

# Apprenticeship Funding



**GET IN  
GO FAR**  
APPRENTICESHIPS

Context to apprenticeship reforms

What is the apprenticeship levy?

Paying and using the levy

What you can do now and next steps



# Action is needed to address current economic trends

UK productivity lags behind other developed economies and employers are investing less in training. Meanwhile relative social mobility has stagnated or declined over recent decades.

*Number of employees who worked fewer hours than usual because they attended a training course away from their workplace*



**Apprenticeships contribute to addressing these challenges**

That's why the government is committed to significantly increasing the **quantity and quality of apprenticeships** in England and **achieving 3 million starts** by 2020.

Apprenticeships provide good economic returns, but there are not enough of them to meet demand or fill skills gaps in the economy. We also need to continue to **drive up the quality of apprenticeship training** and ensure that anyone completing an apprenticeship is fully competent in their occupation. **To support this government is changing the way apprenticeship are funded from April 2017**



# What is an apprenticeship

Apprenticeships combine practical training in a job with study. Apprenticeships are available at all levels from intermediate (level 2) to degree (level 6 & 7).

There are rules governing what an apprenticeship is. The main ones are:

- the apprentice must be employed in a real job;
- they may be an existing employee or a new hire. They can be full or part time employees.
- the apprentice must work towards achieving an approved [apprenticeship standard](#) or [apprenticeship framework](#)
- the apprenticeship training must last at least 12 months
- the apprentice must spend at least 20% of their time on off-the-job training
- They must be paid the relevant [national minimum wage](#)

Employing an apprentice is very simple. The [National Apprenticeship Service](#) can provide all the information you need to know in order to employ an apprentice



# **Apprenticeship funding in England from May 2017: How the funding changes, including the levy, work**



# What is the apprenticeship levy and who pays it?

Starts on **6 April 2017**, at a rate of **0.5% of pay bill**, paid through PAYE

Applies to all **UK employers** in all sectors, including education

**£15,000 allowance is not a cash payment**

The levy will be set at **0.5% of an employer's pay bill**. It will only be paid on any pay bill in excess of

**£3m**

Employers will have an allowance of **£15,000** to offset against their levy payment



# Paying the levy

- Employers pay their levy to HMRC, through the **PAYE** process
- Single employers with multiple PAYE schemes will only have **one** allowance.
- Connected employers **share** one allowance

## LEVIED EMPLOYER

- Employer of **250 employees**, each with a gross salary of £20,000.
- Pay bill:  $250 \times £20,000 = \text{£5,000,000}$
- Levy sum:  $0.5\% \times £5,000,000 = \text{£25,000}$
- Allowance:  $£25,000 - £15,000 = \text{£10,000 annual levy payment}$

## NON-LEVIED EMPLOYER

- Employer of **100 employees**, each with a gross salary of £20,000.
- Pay bill:  $100 \times £20,000 = \text{£2,000,000}$
- Levy sum:  $0.5\% \times £2,000,000 = \text{£10,000}$
- Allowance:  $£10,000 - £15,000 = \text{£0 annual levy payment}$



# Paying the levy - What this means for schools

The schools sector has a wide variety of arrangements in place, but there are no exceptions for apprenticeship levy liability. However, **the type of school affects who is considered to be the employer for the purposes of the levy**, and so who actually accrues the levy liability varies between set-ups.

Each school or local authority should assess themselves for liability – the onus is on the employer to ensure that they comply with the legal requirements set out in the Finance Act.

**The following information does not constitute tax advice and individual schools and local authorities should seek appropriate professional advice to confirm their individual circumstances.**





# Paying the levy - What this means for schools

The different set-ups of schools, means that there are likely to be differences in approach to paying the levy. The models below assume that the payroll and relationship between “parent” organisations (local authorities or MATs) and ‘child organisations’ (e.g. community schools or academies in a MAT) are typical.

## **Schools where the local authority is the employer**

Where a school is a community school maintained by the local authority, the local authority is generally the employer. It is the LA who has the responsibility to pay ‘employer’ Class 1 secondary National Insurance contributions (NICs) on the earnings of the school staff, and so these earnings will be considered as part of the LA’s pay bill for levy liability calculation. Here the LA gets the £15,000 allowance.

This is also the likely model where the school is Voluntary Controlled



# Paying the levy - What this means for schools

## **Schools where the local authority is not the employer**

**Standalone academies.** With an academy, the trust of the academy is generally the employer with the responsibility to pay Class 1 secondary NICs. They will therefore accrue levy liability based on the pay bill of the academy. They will have one £15,000 allowance.

**Academies that are part of multi-academy trusts.** Multi-academy trusts (MATs) encompass multiple academies. In a MAT, it is generally the MAT itself that is the employer of the staff at any academies that are encompassed by it. This means that it is the MAT that accrues the levy liability based on the pay bill of all the academies, and gets one £15,000 allowance to offset against its liability.

**Foundation schools and Voluntary Aided Schools.** Foundation schools and Voluntary Aided Schools generally employ their staff in the same way as academies, i.e. the governing body is considered to be the employer for the purposes of Class 1 secondary NICs. Therefore they will accrue and pay levy liability based on their own pay bill. They will have one £15,000 allowance

# Accessing levy funds to spend on training

- Levy funds will be available through a new digital service on gov.uk
- First funds appear in account in late May 2017

## How funds in the account will be calculated

If 100% of pay bill is in England	100% of levy payment in digital account
If 80% of pay bill is in England	80% of levy payment in digital account

- 10% government top up to monthly funds entering an account



# Accessing levy funding - What this means for schools

**Once the body that is the employer has declared the levy to HMRC, it will be able to access funding for apprenticeships through a new digital account.**

- When they have registered, the employer needs to verify their PAYE scheme/s and link them to their digital account.
- If they have more than one PAYE scheme, they can link them together if they wish, or will be able to use more than one account if they would like to keep their schemes separate, e.g. if schools are on different PAYE schemes from other parts of an employer.
- It is only possible to have more than one digital apprentice service account if there is more than one PAYE scheme

## **Schools where the local authority is the employer**

As the school does not own the PAYE scheme the employees it administers are on, the local authority that owns the scheme will have control of the funds. The school should talk to the scheme owner about accessing the funds.

## **Schools where the local authority is not the employer**

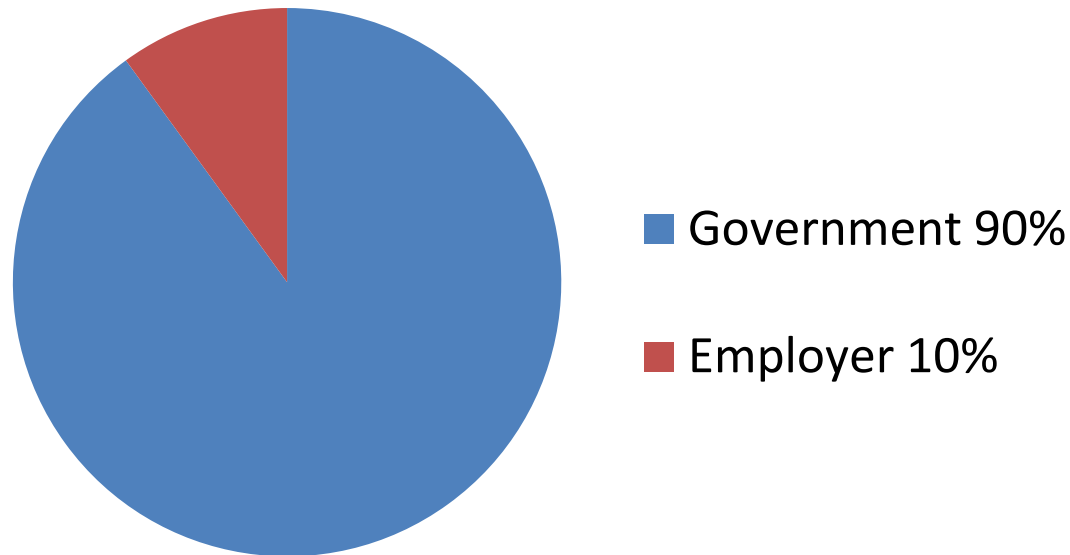
If a school does not own the PAYE scheme the employees it administers are on the organisation that owns the scheme, such as the Multi Academy Trust, will have control of the funds. The school should talk to the scheme owner about accessing the funds.



# What about non levy payers? Co-Investment

There are two types of employers who will benefit from government support towards the cost of their apprenticeships training:

1. Employers who haven't paid the levy and want to purchase apprenticeship training from a provider
2. A levy-paying employer who with insufficient funds in their digital account to pay for the cost of training and assessment they want to purchase



- The **government will pay 90%** of the costs of training and assessment.
- The **employer will be responsible for paying 10%** of the costs.



# Co-investment - What this means for schools

## **Schools where the local authority is the employer**

LAs are likely to be above the threshold for paying the levy. This means that they are able to access co-investment if they have insufficient funds in their digital account to pay for the cost of training and assessment they want to purchase

## **Schools where the local authority is not the employer**

Individual schools, which are not part of an organisation which pays the levy, will be able to access co-investment to pay for apprenticeship training.

Schools which are part of an organisation that pays the levy are able to access co-investment if the organisation has insufficient funds in their digital account to pay for the cost of training and assessment they want to purchase



# Purchasing training – both groups

## New funding system comes into effect on 1 May 2017

Apprenticeships started before 1 May will be funded through to completion according to the existing rules

## Levied employers buying training from May 2017

- Can commit to apprenticeship starts from the beginning of May
- Funds will automatically leave the digital account on a monthly basis
- The cost will be spread over the lifetime of the apprenticeship
- We will hold back 20% of the total cost, to be paid on completion of the apprenticeship.

## Non-levied employers buying training from May 2017

- Continue to make payments direct to providers
- Move onto the digital system at a later date



# Who provides the training

You can only spend the funds in your digital account or access government support for apprenticeship training delivered by an approved training provider.

From May 2017, levied employers will be able to choose a provider from a new register, the [register of apprenticeship training providers](#) (RoATP). The register will encourage diversity and competition in the provider market, supporting quality and employer choice

## **Employers wishing to become training providers**

We recognise that employers can be extremely successful training providers and we want to encourage those who want to take this route to deliver high-quality apprenticeships. Read further information for [employers who wish to become a provider of apprenticeships training](#).





# What can funds be used for?

Digital funds and government funding **can** be used for:

- apprenticeship training and assessment
- against an approved framework or standard
- with an approved training provider and assessment organisation
- up to the funding band maximum for that apprenticeship

Digital funds and government funding **can not** be used for

- wages
- travel and subsistence costs
- managerial costs
- traineeships
- work placement programmes
- the costs of setting up an apprenticeship programme



# Apprenticeship funding in England from May 2017: Funding rules



# Funding bands

Number	Band limit
1	£1,500
2	£2,000
3	£2,500
4	£3,000
5	£3,500
6	£4,000
7	£5,000
8	£6,000
9	£9,000
10	£12,000
11	£15,000
12	£18,000
13	£21,000
14	£24,000
15	£27,000

## Every apprenticeship will be placed in a funding band

The upper limit of each funding band will cap the maximum:

- amount of digital funds an employer who pays the levy can use towards an individual apprenticeship.
- that government will 'co-invest' towards, where an employer does not pay the levy or has insufficient digital

## Employers can negotiate the best price for the training they require

- If employers want to spend more than the funding band limit, using their own money, then they will be free to do that.
- Funding bands do not have a lower limit.

## WITHIN THE FUNDING BAND LIMIT

- Example funding band limit = **£6,000**
- Price you negotiate with your training provider = **£5,000**
- The cost is **within** the funding band limit

### With enough funding in your account

**£5,000 will be deducted from your digital account over the life of the apprenticeship.**

### Without enough funding in your account

If you have £0 in your account **we will pay 90% (£4,500) and you will need to pay 10% (£500).**

If you have digital funds available, these will be used first, and then we will **pay 90% of the remaining costs, and you will pay 10%.**

## OVER THE FUNDING BAND LIMIT

- Example funding band limit = **£6,000**
- Price you negotiate with your training provider = **£7,500**
- The cost is **above** the funding band limit

### With enough funding in your account

**£6,000 will be deducted from your digital account over the life of the apprenticeship.**

**You will be responsible for paying £1,500.** This payment can't be made from your digital account

### Without enough funding in your account

If you have £0 in your account **we will pay 90% (£5,400) and you will need to pay 10% (£600). This is the maximum payable within the limit of the band.**

**You will also be responsible for paying the additional £1,500.** This payment can't be made from your digital account



# Funding rules and additional support

## Cross-border funding

Applying a single test for funding through the English system: based on **whether the apprentice's main place of employment is England**. 'Workplace' is where the apprentice is expected to spend the majority of their time during their apprenticeship.

## Transferring funding

During 2018 we will introduce means for employers to **transfer up to 10% of the levy funds** to another employer with a digital account, or to an ATA

## Prior qualifications

Now and in the future, you can train any individual to undertake an apprenticeship at a higher level than a qualification they already hold. From May 2017, an individual can be funded to undertake an apprenticeship at the **same or lower** level to acquire **substantive new skills**

## Additional support

A range of additional support is available for younger and disadvantaged learners, and smaller employers



# Apprenticeships

**Apprenticeships are available in many job roles within schools including;**

- business administration,
- management,
- Science technicians
- ICT technicians.

A consortium of schools are developing the **TA apprenticeship**, led by Hughenden Primary in Buckinghamshire. Officials are working with the group developing the TA apprenticeship to help ensure that it reflects the best available evidence and practice around effective use of TAs. The group are currently developing an apprenticeship Standard, to be followed by assessment criteria for the new apprenticeship, which they aim to have in place by the end of 2017

Early work on developing a **teacher apprenticeship** standard is also underway, led by a group of schools coordinated by the Teaching Schools Council. There is not yet a firm timescale for the introduction of a teaching apprenticeship, but we expect more information to become available in the New Year.

You can find more information on apprenticeships available here:

<https://www.gov.uk/topic/further-education-skills/apprenticeships>



# Apprenticeship funding in England from May 2017: Supporting the reforms



# Wider reforms – Public sector target

- The Enterprise Act 2016 enables Government to set ambitious targets for public sector to aim for in terms of apprenticeship take up.
- Government consulted on the scope and basis for the target earlier in the year, with the proposal that public sector organisations with 250 or more staff in England should have the equivalent of 2.3% of their workforce start an apprenticeship annually. As part of the public sector, schools will be included in the target.
- Government intends for schools which are maintained by a local authority, and where the local authority is also the employer, to be included in the local authority target. We will set out in the government response how this can be reported upon.
- Other schools such as free schools, foundation schools, voluntary-aided, and academies/trusts with 250 or more headcount will be also covered by the duty. However, many of these types of schools (due to small headcounts) will be exempt, as well as independent schools.
- The Government response to the consultation will be issued shortly.





# What you can do now

Read further – go to

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

Plan your apprenticeship spending - <https://estimate-my-apprenticeship-funding.sfa.bis.gov.uk/>

Check out the draft regulations for the calculation, payment and recovery of the Apprenticeship Levy -

<https://www.gov.uk/government/publications/draft-legislation-regulations-for-the-calculation-payment-and-recovery-of-the-apprenticeship-levy>

