

# Science Industry Partnership (SIP)

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## A SIP Guide to the Apprenticeship levy – version 4

This guide covers what is known about both the Levy Operational Model, and the proposed Funding System. The funding model is still out for consultation (deadline 5th Sept) and the SIP will be responding.

The Apprenticeship levy, which will be collected from employers with a payroll bill greater than £3m at a rate of 0.5%, will be introduced on 6 April 2017, as planned. The first time eligible employers will have to declare their liability to HMRC will be in May 2017 for levy due on their April payroll. Levy-paying employers will be able to see corresponding funds in their 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.

### Employer Ownership

The 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)

### The Proposed Funding System

To simplify the employer experience of the new apprenticeship funding system, the Government is currently proposing that the new system for funding apprenticeships comes into effect from 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.

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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

Go here for the SIP Levy Calculator:

<http://www.scienceindustrypartnership.com/Apprenticeship-Levy/>

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 who is between 16 and 18 years old is taken on, at the start of their apprenticeship, the employer will receive a payment to help meet the extra costs of employing them. The Government is proposing that employers and providers both receive £1,000 when they take on a 16- to 18-year-old apprentice – a £2000 support package.

Finally, the Government has also abolished employer National Insurance contributions for apprentices under 25 years of age.

## **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 Digital Apprenticeship Service (DAS) account. The service will also offer standard support to employers to identify a training provider, choose an apprenticeship training course and find a candidate.

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UK Employers will now be able to fund apprentices based on where they work, as opposed to where they live. This is more helpful than previously, as Levy can be used for employees working at English premises, even if they live across the border in devolved administrations.

## 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 a DAS account from day one (for more about the new DAS system 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. The 15 proposed funding bands for new standards can be found here [proposed funding bands](#) and are still open for consultation. The bands are, in the main, a fair reflection of the costs of the training involved. However there are still some concerns here, and in particular the SIP would like to see the Laboratory Technician Standard moved into a higher band.

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

Table 1: Proposed funding bands

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

## When will the new Digital Apprenticeship System (DAS) be up and running?

Changes to the funding system will be introduced in two phases. Levy-paying companies will be able to register for a DAS account from January 2017, to get familiar with the service, in

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preparation for going live in April. Non levy paying companies will not be on the system until 2018 – more explanation below.

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 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 digital apprenticeship service will only support the English apprenticeship system.

## **What about non Levy Paying companies?**

As noted, non-Levy paying companies will join later, and will continue with the existing system until 2018 (at the earliest).

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 Digital 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 is currently seeking views on proposals that government pays 90% towards the cost of training and assessment, and employers pay the remaining 10%. The employer contribution will go directly to the provider. Government will confirm the co-investment rate in October 2016.

## **Expiration of funds in the Digital Account**

Funds will expire 18 months after they enter an employer's digital account unless they are spent on Apprenticeship training. This will also apply to any top-ups. For example, funds entering a DAS account in September 2017 will expire in March 2019.

## **Directing funds in a digital account to another employer/supply chain or Apprenticeship Training Agency**

The Government says it recognises some employers will want to use funds in their digital account to pay for apprenticeship training of other employer's apprentices – it is seeking views on proposals to allow employers to transfer 10% of their funds to another employer's digital account from 2018.

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In the first year of the levy, under current guidance, levied employers will not be able to transfer funds to pay for training of apprentices employed by ATAs, and from 2018 only 10% of their voucher will be able to be transferred.

**Of note - the ATA model is providing significant support to the delivery of high quality apprenticeships – the SIP is encouraging the Government to ensure all employers can utilise an ATA from the start of the Levy.**

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

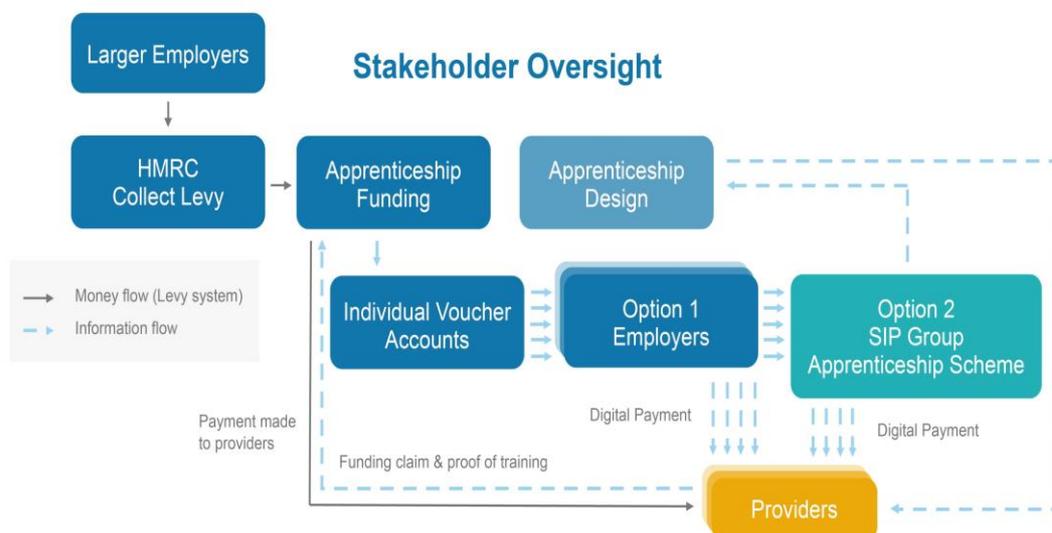
Levy-paying employers will be able to purchase training through the new digital system from 1 May. When you agree to buy apprenticeship training from a particular training provider and the apprenticeship has started, monthly payments will be automatically taken from your digital account and sent to the provider. This spreads the cost over the lifetime of the apprenticeship. The 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 options for employers. These are as follows:

1. Individual employer uses several external providers: the individual employer spends its voucher with a range of providers as set out in option 1 below, managing multiple relationships and arrangements.
2. Individual employer uses a Lead Provider: rather than managing multiple providers the SIP employer member joins the SIP Group Scheme option 2 below and accesses Cogent Skills Services as a lead provider on the RoATP, which delivers the company's apprentice requirement holistically and sub-contracts elements of training to meet employer needs, ensuring best value.
3. 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.

## The Model Explained



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## 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 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

The Skills Funding Agency will be removing the following apprenticeship frameworks (the replacement standard is alongside)

Current SASE Apprenticeship Framework	Replacement Apprenticeship Standard
<b>Removed from 30 December 2016</b>	
Intermediate/Advanced Apprenticeship in Polymer Processing	Science Manufacturing Technician
<b>Removed from 1 April 2017</b>	
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 (In Development )
Intermediate Apprenticeship in Polymer Processing	Science Manufacturing Process Operative (In Development )

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

## 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 newly proposed SFA Register of Apprenticeship Training Providers (RoATP) (proposals for the new register can be found here [proposal for RoATPs](#)) and the Register of Apprentice Assessment Organisations (RoAAO) for end point assessment. It can't be used on other costs associated with your apprentices or wider training effort. For example wages, statutory licences to practise, travel and subsidiary costs, managerial costs, traineeships, work placement programmes or the costs of setting up an apprenticeship programme.

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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 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 2 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. 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 in 2016 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. None of the devolved administrations have announced any plans to change their current Apprenticeship funding systems. Since skills policy is devolved, the devolved administrations will continue to have flexibility over how to support businesses through Apprenticeships. The SIP will continue to work with the devolved administrations regarding funding arrangements to secure workforce skills in the nations.

The Government is proposing that employers should be able to use their digital funds and access government support for training employees whose main workplace is England, even if they live over a UK border.

## **Quality Control and funding bands through the Institute for Apprenticeships**

The Government has established an *Institute for Apprenticeships*, it is in shadow form at the moment and will be 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.

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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

We are expecting to see representation of the science industries on the IfA via the SIP.

## Levy Implementation Plan for SIP Members

The SIP's expert skills partner Cogent Skills provides member support for the changing Apprenticeship world, through the development of a bespoke Levy Implementation Plan. This will ensure members are levy ready and stay a step ahead of the changes. Whether an organisation is new to Apprenticeships or is already delivering them, this plan will:

- Outline the most appropriate Apprenticeship standards for scientists and technicians and staff in other disciplines
- Outline recommendations for using the Apprenticeship levy flexibly to ensure your business maximises its return on the levy investment – for example Degree Apprenticeships/ opportunities for the existing workforce.
- Make recommendations for the most suitable training provider(s)
- Detail support available to recruit, select and employ your apprentice/s

This plan essentially outlines the steps Cogent Skills will take to ensure member organisations are ready for the implementation of the Apprenticeship levy when it comes in from April 2017.

## Summary of the key changes

### 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.

### 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.

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

If an employer is not in scope for the levy or it runs out, the SFA are consulting on paying 90% of the negotiated rate, as long as the employer has paid 10%. In the pilot, running since 2014, the subsidy was only 67% (once 33% was paid in cash).

## **Further guidance**

Once the funding consultation is completed, the Government will publish further guidance on the levy and the new system for funding apprenticeships in October and December 2016.

Comments and suggestions on this document are very welcome.

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