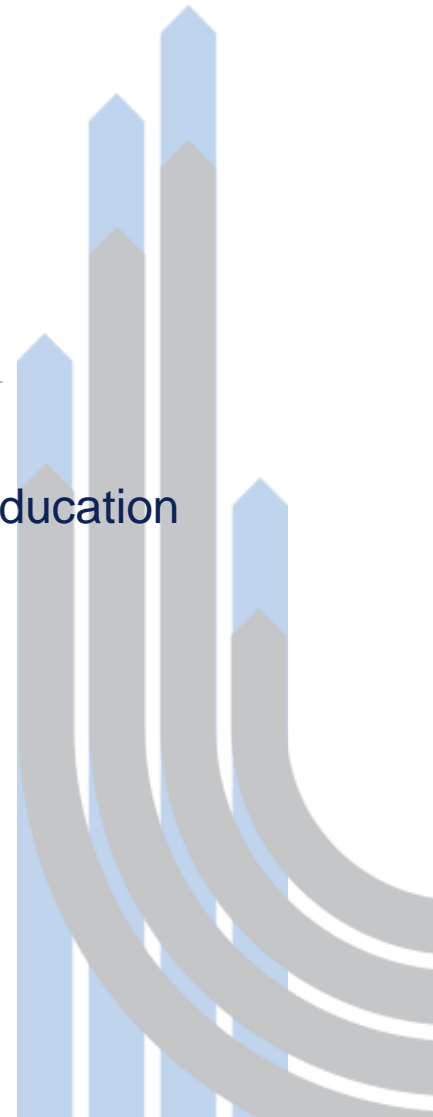


Apprenticeship Levy

28 July 2016

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- During presentations (10:30 – 11:00) everyone will be muted so that only the presenters will be heard.
- The presentation will be followed by a Q&A session. Click on the hand symbol to show that you have a question.
- If you are experiencing any technical problems please call 020 7344 1673.

The Apprenticeship Levy



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The Levy is part of a broader programme of reforms

The government is **committed to significantly increasing the quantity and quality of apprenticeships in England to reach 3 million starts in 2020:**

- **New Institute for Apprenticeships** led by employers to support quality apprenticeships
- Employers at the heart of designing new **Apprenticeships Standards** through the Trailblazer programme
- Apprenticeships will be given **equal legal protection to degrees**
- **Secondary Class 1 NICs abolished** for apprentices under the age of 25 from April 2016
- **Apprenticeship targets for public sector bodies** – consulted on new duty on public sector to have 2.3% of its workforce comprised of apprenticeships

But a step change in the scale and quality of the apprenticeship programme also requires a step change in funding.

What is the levy?

- The levy will be **0.5% of the pay bill**, paid through PAYE
- **An allowance of £15,000** to offset against levy liability
The levy allowance is not a cash payment and cannot be used to purchase apprenticeship training
- The allowance will mean that a UK employer, in any sector, with a **pay bill of more than £3 million** per year is liable to pay the levy
- Employers in England who pay the levy and are committed to apprenticeship training **will be able to get out more than they pay into the levy**, through a **top-up** to their digital accounts

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

LEVY PAYING EMPLOYER

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

NON-LEVY PAYING EMPLOYER

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

How?

- You will calculate, report and pay your levy to HMRC, through the Pay as You Earn (PAYE) process alongside income tax and National Insurance.
- Single employers with multiple PAYE schemes will only have one allowance
- Connected employers - we intend to allow employers to share one allowance between employers which are in connected ownership or control.
- You won't be exempt from the apprenticeship levy if you already pay into an existing levy.

The English apprenticeships system

Education and training is a devolved policy, which means that authorities in each of the UK nations manage their own apprenticeship programmes. **For operations in England, you will be entitled to funding as described in the rest of this presentation.**

The amount entering your English digital apprenticeship service account will reflect what you have available to spend through the English apprenticeship system.

We plan to give you the same proportion of your levy payment to spend in England as the proportion of your pay bill paid to employees living in England.

For example:

- 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

Getting out more than you put in

Employers who pay the levy and are committed to using their apprenticeships levy contribution in full will be able to get out more than they pay in to the levy.

The government will apply a **10% top-up** to monthly funds entering levy paying employers' digital accounts, for apprenticeship training in England, from April 2017.

Worked example

- Employer pays **£12,000 annually**
- Monthly payments = **£1,000**
- Top up: $10\% \times £1,000 = £100$
- Total entering digital account monthly:
 $£1,000 + £100 = £1,100$
- **£13,200 annually to spend on Apprenticeships**

Operating model – what can happen?

Expiry of levy funds

- Levy funds will expire 18 months after they enter your account unless you spend them on apprenticeship training.
- This will also apply to any top-ups in your account.

Directing levy funds to other employers

- In the first year of the levy, you will be able to use the funds in your digital account to pay for apprenticeship training and assessment for your own employees.
- We know that some employers might wish to direct their funds to other employers.
- We will make an assessment of the pros and cons of any approach, including the trade-offs with other design choices, before providing further information in July.

Pooling digital funds with other employers

- If you are in a group of companies connected for the purposes of paying the levy, your group will be able to collect their funds together into one account.
- Employers that are not connected will not be able to pool funds in digital accounts. However, you will be free to co-ordinate your purchasing at local or sector level outside of the digital service.

Co-Investment: Non-levy paying employers

CO-INVESTMENT

There are two types of employers who will be required to contribute outside the levy towards the cost of their apprenticeships training

1. Employers who haven't paid into the levy
2. Employers who have used all funds in their digital apprenticeship account

These employers will be required to co-invest a small proportion of funding towards the cost of their apprenticeships training. We are committed to providing financial government support to these employers to pay for their apprenticeships training. We will therefore contribute a large proportion of government funding to cover the costs of apprenticeships training for these employers.

DIGITAL APPRENTICESHIP SERVICE ACCESS

If you do not pay the levy you will not need to set up a digital apprenticeship service account to pay the training provider in April 2017. You will agree a price and pay your contribution towards the costs of the training and assessment to the training provider directly. This will give you more time to prepare for the new system.

Why do we have funding limits?

Employers will not be able to spend an unlimited amount of money on a single apprentice.

- Funding bands will limit the maximum amount of digital account funds an employer can spend on training for an individual apprentice.
- The funding band will also cap the maximum price that government will 'co-invest' towards, where an employer does not pay the levy or has insufficient digital funds and is entitled to extra support.
- The band will vary according to the level and type of apprenticeship (for example, more expensive, higher quality training is likely to be in a band with a higher limit).

We want to ensure that apprenticeships represent the best quality and value for money to the employer.

- Setting limits to the amount of funding that can be used for apprenticeships will enable employers to increase the quantity of apprenticeships they can purchase with their funding, whilst ensuring that quality training does not become too expensive for employers to purchase.

Employers can negotiate the best price for the training they require directly with training providers.

- We encourage employers to seek the best price for the training they are purchasing. Much like all business investment decisions, employers should be empowered to get a quality service for an acceptable price.
- If employers want to spend more than the funding limit then they will be free to do that but will need to cover the extra amount themselves in full.

Funding limits– how they work

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

Levy payers

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

Non-levy payers*

You will be required to **contribute a small proportion of the £5,000 cost.**

The level you must ‘co-invest’ will be announced in July.

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

Levy payers

£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

Non-levy payers*

You will be required to **contribute a small proportion of the £6,000 cost,** and

You will be responsible for paying £1,500.

* Employers who do not pay the levy, or who have used all the funding in their accounts

What can you digital funds and government support pay for?

FUNDS CAN BE USED FOR:

- apprenticeship training and assessment
(with an approved training provider and assessment organisation up to the funding band maximum)

FUNDS CANNOT BE USED FOR:

- wages
- statutory licences to practise
- travel and subsidiary costs
- managerial costs
- traineeships
- work placement programmes
- the costs of setting up an apprenticeship programme

Apprentices who have been accepted on to an apprenticeship before April 2017 will be funded for the full duration of the apprenticeship under the conditions that were in place at the time their apprenticeship started. If you pay the levy you will not be able to use the funds in your digital account to pay for these apprenticeships.

Extra support

16-18 year olds

- Payment to help meet the additional costs associated with employing young apprentices. This will be paid to you via the training provider.

Funding for disadvantaged individuals

- You will receive the same payment (as for a 16-18 year old apprentice) if you recruit young people who are aged 19-24 who have an Education and Healthcare Plan provided by the local authority or if you employ a 19-24 year old that has been in the care of the Local Authority.

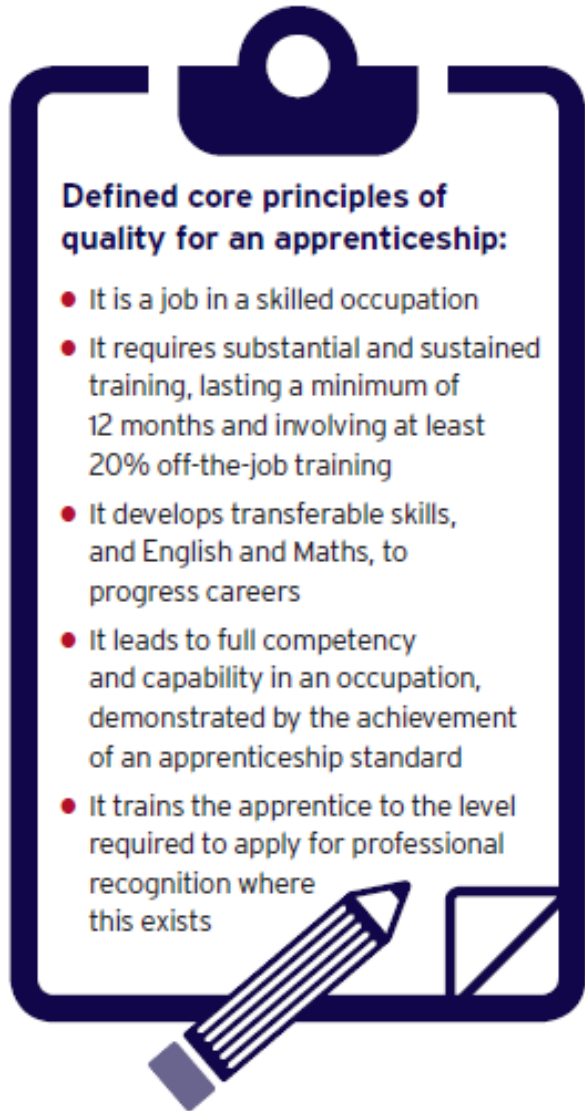
Funding for additional learning support

- If your apprentice needs extra support to help meet additional learning needs we will make payments direct to the training provider to pay for these

Funding for English and Maths training

- If your apprentice doesn't already have the required minimum standard in English and Maths they may need to undertake an English and/or Maths course.
- We will pay providers directly for the English and Maths courses they offer.

Apprenticeship Standards: what are they



Employers are designing apprenticeship standards so that they meet the needs of their industry – through the Trailblazer programme

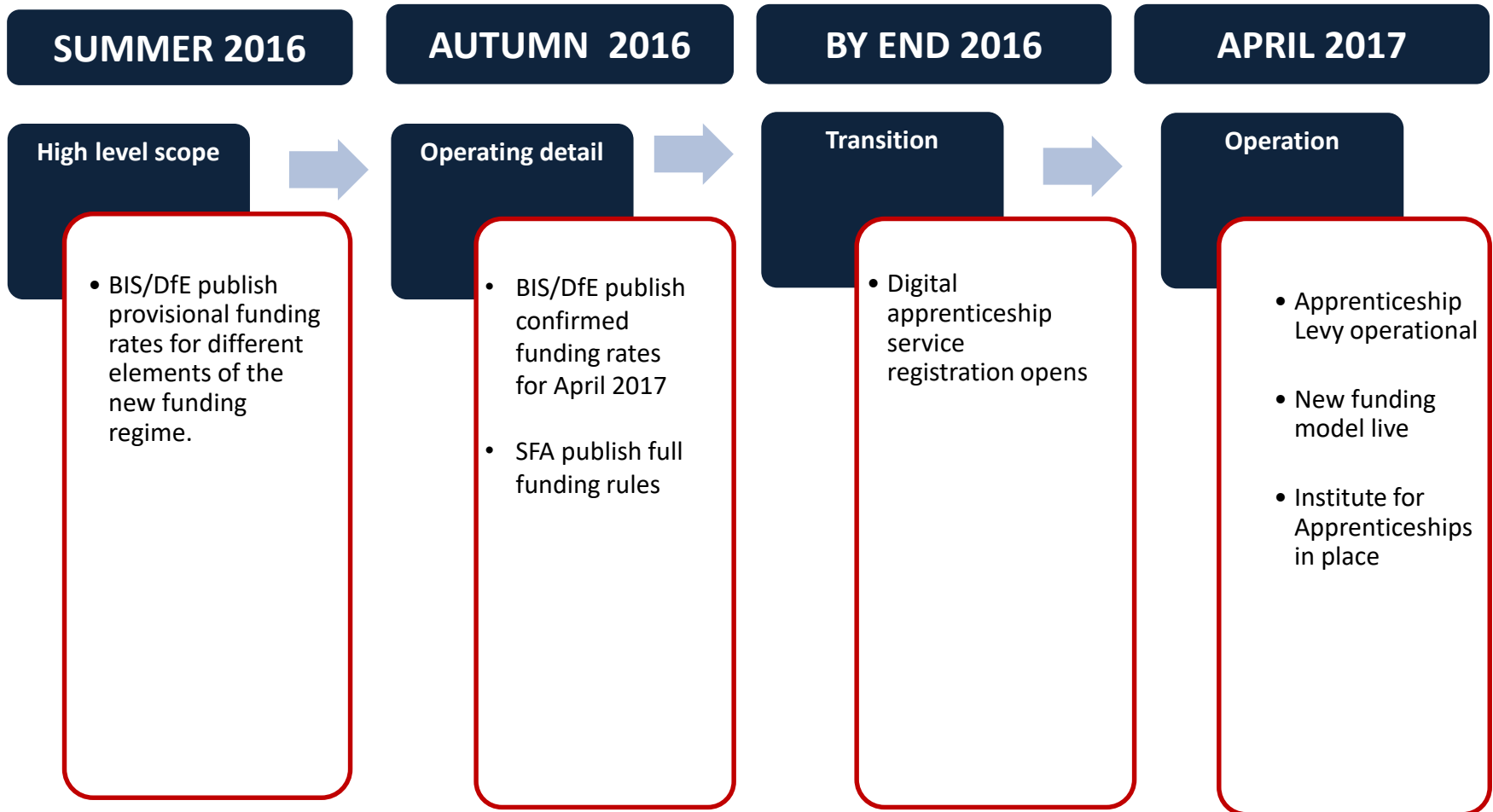
A standard should:

- be short, concise and clear
- set out the full competence needed in an occupation in terms of Knowledge, Skills and Behaviour (KSBs)
- have the support of employers including smaller businesses
- be sufficiently stretching so that it will require at least a year of sustained and substantial training to meet the standard
- align with professional registration where it exists
- contain minimum English and maths requirements and
- only include mandatory qualifications under certain circumstances.

Institute for Apprenticeships

- **An independent employer-led body that will regulate the quality of apprenticeships**, set up by April 2017 (shadow form from 2016)
- An independent Chair will lead a small Board comprised primarily of employers, business leaders and their representatives.
- Antony Jenkins (ex-chief executive of Barclays plc) appointed to the role of shadow Chair in June 2016.
- Outline role:
 - Approve/reject Expressions of Interest, standards and assessment plans
 - Provide advice and guidance during their development
 - Maintain a public database of apprenticeship standards and publish information illustrating potential gaps
 - Advise on the maximum rate of Government funding that should be assigned to each standard

Next Steps

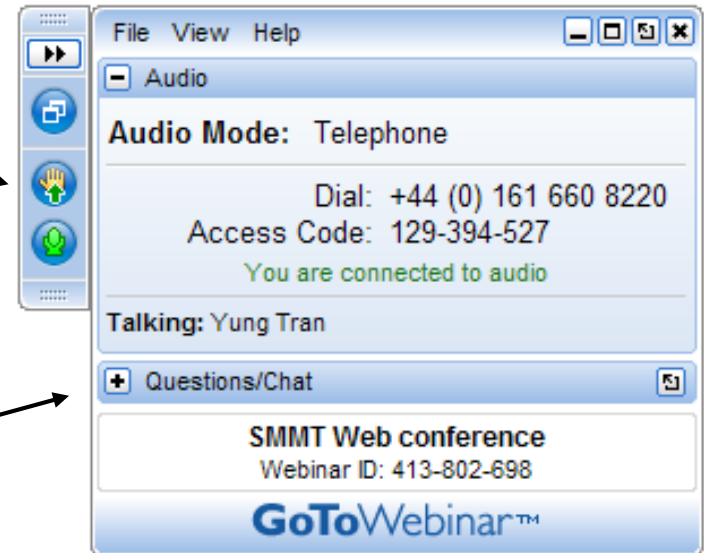


Questions and Answers

Please click on the hand symbol to raise your hand if you have a question.

Please ensure that you are connected to the audio to ask a question.

Alternatively, you can type your question.



Email: memberservices@smmt.co.uk with your questions after this session.

Slides emailed to participants after this session.

Thank you

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