

THE APPRENTICESHIP LEVY

A BRIEFING FROM
BIRMINGHAM METROPOLITAN COLLEGE (BMet)

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The new Apprenticeship Levy was announced in early 2015 and will come into effect from April 2017. Its goal is to raise £3bn per year, to fund three million apprenticeships by 2020.

All businesses with payroll bills of £3M or more will be required to contribute 0.5% of their gross PAYE, regardless of whether they currently employ apprentices. Each business affected will then have access to a £15,000 levy allowance to use on the training of approved apprenticeships.

Employers who do not qualify to pay the levy will continue to access government funding for apprenticeships, some of which will be levy funds recycled for use with SMEs.

Much of the detail of this scheme has yet to be finalised, with further details expected in Spring 2016. BMet is working closely with government and employer partners to help get companies ready for the levy.

To help you get the most from your levy allowance, our BMet experts have gathered the following FAQs.

We will continue to update you as details become available, alternatively our Employer Services Team are available to assist with queries on 0121 362 2101.

FREQUENTLY ASKED QUESTIONS

Employer contributions

Can employers opt out of paying the levy?

No, this is a mandatory tax that will come into effect from April 2017. Qualifying organisations must pay the levy regardless of whether they decide to commit to apprenticeship training or not.

If an organisation's payroll bill is less than £3M, do they still pay the levy?

No. Only companies with a payroll bill of £3M or more will have to pay.

Is the levy per registered company or per PAYE reference?

PAYE reference.

Does the levy apply to bonus payments?

Yes, the levy payment is 0.5% of your total gross PAYE.

Will I get any incentives for taking on apprentices?

Employers delivering the new apprenticeship standards may be eligible for up to three incentive payments: for recruiting a 16-18 year old, for a small business (less than 50 employees) and for successful completion.

Utilising the levy allowance

What can the levy allowance be spent on?

The levy allowance can be spent on apprenticeship training that falls within an approved standards list. It cannot be spent on anything else such as internal training or apprentice salaries.

How will an employer be able to access their levy allowance?

An employer's levy allowance will be available for use via the introduction of new digital vouchers managed through a Digital Apprenticeship Service. Employers will be in direct receipt of these vouchers and will be able to spend them with approved colleges and training providers.

"We're a business that depends on high quality customer care skills. The adult apprenticeship scheme has helped us to improve the customer service skills of over 50 existing employees and we are now rolling this out to all teams. We expect our levy payments to support this."

Large financial services firm

What if my apprenticeship training costs exceed my levy allowance?

The Government have outlined that they will allow employers to draw down additional funds from un-claimed levy allowances.

How long do employers have to use their levy allowance?

We currently expect levy digital vouchers to be valid for two years. If vouchers remain unused after this time, other employers will be able to access these funds to cover the costs of additional apprenticeship training within their organisation.

Can I use multiple training providers?

Yes.

Can my supply chain benefit and claim from the levy my organisation pays?

The Government are currently looking at ways for an employer's levy allowance to be accessed by their supply chain. Further information is yet to be released.

Who qualifies for an apprenticeship?

The usual requirements apply. Apprentices must be 16 years or older; not in full time education, and living in England. There are no upward age restrictions for apprentices, however each apprenticeship is subject to a minimum

"Currently we recruit about 100 16-18 year old apprentices every year. Apprenticeships have been part of our strategy to improve quality by reducing our reliance on agency staff, recruiting new talent, and manpower planning for the future. Quality, productivity and staff morale have improved demonstrably. We want to use the levy with our supply chain to deliver the same business benefits to them – and ultimately us."

Large manufacturer

length of 12 months, so you must be prepared to make a commitment for at least this period.

Can I use the levy allowance to offer apprenticeships to existing staff?

Yes. Existing staff can also be eligible for an apprenticeship, as long as it is relevant to their role and is the most appropriate way of developing their skills. If you're not sure if your existing staff would qualify, please contact our Employer Services Team on 0121 362 2101.

Apprenticeships for employers who don't qualify for the levy

Businesses with a payroll bill of under £3M will continue to be able to access funding for their apprenticeships via colleges and other training providers.

What to do next?

Employers should begin by:

- Model the cost to them based on their current UK payroll bill.

- Consider your workforce development strategy and look at how apprenticeships could help you to deliver new skills and expertise to your business.
- Talk to local experts, like BMet, and find out how your apprenticeship programme can be delivered efficiently, maximising impact and minimising the costs and risk to you.

For further questions regarding the levy, or apprenticeships in general, please contact the BMet Employer Services Team on 0121 362 2101.

“At the moment we run separate apprenticeship, HNC/HND and graduate recruitment schemes. I'm hopeful that the levy will allow me to bring all these in to one place, so we can have clear progression routes for new starters to the business.”

Automotive company

