

# Employer's Guide to the Apprenticeship Levy

New apprenticeship reforms are being driven by Government and are redefining the shape of the apprenticeship system to meet the needs of a fast changing economy and increasing international economic challenges.

Starting in April 2017, all employers operating in the UK with an annual pay bill over £3 million will be required to contribute to a new apprenticeship levy. In return, new apprenticeship reforms mean you will have more opportunity to directly drive the skills and training you need for your business.

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 GetMyFirstJob



## Levy Guide



## Introduction to the Apprenticeship Levy

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### The apprenticeship reforms aim to:

- Give employers control in designing apprenticeships. Developed by employers, for employers.
- Increase the flexibility of delivery. Businesses take control to ensure the programme meets their needs. Employers can deliver apprenticeships independently or work with a college or provider.
- Simplify the funding system. Employers control how and where their funding is spent.
- Increase the effectiveness of training. Developing skills to match workplace requirements.

### Who pays the levy?

The new apprenticeships levy is a mandatory government tax that will be payable by all UK employers with a pay bill over £3 million (typically over 250 employees). No company is exempt and it is expected to generate £3 billion by 2020.

### Who benefits from the levy?

Levy-paying businesses will have more opportunity to directly drive the skills and training they need. Companies will be able to access their levy funds via the new Digital Apprenticeship Service (DAS).

- The levy will be 0.5% of an employer's pay bill which is in excess of £3 million (No employer is exempt)
- The levy will be collected by HMRC, directly via the PAYE process and accessed through the new Digital Apprenticeship Service
- There will be a £15,000 allowance for levy-paying companies, similar to PAYE tax allowance, to off-set against the levy
- The Government will top-up monthly funds for apprenticeship training by 10%\*

The government's decision to introduce an apprenticeship levy from April 2017 is a positive move that, if its potential is realised, could have a massive, positive impact on the UK's future workforce, post-Brexit, post-Trump, in an increasingly global economy.

## Apprenticeship Levy Overview

by David Allison, CEO Emerging Talent Group

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The initiative comes following many years of schools, colleges and parents encouraging young people to go to university, regardless of their suitability or need for a purely academic education. This drive has resulted in an influx of university graduates seeking employment in the UK. Unfortunately, whilst these young people may be degree educated, it has been widely reported that many lack the training or transferrable skills to be effective in the workplace.

As a result, more and more educated young people are struggling to find employment, whilst positions with great career prospects lie unfilled. And for those of us that are parents, there is an additional worry about the significant debt that these young people are building up so early in life.

***Our first apprentice has been with us around 8 months and she has already been promoted.***

***We took on 2 more apprentices with the help of GetMyFirstJob and they are also doing well. We will be looking to take on another one in the next 3 – 6 months.***

Tim Jeffs

Bohemian Accountants

In my day job, as the CEO of The Emerging Talent Group, I frequently hear the struggles employers face trying to recruit young people into a wide range of roles in businesses of all sizes. It is my hope that the publicity generated by the levy will encourage more businesses to consider apprenticeships as a key part of their hiring strategy, and through this, encourage more young people to start their careers with the unique blend of ‘real’ experience and qualifications that only an apprenticeship can deliver.

Recent media coverage, coupled with the Government’s GetInGoFar campaign and industry initiatives surrounding the levy have started to address some of the uninformed stigmas that apprenticeships are for those who could not get in to university.

Many large organisations from Engineering to Financial Services are leading the way with a fresh approach to recruitment; bringing young people in post ‘A’ level and using higher or degree apprenticeships to provide high quality education aligned to the businesses’ needs. These options are not just open to big business. Increasingly SMEs are following this path as a cost effective way to addressing their need for future skills and talent.

## Apprenticeship Levy Overview (continued)

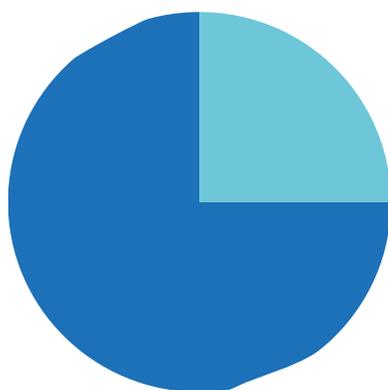
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The benefit of being able to earn whilst gaining a qualification, rather than pay significant university tuition fees, means that more and more bright and talented young people are looking for apprenticeships. We have certainly witnessed a boom in applications on our candidate website GetMyFirstJob.co.uk, of which we handle over 30,000 applications a month with 302,000 candidates registered with us. With the increasing rise in the popularity of apprenticeships and with the boost businesses will receive from the apprenticeship levy, the apprenticeship marketplace is becoming even more central to business planning for SMEs and larger businesses.

When the levy comes into force in April 2017 it will affect all businesses, public and private, big and small, yet only those with annual bills over £3 million are obligated to contribute financially (to the sum of 0.5%) to the initiative. SMEs, however, will only be asked to contribute up to a maximum of 10% but can still make use of the apprenticeship programme. This is a significant window of opportunity that is likely to change as the levy evolves in the coming years.

***It took around 6 weeks from picking up the phone to enquire, through to offering the job. The service really was great value for money and full funding for the apprenticeship training meant that taking on an apprentice came with minimal outlay to add a great employee to my business, who is driven and keen to learn and develop their skills with us.***

Darren Peachey, Managing Director  
Peachey & Co (Accountants) Limited



# 25%

1 in 4 people said that they would be more likely to pay more for goods and services offered by businesses employing apprentices

5 Key  
Actions

## Five key employer actions to get ready for the Apprenticeship Levy

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Whether you are a small or medium employer, or a large corporate, you have nothing to lose and huge amounts to gain from using an apprenticeship programme to enhance the skills of your team. By following these simple guidelines, you can ensure that your apprenticeship programme will be a success:

1

### Assess your existing team

Taking on an apprentice can have a big impact on an SME's team dynamic, far more so than in a large corporation (depending upon the numbers of apprentices). For all companies, it is true that as so many of your employees are likely to work closely with the apprentice, ensuring that all members of relevant staff are on board with the scheme and see its benefits before you start is crucially important. Involving team members in the planning process will also ensure the best training for your chosen candidate.

2

### Establish your objectives early on so you know what success looks like

Successful businesses rely on a clear vision and a robust business plan. Creating a successful training programme relies on the same factors. It relies upon organisations having a clear understanding of how apprentices will benefit their business in the short and long term.

Make sure your intentions are set out clearly and coherently. By doing so, it is not only easier to recruit the right candidate and the appropriate training provider to run the scheme but it will also give you a benchmark by which to evaluate the overall success of the apprenticeship scheme.

5 Key  
Actions

## Five key employer actions to get ready for the Apprenticeship Levy

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### Identify the right organisation to deliver the right training for you

After defining a clear rationale for your training scheme, your next step will be to choose the appropriate training provider. Taking time to research providers, their specialisms, whether they have worked on similar programmes and what outcomes they have achieved is crucial. At EmergingTalent, we support employers of all sizes with this process. The world of registered apprenticeship training providers can appear complex with Ofsted, completion rates, awarding bodies and many other factors to consider. Ensuring a good fit is a huge step towards the establishment of a high quality, worthwhile scheme for all.

4

### Build a strong, bespoke partnership with your training provider

The best training providers will tailor their advice to your specific values, needs and desires, as set down in your apprenticeship plan. This requires a 'partnership' approach where engagement and openness from all concerned will lead to the best outcome. The most successful apprenticeship programmes I have seen have always been founded on a strong relationship and clear communications and reporting between employer and training provider, working together to deliver the best and most relevant training for each individual candidate and business. Our recruitment platform, the TalentPortal, was created with this in mind.

5

### Integrate apprentice recruitment into your overall people or skills strategy

Just as you invest time in establishing a high quality programme and the right provider to implement it, it is equally important to be as involved as possible in apprenticeship recruitment. These candidates will be entering your business like any other employee. You need to ensure you find the right person – not just one to stick out the duration of the course, but one that will become a long-term, valuable asset to your organisation. Being clear on your selection criteria is vital. Within GetMyFirstJob's *continued overleaf...*

5 Key  
Actions

## Five key employer actions to get ready for the Apprenticeship Levy

database we have over 301,000 candidates, but the trick is to identify the best 5 to be interviewed for your vacancies, not just the first 5 that apply. One of the common failure points for an apprenticeship is a lax recruitment process where candidates are not a good fit for the organisation. Often selected in haste, these candidates may have the potential to complete the educational elements of an apprenticeship, but if they are not going to be productive employees, they won't stand the test of time.

Establishing a high quality, worthwhile apprenticeship scheme can be challenging but choosing the right partners and focusing on recruiting the right people for the long term are a worthwhile investment. Time and time again we hear how this investment delivers for the business and the young person, starting them off on a rewarding and fulfilling career.

Levy  
Calculator  
Examples

### Non-Levy Payer Example:

Employer with a pay bill of £2 million

Levy sum (0.5% of pay bill)	$0.5\% \times £2,000,000 = £10,000$
Allowance (£15,000)	$£10,000 - £15,000 = -£5,000$
Annual Levy Payment	£0 (total levy sum less than £15,000 allowance)
Government contribution	100% funding for 16-18 year olds 90% funding for 19+
Total to spend on apprenticeships	Non-Levy Payer. Funds will be through co-investment model.

### Levy Payer Example:

Employer with a pay bill of £50 million

Levy sum (0.5% of pay bill)	$0.5\% \times £50,000,000 = £250,000$
Allowance (£15,000)	$£250,000 - £15,000 = £235,000$
Annual Levy Payment	10% of £235,000 = £23,500
Total to spend on apprenticeships	<b>£258,500</b>



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Find out more at [aat.org.uk/employers](http://aat.org.uk/employers)



If you would like to find out more about how EmergingTalent by GetMyFirstJob can help you, we offer a range of services for employers, including:

- Advice and consultancy on levy implementation
- Full and partial recruitment outsourcing services for apprentices and traineeships
- Marketing services to 300,000 young people in the GetMyFirstJob database

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