



LONDON
SOUTH EAST
APPRENTICESHIP
COMPANY

Employer Guide to the Apprenticeship Levy



THE APPRENTICESHIP LEVY

From April 2017 a new apprenticeship levy will be introduced by the government. This will fundamentally change the way in which apprenticeships are funded and the relationship that employers have with colleges and training providers.

The apprenticeship levy is designed to encourage employers to embrace apprenticeships as a way to meet future skills needs.

All employers in the UK with a payroll bill greater than £3m per year will have to pay the levy, regardless of the industry or sector. The levy will be charged at 0.5% of the total annual pay bill – with an allowance of £15,000 to offset against the levy payable.

Here at London South East Apprenticeship Company, we are committed to supporting you through these complex reforms. We are keen to help employers see the tangible benefits of introducing apprentices into their businesses.

We are passionate about developing new talent and working with you to understand your business needs. The best apprenticeships, which bring the greatest value to both sides, are those that are delivered through close partnership working.

This guide will help you understand the implications of the apprenticeship levy and how you can best prepare for its introduction.

Our team of advisors are on hand to provide further support and help guide you through the changes – please don't hesitate to get in touch.

David Warnes
Vice-Principal, Innovation & Enterprise
London South East
Apprenticeship Company

WHAT IS AN APPRENTICESHIP?

Apprenticeships are work-based training programmes which include a combination of on- and off-job training. They give people the opportunity to earn while they learn, which in the world of rising tuition fees, is an increasingly attractive option.

Taking on an apprentice means that you are investing in your staff as well as keeping up-to-date with the advances in technology and innovative working methods.

Apprentices bring enthusiasm, new ideas and a fresh perspective to your business. They increase productivity, reduce staff turnover and can help tackle skills shortages facing so many industries.

Your responsibility as an employer:

- » You must employ your apprentice for at least 30 hours a week and pay them at least the Apprenticeship minimum wage*.
- » You must allow your apprentice time away from their main duties to complete off-job training and assessment requirements
- » You must support and encourage your apprentice, giving them exposure to all aspects of your business and help to acquire the essential skills they need.



RECRUITMENT AND SELECTION

London South East Apprenticeship Company provides ongoing support from the moment you decide to take on an apprentice. Our thorough recruitment process involves criteria checks prior to introducing you to an applicant, to best match skills and requirements.

We will then work with you to provide flexible training programmes that are developed primarily in the workplace. This will enable you to fully develop your staff in a way that helps your business improve efficiency, profitability and productivity.

PAYING THE APPRENTICESHIP LEVY

You will need to pay the apprenticeship levy if you are an employer in any sector, with a pay bill of more than £3 million a year. For the purposes of the levy, an 'employer' is someone who is a secondary contributor, with liability to pay Class 1 secondary National Insurance Contributions (NICs) for their employees.

The levy will be charged at a rate of 0.5% of your annual pay bill. You will have a levy allowance of £15,000 per year to offset against your levy payment. This means you will only pay the levy if your pay bill exceeds £3 million in a given year.

You will pay the levy to HM Revenue and Customs (HMRC) through the Pay as You Earn (PAYE) process on a monthly basis.

WHAT COUNTS AS YOUR PAY BILL?

Your pay bill will be based on the total amount of earnings subject to Class 1 secondary NICs. Although earnings below the secondary threshold are not counted when calculating an employer's NICs, they will be included for the purposes of calculating the amount of levy the employer needs to pay.

Earnings include any remuneration or profit coming from employment, such as wages, bonuses, commissions and pension contributions that you pay NICs on. The levy will not be paid on other payments such as benefits in kind, subject to Class 1A NICs.

WORKFORCE DEVELOPMENT PLANS

We can help calculate your likely levy payments and produce a blueprint for a workforce development plan. This will set out how the levy can be spent and help ensure you get a return on your investment.

KEY LEVY FACTS

- » The first levy payment will be due in April 2017 and will be paid directly to HMRC via Pay As You Earn (PAYE)
- » The levy will apply to all organisations and is based on a rate of 0.5% of the gross pay bill
- » Employers will receive an allowance of £15,000 meaning that only those with a pay bill of £3m or over will actually pay any levy
- » If you have a pay bill of less than £3m, you will not pay anything
- » The levy payment will then be ring-fenced in the form of an electronic voucher. This can be used to purchase training from recognised providers (from the digital apprenticeship service) within a 24-month period

CONTACT ONE OF OUR ADVISORS ON

T: 020 8295 7070

E: APPRENTICESHIPS@LSEC.AC.UK

OR VISIT WWW.LSEC.AC.UK/EMPLOYERS

CALCULATING WHAT YOU HAVE TO PAY

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, which is worth £15,000 for each tax year. This means the levy is only payable on pay bills over £3 million (because $0.5\% \times \text{£3 million} = \text{£15,000}$).

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 one is £1,000 you will not pay the levy and your allowance in month two will be £2,500.

If you have some unused allowance in a month, but paid the levy previously in the tax year, you will receive a credit that you can use to offset against your other PAYE liabilities. The credit will also reduce the amount of levy paid.

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 once the tax year has ended.

AN EMPLOYER WHO WOULD PAY THE LEVY:

An employer with an annual pay bill of £5,000,000:

- » Levy sum: $0.5\% \times \text{£5,000,000} = \text{£25,000}$
- » Subtracting Levy Allowance:
 $\text{£25,000} - \text{£15,000} = \text{£10,000}$ annual levy

AN EMPLOYER WHO WOULD NOT HAVE TO PAY THE LEVY:

An employer with an annual pay bill of £2,000,000:

- » Levy sum: $0.5\% \times \text{£2,000,000} = \text{£10,000}$
- » Subtracting levy allowance:
 $\text{£10,000} - \text{£15,000} = \text{£0}$ annual levy

HOW TO PAY THE LEVY

You will calculate, report and pay your levy to HMRC, through the PAYE process alongside tax and NICs. If you have calculated that you will pay the apprenticeship levy, you will need to declare this and include it in your usual PAYE payment to HMRC by the 19th (or 22nd if you report electronically) of the following month.

PAYING THE APPRENTICESHIP LEVY

CALCULATING THE LEVY FOR CONNECTED COMPANIES OR CHARITIES

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 with the Employment Allowance.

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.

EMPLOYERS WHO ALREADY PAY INTO AN EXISTING INDUSTRY LEVY SCHEME

Some industries already operate levy systems or other collective training arrangements. If you already contribute to one of these, you will still be required to pay the apprenticeship levy.

The Industry Training Boards for the construction, engineering construction and film industries will consult their members on potential changes to their existing levy arrangements.

ACCESSING MONEY PAID UNDER THE APPRENTICESHIP LEVY

Once you have paid the levy to HM Revenue and Customs (HMRC) you will be able to access funding for apprenticeships through a new **digital apprenticeship service** account.

You will be able to use this to pay for training and assessment for Apprentices in England. The service will also help you find training providers to help you develop and deliver your apprenticeship programme.

Separate arrangements will be in place in Scotland, Wales and Northern Ireland.

CREATING AN ACCOUNT TO ACCESS YOUR FUNDS

Online tools for employers will be available via the digital apprenticeship service over the next year. You will be able to register to create your account from January 2017 and you will be able to familiarise yourself with the service.

Levy-paying employers will be able to use the service to pay for the training and assessment of apprentices from April 2017. When you have registered, you will need to verify your PAYE schemes and link them to your account. You will be able to use more than one account if you want to keep your schemes separate.

WHEN FUNDS WILL APPEAR IN YOUR DIGITAL ACCOUNT

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.

THE LEVY WILL APPLY TO EMPLOYERS ACROSS THE UK

The amount entering your digital apprenticeship service account is what you have available to spend on apprenticeship training in England.

The digital apprenticeship service will support the English apprenticeship system. Scotland, Wales and Northern Ireland have their own arrangements for supporting employers to access apprenticeships.

TOP-UPS TO THE FUNDS IN YOUR DIGITAL ACCOUNT

The government will apply a 10% top-up to the funds you have for spending on apprenticeship training in England.

That means for every £1 that enters your digital account to spend in England on apprenticeship training, you get £1.10.

EXPIRY OF FUNDS IN YOUR DIGITAL ACCOUNT

Funds will expire 24 months after they enter your digital account unless you spend them on apprenticeship training. This will also apply to any top-ups in your digital account. For example, funds entering your account in September 2017 will expire in September 2019. Money is spent when it leaves your digital account as a payment to a training provider.

The account will work on a first-in, first-out basis, through either payment or expiry. Whenever a payment is taken from your digital account it will automatically use the funds that entered your account first. This will minimise the amount of expired funds.

This will happen automatically. Your digital account will let you know in good time when any funds are due to expire so that you can arrange to spend them if you wish.

DIRECTING FUNDS IN A DIGITAL ACCOUNT TO ANOTHER EMPLOYER

In the first year of the levy, you will be able to use the funds in your digital account to pay for apprenticeship training and assessment for your own employees. The main aim of the apprenticeship levy is to support employers in growing the number and quality of apprenticeships in their own workforce. In 2018 you will be able to transfer funds to another employer (in your supply chain for example).

POOLING FUNDS IN A DIGITAL ACCOUNT WITH OTHER EMPLOYERS IN A GROUP STRUCTURE

If you are in a group of companies connected for the purposes of paying the levy, your group will be able to collect their funds together into one digital account. Your group will do this by registering to have multiple PAYE schemes attached to a single digital account.

Since you can only use funds in your digital account to pay for apprenticeship training for your own employees, employers that are not connected will not be able to pool funds in a digital account.

BUYING APPRENTICESHIP TRAINING

APPRENTICESHIP TRAINING STARTED BEFORE APRIL 2017 – ALL EMPLOYERS

Apprentices who have been accepted on to an apprenticeship programme before April 2017 will be funded for the full duration of the apprenticeship under the terms and conditions that were in place at the time the apprenticeship started.

This will be the case for apprentices following programmes underpinned by both apprenticeship 'frameworks' and new 'apprenticeship standards'. Where the apprenticeship requires you to make a payment to the provider or to the Skills Funding Agency, this will continue at the same rate.

If you pay the apprenticeship levy you will not be able to use the funds in your digital account to pay for these apprenticeships.

DIGITAL APPRENTICESHIP SERVICE

Whether you pay the levy or not, the digital apprenticeship service will help you to:

- » select an apprenticeship framework or standard
- » choose the training provider/s you want to deliver the training
- » choose an assessment organisation
- » post any apprenticeship vacancies

From April 2017, if you pay the levy you will also be able to:

- » see the funds you have available to spend in England
- » set the price you have agreed with your training provider
- » pay for apprenticeship training and assessment through the digital apprenticeship service

BY 2020, ALL EMPLOYERS WILL BE ABLE TO USE THE DIGITAL APPRENTICESHIP SERVICE TO PAY FOR TRAINING AND ASSESSMENT FOR APPRENTICESHIPS.

WAYS TO SPEND YOUR LEVY

London South East Apprenticeship Company can help prepare a detailed Workforce Development Plan, detailing how you might spend any levy funds. This may include upskilling your existing workforce, recruiting new apprentices or transferring funds from graduate training schemes or similar.

SPECIALIST TRAINING

London South East Apprenticeship Company specialises in training in the following apprenticeship areas:

- » Business, Management and Professional
- » Health, Care, Wellbeing and Education
- » Construction and Built Environment
- » Engineering, Electrical and Motor Vehicle
- » Digital, Media and ICT

If there are areas of your business that we do not cover, we work with a network of Associate Training Partners and can broker an introduction at no extra cost.



BARRATT
HOMES

“Apprentices are the lifeline of our business on site, and we have had many success stories with previous apprentices completing their qualifications and progressing a career in either their chosen trade or going on to site management with us.”

- Ward Homes (Barratt Homes)

EMPLOYERS WHO DO NOT PAY THE LEVY

If you do not pay the levy, you will not need to use the digital apprenticeship service to pay for apprenticeship training and assessment until at least 2018.

When the new funding system begins in April 2017, you can choose the training you would like your apprentices to receive, an approved training provider and an assessment organisation using the registers available on the digital apprenticeship service.

You will have to make a 10% contribution to the cost of this training and the government will pay the rest, up to the maximum amount of funding available for that apprenticeship.

You will need to pay this directly to the provider and you will be able to spread it over the lifetime of the apprenticeship, to a schedule you agree.

If you take on a 16-18-year-old Apprentice, you will also receive a £1000 cash incentive.

Employers with less than 50 employees will not have to make a co-investment as 100% of the cost will be met by the Government.

BUYING APPRENTICESHIP TRAINING

CHOOSING APPRENTICESHIP TRAINING – ALL EMPLOYERS

You will need to choose the training you would like your apprentice to receive throughout their apprenticeship. Apprenticeship training can either be on a new apprenticeship standard, or on an existing apprenticeship framework. These are the two different types of apprenticeship training.

Apprenticeship standards are the new type of apprenticeship developed by employers. Each standard covers a specific job role and sets out the core skills, knowledge and behaviours in which an apprentice will need to be fully competent. Standards are developed by employer groups known as 'trailblazers'.

An apprenticeship framework ordinarily involves a series of work-related vocational and professional qualifications, with workplace and classroom based training. Frameworks will be phased out between now and 2020 and move over to the employer-led apprenticeship standards.

USING FUNDS IN YOUR DIGITAL ACCOUNT TO BUY TRAINING – LEVY-PAYING EMPLOYERS

When you agree to buy apprenticeship training from a particular training provider and the apprenticeship has started, monthly payments will be automatically taken from your digital account and sent to the provider. This spreads the cost over the lifetime of the apprenticeship.

When you buy apprenticeship training through the digital apprenticeship service you do not need to have enough funds in your digital account to cover the entire cost of the training at the start. As payments are taken from the digital account monthly, you just need to have enough funds in your account to cover the monthly cost of each apprenticeship you have chosen. You will see funds entering your digital account each month as you pay the levy, and funds leaving the account each month as you pay for training.

If you choose not to use your digital account to buy apprenticeship training you will need to buy it directly from a training provider, following the same process as employers who do not pay the levy.

ASSOCIATE TRAINING PARTNERS

London South East Colleges has teamed up with a number of other training providers, colleges and higher education institutions to be able to offer employers the breadth of training needed for your entire organisation. If we cannot provide the training directly, we will broker an introduction to one of our trusted partners.

BUYING TRAINING IF YOU DON'T HAVE ENOUGH IN YOUR DIGITAL ACCOUNT

If you pay the levy you may find that over the course of an apprenticeship, the funds in your digital account do not cover the full cost of the apprenticeship training and assessment you require. When this happens, you will set a price with the training provider and government support will be available to help you meet the additional costs.

You will be asked to make a contribution to the extra cost of training and to pay this directly to the provider. You will be able to spread this contribution over the lifetime of the apprenticeship.

Once you have decided to buy apprenticeship training through the digital apprenticeship service:

- » funds will be taken from your digital account each month to pay the training provider
- » the provider will work out if the amount paid from your digital account is less than 100% of the amount due that month
- » the provider will calculate how much more you have to pay (using the rate set for employer co-investment) and agree with you when you will pay this
- » The government share will be paid directly to the provider
- » The provider will confirm that you have made your contribution

WHAT YOU CAN SPEND APPRENTICESHIP FUNDING ON – ALL EMPLOYERS

Funds in your digital account, and funding provided by the government through co-investment, can only be used towards the costs of apprenticeship training and end point assessment. This must be with an approved training provider and assessment organisation.

It cannot be used on other costs associated with your apprentices or wider training. For example: wages, statutory licences to practise, travel and subsidiary costs, managerial costs, traineeships, work placement programmes or the costs of setting up an apprenticeship programme.

A set of detailed funding rules provides further information on exactly how apprenticeship funding can be used. [These can be found here.](#)

FUNDING TRAINING AND ASSESSMENT COSTS

Every apprenticeship standard and framework will be placed in a funding band. The funding band will set the maximum amount of funding that can be used towards training and assessment costs, over the length of each apprenticeship. The same funding bands will apply to all employers paying for apprenticeship training.

EXTRA SUPPORT FOR EMPLOYING 16 TO 18 YEAR OLD APPRENTICES – ALL EMPLOYERS

When you take on an apprentice who is between 16 and 18 years old at the start of their apprenticeship, you will receive a £1000 payment to help meet the extra costs of employing them.

EXTRA SUPPORT FOR EMPLOYING APPRENTICES WITH ADDITIONAL NEEDS – ALL EMPLOYERS

To help meet extra costs, you will receive the same payment as you do when you recruit a 16 to 18 year old apprentice, if you recruit:

- » an apprentice who is between 19 and 24 years old and has an Education and Health and Care Plan, provided by the local authority
- » a 19 to 24 year old who has been in the care of the local authority

If you recruit an apprentice with additional learning needs such as dyslexia, other learning difficulties or disabilities, additional funding will be made available.



“Apprentices have been key to the growth of Pimlico Plumbers business. The apprentices we have taken on haven played key roles in many departments from HR, Accounts and Plumbing. Each apprentice we take on quickly picks up the necessary skills to work freely from 9-5 on a daily basis. With the right support from the college and management staff they quickly become an integral cog in the business. ”

- Pimlico Plumbers

FUNDING FOR ENGLISH AND MATHS TRAINING – ALL EMPLOYERS

Apprentices have to meet a minimum standard in both English and maths up to Level 2, with specific qualifications they must achieve. If apprentices don't already have these, they may need to do an English or maths course.

We will work with you to identify which apprentices require this training. We have excellent teaching facilities and tutors across all our college sites to provide support with essential core skills.

SUPPORT FROM LONDON SOUTH EAST APPRENTICESHIP COMPANY:

London South East Apprenticeship Company can help employers to fully understand and prepare for the introduction of the levy.

We offer:

FREE CONSULTATIONS WITH OUR LEVY EXPERTS

Our apprenticeship levy consultants can work with you to understand your business needs and prepare a fully costed workforce development plan to maximize the return on your levy investment

APPRENTICESHIP LEVY WORKSHOPS

We will be holding regular workshops at venues across South East London. We will provide updates on government policy and offer detailed answers to any questions you might have.

Download our free resources to get more detailed information:

- » Apprenticeship Levy Employer Guide
- » Frequently Asked Questions

CONTACT US FOR MORE INFORMATION AND TO BOOK AN APPOINTMENT WITH A CONSULTANT:

t: 020 8295 7070

e: apprenticeships@lsec.ac.uk

or visit www.LSEC.ac.uk/employers



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