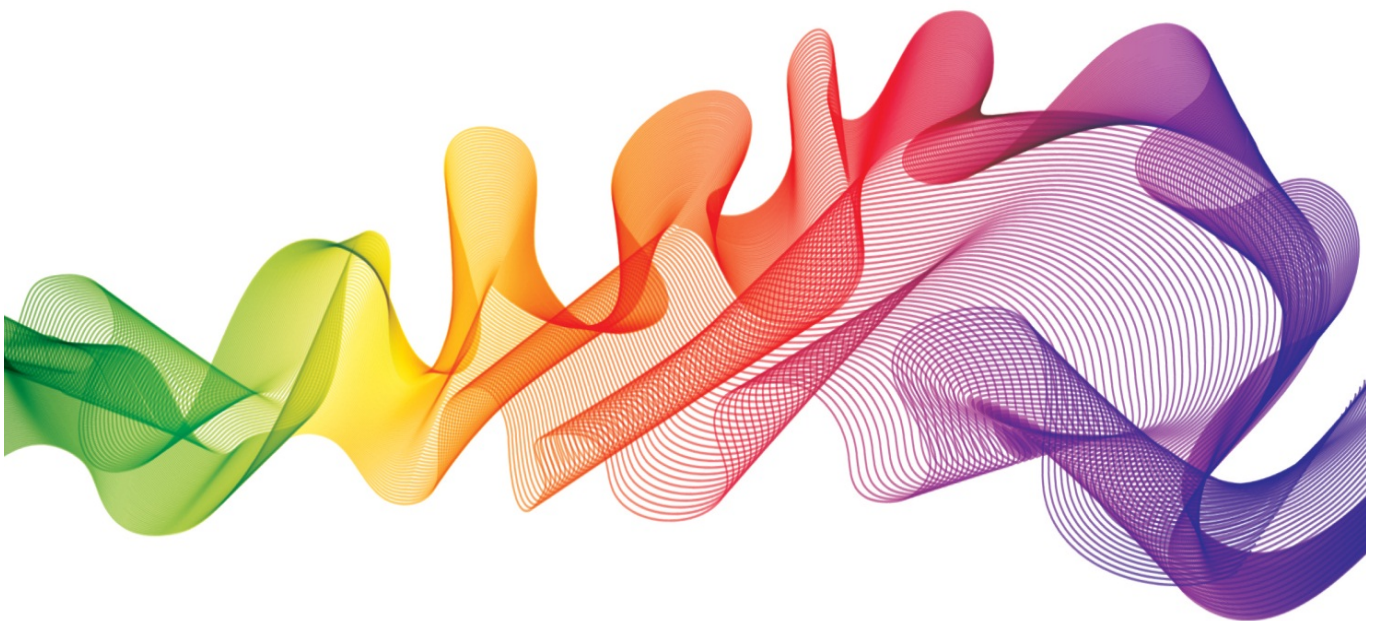


# The Apprenticeship Levy – An Employer’s Guide





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## **Background to the Apprenticeship Reforms**

In November 2012, the Richards Review set out ambitious plans to make apprenticeships more Employer responsive.

The reforms will be implemented to change the way apprenticeships are delivered. The key measures are to:

- Put Employers in the driving seat
- Increase the quality of apprenticeships
- Simplify the system
- Give Employers purchasing power

The reforms will support the growth of apprenticeships and target all ages and all workforces.

## **Important Changes to Funding**

The way the Government funds apprenticeships in England is changing.

Since May 2017, some Employers have had to contribute to a new Apprenticeship Levy, following the changes to the funding for apprenticeship training for all Employers. Any apprentices registered before May 2017 are not affected by the Levy.

The aim of the Levy is to encourage UK Employers to increase their apprenticeship training investments and develop long term plans which will support economic growth and improve the standards of training available across the country.

Employers will have the ability to choose between a high quality education and training provider who is already registered with the Skills Funding Agency, or train & assess their apprentices themselves and be subject to Government inspections, for example Ofsted.

TTE have been delivering apprenticeships and technical training to industry for over 25 years and are approved as a 'Good' provider by Ofsted over the last 3 consecutive inspections. Our completion rates for the last academic year were 96%, which is above the national average.

## **Will my company have to pay the Levy?**

The Levy applies to all UK Employers (public and private), with an annual payroll in excess of £3 million. The rate is 0.5% of the payroll cost, payable through PAYE. An allowance of £15K is available to Employers to offset the Levy payments.

Payment to HMRC is through the PAYE process. Payments commence from April 2017. Earnings are subject to Class 1 National Insurance Contributions.

All Employers will also receive a 10% 'top-up' payment from the Government. The aim is that Employers who commit to Apprenticeships will be able to get out more than they pay in to the Levy, using these top-ups.

The monthly payments are taken from your digital account and sent to the training provider. You do not need to have enough funds in your digital account to cover the entire cost of the training at the start of the apprenticeship.

### ***Examples***

- A. An Employer with an annual pay bill of £5,000,000:

Levy Sum:  $0.5\% \times £5,000,000 = £25,000$

Allowance: £25,000 - £15,000

Annual Levy Payment = £10,000

x 10% Government top up = £1,000

**Total Digital Voucher Available = £11,000**

- B. An Employer with an annual pay bill of £3,000,000:

Levy Sum:  $0.5\% \times £3,000,000 = £15,000$

Allowance: £15,000 - £15,000

Annual Levy Payment = £0

C. An Employer with an annual pay bill of £2,000,000:

Levy Sum:  $0.5\% \times £2,000,000 = £10,000$

Allowance: £10,000 - £15,000

Annual Levy Payment = £0

In addition to the above criteria, all public sector organisations are required to employ 2.32% of their workforce, as apprentices.

If you pay into an existing Levy scheme, you will pay the apprenticeship Levy in addition to contributing to an existing training arrangement.

You can use the on-line tool (<https://estimate-my-apprenticeship-funding.sfa.bis.gov.uk/>) to help estimate your Levy contributions, begin to plan your training requirements and estimate your financial spending.

## Co-investment

The co-investment model applies to both Levy and Non-Levy paying Employers.

If you are a Levy paying Employer but have exhausted the funds in your digital account; or are a non-Levy payer then the Government will pay 90% of the costs, with the Employer paying 10%.

If you are exempt from paying the Levy, apprentices aged 16 to 18 years old will be 100% fully funded by the Government (excluding salary costs). All other age groups will be eligible to receive 90% funding towards the cost of their apprenticeship programmes.

## **The Digital Apprenticeship Service**

All available apprenticeships are now accessed through the Digital Apprenticeship Service (DAS). Using this service you will be able to:

- Identify your preferred training company
- Find a standard or framework
- Identify your preferred assessment organisation
- Recruit an apprentice
- Access and manage your Levy

With the digital apprenticeship service (DAS) you can identify your preferred training provider / assessment organisation.

### **Are there any age restrictions / additional incentives?**

There are no age limits to apprenticeships delivered through the Levy. The Levy is to allocate each individual framework pathway to a single funding band, regardless of the age or the geographical location of the learner.

There is an additional Government incentive of £1000 per apprentice, to Employers who invest in 16 to 18 year olds (both Levy and non-Levy payers). These payments will be paid to the Employer, by the training provider, in two equal payments at 3 and 12 months.

If your company has fewer than 50 employees they will receive 100% of the apprenticeship costs for apprentices between 16 and 18 years old (excluding salary costs).

## **What can the funds be used for?**

Digital funds and Government funding can be used to access approved framework or standard apprenticeship training programmes and end-point assessments.

This can be for both new and existing employees. For existing employees, this is providing the apprenticeship offered will allow them to acquire substantial new skills and the content of the training is materially different from any prior training or a previous apprenticeship.

You will identify an approved training provider and assessment organisation to carry out your requirements. We have already submitted applications and are awaiting approval for both the:

- Register of Approved Training Providers (RoATP)
- Register of Approved Assessment Organisations (RoAAO)

The vouchers will accumulate in your digital account (from May 2017) and last for 24 months from when they first appear. If they are not spent in this time, they will expire. Employers will not be able to spend an unlimited amount of money on a single apprentice.

## **Funding Bands**

Apprenticeships will be banded into categories from 1 to 15, 1 being the lowest funding band and 15 being the highest. Engineering/Process will be a category 15. 20% of the total cost of the apprenticeship will be retained and taken from the Employer's digital account at the end of the apprenticeship as a completion payment. The other 80% will be spread across the length of the programme.

## **Paying for Training Services**

The delivery model & price will be agreed between the Employer and the Training Provider.

For non-Levy paying Employers the SFA will pay the Training Provider direct.

Where the 10% Employer contribution applies, this is paid direct to the Training Provider.

## **Benefits of Working with TTE**



TTE offer a range of technical apprenticeships in the following discipline areas:

- Electrical (maintenance and installation)
- Mechanical (maintenance and manufacturing)
- Process
- Fabrication and Welding
- Instrumentation
- Laboratory

Functional Maths and English will be delivered, as required, funded direct from SFA (not through the Levy fund).

TTE will continue to offer both SASE Framework and Trailblazer Standard Apprenticeships to meet the needs of our customers, until such point when the Frameworks are phased out and the new Standards are implemented. By 2020 all new standards will be in place.

TTE has a dedicated business development team available to support and guide you through the Levy implementation process, completely free of charge.

We provide a high quality service and our industry experts will help you identify training and suggest ways in which to maximise the benefits of the Levy and choose the right qualifications that meets the needs of your business.

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