
1. The Apprenticeship Levy : An Employer Guide



“From April 2017, employers with an annual pay-bill of £3 million or more will pay into the levy.”

The UK government has committed to a target of three million apprenticeship starts between 2015 and 2020. The apprenticeship levy will help to fund this, raising up to 3 billion per year by 2021. From April 2017, employers with an annual pay-bill of £3 million or more will pay into the levy. Government estimates that 1.3% of UK employers will be required to pay the levy; no employer is exempt.

What does this guide cover?

This guide explores the key facts and figures surrounding the levy, including:

- how the levy is calculated
- how it will be redistributed
- ways in which it can be spent
- rules for cross-border employers
- key dates and timelines.

Where can I find more detailed information?

Please note that this guide is intended as an overview. Full details can be found in the [Skills Funding Agency's Rules and Guidance for Levy-Paying Employers](#).

What if my organisation is too small to pay the levy?

Government will continue to co-fund apprenticeships delivered by non-levied employers. For more information, please visit the ILM website <https://www.i-l-m.com/assessment-and-resources/Funding>



How is the levy calculated?

- All UK employers with an annual payroll of £3 million or more must pay the levy from April 2017
- The levy will be collected on a monthly basis via PAYE
- The amount collected will be 0.5% of the monthly payroll

How will it be redistributed?

Levy contributions will be paid back to employers on a monthly basis from May 2017. Government will also provide a 10% top-up so that employers get back more from the system than they put in. Employers will be able to view, manage and spend their levy funds using a new Digital Apprenticeship Service (DAS). Levy-paying employers will be given free access to an account with DAS, which will be open for registrations in January 2017

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and will go live in April 2017. This service will allow employers to:

- View their levy balance
- View statements, including monthly contributions and expenditure
- Calculate how many apprentices they can hire using their levy
- Find approved local providers who can deliver their apprenticeship.



How can I spend the levy?

Each apprenticeship Framework or Standard is assigned a funding band. Employers can negotiate a price with a provider on the actual cost of delivery. Levy funds can then be used to pay for the delivery. If a fee is agreed which is greater than the band, the employer is required to pay the additional amount in full.

Once a fee has been agreed, the employer and provider will set up payment terms. The employer must transfer equal payments to the training provider each month, with 20% held back to pay for End-Point Assessment.

What development qualifies for levy funding?

Employers can only use their levy funds to deliver approved English apprenticeship Frameworks or Standards. ILM offers a full range of these from levels 2 to 6. For more information, please visit our website. <https://www.il-m.com/assessment-and-resources/Funding>

Levy funds should only be used for training and assessment of apprentices, including End-Point Assessment. They cannot be used to pay for apprentice wages, travel costs or capital expenditure. Full details of what levy funds can and cannot be spent on are found in the [Skill's Funding Agency's Rules and Guidance for Levy-Paying Employers](#).

How long will my organisation have to spend its levy funds?

Employers will have 24 months to spend their levy funds before they are reclaimed by HMRC.

What happens if my organisation spends all of its levy fund?

Employers who spend all of their levy pot will be required to make a 10% contribution towards the remaining cost of delivery each month. They can resume payments from their levy account once sufficient funds have amassed. This is likely to affect employers who pay a small amount into the levy, as they may not have sufficient funds to pay for the delivery in full.



“From 1st May 2017, government is simplifying the way funding works for cross-border employers.”

Rules for cross-border employers

What if my organisation and its workforce are spread across England and Wales, Scotland or Northern Ireland?

From 1st May 2017, government is simplifying the way funding works for cross-border employers. The following rules will apply:

- Employers pay into the levy based on their entire UK workforce
- Funds will be added to DAS based on the proportion of employees who are resident in England
- Funds can only be spent on employees whose main place of work is in England

How will this work?

Here are some examples of how this may work:

Monthly contribution to levy (£)	Employees living in England	Levy funds available each month* (£)
10,000	0%	0
5,000	100%	5,500
1,000	50%	550
2,000	10%	220
300	90%	297

* Includes the 10% government top-up. Can only be spent on those employees whose main place of work is England.

The UK government is in discussions with each devolved administration to confirm how their levy contributions will be redistributed.

How can ILM help?

ILM supports individual employers to convert their internal management programmes into high quality, meaningful apprenticeships for new or existing employees, or to develop new programmes from scratch. This ensures structure, breadth and transferability of learning, and enables employers to leverage their levy funds to develop essential leadership skills across their business.

What is End-Point Assessment?

On completion of their apprenticeship, apprentices must undertake End-Point Assessment of their knowledge and practical capabilities, to prove their competency to the relevant Apprenticeship Standard. The added rigour of End-Point Assessment ensures that qualified apprentices are job-ready. ILM is approved to offer End-Point

Assessment for the Level 3 Team Leader/ Supervisor and Level 5 Operations/ Departmental Manager apprenticeships.

Can employees take a funded apprenticeship even if they are already qualified at a higher level?

From May 2017, government is relaxing restrictions around prior achievement. This means employers will be able to deliver management apprenticeships to staff who are already qualified at a higher level, provided their prior qualification is in an unrelated discipline. This is particularly useful where employers have highly-qualified technical staff who are ready to move into management positions. For example, an existing staff member who has a degree in Physics will be able to study towards a Level 3 or Level 5 Management apprenticeship, and their employer will be able pay for this out of their levy funds.

Key dates and timelines

April
2017

Employers will pay into
levy from April 2017

£3
million

It affects employers
with a payroll of
£3 million+

0.5%

Employers pay
0.5% of the
monthly pay-bill

10%

They receive a
10% top-up
from Government

Free

Employers will have a
free account with the
Digital Apprenticeship
Service

May
2017

Employers can
spend their levy from
May 2017

New or
existing

The levy can be
spent on new or
existing employees

Age

There are no
age restrictions

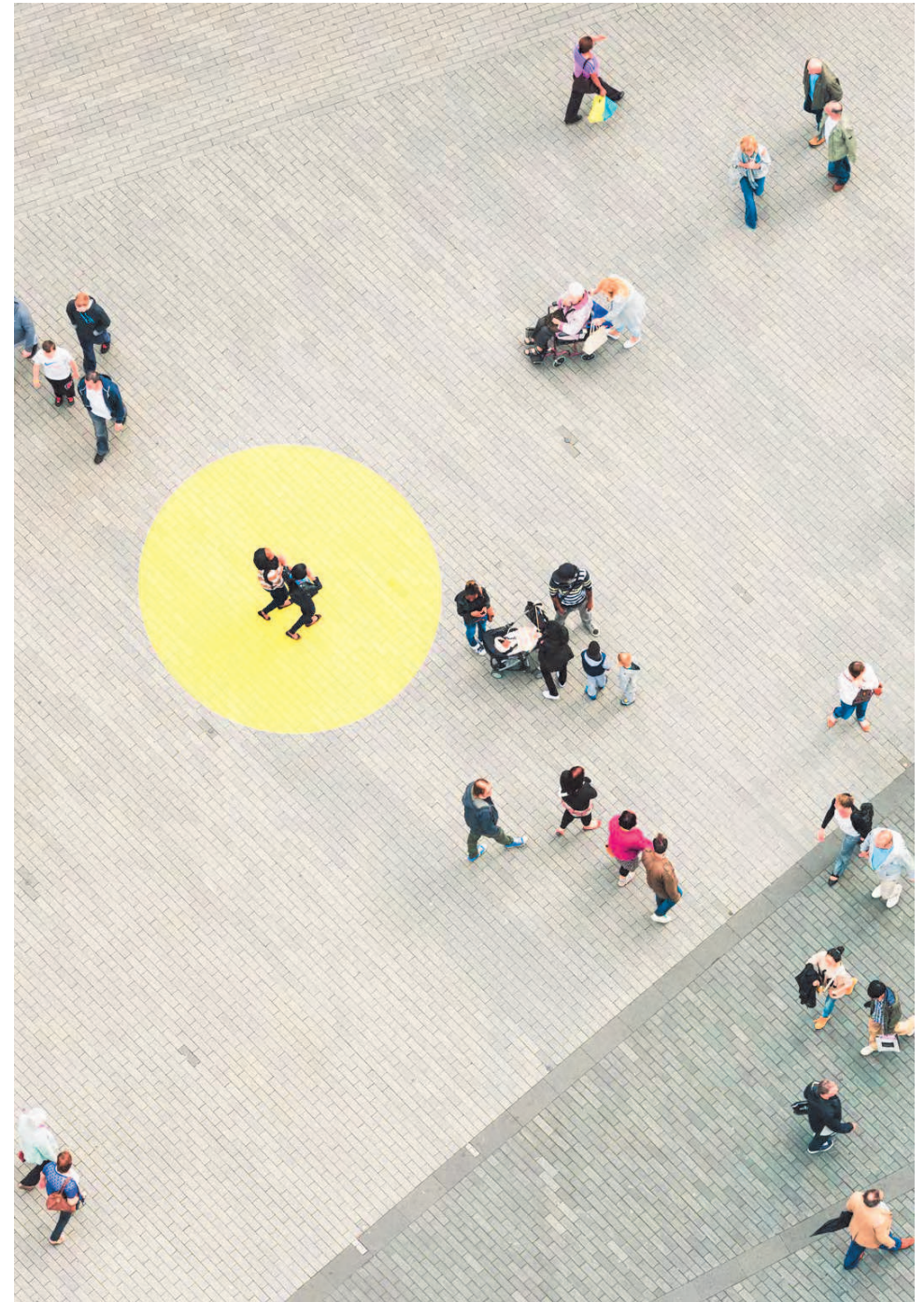
Relaxed
rules

There are relaxed rules
on prior achievement

ILM
Packages

ILM offers
qualifications*,
resources, online
learning and bespoke
employer support
packages

*All ILM qualifications are awarded by The City and Guilds of London Institute, which was founded in 1878 and is incorporated by Royal Charter.



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About ILM

ILM is the leading specialist provider of leadership qualifications in the UK. Last year, over 70,000 people enhanced their skills and performance with ILM, including 14,000 management apprentices.

We believe that great leaders can come from anywhere. With the right support, anyone can grow and develop to make a real difference to their team and organisation. Which is why we help individuals from all levels to realise and apply their potential, so that the organisations they work for can reap the benefits.

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