



The Apprenticeship Levy

An employer's guide...

April 2017



The College of
Animal Welfare



Business
School



Apprenticeships



From May 2017 the way apprenticeships are funded is changing!

The government are pushing through major reforms to encourage employers to invest more and more in apprenticeships. The reforms will impact on all businesses involved in apprenticeship training, regardless of their size.

Read on to discover how the changes will affect you...

Investing in apprenticeship training

Investing in apprenticeships is a productive and effective way for businesses to grow and develop their own motivated, skilled and qualified workforce.

Here are just a few reasons for choosing apprenticeship training for new or existing members of staff:

Reducing staff turnover



80% of employers feel that apprenticeships reduce staff turnover.

Boosting productivity



The average apprenticeship completer improves productivity by £214 a week.

Creating a happy workforce



88% of apprentice employers believe they lead to a more motivated and satisfied workforce.

Cutting costs



75% of apprentice employers say the programme has helped cut recruitment costs.

Raising their reputation



81% of consumers favour companies that employ apprentices.



Bridging the skills gap

82% of employers take on apprentices to build the skills and capacity within their business

What is the Apprenticeship Levy?

What is the Apprenticeship Levy?

*The **Apprenticeship Levy** is a new tax affecting employers in England with an annual pay bill of more than £3 million. It has been developed by the government as a means to improve the quality of apprenticeship training across the UK and provide 3 million apprenticeships by 2020.*

Paying the Apprenticeship Levy...

Employers across all sectors whose pay bill exceeds £3 million each year will be required to pay the levy to HM Revenue and Customs (HMRC) via the Pay as You Earn process.





How the levy is calculated...

Example

Employer 1: £5 million payroll

0.5% of £5 million = £25,000

£25,000 - £15,000 = £10,000

£10,000 annual payment

Employer 2: £10 million payroll

0.5% of £10 million = £50,000

£50,000 - £15,000 = £35,000

£35,000 annual payment

How will this arrangement impact employers?

The levy encourages employers to take on more apprentices, and invest in the continued training of their existing apprentices and other staff.

Organisations that pay the levy and invest in apprenticeships will receive more money than they put in through a 10% top up of additional funding to their 'Apprenticeship Service Account' provided by the government. This means for every £1 employers pay, they will receive £1.10 in their digital account.



Accessing your levy funds...

Your levy payment funds are put into your digital 'Apprenticeship Service Account'. You will then be able to use your account to perform various tasks in connection with apprenticeship training such as selecting an apprenticeship framework, choosing a training provider, choosing an assessment organisation and advertising apprenticeship vacancies.

6 April 2017

The Apprenticeship Levy is introduced.

1 May

New funding system comes into effect. *All apprenticeships started after this date will be funded according to new rules.*

*Please note that the digital apprenticeship service will support the **English** apprenticeship system; Scotland, Wales and Northern Ireland will have their own individual arrangements for making apprenticeships more accessible to employers.*

May 2017

Eligible employers declare their liability to HMRC for levy due on their April payroll.

After 22 May 2017

Levy employers can view funds corresponding to their levy payments via their digital Apprenticeship Service Account.

Spending your levy allowance...

Funds in your digital Apprenticeship Service Account can only be used to cover the costs of apprenticeship training and end point assessment with an approved training provider and assessment organisation. The funding does not cover associated training costs such as apprentice wages or travel costs.

The government will apply a 10% top-up to the funds that levy paying employers have for spending on apprenticeship training in England. This means that for every £1 that enters your account, you will receive £1.10!

How it works...

I am a...

Levy-paying employer

The government collects levy payment each month.

Employer views their funds via their digital Apprenticeship Service Account.

New or current employees join an apprenticeship programme.

Unused funds in employer accounts expire after 24 months.

Apprenticeship fees are paid via the digital account as agreed with the training provider throughout the duration of the training.



Non levy-paying employer

New or current employees join an apprenticeship programme.



Both the employer and the government pay a proportion of apprenticeship training costs directly to the provider. The government pay 90% of the allocated funding band and the employer pays 10%.

Additional training costs on top of the funding allocation is likely to be charged to the employer by the training provider.

Choosing apprenticeship training...

You will need to choose a suitable programme of training for your apprentice, which can be on an apprenticeship framework or apprenticeship standard. Apprenticeship standards are new apprenticeships developed by employer groups known as trailblazers. The government plans to phase out frameworks within five years in favour of the new employer-led standards.

You must use a provider who is on the approved list of training providers - CAW is such a provider!

Apprenticeship training...

You should take some time to think about what you can, and what you would like to, spend your levy funds on. In order for your training programme to be defined as an apprenticeship....

- ✓ Your apprentice **must be aged 16 or over** (or 15 if their 16th Birthday is between the last friday in June and 31 August).
- ✓ Your apprentice must have a apprenticeship contract for the duration of their qualification.
- ✓ **Your apprentice should be earning the minimum wage rate for an apprentice.** This currently stands at £3.50* for apprentices aged 16 to 18 and those aged 19+ in their first year undertaking an apprenticeship. Apprentices aged 19+ who have completed their first year must be paid at least the National Minimum Wage for their age.
* April 2017 figures
- ✓ Your apprentice must be given time off to study during their working hours. The length and nature of this study time varies depending on apprenticeship standards and qualifications, however the minimum requirement is **20% 'off the job' training**. Apprentices don't necessarily have to attend college, but they need to be undertaking some form of training and development within the workplace.



Can't find an apprenticeship that suits the needs of your organisation?

Create your own!

If you are struggling to find an apprenticeship that is relevant to the needs of your organisation, why not get involved with trailblazer apprenticeships developing within your sector? Alternatively, you can lead the way by creating your own!

Information and guidance on the process of developing apprenticeship standards can be found at www.gov.uk

Want to use your levy fund, but don't have room for new staff?

Offer training to your existing staff! Provided an apprenticeship is a way for the member of staff to upskill, your levy fund can be used towards the cost of their training.

Frequently Asked Questions

Paying the Apprenticeship Levy

Is the 0.5% gross or net?

Gross.

My organisation already pays into an industry levy scheme; can we opt out of the Apprenticeship Levy?

No, this is a mandatory tax that will apply from April 2017.

If my organisations payroll is £3m or less, will we still pay the levy?

All organisations that train apprentices will contribute towards the funding of apprenticeship delivery in one form or another. If your business does not pay through the levy, you will instead pay through co-investment with the government.

Calculating your levy payments

What counts towards my paybill?

Your paybill is the total amount of earnings subject to Class 1 secondary National Insurance Contributions (NICs). Earnings include any profit coming from employment; for example wages, bonuses, commissions and pension contributions.

Spending your levy fund

How do employers access their funds?

Employers will access their funds via a digital Apprenticeship Service Account, which they will need to register for, and familiarise themselves with.

My organisation is part of a group of connected employers; how will the levy be operated?

If your organisation is part of a group of connected employers you may only have access to one levy fund and will, therefore, need to decide how this allowance will be divided between each employer in the group. This decision must be made at the beginning of the tax year.

What happens to unused allowance?

Unused allowance will be carried forward to the following month. All unused funds and top-ups will expire 24 months after they enter the digital account if not spent on apprenticeship training. Funds are used on a FIFO (first in, first out) basis.

My training costs exceed my levy fund. Will there be any additional support in place?

The government has indicated that more funds may be available to support your needs. These funds are likely to come from unclaimed levy that other employers have paid.

Can I spend my levy fund on CPD training?

No, it can only be spent on government approved apprenticeship training.

How it works: Choosing apprenticeship training...

Does the framework or standard I choose impact on funding?

All frameworks and standards will be placed within a funding band. The upper limit of each funding band will determine both the maximum amount of digital funds a levy-paying employer can use towards an individual apprenticeship, and the maximum amount the government will co-invest towards the individual apprenticeships of non levy-paying employers.

How many training providers can I use?

You can use as many training providers as you like, however it may be easier to choose one training provider that can manage all of your apprenticeship programmes. The training provider you use must be on the approved list of training providers.

Your next steps...

There are a number of steps you can take to prepare your business for change...

Calculate your levy payments

Speak with your finance department, or use the online indicative tool created by the government, to help you establish how much levy your organisation will pay, or how much the government will contribute towards the cost of training. Remember to consider any costs associated with training apprentices that will not be covered, for example apprentice salaries, to get the best idea of the financial cost to your business.

Plan how an apprentice could fit into your business

In order for you to make the most out of apprenticeship training, you should think about where and how an apprentice could best add value to your business. It may be best, for instance, to focus on developing plans for areas of your business facing the largest skills gaps. Only you can decide how best to use your levy allowance!



**89% of
apprenticeship
employers report
improvements
to their business'
product or service.***

**www.gov.uk, March 2016*



Research training and assessment providers

Choosing the right training provider can make the difference between a good apprentice and an excellent one. Make sure you research training providers and consider what they offer that will support the wider development of both your business and your apprentice. At The College of Animal Welfare/CAW Business School, we are committed to working with your organisation to help you access the most effective training and ensure that all of your employees that are training with us are taught, assessed and verified by qualified staff. We take pride that:

- We are on the list of approved training providers to provide apprenticeship training to levy paying employers (a list of approved providers for non-levy paying employers will be released in 2018).
- All staff teaching on our courses have a wealth of industry experience and knowledge; and share a common passion for their chosen subjects.
- Our apprenticeship courses are available in a wide variety of formats, ranging from block and day release programmes, to apprenticeship programmes that are undertaken in the workplace alongside work-based training!
- We emphasise flexibility at every stage of the apprenticeship training process, offering access to online materials via our Virtual Learning Environment (VLE) and eLibrary.
- We have an advisory group made up of employers, providing an independent insight into current and future apprenticeship provision. The views of our employers are very important to us.



We can help your
organisation prepare for
the Apprenticeship Levy.

Contact us
Tel: 01480 422060
Email: admin@caw.ac.uk