



An Employer's Guide to Apprenticeship Funding

The way apprenticeships are funded has changed significantly. The amount of funding your organisation will be eligible for is dependent on a number of factors, including the size of your payroll, the number of people employed and also the characteristics of the apprentice you choose to enrol.



Apprenticeship Funding

Major changes in 2017 changed the way in which the Government funds apprenticeships. This is especially relevant to organisations that have a payroll of more than £3 million, as they are required to make a payment of 0.5% of any staff costs above this threshold. The levy payment is held in an account and is available to spend on accredited apprenticeship programmes, such as those at Manchester Metropolitan University.

Will I have to pay the levy?

The levy applies to all organisations based in the UK and if your payroll exceeds £3 million you will have to pay the levy. For the purposes of calculating your levy payment, payroll is considered to be the total employee earnings subject to class 1 secondary National Insurance Contributions (NICs).

There are no exemptions from paying the levy if you are above the qualifying amount, and organisations based in all four countries of the United Kingdom will have to pay.

How is the levy collected?

Your levy payment is taken through the Pay as You Earn (PAYE) process alongside tax and National Insurance Contributions (NICs). You are responsible for declaring the amount you must pay monthly, the month after you have calculated the liability.

What can levy payments be spent on?

Levy payments can only be used for apprenticeship training, with an approved provider, such as Manchester Metropolitan University. If you would like to find out how the University can support you to develop new standards to meet your skills needs, please contact us or visit www.mmu.ac.uk/apprenticeships.

Currently, funds in your account can only be spent on the cost of training and end point assessments. It can not be used for wages or expenses.

Do levy payments have to be used for new staff?

No. You will be able to use your levy payments to both attract new talent to your organisation and also support your existing staff to develop new skills, and grow as professionals. Degree Apprenticeships, such as those developed by

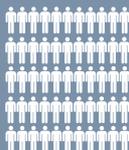
How much are we paying into the levy?

Employers will receive a fixed annual allowance of £15,000 to offset against the 0.5% levy payments, meaning any organisation with a payroll of up to £3 million will not have to pay the levy as shown for **Organisation 1**. In this example the organisation does not have to pay the levy.

Above £3 million the allowance is not enough to offset the levy liability, therefore payment will be required as shown for **Organisation 2**. For every £1 million over the payment threshold, organisations will be required to make an annual levy payment of £5,000.

Organisation 1:

50 Employees
(Payroll £1 million)



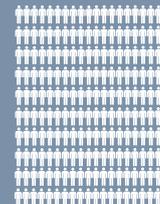
Number of employees
times mean salary =
 $50 \times £20,000 = £1,000,000$

Levy = $0.5\% \times £1,000,000 = £5,000$

£5,000 minus allowance of £15,000 =
£0 annual levy payment

Organisation 2:

200 Employees
(Payroll £4 million)



Number of employees
times mean salary =
 $200 \times £20,000 = £4,000,000$

Levy = $0.5\% \times £4,000,000 = £20,000$

£20,000 minus allowance of £15,000 =
£5,000 annual levy payment

Manchester Metropolitan University are flexible and can be tailored to complement your employees' career development.

Is there a limit to what can be spent on one apprenticeship?

Yes. Funding caps limit the amount you can spend. For degree apprenticeships, apprenticeship fees are typically £27,000.

Can I transfer any of my levy payments to another organisation?

The Government has announced its intention to allow organisations to transfer 10 per cent of their levy to other employers.

How do I manage my levy payments?

Levy funds are managed through an online account. If you have not already done so you can register at www.gov.uk/guidance/manage-apprenticeship-funds.

What are Government top-ups?

The Government will top-up every pound of your levy contributions by 10 pence. That means for every £1 entering your account there will be £1.10 available to spend on apprenticeship programmes.

Is there a time limit on levy payments?

Levy will expire after 24 months unless they are spent on approved training. This also applies to any top-ups applied. The oldest funds in your account will be spent first, minimising expiry.

What are the funding arrangements if we use all of our levy payments?

If you spend above your levy contributions you will receive the same government support as non-levy paying firms.



Information for non-levy paying organisations (Payroll below £3 million)

The government will **pay 90 per cent of any apprenticeship fees** for non-levy paying organisations. Therefore, businesses below the levy payment threshold will pay a maximum of 10 per cent towards the cost of training an apprentice.

This funding also applies to levy paying firms, who do not have enough levy funds in their account to cover the full cost of training an apprentice.

The new funding arrangements will commence in **May 2017**. Initially firms not paying the levy won't be able to use the Digital Apprenticeship Service, but it is expected they will do so in time.

Information for organisations with fewer than 50 employees

The government has recognised the role smaller employers make through taking on younger apprentices.

Therefore **businesses with fewer than 50 employees will not have to contribute towards the cost of training an apprentice under 19 years of age.**

Extra support payments for all organisations

There will be an **additional sum of £1,000 paid to all employers** for taking on an apprentice under 19 years of age, a person leaving care or for enrolling an apprentice with additional needs.

Key facts at a glance

- The levy is 0.5% of your payroll bill in excess of £3 million, paid through PAYE.
- Organisations with a payroll below the threshold do not have to pay the levy.
- Payments, once collected, will be stored in a digital account and can be redeemed via approved apprenticeship schemes.
- The levy can not be used for additional expenses, overheads and wages.
- Levy payments must be used within 24 months.
- For every £1 paid in levy payments, employers will be given an additional 10 pence by the government, paid into their digital account.
- Organisations not paying the levy, will receive government funding of at least 90 per cent of the cost of training fees.
- Organisations with fewer than 50 employees will not pay anything towards the cost of training apprentices under 19-years-of-age, care leavers or adults with additional needs.
- An additional £1,000 payment to all employers of apprentices under 19-years-of-age, care leavers or adults with additional needs.



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