

**The
Sheffield
College**

4 Excellent Campuses
1000s of Opportunities
1 Incredible City

The Apprenticeship Levy

**What does it mean
for employers?**



What are the benefits of apprenticeships?

Apprenticeships already benefit employers, apprentices and the economy. High quality apprenticeships are essential to support you and to help our economy to prosper in the years to come.

By 2020, the Government have set a target to reach three million apprenticeships whilst increasing the quality and quantity. The Sheffield College are fully committed to this.

Education and training raises the level of skills available in the economy, as well as driving productivity and national prosperity. Economic benefits are generated when education and training helps individuals to achieve a higher level of qualification, increasing their employment prospects, productivity and wages. These benefits translate into significant benefits for individuals and for you. The cost of apprenticeship training pays for itself within one or two years of completion, through the increased productivity of the former apprentice, so you're not losing out!

What is an apprenticeship?

- A real job combined with practical training and study.
- A way for people of all ages to earn whilst gaining a qualification.
- The apprentice may be an existing employee or a new recruit to the company.
- The apprentice will study with The Sheffield College following consultation with the employer.
- The apprenticeship training must last at least 12 months.
- Training is a mix of on the job and off the job training.

Why is there an apprenticeship levy being introduced?

The levy is being introduced to help increase apprenticeship numbers and quality – delivering on the commitment that there will be 3 million additional apprenticeship starts by 2020.

The levy will help to deliver new apprenticeships and support quality training by putting employers at the heart of the system.

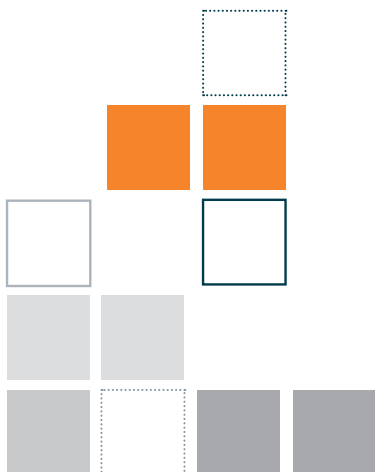
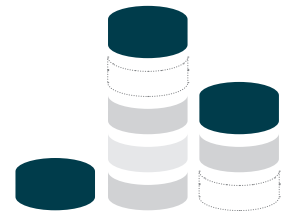
What is the apprenticeships levy?

It is a levy on UK employers to fund new apprenticeships, putting you at the heart of the system. The levy is to be charged at a rate of 0.5% of your pay bill. Each employer will receive an allowance of £15,000 to offset against your levy payment.

Example 1: Levy paying employer	Example 2: Non-levy paying employer
Employer of 250 employees each with a gross salary of £20,000 would pay:	Employer of 100 employees each with a gross salary of £20,000 would pay:
Pay bill: $250 \times £20,000 = £5,000,000$	Pay bill: $100 \times £20,000 = £2,000,000$
Levy sum: $0.5\% \times £5,000,000 = £25,000$	Levy sum: $0.5\% \times £2,000,000 = £10,000$
Allowance: $£25,000 - £15,000 = £10,000$ annual levy payment	Allowance: $£10,000 - £15,000 = £0$ annual levy payment

When will the levy come into effect?

It will come into effect from April 2017.



Who will pay the levy?

Employers operating within the UK, in any sector, with a pay bill of more than £3 million per year, on which there is a liability to pay secondary Class 1 NICs.

When can I start spending my levy?

You will be able to see funds appear in your digital account monthly, a few working days after you have confirmed your pay bill and levy contribution to HRMC for the previous month. This means that the first time you will see any funds in your digital account will be late May 2017. From this point onwards you can start spending your levy funds.

What counts as an employer's pay bill?

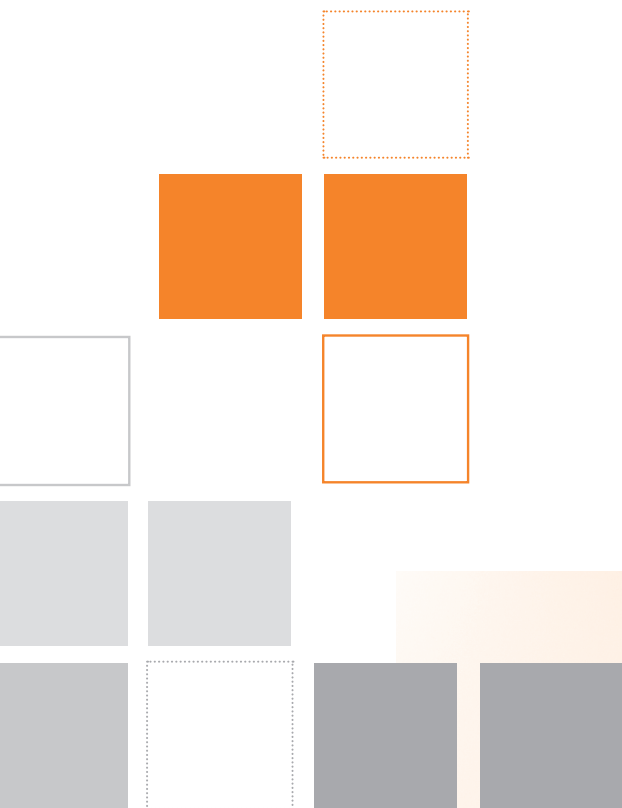
The pay bill will be based on total employee earnings subject to Class 1 secondary National Insurance Contributions (NICs), but includes earnings below as well as above the secondary threshold.

Why has the rate been set at 0.5% of an employer's pay bill?

The rate has been set to deliver the increase in quality that businesses have been asking for while ensuring it does not place an unreasonable burden on you.

This, alongside the increase in quantity, is the right amount to put the funding of high-quality apprenticeship training on a sustainable footing. Unlike normal taxation, you'll be able to recoup the funds that are levied simply by investing in a sufficient amount of apprenticeship training.

Earnings include any remuneration or profit derived from employment which includes wages, bonuses, commissions, and pension contributions that you pay NICs on. The levy will not be charged on other payments such as benefits in kind, subject to Class 1A NICs.



What is the £15,000 allowance and how does it work?

You will pay the levy on your entire pay bill at a rate of 0.5%. However, you will have a levy allowance to offset against this. The levy allowance is worth £15,000 for each tax year. This means the levy is only payable on pay bills over £3 million (because $0.5\% \times \text{£}3 \text{ million} = \text{£}15,000$).

The levy allowance will operate on a monthly basis and will accumulate throughout the year. This means you will have an allowance of £1,250 a month. Any unused allowance will be carried from one month to the next. For example, if your levy liability in month 1 is £1,000 you will not pay the levy and your allowance in month 2 will be £1,500.



How will employers pay the levy if they have one PAYE scheme?

You will calculate, report and pay your levy to HMRC, through the PAYE process alongside tax and National Insurance. If you have calculated that you will need to pay the apprenticeship levy, you will need to declare your liability to HMRC each month. Further details about this will be provided later in the year.

What happens if a group of connected companies have multiple PAYE schemes?

Where a group of employers are connected they will only be able to use one £15,000 allowance. The definition of connected companies and charities is the same as the definition used for the Employment Allowance – www.gov.uk/government/publications/employment-allowance-more-detailed-guidance.

The government intends to introduce an amendment to the Finance Bill 2016 concerning the allocation of the levy allowance. The amendment will mean that if you are part of a group of connected employers, you must decide what proportion of the levy allowance each employer in the group will be entitled to. This decision must be taken at the beginning of the tax year and will be fixed for that tax year. Each employer will then calculate what they have to pay through the same processes set out above, but using their portion of the £15,000 allowance.

What happens to the money once it is paid under the levy?

The money will be collected by HMRC. Funding for apprenticeship training will then be made available to you via the digital apprenticeship service. You will be able to use your levy funds to pay for training and assessment for apprentices at The Sheffield College. The service will also support you to find a suitable candidate.

What happens if employers have multiple PAYE schemes?

If you have multiple PAYE schemes and do not use the full £15,000 allowance, you will be able to offset the unused amount against another one of your schemes.

How do employers access their funds?

You will access your funds through your digital apprenticeship service account. You will have the opportunity to familiarise yourself with the digital apprenticeships service system before the Levy is launched in April 2017. Registration for the digital apprenticeship service will be open by the end of 2016.

What will the digital apprenticeship service help employers to do?

Whether you pay the levy or not, the digital apprenticeship service will help you to:

- Select an apprenticeship framework or standard
- Choose The Sheffield College to deliver the training for you
- Choose an assessment organisation if selecting one of the new Apprenticeship standards
- Advertise and recruit to apprenticeship vacancies along side Job Connect.



What happens for employers who operate in England and other parts of the UK?

The levy will apply to employers operating within the UK.

Apprenticeships are a devolved policy. The digital apprenticeship service will support the English apprenticeship system. The amount entering your digital apprenticeship service account will therefore reflect what you have available to spend through the English apprenticeship system.

What choice will employers have about what they spend their money on?

Funds in your levy account can only be used towards the cost of apprenticeship training that the apprentice needs to take with The Sheffield College.

Employers will be free to spend their money on apprenticeship training which they judge best meets their needs. You will not be able to spend the levy funds on the wages of the apprentice. You should cover this yourself. Existing staff can undertake Apprenticeship training as part of a Workforce Development Programme and funds in your levy account can be used for this.

Can employers spend their funding on training in their supply chain?

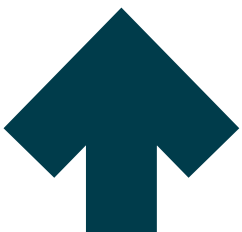
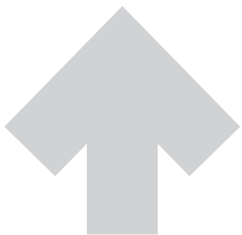
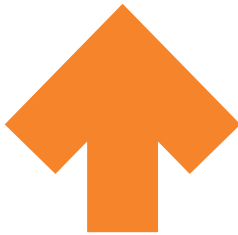
You can only use your levy funds to pay for your own employees.

Can employers pool funds in a levy account with other employers?

If an employer is in a group of companies connected for the purposes of paying the levy you can gather funds in one account. However companies that are unconnected are unable to pool funds.

How will a committed apprenticeship employer get out more than they put in?

The levy puts apprenticeship funding in your hands encouraging you to invest and take on more apprentices. If you pay the levy and are committed to apprenticeships training you will be able to get out more than you pay into the levy through a top-up of additional funding to your digital accounts.



What do you mean by top ups and how will they work?

The government will apply a 10% top-up to monthly funds entering levy paying employers digital accounts for apprenticeship training in England from April 2017. i.e. all funds entering a levy payer's account will be increased, so every £1 will be increased to £1.10 in value.



Do I have a time limit in which to spend my levy funds?

Levy funds expire 24 months after they enter your digital apprenticeship service account, unless they are spent on apprenticeship training. This also applies to any top-ups in the account. Expiration will take place automatically, but you will be informed in good time to spend them if you so desire.

What are the funding band limits on how much can be spent on individual apprentices?

You cannot spend an unlimited amount of money on a single apprentice.

Funding bands will be set which limit the amount of levy funds you can spend according to the level and type of apprenticeship (for example, more expensive, higher quality training is likely to be in a band with a higher limit).

The Institute for Apprenticeships will advise on the maximum rate of Government funding that should be assigned to each apprenticeship standard. The limit of any band will determine the maximum level of levy funding and/or Government funding which can be spent.

Will levy paying employers have to put in their own money as well as the levy to pay for training?

There are two circumstances where levy-paying employers will have to contribute additional funds:

- where the cost of the training you wish to buy is greater than the limit of the funding band for a particular standard or framework
- where you have spent all of your levy contribution and all of your top-up and wish to spend more on additional apprenticeship training

If you pay the levy and your payments and top-ups aren't enough to cover the full cost of the apprenticeship training and assessment that you'd like to buy, Government will provide generous support to meet the additional costs, using the same rate of co-investment as for employers who don't pay the levy. The proposed co-investment rate is 90% i.e. £9 from the Government for every £1 from the employer.

Do non-levy paying employers have to pay the costs of apprenticeship training and assessment?

There are two types of employers who will be required to contribute outside the levy towards the cost of their apprenticeships training:

- employers who haven't paid into the levy
- employers who have used all funds in their digital apprenticeship account

These employers will be required to co-invest a small proportion of funding towards the cost of their apprenticeships training.

What support will be available for non-levy paying employers?

Government will help employers who are not paying the levy to meet the costs of apprenticeships training by providing generous financial Government support. Non-levy payers will be asked to make a 10% financial contribution to the cost of training and assessment with Government providing 90% of funding.



Why should SMEs be required to pay for apprenticeships?

If your pay bill is less than £3 million you will not pay the levy. The government will provide financial support for non-levy paying employers to take on apprenticeships, but these employers will be expected to make a small financial contribution to the cost of training and assessment in partnership with Government.

For a relatively small contribution, smaller employers can get significant benefits from employing apprentices. Research shows that many employers are able to recoup the cost of training within 1 or 2 years of training finishing; and 82% of employers were satisfied with the programme and 70% reported that apprenticeships improved the quality of their product or service. Asking non-levied employers to pay a contribution towards the cost of apprenticeship training is only fair when larger employers are contributing towards the cost of their apprenticeships. It also helps put employers in the driving seat for influencing their choices and interacting with their training providers.

How do non-levy payers pay for training?

If you do not pay the levy, you will not need a digital apprenticeship service account to pay The Sheffield College in April 2017. Non levy paying employers will agree a price and pay their co-investment to us directly. Government will also pay its contribution to us directly.

What other funding support will be available?

Other funding support will be provided for 16-18 year olds, young people who are aged 19-24 who have been in the care of the Local Authority, apprentices with additional learning needs, and apprentices who don't have the level of English and Maths that is required to meet the minimum standard.

- If you take on a 16-18 year old apprentice then you will receive £1,000 payment from the Government
- Maths and English tuition will be fully funded by Government

Will employers be required to pay admin costs for the management of the levy?

None of the levied funds in your account will be taken to cover Government administration costs.

How will existing levies in the construction and engineering sectors interact with this levy?

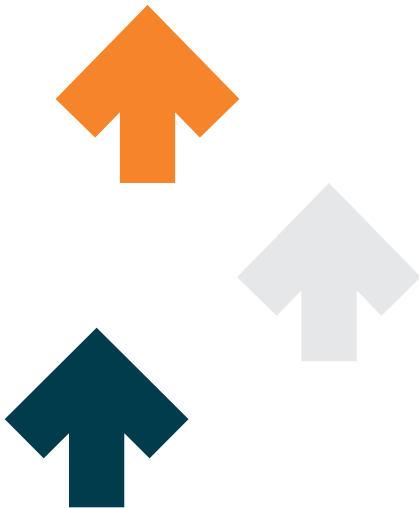
Some industries already operate levy systems. You won't be exempt from the apprenticeship levy if you already pay into an existing levy.

Sectors where there are current arrangements are being consulted with.



Are there likely to be any exemptions from the levy?

No, all employers with a pay bill over £3 million, on which there is a liability to pay secondary Class 1 NICs, will be required to pay the apprenticeship levy.



What happens to employers who have already taken on apprentices?

Apprentices who have been accepted on to an apprenticeship before May 2017 will be funded for the full term of the apprenticeship under the terms and conditions that were in place at the time their apprenticeship started.

You will not be able to use your levy funds until May 2017.

How can I see what apprenticeships are available?

At The Sheffield College we have apprenticeships in over 30 subject areas. A list of our Apprenticeships can be found at: www.sheffcol.ac.uk/apprenticeships/apprenticeships-how-to-apply

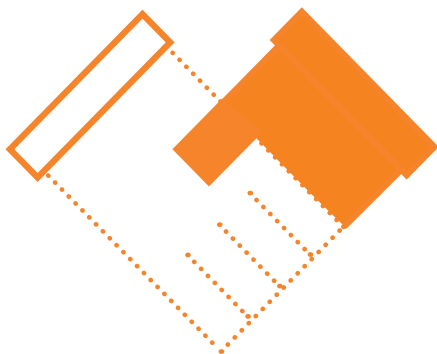
What if you don't offer an apprenticeship we want?

We have a comprehensive range of apprenticeships at The Sheffield College, but if you think there is something we're not offering just let us know and we will look into it for you.

How do I employ an apprentice?

Employing an apprentice is very simple.

Job Connect at The Sheffield College will provide all the information you need to know in order to employ an apprentice. Our free to use recruitment service, Job Connect, has been designed alongside local businesses to find the best candidate for your apprenticeship vacancy. For more information give Job Connect a ring on **0114 260 3203** or email **jobconnectemployers@sheffcol.ac.uk**



How do I use my levy funds to buy training?

Once you have committed to apprenticeship training with us, payments will be taken monthly from your digital levy account. This spreads the cost over the lifetime of the apprenticeship. When you commit to buying apprenticeship training you do not need to have enough funds in your levy account to cover the entire cost upfront. As payments are made monthly, you will need to be sure that your monthly levy contributions will be enough to cover the monthly cost of each apprenticeship you have chosen.

If you pay the levy and your payments and top-ups aren't enough to cover the full cost of the apprenticeship training and assessment that you'd like to buy, the Government will provide generous support to meet the additional costs, using the same rate of co-investment as for employers who don't pay the levy. You will need to pay these costs directly to The Sheffield College.

When will further information on the levy be available?

Further information on the levy and a detailed timetable of further information releases are available on the gov.uk website: **www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work/apprenticeship-levy-how-it-will-work** or contact us on **0114 260 2600** or at **employer@sheffcol.ac.uk**

The Sheffield College

0114 260 2600
employer@sheffcol.ac.uk
www.sheffcol.ac.uk

