



# Skills Funding Agency

## Further details on the Apprenticeship Levy following the Government consultation and publication of Government response

### What's the announcement?

The SR announced details of the Government's UK-wide apprenticeship levy:

- 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.

### 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.

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.

- Employers will choose and pay for the apprenticeship training and assessment they want through the Digital Apprenticeship Service.
- 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.

## **Key messages:**

- UK Employers underinvest in training compared to other countries. Many firms do offer training, and much of it is high-quality, but this isn't necessarily the case across the country.
- Overall, there has been a steady decline in the amount and quality of training undertaken by employers over the last 20 years. This has been bad for UK productivity.
- We need a step change to reverse these trends and secure a high quality, sustainable apprenticeship programme, which is why we are introducing a levy on Larger Employers.
- The levy applies to private and public sector employers.
- The government is committed to significantly increasing the quantity and quality of apprenticeships in England to 3 million starts by 2020, putting control of quality and funding in the hands of employers.
- The levy is fundamentally different to general taxation and is consistent with the Government's commitment that employers take greater control of the apprentice programme and drive the increase in the quality and quantity of apprenticeships
- Skills are one of the major drivers of productivity growth – accounting for around a fifth of growth over the last thirty years.
- Improving the skills of the workforce will be an important factor in increasing productivity and high quality apprenticeships equip people with the skills to help employers grow their businesses.
- Employers have a clear part to play in this and many are already taking control of the apprenticeship programme by creating new and rigorous apprenticeship standards and assessment criteria.
- This levy will now also put control of funding in the hands of employers.
- Levy funded training is widespread across the world. The World Bank has identified 62 separate levy regimes in countries such as the Netherlands, Denmark and South Korea.
- Over time the levy will normalise investment in apprenticeship training by incentivising companies to train apprentices rather than recruit staff from competitors or overseas. The scheme will therefore have greater reward for those companies who invest significantly in training their workforce.

## **Spending:**

By 2019-20, the levy will raise £3.0bn in the UK. Spending on apprenticeships in England will be £2.5bn and we will give Scotland, Wales and Northern Ireland their fair share of the levy.

We expect employers to respond to the levy, and once embedded, we would expect that spending by employers in England will be higher than the amount raised through the levy in England. Every employer that pays the levy will be able to get out more than they put

## **Ministerial quote - Skills minister Nick Boles said:**

*“Skilled people are the lifeblood of a strong economy but for too long UK businesses have invested too little in developing their employees’ skills to meet the demands of a competitive, global market. The apprenticeship levy will ensure that businesses invest in skills and training, and will act as a much needed shot in the arm for the country’s productivity.”*

We hope you find the above information useful.

You may be interested in an event we are holding on the 11<sup>th</sup> February at the law firm Berwin Leighton Paisner in central London. Minister Boles will be speaking at the event about the levy and if you would like further details and/or would like to attend then please email [denise.young@sfa.bis.gov.uk](mailto:denise.young@sfa.bis.gov.uk)