

As of April 2017 the new funding system for apprenticeships will come into effect. Employers across every sector with a payroll bill in excess of £3 million will be required to contribute to apprenticeship levy funds, aiding the government's target of 3 million apprenticeships by 2020.

Paying the Levy

- Employers with a payroll bill in excess of £3 million per annum will pay the levy from 6th April 2017 charged at a rate of 0.5% of the entire paybill
- Employers whose pay bill is below £3 million won't pay anything but will still be able to access funds to pay for apprenticeship training.
- All employers affected by the levy will receive an allowance of £15,000 in each tax year to offset against payment of the levy.
- A connected person rule (similar to that of the Employment Allowance) will mean that employers who operated multiple payrolls will only be able to claim one allowance for the levy.
- An employer's paybill will be based on total employee earnings subject to class 1 secondary national insurance contributions (NICs). This includes any remuneration, such as wages, bonuses and pension contributions that you pay NICs on.
- Employers will calculate, report and pay their levy contributions through the PAYE process to HMRC alongside tax and NICs every month.
- The £15k levy allowance will operate on a monthly basis and accumulate throughout the year i.e. £1,250 per month. Any unused monthly allowance can be carried from one month to the next.
- Levy payments to HMRC will be allowable for Corporation Tax.

Accessing the Funds

- Once employers have declared the levy to HMRC, they will be able to access funding for apprenticeships through a new apprenticeship digital account.
- The first time eligible employers will have to declare their liability to HMRC will be in May 2017 for levy due on the April payroll. So levy-paying employers will see corresponding funds in their digital accounts after May 22 (following the final declaration from HMRC).
- A 10% top-up will be applied at the same time. So for every £100 that enters your account, £110 will be available to spend on apprenticeship training.
- Employers will choose and pay for the apprenticeship training and assessment they want through the government's online portal known as the Digital Apprenticeship Service.

Non-levy paying businesses

For businesses with an annual payroll spend below £3 million and not subject to paying the levy there is government support available for apprenticeship training. A co-funding system is to be introduced. They will pay an amount towards the apprenticeship, with the government contributing the rest.

Employers will pay 10% of the price for training and assessment (Employers will be expected to negotiate a price for apprenticeship training with their chosen provider) and the government will fund 90%. The upper limit of the funding band is the maximum price to which the government will co-invest

SME Incentives

The government will pay 100% of the training costs for apprentices aged 16-18 for firms with fewer than 50 employees. Currently, this will not be available to SMEs who pay the levy (they will receive the £1k incentive).

The government will also pay 100% of the costs where a firm with fewer than 50 employees takes on an apprentice aged 19-24 who has previously been in care or has a Local Education, Health and Care plan.

FAQs

What can the funds be used for?

Funds in levy-paying employer's digital accounts can only be spent on apprenticeship training (on an approved apprenticeship standard). It cannot be spent on anything else such as internal training or apprentice salaries.

What if the apprenticeship training costs exceed the levy payments?

The government has outlined that it will allow employers to draw additional funds from un-claimed levy that other employers have paid.

Is there a time limit in which to spend the levy funds?

Levy funds will expire 18 months after they enter an employers' digital apprenticeship service account unless they are spent on apprenticeship training. This will also apply to any top-ups in the account. The digital account will let employers know in good time if funds are due to expire.

What are the funding band limits on how much can be spent?

Employers will not be able to spend an unlimited amount of money on a single apprentice. The band will vary according to the level and type of apprenticeship (for example, more expensive, higher quality training is likely to be in a band with a higher limit).

Can the Apprenticeship Levy be used to train existing staff, as well as recruited apprentices?

Yes, the Apprenticeship Levy can be used to develop existing staff, as long as the training meets an approved standard or framework and the individual meets the apprentice eligibility criteria.

Can an organisation become their own training provider and draw from their levy funds?

Yes. Employers becoming training suppliers will be subject to Ofsted inspections and the administration that goes along with being a training provider.

Useful Links

To estimate what your levy contribution will be, visit: <https://estimate-my-apprenticeship-funding.sfa.bis.gov.uk>

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

The funding bands tool: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/562401/Apprenticeship_funding_from_May_2017.pdf

Further information for employers who wish to become a provider of apprenticeships training: <https://www.gov.uk/government/publications/apprenticeships-become-a-training-provider>