

# Employer Guide to the Apprenticeship Levy

## What is the levy?

The Apprenticeship Levy is due to be introduced on 6 April 2017. This guide aims to help you to understand the key information, so that you can be prepared for the impact it might have on your company or organisation.

In the Chancellor's Autumn Statement in October 2015, changes were announced to the way that apprenticeships in England will be funded. One key change is that employers will now have the purchasing power to negotiate the cost of their apprenticeship training.

The government's agenda is to increase apprenticeship starts to 3 million by 2020, and the government see the levy as a solution to raising the funds to allow for this increase.

A 0.5% levy is to be paid by all employers with a UK PAYE in excess of £3 million per annum, regardless of whether they employ apprentices or not, by the HMRC. The funds are accessible to employers via their own account on the Digital Apprenticeship Service.

It is anticipated that the Levy will raise around £3 billion per annum over the next five years to contribute to the cost of apprenticeship training.

## How does the levy impact on your business?

The levy allows employers to control apprenticeship funding, encourages employers to invest in their apprentices and to take on more apprentices. Key information you will need to know includes:

- All employers with a paybill (total employee earnings subject to Class 1 secondary NICs) over £3 million will be charged a levy of 0.5% of their paybill from 05 April 2017.
- The 0.5% levy is on your full UK payroll bill, not just on amounts over £3 million.
- The levy will be payable monthly through PAYE alongside income tax and National Insurance contributions, and will change each month to reflect the actual paybill.
- HMRC will work closely with employers to try to minimise the disruption of implementing these changes.
- The levy from English paybills will be available to spend on English apprenticeship training, but any other amounts from other areas of the UK, although subject to the levy, cannot be spent on English apprenticeship training.
- The levy payment will be ring-fenced by the government in the form of an electronic voucher that can be used to purchase training from recognised providers after 1st May 2017. Any unused vouchers will expire after 24 months - so it is in your interest to use the vouchers before they expire.
- Employers who pay the levy will be able to draw more out than they pay into the levy. The government will apply a 10% top-up to monthly funds, meaning that for every £1 you pay into the levy you will have £1.10 to spend on training your apprentices.
- New funding rules will mean that the levy can be claimed back and spent on apprenticeship training for ALL employees at ALL levels and ages, including graduates who may be eligible for Level 6 or Level 7 apprenticeship programmes.

## Raising Quality

The government is moving apprenticeship delivery from a framework to a standard. These standards show what skills an apprentice requires to meet a job role and have been developed by employer groups known as 'Trailblazers'. The cost of

these changes, together with the government's drive to increase the number of people taking up apprenticeship training, must be met by employers making a larger contribution to the cost of training via a levy.

Ofsted's report in October 2015 states that the changes provide the potential to raise the profile and position of apprenticeships as a route to greater business productivity.

## **What do you get out of it?**

Many employers are concerned about the financial implications the levy will have for their business. However, those who pay in and are committed to creating high quality training schemes within their organisation will benefit, and will be able to claim back more than they contribute.

## **Cost of Training**

Employers who take on a new apprentice aged between 16 and 18 years of age will be able to claim a £1,000 contribution towards the cost of employing that young person, paid in two instalments (after 3 months and after 12 months).

Each employer can negotiate the cost of training their apprentices with a training provider of their choice, based on key guidance issued by the government and maximum charge levels.

## **Non Levy Paying employers**

For employers whose PAYE bill is less than £3 million per annum, a payment of 10% of the cost of the apprenticeship will be paid by the employer. Once that payment or first instalment has been made and training has been undertaken, then the government will contribute the remaining 90% of the cost of training. For employers with fewer than 50 people working for them the costs of training a 16-18 year will 100% covered by the government.

## **New Funding Eligibility Rules**

From June 2017 employers will be able to request apprenticeship training for individuals at the same or a lower level than a qualification they already hold, as long as this will require the individual to acquire substantive new skills and the content of the training is different from any prior training or apprenticeship courses.

## **Useful Links**

Help to calculate if your company or organisation will pay the apprenticeship levy: <https://estimate-my-apprenticeship-funding.sfa.bis.gov.uk/>

# Funding Routes

