included within a PSA. The proposal is to only permit those items where it is deemed either impractical for the liabilities to be passed on to the employee(s) or the expenditure is provided on an irregular basis and the employee has no contractual right to receive the benefit. Currently there is a third test which is considered to determine whether a benefit or expense can be included within a PSA and that is whether the expense is minor in nature. However, following the introduction of the Trivial Benefits Exemption, with effect from 6 April 2016, it is envisaged this exemption will make the "minor" test redundant. Further administrative changes are being considered including:

- the need to do away with a contract to be renewed with HMRC each year;
- a statutory submission date for the tax and National Insurance calculations of 6 July following the end of the tax year; and
- the PSA will form part of the Government's digital strategy.

No date has yet been suggested as to when the proposed changes will apply

d) Salary sacrifice

HMRC published a consultation document proposing changes to change the tax and National Insurance legislation where a benefit in kind is provided via a salary sacrifice arrangement. The proposals will include benefits which are normally exempt from tax and National Insurance and seek to apply a charge based upon the greater of:

- The amount of the salary sacrificed; and
- The cash equivalent of the benefit.

Whilst the proposal is not preventing the use of salary sacrifice arrangements it will remove the tax and National Insurance advantages which are currently available. It is proposed the following benefits will be exempt from the planned changes:

- Employer pension contributions;

- Employer provided pension advice based on the recommendations of the Financial Advice Market Review;
- Employer support childcare and workplace nurseries; and
- Cycle to work schemes

The proposed changes are intended to come into effect from 6 April 2017.

e) Alignment of Income Tax and National Insurance

The Office of Tax Simplification published their initial report on 7 March 2016 and further developments are awaited.

Apprenticeship Levy

The Apprenticeship Levy will be introduced from April 2017. The levy will be payable by all employers, whether or not they employ apprentices, at the rate of 0.5% of the gross payroll costs and it will be collected via the PAYE system. There are no exemptions for charities. All employers will benefit from a £15,000 allowance, meaning that nothing will be payable by employers with payroll costs below £3million. For example, an employer with gross payroll costs of £5million would face a levy of £10,000, being a gross levy of £25,000 (£5million @ 0.5%) less the allowance of £15,000. However, for groups of employers (including connected charities) there will be one allowance which applies to the whole group, rather than each employer within the group receiving its own allowance. We are awaiting further guidance on how the allowance can be allocated within a group.

Employers will be able to use their Apprenticeship Levy contributions to pay for training (but not salary costs) for those who meet the definition of an apprentice (details of the definition are still awaited). Details of your Apprenticeship Levy contributions will be maintained on a dedicated digital account from which you will be able to purchase apprenticeship training from a registered provider. It is envisaged that an employer can be registered as a provider and draw down from their account the costs for providing any “in-house” training. Employers will have between 18 and 24 months to use their Apprenticeship Levy contributions. Any unspent contributions will be re-allocated to other employers with capacity for additional training.

The legislation does not permit the use of the Apprenticeship Levy to be allocated to the cost of training volunteers.