

Funding changes for apprentices

In spring 2017, the way the Government funds apprenticeships in England is changing.

Some employers will be required to contribute to a new Apprenticeship Levy. Others will be involved in Co-investment.

Apprenticeship Levy

From 6 April, employers with an annual wage bill of over £3million will be required to invest in apprenticeships and contribute to a new apprenticeship levy. Employers will also have to pay the levy if they are connected to other companies or charities for Employment Allowance which have an annual pay bill of more than £3m.

Those who fall into these categories will have to pay through the Government Gateway PAYE system.

The levy will be charged at 0.5% of an employer's wage bill. In return, the employer will receive an allowance of £15,000 to offset against their levy payment (See below).

Apprenticeship Levy

An employer with a pay bill of £4 million will expect to pay:

$$0.5\% \times \pounds 4,000,000 = \pounds 20,000$$

With the government allowance:

$$\pounds 20,000 - \pounds 15,000 = \pounds 5,000$$

annual payment.

Once the levy has been declared to HMRC, employers will access the funding through an apprenticeship service account.

The levy applies to all UK employers, with the service supporting the English apprenticeship system.

Scotland, Wales and Northern Ireland have their own arrangements for supporting employers to access apprenticeships: **Scotland**, www.apprenticeships.scot **Wales**, businesswales.gov.wales/skillsgateway/apprenticeships **Northern Ireland**, www.nidirect.gov.uk/campaigns/apprenticeships

Employers should negotiate a price for each apprenticeship with their main provider.

This will include:

- A programme of training and education
- The cost of the end-point assessment (Assessment Organisation)

Funds from the account can be used up to the funding band maximum.

However, if employers agree a higher price, they will have to cover the balance.

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

Co-investment

From May 2017, those employers with a pay bill of less than £3m will be required to co-invest in training.

They will still:

- Choose the programme of training and education apprentices will receive
- Choose an Approved Training Provider and Assessment Organisation

The employer will make a 10% contribution to the cost of training and end-point assessment and the government will pay up to 90% of the cost of training.

Any cost above the funding band limit will have to be covered by the employer.

Payment will be made directly to the employer and can be spread over the term of the apprenticeship with an agreed payment schedule.

Employers who take on a 16 to 18 year old on an apprenticeship standard, will receive £1,000 to help meet the extra costs. Training providers will also receive an incentive payment of £1,000 to reflect the Government's commitment to have more young people on apprenticeships.

The funds, whether through the apprenticeship service account or through co-investment, can only be used towards the costs of apprenticeship training and end-point assessments with an approved Training Provider and Approved Assessment Organisation.

Co-investment pay bill less than £3 million

Funding band 8 – Maximum contribution £6,000 for total cost of training, education and end-point assessment

£600 10% Employer Contribution

£5,400

90% Government contribution

£6,000



For more information go to www.gov.uk/guidance/pay-apprenticeship-levy