



APPRENTICESHIP LEVY AND FUNDING: KEY FACTS

October 2016: Fully Revised and Updated
Following the Latest Guidance Published
By The Department for Education (DFE)

KAPLAN

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PAYMENT OF THE LEVY

When is the levy coming in?

The levy will be payable from **April 2017** but the new funding system will be live from **1st May 2017**.

Any Apprenticeships started before **1st May 2017** will be funded through to completion on the existing rules.

Who will pay the Levy?

The levy will apply to both public and private UK employers across all sectors with a payroll bill in excess of **£3m a year**.

What counts as your payroll?

Your payroll will be based on the total amount of earnings subject to Class 1 secondary NICs. Earnings include any remuneration coming from employment, such as wages, bonuses, commissions, and pension contributions that you pay NICs on but not benefits in kind.

How much will the levy be?

It will be set at a rate of **0.5%** of the total payroll and will be collected monthly via PAYE.

There will be a **£15,000** fixed annual allowance for employers to offset against their levy payments.

The levy allowance will operate on a monthly basis and will accumulate throughout the year. This means you will have an allowance of **£1,250 a month**. Any unused allowance will be carried from one month to the next.

What happens if you are in a group of companies?

Where a group of employers are connected you will only be able to use one **£15,000** allowance. The government is intending to make an amendment to the Finance Bill 2016 whereby if you are in a group, you must decide what proportion of the levy allowance each employer in the group will be entitled to.

How do employers get back more than they put in?

The government will apply a **10% top-up** to monthly funds entering levy paying employers digital accounts, for Apprenticeship training in England, from April 2017. All funds entering a levy payer's account will be increased, so every £1 will be increased to **£1.10 in value**.

SPENDING THE LEVY

What can Levy funds be spent on?

Levy funds can only be used towards the cost of Apprenticeship training and end-point assessment with an approved training provider. It can't be used towards an apprentice's wages or wider training programme.

How much can employers spend on each apprentice?

Each Apprenticeship standard or framework will be placed into one of 15 bands, ranging from **£1,500 to £27,000**. These bands will determine the maximum amount that can be spent on each Apprenticeship.

Final bands can be found [here](#).

The upper limit of the funding bands will also cap the maximum price that the government will 'co-invest', if an employer does not pay the levy or has insufficient levy funds to pay for the number of Apprenticeships they want to use. It will be up to employers to negotiate prices with providers, within these funding limits.

How can employers spend their levy?

Levy funds once collected by HMRC will be held in your 'Digital Apprenticeship Service' (DAS) account. You will be able to register to create your account from **January 2017**.

Employers will be able to direct the funds held in these accounts to 'approved training providers' to pay for their Apprenticeship training.

How long will employers have to spend their levy? – **NEW**

Levy funds will expire 24 months after they enter your digital account unless you spend them on Apprenticeship training - if you don't use them, you will lose them. This will also apply to any top-ups in your digital account. For example, funds entering your account in September 2017 will expire in **September 2019**. Money is spent when it leaves your digital account as a payment to a training provider.

The account will work on a first-in, first-out basis. Whenever a payment is taken from your digital account it will automatically use the funds that entered your account first.

Can employers use the levy to fund existing employees?

Yes, so long as the training meets an approved Apprenticeship standard or framework and the training provided allows them to acquire substantive new skills and the content of the training is materially different from any prior training or a previous Apprenticeship. This same rule applies for employers wanting to put employees on an equivalent or lower level qualification than that they have already achieved.

Can employers use their Levy to fund Apprenticeships in their supply chain?

Yes, from **April 2018**, it is proposed that employers can divert **10%** of their levy funds to other employers registered on the digital system.

Can the levy be used to cover apprentices who signed up pre-May 2017?

No, the latest guidance states that for those apprentices who started **pre-May 2017**, funding for the full duration of their Apprenticeship will be under the terms and conditions that were in place at the time the Apprenticeship started. Funds in your digital accounts cannot be used to cover these apprentices whether they were signed up under existing frameworks or new Trailblazer standards.

What happens if an employer's levy funds don't cover the cost of the training?

If an employer pays levy but funds don't cover the full cost of the Apprenticeship training you would like to buy, additional government support will be provided to help you meet the additional costs up to the maximum amount of funding available for that Apprenticeship. You will also be expected to make additional contributions for the extra amount you would like to spend.

The contribution by the government will be **90%** and as an employer you will contribute an **extra 10%**.

Worked example:*

- ▶ Employer with a Levy pot of £35,000 takes on 5 Accountancy apprentices, agreed cap = **£9,000**
- ▶ Total Apprenticeship spend = **£45,000**
- ▶ Shortfall = **£10,000**
- ▶ Government pays 90% = **£9,000**
- ▶ Employer pays 10% = **£1,000** (directly to the provider)
- ▶ Total spend by Employer (including Levy payment) = £35,000+£1,000 = **£36,000**
- ▶ Total contribution from the government = **£9,000**

Will additional payments be made for employing a 16-18 year old?

Employers will be given a **£1,000** incentive for taking on a 16-18 year old.

This will also apply to 19-24 year old care leavers or young adults with additional learning needs.

The £1,000 will be paid in **2 instalments** in months 3 and 12 of the Apprenticeship; initially these will be paid to the provider who will pass the money on.

What happens if I take an apprentice on who needs help with English and maths?

If you employ an apprentice who needs support with English and maths, additional payments will be made to your training provider to enable you to do this. This will not come out of your levy funds.



How will payments be made to the provider?

When you agree to buy Apprenticeship training from a provider, monthly payments will be automatically taken from your digital account and sent to the provider. This spreads the cost over the lifetime of the Apprenticeship. You don't need to have enough funds in your digital account to cover the entire cost of the training at the start. As payments are taken from the digital account monthly, you just need to have enough funds in your account to cover the monthly cost of each Apprenticeship you have chosen. BIS will make sure your payments reach the provider.

Will all funds be taken out monthly?

No, **20%** of the cost of the Apprenticeship will be held back and taken from the digital account at the end of the Apprenticeship. This is a reflection of the fact employers will increasingly move to training apprentices on Apprenticeship standards, where there is an end point assessment.

DEVOLVED NATIONS

What will happen in the devolved nations?

The digital Apprenticeship service will support the English Apprenticeship system. Scotland, Wales and Northern Ireland have their own arrangements for supporting employers to access Apprenticeships. The level of funding available in each levy paying employer's account will depend on the proportion of their pay bill paid to their workforce living in England. HMRC will apply a fraction to funds in an employer's levy pot based on data held about an employee's home address data.

What happens if an employee works in England but lives in Scotland?

The government is proposing to simplify the rules and any employee whose registered place of work is England will be eligible for both levy funding and co-investment, regardless of where they reside. They do however have to be undertaking an English approved Apprenticeship framework or standard.

* Ignoring £15k allowance and 10% top up.

NON-LEVY PAYING EMPLOYERS

What happens to employers who don't have to pay the levy?

The new funding system will come in on **1st May 2017**.

Once this comes in, the proposal is that you will pay **10%** of the cost of the Apprenticeship and the government will pay **90%**. The maximum cost will depend upon which one of the 15 bands the Apprenticeship you want to use falls into. You will also be able to negotiate the price of your Apprenticeship with your provider.

Do I get any extra incentives if I have less than 50 members of staff?

Yes, if you have fewer than 50 members of staff and you employ 16-18 year old apprentice then the employer contribution will be waived so the cost of training that young person will be free.

This will also apply if you employ a 19-24 year old care leaver, or a 19-24 year old with a Local Authority Education, Health Care Plan.

How will non-levy paying employers have to pay for training?

Employers who do not pay the levy will be able to look for training and search for a provider using the tools on the digital Apprenticeship service. However, they will not need to use the digital Apprenticeship service to pay for Apprenticeship training and assessment until at least **2018**.

In the meantime they will pay their provider directly on payment terms to be agreed.

What's next?

In December 2016, the government will publish:

Further employer guidance from HM Revenue and Customs (HMRC) on how to calculate and pay the Apprenticeship levy.

ADVICE

If you currently use Apprenticeships

Using the final funding bands, you can now work out how much of your levy you are likely to spend based on the number of apprentices you currently take on. This will help you to assess if you need to explore Apprenticeships in other areas of your business to ensure you make full use of your levy funds.

It will also help you to plan for any additional costs that may be incurred if your levy funds won't cover your current level of Apprenticeship training.

If you don't currently use Apprenticeships

We recommend looking at the Apprenticeship standards currently available to see if any of them fit with job roles within your organisation. If they do, this could be a good way of making the most of your levy spend.

Please then speak to us or a trusted provider to work out how best to introduce an Apprenticeship Scheme within your organisation.

All employers can use the government's free online levy calculator to help you work out spend:

<https://estimate-my-apprenticeship-funding.sfa.bis.gov.uk>

For further information

Kaplan is an expert in Apprenticeships and funding, having been delivering Apprenticeships for over 10 years.



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For further information on the levy or on setting up an Apprenticeship programme please contact:

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