



Pearson

# Apprenticeships 101

A really simple guide to the  
Apprenticeship Levy



# 101 Factsheet for The Apprenticeship Levy



## Who is this guide for?

Levy-paying employers, especially HR Managers and Apprenticeship Managers

## Myth Buster

- ▶ **Myth:** Apprenticeship levy money can only be used to pay for new-style standards apprenticeships.
- ▶ **Fact:** Not true. Apprenticeship levy money can be reclaimed against any framework or standard approved for use in England. Even if a new standard isn't available, you can start training an Apprentice today using the equivalent framework.

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- ▶ **Myth:** Claiming funding back from the Government is really complicated.
- ▶ **Fact:** Levy paying businesses will need to claim funding back through the Digital Apprenticeship System or DAS. Whilst there have been some teething problems, there is lots of help and support for businesses to get them up and running on the DAS and thousands of businesses are successfully navigating the system.

## The Really Simple Guide to the Apprenticeship Levy

### ▶ What is the Levy?

The Levy was introduced in April 2017 as a way of ring-fencing money in large organisations to be spent on apprenticeship training. This supports the government's commitment to creating 3 million new apprenticeship positions by 2020.

### ▶ Why was the Levy brought in?

Apprenticeships are a key plank of the government's skills strategy and the Levy was introduced in to help achieve the ambitious target of 3 million new high-quality apprenticeships. It was described in the 2015 Summer Budget by the then Chancellor George Osborne as "the sort of bold step we need to take if Britain is going to raise its game."

It was seen as necessary in part to address plummeting levels of professional training, with the number of employees attending a training course away from the workplace falling from 141,000 in 1995 to 18,000 in 2014 according to the Office for National Statistics Labour Force Survey.

### ▶ Who has to pay it?

It is paid by large organisations with a paybill of over £3 million a year, affecting less than 2% of UK employers.

### ▶ How much is it?

0.5% of your pay bill - but with a 'Levy allowance' of £15,000 a year (i.e., £15K of your pay bill is exempt from the Levy).

### ▶ **How do I pay the Levy?**

You should be reporting and paying your Levy to HMRC through the PAYE process.

### ▶ **When do I have to pay the Levy and report on payments?**

The Levy is payable and must be reported to HMRC using your Employer Payment Summary (EPS) every month. For more details see <https://www.gov.uk/guidance/pay-apprenticeship-levy>

### ▶ **What can you spend the Levy on?**

The Levy is to cover the costs of training, education and assessment required to attain the apprenticeship standard or framework. This can include on-the-job and off-the-job delivery through an externally-contracted provider, including e-learning (as part of a blended proposition); planned ongoing assessment, and the formal end-point assessment of an apprenticeship standard. It can also be used for educational trips or professional events specified within the standard or assessment plan.

### ▶ **What can you not spend the Levy on?**

It cannot be spent on recruitment costs, salaries, or other tangential costs of hiring an apprentice (uniform, travel, professional licenses, the cost of setting up the programme etc). In addition, it is not used to help apprentices reach the required standard in functional skills, although training providers can claim separate funding for this up to a Level 2.

For full details of what is eligible for funding and what costs must be covered separately by you as an employer, see the latest apprenticeship funding rules:

<https://www.gov.uk/government/publications/apprenticeship-funding-and-performance-management-rules-2017-to-2018>

### ▶ **Who can you spend the Levy on?**

You can spend it on new recruits or existing members of staff as long as they are officially undertaking an apprenticeship (either a new standard or an older SASE framework where a new standard does not yet exist. (For more on this see our separate factsheet on Apprenticeship Reform 101). However, employees must be living and working in England at least 50% of time (with a few minor exceptions such as offshore workers and the armed forces).

Full details of Apprenticeship Funding rules can be found at:

<https://www.google.com/url?q=https://www.gov.uk/government/publications/apprenticeship-funding-and-performance-management-rules-2017-to-2018&sa=D&ust=1523356308222000&usg=AFQjCNGKeimV4dT3ZWJuOX3sdVlpMVJEug>

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/605004/EMPLOYER\\_RULES\\_V2\\_FINAL.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/605004/EMPLOYER_RULES_V2_FINAL.pdf)

### ▶ **What happens if you don't spend it?**

If you do not claim your Levy funding after 24 months it is returned to a public pot and will be used for co-investment in other apprenticeships.

### ▶ **Can I give my Levy funding away?**

From April 2018 you can transfer 10% of funds in your digital account to another employer with a digital account - such as a company within your supply chain or an Apprenticeship Training Agency. Further details on transferring levy funds can be found in the guidance:

<https://www.gov.uk/guidance/transferring-apprenticeship-service-funds>

### ▶ **Is the government also putting into the Apprenticeship Levy?**

Yes, they top up what you pay by 10%. There are also additional payments available to you and the training provider if the apprentice is between 16-18 years old, or is aged between 19-24 years old and has either an education, health and care plan or has been in the care of the local authority.

### ▶ **How do I claim my funding back?**

How much you get back will depend on the proportion of your employees living in England (this is called the 'English percentage'). If you are a Levy-paying employer you need to create an account on the Digital Apprenticeship Service (DAS). For more on this, see our separate factsheet: The Digital Apprenticeship Service 101

## ► What if I am in Scotland, Wales or Northern Ireland?

Organisations in Scotland, Wales or Northern Ireland who meet the criteria for paying the Levy will have to do so. However, they will not receive their funding back through the DAS in the same way as their English counterparts as skills is a devolved area. Instead a proportion is returned to each devolved administration.

## ► Is the Levy going to change?

It is impossible to say with any certainty at time of writing. While there have been calls for the government to review the Levy policy in light of declining new starts (year-on-year) over the last two quarters, research by BPP University and Trendence suggests that it is too soon for pessimism, with most employers surveyed still 'gearing up' and 9 in 10 stating they do intend to make use of their funding.

Nonetheless almost three-quarters wanted more flexibility in how they can spend the funding and there is substantial pressure from business lobbyists. In response to the Taylor Report on modern working practices, the Department for Business, Energy and Industrial Strategy said in February 2018 that they would consider allowing the Levy to be used for traineeships as well "following delivery of current targets," although this was not confirmed by the Department for Education.

<https://www.tes.com/news/further-education/breaking-news/government-may-consider-opening-apprenticeship-levy-other>

## Where can I go for more information?

Watch our **Insight Webinar** on using the Digital Apprenticeship System or review the Government's own guidance <https://sfadigital.blog.gov.uk/category/digital-apprenticeship-service/>

