

Apprenticeship Levy- What you need to know

A short guide by Virtual College

Introduction

As of Spring 2017, employers across the UK will be affected by the new apprenticeship levy. Employers and businesses with a wage bill of higher than £3 million per year will be required to make an investment in apprenticeships. There are also a number of changes that will affect all employers.



However, with such an overload of information on the apprenticeship levy, there is much confusion over what it is exactly that employers need to know.

Here we take a look at how the apprenticeship levy will work, highlighting the most important details ahead of its introduction on April 6th 2017.

What are the limits on funding?

The government's Department for Education has proposed that the new system will have 15 funding bands, ranging from £1,500 to £27,000. This means that, along with the new system, all existing apprenticeship frameworks will be placed within one of these funding strands.

Employers in the UK will be placed in the band applicable to their business. Then, the upper limit of each funding band will cap the maximum amount of digital funds an employer who pays the levy can use towards a single apprenticeship.

The upper limit will also restrict the maximum price the government will 'co-invest' towards, where an employer does not pay the levy or has insufficient digital funds and is therefore eligible for extra support.

Within these funding limits, it will then be up to employers to negotiate prices with providers.

As it stands, there are apprenticeship frameworks that are funded by the government at various rates depending on the age of the learner. The new levy will allocate each individual framework pathway to a single funding band, regardless of the learner's age or where they are geographically based.

It is believed that this brings all frameworks into line with the funding system for apprenticeship standards, in addition to simplifying the experience of employers.



What is co-investment rate and how will it affect employers?

A co-investment rate determines how much an individual employer will have to pay towards apprenticeship training and assessment if they do not pay the levy.

This will also work out how much an employer must pay if they are required to finance the apprenticeship levy but do not have sufficient funds within their digital account to cover training and assessment costs in a particular time-frame or month.

The Department for Education has proposed that employers co-invest 10 per cent of the costs, with the government then funding the remaining 90 per cent.



10%
EMPLOYERS



90%
GOVERNMENT

Will smaller employers receive additional support?

Businesses that consist of fewer than 50 employees are often known to employ apprentices at a younger age, and so to continue this, the levy will waive the co-investment requirement for small employers training 16-18 year-old apprentices.

In such a case, employers will not have to contribute towards the cost of training, with the government paying 100 per cent of costs where the apprentice is a 19-24 year-old care leaver or is 19-24 years-old and has a Local Authority Education, Health and Care plan.

However, when supporting younger apprentices, young care leavers and young adults with additional learning needs, there is often more expense. To eliminate this issue, the government will provide £1,000 to employers and £1,000 to training providers to ensure that all individuals have an equal opportunity to benefit from an apprenticeship.



Will apprentices need English and maths training?

Before taking on an apprenticeship, the government pledges to help individuals gain the minimum of Level 2 in English and maths by paying training providers a sum of £471 per qualification.

This payment will come straight from the government and will not be deducted from employer's digital account.

Further to this, more funding will be provided to training providers where an apprentice requires additional learning support due to conditions such as dyslexia, learning difficulties or other disabilities.

Providers will receive £150 per month plus costs based on evidenced need - a continuation of the system currently in place.



How can employers use funds in their digital account?

Employers will be able to use funds in their digital account, as well as benefitting from government co-investment support, to pay for training apprentices whose main place of work is in England.

The government has also stated that it will allow employers to use the funds in their digital accounts for retraining under certain circumstances.

Co-investment support will be provided to train individuals to undertake an apprenticeship, as long as the training will allow them to acquire substantive new skills. In addition to this, the content of the training must be materially different to any previous apprenticeship.

As of 2018, the government will allow employers paying the apprenticeship levy to transfer up to ten per cent of the annual value of funds in their digital accounts to other employers on the digital system.



Source

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/545509/Apprenticeship_Funding_Proposals_from_May_2017.pdf

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