

Science Industry Partnership

A SIP Guide to the Apprenticeship Levy

Supported by

Cogent skills
for science industries

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This guide covers the Levy Operational Model and the new Funding System. The Apprenticeship levy, which is being collected from employers with a payroll bill greater than £3m at a rate of 0.5%, was introduced on 6 April 2017. Eligible employers declared their liability to HMRC in May 2017 for levy due on their April payroll. Levy-paying employers will be able to see corresponding funds in their new digital accounts shortly after their final declaration to HMRC, so after 22 May.

This tax will form the pot of money that can be used to fund post-16 apprenticeship training. Employers can then access this pot and so effectively recoup their payment. Employers of course, can also spend above what is in their levy pot on apprentices and access Government funding in the same way as non-levy payers - i.e. you to make a 10% contribution to the cost of this training and Government will pay the rest (90%), up to the maximum amount of government funding available for that apprenticeship.

These apprenticeship reforms are designed to support continued employer ownership of the system, putting companies in the driving seat around:

- The content & assessment (Trailblazer Standards)
- The funding (levy and negotiation with providers)
- The Oversight and Governance (Institute for Apprenticeships and Technical Education)

New Skills Funding Agency (SFA) Legal Agreement to Enable Spending

This recently announced agreement gives employers the authority to access the funds in their digital account to manage their Apprenticeships (see page 3). They must agree to all the terms and conditions in the agreement and the funding rules, before funds can be used to pay for Apprentices. Once an employer signs this agreement they will be able to authorise the SFA to pay for Apprenticeship training and end-point assessment with the provider they have chosen to manage their Apprenticeships. The SFA will notify employers when this agreement is available to sign. [SFA agreement for employers](#)

The Funding System

To simplify the employer experience of the apprenticeship funding system, the Government is introducing a new system for funding apprenticeships on 1 May 2017. Any apprenticeships started from this date will be funded according to the new rules. Until this date, the funding system in place for frameworks and standards will continue to operate. Proposals for apprenticeship funding in England from May 2017 can be found here <http://tinyurl.com/zsrv67m>

What is the definition of paybill?

To keep the process as simple as possible 'paybill' will be based on total employee earnings subject to Class 1 secondary NICs. Earnings include any remuneration or profit coming from employment, such as wages, bonuses, commissions, and pension contributions that NICs is paid on.

How will the money for the levy be collected?

The levy will be payable through Pay As You Earn (PAYE) and will be payable alongside income tax and National Insurance. Employers will need to calculate and pay the levy on a monthly basis.

How is the contribution calculated?

The rate for the levy will be set at 0.5% of an employer's pay bill and, as noted, will be collected via PAYE. Employers will receive an allowance against their paybill of £15,000. The effect of this allowance is that the levy will only be payable on pay bill in excess of £3,000,000 – employers with a pay bill less than £3,000,000 will not pay anything.

Example working:

Employer of 250 employees, each with a gross salary of £45,000

Paybill: $250 \times £45,000 = £11,250,000$

Levy sum: $0.5\% \times £11.25m = £56,250$

Amount to pay: $£56,250 - £15,000 = £41,250$
annual levy payment

Where a group of employers are connected they will only be able to use one £15,000 allowance. If you are part of a group of connected employers, you'll need to decide what proportion of the levy allowance each employer in the group will be entitled to. This decision has to be taken at the beginning of the tax year and will be fixed for that tax year

If an employer has some unused allowance in a month, but paid the levy previously in the tax year, they can receive a credit which can be used to offset against its other PAYE liabilities. The credit will also reduce the amount of levy paid. If a company has multiple PAYE schemes and does not use the full £15,000 allowance, it can offset the unused amount against another one of its schemes once the tax year has ended.

Are there any other incentives?

All levy-paying employers will receive a 10% top up to their monthly Digital Account credits. All funds entering a levy payer's account will be increased, so every £1 will be increased to £1.10 in value.

The already mentioned 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.

In addition, when an apprentice is between 16 and 18 years old, at the start of their apprenticeship, the employer will receive a payment to help meet the extra costs of employing them. Employers and providers both receive £1,000 when they take on a 16 to 18 year-old apprentice – a £2000 support package.

Government have also now confirmed higher funding for STEM apprenticeship frameworks and higher pricing of apprenticeship Standards to support improved quality, and greater flexibility to train those with prior qualifications.

Provider incentives: in order to help providers adapt to the new system, the DfE is introducing an additional cash payment equal to 20 per cent of the funding band limit when they train a 16-18

year old on apprenticeship frameworks. This is a one year "transitional measure."

The Government has also confirmed it is investing £60 million in supporting the training of apprentices from the poorest areas in the country "to ensure social mobility for all." These payments will come direct from the Government and go to providers – and will not be deducted from an employer's digital account

What happens to the money once it is paid?

Once the levy is paid, individual employers' funding for apprenticeship training in England will then be made available to them as credits via a new Apprenticeship Service account (previously called Digital Apprenticeship Service). The service will also offer standard support to employers to identify a training provider, choose an apprenticeship training course and find a candidate.

The amount entering your apprenticeship service digital account will be how much you have available to spend on apprenticeship training in England only. However, UK Employers will now be able to fund apprentices based on where they work, as opposed to where they live. Levy can be used for employees working at English premises, even if they live across the border in devolved administrations. (see page 8 for non England apprenticeships).

How will employers be able to access and spend the money?

Levy paying employers will be able to reclaim their contribution via their digital voucher. This voucher will then be used to "pay" for Apprenticeship training and assessment. Non levy payers will still be able to access Government funding, but will not have an Apprenticeship Service account from day one (for more about the new Apprenticeship Service see below).

How much will my company be able to draw down?

How much an employer can draw down from the levy will be dependent on the new Standard or SASE framework the apprentice is starting on. More detail on the 15 funding bands (below) for new standards can be found here [funding bands](#).

Number	Band Upper Limit
1	£1,500
2	£2,000
3	£2,500
4	£3,000
5	£3,500
6	£4,000
7	£5,000
8	£6,000
9	£9,000
10	£12,000
11	£15,000
12	£18,000
13	£21,000
14	£24,000
15	£27,000

New Science Standards developed via the Trailblazer Group are in the following bands:

- Laboratory Scientist – Band 15
- Science Manufacturing Technician – Band 15
- Science Industry Maintenance Technician – Band 15
- Laboratory Technician – Band 13
- Science Manufacturing Process Operative - Band TBC

About the new Apprenticeship Service (previously the Digital Apprenticeship Service)

Levy-paying companies are now able to register for an Apprenticeship Service account. This is an online digital system (which has been compared to online banking) that has been set up to support the apprenticeship levy.

Non-levy paying companies will not be on the system in 2017 – there is more explanation below on how non levy payers access funding.

By 2020, all employers will be able to use the Apprenticeship Service to pay for training and assessment for apprenticeships.

When you set up your account you must have:

- Government Gateway login details for the PAYE schemes that you want to include in your account
- Details for each organisation that will be making an agreement with a training provider for apprenticeship training, including the Companies House or charity number (if you have one)

If you don't have Government Gateway login details, you may need to ask someone from your payroll or finance department to help you set up the account, or to set it up on your behalf.

Funds will appear monthly a few days after confirmation of paybill; for levy payers this means the first funds will appear in their account in May. Levy-paying employers will then be able to purchase training through the new digital system from 1 May. When you agree to buy apprenticeship training from a particular training provider and the apprenticeship has started, monthly payments will be automatically taken from your digital account and sent to the provider. This spreads the cost over the lifetime of the apprenticeship.

The new system will pay providers one month in arrears for training they report has been delivered. This means that the first payments to leave your digital account, for training purchased in May, will be in June.

The Apprenticeship Service will only support the English apprenticeship system. Separate arrangements are still in place in Scotland, Wales and Northern Ireland.

Register here <https://www.gov.uk/guidance/manage-apprenticeship-funds>

What about non levy Paying companies?

As noted, non-levy paying companies will join later, and will continue with the existing system until further notice. However, when the new funding system begins in May 2017, non levy employers can still choose the training they would like their apprentices to receive, as well as an approved training provider and an assessment organisation using the registers available via the Apprenticeship Service. Help with this is available from Cogent Skills.

Co-investment amounts for non-levy payers

Non levy employers will be asked to make a contribution (co-investment) to the cost of this training and end point assessment and government will pay the rest (up to the maximum amount of government funding available for that particular apprenticeship). The Government has confirmed it will pay 90% towards the cost of training and assessment, and employers pay the remaining 10%. The employer contribution will go directly to the provider. There will be a 100 per cent contribution from the Government to the cost of training for small employers (fewer than 50 staff), that will not pay the levy and who take on

apprentices who are 16 to 18 years old, 19 to 24 year old care leavers, or 19 to 24 year olds with an education and health care plan.

As noted, Levy paying employers can benefit from the same co-investment if they are taking apprentices and exhaust the funds in their Apprenticeship Service Account.

Expiration of funds in the Digital Account

Funds will now expire 24 months after they enter an employer's digital account unless they are spent on Apprenticeship training. This will also apply to any top-ups.

Directing funds in a digital account to Apprenticeship Training Agency/Supply Chain

The Government committed to introducing the ability for employers to transfer digital funds to apprenticeship training agencies and supply chains from 2018. An employer group to help develop this system, so that it works for employers was formed towards the end of 2016, with suggestions for a simplification of the transfer process proposed to the Minister earlier this month. We now await further information on the early integration of the process with the new Apprenticeship Service.

Using Apprenticeship Training Agencies (ATAs)

ATAs have been established by Government and are the only recognised vehicles for the employment and support of apprentices other than direct employment by the employer. They are used by large and small employers for a number of reasons including head count limitations and administration support

Cogent, the SIP's partner, has an ATA and will be a levy paying organisation, with a levy account. Where employers choose to use this ATA, Cogent will draw down 90% funding from its levy pot to pay for the employer's apprentice training, and once available access the remaining 10% from the transfer of funds from the employer levy pot.

[ATA service](#)

The transfer is limited to 10% as EU state aid rules currently limit the flexibility to transfer funds. Until EU exit negotiations are concluded, the UK will remain a full member of the EU and all such obligations remain in force.

Using funds in your account to buy training – levy-paying employers

When you agree to buy apprenticeship training from a particular training provider and the apprenticeship has started, monthly payments will be automatically taken from your digital account and sent to the provider. This spreads the cost over the lifetime of the apprenticeship. The Government says that if the employer negotiates a price with a training provider that is more than the maximum allowed by the funding band, then they must pay the difference between the band maximum and the agreed price, in full. This payment cannot come from the digital account.

Further Options within the Operational model

The Government has set out a broad operational model, however in reality this provides 3 options for employers. These are as follows:

- Individual employer uses several external providers: the individual employer spends its voucher with a range of providers, managing multiple relationships and arrangements.
- Individual employer uses an Apprenticeship Training Agency (ATA) as noted above, outsourcing recruitment, management of funding and training provision and apprentice employment. This model is already providing significant support to the delivery of high quality apprenticeships for employers, both large and small, including shared facilities, overheads and services.
- Individual employer delivers training in-company: the employer is itself a registered training provider, subject to Ofsted, and therefore spends its voucher (or part of) back with its company. This in-company training could also be combined with delivery through other providers/or a Managed Service.

More detail is here:

<https://www.gov.uk/government/publications/apprenticeships-become-a-training-provider>

What kind of training will be covered?

The Government has said that Digital vouchers can be used for Apprenticeships for all ages, types and sectors, using any approved Standards or SASE frameworks, and should be used to purchase training, assessment and certification.

Apprenticeship Standards developed by the SIP facilitated Trailblazer programme are replacing the current Apprenticeship Frameworks, which will gradually be withdrawn. In the science industries the following Apprenticeship Standards and associated assessment plans have been published via the Life Sciences & Industrial Science Trailblazer Group.

- Laboratory Technician
- Science Manufacturing Technician
- Science Industry Maintenance Technician
- Laboratory Scientist
- Science Manufacturing Process Operative

Will the levy fund any costs associated with taking on apprentices?

The Department of Education (DfE) remain committed to the use of levy only on the costs of delivering apprenticeship training, assessment and certification, via a new SFA Register of Apprenticeship Training Providers (RoATP) and the Register of Apprentice Assessment Organisations (RoAAO) for end point assessment. It can't be used for other costs associated with your apprentices or wider training effort.

Funds from your digital account or Government-employer co-investment can only be used for activity directly related to the apprenticeship. In essence, these funds can only be used to pay for training, education and assessment, including end-point assessment to attain an apprenticeship that is eligible for funding, up to the limit of the agreed funding band.

Funds in your digital account or Government-employer co-investment cannot be used for enrolment, induction, prior assessment, initial diagnostic testing or similar activity, travel costs for apprentices, apprentices' wages and clothing. Nor can they be used towards time spent by employees or managers supporting apprentices, except where this is directly linked to the training, education and end-point assessment for an employer-provider.

The Skills Funding Agency will be removing a number of STEM SASE apprenticeship frameworks, and we are awaiting an update on when this is planned – with the exception of the Polymer Process Framework, which was removed in December.

Current SASE Apprenticeship Framework	Replacement Apprenticeship Standard
Removed from 30 December 2016	
Intermediate/Advanced Apprenticeship in Polymer Processing	Science Manufacturing Technician
Dates TBC	
Advanced Apprenticeship in Process Manufacturing	Science Manufacturing Technician or Science Industry Maintenance Technician
Advanced Apprenticeship in Laboratory and Science Technicians	Laboratory Technician
Higher Apprenticeship in Life Science and Chemical Science Professionals	Laboratory Scientist
Intermediate Apprenticeship in Process Manufacturing	Science Manufacturing Process Operative
Intermediate Apprenticeship in Polymer Processing	Science Manufacturing Process Operative

The Trailblazer Group will continue to develop new standards, in response to employer demand.

The DfE is open to companies wishing to carry out Apprenticeship training in-house to register themselves on the RoATP; however this involves a number of compliance requirements, including being subject to Ofsted inspections. In addition, businesses that are on the register because they are themselves a training provider will still be levied. Therefore they will be drawing down levy funding to then “spend” back within their own companies. Within the new system there will be no longer be contracts between SFA and training providers for apprenticeships. The contract will be between the employer and the training provider.

Will there be any requirement for additional funding from employers?

There are two circumstances where levy-paying employers are likely to have to contribute additional funds: where the cost of the training they wish to buy is greater than the funding band for a particular Standard or Framework; where an employer has spent all of their levy contribution and all of their top-up and wishes to spend more on additional Apprenticeship training. As noted, in

this instance they are treated as a non levy payer and are subject to the same funding rules for the additional training i.e. 90% :10%.

How will the Government fund Apprenticeships that start before the levy comes in?

Apprenticeships that are started before the first levy payment is taken will continue to be funded under the current model. Therefore, for example, companies starting apprentices before April will be funded under the existing funding model.

What happens if a company does not use its vouchers?

Government has said it wants to ensure that levy funds which are unused keep their value by reallocating them to committed employers, who can use them to fund more quality Apprenticeship training.

Non-England apprenticeships

The levy will be collected on a UK wide basis and employers that operate across the devolved nations will pay their contribution based on all UK employees. However the vouchers they draw down can only be spent in England. The devolved administrations will be allocated a proportion of the levy collected.

The Scottish and Welsh Governments have not announced any plans to change their current Apprenticeship funding systems. Scottish Government have stated they will use levy funding, as part of the overall Scottish Budget, to support its skills, training and employment provision. [Scottish levy response](#)

The Welsh Government has produced a five year Action Plan. During 2017 it will be asking its Regional Skills Partnerships (RSPs) to consult widely with levy paying employers to ensure they are fully represented as part of the skills assessments produced annually by RSPs and as such influence the provision on offer. [Welsh toolkit](#)

The SIP will continue to work with the devolved administrations regarding funding arrangements to secure workforce skills in the nations.

Quality Control and funding bands through the Institute for Apprenticeships

The Government has established an Institute for Apprenticeships, a new independent body led by employers, to regulate the quality of Apprenticeships. It will approve Apprenticeship Standards and Assessment plans and maintain clear quality criteria, so that only Standards that are valued by employers will be approved and funded.

The organisation will:

- Develop and maintain quality criteria
- Support the development of Standards and assessment plans
- Maintain a public database of Apprenticeship Standards
- Advise the government on the maximum rate of government funding (funding bands)
- Oversee the quality assurance of the delivery of apprentice end-point assessments

The SIP is engaged with the IfA to ensure science industry representation. Institute for Apprenticeships board members include Dr Katherine Barclay who is Chair of the Life Science and Industrial Sciences Apprenticeship Trailblazer.

Summary of the key reforms

1. All frameworks are to be replaced by Standards.

Standards are being designed by employer groups including the SIP Trailblazer Group and require an end-point-assessment and often don't require any qualifications. Frameworks are being switched off in phases through to 2020.

2. Previous National funding rates replaced by 'negotiated' rates

From April 2017 the SFA will no longer determine apprentice funding values - instead, providers and employers will negotiate a level of subsidy within one of the noted 15 upper limits as noted above.

3. Extra £1bn for apprenticeship via the levy

From April employers will pay an extra 0.5% of their payroll above £3m into their levy pot. It's expected this will generate £2.5bn per year for England and providers will access this pot via a new Digital Apprenticeship System.

4. A 90% subsidy when the employer is not in scope for levy or when their levy pot is empty

If an employer is not in scope for the levy or it runs out, the SFA will pay 90% of the negotiated rate, as long as the employer has paid 10%. Of note, in the pilot, running since 2014, the subsidy was only 67% (once 33% was paid in cash), so this is a significant increase in funding.

Further guidance

<https://www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work>

Comments and suggestions on this document are very welcome. Please email judith.holcroft@cogentskills.com