

Apprenticeship Levy

Key Facts



At Juniper we need ensure we are working with employers and organisations; giving correct information and advice about Apprenticeships and the new Levy payment. We need to ensure employers are aware of the changes via social media, emails, engagement visits and events.

When is the Levy coming?

The levy will be introduced on April 6th 2017 with the first payments going out of organisations payrolls and to HMRC in May 2017.

Who will pay the Levy?

The levy will apply to both public and private employers across all sectors with a payroll bill in excess of £3m a year (it is not on the size of the organisation). The levy will be paid by all UK employers. Non levy payers (small employers with less than 50 staff) will have 90-100% of Apprenticeship funding paid for; 16-18's or 19-24 SEND or care leavers. Non levy paying employers will not need to use the new system until May 2018. Based on current funding rules, the levy can only be used for approved apprenticeship training. (The levy cannot be used for overheads, supervision costs or apprentices' wages).

How will the levy be paid?

The levy will be payable through Pay As You Earn (PAYE) Digital Apprenticeship Service (DAS) and will be payable alongside income tax and National Insurance. To keep the process as simple as possible 'paybill' will be based on total employee earnings subject to Class 1 secondary NICs. The policy intention is that employers will calculate and pay the levy on a monthly basis. HM Revenue and Customs (HMRC) will engage with employers to discuss and assess the impact on them.

How much will the levy be?

The apprenticeship levy will be set at 0.5% of an employer's wage bill in April 2017. Businesses can apply for a digital account from January 2017. Levy funds paid in April will appear in their digital account to use for Apprenticeship training providers can access from May 17 and will be lost after 24 months if employers do not use it. However, each employer will receive one annual allowance of £15,000 to offset against their levy payment. Levy-payers will also receive a 10% monthly top-up into their digital levy account to spend on training. There will be a connected person's rule, similar to employment allowance connected persons rule, so employers who operate multiple payrolls will only be able to claim one allowance. So for every £1 an employer pays in, they can draw down £1.10 to spend on apprenticeship training through their digital account.

Example: A company with a payroll of £3m would need to make a levy payment of £15,000. But there is an offset of £15,000 so that in practice only companies with a payroll of over £3m will pay anything, so in the case of this employer their levy payment would be zero.



Why Levy?

To address the lack of employer demand for Apprenticeships, the Government has set a target to increase the amount of UK Apprentices to 3 million by 2020. The aim of the Levy is to empower employers to get what they need from the training market by improving the skills of their workforce, which in turn will help organisations to succeed and grow.

Who sets the cost of the training?

All employers must choose a training provider and negotiate the cost of the training. Government funding caps will be set on each apprenticeship. This is the upper limit to which Government funding can be used to pay for an apprentice's training. The proposed 15 new funding bands range from £1,500 to £27,000.

A full breakdown of the provisional funding bands for apprenticeships is available <https://www.gov.uk/government/publications/apprenticeship-funding-from-may-2017>; the new bands replace the old apprenticeship framework rates, which varied by age. To help employers adjust to the new funding levels as they move from apprenticeship Frameworks to new apprenticeship Standards, the Government has announced an additional 20% increase in funding for 16-18 year olds. This will apply to funding for apprenticeship Frameworks only, with funding levels for apprenticeship Standards to be set through the Trailblazer process. This additional money will be provided to training providers directly, rather than through an employer's Digital Account. The training provider will also receive a £1,000 incentive. This reflects the Government's commitment to have more young people in apprenticeships and support employers with additional costs. The Government further proposes to incentivise employers that take on a 16-18 year old, with a £1,000 payment – paid at 3 and 12 months into the apprenticeship. If a small employer (those with fewer than 50 employees) takes on a 16-18 year old apprentice, they will be exempt from paying the 10% co-investment. The training costs will be fully covered by Government (as long as they are within the funding cap).

Useful Websites to access more information:

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

<https://www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work>

Email:

apprenticeships.levy@bis.gsi.gov.uk