
EEF Presentation to KCC

Jim Davison
Region Director
jdavison@eef.org.uk

October 2016

Apprenticeship Levy

Apprenticeship Levy – the basics (1)

- Applies to all employers in England, Wales, Scotland and Northern Ireland
- No exemptions – it's a tax of 0.5% of the pay bill
- Follows the employer NIC's contribution
- You don't pay the first £15,000 of the tax
- "Connected companies" only get one £15,000 deduction
- But they can share it across different companies in the group
- Therefore, a single company with a pay bill of £3 million will pay no levy
- Employers will then receive digital funds, to the value of their levy contributions
- Only receive funds for English "fraction" of a company's paybill
- These digital funds can be used to buy apprenticeship training
- Levy paying employers will received a 10% top-up on their digital funds

Apprenticeship Levy – the basics (2)

- Employers pay from April 2017
- Employers declare levy payable based on their cumulative pay bill over the financial year
- First declaration will be May 2017 for their April pay bill
- Funds will appear in their digital account shortly after
- New funding model starts 1st May 2017
- Pre-May 2017 Apprenticeships will keep current funding
- Digital funds can only be spent on post-May Apprenticeships
- Payments will leave accounts from June 2017
- Non-levy payers use current system until 1 May 2017

Non-levy payers

- Non-levy payers will be required to pay 10% of the cost of the training and assessment.
- The remaining 90% will be funded by government.
- (If a levy-payer has insufficient funds in their digital account, they too will move over to this co-investment).
- Employers with less than 50 employees recruiting 16 to 18 year old **or** a 19-24 year old who has been in care or has a Local Authority Education, Health and Care plan will have 100% of training costs cover.

How much money do I have to spend?

Number	Band limit
1	£1,500
2	£2,000
3	£2,500
4	£3,000
5	£3,500
6	£4,000
7	£5,000
8	£6,000
9	£9,000
10	£12,000
11	£15,000
12	£18,000
13	£21,000
14	£24,000
15	£27,000

Why? Setting limits on the amount of government or digital funds that can be used for a single apprenticeship supports quality training whilst ensuring apprenticeships are affordable for individual employers and deliver value for taxpayers.

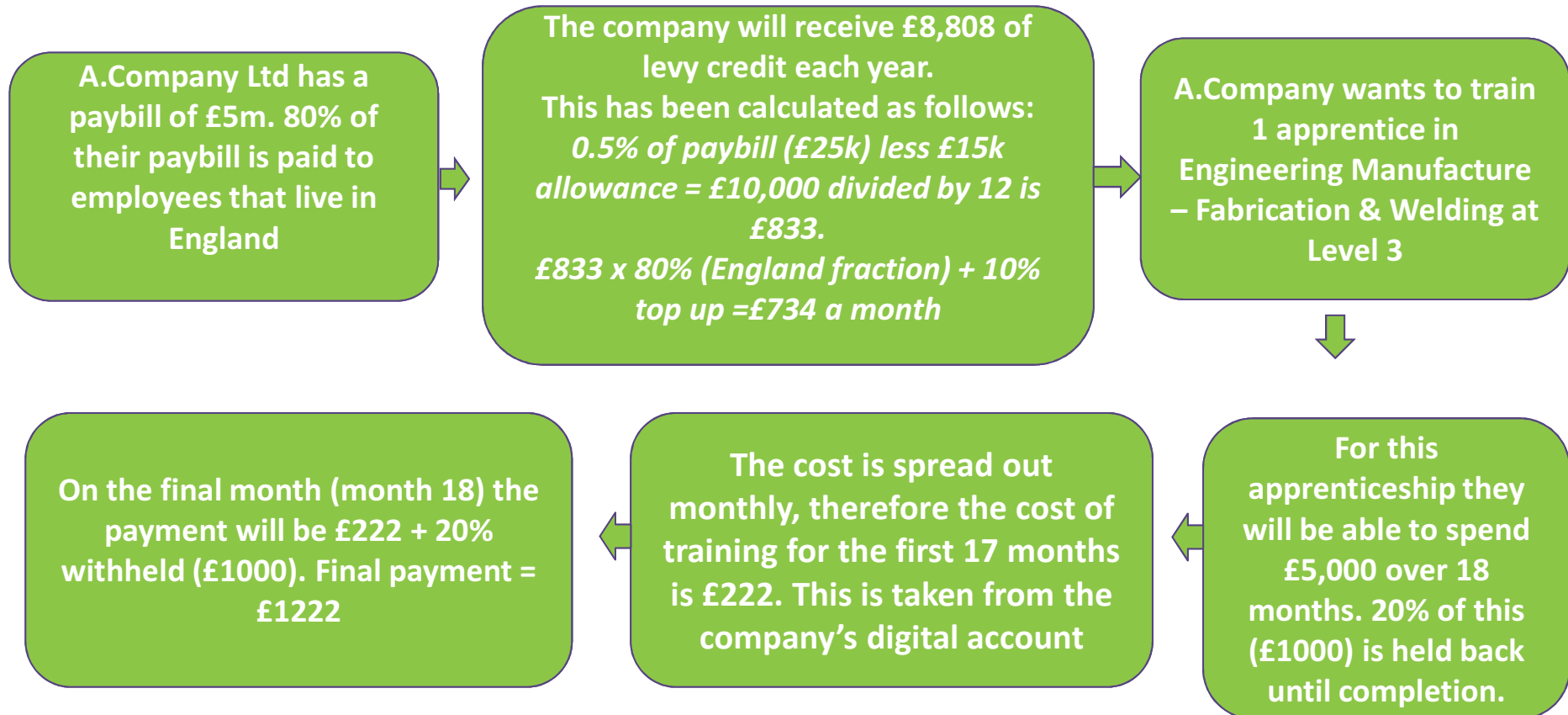
Every apprenticeship will be placed in a funding band

- All existing and new apprenticeship frameworks and standards will be placed within one of these funding bands. This will depend on the level and type of apprenticeship.
- The upper limit of each funding band will cap the maximum amount of digital funds an employer who pays the levy can use towards an individual apprenticeship.
- The upper limit of 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 eligible for extra support.

Employers can negotiate the best price for the training they require

- Employers will be able to negotiate prices with providers.
- If employers want to spend more than the funding band limit, using their own money, then they will be free to do that.
- Funding bands do not have a lower limit.

What does the process look like?



Additional payments

Funding for 16-18 year olds

Government proposing to pay £1,000 to employers, and a further £1,000 to training providers if they train a 16-18 year old apprentice.

Employer funding will be paid through the training provider.

Disadvantaged young people

Government proposing to pay £1,000 to employers, and a further £1,000 to training providers if they train 19-24 year olds leaving care or who have a Local Authority Education and Healthcare plan.

Employer funding will be paid through the training provider.

Funding for additional learning support

This is the extra amount that the government is proposing to pay to the training provider where an apprentice requires additional learning support as a result of conditions such as dyslexia, learning difficulties or disabilities.

Funding for English and Maths training

When employers agree with their training provider that their apprentice needs training to meet the minimum standards in English and/or maths this will be funded.

The guidance states it will not come from an “employer’s digital account”.

However, it is not clear where the money actually comes from – we believe it is from the levy pot!

Funding rules

Transferring funding

- During 2018, government has proposed to introduce means for employers to transfer up to 10% of the levy funds entering their digital account in a given year, to another employer with a digital account.
- This would include transferring to an ATA
- Government will assess the impact of these arrangements before considering how they could be expanded.

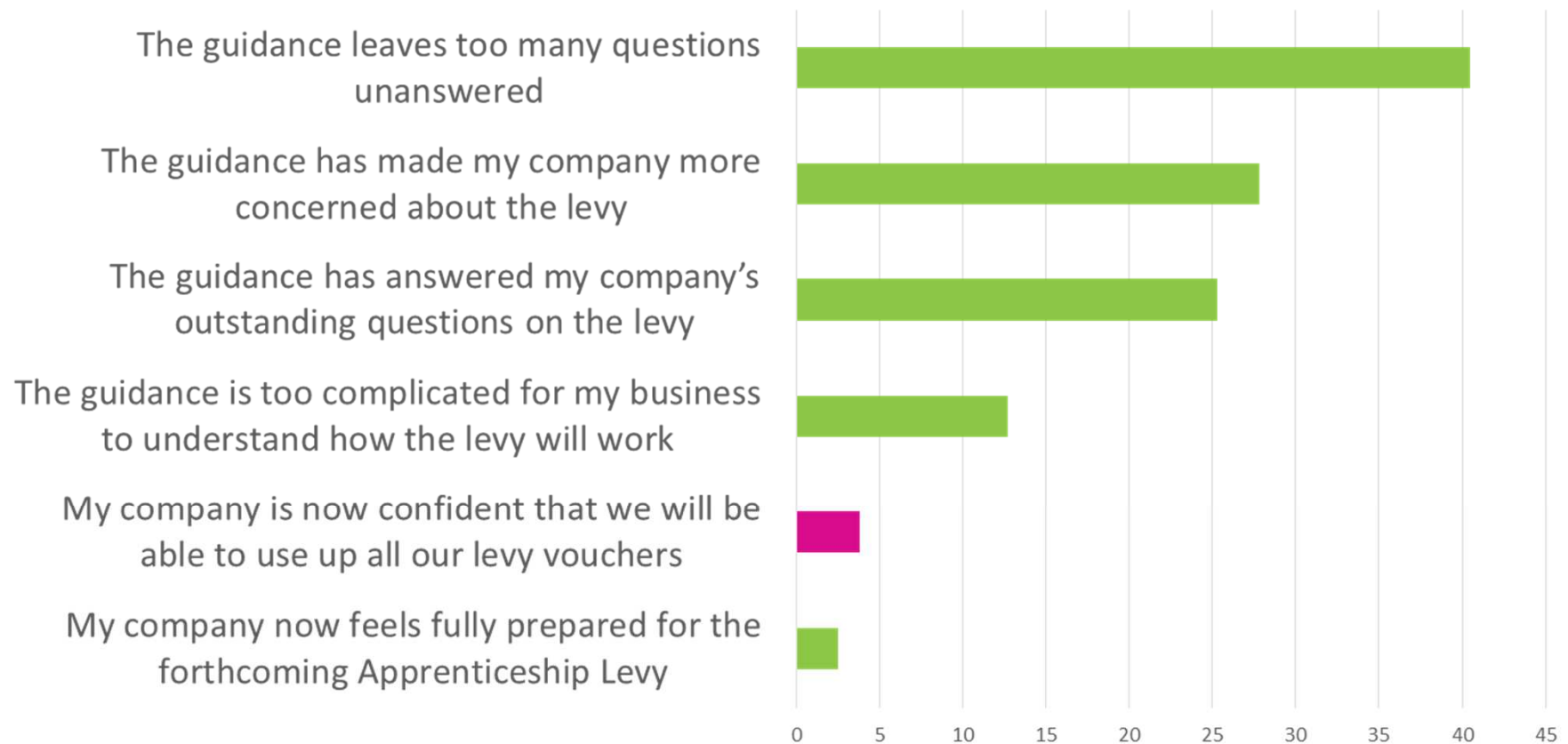
Prior qualifications

- Employers will be able to use funds in their account or access government co-investment support to train any individual to undertake an apprenticeship at a higher level than a qualification they already hold.
- Government is proposing that an individual can be funded to undertake an apprenticeship at the same or lower level than a qualification they already hold, if the apprenticeship will allow the individual to acquire substantive new skills and the content of the training is materially different from any prior training or a previous apprenticeship.

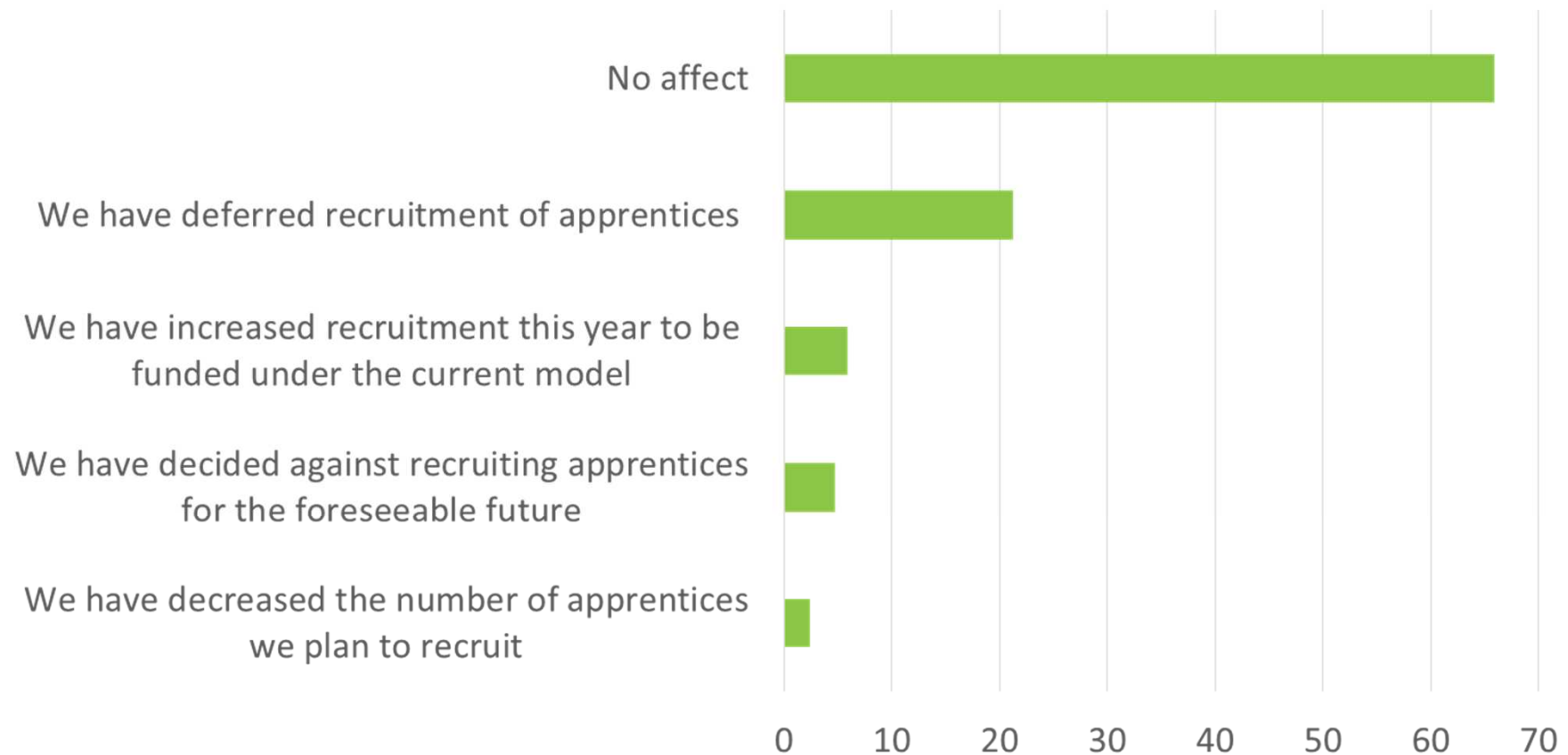
Cross-border funding

- The current apprenticeship funding rules place conditions on which individuals can be funded to undertake an apprenticeship through the English system.
- Government is proposing to simplify the current rules and apply a single test for whether apprenticeship training can be funded through the English system: whether the apprentice's main place of employment is England.
- The proposed definition of workplace is the physical place of work, designated by the employer, where the apprentice is expected to spend the majority of their time during their apprenticeship.

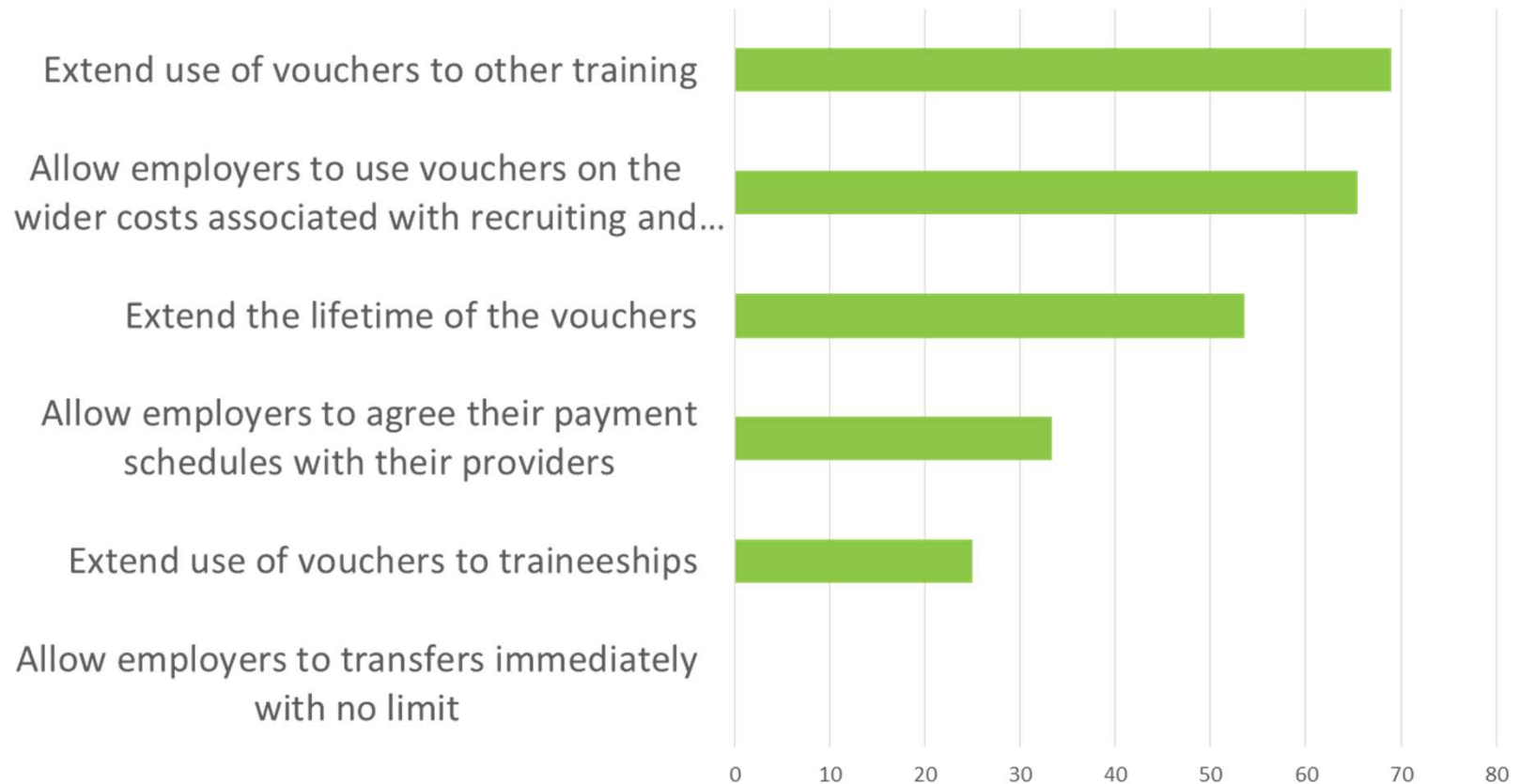
Manufacturers' reactions to latest funding guidance, % companies agreeing with statements



The delay to the guidance has had some, but limited, impact on recruitment, % companies agreeing with statements

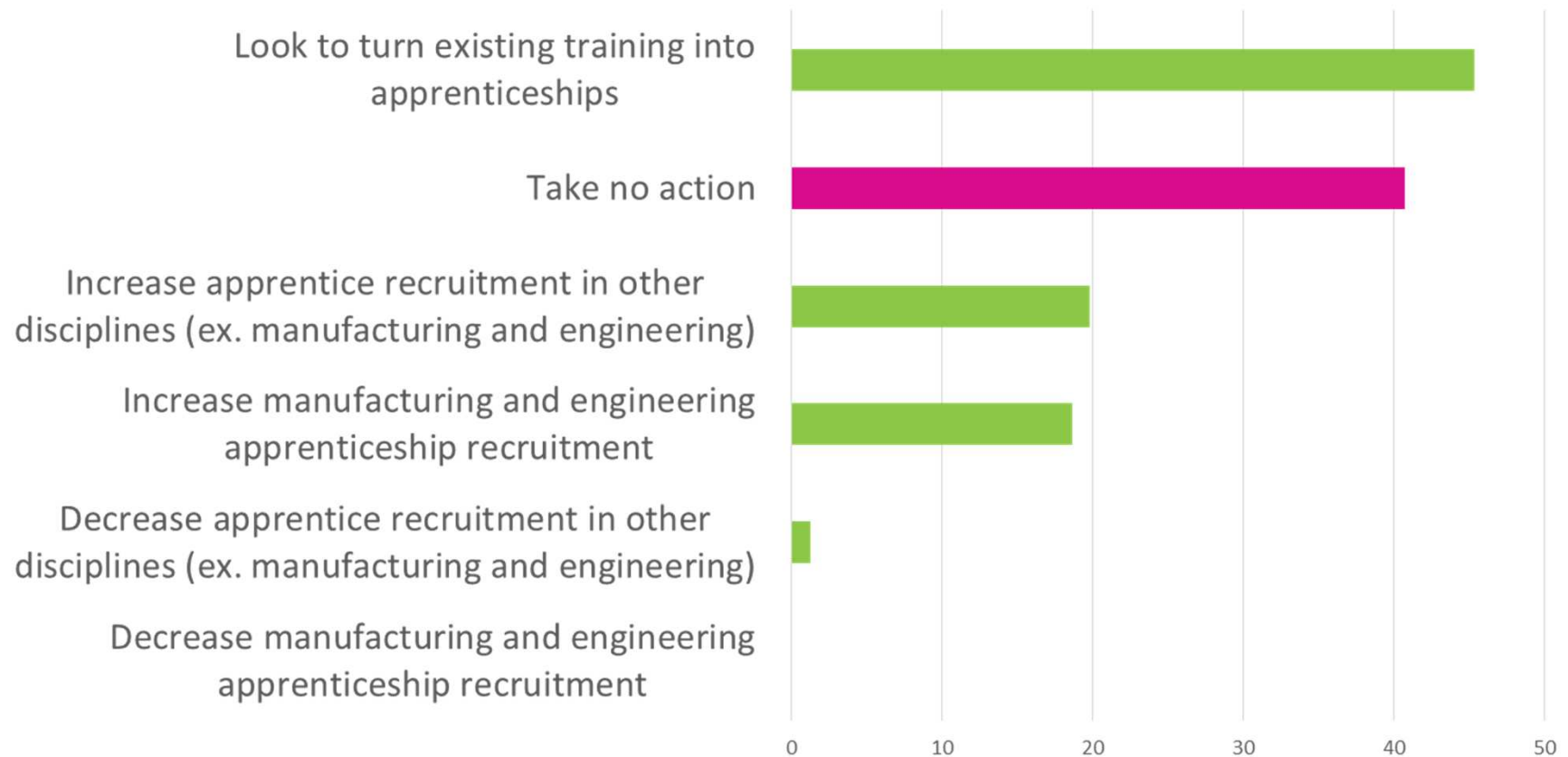


Govt could do more to help manufacturers spend their vouchers % companies agreeing with statements

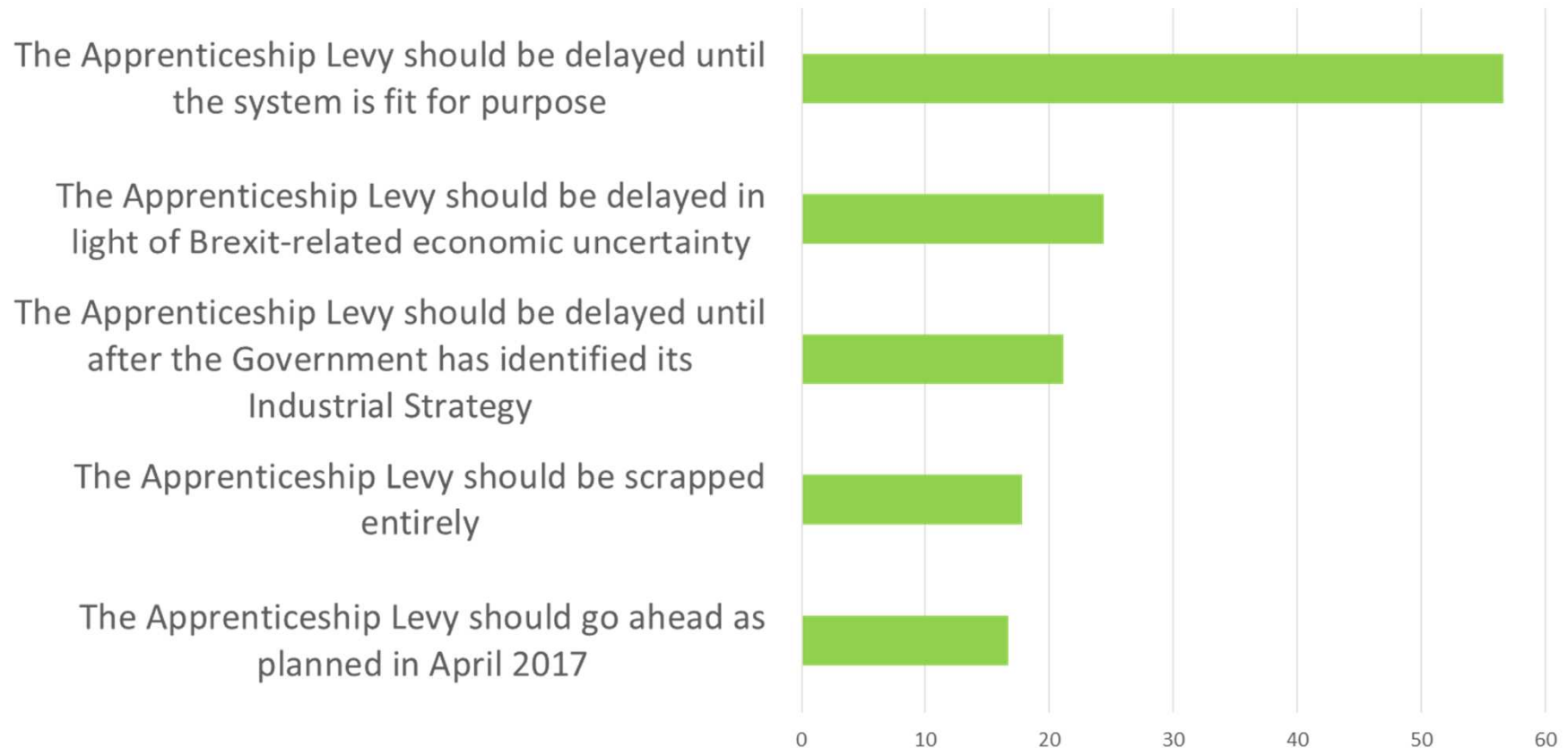


Manufacturers will take some, but limited, action in response to levy

% companies citing actions they will take following the levy



Manufacturers see a strong case for a delay, % companies stating whether the levy should be delayed and why



EEF recommendations going forward:

1) Delay the apprenticeship levy

- major questions marks over design of levy and digital system
- system lacks flexibility and does not give employers control
- delay would buy Govt time to get it right

2) Extend the lifetime of vouchers for levy-vouchers

- Engineering apprenticeships last up to 4 years
- Some companies don't recruit annually
- Manufacturers recruitment aligns with academic cycle

EEF recommendations going forward:

3) Give employers greater flexibility to spend their vouchers on training and training costs

- Manufacturers not confident in spending their vouchers
- Only by expanding spend will they be able to use them

4) Streamline the process for designing new standards

- going to see accelerated demand for new standards
- SMEs need to support to get involved
- concern that those with niche needs won't be served by current standards
- Institute for Apprenticeships is not yet operational
- IfA must be fully operational by end of 2016

Timeline for next steps...

- End of October – funding rates finalised
- End of October – funding rules (e.g. transferability finalised)
- End of October – English “fraction” proposal finalised
- Mid- November – HMRC regulations on levy closes
- December – HMRC guidance on calculating and paying the levy

**Unknowns: when the new IfA board will be announced
and when the IfA will be operation
Unknowns: When SMEs can access the DAS**

QUESTIONS?
