

We're here to help you understand the Apprenticeship Levy



The Apprenticeship Levy in numbers

- ▶ **April 2017** - the date the first payments are due.
- ▶ **£3m** - the amount your annual payroll needs to be in excess of to trigger payment of the Levy. You will only pay Levy contributions on the amount your payroll exceeds £3m.
- ▶ **0.5%** - The Apprenticeship Levy Rate – payment is based on your employee earnings (gross) and calculated from the same figure used for Class 1 NI Contributions (bonus payments included). It will be paid through PAYE.
- ▶ **Under 25's** – The apprentice age group for which you will no longer have to pay any NI Contributions.

The Government has outlined plans to have 3 million Apprenticeships by 2020. In May 2017 they are set to launch the Apprenticeship Levy which is a fundamental change to the way Apprenticeships are funded. The Levy will affect all businesses with an annual payroll in excess of £3m and will require them to offer any Apprenticeship training they undertake through an approved provider, such as The Bournemouth & Poole College.

What is the Apprenticeship Levy?

The Apprenticeship Levy will directly fund Apprenticeship training and will affect all industries in the UK. It will be paid through Pay as You Earn (PAYE) at a rate of 0.5% and will only be paid by businesses who have an annual payroll in excess of £3m. The Levy will be payable from April 2017, and the new funding system will be live from 1st May 2017.

Get back more than you pay in

Employers who pay the Levy and provide Apprenticeship training will also be able to claim back more than they put in. The Government will apply a 10% top-up to monthly funds entering these digital accounts and so all funds entering a Levy payer's digital account will increase.

Example:

Employer has 250 employees, each with gross salary of £20,000p.a.

- ▶ Annual payroll: $250 \times £20,000 = £5,000,000$
- ▶ Annual payroll subject to Levy contributions: $£5,000,000 - £3,000,000 = £2,000,000$
- ▶ Levy sum: $0.5\% \times £2,000,000 = £10,000$
- ▶ 10% top up on annual Levy payment of $£10,000 = £1,000$

Total amount in Digital Apprenticeship Service Account to spend on Apprenticeships: £11,000

Employers with annual payrolls of £3m or less

- ▶ **£3m** – if your annual payroll is £3m or less, you won't have to pay into the Levy. The Levy will only be payable by businesses with an annual payroll in excess of £3m.
- ▶ **90%** - the amount the Government will co-invest towards the cost of your Apprenticeship training.
- ▶ **10%** - the amount you will co-invest towards the cost of your Apprenticeship training.
- ▶ **15** – the number of Apprenticeship funding bands. The maximum cost for Apprenticeship training will depend upon which band the Apprenticeship falls into. Employers will be able to negotiate the price of Apprenticeship training with the training provider.
- ▶ **2018** - the earliest date the Government will ask you to start using the Digital Apprenticeship Service to pay for your training. Until then you will pay your training provider directly on terms to be agreed.

“Businesses with fewer than 50 employees who employ a 16-18 year old apprentice will have their employer contribution waived – the cost of training the young person will be free.”

How the Apprenticeship Levy will affect your business

Will I have to pay into the Levy fund even if I don't employ apprentices?

Yes. If your payroll is in excess of £3m per annum you will pay 0.5% Apprenticeship Levy on anything over £3m.

What if my payroll isn't over £3m?

If your payroll isn't over £3m, you won't need to pay the Levy.

If I pay the Levy and don't employ an apprentice, can I claim my money back?

No. If you don't employ an apprentice, your fund will be used by another organisation to help train their apprentices.

So it makes sense to employ an apprentice?

Absolutely. If you pay the Levy and employ an apprentice, the Government will also top your fund up by 10%. And if the apprentice is under 25, you won't need to pay NI Contributions while they are training.

The Apprenticeship Levy and you

The new Levy places control of Apprenticeship training into the hands of you, the employer. It means you can invest in new apprentices or current staff, enabling them to upskill.

Levy funds once collected will be held in a 'Digital Account' and employers can register to create their account from January 2017. The funds held in the account will be used by the employer to pay 'approved training providers' such as The Bournemouth & Poole College for Apprenticeship training.

Spending your Levy funds

Businesses will contribute to their digital Apprenticeship Levy account every month and will have up to 24 months to spend the funds on training apprentices.

It's simple, if you don't use them you will lose them. Money is spent when it leaves your digital account as a payment to a training provider and will automatically be deducted from your oldest contribution.

“Levy funds can only be used towards the cost of an Apprenticeship with an approved training provider. It cannot be used for internal training or an apprentice's wages.”



“The Bournemouth & Poole College is the largest provider of Apprenticeships in Dorset, so you can be reassured that we have the extensive experience required to ensure you get the best advice and support through this significant change.”

Funding bands

Funding for Apprenticeships currently takes into account a number of factors based on the apprentice. This changes from May 2017 when funding will be based on the Apprenticeship Standard or Framework. The bands will range from £1,500 to £27,000 and will determine the maximum amount that can be spent on each Apprenticeship.

The upper limit of the funding bands will also cap how much the Government will 'co-invest' if an employer does not pay the Levy, or if they have insufficient funds from their Levy payments in their digital accounts to pay for the number of Apprenticeships they want to use. Employers can choose to negotiate prices with training providers within the funding limits.

English and maths

Additional payments will be made if you employ an apprentice requiring support with English and maths. This will be paid to your training provider to cover training up to Level 2 qualifications (equivalent to A*-C) and will not come out of your Levy funds.

£1,000 incentive

The Government will pay employers a £1,000 incentive for employing an apprentice aged 16-18. This will also apply to 19-24 year olds who have left care and young adults with additional learning needs.

The incentive will be paid to the training provider in two instalments at month three and 12. The training provider will be responsible for passing the money on to you the employer.

“There is a £1,000 incentive for Levy and non-Levy payers if they choose to recruit a 16-18 year old apprentice or an apprentice aged 19-24 who has been in care or has a care plan.”

Choosing your training provider

- ▶ **Choice** - you can choose who you would like to work with to deliver your Apprenticeship training.

You will be able to find approved training providers using tools on the Digital Apprenticeship Service.

- ▶ **Quality** - Apprenticeship training can only be purchased through a Government approved training provider. You can be confident that you will be receiving the very best training for your apprentice(s).

Keep up-to-date with the latest Apprenticeship Levy news



Call us on 01202 205500



email: apprenticeships@bpc.ac.uk



Visit thecollege.co.uk/apprenticeship-levy



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The Bournemouth & Poole College difference

As the largest Apprenticeships provider in Dorset, you can be reassured that we have the extensive experience required to ensure you get the best advice and support through this significant change. Our Levy Management Package will help you to maximise the opportunities by offering a zero cost consultation service including a dedicated account manager.

Our Levy Management Package is available to both Levy and non-Levy employers and is designed to make your experience as simple and as informative as possible. It includes:

1. Free of charge Account Management Service – discover how an apprentice could transform your business.
2. Training Needs Analysis – we offer personalised solutions to help you address your skills and training needs.
3. End to end Apprenticeship Solutions service – we get to know you, your business and industry and are able to offer a fully managed service including:
 - ▶ A dedicated Account Manager.
 - ▶ Apprentice recruitment.
 - ▶ A dedicated work-based mentor for you and your apprentice(s).
 - ▶ Internal training.
 - ▶ Tailored Apprenticeship Programme development.
 - ▶ Commercial training.

