

FACTSHEET: THE APPRENTICESHIP LEVY HOW IT WILL WORK

From 1 May 2017, the new funding system for apprenticeships in England will come into effect. Large employers will be required to contribute to the apprenticeship levy and funds to pay for apprenticeship training will be accessed through a digital account system.

This factsheet outlines key information about how this will work for employers in the NHS.

Paying the levy

- Employers with a pay bill in excess of £3 million will pay the levy from April 2017 charged at a rate of 0.5 per cent of the entire pay bill.
- Those with a pay bill of less than £3 million won't pay anything, but will still be able to access funds to pay for apprenticeship training.
- All employers will receive an allowance of £15,000 in each tax year, which means the levy will only be payable on the pay bill in excess of £3 million per annum.
- Your pay bill will be based on the total amount of earnings subject to Class 1 secondary national insurance contributions (NICs).
- Although earnings below the Class 1 secondary threshold are not counted when calculating an employer's NICs, they will be included for the purpose of calculating the amount of levy an employer needs to pay.
- Earnings include any remuneration, such as wages and pension contributions, that you pay NICs on. Other payments, such as benefits in kind will not be counted.
- All levy payments will be allowable for Corporation Tax.
- Employers will calculate, report and pay the levy through the PAYE process to HMRC.

Accessing the funds

- From January 2017, you will be able to register with the new digital apprenticeship service and create a digital account.
- Funds will enter your digital account on a monthly basis, and a 10 per cent top-up will be applied at the same time. This means for every £1 that enters your digital account, you can access £1.10 to spend on apprenticeship training.
- From April 2017, employers can use their digital account to choose a training provider. Funding to pay for apprenticeship training and assessments will be available from May 2017.
- Payments will work on a first-in, first-out basis, and will be taken from the funds that enter the account first. Any funds not spent will expire 24 months after they enter the account.

Paying for apprenticeship training and assessment

- Apprenticeships are usually delivered in partnership with a training provider under an apprenticeship standard or framework.
- The apprenticeship standards and frameworks will be placed within funding bands which will set the maximum funding that can be used.
- Employers will negotiate and agree a price to cover the cost of training, and the end-point assessment.
- Only approved training providers and assessment organisations can be used.
- Training providers will be paid monthly with payments taken from your digital account.
- Employers will use the funds in their digital account to pay for training up to the maximum amount allowed in a funding band. If the agreed price exceeds this, they will have to pay the difference.

Q&As

What can the funds be used for?

Funds in your digital account can only be used to pay for apprenticeship training and the end point assessments. They cannot be used for other associated costs, for example, wages or travel costs.

Will the new funding arrangements affect apprentices that start before April 2017?

No, apprenticeships that started before April 2017 will be funded for their duration under existing arrangements. You will not be able to use the funds in your digital account to pay for these.

Do the funds in my account need to cover the entire cost of the training at the start of an apprenticeship?

No, as training providers will be paid monthly you just need to cover the monthly cost of each apprenticeship you have chosen.

Can I use my funds to pay for apprentices employed by apprenticeship training agencies (ATAs) or direct funds to another employer?

The government intends to allow employers to transfer up to 10 per cent of the levy fund to an approved training agency (ATA), or other employer, from 2018.

What if the funds in my account aren't enough to cover the full cost of the training and assessment I would like to buy?

The government will co-invest 90 per cent of the full cost of the training with the employer funding the remaining 10 per cent, paid over the lifetime of the apprenticeship.

Will there be any additional funding for employing 16 to 18 year old apprentices, or young people with additional needs?

Payments to help meet these additional costs will be paid to you through the training provider.

What if the apprentice stops, or takes a break from their training?

You can use the digital apprenticeship service to stop or pause payments.

Can employers become a training provider and use funds in their digital account to pay for this?

The government recognises that employers can be extremely successful training providers and want to encourage this. For guidance on how to become a training provider, see the link below.

Useful links

More details about how the levy will work can be found at:

- **HMRC - when to pay the apprenticeship levy and how to report** www.gov.uk/guidance/pay-apprenticeship-levy#contents
- **Detailed funding rules including information about the funding bands** www.gov.uk/government/collections/apprenticeship-changes
- **Gov.uk - how to become a training provider** www.gov.uk/government/publications/apprenticeships-become-a-training-provider

More information about the levy can be found at www.nhsemployers.org/apprenticeshippolicy