



The new Apprenticeship Levy and Apprenticeship funding from May 2017

A guide for employers



www.carelearningcentre.co.uk

Index

1. About this guide
 2. Government information on the apprenticeship levy
Paying the apprenticeship levy
 4. Accessing money paid under the apprenticeship levy
 6. Buying apprenticeship training - the Apprenticeship Service
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About this guide

The Care learning Centre began offering services as a training provider in 2001. In the past 16 years, Care Learning Centre has gained a reputation as a successful, flexible and supportive provider of traineeships and apprenticeships in the South of England. Funded by the Skills Funding Agency, and rated as 'Good' by Ofsted, the Care Learning Centre works hard to partner with employers, schools, academies, colleges, local authorities and the Job Centre Plus to offer high quality industry based employers for Apprenticeships.

Whether it's providing employers with young people to fulfil their Apprenticeship programmes or carefully matching individuals and their skills to a scheme that suits their aspirations, the Care Learning Centre works hard to create opportunity for everyone to

learn and move forwards. We know that employers are thinking about the changes to the way apprenticeships will be funded from May 2017. Many large employers who will be eligible to pay the apprenticeship levy are already developing plans to support future investment. We have designed this guide to help employers of all sizes navigate a wide range of information sources, supporting the planning and development of appropriate solutions for their future apprenticeship training.

To achieve this aim, we have consolidated the extensive information already in the public domain, highlighting the key points for consideration. We hope that you find this guide both informative and useful in supporting your apprenticeship planning.

Government information on the apprenticeship levy

Overview

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.

This guidance provides information on how the apprenticeship levy will work, following its introduction on 6th April 2017. It also explains the principles that apprenticeship funding and the levy will operate on from May 2017, whether you pay the levy or not.

Apprenticeship training started before May 2017 – for all employers

Apprentices who have been accepted on to an apprenticeship programme before May 2017 will be funded for the full duration of the apprenticeship under the terms and conditions that were in place at the time the apprenticeship started.

This will be the case for apprentices following programmes underpinned by both apprenticeship 'frameworks' and new 'apprenticeship standards'.

If you pay the apprenticeship levy you will not be able to use the funds in your online apprenticeship service account to pay for these apprenticeships.

Paying the apprenticeship levy

The levy will apply to employers across the UK.

You will need to pay the apprenticeship levy if you are an employer, in any sector, with a pay bill of more than £3 million each year. For the purposes of the levy, an 'employer' is someone who is a secondary contributor, with liability to pay Class 1 secondary National Insurance Contributions (NICs) for their employees.

The levy will be charged at a rate of 0.5% of your annual pay bill.

You will have a levy allowance of £15,000 per year to offset against the levy you must pay. This means you will only pay the levy if your pay bill exceeds £3 million in a given year.

You will pay the levy to HM Revenue and Customs (HMRC) through the Pay as You Earn (PAYE) process.

What counts as your pay bill

Your pay bill will be based on the total amount of earnings subject to Class 1 secondary National Insurance Contributions (NICs). Although earnings below the secondary threshold are not counted when calculating an employer's NICs, they will be included for the purposes of calculating the amount of levy the employer needs to pay.

Earnings include any remuneration or profit coming from employment, such as wages, bonuses, commissions, and pension contributions that you pay NICs on. The levy will not be charged on other payments such as benefits in kind, subject to Class 1A NICs.

Calculating what you have to pay

You will pay the levy on your entire pay bill at a rate of 0.5%. However, you will have a levy allowance to offset against this. The levy allowance is worth £15,000 for each tax year. This means the levy is only payable on pay bills over £3 million (because $0.5\% \times \text{£}3 \text{ million} = \text{£}15,000$).

The levy allowance will operate on a monthly basis and will accumulate throughout the year. This means you will have an allowance of £1,250 a month. Any unused allowance will be carried from one month to the next.

For example, if your levy liability in month 1 is £1,000 you will not pay the levy and your allowance in month 2 will be £1,500.

If you have some unused allowance in a month, but paid the levy previously in the tax year, you can receive a credit which you can use to offset against your other Pay as You Earn (PAYE) liabilities. The credit will also reduce the amount of levy paid.

If you have multiple PAYE schemes and do not use the full £15,000 allowance, you will be able to offset the unused amount against another one of your schemes once the tax year has ended.

Levy Modelling Tool

The Education and Skills Funding Agency have made available a tool to estimate if your organisation will pay the apprenticeship levy, how much your organisation will have available to spend on apprenticeships and how much the government will contribute towards the cost of the training.

You will need to know your organisation's annual UK payroll and the link is: <https://estimate-my-apprenticeship-funding.sfa.bis.gov.uk/Tool>.

Examples of what you will pay

Example 1: an employer who would pay the levy

An employer with an annual pay bill of £5,000,000:

- levy sum: $0.5\% \times \text{£}5,000,000 = \text{£}25,000$
- subtracting levy allowance: $\text{£}25,000 - \text{£}15,000 = \text{£}10,000$ annual levy payment

Example 2: an employer who would not have to pay the levy

An employer with an annual pay bill of £2,000,000:

- levy sum: $0.5\% \times \text{£}2,000,000 = \text{£}10,000$

Accessing money paid under the apprenticeship levy

Once you have paid the levy to HM Revenue and Customs (HMRC) you will be able to access funding for apprenticeships through a new online 'apprenticeship service' account.

You will be able to use this to pay for training and assessment for apprentices in England. Separate arrangements will be in place in Scotland, Wales and Northern Ireland.

Creating an apprenticeship service account to access your funds

Online tools for employers have been available via the apprenticeship service from March 2017.

Levy-paying employers will be able to use the service to pay for the training and assessment of apprentices from May 2017. When you've registered, you'll need to verify your Pay as You Earn (PAYE) schemes and link them to your online account. You will be able to use more than one account if you'd like to keep your schemes separate.

When funds will appear in your apprenticeship service account

You will be able to see funds appear in your online account monthly, a few working days after you have confirmed your pay bill and levy contribution to HMRC for the previous month.

This means that the first time you will see any funds in your account will be late May 2017.

Top-ups to the funds in your apprenticeship service account

The Government will apply a 10% top-up to the funds you have for spending on apprenticeship training in England. This will be applied monthly, at the same time the funds enter your online account.

That means for every £1 that enters your account to spend in England on apprenticeships training, you will have £1.10 to spend.

Expiry of funds in your apprenticeship service account

Funds will expire 24 months after they enter your apprenticeship service account unless you spend them on apprenticeship training, this will also apply to any top-ups in your account. Money is spent when it leaves your account as a payment to a training provider.

The account will work on a first-in, first-out basis, through either payment or expiry. Whenever a payment is taken from your online account it will automatically use the funds that entered your account first. This will minimise the amount of expired funds.

This will happen automatically. Your account will let you know in good time when any funds are due to expire so that you can arrange to spend them if you wish.

Pooling funds in an apprenticeship service account with other employers in a group structure

If you are in a group of companies connected for the purposes of paying the levy, your group will be able to collect their funds together into one online account. Your group will do this by registering to have multiple Pay as You Earn (PAYE) schemes attached to a single account.

Since you can only use funds in your online account to pay for apprenticeship training for your own employees, employers that are not connected will not be able to pool funds in an account

Employers who operate in England and other parts of the UK

The amount entering your apprenticeship service account will be how much you have available to spend on apprenticeship training in England.

Apprenticeships are a devolved policy, which means that authorities in each of the UK nations manage their own apprenticeship programmes, including how funding is spent on apprenticeship training.

The apprenticeship service will support the English apprenticeship system. Scotland, Wales and Northern Ireland have their own arrangements for supporting employers to access apprenticeships. To calculate how much you will have to spend through the English system, the Government plan to use data they already hold about the home address of your employees. This data will be used to work out what proportion of your pay bill is paid to employees living in England.

If you're an employer with operations in these nations, you may also want to contact their apprenticeship authority:

Scotland: www.apprenticeships.scot

Wales: [www.businesswales.gov.wales/skillsgateway/ apprenticeships](http://www.businesswales.gov.wales/skillsgateway/apprenticeships)

Northern Ireland: [www.nidirect.gov.uk/campaigns/ apprenticeships](http://www.nidirect.gov.uk/campaigns/apprenticeships)

Buying apprenticeship training – The Apprenticeship Service

Apprenticeship service – all employers

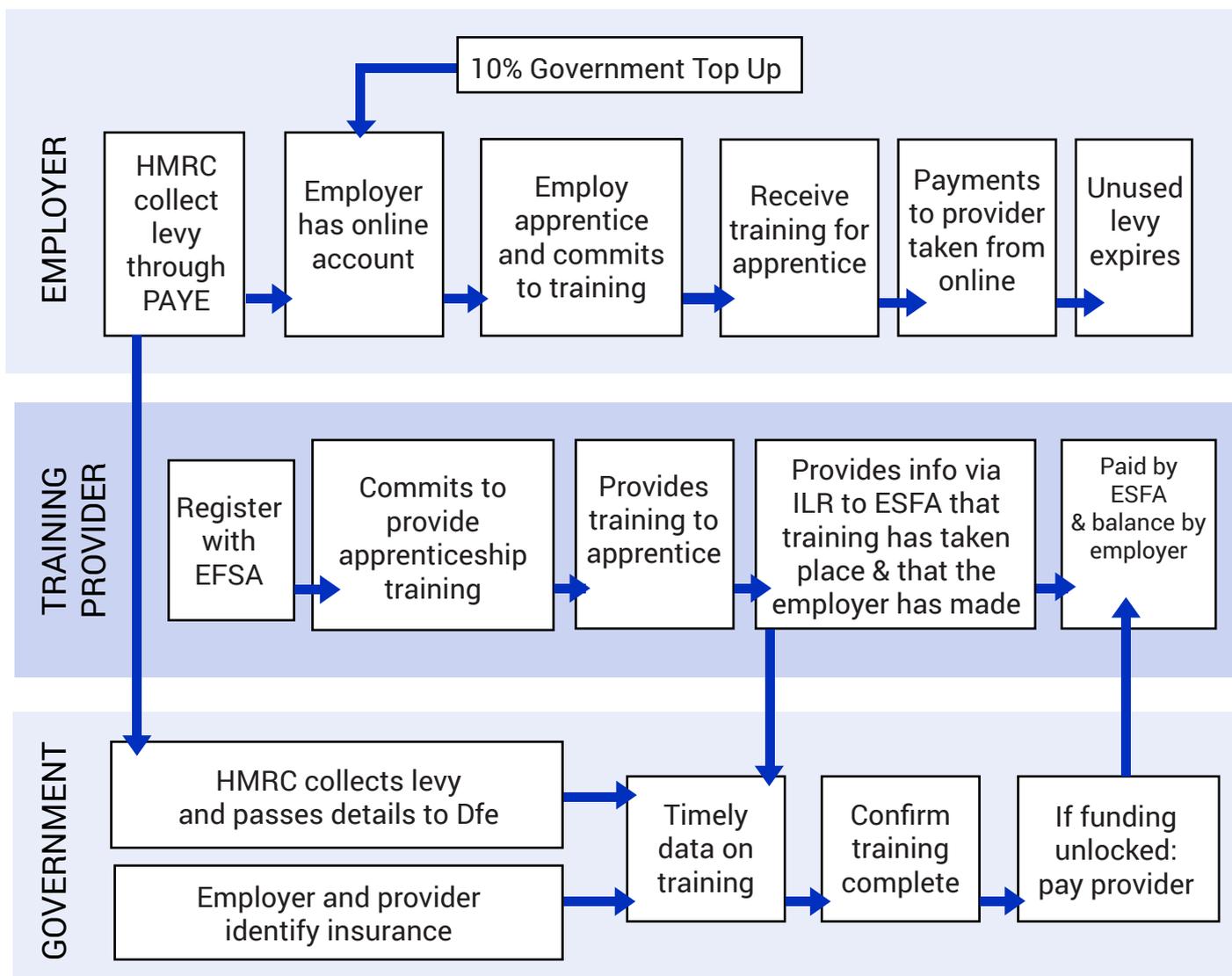
Whether you pay the levy or not, the apprenticeship service will help you to:

- select an apprenticeship framework or standard
- choose the training provider or providers you want to deliver the training
- post apprenticeship vacancies

From May 2017, if you pay the levy you will also be able to:

- see the funds you have available to spend in England
- set the price you've agreed with your training provider
- pay for apprenticeship training and assessment through the apprenticeship service

If you do not pay the levy, you won't need to use the apprenticeship service to pay for



Your apprenticeship service account - what you can spend apprenticeship funding on

Funds in your account, and funding provided by the government through co-investment, can only be used towards the costs of apprenticeship training and end point assessment. This must be with an approved training provider and assessment organisation.

It can't be used on other costs associated with your apprentices or wider training effort. For example wages, statutory licenses to practice, travel and subsidiary costs, managerial costs, traineeships, work placement programmes or the costs of setting up an apprenticeship programme.

Extra support for employing 16 to 18 year old apprentices - all employers

When you take on an apprentice who is between 16 and 18 years old at the start of their apprenticeship, you will receive a £1,000 incentive payment to help meet the extra costs of employing them. This will be paid to you in months 3 and 12 via the training provider.

Choosing a training provider and an assessment organisation – all employers

You can only spend the funds in your account or access government support for apprenticeship training delivered by an approved training provider.

The Education and Skills Funding Agency has created a Register of Approved Training Providers. CLC has received approval for registration and is listed on the register. This means we are approved to deliver apprenticeship training for employers using the apprenticeship service.

Buying apprenticeship training using funds in your apprenticeship service account – levy-paying employers

When you agree to buy apprenticeship training from your selected training provider and the apprenticeship has started, monthly payments will be deducted from your apprenticeship service account. This spreads the cost over the lifetime of the apprenticeship.

When you buy apprenticeship training through the apprenticeship service you don't need to have enough funds in your online account to cover the entire cost of the training at the start. As payments are taken from the apprenticeship service account monthly, you just need to have enough funds in your account to cover the monthly cost of each apprenticeship you have chosen. You will see funds entering your online account each month as you pay the levy, and funds leaving the account regularly each month as you pay for training.

Buying apprenticeship training if you don't have enough in your apprenticeship service account – levy-paying employers

If you pay the levy, you may find that over the course of an apprenticeship the funds in your account aren't enough to cover the full cost of the apprenticeship training and assessment you'd like to buy. When this happens, you will set a price with the training provider and the government will meet 90% of the cost up to the maximum amount of funding available for that apprenticeship.

You will be asked to make a contribution of 10% and pay this directly to the provider.

Once you have decided to buy apprenticeship training through the apprenticeship service:

- funds will be taken from your online account each month to pay the training provider
- the government will work out if the amount paid from your account is less than 100% of the amount due that month
- the government will pay the government share direct to the provider and notify you that you will need to pay your 10% contribution direct to the provider.
- the provider will invoice you for the 10% due. You must pay this in order to keep your employee on the apprenticeship programme.
- the government will ask the provider to confirm that you have made your contribution

Buying Apprenticeship Training - Employers that don't pay the levy

For employers that don't pay the levy, when the new funding system begins, you will be required to make a 10% contribution to the cost of this training and government will pay the rest, up to the maximum amount of funding available for that apprenticeship. As both you and the government make a payment, this is called 'co-investment'.

Get in touch

If you would like more information, please contact Care Learning Centre:



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