

Hot Topic: The Apprenticeship Levy

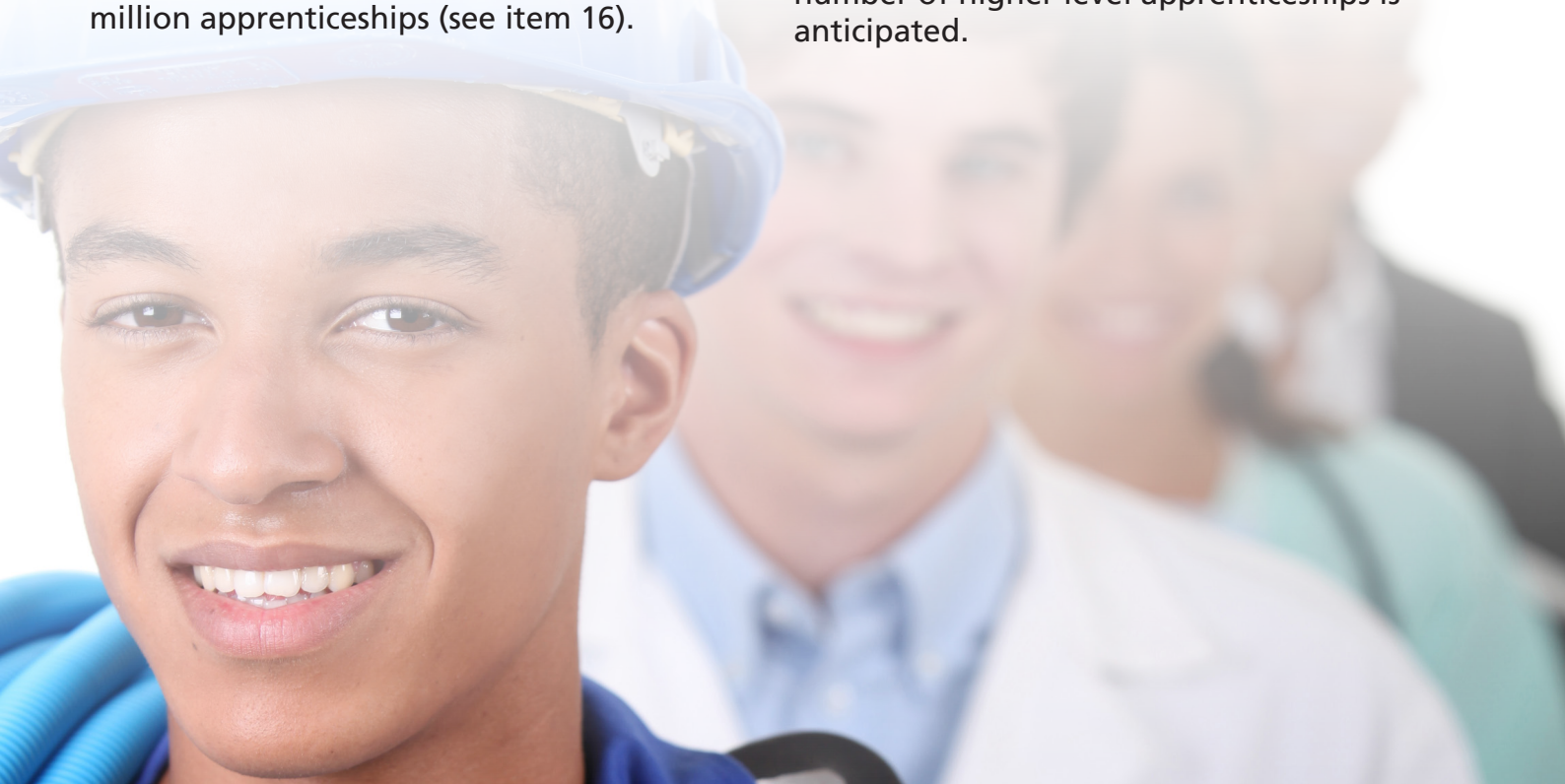
Background

The Government is committed to increasing the growth of apprenticeships as a viable and significant option for developing skills and employment opportunities. There is a commitment to achieve 3 million apprenticeship starts in the UK economy by 2020 and to facilitate this there are major changes in apprenticeship national policy and the introduction of some significant reforms – one of these reforms is the introduction of the **Apprenticeship Levy**.

In November 2015 in his Autumn Statement the then Chancellor (George Osborne) [announced he would be introducing a new apprenticeship levy](#) of 0.5% on company payrolls to raise £3bn a year, funding three million apprenticeships (see item 16).

Other apprenticeship reforms include:

- Employers will be expected to be more directly involved in investing and supporting apprenticeship activity and developing new standards and frameworks
- All public sector organisations, including the NHS, will have a legal duty to support apprenticeship starts and will be set a target of 2.3% of their workforce
- The value of apprenticeships is to be realigned. The term is to be protected by law and there is an expectation that the apprenticeship route can be used to achieve knowledge and skills up to an equivalent of Masters level. A significant growth in the number of higher level apprenticeships is anticipated.



What is the Apprenticeship levy?

The Apprenticeship levy is the amount of money organisations will be required to pay to the Government and will be used to fund the training of their apprentices to help achieve the 3 million apprenticeship starts in the UK economy by 2020.

Who will be affected by the levy?

All organisations will be subject to the levy, but owing to exemptions and allowances only organisations with a wage bill of more than £3m will actually pay into the Levy which the government predicts will affect 2% of employers, but this will include many NHS organisations as they are large employers.

The information above was taken from the [Government Guidance released in August 2016 available here](#)

How will it work?

Large organisations who pay the levy will be charged at a rate of 0.5% of the employer's annual pay bill and this will be paid monthly into a digital account. They will use the accumulation of funds to pay providers of the tuition element of an apprenticeship. The levy cannot be used to pay salaries, management costs or travel and expenses.

The government is proposing that:

- There will be 15 funding bands for Apprenticeship learning setting an upper limit on the amount levy funds can be used to fund the tuition element. Apprenticeships will be offered up to Masters Level and possibly higher, where the standards for the award have been agreed.

- Organisations who do not pay the levy, i.e. organisations with pay bills of less than £3m will fund investments through a co-investment model which will mean some of the costs will be borne by the government and some by the employer.

- Additional incentives will be available for employers who take a 16-18 year old apprentice

This information was taken from Skills for Care and [more information is available on their Apprenticeship Levy webpages](#). To see the full government guidance from August 2016 [click here](#).

[NHS Employers have created a summary of the guidance published in August](#) with more detail on; funding arrangements, additional support, how to use the digital account and further information.

When will the levy be introduced?

The levy will be collected from 6th April 2017 and can be used to fund apprenticeships from May 2017



What is the digital apprenticeship service account?

A new digital apprenticeship service account will be made accessible to organisations – employers will be able to use this to monitor their levy contributions and pay for training and assessment for apprentices in England. In early September 2016 the [Skills Funding Agency \(SFA\) announced they would soon start a pilot of this new digital apprenticeship service \(DAS\)](#) and asked employers and training providers to help test it.

Implications of the new levy on NHS organisations

The apprenticeship reforms are significant and will have major implications for NHS organisations, including:

- NHS organisations will be some of the largest levy payers and it is estimated that in excess of £35m will be paid into the Levy by North West NHS organisations.
- To meet the public sector target organisations will have to significantly increase the number of apprenticeship starts. It is estimated that to meet the Public Sector target of over 4000 apprenticeship starts will need to be achieved by North West NHS organisations.

The Apprenticeship Levy toolkit:

To help organisations prepare for the introduction of these major reforms Health Education England (working across the North West) is working with organisations and other stakeholders to gather information and provide support. The resources available in the form of a toolkit will be updated regularly as new information is received. In addition they will hold a series of webinar Open Space discussions to allow for sharing of good practice and the raising of issues and questions. [To see the webinar dates and download a copy of the Apprenticeship Levy toolkit visit the eWIN web page.](#)

Timeline

Summer 2015 – in the Summer budget the Government announced it would create a new charge for large employers – the Apprenticeship levy, ‘to fund its flagship 3 million new apprenticeships policy’

Autumn 2015 – in the Spending Review and Autumn statement in 2015 the details of the Apprenticeship levy were announced

August 2016 – updated guidance on the levy was released by the government

October 2016 – final funding and eligibility rules will be published and further information released on; levels of funding, government support, additional support for 16 to 18 year olds and English and maths payments

December 2016 – HMRC will release further employer guidance on how to calculate and pay the apprenticeship levy

Timeline continued...

January 2017 – Employers will be able to register with the new Digital Apprenticeship Service (DAS) – the online system organisations will use to manage their finances

6th April 2017 – Apprenticeship Levy introduced

April 2017 – employers can use their digital account to choose a training provider and access funding to pay for apprenticeship training and assessments.

The **Institute for Apprenticeships**, a new body created to oversee the levy and apprenticeship standards, is due to be operational from April 2017. This body will lead the development of standards and provide guidance on the use of levy funding.

May 2017 – The new principles of apprenticeship funding start operating (whether or not your organisation is required to pay the levy)

Produced October 2016 by HEE working across the North West Knowledge Management and Education Transformation and Commissioning teams

References and further reading

The information in this document was collated from the following sources which are accessible online:

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CIPD (2016) [Where next for apprenticeships?](#) August 2016. [Online] [Accessed 5th October 2016] Delebarre, J. (2016) [The apprenticeship levy](#). House of Commons Library. [Online] [Accessed 5th October 2016]

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Skills for Care (2016) [New apprenticeship levy](#). August 2016. [Online] [Accessed 5th October 2016]

Skills for Health (2016) [The Apprenticeship levy: infographic](#). August 2016. [Online] [Accessed 5th October 2016]