

Helping you understand the Apprenticeship Levy

Fact Sheet: August 2016

For a detailed consultation on how the Apprenticeship Levy will affect your business, please contact our Business Engagement Team.

To book your place on one of our free Apprenticeship Levy workshops in September, October or November 2016 visit www.bdc.ac.uk/employers



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At-a-glance summary of latest Levy news as at August 2016

By October 2016 all consultations should be concluded by Government, but in the meantime here are the top 5 latest developments:

- 1. NON-LEVIED EMPLOYERS (you are non-levied if your pay bill is less than £3 million per tax year):** Proposed funding for employers outside of the Levy (or to buy training after your Levy pot has been used up) is 10% by the employer and 90% by Government. The total price must sit within the confirmed price band set by Government.
- 2. 16 – 18 INCENTIVE:** Government is consulting on an incentive payment of £1,000 for employers taking on 16 – 18s. The provider will also be paid £1,000 in addition to the funding for training the apprentice. Employers with 50 employees or fewer will receive full funding for apprentices in this age group.
- 3. 19 – 24 INCENTIVE:** the Government is proposing the same incentive for 19 - 24s who are care leavers or who have an Education, Health and Care Plan.
- 4. EXTENDED DEADLINE TO 1 MAY 2017:** Existing, pre-levy funding models are available for anyone starting an apprenticeship before **1 May 2017**, extended from 6 April 2017.
- 5. TRANSFER WINDOW:** Government is consulting on a process which will allow employers to transfer 10% of their Levy pot to another employer, for example someone in the supply chain, or to an Apprenticeship Training Agency (ATA), but this option would not be available until 2018.

Continue reading for more about the Apprenticeship Levy

What is the Apprenticeship Levy?

The Apprenticeship Levy will only be paid by employers who have an annual pay bill of £3 million and over.

From April 2017, 0.5% of an employer's pay bill will be collected by HMRC monthly via PAYE as a hypothecated tax, which means it can only be spent on Apprenticeship training.

Employers (subject to connected companies' rules) will have an allowance of £15,000. This means that the Levy is only applicable on pay bills over £3 million: this can be broken down into a monthly allowance of £250,000, so companies will pay the Levy on anything in excess of that figure on a monthly basis.

The Government will contribute a 10% top-up to support employers to access more apprenticeships for their business.

What can I spend the Apprenticeship Levy on?

The funds can only be spent on the cost of apprenticeship training and end point assessments in either approved apprenticeship frameworks or standards, delivered by approved providers and end point assessment centres (up to a defined funding cap for each apprenticeship).

Funds cannot be used to support the salary costs of apprentices or to cover the time that colleagues spend supporting them in the workplace.

What if I don't spend my Apprenticeship Levy?

Companies will have 18 months to spend their Levy fund before starting to lose money from their account; this money will then be recycled through the system to support apprentices in other businesses.

The Government is currently consulting on a model where employers could delegate 10% of their funds to their supply chain, but this has not yet been confirmed.

What if I want more apprenticeship training but have no money in my fund?

If an employer has spent their entire Apprenticeship Levy fund, *or if an employer doesn't have a Levy fund at all*, they will be required to pay for the cost of the apprenticeship in a co-investment model. The government are consulting on a model where employers will pay 10% of the cost of their apprenticeship training and that government will contribute the other 90%.

The total cost of the apprenticeship will be negotiable between the employer and training provider but within a government defined funding band (different apprenticeships will fall within different bands). Employers will pay cash to their approved provider and the government will pay the rest directly to the provider.

How do I use the Apprenticeship Levy?

Employers will use the new Digital Apprenticeship Service Account. Funds will appear in the Account monthly, a few working days after the pay bill and Levy contribution are confirmed to HRMC for the previous month.

This means that the first time you will see any funds in your Account will be late May 2017, and from this point onwards you can start spending your Levy funds.

Once an employer has committed to apprenticeship training with a provider, payments will be taken on a monthly basis from the Account. This means that employers will not need to have the full amount in their Account up front to cover the cost of the entire apprenticeship. Any shortfall in the monthly costs must be paid to the provider directly and the Government will then pay their proportion in the agreed ratio.

What if I already have apprentices?

Any apprentice who has already started their training with a provider will be funded for the entirety of their apprenticeship, subject to the prevailing terms and conditions and providing they started before 1st May 2017.

When will further information be available?

Further updates are scheduled for October and December 2016. In October it is expected that the Government will confirm the outcome of their consultations.