

Apprenticeship Funding (inc Levy) Q&A – For use from 21st April 2016

No	Question	Answer										
1	What are the benefits of apprenticeships?	<p>Apprenticeships already benefit employers, apprentices and the economy. High quality apprenticeships are essential to support our employers and to help our economy to prosper in the years to come. The English Apprenticeships 2020 vision document (https://www.gov.uk/government/publications/apprenticeships-in-england-vision-for-2020) outlines the Government’s plan to increase the quality and quantity of apprenticeships to reach commitment of 3 million apprenticeships by 2020.</p> <p>Education and training raises the level of skills available in the economy, as well as driving productivity and national prosperity. Economic benefits are generated when education and training helps individuals to achieve a higher level of qualification, increasing their employment prospects, productivity and wages. These benefits translate into significant benefits for individuals and to employers. The cost of apprenticeship training pays for itself within one or two years of completion, through the increased productivity of the former apprentice.</p>										
2	What is an apprenticeship?	<p>There are some rules governing what an apprenticeship is. The main ones are:</p> <ul style="list-style-type: none"> • The apprentice must be employed in a real job. They may be an existing employee or a new recruit. • The apprentice must work towards achieving an agreed standard or framework in a particular profession. • The apprenticeship training must last at least 12 months. • The apprentice must spend at least 20% of their time on off-the-job training. 										
3	Why are you introducing the apprenticeship levy?	<p>The levy is being introduced to fund a step change in apprenticeship numbers <u>and</u> quality – delivering on the commitment that there will be 3 million additional apprenticeship starts by 2020. The levy will put apprenticeship funding on a sustainable footing and improve the technical and professional skills of the workforce (an important component of productivity).</p>										
4	What is the apprenticeships levy?	<p>0.5% of an employer’s pay bill, on which there is a liability to pay secondary Class 1 NICs, collected monthly via PAYE. Employers (subject to connected companies rules) will have an allowance of £15,000, which means that the levy is only applicable on pay bill over £3 million.</p> <table border="1"> <thead> <tr> <th>Example 1: Levy paying employer</th> <th>Example 2: Non-levy paying employer</th> </tr> </thead> <tbody> <tr> <td>Employer of 250 employees, each with a gross salary of £20,000 would pay:</td> <td>Employer of 100 employees, each with a gross salary of £20,000 would pay:</td> </tr> <tr> <td>Pay bill: 250 x £20,000 = £5,000,000</td> <td>Pay bill: 100 x £20,000 = £2,000,000</td> </tr> <tr> <td>Levy sum: 0.5% x £5,000,000 = £25,000</td> <td>Levy sum: 0.5% x £2,000,000 = £10,000</td> </tr> <tr> <td>Allowance: £25,000 - £15,000 = £10,000 annual levy payment</td> <td>Allowance: £10,000 - £15,000 = £0 annual levy payment</td> </tr> </tbody> </table>	Example 1: Levy paying employer	Example 2: Non-levy paying employer	Employer of 250 employees, each with a gross salary of £20,000 would pay:	Employer of 100 employees, each with a gross salary of £20,000 would pay:	Pay bill: 250 x £20,000 = £5,000,000	Pay bill: 100 x £20,000 = £2,000,000	Levy sum: 0.5% x £5,000,000 = £25,000	Levy sum: 0.5% x £2,000,000 = £10,000	Allowance: £25,000 - £15,000 = £10,000 annual levy payment	Allowance: £10,000 - £15,000 = £0 annual levy payment
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5	When will the levy come into effect?	In April 2017										
6	Who will pay the levy?	Employers operating within the UK, in any sector, with a pay bill of more than £3 million per year, on which there is a liability to pay secondary Class 1 NICs.										
7	When can I start spending my levy?	You will be able to see funds appear in your digital account monthly, a few working days after you have confirmed your pay bill and levy contribution to HRMC for the previous month. This means that the first time you will see any funds in your digital										

		account will be late May 2017. From this point onwards you can start spending your levy funds.
8	Why has the rate been set at 0.5% of an employer's pay bill?	The rate was set to deliver the increase in quality that business have been asking for while ensuring it does not place an unreasonable burden on employers. This, alongside the increase in quantity that we need, is the right amount to put the funding of high-quality apprenticeship training on a sustainable footing. Unlike normal taxation, employers in England can get back the funds that are levied simply by investing in a sufficient amount of apprenticeship training.
9	What counts as an employer's pay bill?	<p>Pay bill will be based on total employee earnings subject to Class 1 secondary National Insurance Contributions (NICs), but includes earnings below as well as above the secondary threshold.</p> <p>Earnings include any remuneration or profit derived from employment which includes 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.</p>
10	What is the £15,000 allowance and how does it work?	<p>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 $0.5\% \times \text{£}3 \text{ million} = \text{£}15,000$).</p> <p>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.</p>
11	How will employers pay the levy if they have one PAYE scheme?	Employers will calculate, report and pay their levy to HMRC, through the PAYE process alongside tax and National Insurance. If an employer has calculated that they will need to pay the apprenticeship levy, they will need to declare their liability to HMRC each month. Further details about this will be provided later in the year.
12	What happens if employers have multiple PAYE schemes?	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.
13	What happens if a group of connected companies have multiple PAYE schemes?	<p>Where a group of employers are connected they will only be able to use one £15,000 allowance. The definition of connected companies and charities is the same as the definition used for the Employment Allowance - https://www.gov.uk/government/publications/employment-allowance-more-detailed-guidance</p> <p>The government intends to introduce an amendment to the Finance Bill 2016 concerning the allocation of the levy allowance. The amendment will mean that if you are part of a group of connected employers, you must decide what proportion of the levy allowance each employer in the group will be entitled to. This decision must be taken at the beginning of the tax year and will be fixed for that tax year. Each employer will then calculate what they have to pay through the same processes set out above, but using their portion of the £15,000 allowance.</p>
14	What happens to the money once it is paid under the levy?	The money will be collected by HMRC. Individual employers' funding for apprenticeship training in England will then be made available to them via the digital apprenticeship service. Employers will be able to use their levy funds to pay for

		training and assessment for apprentices in England. The service will also support employers to identify a training course and find a candidate. Scotland, Wales and Northern Ireland have their own, separate arrangements because skills and apprenticeships are a devolved responsibility.
15	How do employers access their funds?	Employers will access their funds through their digital apprenticeship service account. Employers will have the opportunity to familiarise themselves with the digital apprenticeships service system before the Levy is launched in April 2017. Registration for the digital apprenticeship service will be open by the end of 2016.
16	What will the digital apprenticeship service help employers to do?	Whether you pay the levy or not, the digital apprenticeship service will help you to: <ul style="list-style-type: none"> • Select an apprenticeship framework or standard • Choose the training provider or providers you want to deliver the training • Choose an assessment organisation • Advertise and recruit to apprenticeship vacancies
17	What happens for employers who operate in England and other parts of the UK?	<p>The levy will apply to employers operating within the UK.</p> <p>Apprenticeships are a devolved policy. The digital apprenticeship service will support the English apprenticeship system. Scotland, Wales and Northern Ireland will have their own arrangements for supporting employers to access and pay for apprenticeships. The amount entering an employers' digital apprenticeship service account will therefore reflect what they have available to spend through the English apprenticeship system.</p> <p>If you would like more information about apprenticeship funding in another part of the UK, please get in touch with their apprenticeship authority:</p> <ul style="list-style-type: none"> • Scotland: https://www.apprenticeships.scot/ • Wales: https://businesswales.gov.wales/skillsgateway/apprenticeships • Northern Ireland: https://www.nidirect.gov.uk/campaigns/apprenticeships <p>To calculate how much you will have to spend through the English system, we plan to use data that HMRC already holds about the home address of employers' employees. For example, if 100% of an employers' pay bill is to employees with home addresses in England, they will get 100% of their levy payments in their digital apprenticeship service account. If 80% of an employer's pay bill is to employees with home addresses in England and 20% to those living in devolved administrations, then 80% of their levy payment will appear as funds in their account.</p>
18	What choice will employers have about what they spend their money on?	Funds in an employer's levy account can only be used towards the cost of apprenticeship training and the end point assessment an apprentice needs to take. Employers will be free to spend their money on apprenticeships training which they judge best meets their needs. For example, if the employer is a registered training provider, they could spend that on in-house apprenticeships training which meets the required quality standards for an apprenticeship, or apprenticeships training offered by another registered provider of their choice. We want to give employers in England flexibility on how they use levy funds without introducing additional and unintended complexity into the system.
19	Can employers spend their funding on training in their supply chain?	In the first year of the levy, employers will be able to use funds in their levy account to pay for apprenticeship training and assessment of their own employees. We know that some employers will want to use funds in their digital account to pay for apprenticeship training of other employer's apprentices, for example, someone in their supply chain. We will make an assessment of the pros and cons of any approach,

		including the trade-offs with other design choices, before providing further information in June
20	Can employers pool funds in a levy account with other employers?	If an employer is in a group of companies connected for the purposes of paying the levy, the group will be able to collect their funds together into one account. However, because the funds in the levy account can only be used to pay for apprenticeship training for an employer's own employees, employers that are not connected will not be able to pool funds in a levy account using the digital service.
21	How will a committed apprenticeship employer get out more than they put in?	The levy will put apprenticeship funding in the hands of employers and will encourage employers to invest in their apprentices and take on more. Employers in England who pay the levy and are committed to apprenticeships training will be able to get out more than they pay in to the levy through a top-up of additional funding to their digital accounts.
22	What do you mean by top ups and how will they work?	The government will apply a 10% top-up to monthly funds entering levy paying employers digital accounts, for apprenticeship training in England, from April 2017. i.e. all funds entering a levy payer's account will be increased, so every £1 will be increased to £1.10 in value.
23	Do I have a time limit in which to spend my levy funds?	Levy funds will expire 18 months after they enter an employers' digital apprenticeship service account unless they are spent on apprenticeship training. This will also apply to any top-ups in the account. Expiration will take place automatically, but an employer's digital apprenticeship service account will let them know in good time when any funds are due to expire so that the funds can be spent if the employer wishes to do so.
24	What can employers spend their levy funds on?	Yes. Specifically, employers will be able to use their funding (up to a limit which will depend upon the standard or framework that is being trained against) to cover the cost of an apprentice's training, assessment and certification. It will not be possible to use levy funds to cover the salary costs of an apprentice. As currently happens, the employer will need to cover the costs of an apprentice's wages themselves.
25	What are the funding band limits on how much can be spent on individual apprentices?	Employers will not be able to spend an unlimited amount of money on a single apprentice. Funding bands will be set which limit the amount of levy funds an employer can spend on training for an individual apprentice. The band will vary according to the level and type of apprenticeship (for example, more expensive, higher quality training is likely to be in a band with a higher limit). The Institute for Apprenticeships will advise on the maximum rate of Government funding that should be assigned to each apprenticeship standard. The limit of any band will determine the maximum level of levy funding and/or government funding which can be spent. Further funding detail and draft funding rates will be published provisionally in June.
26	Why are there to be limits on the amount of levy funding I can spend/funding limits for apprenticeships?	We want to ensure that apprenticeships represent the best quality and value for money to the employer. Setting limits to the amount of government or levy funding that can be used for these will enable employers to increase the quantity of apprenticeships they can purchase with their funding, whilst ensuring that quality training does not become too expensive for employers to purchase. Employers can negotiate the best price for the training they require directly with training providers, and if employers want to spend more than the funding limit themselves then they will be free to do that. Setting a limit to the amount spent on one apprenticeship ensures that each

		<p>apprentice receives a fair share of the available funding as is relevant to the type of apprenticeship they are undertaking. There are a robust set of rules in place to ensure the apprenticeships training contributes to genuine training for the individual and the employer.</p>
27	<p>Will levy paying employers have to put in their own money as well as the levy to pay for training?</p>	<p>There are two circumstances where levy-paying employers will have to contribute additional funds i) where the cost of the training they wish to buy is greater than the limit of the funding band for a particular standard or framework and ii) where an employer has spent all of their levy contribution and all of their top-up and wishes to spend more on additional apprenticeship training.</p> <p>If employers pay the levy and their payments and top-ups aren't enough to cover the full cost of the apprenticeship training and assessment that they'd like to buy, Government will provide generous support to meet the additional costs, using the same rate of co-investment as for employers who don't pay the levy.</p>
28	<p>Do non-levy paying employers have to pay the costs of apprenticeship training and assessment?</p>	<p>There are two types of employers who will be required to contribute outside the levy towards the cost of their apprenticeships training: employers who haven't paid into the levy, and employers who have used all funds in their digital apprenticeship account. These employers will be required to co-invest a small proportion of funding towards the cost of their apprenticeships training.</p> <p>We are committed to providing financial government support to these employers to pay for their apprenticeships training. We will therefore contribute a large proportion of government funding to cover the majority of the costs of apprenticeships training.</p>
29	<p>What support will be available for non-levy paying employers?</p>	<p>Government will help employers who are not paying the levy to meet the costs of apprenticeships training by providing generous financial Government support. Non levy payers will be asked to make a small financial contribution to the cost of training and assessment in partnership with Government. Further funding detail and draft funding rates will be published provisionally in June.</p>
30	<p>Why should SMEs be required to pay for apprenticeships?</p>	<p>Employers with a pay bill of less than £3 million will not pay the levy. The government will provide financial support for non-levy paying employers to take on apprenticeships, but these employers will be expected to make a small financial contribution to the cost of training and assessment in partnership with Government.</p> <p>For a relatively small contribution, smaller employers can get significant benefits from employing apprentices. Research shows that many employers are able to recoup the cost of training within 1 or 2 years of training finishingⁱ and 82% of employers were satisfied with the programme and 70% reported that apprenticeships improved the quality of their product or serviceⁱⁱ. Asking non-levied employers to pay a contribution towards the cost of apprenticeship training is only fair when larger employers are contributing towards the cost of their apprenticeships. It also helps put employers in the driving seat for influencing their choices and interacting with their training providers.</p>
31	<p>How do non levy payers pay for training?</p>	<p>If employers do not pay the levy, they will not need a digital apprenticeship service Account to pay the training provider in April 2017. Non levy paying employers will agree a price and pay their co-investment to the training provider directly. Government will also pay its contribution to the provider directly..</p>
32	<p>What other funding support will be available?</p>	<p>Support will be provided for 16-18 year olds, young people who are aged 19-24 who have been in the care of the Local Authority, apprentices with additional learning needs, and apprentices who don't have the level of English and maths that is required to meet the minimum standard.</p>

		Further funding detail and draft funding rates will be published provisionally in June.
33	Will employers be required to pay admin costs for the management of the levy?	There will be no top-slice from the funds in levy accounts to pay for the cost of Government administration.
34	How will existing levies in the construction and engineering sectors interact with this levy?	<p>Some industries already operate levy systems. You won't be exempt from the apprenticeship levy if you already pay into an existing levy.</p> <p>We are working with the relevant Industry Training Boards for the construction, engineering construction and film industries. They will consult their members on potential future changes to their existing arrangements. We are also working with other sectors where there are existing collective training arrangements about the interaction with the apprenticeship levy.</p>
35	Are there likely to be any exemptions from the levy?	<p>All employers with a pay bill over £3 million, on which there is a liability to pay secondary Class 1 NICs, will be required to pay the apprenticeship levy. There will be no exemptions.</p> <p>Public sector employers with a pay bill over £3 million, on which there is a liability to pay secondary Class 1 NICs, will be required to pay the apprenticeship levy. The public sector needs to play its part in apprenticeship expansion. To ensure that it does, the government will set apprenticeship targets for public sector bodies. The public sector will be able to draw down levy funding like any other employer and we fully expect them to do so.</p>
36	What happens to those companies with their own training schemes?	Apprenticeships offer transferrable, valuable skills which are beneficial to both the apprentice and the employer. Employers who are also providers of apprenticeships training will be able to register as a training provider and be paid for the apprenticeship training they deliver.
37	What happens to employers who have already taken on apprentices?	<p>Apprentices who have been accepted on to an apprenticeship before April 2017 will be funded for the full term of the apprenticeship under the terms and conditions that were in place at the time their apprenticeship started.</p> <p>If an employer is a levy payer they will not be able to use their levy funds in their account to pay for apprenticeships started prior to April 2017. Employers will need to continue to meet the requirements agreed at the time the apprentice started, including any co-investment rate required under the trial standards funding model.</p>
38	How can I see what apprenticeship standards are already available?	There are currently a large number of standards that are being developed and ready for delivery, covering a wide range of sectors. A list of standards that are ready for delivery and in development can be found on the gov.uk website: https://www.gov.uk/government/collections/apprenticeship-standards
39	What if an apprenticeship doesn't exist in a sector? What happens in this situation?	<p>Employers are encouraged to work together to design the standards and assessment plans for new apprenticeships they feel are needed. We welcome your interest in developing an apprenticeship standard for an occupation in your sector or for one that covers a number of sectors.</p> <p>If there is not yet an apprenticeship standard in development for a particular occupation, you can work with a group of employers to come forward with an Expression of Interest (EOI) to develop one. For more information about developing an apprenticeship standard you can refer to the Trailblazer guidance:</p>

		https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/487350/BIS-15-632-apprenticeships-guidance-for-trailblazers-december-2015.pdf or email apprenticeship.trailblazers@bis.gsi.gov.uk
40	How do I employ an apprentice?	Employing an apprentice is very simple. The National Apprenticeship Service can provide all the information you need to know in order to employ an apprentice. 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.
41	How do I use my levy funds to buy training?	<p>Once an employer has committed to apprenticeship training with a particular provider, payments will be taken monthly from their digital levy account. This spreads the cost over the lifetime of the apprenticeship. When an employer commits to buying apprenticeship training they do not need to have enough funds in their levy account to cover the entire cost upfront. As payments are made monthly, employers will need to be sure that their monthly levy contributions will be enough to cover the monthly cost of each apprenticeship they have chosen.</p> <p>If employers pay the levy and their payments and top-ups aren't enough to cover the full cost of the apprenticeship training and assessment that they'd like to buy, Government will provide generous support to meet the additional costs, using the same rate of co-investment as for employers who don't pay the levy. They will need to pay these costs directly to their training provider.</p>
42	What is the Institute for Apprenticeships?	We will establish a new independent body, led by employers – the Institute for Apprenticeships – to regulate the quality of apprenticeships. The Institute for Apprenticeships will put in place transparent mechanisms for the approval of apprenticeship standards and assessment plans, and maintain clear quality criteria so that only standards that are valued by employers will be approved and funded. It is our intention that the Institute for Apprenticeships will gradually start to assume functions in 2016, and will be fully operational by April 2017. More detail can be found at: https://www.gov.uk/government/publications/apprenticeships-in-england-vision-for-2020
43	How can I get in touch to express my views on this?	<p>If you'd like to know more about what this will mean for you, then contact our employer helpline: Email - nationalhelpdesk@apprenticeships.gov.uk Phone - 08000 150 600</p> <p>If you think there's something else that should be covered in the public guidance, please let us know by emailing apprenticeships.levy@bis.gsi.gov.uk Your feedback will be fed into future versions of this guidance.</p> <p>We are developing a digital apprenticeship service, working with a wide range of employers, who are testing the service and letting us know what they think of it. If you'd like to be involved in this testing then please let us know by emailing DAS@bis.gsi.gov.uk</p>
44	When will further information on the levy be available?	Further information on the levy and a detailed timetable of further information releases are available on the gov.uk website: https://www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work/apprenticeship-levy-how-it-will-work

ⁱ IER 2012, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/32306/12-814-employer-investment-in-apprenticeships-fifth-net-benefits-study.pdf

ⁱⁱ Apprenticeship Evaluation: survey of employers 2014