What you need to know about apprenticeship reform and the Apprenticeship Levy.

To calculate your Levy, click here.

If you haven’t heard about the apprenticeship reform, don’t be alarmed. There is still time to act. From April 2017 the way the government funds apprenticeships in England will change for all employers.

Who this guidance applies to – all employers
This guidance is for all employers operating in the UK with staff working in England, whether they pay the Apprenticeship Levy or not.

These changes will only affect apprentices that start their training from the 1st May 2017. All apprentices that start up to the 30th April 2017 will remain funded as they currently are, for the duration of their apprenticeship programme.

What you can spend apprenticeship funding on – all employers
Funds in your apprenticeship service account, and funding provided by the government through co-investment, can only be used towards the costs of apprenticeship training and end point assessment. This must be with an approved training provider and assessment organisation.

It can’t be used on other costs associated with your apprentices or wider training efforts. For example, wages, statutory licences to practise, travel and subsidiary costs, managerial costs, traineeships, work placement programmes or the costs of setting up an apprenticeship programme.

What is an apprenticeship? – all employers
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
- the apprentice must work towards achieving an approved apprenticeship standard or 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
- Employing an apprentice is very simple. The National Apprenticeship Service can provide all of the information you need to know, to employ an apprentice.

Apprenticeship Standards Vs Frameworks – all employers
apprenticeship standards – each standard covers a specific job role and sets out the core skills, knowledge and behaviours an apprentice will need to be fully competent in their job role and to
meet the needs of employers, standards are developed by employer groups known as ‘trailblazers’ – a series of work-related vocational and professional qualifications, with workplace and classroom based training.

The government will phase out frameworks between now and 2020, as they move over to the employer-led apprenticeship standards.

**Eligibility for training**

**Who provides the training – all employers**

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

**Full eligibility rules – all employers**

A set of detailed rules exist to define what you can use apprenticeship funding for.

**Who provides assessment – all employers**

You can only spend the funds in your apprenticeship service account or access government support for approved assessment organisations that are listed on the Register of apprenticeship assessment organisations. Organisations who wish to carry out end point assessments will need to show that they meet or exceed certain criteria.

**Incentives – all employers**

If you employ an apprentice under the age of 25 on the day they start you will not have to pay NI contributions for this individual for the duration of their apprenticeship.

If you employ an apprentice 16-18 years old, you will receive £1000 for doing so. This payment will be split into two payments of £500, one at week 13 and one upon completion.

If you have under 50 employees and are a non-levy paying employer, you will not have to make contributions towards apprentice training.

Working with Knights Training Academy you will receive a bespoke training pathway for your apprentice and will be able to maximise access to funding to support their development.

**Which category do I fit into?**

If you are an employer with an annual PAYE salary bill of £3 million or over then you will be required to contribute an apprenticeship tax each month to fund apprenticeships. This is called the Apprenticeship Levy and you are a Levy Paying Employer. For more info click here.

If your PAYE salary bill is below this then you will now have to contribute 5% towards apprenticeship training with the remaining 95% coming from the government. You are a Non-Levy Paying Employer. For more info click here.

**Examples:**

**A. Levy Paying employer – Employer with a gross annual salary bill of £5,000,000**

Levy Sum: 0.5% x £5,000,000 = £25,000

Allowance: £25,000 – £15,000 = £10000 annual Levy Payment

**B. Non-Levy Paying employer – Employer with a gross salary of £2,000,000**

Levy Sum: 0.5% x £2,000,000 = £10,000

Allowance: £10,000 – £15,000 = £0 annual Levy Payment

**Levy Paying Employers**

The Government is introducing the Apprenticeship Levy on 6 April 2017. The Levy requires all employers operating in the UK, with a pay bill over £3 million each year, to invest in apprenticeships. You will be able to start spending this from the 1st May 2017 with registered apprenticeship training providers that are approved on the RoATP. Your contribution will be 0.5% of your annual salary bill and a £15,000 allowance is deducted from the total.

If your staff are split between Scotland, Northern Ireland and Wales as well as England you should work out the proportion of Levy you will be able to pay/access. For further guidance visit the [gov.uk website](https://www.gov.uk).
Paying the Apprenticeship Levy
You will report and pay your levy to HMRC through the PAYE process. These funds will be collected monthly and will be available for you to access via your digital account service (DAS) which is launched from 1st Feb 2017. All Levy paying employers will be contacted by the Government and asked if they would like to access their account in advance to familiarise themselves with how it works.

Top-ups to the funds in your apprenticeship service account
The government will apply a 10% top-up to the funds you have for spending on apprenticeship training in England. This means that for every £1 that enters your account to spend in England on apprenticeship training, you get £1.10.

Expiry of funds in your apprenticeship service account
Funds will expire 24 months after they enter your apprenticeship service account unless you spend them on apprenticeship training with a training provider.

DAS – To access your account
When you register you will need:

- Government Gateway login details for any PAYE schemes you want to include in your account – your payroll or finance team will have access to these
- Companies House number or charity number (if your organisation has one)
- If your organisation is part of a group of connected companies or charities, you will also need to think about how you want to structure your account to manage your apprenticeships.

Your Digital Account Service will allow you to:

- Select an apprenticeship qualification that you would like your apprentices to complete. Either a Framework or Standard – further guidance on these can be found here
- Choose the training provider or providers you want to deliver the training
- Choose the organisation that will assess your apprentices
- Post apprenticeship vacancies
- If you are an employer who pays the Levy, you can also use the apprenticeship service to:
  - Set the price you’ve agreed with your training provider
  - Pay for apprenticeship training and assessment
  - Tell us to stop or pause payments (for example, if your apprentice stops their training with you)

Pooling funds in an apprenticeship service account with other employers in a group structure
If you are in a group of companies connected for the purposes of paying the Levy, your group will be able to collect funds together into one account. For further information on how to do this visit the gov.uk website.

Buying apprenticeship training
Once you decide to buy apprenticeship training through the apprenticeship service, the funds will be taken from your account each month to pay the training provider.

What if I am a public sector employer?
Visit the gov.uk website for further guidance.

Using funds in your apprenticeship service account to buy training
Once the apprenticeship training you’ve bought has started, monthly payments will be automatically taken from your account and sent to the provider.
You just need to have enough funds in your account to cover the monthly cost of each
apprenticeship you have chosen. You will see funds entering your account each month as you pay the Levy, and funds leaving the account each month as you pay for training.

**Buying training if you don't have enough in your apprenticeship service account – Levy-paying employers**

If you pay the Levy, you may find that over the course of an apprenticeship the funds in your account aren’t enough to cover the full cost of the apprenticeship training and assessment you’d like to buy. This may be the case for employers who only pay a small amount of levy or have a variable pay bill and pay the Levy in some months but not others.

If you don’t have enough in your account in a particular month, you will be asked to make a contribution for the extra cost of training and to pay this directly to the provider, rather than through your account. You will be able to spread this contribution over the lifetime of the apprenticeship and agree a payment schedule with your provider. The Government will provide some support to help you meet these additional costs, up to the maximum amount of funding available for that apprenticeship. As both you and the Government make a payment, this is called ‘co-investment’. This will be set at the same co-investment rate as for employers who do not pay the Levy, with the Government paying 95% towards the extra cost of training and assessment and employers paying the remaining 5%.

**Non-Levy Paying employers**

Largely, arrangements stay the same for you in the initial phase, however there will now be a charge for apprenticeships. This will be 5% of the overall cost of apprentice training and will be spread across the duration of the training. This is called ‘co-investment’. Talk to your Knights Training Academy Account Manager to discuss how this works for you and what we can do to assist with this change. Email recruitment@knightsltd.co.uk with your name and location and we will be in touch to discuss.

When the new funding system begins in May 2017, you can choose the training you’d like your apprentices to receive, an approved training provider and an assessment organisation, using the registers available on the apprenticeship service. Help with this is available from the [National Apprenticeship Service](#) – Knights Training Academy are linked on here nationally.

The Government will ask you to make a 5% contribution to the cost of this training and the Government will pay the rest (95%), up to the maximum amount of funding available for that apprenticeship. The 5% contribution will be paid to your training provider directly via a traditional accounting arrangement and will be spread across the duration of the apprenticeship. As both you and the Government make a payment, this is ‘co-investment’.

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