

## Helping you understand the Apprenticeship Levy and Funding Reforms

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### Fact Sheet: June 2017

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



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### Summary of latest apprenticeship funding news (June 2017)

1. **Funding exemptions** – There is no levy or employer contribution for 16-18s and 19-24s who have previously been in care or who have a EHCP, for employers with fewer than 50 staff.
2. **Non-levied employers (you are non-levied if your pay bill is less than £3 million per tax year):** 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 upper price band set by Government.
3. **Incentive payments** – there is a £1000 employer incentive for 16-18s and 19-24s who have previously been in care or who have a EHCP. This incentive is paid to employers in two £500 instalments at 3 months and 12 months. This will be paid to the provider and passed on to the employer.

### 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 24 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.

From April 2018, the government plan to allow levy-paying employers to transfer funds to another employer or apprenticeship training agency through the apprenticeship service. You will initially be able to transfer up to 10% of the annual value of funds entering your apprenticeship service account.

### **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, with an agreed payment model, 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. Once registered, levy paying employers will be able to select their PAYE schemes and access the funds available to them. 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 would have been 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 1<sup>st</sup> May 2017.

### **When will further information be available?**

Regular updates are available on the government website [gov.co.uk](http://gov.co.uk)