

# Making Apprenticeships Work

## For Employers, By Employers

### **Apprenticeships in England are changing.**

The apprenticeship reforms in England put employers in a leadership position at national, sectoral and delivery levels. With the introduction of the apprenticeship levy in April 2017, it is essential employers understand the new apprenticeship policy and the likely impact the changes will have on their business.

To help support employers through the changes, we have compiled a list of frequently asked questions about the new apprenticeship levy and the reforms. You can send any additional questions to the City & Guilds apprenticeships team at [apprenticeships@cityandguilds.com](mailto:apprenticeships@cityandguilds.com)

### **What is the Levy exactly?**

The Levy is a Government tax of 0.5% for every employer with a pay-bill of over £3 million.

- It will be collected by HMRC, directly via PAYE process.
- There is a £15,000 allowance, similar to PAYE tax allowance.
- No employer is exempt (including charities, colleges etc)

The levy will be collected from employers monthly starting 6 April 2017 and will be held in a 'virtual' account. The employer can earn back their levy by delivering apprenticeships, they may even be able to access more levy than they put in.

### **Will the 0.5% be taken from the total wage bill including bonuses?**

It will be based on 'Gross pay' which is basic salary & bonuses and will not include NI and pension contributions. A business' pay bill is calculated on total employee earnings (excluding all benefits in kind).

### **Why has a Levy been introduced and how much will it generate?**

When the Government set a target of creating three million apprenticeship places by 2020, it was clear that a sustainable, long-term funding solution was needed to help the education and skills system better meet the needs of employers.

The new apprenticeships levy is expected to generate £3 billion by 2020.

### **How many businesses will be paying the levy?**

According to HMRC data there are 22,000 organisations that will be subject to the levy.

#### **Levy examples:**

##### ***Employer of 250 employees, each with a gross salary of £20,000:***

Paybill:  $250 \times £20,000 = £5,000,000$

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

Allowance:  $£25,000 - £15,000 = £10,000$  annual levy payment

##### ***Employer of 100 employees, each with a gross salary of £20,000:***

Paybill:  $100 \times £20,000 = £2,000,000$

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

Allowance:  $£10,000 - £15,000 = £0$  annual levy payment (total amount of the levy sum is less than the £15,000 allowance)

The allowance is not an amount paid to an employer, it is a % amount of the allowed pay bill funding before the levy is due.

### **What can the money be spent on?**

The levy can only be used for Government 'approved' apprenticeships. Therefore if the employer is not part of the Trailblazer relevant to their occupational areas, they may want to ensure they are part of the consultation process as they may not be able to spend their levy if the resulting apprenticeship is not fit for purpose for their organisation.

### **Is there a minimum or maximum age limit?**

The levy can be spent on apprenticeships at all levels and all ages.

### **Will the Government continue to fund apprenticeships for non-levy paying small employers?**

The Government is still discussing how apprenticeships will be funded for Small to Medium Enterprises (SMEs).

### **What about employers that are not based in England?**

The levy will be collected based on the employers UK payroll however the levy can only be spent on apprenticeships in England. A proportion of the levy collected will be allocated to Scotland, Wales and Northern Ireland via the relevant 'administrations'.

**What happens for businesses that are part of a group, does their apprenticeship levy count as one or for all parts of the group?**

If the group has separate payroll accounts (HMRC VAT numbers), then each organisation in the group will be treated as a separate payroll by HMRC. If the group has an overarching payroll then that would be treated as the one payroll for all companies in the group.

**Can an employer's levy contribution be used to fund apprenticeships in their supply chain?**

Employers will be allowed to use a % of their levy contribution to fund apprenticeships in their supply chain (although the % and details are still being worked on).

**What happens if I do nothing or am unable to spend my full levy? Where does the money go?**

If an employer does not use all of its levy, the Government will redistribute the funds elsewhere for apprenticeship delivery.

**Will businesses need to pay NI contributions for apprentices?**

Employers will not have to pay NI contributions for apprentices under 25 years of age from April 2016.

**How do I access my levy?**

The Government is planning a Digital Apprenticeship System (DAS) that will be implemented in April 2017. Employers will have a virtual levy account showing the amount they can spend on apprenticeships. From August 2017, the DAS will enable employers to trigger payments by the Skills Funding Agency to providers that they have selected to deliver their apprenticeships. The system will provide details of approved providers/colleges in the area of the employer's premises offering the desired apprenticeship. This allows the employer to approach the provider/s to negotiate funding and contributions.

**Can I access the levy directly if I deliver my own apprenticeships?**

The Skills Funding Agency (SFA) will only pay cash to organisations that are on the Register of Training Organisations (RoTO). Employers can apply to go onto the register but will have to meet all the SFA reporting and audit requirements along with all quality standards as defined by Ofsted and the Institute for Apprenticeships (IfA).

## **What is the Insitute for Apprenticeships (IfA)?**

The Institute for Apprenticeships (IfA) is an employer led statutory body with responsibility for:

- Quality and approval functions in relation to apprenticeship Standards and Assessment Plans
- Wider quality assurance functions, including making arrangements for assessing the quality of the end point assessment for each apprenticeship
- Advising Government of funding allocations per each apprenticeship Standards

For further information on the IfA vist: <https://www.gov.uk/government/publications/institute-for-apprenticeships-enterprise-bill-factsheet>

## **What are the current Apprenticeship Frameworks?**

The current Apprenticeship Frameworks were designed and developed by employers, Sector Skills Councils, Standard Setting Bodies, awarding organisations and training providers. They are refered to as SASE Frameworks (Speefication of Apprenticeship Standards for England).

Frameworks are made up of qualifications, each with a credit value. Learners can register for a pathway that meets the required number of credits for their framework. On completion, they will have the full set of knowledge, skills and behaviours to be fully compliant and productive in their sector job role.

The current Apprenticeships are mostly assessed on an on-going basis through competency assessment

Apprenticeship Frameworks are a minimum of 12 months. Visit the Government's website for a [complete list of SASE Frameworks in England](#).

The Government intends to phase these Frameworks out over a period of time between now and 2020 as the new Apprenticeship Standards are introduced.

## **Can I use my levy to pay for existing Apprenticeship Frameworks?**

Yes you can up until they are replaced with the new Standards (see below)

## **What are the new apprenticeship Standards?**

The new apprenticeship Standards are defined by Trailblazer employer groups and relate to a specific role or occupation. The Standard is a short (one/two pages) document that describes the level of knowledge, skill, and behaviours required to demonstrate full competence for the role. All Standards are accompanied by a detailed Assessment Plan.

They require at least 12 months of training and will include assessment criteria and relevant qualifications.

Apprenticeship completion will be through an Independent End-Point Assessment rather than ongoing achievement.

You can track the development of new apprenticeship Standards on the government website:

<https://www.gov.uk/government/collections/apprenticeship-standards>

### **What is a Trailblazer?**

A Trailblazer is a group of employers that works to design new apprenticeship Standards for occupations within their sectors.

Each Trailblazer group is supported by a representative from the department of Business Innovation and Skills (BIS), Professional Bodies, Training Providers and Awarding Organisations who can support the development of the assessment plans.

### **How can I get involved in a Trailblazer?**

Employers can contact the department for Business Innovation and Skills (BIS) to find out if there is already a Trailblazer in place for their specific occupation, or, when one doesn't exist already, they can get together with 10 or more other employers (2 of which have to be an SME) to create a Trailblazer of their own. You can contact BIS directly at: [apprenticeship.trailblazers@bis.gov.uk](mailto:apprenticeship.trailblazers@bis.gov.uk)