

EDA Apprenticeship Plus

Apprenticeship Levy Fact Sheet

September 2016



As from 5th April 2017 all employers, including Public Bodies, NHS, Armed Forces, Local Authorities even HMRC, with a paybill over £3m will be charged a levy of 0.5% of their paybill. The total collected in the UK is estimated at £2.8Bln.

Paybill, will be based on total employee earnings subject to Class 1 NI.

The 0.5% levy is on your full UK payroll bill, not just the amount over £3m. This is as if a £15,000 allowance is given to all organisations to cover this entry threshold. E.g.

- Annual pay bill of £5,000,000
- Levy sum: $0.5\% \times £5,000,000 = £25,000$
- Subtracting levy allowance: $£25,000 - £15,000 = £10,000$ annual levy payment

The levy will be payable through your existing PAYE Scheme, calculated in real time and paid over monthly. As such, as your paybill changes each month the levy amount taken will be adjusted accordingly.

The levy will be calculated based on your full UK paybill. Employers will however, only be able to only spend their English proportion on English apprenticeship training.

The levy will be enhanced from central government with a 10% top up.

Based on anticipated funding rules, it is believed 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 7 apprenticeship programmes.

Based on anticipated funding rules, the levy can be used to fund existing employee development as long as they meet the eligibility criteria set out for apprentices in England.

It is estimated by BIS that a minimum of 3% and maybe up to 5% of any employer's workforce will need to be an apprentice to utilise the levy.

The non-English proportion of your total UK payments will be distributed to the devolved governments (i.e. Scotland, Wales and Northern Ireland) who will decide how the levy is spent. There is no guarantee it will be spent on apprenticeship training.

Apprenticeship Levy – Frequently Asked Questions

Q. Why is the levy being introduced?

A. Apprenticeships have cost the Government c£2.2bn per year at current rates yet, following review and comparison with other EU countries it was suggested strongly in both Parliament and The Lords that an increase in quality and standards was necessary. It is believed that this is best achieved by putting the measure of quality and standards into the hands of the employer rather than training provider. The levy will generate an increase in funding to c£3.2bn per year in order to fund a step change in apprenticeship numbers and quality. This is made up of c£2.8bn from levy paying organisations and a 10% (£560m) top up from the public purse. The government's target is that 3 million apprenticeship starts will be achieved by 2020 i.e. 600,000 per year. It is hoped that the levy will make apprenticeship funding sustainable and improve markedly the skills and productivity of the workforce.

Q. Can employers opt out of paying the levy?

A. No, this is essentially a new tax that will be applied to your payroll from 5th April 2017.

Q. Is the 0.5% payable on a company's UK payroll bill gross or net of tax and NI?

A. Gross of tax and employee's Ni but net of employer's Ni.

Q. Is the levy applicable to each registered company or per PAYE Scheme?

A. Per PAYE Scheme, but the £15,000 allowance (i.e. 0.5% on the first £3m paybill) will only be allowed per group not PAYE Scheme.

Q. As Paye is operated monthly for larger companies is the levy based on the annual de-minimus of £3m or an adjusted monthly paybill?

A. It will be based on your running monthly paybill. Over or under payments will be adjusted in the same way income tax is.

Q. Does the levy apply to bonus payments?

A. Yes, as a bonus in money or monies worth is subject to PAYE tax and Ni the levy payment is 0.5% will be charged on any bonus as part of your total Paybill.

Q. Does the levy apply to dividends?

A. No, only that chargeable to income tax and NI under PAYE scheme rules. Dividends do not form part of your Paybill.

Q. Does the paybill include our full time apprenticeship staff who work through an ATA such as EDA Apprenticeship Plus?

A. Any person who is on your payroll and paid through PAYE would be included in your paybill. If EDA Apprenticeship Plus supply you with staff, they may have to pay into the levy based on the staff they have contracted to you. At the moment they will not pass on any Levy but if the scheme increases they may look to pass these costs on. We will work with you to determine a fair way forward that will hopefully cost you less. Any other agency type arrangement will certainly charge on the levy.

Q. How will the paybill work with a company that is in a group but run separately?

A. Every company that pays PAYE in your group will be subject to the levy. Only one £15,000 allowance will however, be available per group.

Q. How do employers who pay the levy access the levy account?

A. Levy collected by HMRC together with the 10% top up will be made available to them via a new digital account, through which employers will be able to draw down and pay for training of apprentices. In England, employers will be able to direct funding towards the apprenticeship training they want through a new Digital Apprenticeship Service (DAS). EDA Apprenticeships Plus will, as now, support employers to identify and pay a provider, choose an apprenticeship training course, find a candidate and choose a training provider. This will for all practical purposes commence in May 2017, once the first payment into the digital accounts of the levy payers is made.

Q. When will we be able to set up and register our digital account for levy contributions?

A. In January 2017 you will be able to register your organisations digital apprenticeship levy account.

Q. When does an employer get the levy back?

A. You will be able to release your digital levy account each month to spend on apprenticeship training and assessment (but only in England at the moment). This will commence following the first payment of the levy on 19th May 2017.

Employers will be able to use the funding in their digital accounts to pay for training and assessment of apprentices in England.

When an employer agrees to engage an apprentice training and the apprenticeship has started, monthly payments will be taken automatically from their digital account and sent to the provider. This will spread the majority of the costs over the lifetime of the apprenticeship. If the training stops early, so will the payments. An employer will be able to request that payments are stopped.

It is also proposed that 20% of the total cost is 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. The cost of this assessment is incurred at the end of the apprenticeship and so retaining 20% of total payments until completion will help to ensure that the employer does not overpay in the event that the apprentice does not finish their apprenticeship.

Q. What is an organisation that is a levy payer has insufficient levy within its digital account to fund an apprenticeship?

Employers that pay a small amount of levy or invest in a lot of apprenticeship training may find that the funds in their digital account are insufficient to cover the full cost of all the apprenticeship training and assessment they would like to buy. We propose to provide financial support for those employers who want to train more apprentices but have spent all the funding in their digital account.

In these circumstances, the government proposes that it will pay 90% of the additional costs incurred and that the employer should have to make a co-investment of 10%. Employers will need to pay their 10% share of these additional costs direct to their training provider.

Q. Can organisations that do not have a paybill in excess of £3m and therefore do not pay into the levy account (SME's and non-levy paying employers) access apprenticeship funding?

On 10th March this year former Skills Minister Nick Boles announced in Parliament that he expected SMEs to ***“carry on spending money on apprenticeships, receiving government money for apprenticeships. We do not anticipate that all companies who pay the levy will use up all of their money in their digital accounts and there will be a great deal more money to go around so we are absolutely determined that the level of apprenticeships provided by small and medium sized enterprises will continue as now.”*** In other words, non-levy paying companies would be funded by levy proceeds and top up funds not used by larger organisations. It is presumed, but not explicitly stated, that if demand from SME's exceeds the levy fund government will still fund the programmes. SME's will be expected to pay a 10% contribution toward funding, for over 19's, but incentives will be provided which may enable refunds to be claimed by those businesses paying for apprenticeships training and assessment not through their own levy contributions.

Dept. of Education also confirmed that ***“non-levy paying companies will still have access to government funding for apprenticeships”*** and on 12th August 2016 announced that;-

We are committed to an apprenticeship programme that supports young people into quality apprenticeships and we recognise that for employers who take on young apprentices aged 16 to 18 years old, there are some additional costs associated with supporting them in the workplace. We are therefore proposing that additional government funding should be paid to employers who take on 16 to 18 year olds.

We propose that when employers take on a 16 to 18 year old on an apprenticeship framework or standard, they receive £1,000 to help meet the extra costs associated with this. This would be paid to employers in two equal instalments at 3 months and 12 months, which is the payment schedule adopted for similar payments in the current funding system. Initially, these payments will be made to employers via the training provider, who will pass the money on. Over time, we intend to move to a system where the employer receives this payment directly from the government.

Q. If there is a levy surplus at the end of any period what happens to this?

A. Levy funds that are unspent at year end will expire after 18 months unless you spend them on eligible training. Money is only deemed as spent when it leaves your digital account on a first in first out basis, provided it goes to the designated training provider for an agreed and eligible learner.

Q. What happens to any unspent portion of levy if not redeemed within 18 months?

If an employer does not spend their entire levy on training within 18 months then the unspent portion will be made available to other employers, via the SFA, who are investing in apprenticeship training.

Q. Can you redeem your full levy bill in any 18-month period?

A. If you engage a sufficient number of apprentices within the 18-month period you can utilise the levy.

Q. Can employers spend their funding on training in their supply chain?

A. During 2018, subject to a final value for money assessment, the government proposes to introduce the means for employers to transfer up to 10% of the levy funds entering their digital account in a given year, to another employer with a digital account.

The transfer of funds by employers will be limited by EU State aid regulations. Until Brexit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force.

Q. Will EDA Apprenticeship Plus be able to continue to apply the current scheme under these new rules?

EDA Apprenticeships Plus is a specially regulated vehicle called an Apprenticeship Training Agency (ATA). ATAs were formed to help employers benefit from apprenticeships but without having to employ them directly. The 12th August draft announcement states that ATAs ***“are currently used by employers of all sizes and we expect them to carry on playing an important role. We know that some levy-paying employers want to be able to transfer funds in their digital account to pay for training of apprentices employed by an ATA. ATAs will be subject to the same transfer arrangements and State Aid rules as other receiving employers, as set out above. Many ATAs will have an annual pay bill above £3 million, and they will be able to use funds in their***

own digital account to pay for the training and assessment of apprentices they employ. ATAs will also be eligible to receive payments made available to employers that take on 16 to 18 year old apprentices”

Clearly this is a misdirection and EDA Apprenticeships Plus, together with The Confederation of Apprenticeship Training Agencies CoATA, have lobbied the government regarding limitations on the transfer of the levy and anticipate a variation to this provision by 29th September 2016.

Q. Will all apprenticeships currently being delivered be funded by the levy or available to the non-levy payers?

At the moment all eligible apprenticeships will be funded. Apprenticeship training can either be on a new apprenticeship standard, or on an existing apprenticeship framework. These are the 2 different types of apprenticeship training.

Apprenticeship standards are the new type of apprenticeship developed by employers. Each standard covers a specific job role and sets out the core skills, knowledge and behaviours an apprentice will need to be fully competent in their job role and meet the needs of employers in the sector. Standards are developed by employer groups known as ‘trailblazers’. The EDA’s first Trailblazer qualification is at an advanced stage and is with BIS for approval.

An **apprenticeship framework** ordinarily involves a series of work related vocational and professional qualifications, with workplace and classroom based training. We The Government will phase out frameworks between now and 2020, as we the Government move over to the employer-led apprenticeship standards.

Q. Can I use the fund for CPD training such as for the MOL modules or update specific knowledge needs?

A. No, it can only be used for Government published apprenticeship standards and the training included within that.

Q. How much does apprenticeship training cost, how do I know if I am getting value for my levy spend?

Funding caps will be set which limit the amount of levy funds an employer can spend on training for an individual apprentice. The cap will vary according to

the level and type of apprenticeship (for example, more expensive, higher quality training is likely to have a higher cap). The Institute for Apprenticeships will support the work of BIS and DfE in setting funding caps on the level of government funding available for each apprenticeship standard. Further detail on funding caps was announced on 12th August and these can be found at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/545509/Apprenticeship_Funding_Proposals_from_May_2017.pdf

Q. Can I use the levy funds to offer apprenticeships to existing staff?

Under existing funding rules for Frameworks and Trailblazer Standards existing staff are eligible as long as the apprenticeship is relevant to their role and the most appropriate way of progressing/developing the learner's career as a result i.e. upon completing the apprenticeship the member of staff will be promoted, given more responsibility, or moved into a more senior role. Levy funding rules will be released in due course.

Q. Does it need to be spent on recognised qualifications?

A. It needs to be spent on an approved apprenticeship. Many of them include recognised technical and professional qualifications already and we anticipate more 'higher level' professional apprenticeships being developed in the near future.

Q. With regard to 'up skilling' apprenticeships, are there any published criteria e.g. the apprentice has to move to a new job?

A. The existing rules, there is nothing to say a person must move to a new job, but they must be able to demonstrate that the apprenticeship is providing and developing new skills.

Q. Do employers have to use the job title 'apprentice'?

A. Job titles are set by your organisation; however, the apprentice must sign an apprenticeship contract of employment either directly or with EDA Apprenticeships Plus.

Q. Will I be able to draw on apprenticeship funding for existing staff who are on contracts of employment?

A. Yes, under current funding rules, however an apprenticeship is subject to a minimum length so you must make a commitment for that person to be with you for 12 months minimum or for the full duration of the apprenticeship.

Q. Can we only offer advanced apprenticeships to existing staff if it is not part of their role?

A. Based on current funding rules you need to make sure that the apprentice is in a relevant job to the apprenticeship so they are given the opportunity to apply their knowledge and develop the required skills and behaviour.

Q. Can the levy be used on a Level 5 or even Level 6 university degree?

A. Based on current funding rules, yes, if the degree is incorporated within an apprenticeship standard.

Q. Will EDA be able to assist our organisation in the management of the levy?

A. Absolutely, EDA Apprenticeships Plus is intending to provide management of the levy for all levy paying members post 5th April 2017.

Q. Will EDA be able to assist our organisation in the management of apprenticeships even if we are non-levy payers?

A. Absolutely, EDA Apprenticeships Plus is intending to provide management of apprenticeships including the timing of payments and claiming of incentives for the non-levy paying members. It is also our hope, indeed expectation, subject to later announcements, that EDA Apprenticeships Plus will achieve a cash neutral situation for SME members such that their thrust towards engaging with apprenticeships is maintained and enhanced.

Q. What happens with employers with operations across the UK?

A. Education and training is a devolved policy, which means that authorities in each of the UK nations manage their own apprenticeship programmes. For apprenticeships in England, you will be entitled to funding as described above.

The UK government have stated that for employers that have cross-border operations and training activity 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.

The Government proposes to simplify the current rules and apply a single test for whether apprenticeship training can be funded through the English system: whether the apprentice's main place of employment is England. This would

mean that when training an apprentice whose workplace is in England, employers will be able to use the funds in their digital account to pay for training and access government co-investment if they do not pay the levy. A condition of this will be that the apprentice is undertaking an English statutory apprenticeship framework or standard.

Q. What impact will the levy have on provision in Wales?

The Welsh Government is working with the UK Government to understand the impact of the introduction of the levy in Wales, in particular impact on it apprenticeship funding settlement.

Q. Will a digital voucher system operate in Wales in the same way as England?

The Welsh Government has no plans to introduce a digital voucher system.

Q. What impact will the levy have on provision in Scotland?

A. In July 2016 Jamie Hepburn MSP, Minister for Employability & Training issued a consultation document for responses by 26th August 2016. The outcome of this is not yet published but, whilst levied funds payable on behalf of employees in Scotland will be made available to the devolved Scottish Government, it is strongly anticipated that the digital account employer led system to be operated in England will not be adopted in Scotland.

Scottish Government Modern Apprenticeship Policy stated within the consultation document that *“while the Scottish Government is committed to growing, widening and enhancing Scotland’s Modern Apprenticeship programme, we do not believe there is the need for a fundamental shift at this stage in the mechanisms for apprenticeship delivery in Scotland. This allows a flexible approach to delivery by private and third sector training providers; colleges; industry groups and employers. “*

Q. What impact will the levy have on provision in Northern Ireland?

A. Whilst the Northern Ireland Assembly has requested consolation and feedback from employers no guidance has been issued.

Q. When will further information be available?

A. from October 2016

October 2016

In October 2016 there will be information about:

- **the final levels of funding, government support, 16 to 18 payments, and English and mathematics payments for apprentices starting from May 2017.**
- full draft funding and eligibility rules.

December 2016

In December 2016 there will be information about:

- final detailed funding and eligibility rules.
- **further employer guidance from HM Revenue and Customs (HMRC) on how to calculate and pay the apprenticeship levy.**