

AELP Webinar

The Apprenticeship Levy

17 May 2016 10.30 am – 11.30 am



The
Education
& Training
Foundation

aip
association of employment
and learning providers

Commissioned and funded by ETF. Delivered by AELP and partners.

The Apprenticeship Levy

Webinar Chair:

Mike Cox, Operations Manager, AELP

Webinar Facilitator:

Rebecca Rhodes , Head of Apprenticeship Funding Policy
Implementation, Skills Funding Agency



Skills Funding
Agency

Apprenticeship Funding and The Apprenticeship Levy

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17 May 2016

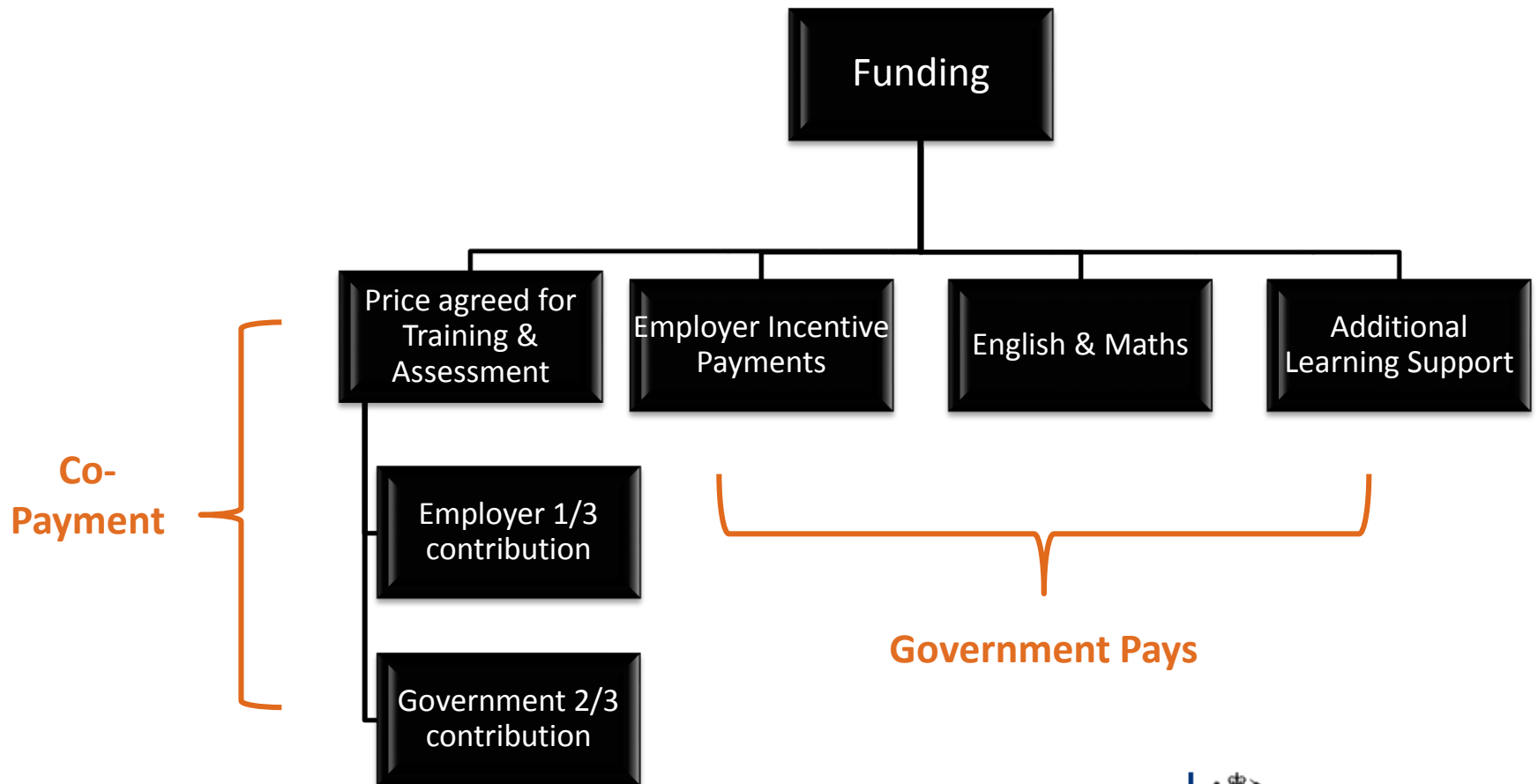
Rebecca Rhodes
Head of Apprenticeship Funding Policy Implementation



Skills Funding
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Apprenticeship Funding - 2016

Apprenticeship Pilot Funding Model For Standards



Pilot Funding Caps For Standards August 2016 - March 2017

* Includes Standards automatically re-designated into cap 6 on 1st August

| | | Cap 1 | Cap 2 | Cap 3 | Cap 4 | NEW Cap 5 | NEW Cap 6* |
|--|-----------------------------|---------------|---------------|---------------|----------------|----------------|----------------|
| Maximum Core Government contribution (£2 for every £1 from employer) | | £2,000 | £3,000 | £6,000 | £8,000 | £13,000 | £18,000 |
| Employer contribution if the maximum cap is claimed | | £1000 | £1,500 | £3,000 | £4,000 | £6,500 | £9,000 |
| Co-funding for training and assessment if the maximum cap is claimed | | £3,000 | £4,500 | £9,000 | £12,000 | £19,500 | £27,000 |
| Additional incentive payments | Recruiting a 16-18 year old | £600 | £900 | £1,800 | £2,400 | £3,900 | £5,400 |
| | For a small business (<50) | £500 | £500 | £900 | £1,200 | £1,950 | £2,700 |
| | For successful completion | £500 | £500 | £900 | £1,200 | £1,950 | £2,700 |
| Maximum total Government contribution | | £3,600 | £4,900 | £9,600 | £12,800 | £20,800 | £28,800 |

The Apprenticeship Levy



**BUSINESS
IS
GREAT**
BRITAIN



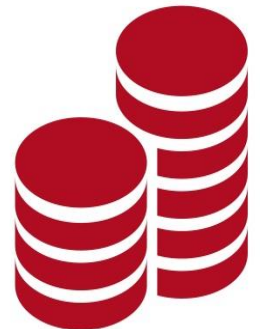
What is the levy?

- The levy on all UK employers is part of a broader programme of reforms and will be used to fund **new** apprenticeship starts from April 2017.
- The levy applies to all UK private and public sector employers, including those operating under other levies.
- Any UK employer with a **pay bill of more than £3 million** per year is liable to pay the levy. **The levy will be 0.5% of the pay bill**, paid through PAYE.
- **An allowance of £15,000** will offset against levy liability. The levy allowance is not a cash payment and cannot be used to purchase apprenticeship training.
- Employers in England who pay the levy **will be able to get out more than they pay into the levy**, through a 10% **top-up** to their digital accounts.

The levy will be set at 0.5% of an employer's pay bill. It will only be paid on any pay bill in excess of

£3m

Employers will have an allowance of £15,000 to offset against their levy payment



Paying the levy

LEVY PAYING EMPLOYER

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

NON-LEVY PAYING EMPLOYER

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

- Employers calculate, report and pay levy to HMRC, through the Pay as You Earn (PAYE) process alongside income tax and National Insurance.
- Single employers with multiple PAYE schemes will only have one allowance.
- We intend to allow employers who are in connected thorough ownership or control to share one allowance.
- Employers won't be exempt from the apprenticeship levy if they already pay into an existing levy.



General Apprenticeship Funding Principles from April 2017

- Employers will choose their training provider from the approved register and negotiate the best price for the training they require.
- There will be a new single funding model for apprenticeships which will apply to both frameworks and standards.
- All apprenticeship standards and frameworks will be placed into a funding cap. This will determine the maximum of levy or co-funding for an individual apprenticeship.
- Government co-funding is available for employers who do not pay the levy or levy employers who have used up all their levy funds.



Additional Support

Government will provide additional funding to employers who:

- Employ 16-18 year old apprentices
- Employ 19-24 year olds who have an Education and Healthcare Plan or have been in the care of the Local Authority

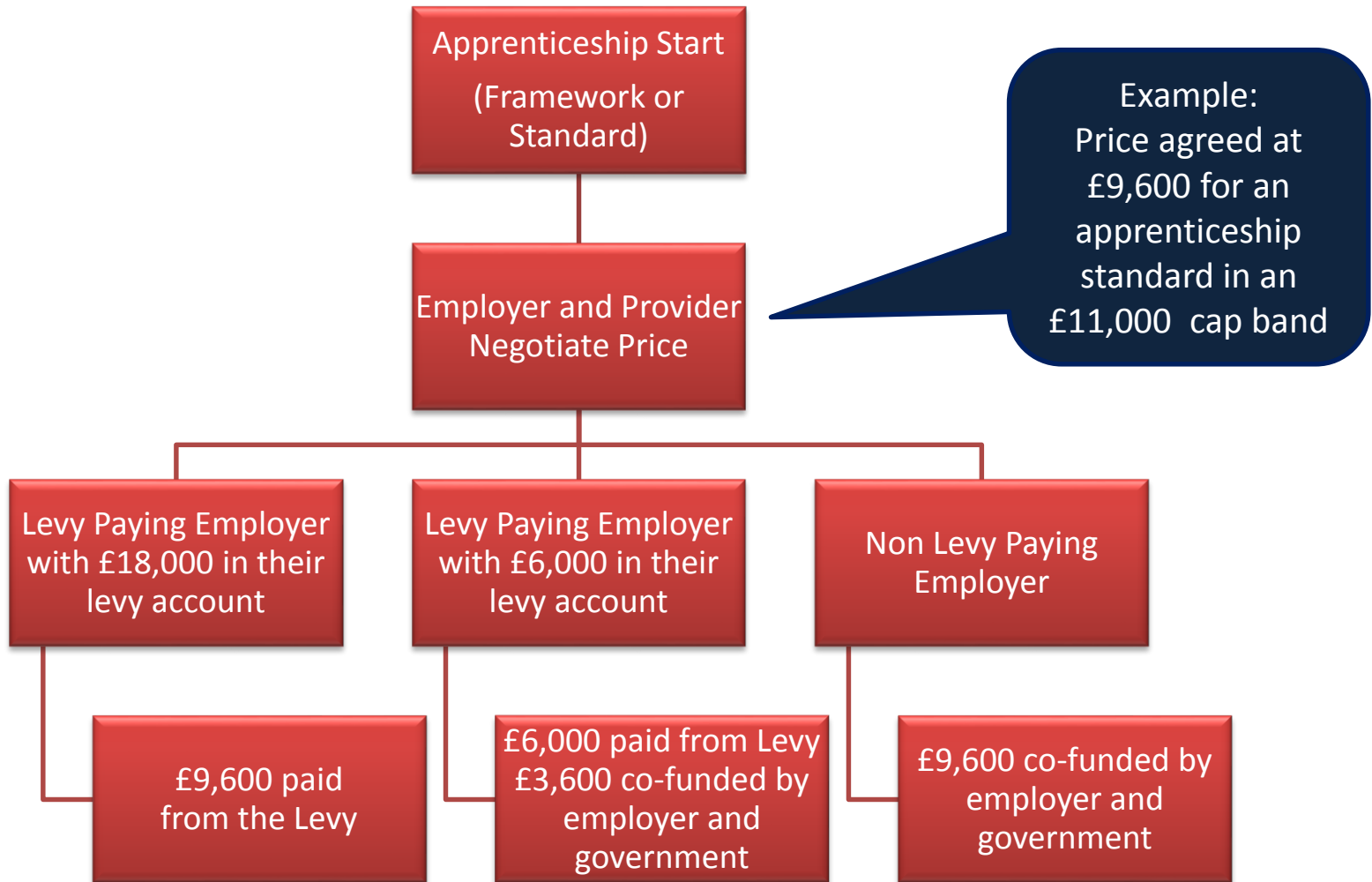
This money will be paid to employers through the training provider.

Government will provide additional funding to providers for the employer and their apprentice:

- To support the extra learning needs for apprentices to complete their apprenticeships
- To support an apprentice to reach the required minimum standard in English and maths



General Apprenticeship Funding Principles from April 2017



How Apprenticeships will work for Levy paying employers

- Employers continue to negotiate the best price for the training that they require directly with training providers.
- 100 % of this price for apprenticeship training, assessment and certification costs are funded from the levy.
- Levy funds, the levy allowance and 10% top up payments will be applied monthly to the employer's digital account.
- Levy payments and top up payments expire at the end of 18 months unless they are spent on apprenticeship training.
- These employers will manage their apprenticeship programme including funding and payments through the digital apprenticeship service from April 2017.
- Providers will be paid monthly via the employer's digital account after the levy is introduced.



Co-Investment - Levy paying & non Levy paying employers

- There are two types of employers who will be required to contribute outside the levy towards the cost of their apprenticeships training :
 - I. Employers who have not paid into the levy
 - II. Levy paying employers who have used all of the levy contribution and the top-up funds in their digital account and wish to spend more on additional apprenticeship training
- If an employer needs additional funding to deliver their apprenticeships, co-funding will be available from Government. **These employers will be required to co-invest a small proportion of funding towards the cost of their apprenticeships training.**
- Levy paying employers who have agreed a cost which is greater than the funding cap for a particular standard or framework will pay all of the additional costs over the cap.



How Apprenticeships Will Work for Non-Levy Paying Employers

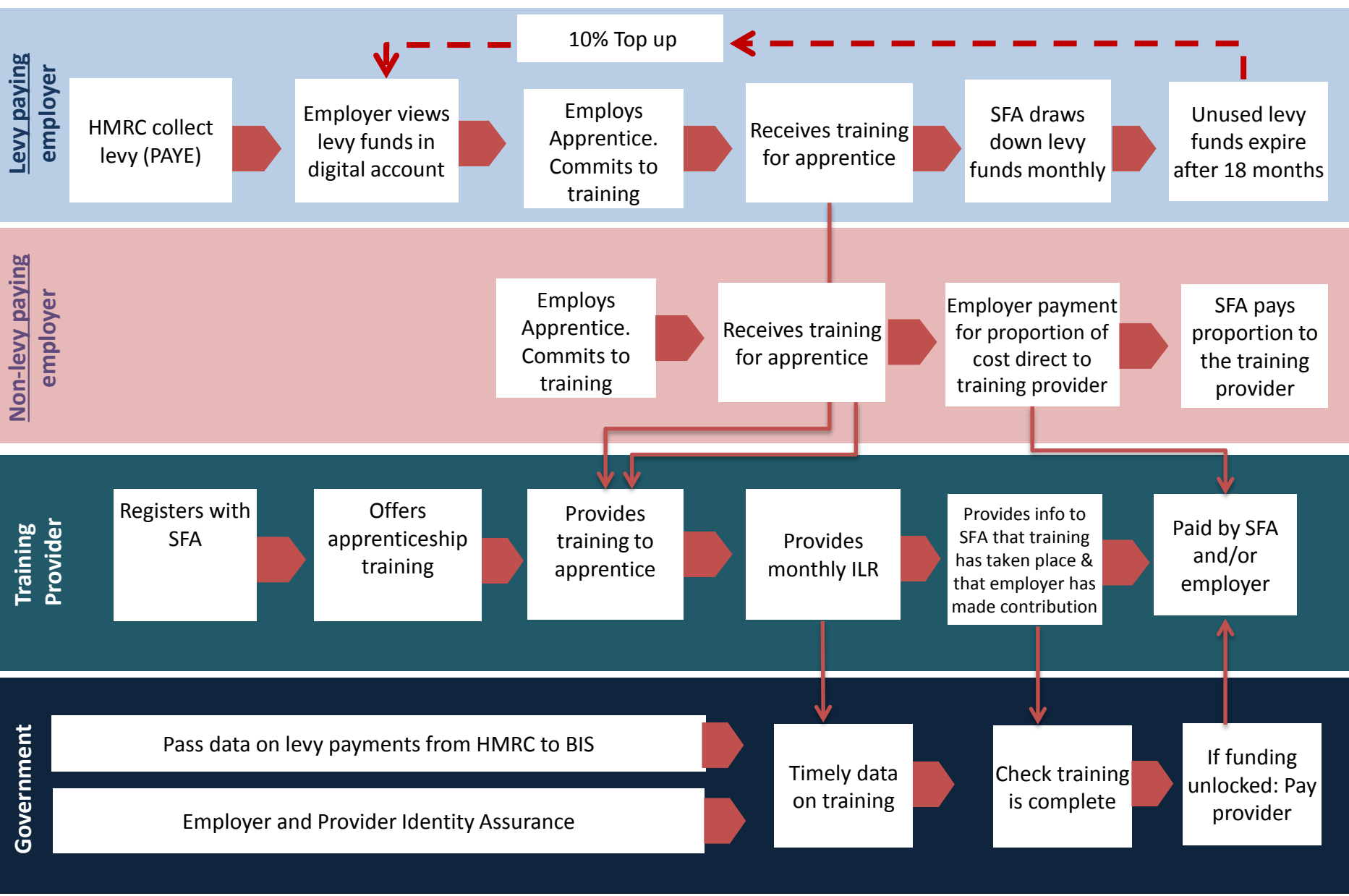
Employers with a pay bill of less than £3m will not have to pay the levy. This is more than 98% of all employers.

Non-levy paying employers will :

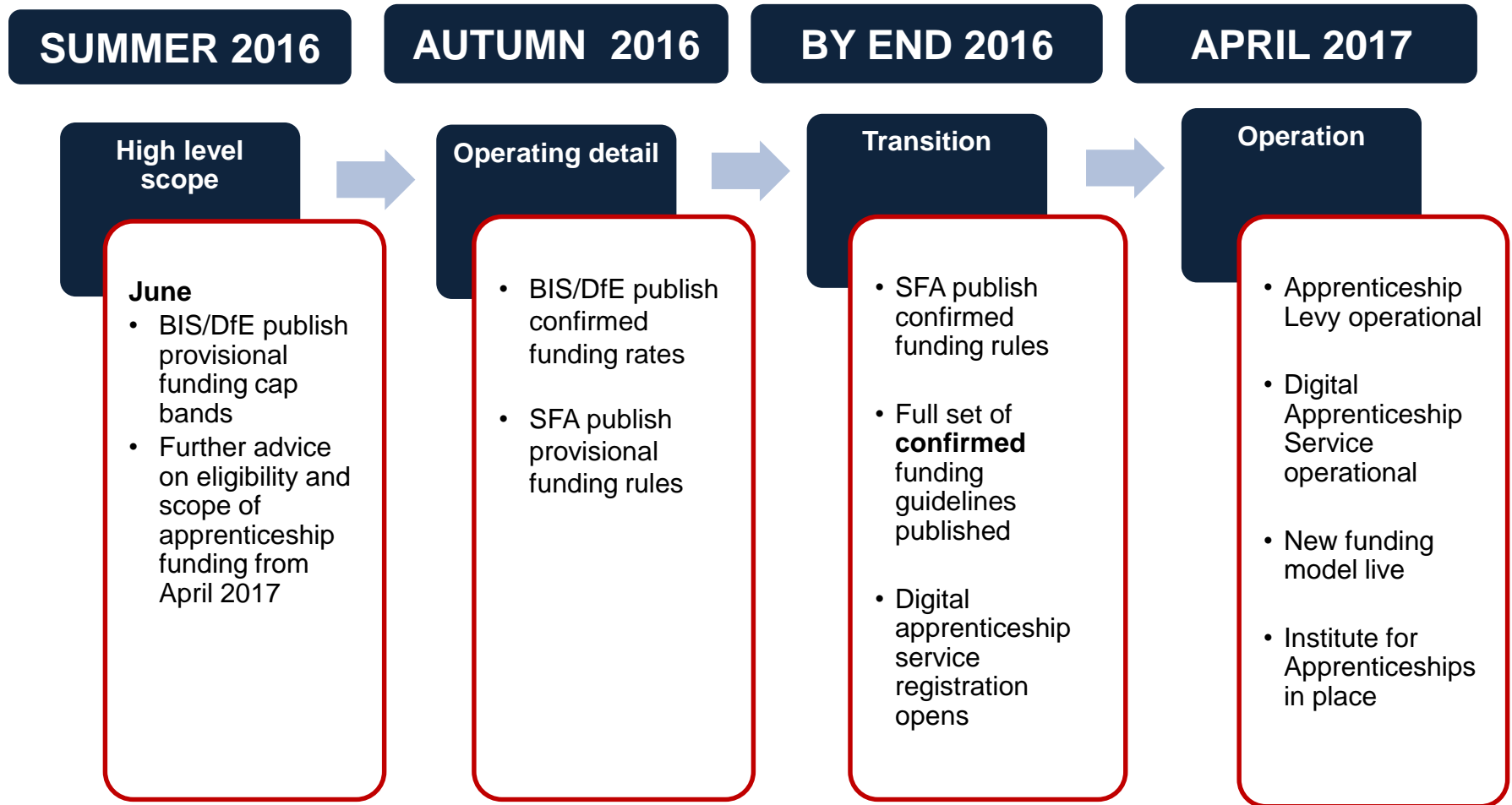
- agree a price with their chosen training providers for delivery of training and assessment.
- continue to have access to government funding to support apprenticeships and will be expected to make a financial contribution to the cost of training their apprentices. The employer contribution level has not yet been set.
- pay their contribution towards the costs of the training and assessment direct to their training provider.
- have access to the digital apprenticeship service enabling them to search for a standard or framework, find a training provider and post apprenticeship vacancies.



How the Levy will work



Next Steps



Future AELP Webinars

- 26 May [CEO Member Update](#)
Mark Dawe, AELP
- 7 June [Supply Chains and Subcontracting](#)
Paul Warner, AELP
- 14 June [Employer Engagement Strategies](#)
Sha O'Hagan, Regional Employer Services Manager,
Seetec
- 20 June [Observation Skills and Ofsted Requirements](#)
Sean Errington, People Projects

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Future Apprenticeship Support Programme Webinars

| | Future Apprenticeship Support Programme- Webinar Series (commissioned and funded by The ETF) | Date |
|-----|--|------------------|
| 1/4 | <p>From SASE to Standards: An introduction to the apprenticeship reforms and transition issues</p> <p>Presented by Teresa Frith (AoC) and Karen Woodward (SFA)</p> | December 1 2015 |
| 2/4 | <p>Frameworks to Standards – What you need to know</p> <p>Presented by Mike Cox, (AELP), Benita Notley, (SFA) and David Gaughan (Leeds City College)</p> | December 15 2015 |
| 3/4 | <p>Frameworks to Standards – What you need to know</p> <p>Presented by James Corbett and David Sampson (BIS/DfE) and Rob White, Babington Group</p> | January 13 2016 |
| 4/4 | <p>Delivering Higher Level and Degree Apprenticeships</p> <p>Presented by Mike Cox, (AELP), Dan Simons, (SFA), Alison Cox, (CMI), Richard Marsh, (Capita)</p> | March 15 2016 |

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