



## Apprenticeship Levy Guide: 12 Things You Need to Know

### 1. What is the apprenticeship levy?

The apprenticeship levy is a new government initiative announced in 2015, to deliver three million apprenticeships by 2020. Starting from April 2017, the levy will be charged at a rate of 0.5% of an employer's wage bill, and will be paid through Pay As You Earn (PAYE).

### 2. Who will need to pay the apprenticeship levy?

All employers in all sectors receive an offset allowance of £15,000, equivalent to 0.5% on a payroll of £3 million. Any employer with a payroll above this will be liable to pay the levy. Less than 2% of UK employers will pay it.

### 3. What will employers get back from the levy?

Employers in England will be able to reclaim their apprenticeship levy contributions as digital vouchers to use to pay for training apprentices. This voucher system only applies to UK-based employers.

### 4. What can levy funds pay for?

The digital vouchers provided can pay for apprenticeship training and assessment (with an approved provider and assessment organisation, up to its funding band maximum). These funds cannot pay for apprentices' wages, travel or subsidiary costs, managerial costs, work placements, traineeships, or the costs of setting up an apprenticeship programme.

### 5. How do you activate the digital vouchers?

The government will create an online portal known as the Digital Apprenticeship Service, which all organisations will have access to, regardless of whether they have contributed to the levy. Employers can use the portal to 'shop' for apprenticeships, find accredited training providers and pay for training with their digital vouchers.

## **6. How does the Digital Apprenticeship Service affect the existing system?**

Currently, training providers use the apprenticeship vacancies management system (Av) to list apprenticeship vacancies and traineeship opportunities on the Find an apprenticeship (FAA) service on behalf of an employer, However, The Digital Apprenticeship Service will replace the existing system. The Government is currently testing a pilot version, working with employers and training providers to make sure they can retrieve all of the information they need, and ensure the data collection process is efficient. A public version of the service will be live in the autumn of 2016.

## **7. Who sets the cost of the training?**

All employers must choose a training provider and negotiate the cost of the training. Government funding caps will be set on different qualifications for all employers. Funding caps are the upper limit to which Government funding can be used to pay for an apprentice's training and will be announced in October 2016.

## **8. How will training for apprentices aged 16 to 18 be funded?**

The Government has announced that employers will receive payment via their training provider to help meet the additional costs associated with employing young apprentices. The rates will be confirmed in October 2016. Training providers will continue to access funding for apprenticeships from the Skills Funding Agency.

## **9. How will companies outside the apprenticeship levy fund apprenticeships?**

Employers who do not pay the apprenticeship levy will not need to use the digital voucher to pay for apprenticeship training and assessment until at least 2018. They will need to choose a training provider from the registered list, negotiate the cost of the training and adhere to the funding caps for different qualifications, in the same way as larger firms that pay the apprenticeship levy.

## **10. What happens if an employer starts an apprentice before the changes are introduced?**

Employers that hire an apprentice before April 2017 will receive funding under the current system, and that funding will continue for the duration of the apprenticeship. They will not be affected, or expected to act under the new procedures.

## **11. What is the reason behind the levy?**

The government is committed to boosting productivity by investing in human capital. As part of this, the government is committed to developing vocational skills, and to increasing the quantity

and quality of apprenticeships. It has committed to an additional three million apprenticeship starts in England by 2020.

## 12. What questions still need to be answered?

There are still a number of questions to be clarified before the levy comes in. For example, how will funding be allocated to devolved administrations? The levy will be taken from employers UK-wide, but it has not been decided as to how Scotland, Wales and Northern Ireland will be able to access the funds raised.

Finally, we know that the money will be drawn from PAYE, but the full mechanics of this have not been confirmed. Employers will need to engage closely with their payroll software providers to clarify how the money will be taken and avoid any potential hiccups when the levy is introduced.

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The Sutton Apprenticeship Hub is a digital portal designed to help match young talent with employers in the London Borough of Sutton and the Surrey region. Launched in November 2015, the hub has access to hundreds of students who are eager to start their career today without delay.

The hub is a straight-talking accessible resource, designed to give students, teachers, parents and businesses everything they need to make the right decisions about apprenticeships, and also enables 16-24 year olds to find opportunities in the local area.

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