

Apprenticeship Funding

The Government has now confirmed its plans for apprenticeship funding, following the consultation in August 2016.

The Government has set a new apprenticeship target that 2.3% of the workforce must be apprentices from April 2017. These targets cover all employers, in all sectors, including public sector bodies.

Who will the levy apply to and how is it collected?

The levy will apply to all UK employers across all sectors, and will be set at 0.5% of an employer's entire pay bill. Employers will have an allowance of £15,000 to offset against their levy payment, meaning that the levy will only be paid on any pay bill in excess of £3 million. It will include all directly employed people but not contractors, and will apply to 'groups' of companies but not franchisees.

The government will give employers a 10% top up on their levy so for every £1,000 paid into the levy, an employer will have £1,100 to spend

There will be two systems of payment for Levy and non-Levy payers. For non-levy payers, the government will pay 90% of the costs of training and assessment. The employer will be responsible for paying 10% of the costs. For levy-paying businesses who wish to spend more on apprenticeships than is available in their digital account, the government will also pay 90% of this extra cost.

The government has committed to allowing levy-paying employers to transfer up to 10% of the annual value of funds entering their digital account to other employers and Apprenticeship Training Agencies from 2018.

How can I use funding?

The Levy will start to be collected from 6 April 2017. Employers will pay the levy to HMRC, through the PAYE process. The levy funds will be available through a new digital service and 'virtual account'. This new digital system will provide an end to end service from paying the levy, to finding an apprentice, through to spending the funding.

The first funds will appear in accounts on 25 May 2017. Employers can commit to spending their funds from 1 May 2017, and funds will automatically leave the digital account on a monthly basis. The digital funds can be used for apprenticeship training and assessment against approved frameworks and standards, with an approved training provider and assessment organisation. The funds must be used within 24 months from collection date. Apprenticeships started before 1 May will be funded through to completion under the existing funding system.

Each apprenticeship will be placed into a funding band. The upper limit of each funding band will cap the amount of funds an employer who pays the levy can use towards an individual apprenticeship. Employers can negotiate the best price for the training they require, and can spend more than the funding band limit using their own money, if they wish to. To meet minimum standards of English and maths the government will also pay training providers £471 for each of these qualifications (Level 1 and 2).

Now and in the future, you can train any individual to undertake an apprenticeship at a higher level than a qualification they already hold.

From May 2017, an individual can also be funded to undertake an apprenticeship at the same or lower level, providing the apprenticeship is substantively different from existing qualifications.

The new apprenticeship standards are employer-designed and aim to offer employers and apprentices a more relevant training experience. The Institute for Apprenticeships, an independent employer-led body will regulate the quality of apprenticeships and review funding bands on an ongoing basis.

How will it work in Scotland, Wales and Northern Ireland?

The tax is collected by HMRC, and the levy will be paid on businesses' entire UK pay bill. However, the amount paid into the digital account will only be for those employees on their pay bill in England.

The rest of the levy will be distributed to schemes in devolved nations. The estimate is that £3billion will be collected across the UK and £2.5 billion will apply to England. The SFA are working with devolved nations to ensure their funding systems are similar to England – this will ensure consistency and simplicity for employers working across all 4 nations. Scotland are expected to set out their position before the end of the year.

Additional Support

The government will pay £1000 to employers and a further £1000 to training providers if they train a 16-18 year old apprentice. The government will also pay this to employer and training providers if they train 19-24 year olds leaving care or who have a local authority education and healthcare plan.

Employers with fewer than 50 employees will have 100% of the training and assessment costs covered when training a 16-18 year old (or 19-24 year old formerly in care or has a Local Authority Education, Health and Care plan.)

Which training providers will be able to deliver the training for employers?

In the Levy based system, the government will operate a register of approved training providers, subject to inspection by OFSTED.

Sally Beck FIH, General Manager, Lancaster London and BHA London Committee Member says:

“The SME consortium is pleased to see that the government have listened to small businesses and reduced the cash expectation to 10% for employers with more than 50 employees and zero for micro businesses. Apprentices can now be deemed a real solution to recruitment strategies for these businesses which can only benefit the sector in the long term.

The increase in time to spend levy contributions being extended to 24 months is also a huge benefit to levy paying organisations as this allows for a considered approach to this new landscape. We are still concerned about to lack of awareness in the sector. This extra time will give companies and employers more opportunity to catch up from the first payments being taken to expiry of the funds.

Currently we are advising our members of the SME Consortium to work on transitional plans with their training providers and/or colleges and start a mapping activity that ensures all current training plans and SOPs are fully integrated with the new standards. At the Lancaster London we have undertaken this exercise and are now able to start transferring some costs from current in house training to the new apprenticeship standards. This is helping us make sense of the actual spend that we have and also give us a clearer return on investment not only of the cost but also in the training given.. The essence of the apprentice levy was to put employers in the driving seat and the government has managed this. The problem is that right now employers seem reluctant to drive and this will be the real challenge for government to actually get the engagement needed so that the funds are utilised properly by businesses and not seen as another tax.”

Useful Links:

Government Update on Apprenticeship Changes

<https://www.gov.uk/government/collections/apprenticeship-changes>

Plan your apprenticeship spending - <https://estimate-my-apprenticeship-funding.sfa.bis.gov.uk/>

Draft regulations for the calculation, payment and recovery of the Apprenticeship Levy -

<https://www.gov.uk/government/publications/draft-legislation-regulations-for-the-calculation-payment-and-recovery-of-the-apprenticehip-levy>

Approved training providers: <https://www.gov.uk/government/collections/register-of-apprenticeship-training-providers>

For more information please contact Gabriella Bittante, BHA Policy Manager at gabriella@bha.org.uk