



Introduction to the Apprenticeship Levy

Apprenticeships are a brilliant way to blend work and learning to turbo-charge someone's career.

The Apprenticeship Levy comes into effect on 6th April 2017 and is the Government's chosen mechanism to increase UK employer spend on Apprenticeship training. It goes alongside reforms to give those employers more control over what constitutes an Apprenticeship (known as "Standards"). It is the biggest single shake-up in vocational and professional training in the last 25 years.

The purpose of this paper is to act as a guide for IPA agencies and affiliated organisations on what it is and how you can use it.

What is the Apprenticeship Levy?

The Levy will be 0.5% of payroll (including wages, bonuses and commissions), payable monthly via PAYE into an account managed through the Apprenticeship Service (AS). The first £3m of payroll will be 'Levy free' (like a personal tax allowance). The first payment will be in May on April payroll and therefore available to spend on Apprenticeship programmes starting in May 2017.

The employer will be able to use the money in their account to pay approved training providers for employees enrolled on approved Apprenticeships, via electronic vouchers. Vouchers that are unused 24 months after first being paid in will 'expire' (the Government will redirect those funds to other employers). AS will automatically use the oldest vouchers first. However, companies should be wary of delaying too long to start spending their Levy as they may struggle to use up the accumulated vouchers before they expire, potentially resulting in large losses.

The AS and the vouchers it issues will only be for employees who work 50% or more of their time in England. In Scotland, Wales, and Northern Ireland the funds will be issued to the relevant funding systems in those nations. Distribution to devolved nations is based on the home postcode of employees.

What will the government contribute?

The government will also top-up the English portion of each employer's Levy by 10%.

If employers exhaust their Levy pot in a given month, they can buy further Apprenticeship training at a rate of 10p in the £1 i.e. a 90% subsidy from Government (the same set up for small employers not paying the Levy).

To encourage employers and providers to continue taking on candidates who are 18 or younger, the Government will pay £1,000 each to the employer and training provider for every Apprentice who is 18 or under on the day they start in two payments (at 3 months and 12 months). For businesses with fewer than 50 employees, the government will also pay 100% of the costs.

What can the Levy funds be spent on?

The **only** training that Levy funds can be used for will be government approved Apprenticeship programmes (either “Frameworks” or “Standards” – Standards are the new ones, Frameworks are being phased out), delivered by government approved Apprenticeship training providers. Each Programme has a funding cap – you cannot spend more than the cap with your Levy vouchers with your chosen training provider(s). The vouchers are solely for the use of paying training provider fees and cannot be used for salaries, travel, or other costs.

Any group of ten or more employers (including at least 2 SMEs) within an industry can put together a document outlining the skills, knowledge and behaviours that someone needs to demonstrate in order to be qualified in a given occupation. This can then be submitted to the government for approval as a Standard (6-9 months process).

Qualification requires successful completion of an End Point Assessment (EPA), run by an independent EPA organisation and accredited by an Awarding Organisation/Industry Body and features a portfolio, a project and an interview.

The employer, training provider and participant all have to agree that the participant is ready to go through the EPA. The possible results are: Fail (with the option to retake), pass, merit and distinction.

Who is eligible for an Apprenticeship?

For the first time ever, people with degrees will be eligible to go on Apprenticeships funded through the Government’s programme (i.e. via the Levy). The only requirement is that through the Apprenticeship the participant must learn “substantive new skills”, which in practice means people will not be able to do an Apprenticeship in an occupation where they have a degree (unless the Apprenticeship is at a higher level i.e. a Masters Apprenticeship).

Employers can therefore use Levy funds for the training component of school leaver and graduate programmes, and also to pay for upskilling existing staff and for ‘business as usual’ new hires (outside of school leavers and graduates).

How can employers make the most of the Apprenticeship Levy?

The same principles apply to using the Levy as have always applied to deploying training budgets efficiently: identifying key skills and hiring gaps, finding suitable candidates (whether existing employees or new hires), finding the most appropriate and effective Standards (those available now and those coming on stream later) and working with your provider (hopefully us here at Creative Pioneers 2!) to deliver training, evaluate the outcomes, improve the programmes and celebrate success.

Creative Pioneers 2

Creative Pioneers 2 is the IPA’s programme to help members and their affiliated organisations make the best of the new arrangements for apprenticeships, including, of course, the imposition of the Apprenticeship Levy. Go to creativepioneers2.co.uk for more information.