

### **Background**

The Apprenticeship Levy was announced in the Summer Budget 2015. It will be a levy on employers to fund new apprenticeships. The levy will support the Government's commitment to improving productivity by increasing the quantity and quality of apprenticeships. The levy will be introduced from 6 April 2017.

### **Who will the levy affect?**

The levy will affect UK employers in all sectors, both private and public. However, only a small percentage of employers will have to pay the levy (see below).

### **What rate will the levy be charged at?**

Legislation will be introduced in Finance Bill 2016 and will provide for a levy to be charged on employers' paybills at a rate of 0.5%. The employer paybill will be based on total employee earnings subject to Class 1 secondary NICs.

### **Who will have to pay?**

The levy applies to all UK employers; however, each employer will receive one allowance of £15,000 per tax year to offset against their levy payment. This means that only employers with a gross annual paybill in excess of £3 million will have to pay the levy. The Government estimates that less than 2% of UK employers have an annual paybill in excess of £3 million. There will be a connected persons rule, similar the Employment Allowance connected persons rule, so employers who operate multiple payrolls will only be able to claim one allowance.

### **How much funding will an employer be able to access?**

From its initial announcement to introduce the levy, the Government has continually stated that employers that are committed to training will be able to get out more than they put in. In his budget statement on 16th April, the chancellor announced that from April 2017 employers will receive a 10% top-up to their monthly levy contributions in England and this will be available for them to spend on apprenticeship training, e.g. if an employer's monthly levy contribution is £10,000 the Government will add £1,000 to this so that the employer has £11,000 to spend on apprenticeships. At the FE Week Annual Apprenticeship Conference in March 2016 it was indicated that employers who wish to train more apprentices that their levy funding permits will have the opportunity to purchase additional funding vouchers, possibly at a discounted rate.

### **How will the levy be collected?**

The levy will be collected by the HMRC and will be payable alongside income tax and National Insurance. Some information on how the levy will be collected is available in the draft legislation<sup>1</sup> published on 4th February 2016. In his budget statement on 16th April, the chancellor also announced that the Government will set out further details on the levy operating model in April 2016. At the FE Week Annual Apprenticeship Conference in March 2016, Keith Smith, Director of Levy Implementation at BIS stated that this information will be in the form of a 'Guide for Employers'.

### **Will an employer who doesn't pay in be able to access funding to pay for apprenticeship training?**

At the FE Week Annual Apprenticeship Conference, Nadhim Zahawi MP, apprenticeship adviser to the Prime Minister and joint chair of the Apprenticeship Delivery Board stated that that from April 2017 the core offering will be access to levy funding for levy paying employers only with the new system being migrated to other employers once it is established and tested. During the same

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<sup>1</sup> <https://www.gov.uk/government/publications/apprenticeship-levy>

conference session, Sue Husband from the Skills Funding Agency confirmed that once the levy has been launched, non-levy paying employers will still have access to government funding for apprenticeships. As stated above, details of how apprenticeship funding and the levy system will operate for all employers in England will be released by the Government in April 2016.

### **How can the levy funding be spent?**

We understand that levy funding will only be able to be spent on apprenticeship training and assessment for eligible individuals (see below) that is delivered through registered providers. In England, from April 2017, levy paying employers will have access to the Digital Apprenticeship Service to choose and pay for the apprenticeship training and assessment they want. Details of how employers in Scotland, Wales and Northern Ireland are not yet known.

### **What is an eligible individual?**

In England, to be eligible for apprenticeship funding currently the individual must meet the eligibility requirements set out in the applicable Skills Finding Agency funding rules<sup>2</sup>. In addition, the employment conditions must meet the requirements of the applicable funding rules. Both new and existing employees aged 16 years upwards can be eligible for apprenticeship funding. Please note that the eligibility requirements stated within the funding rules are referred to as a guide only and the actual eligibility requirements may differ when the levy is launched.

### **Is a graduate eligible for apprenticeship funding?**

Subject to the other eligibility criteria, a graduate is likely to be eligible for apprenticeship funding providing that the apprenticeship is at post-graduate level (Level 7).

### **How does the Apprenticeship Levy relate to other industry levies?**

In relation to UCEM's course offer, the other relevant industry levies are the Construction Industry Training Board (CITB) Levy and the Engineering Construction Industry Training Board (ECITB) Levy. The CITB has produced an overview<sup>3</sup> of the main differences between the CITB Levy and the Apprenticeship Levy. In its response<sup>4</sup> to the Apprenticeship Levy consultation the Government stated 'We are working with the relevant Industry Training Boards to consult with their members ahead of the introduction of the apprenticeship levy on how their existing arrangements will be affected and whether any changes are required.' We await further details.

### **Next steps**

UCEM is keeping a close watch on levy developments and will issue further updates as details are confirmed.

### **Would you like further information about the UCEM apprenticeship offer?**

Please contact:

Meryl Bonser, Head of Enterprise Business Development  
[m.bonser@ucem.ac.uk](mailto:m.bonser@ucem.ac.uk) +44 (0)118 921 4634

Martin Cawley, UK Business Development Manager  
[m.cawley@ucem.ac.uk](mailto:m.cawley@ucem.ac.uk) +44 (0)774 703 077

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<sup>2</sup> <https://www.gov.uk/guidance/sfa-funding-rules>

<sup>3</sup> <http://www.citb.co.uk/levy-grant/apprenticeships-levy/differences-between-citb-levy-and-apprenticeships-levy/>

<sup>4</sup> [APPRENTICESHIP LEVY – EMPLOYER OWNED APPRENTICESHIP TRAINING, Government Response, November 2015](#)