
Apprenticeship Levy – Key Facts

Introduction

The Chancellor's latest Autumn Statement outlined some notable changes to the way apprenticeships in England are funded.

These changes are part of the bid to increase the number of apprenticeships to meet the Conservative manifesto.

In particular, the introduction of a levy on all large employers, regardless of whether they employ apprentices or not, was announced. These payments will be ring-fenced as employer contributions to supplement existing government funding for apprenticeship training.

It is expected to raise £3bn annually over the next five years.

What exactly is the new levy? Why was it introduced? What effect does it have on your organisation and what steps can you take to benefit?

What is the new levy and how does it impact your organisation?

- *The first levy payments will be due in **April 2017** and will be paid through Pay As You Earn.*
- *The levy will apply to all large organisations, regardless of whether they already employ apprentices or not.*
- *The rate for the levy will be set at **0.5%** of an employer's pay bill.*
- *Employers will receive an allowance of **£15,000**.*
- *The effect of this allowance is that the levy will only be payable on annual pay bills in excess of **£3m** – employers with a pay bill less than £3m will not pay anything.*
- *HMRC will work closely with employers and providers of payroll services to minimise the burden of implementing these changes.*
- *The levy payment will then be ring-fenced in the form of an electronic voucher that can be used to purchase training from recognised providers.*
- *The levy will put control of apprenticeship funding in the hands of employers and will encourage employers to invest in their apprentices and take on more. Employers in England who pay the levy and are committed to apprenticeship training will be able to **get out more than they pay in** to the levy, through a top up to their digital accounts.*
- *Organisations will pay the levy, regardless of whether they subsequently re-claim voucher funds to purchase apprenticeship training.*

Calculate your levy payments

You will need to model the estimated cost of the levy based on your UK payroll bill. You will also need to take into account accessing top up levy funds and any additional employer incentives that the Government may offer, combined with the **NI savings** that will come into effect in April 2016 to estimate the net cost to your organisation.

Using this information you can start to profile the apprenticeship model aligned to your workforce planning needs within your organisation that maximizes the value of your levy pot.

Currently the private sector employs 2.3% of their workforce as apprentices with the public sector employing 1.7% - so employing **3%** of your staff as apprentices is, in our opinion, a realistic target to aim for.

If you would like a levy calculation tailored specifically to your organisation then please get in touch.

For further information

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