

# Apprenticeship Levy

## Information for employers and stakeholders – October 2016

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## 1. Main Highlights

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- > Longer period of time for employers to spend funds in their digital account, now with 24 months before they expire, an increase from the original proposal of just 18 months.
- > A commitment to introducing the ability for employers to transfer digital funds to other employers in their supply chains or sector, or to Apprenticeship Training Agencies in 2018. A new employer group including the Confederation of British Industry, Federation of Small Businesses, British Chambers of Commerce, Charity Finance Group and EEF has been set up to help government develop this system so that it works for employers.
- > A 90 per cent contribution from government to the cost of training for employers that will not pay the levy.
- > A 100 per cent contribution from government to the cost of training for small employers that will not pay the levy and who take on apprentices who are 16 to 18 years old, 19 to 24-year-old care leavers or 19 to 24 year olds with an Education and Health Care Plan.
- > £1,000 each from government to employers and training providers when they take on 16 to 18 year olds, 19 to 24 year olds who were in care or who have an Education and Health Care Plan.
- > Help for training providers to adapt to the new, simpler funding model through an additional cash payment equal to 20% of the funding band maximum where they train 16 to 18 year olds on frameworks.
- > Employers can request their main provider to subcontract part or all of the framework or standard. This means that the previous statement of sub-contracting only being allowable under 50% has been quashed.
- > A simplified version of the current system of support for people from disadvantaged areas to ensure the opportunity to undertake an apprenticeship is open to everyone, no matter where in England they live, their background or family circumstances.

## 2. Start date for the Levy and Payroll information

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- > The start date for the new apprenticeship funding systems will be **1 May 2017**. Any apprenticeships started from this date will be funded according to the new rules. This will apply to all employers, both those paying the levy and those who do not.
- > The levy comes into effect from **6 May 2017** and employers will need to declare levy payable based on payroll year to date. Funds will not appear in an employer's digital account until just before the end of May for levy paid on their April payroll.
- > Levy-paying employers will see corresponding funds in their digital accounts after 22 May (following the final declaration from HMRC).
- > Levy paying employers can start to purchase training through the new digital system from the start of May as the earliest payments for training will leave accounts in April. The new system will pay providers one month in arrears from training they report have been delivered.

## 3. What can you spend your Apprenticeship funding on?

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- > Funds in your digital account, and funding provided by the government through co-investment, can **only be used towards the cost of apprenticeship training and end point assessment**. It cannot be used for other costs associated with your apprentices or wider training effort.
- > Funds from your digital account or government-employer co-investment can only be used for activity directly related to the apprenticeship. This includes:
  - On-the-job and off-the-job training through an externally contracted provider or evidenced costs for employer-provider delivery.
  - Planned on-programme assessment and the formal end-point assessment, including any costs associated with external quality assurance and the certification of the apprenticeship.



- e-learning (as part of blended learning that includes practical workplace learning).
  - Registration, materials, examination and certification, where delivered as part of the apprenticeship programmes.
  - Any administration directly linked to the training, education and end-point assessment. For example, the processing of the ILR.
  - Funding to re-take qualifications or non-accredited elements required for the apprenticeship, providing additional learning takes place.
  - Accommodation costs for learning delivered through residential modules where the residential learning is a requirement for all apprentices. Any costs for residential modules must represent value for money.
  - Participation in a skills competition that directly contributes to achieving the apprenticeship standard if agreed between you and the provider.
- > You cannot use the funding for:
- Enrolment, induction, prior assessment, initial diagnostic testing or similar activity.
  - Accommodation costs where the apprentice is resident, away from their home base, because of the requirements of their day-to-day work or because this is convenient for the employer.
  - Travel costs for apprentices under any circumstances.
  - Apprentices' wages.
  - Personal protective clothing and safety equipment required by the apprentice to carry out their day-to-day work.
  - Capital purchases.
  - Any training or optional modules in excess of those required, educational trips or trips to professional events not specified in the apprenticeship standard or needed to achieve the apprenticeship framework.
  - Re-sits for qualifications or end-point assessment needed for the apprenticeship where no additional learning is required.
  - Time spent by employees / managers supporting apprentices, mentoring or the time of other employed staff arranging training support, except where this is directly linked to the training, education and end-point assessment for an employer-provider (for example, any time spent by the apprentice's line manager for any of these activities will not be covered).
  - Training assessment, exams or tests in any skills and knowledge solely and specifically required to acquire licences to practise, or the certification of any licence to practise, where these are a legal requirement that must be obtained by practitioners to confirm that the licence holder meets prescribed standards of competence for that sector or industry.
  - Specific services not related to the delivery and administration of the apprenticeship, including company induction, bespoke or additional training or assessment not required to meet the apprenticeship requirements.
  - Off-the-job training delivered only by distance learning, although you can include online and other blended learning activity as part of the delivery of an apprenticeship.
  - Repeating the same regulated qualification where the apprentice has previously achieved it unless it is a requirement of the apprenticeship or for any GCSE where the apprentice has not achieved grade C, or 4, or higher.

#### 4. Who can be funded?

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- > The apprenticeship must be eligible for funding before the individual starts.
- > Apprentices can only be enrolled against an apprenticeship standard once it has been approved and the published assessment plan is shown on gov.uk



- > To use funds in the digital account or through government-employer co-investment, the individual must:
  - Start their apprenticeship after the last Friday in June of the academic year in which they have their 16th birthday.
  - Be able to complete the apprenticeship within the time they have available: if you are aware the individual will be unable to complete the apprenticeship in that time they cannot be funded.
  - Must not be enrolled in another apprenticeship at the same time as any new apprenticeship they start.
  - Must not be asked to contribute financially to the direct cost of the learning or use a student loan to pay for their apprenticeship.
  - Must spend at least 50% of their working hours in England over the duration of their apprenticeship.
  - Have the right to work in England.
  - Be either:
    - a citizen of a country within the European Economic Area (EEA) (including other countries determined within the EEA or those with bilateral agreements), or have the Right of Abode in the UK, and have been ordinarily resident in the EEA (including other countries determined within the EEA or those with bilateral agreements), for at least the previous three years on the first day of learning, or;
    - a non-EEA citizen with permission from the UK government to live in the UK, (not for educational purposes) and have been ordinarily resident in the UK for at least the previous three years before the start of learning.

For a full list of eligibility requirements please contact Sian Wilson at the Tech Partnership.

## 5. Additional payments

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Additional payments towards associated costs is payable if the apprentice is:

- > Aged between 16 and 18 years old.
- > Aged between 19 and 24 years old and has either an Education, Health and Care plan provided by the local authority, or has been in the care of the local authority.
- > These payments will be paid to the training provider in instalments:
  - 90 days after the apprentice starts - 50%.
  - 365 days after the apprenticeship starts - the remaining 50%.
- > The training provider must pass these on to you in full within 30 working days of receiving the funding from the government.

## 6. End-point assessments

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- > End-point assessment is a holistic assessment of the knowledge, skills and behaviours which have been learnt throughout an apprenticeship standard. The requirements for end-point assessment are set out in the assessment plan for the specific standard.
- > Apprentices will not be able to achieve an apprenticeship standard without satisfying all the requirements of the assessment plan, including the end-point assessment.
- > You must select an organisation to deliver the end-point assessment from the Register of Apprentice Assessment Organisations (RAAO). Only those organisations listed on the RAAO will be eligible to be funded.
- > Although the provider may be involved in arrangements for end-point assessment, the assessment itself must be independent and meet with the requirements set out in the assessment plan for the standard. Providers who have delivered the training must not undertake end-point assessment for that same group of apprenticeships.



- > The exception to this rule is any standard identified as an 'Integrated Degree Level Standard'. The end-point assessment organisation in these cases may also be the provider.
- > Where an independent assessment is required, the provider must contract with the apprentice assessment organisation on your behalf and have a written agreement in place with the assessment organisation and make payment to them for conducting the end-point assessment. The written agreement must set out the arrangements for end-point assessment, including arrangements for any re-takes and payments.
- > You must ensure the price you agree with the training provider for the apprenticeship includes the amount required to pay for the end-point assessment (including any re-takes). This includes the cost of external quality assurance, which involves an external body. You must ensure that you engage actively with any request for information from the external body, where applicable.

## 7. Contracting and subcontracting

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- > Funding for each apprenticeship will be routed through a single provider.
- > You must ensure that the provider that you contract with directly delivers some training across your apprenticeship programme. Where you ask them to use delivery subcontractors they must satisfy one of the following three criteria:
  - They are on the published Register of Apprenticeship Training Providers and have applied via the main or supporting application routes.
  - They are you or one of your connected companies as defined by HMRC and are on the published Register of Apprenticeship Training Providers, having applied through the employer-provider application route.
  - They are not on the published Register of Apprenticeship Training Providers but will deliver less than £100,000 of apprenticeship training and on-programme assessment under contract across all main providers and employer-providers between 1 May 2017 and 31 March 2018.

## 8. Funding bands tool

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To see information on what funding band each qualification relates to, visit: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/562411/Apprenticeship\\_standards\\_funding\\_bands\\_from\\_May\\_2017.xlsx](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/562411/Apprenticeship_standards_funding_bands_from_May_2017.xlsx)

## 9. Transitional support for providers training 16-18 year olds on frameworks

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The government is still committed to phasing out current frameworks so that all apprentices undertake standards from 2020. There has however been significant lobbying of the government on 16-18 funding which would have seen a drop in funding under the new banding system.

There will be transitional support for providers to help them adjust as the market transitions to apprenticeship standards. The government has agreed to pay providers a further 20% of the funding band maximum for the training of apprentices aged 16-18 years on frameworks. This will also include 19-24 year olds who have previously been in care or who have Local Authority Education, Health and Care plans. These payments will come direct from the government and will not be deducted from an employer's digital account.

## 10. Transitional support for providers training those from disadvantaged areas.

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The government has highlighted a need for extra support to meet additional costs associated with training individuals from disadvantaged backgrounds.

For one year only the government is introducing support for frameworks while a fuller review of how to best support individuals from all backgrounds is undertaken.



Providers will receive an additional £600 for training against a framework where an apprentice lives in the top 10% of deprived areas (as per The Index of Multiple Deprivation), £300 for any apprentice who lives in the next 10% of deprived areas, and £200 for those in the next 7%. These payments will come direct from the government and will not be deducted from an employer's digital account.

## 11. Paying for an apprenticeship

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- > Employers, main providers and their contracted providers must agree a price to meet the costs of training and for standards, the end-point assessment for each apprenticeship. This must be a price agreed to reflect any reduction in length or content of the apprenticeship to ensure that funds are not used to pay for skills already attained.
- > 80% of the agreed price up to the maximum value of the funding band will be paid to the provider from DAS in equal monthly instalments according to the planned duration of the apprenticeship. The remaining balance will be paid to the provider when either the end point assessment has taken place or all mandatory elements of the framework have been completed.

## 12. Expiry of funds

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The government has announced that funds in digital accounts, including top-ups, will expire after **24 months** unless they are spent on apprenticeship training.

## 13. Funds that will enter digital accounts

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- > The amount of government subsidy that an employer paying the levy will be able to access is linked to the value of employer's contributions, the proportion of employees working in England and a government top-up. Government may vary the level of subsidy for employers to ensure that it continues to support growth in quality apprenticeship and opportunities for all.
- > Once employers have declared the Levy to HMRC they will be able to access funding for apprenticeship through their DAS account.
- > The DAS account registration is still expected to be open from January 2017 with your proportion able to view through DAS from March 2017
- > The calculation will first be run in February 2017 and subsequently run quarterly in July, October, January and April each year. Employers can update their employees address data on their real-time information tax return to HMRC in order to have an accurate reflection in the accounts.
- > The level of funding that will enter an employer's account will be calculated as:
  - > Monthly levy paid to HMRC
  - > Multiplied by the proportion of the employer's pay bill to their workforce living in England
  - > Plus, a 10% government top-up on this amount

## 14. Apprenticeship Training Agencies (ATAs)

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- > Where you host apprentices that are employed by an ATA, you must not use the funds in your digital account to pay the training and assessment costs.
- > Where they are a levy-paying ATA, these costs must be met from the ATA's own digital account. Where an apprentice is employed by a non-levy paying ATA, the ATA will be able to access support for training and assessment through government and employer co-investment.
- > You must not employ apprentices solely to deliver an apprenticeship: there must be a genuine job available after they have completed their apprenticeship. The only exception to this is where an apprentice is employed through a recognised ATA because the job is with a third party.



- > In 2018 the government has committed to initially allow levy-paying employers to transfer up to 10% of the annual value of their funds entering their digital accounts to other employers and ATAs.

## 15. Employers who wish to become their own training provider

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The draft rules for those who are interested in becoming an employer - provider have been set out. A separate document will be sent explaining this to employers in the coming days.

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/562444/Apprenticeship\\_funding\\_rules\\_May\\_2017\\_to\\_March\\_2018\\_Provider\\_Final.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/562444/Apprenticeship_funding_rules_May_2017_to_March_2018_Provider_Final.pdf)

## 16. Support

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If you require support in your levy implementation planning or would like to access some of our member services to enable your business to maximise the levy, please contact Sian Wilson at the Tech Partnership.

### End of document

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