



## Southwark Council: Apprenticeship Levy Update

### Overview

From April 2017 all employers in the United Kingdom will be subject to a levy to support the training of apprentices. The levy is set at 0.5% of the employer's total pay bill but a 'levy allowance' of £15,000 will mean that initially only employers with a pay bill of £3 million plus will pay in to the levy.

This levy will be drawn down through PAYE on a monthly basis and will include all earnings that are subject to Class 1 NI contributions.

The following only applies to employers based in England. The devolved regions will manage their own apprenticeship programmes.

### Key Updates

- Extra financial support for providers working with apprentices from the most deprived areas and 16-18 year olds from any area.
- Employers with fewer than 50 members of staff will not have to contribute to provider training of apprentices aged 16-18.
- Levy payers will now be able to keep levy funds in their digital account for 24 months, up from 18.
- Confirmation that levy payers will be able to transfer a portion of their digital funds to other employers and ATAs in 2018.

### Funding details: general

Because the levy is calculated on a month-by-month basis an employer may pay the levy in some months and not in others.

The levy allowance is split across the 12 months and any excess can be carried forward. This is likely to work out to a basic split of £1,250 per month but this will fluctuate according to payroll in the preceding months.

The government will provide a top-up of 10% to levy funds at the same time that an employer pays in to the levy.

Employers will be able to transfer up to 10% of the annual value of funds to other employers or apprenticeship training agencies from 2018. An employer group will be convened to develop how this is implemented.

### Funding details: qualifications

The levy will be introduced from 6 April 2017 and the payment for April will be taken in May 2017. Apprenticeships beginning May 2017 will be funded through the levy.

Apprenticeships starting before May 2017 will continue to be funded under the current model and will not be eligible for levy funding.

Qualifications are expected to be placed in one of 15 funding cap bands. There are two types of apprenticeships: 'Standards', which have been developed by groups of



employers, and 'Frameworks', which are the older qualifications. Frameworks will be phased out and replaced with Standards as more are developed.

Employers will negotiate the cost of training with individual training providers and will contribute to any costs in excess of the funding cap.

All levy and government funding will only be available to pay for the costs of training provision, i.e., cost incurred with a registered training provider.

A number of funding exemptions and additional payment options for employers hiring an apprentice aged 16-18, or aged 16-24 if the apprentice has either been in care or has an education, health and care plan are being explored. Find out more [here](#).

#### *Levy-payers*

If the agreed training cost exceeds the funding cap, employers will need to cover the excess. If the agreed price is lower than the funding cap, the excess will remain in the digital account until it is either spent or it expires.

#### *All other employers*

Employers not paying the levy will contribute a portion of the total cost negotiated directly to their training provider (rather than through the DAS). This contribution will be 10% of the total cost of the qualification.

### **Groups of connected employers**

Groups of connected employers may only use one £15,000 levy allowance per

group. Groups will, however, be able to pool their levy to be distributed across the group as they wish.

### **Digital Apprenticeship Service**

The Digital Apprenticeship Service (DAS), the online portal through which employers will manage apprenticeships, will go live April 2017.

All employers will be able to use the DAS to identify the training and assessment that will work for them, and to choose their training and assessment providers.

#### *Levy-payers*

Employers can register to create a DAS account from January 2017. All funds in the Digital Apprenticeship Service Account will automatically expire 24 months after they enter the account on a first-in, first-out basis.

Employers will use the DAS to pay for training and assessment and to control payments on an ongoing basis.

#### *All other employers*

Employers will be able to access the new funding model from April 2017 but will not need to register for the DAS until at least 2018.

### **Business Support Services**

Southwark Council provides two **free** business support services as part of our Fairer Future commitment to support a strong local economy. In a challenging economic context the council continues to deliver services, helping local businesses



grow and develop better links to the local labour force.

These services are open to all Southwark employers, helping create quality apprenticeships under the Southwark Apprenticeship Standard.

**[www.southwark.gov.uk/apprenticesips](http://www.southwark.gov.uk/apprenticesips)**

#### *SME Business Support*

**Free business support** for all Southwark SMEs, or large employers new to apprenticeships, looking to take on an apprentice.

The service is tailored to fit your needs, whether that means help writing a job

description, advice on which training provider to use or support in recruiting and settling in your apprentice.

#### *Recruitment*

**Free help to recruit locally.** Our targeted pre-apprenticeship service works with residents who are ready to take on an apprenticeship, whether for an entry-level or higher grade role. The service works *with* employers to ensure the training meets organisational requirements whether that's cultural values or competency requirements.

For more information contact Rahul Sabir: [rahul.sabir@southwark.gov.uk](mailto:rahul.sabir@southwark.gov.uk).

For more information about any council services, or to talk about apprenticeship and jobs in Southwark contact Beth Penwarden: [beth.penwarden2@southwark.gov.uk](mailto:beth.penwarden2@southwark.gov.uk).