

Apprenticeships levy – November 2016 update

Background

Following the 2015 General Election the government announced a significant change in its policy towards apprenticeships. From April 2017, all firms in the UK will be subject to a compulsory apprenticeship levy. This will equate to 0.5% of a firm's pay bill - though every employer will receive a £15k allowance against the levy. In practice this means that the levy will only be paid on a pay bill of over £3 million. The money raised will pay for apprenticeships in England (only) and the government hopes it will encourage more employers to offer apprenticeship opportunities. This short briefing sets out the details of the levy.

This latest update follows the finalisation of government proposals on apprenticeship funding. New content covers: how long firms will have to spend their levy funds; contracting with the Skills Funding Agency.

Apprenticeships levy

- The levy will come in to effect in April 2017.
- The levy will apply to all firms across all sectors (public & private) across the UK. However, the levy pot will cover apprenticeships in England ONLY.
- For those firms with offices across the UK, the government is looking at how to utilise home address data to calculate how much levy they will have to spend in England. Further details expected by the end of the year.

Paying the levy

- The levy amount will be set at 0.5% of a firm's pay bill.
- All employers will receive an allowance of £15k to offset against payment of the levy. In practice this means that only those firms with pay bill of over £3 million will have to pay the levy.
- There will be a connected persons rule (as with the Employment Allowance) which means employers with multiple payrolls will only be able to claim one allowance of £15k. However, it will be possible to split the allowance across a group of companies if desired. For more visit:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/308734/connected-companies.pdf

- Pay bill will be calculated based on total employee earnings – all those subject to Class I Secondary National Insurance Contributions. It will not include payments such as benefits in kind. Earnings of all employees will be taken into account.
- Employers will be required to calculate and report their levy amount to HMRC. This will be paid monthly to HMRC, through PAYE.
- The £15k levy allowance will operate on a monthly basis and accumulate throughout the year i.e. £1,250 per month. Any unused monthly allowance can be carried from one month to the next.
- Levy payments to HMRC will be allowable for Corporation Tax.

Additional support (England ONLY)

- Employers paying the levy will receive a 10% top-up to their monthly levy contribution.
- Employers taking on an apprentice aged 16-18 will receive an additional £1,000 in government funding. Initially this will be paid via the training provider, though eventually it will go straight to the employer.
- Employers taking on an apprentice aged 19-24 who has previously been in care or has a Local Education, Health and Care plan will receive an additional £1,000 in government funding. Initially this will be paid via the training provider.

Spending the levy

- Employer levy contributions will be available to use via the new Digital Apprenticeship Service (DAS, see box pg 4). Employers will be able to reclaim their levy contribution via a digital voucher. This is given to the apprenticeship provider to “pay” for training.
- Employers will have 24 months to spend their levy funding (contributions and government top-ups). Funding will work on a ‘first in, first out’ basis.
- The voucher will cover apprenticeship training, assessment and certification with registered providers only. It will not cover wages or other costs. Registered providers and assessment organisations can be found via the DAS.
- Each apprenticeship will be allocated to a funding band. The upper limit of each funding band will cap the amount of levy funding an employer can spend on an individual apprenticeship. There are 15 funding bands and they vary depending on the type and level of apprenticeships. Both the L3 Insurance Practitioner and L4 Insurance Professional apprenticeships have an upper band limit of £9,000. This amount is meant to cover training, assessment and certification.

For a full list of apprenticeships (frameworks and standards) that include CII exams/qualifications and their funding band upper limit see appendix A.

For a full list of apprenticeship standards (including those in development) visit:

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

A list of live apprenticeship frameworks is available here:

<https://www.gov.uk/government/publications/apprenticeship-frameworks-live-list>

- Firms agree the cost and monthly payments of the apprenticeship with the chosen provider. The monthly payments will be taken automatically from the employer's digital account and sent to the provider.
- Firms will need to sign formal contracts with the provider and the Skills Funding Agency (SFA). Further details are to follow on contracting with the SFA.
- If a price is agreed with a provider that is above the funding band upper limit, the employer must meet the additional amount in full (i.e. there is no government support available).
- As the levy will be collected monthly an employer will not need to have the total amount for the apprenticeship in their DAS account – there only needs to be the funds to cover the monthly amount.
- 20% of the total cost of the apprenticeship will be held back and taken from the digital account at the end of the apprenticeship. This will be to cover delivery towards the end of the programme and the end point assessment (it is to ensure employers do not over pay if the apprentice does not complete their programme).

Co-investment

- Where an employer only pays a small levy or invests a lot in apprenticeships it is possible the funds in their DAS account will be insufficient to cover the costs of the apprentices they want to develop. If that is the case, the gap in funding will be made up via co-investment. Government will pay 90% and the employer 10%.

Equivalent and lower level apprenticeships

- The government is proposing that funding can be utilised for individuals undertaking an apprenticeship at the same or lower level than a qualification they already hold – as long as the apprenticeship allows them to acquire substantive new skills. The content of the programme has to be materially different to any previous training. Therefore the levy can be used to fund graduates who are acquiring new skills. This is a significant change. Further details and clarification are expected later in the year.

Supporting other employers

- The government has committed to allow levy-paying employers to transfer up to 10% of the annual value of funds entering their digital accounts to other employers or apprenticeship training agencies. This is expected to be permissible from 2018.

Cross border funding rules

- The government is proposing a single test to see whether apprenticeship training is eligible for funding via the English system: whether the apprentice's place of work is England (i.e. where they will spend most of their time).

Legally protected term

- Apprenticeships will become a protected term (in the same way as 'degree' is) under the Enterprise Bill. This will prevent firms trying to pay for existing training under the apprenticeships banner.

Non-levy paying firms

- For those firms not paying the levy there is government support available for apprenticeship training. A co-funding system is to be introduced. They will pay an amount towards the apprenticeship, with the government contributing the rest.
- Employers will be expected to negotiate a price for apprenticeship training with their chosen provider.
- Employers will pay 10% of the price for training and assessment and the government will fund 90%. The upper limit of the funding band is the maximum price to which the government will co-invest. In many cases, this will represent an improvement to current funding levels.
- Non-levy paying firms will also be eligible for the additional support relating to apprentices aged 16-18 (the additional £1,000 in government funding) and those apprentice aged 19-24 who have previously been in care or has a Local Education, Health and Care plan (additional £1,000 in government funding).

SME incentives

- The government will pay 100% of the training costs for apprentices aged 16-18 for firms with fewer than 50 employees. As it stands, this will not be available to SMEs who pay the levy (they will receive the £1k incentive).
- The government will also pay 100% of the costs where a firm with fewer than 50 employees takes on an apprentice aged 19-24 who has previously been in care or has a Local Education, Health and Care plan.

Scotland, Wales & Northern Ireland

- Discussions are continuing between the government and the Scottish, Welsh and Northern Irish administrations to ensure the new system works for everyone, wherever they are in the UK. Money contributed by firms in Scotland, Wales and Northern Ireland will be returned to those devolved administrations via the so-called Barnett Formula. This is because skills policy and funding is devolved to the respective administrations.

Digital Apprenticeships Service

The Digital Apprenticeship Service (DAS) is the online end-to-end service for employers in England. It will enable employers to find an apprentice candidate, choose a training provider and pay for apprenticeship training and assessment.

It is currently under development, with employers able to register and create their account from January 2017. The system will be fully operational for levy payers from April 2017.

Those firms not paying the levy will not use the system until at least 2018.

Next steps - timeline

2016

December HMRC employer guidance on how to calculate and pay the levy.

2017

January Employers able to register and create their Digital Apprenticeship Service account.

April Apprenticeship Levy comes into effect.

1 May New apprenticeship regime comes into force; Employers able to purchase training through levy funds.

2018

Non-levy employers begin to use DAS (*proposed*).

Levy paying employers able to direct 10% of their funds to other employers (*proposed*).

Further information

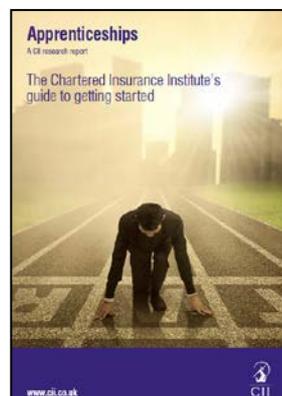
For more information on how the levy might impact your firm please contact the CII Apprenticeships Unit: customer.serv@cii.co.uk

To read the CII's employer guide to apprenticeships visit: www.cii.co.uk/18849

This briefing is available online and will be updated when required.

Visit: www.cii.co.uk/38646

CII Group Policy & Public Affairs
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Appendix A – Apprenticeship standards including CII qualifications & units and their funding bands

Sector	Trailblazer Standard	CII quals / units specified in standard	Length of course (expected)	Funding band and upper limit
Insurance				
Insurance	Insurance Practitioner Level 3	Cert CII	12-18 months	Band 9 £9000
Insurance	Insurance Professional Level 4	Dip CII	24-30 months	Band 9 £9000
Financial Planning				
Financial planning	Financial Services Administrator Level 3	CF1 or Ro1	12-18 months	Band10 £12000
Financial planning	Paraplanner Level 4	Cert in Paraplanning	24-36 months	Band 9 £9000
Pensions				
Pensions	Workplace pensions administrator or consultant Level 3	Award in Financial Admin (pensions option), Cert in FS, Cert in LP	18-24 months	Band 9 £9000
Mortgages				
Mortgages	Mortgage Adviser Level 3	Cert in Mortgage Advice	12-18 months	Band 9 £9000
Banking				
Banking	Relationship Manager Banking Level 6	Adv Dip FP, Dip in FP, Ro1-Ro5, CF6, [Dip RFP?]	48 months	Band 15 £27000
General Financial Services				
General Financial Services	Financial Services Customer Adviser Level 2	FIT, Award in Financial Admin, Award in Insurance, legal & Regulatory (IF1)	12-18 months	Band 6 £4000
General Financial Services	Senior Financial Services Customer Adviser Level 3	Cert FS, Award in Retail Banking, Cert CII, Award in Financial Admin, GR1	12-24 months	Band 9 £9000

For the full list of apprenticeship standards visit:

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

To look at the proposed funding for all apprenticeships visit (opens an Excel spreadsheet):

<http://lsect.co.uk/wp-content/uploads/2016/08/New-framework-and-standards-rates.xlsx>