

Apprenticeship Funding



A Guide for Small Employers (employing 49 or less employees)

As part of the Government's commitment to achieving 3 million Apprenticeship starts by 2020, they are changing the way Apprenticeships are funded in England.

The new system will come into effect on **1st May 2017** and there's great news if you're a small employer!

As a small employer you can access free Apprenticeship training for those aged 16-18yrs or those aged 19-24yrs who are care leavers or have a Local Authority Education, Health & Care Plan
In addition:-

- You'll receive a £1,000 '**incentive payment**' for each apprentice who meets the above criteria.

Incentive payments

Incentive payments will be made in two equal instalments; the first once the apprentice has been on programme for 3 months and the second after the apprentice has been on programme for 12 months.

Funding for 19+ Apprentices

Outstanding financial support is also available to help you train apprentices who are aged 19+. This is called '**co-investment**' funding. The Government will pay 90% of the cost of training apprentices and you will only pay the remaining 10%. E.g. for an Apprenticeship costing £5,000 the Government will pay £4500 and you will pay £500. This is equivalent to £41.67+VAT per month or £9.62 +VAT per week, for an Apprenticeship lasting 12 months. VAT may also be recoverable if you are a VAT registered company.

A Guide for Small to Medium Employers (with 50+ employees and a pay bill of less than £3 million)

As a small to medium employer you'll receive '**co-investment**' funding from the Government. This means the Government will pay 90% of the Apprenticeship training costs and you will only pay the remaining 10%. (see above)

In addition, if the apprentice is aged:-

- 16-18; or
 - 19-24 and is a care leaver or has a Local Authority Education, Health & Care Plan
- you'll receive a £1,000 '**incentive payment**' per apprentice, paid in two equal instalments. This may mean that you receive more money back than you spend on Apprenticeship training.

For example:

Total cost of Apprenticeship = £5,000

Employer co-investment (10%) = £500

Government incentive payment for a 16-18 year old = £1,000

Employer gain = £500

Apprenticeship Funding



A Guide for Large Employers (with more than 50 employees and a pay bill of over £3 million)

As part of the Government's commitment to achieving 3 million Apprenticeship starts by 2020, they are changing the way Apprenticeships are funded in England. The new system will come into effect on 1st May 2017.

As a large employer you'll pay an annual Apprenticeship levy from April 2017. The levy will allow you to access funds through a **digital account** to purchase Apprenticeship training for new and existing employees - including graduates. To register visit <https://www.gov.uk/guidance/manage-apprenticeship-funds>

Key Facts

- The levy will apply to all employers with a pay bill of over £3 million per year.
- It will be charged at 0.5% of the full annual pay bill.
- The Government will top up levy funds by 10%, meaning employers will be able to access more funds than they pay into the levy. (see examples below)
- There will also be an annual allowance of £15,000, meaning employers will not pay the first £15,000 of the levy.
- 16-18-year-old apprentices will attract an '**incentive payment**' of £1000 each, payable in two equal instalments.
- 19-24-year-old apprentices who are care leavers or have a Local Authority Education, Health and Care plan will also attract an '**incentive payment**' of £1000.
- Levy payments will be made through the Pay As You Earn (PAYE) system from April 2017 and will be placed in an Apprenticeship Service (AS) account. (Digital Account)
- Single employers with multiple PAYE schemes will be added together in levy calculations.
- Payments will be taken monthly, meaning the levy amount paid each month may vary as monthly pay bills change.
- The levy may be used to fund Apprenticeship training for all employees who live, or whose main place of work is, in England.
- Employers wishing to spend more than their levy fund will be able to top-up their digital account by accessing Government **co-investment** funding in the same way as non-levy paying employers. (See below)
- Levy funds will expire 24 months after they appear in an employer's digital account. This also applies to any top-up payments.
- From 2018, levy paying employers will be able to transfer up to 10% of the annual value of funds entering their digital accounts to other employers on the digital system.

Example A	Example B	Example C
Employer of 150 employees, each with a gross salary of £20,000 Wage bill: 150 x £20,000 = £3,000,000 Levy sum: 0.5% x £3,000,000 = £15,000 Allowance: £15,000 - £15,000 = £0 annual levy payment	Employer of 250 employees, each with a gross salary of £20,000 Wage bill: 250 x £20,000 = £5,000,000 Levy sum: 0.5% x £5,000,000 = £25,000 Allowance: £25,000 - £15,000 = £10,000 annual levy payment Total levy amount to spend: £11,000, i.e. £10,000 levy payment + 10% Government top up of £1000	Employer of 1000 employees, each with a gross salary of £25,000 Wage bill: 1000 x £25,000 = £25,000,000 Levy sum: 0.5% x £25,000,000 = £125,000 Allowance: £125,000 - £15,000 = £110,000 annual levy payment Total levy amount to spend: £121,000, i.e. £110,000 levy payment + 10% Government top up of £11,000

Apprenticeship Funding Bands and Costs

Under the new funding proposals, each Apprenticeship programme will fall into one of 15 'funding bands' ranging from £1,500 to £27,000. Levy paying employers will pay the full funding amount from their digital account.

Co-investment - Access to top up funding

If you've used all of your levy funds, you may be eligible for '**co-investment**' funding. This means the Government will pay 90% of the cost of training additional apprentices and you will only pay the remaining 10%, regardless of the age of the apprentice. Payments will be plus VAT* and payment plan will be agreed with you.

Co-investment funding is available to train both new and existing employees – including graduates. (Training for existing employees and graduates must develop new/ different skills).

Co-investment Funding Example

An employer has used £5,000 of their levy funds and only has £1,000 left. They wish to train a second apprentice which will cost £6,000 in total.

To train this second apprentice:-

£1,000 of the employer's levy will be used; together with £5,000 of co-investment funding (the employer will only pay £500+VAT* (i.e. 10%) with the Government paying the remaining £4500).

*this may be recoverable if your company is VAT registered