Apprenticeship Levy - employer guide
What is the apprenticeship levy?

In May 2017 the way the government funds apprenticeships in England is changing. Some employers will be required to contribute to a new apprenticeship levy, and there will be changes to the funding for apprenticeship training for all employers.

The apprenticeship levy requires all employers operating in the UK, with a pay bill over £3 million each year, to make an investment in apprenticeships. You can benefit from this investment by training apprentices. The levy will be charged at a rate of 0.5% of your annual pay bill.

The levy will be in force for all apprentices who start on or after Monday 1 May 2017. Any apprentice who starts before this date will not be affected by the levy and current funding will remain.

Accessing money paid under the apprenticeship levy

Once you have declared the levy to HMRC you will be able to access funding for apprenticeships through a new digital apprenticeship service account. You will be able to use this to pay for training and assessment for apprentices in England.

How can we help?

South Essex College currently provides apprenticeships to hundreds of organisations. We offer a full range of services that you can draw on as you build your planned response to the apprenticeship levy. You can book a consultation now by contacting our experts. There are no charges or obligations.

Tel. 0845 52 12345
Email: apprenticeships@southessex.ac.uk
How much do I need to pay?

To calculate how much levy you will pay, follow these steps:

1) **Work out what your total pay bill is**

Your pay bill is made up of the total amount of your employees’ earnings that are subject to class one National Insurance contributions. Employees’ earnings include any money they make from employment, such as:

- wages
- bonuses
- commissions
- pension contributions

The government will not charge the levy on other payments to employees, such as benefits in kind.

2) **Work out what 0.5% of your total pay bill is**

3) **Subtract the £15,000 allowance**

**Example 1**

An employer with 250 employees, each with a gross salary of £20,000

Paybill: 250 x £20,000 = £5,000,000
Levy sum: 0.5% x £5,000,000 = £25,000
Allowance: £25,000 - £15,000 = £10,000 annual levy

**Example 2**

Employer of 100 employees, each with a gross salary of £20,000

Paybill: 100 x £20,000 = £2,000,000
Levy sum: 0.5% x £2,000,000 = £10,000
Allowance: £10,000 - £15,000 = £0 annual levy

Use the government’s indicative online tool for employers to estimate your levy contribution, begin to plan your training requirements, and estimate your financial spending:

https://estimate-my-apprenticeship-funding.sfa.bis.gov.uk/
What can the levy be spent on?

As an apprenticeship levy, it can only be used to cover the direct costs associated with apprenticeship training. This may include:

- formal training for apprentices to support the learning requirements of the apprenticeship
- formal assessment of the learner’s skills and competencies

It is unlikely to be able to fund:

- training that is not a recognised apprenticeship framework or standard
- the wage of apprentices
- the wage of anyone supporting the apprentice
- training that is only pertinent to your business
- capital expenditure

The government is still to provide detail and clarity of exactly what the levy can and cannot be utilised for. From May 2017, it is being proposed that all apprenticeship frameworks and new standards will be allocated to one of 15 new funding bands. Employers will be able to negotiate the price of the apprenticeship up to its allocated funding cap.

At present, your levy can only be used for apprentices you employ directly. Current proposals suggest that from 2018 employers will be able to transfer up to 10% of their levy to other employers. This and other responses are still being considered by the government.
Given the significant impact of the apprenticeship levy our best advice is to act now. If your business does not already employ apprentices we would suggest that you should do so as soon as possible. Not sure where to start? Here are two very quick and simple things that we would urge you to consider right now.

Check if job vacancies could be filled by apprentices

All businesses to a greater or lesser extent experience annual staff turnover. We suggest that you ask whether job opportunities can become apprenticeships before they are released for general recruitment.

This will set you up to recoup your apprenticeship levy straight away in 2017. Here at South Essex College, we are able to give you a quick assessment of any job vacancy that you have and advise on whether or not it is possible to place it for an apprentice.

Review your current staff skills and update them with an apprenticeship

Take time to review all of your current staffing. If you have staff who require significant new skills, you may be able to utilise an apprenticeship. Given the growth in apprenticeship frameworks and standards, this measure is likely to result in the organic growth of your apprenticeship programme quite quickly.

Where should I start with my strategy?
Is there any extra funding available?

Top-ups to the fund

The government will apply a 10% top-up to the funds you have for spending on apprenticeship training in England.

The government will apply the top-up monthly, at the same time the funds enter your digital account. That means for every £1 that enters your digital account to spend in England on apprenticeship training, you get £1.10. From May 2017, the levy will be automatically collected annually through pay as you earn (PAYE), in the same way that national insurance and income tax is.

Extra support for employing 16 to 18 year old apprentices

When you take on an apprentice who is between 16 and 18 years old at the start of their apprenticeship, you will receive a payment to help meet the extra costs of employing them. This will be paid to you through the training provider.

It is also worth noting that employers are no longer required to pay secondary class one (employer) National Insurance contributions for apprentices under the age of 25.
How do apprenticeships work?

There are rules governing what an apprenticeship is. The main ones are:

- the apprentice must be employed in a real job; they may be an existing employee taking on new responsibilities or significant development, or a new hire
- the apprentice must work towards achieving an approved apprenticeship standard or apprenticeship framework
- the apprenticeship training must last at least 12 months
- the apprentice must spend at least 20% of their time on off-the-job training

The business benefits

The benefits of apprenticeships and traineeships are becoming increasingly obvious to more and more businesses.

It’s a fact that apprenticeships develop a motivated, skilled and qualified workforce. Businesses that offer apprenticeships view them as beneficial to their long-term development. According to the British Chambers of Commerce, most employ an apprentice to improve the skills base within their business.

With the expansion of higher and degree apprenticeships you can now access the higher-level technical skills vital to business performance and growth. You have the opportunity to attract new talent, offer progression and develop a motivated, skilled and qualified workforce.

Also, by offering traineeships, you have the opportunity to build a pool of high quality future recruits for their sector, while helping young people take their first steps toward employment.

Consult the experts

Creating and managing apprenticeships is far from simple. Don’t spend 12 to 18 months reinventing the wheel. All of the infrastructure that you need to create and manage an apprenticeship programme in your organisation is already available at South Essex College. You can be up and running in a matter of weeks.

You can book a consultation now by contacting our experts. There are no charges or obligations.

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