

The Apprenticeship Levy



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The Levy is part of a broader programme of reforms

The government is **committed to significantly increase the quantity and quality of apprenticeships in England to reach 3 million starts in 2020:**

- New **Institute for Apprenticeships** led by employers to support quality apprenticeships
- Employers at the heart of designing new **Apprenticeships Standards** through the Trailblazer programme
- Apprenticeships will be given **equal legal protection to degrees**
- **Abolishing employer NICs** for apprentices under the age of 25 from April 2016
- **Apprenticeship targets for public sector bodies** – consulting on new duty on public sector to have 2.3% of its workforce comprised of apprenticeships

But a step change in the scale and quality of the apprenticeship programme also requires a step change in funding.



Current Position & Projected Milestones

- The latest information about the levy was announced in the Spending Review in Autumn 2015:
- The result of the consultation on the implementation of the levy. This gives the context for the Chancellor's announcement on the rate and scope
- The use of PAYE to collect the levy
- The Levy will be introduced in 2017
- The creation of a new employer led apprenticeships body
- The direction of travel on other areas such as funding policy.

Current Position & Projected Milestones (2)

- **Projected milestones are contained in the 2020 vision**
- Spring 2016 - Government to provide guidance to training providers on operation of the levy and changes to the funding system
- From Summer 2016 – Government to communicate with employers on how the levy will operate including PAYE guidance and general levy guidance
- April 2017 – Employers in scope will start paying the levy to fund their apprenticeships

Levy- Key Messages

- Following the Government consultation, the Chancellor announced the rate and scope on which the levy will be collected.
- **Rate, scope and method of collection**
- The rate will be set at 0.5% of employer pay bill and will be collected via PAYE. There will be a pay bill allowance of £15,000 which means that employers with a pay bill of less than £3m will not have to pay. This means that less than 2% of employers will pay the levy.

Two worked examples:

- Employer of **250 employees**, each with a gross salary of £20,000.
- Pay bill: $250 \times £20,000 =$ **£5,000,000**
- Levy sum: $0.5\% \times £5,000,000 =$ **£25,000**
- Allowance: $£25,000 - £15,000 =$ **£10,000 annual levy payment**

- Employer of **100 employees**, each with a gross salary of £20,000.
- Pay bill: $100 \times £20,000 =$ **£2,000,000**
- Levy sum: $0.5\% \times £2,000,000 =$ **£10,000**
- Allowance: $£10,000 - £15,000 =$ **£0 annual levy payment**

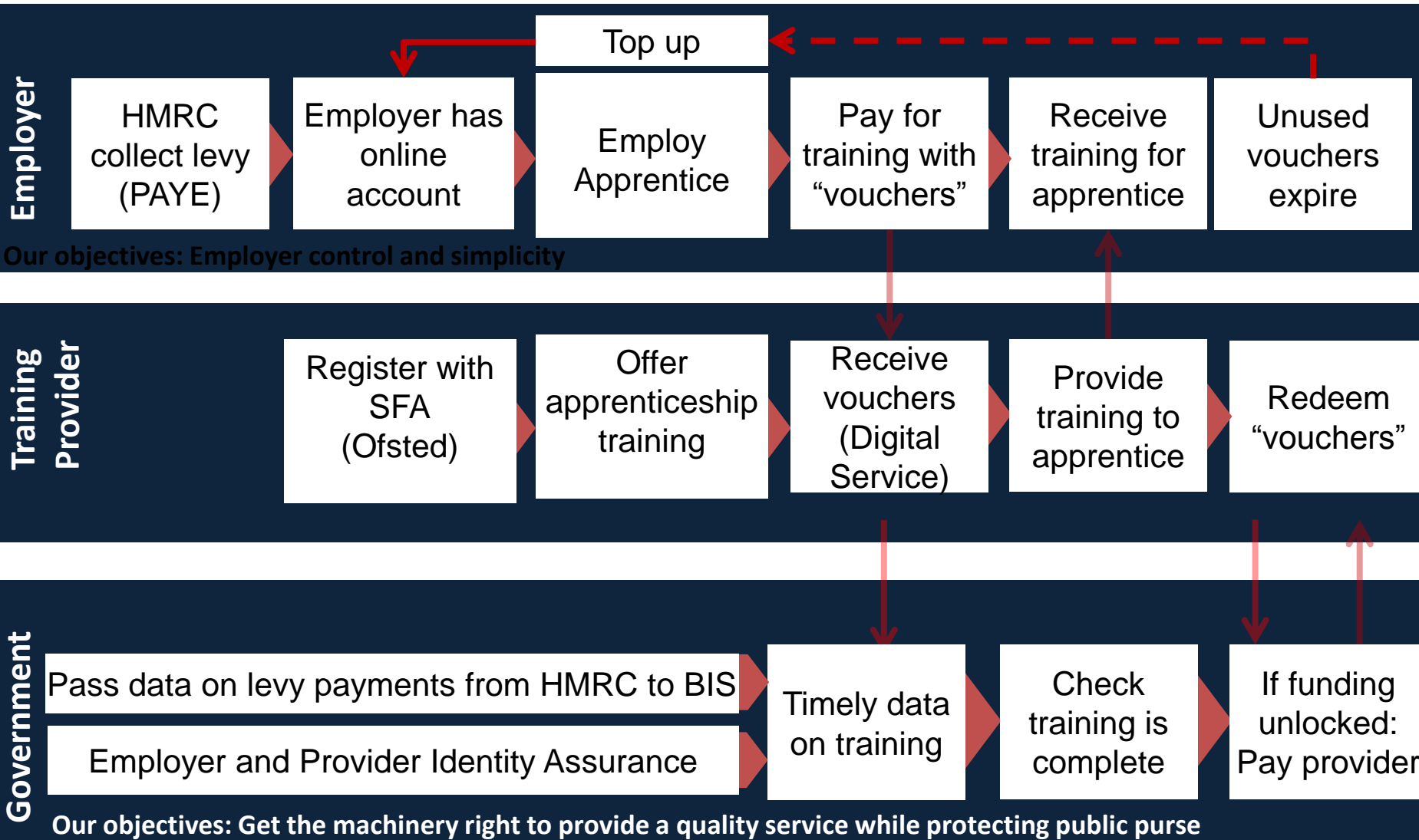
Levy – Key Messages 2

- To make sure employers get what they want from the apprenticeships system, we are establishing a new body, independent of Government and supported by employers, to regulate the quality of apprenticeships within the context of achieving three million starts by 2020.
- **Funding policy direction**
- In England, employers who are committed to training will be able get back more than they put in, through a top-up to their digital account and control of the funding will be put in the hands of employers via the Digital Apprenticeship Service to ensure that it delivers the training that they need.

Levy – Key Messages 3

- Employers will choose and pay for the apprenticeship training and assessment they want through the Digital Apprenticeship Service.
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- The service will also support employers to choose an apprenticeship training course, find a candidate and choose a training provider. All employers will have access to the Digital Apprenticeship Service whether they have contributed to the levy or not.
- For those employers that have not had to contribute to the levy, they will use the Digital Apprenticeship Service to access government funding to deliver apprenticeships.
- We will continue to engage with employers in England between now and the implementation of the levy to design how this will work.

How the Levy will work



SUMMARY OF APPRENTICESHIP LEVY FUND CONSULTATION

- Funding raised by the levy should have the potential to be used to train apprentices in small firms that did not pay into the levy, or used by employers to train apprentices that are not their employees.
- Employers should have up to two years to use funding in their voucher accounts before it expires.
- Respondents were divided over whether there should be a limit on the amount that individual employers accounts can be topped up.
- PAYE was the most practical mechanism for collecting the levy with most respondents wanting a simple, straightforward system.

SUMMARY OF APPRENTICESHIP LEVY FUND CONSULTATION

- The most frequent suggestion for a measure of calculating the size of firms was to calculate it by the number of employees. However, many respondents commented that “number of employees” is a crude measure since company size does not necessarily correspond with either the ability to pay the levy or with the number of apprenticeships an employer can offer.
- Respondents were divided as to whether the digital voucher would enable employers to easily access their apprenticeship funds.
- A significant proportion of respondents felt that more detail on the model was needed.

SUMMARY OF APPRENTICESHIP LEVY FUND CONSULTATION

- Training providers should have to be registered and/or be subject to approval or inspection.
- Respondents were fairly evenly split over whether apprenticeship account funds should only be used to pay for the direct costs of apprenticeship training and assessment.

Questions -

- Do local levy paying companies fully understand the levy proposals?
- Answer - signpost all employers to the support provided by the National Apprenticeship Service:
- Employing an apprentice is very simple. The National Apprenticeship Service can provide all the information you need to know in order to develop an effective apprenticeships strategy and employ apprentices. There is a wealth of useful material on their website at <https://www.gov.uk/take-on-an-apprentice> or you can call them on 08000 150 600.

Questions -

- SMEs are crucial to future prosperity in the UK and the Levy will not apply to most of them.
- All employers will have access to the Digital Apprenticeship Service whether they have contributed to the levy or not. Every employer will have the opportunity to direct the funds that are available in their digital accounts to meet their apprenticeship training needs.
- The aim of increasing the numbers of apprentices is supported by all in the manufacturing sectors and hopefully this Levy scheme will prove to be both fair and successful, but there are many questions still to be answered. To avoid any unintended consequences please send queries to ApprenticeshipsLevyConsultation@bis.gsi.gov.uk or if you would like to be involved in the development of the Digital Apprenticeship Service you can register your interest by e-mailing: DAS@bis.gsi.gov.uk.