

The Apprenticeship Levy

As a reader of PMI News you will know that we contributed to the development of a new Workplace Pensions Trailblazer Apprenticeship which was approved in 2015. The Government is now looking to strengthen the role of apprenticeships, and from 6 April 2017 will be introducing the Apprenticeship Levy.

The Apprenticeship Levy will impact all employers operating in the UK with a pay bill over £3 million each year, and will be charged at a rate of 0.5% of annual pay bill. It will be paid to HM Revenue and Customs (HMRC) through the Pay as You Earn (PAYE) process.

Example: an employer who would pay the levy with an annual pay bill of £5,000,000:

- levy sum: $0.5\% \times £5,000,000 = £25,000$
- subtracting levy allowance: $£25,000 - £15,000 = £10,000$ annual levy payment

The Apprenticeship Levy was introduced as the mechanism by which employers (with a pay bill over £3 million) will be required to contribute to the funding of apprenticeships. Once an employer has paid the levy to HMRC it will be able to access funding for apprenticeships through a new digital apprenticeship service account. So an employer will be able to use this to pay for training and assessment for apprentices in England. It should be noted that funds will expire 18 months after they enter a digital account, unless they have been spent on apprenticeship training.

Therefore, an employer can use these levy funds to support training that is delivered, and professional examinations/qualifications undertaken, as part of the Workplace Pensions Trailblazer. Of course the levy applies to all UK employers, and equally levy funding can be used across a full range of apprenticeships.

It is worth noting that although the levy will apply to employers across the UK, the digital apprenticeship service will specifically support the English apprenticeship system. In effect this will serve to restrict the levy funds available for apprenticeships, for an employer that operates across the UK, to their apprentices in England.

When the new funding system begins in April 2017, employers not subject to the Apprenticeship Levy can choose the training they would like apprentices to receive, the professional examinations/qualifications to be undertaken, and

an approved training provider. The Government will ask these employers to make a contribution to the cost of this training, and it will pay the rest, up to the maximum amount of funding available for that apprenticeship. The Government will ask you to pay this directly to the training provider, and an employer will be able to spread it over the lifetime of the apprenticeship. As both employers and the Government make a payment, this is called 'co-investment'.

At present funding is accessed via the network of training providers. If an employer is paying the levy and spending funds in a digital account, or if not, paying the levy and accessing funding through co-investment, funds can only be spent through an approved training provider.

Our involvement will be in two broad forms:

1. A wide variety of PMI qualifications are included in the new Workplace Pensions Trailblazer. This means that each employer can select the most appropriate qualification to meet their requirements, and potentially receive a contribution to the cost of delivering these qualifications
2. PMI has also applied to become the end-point assessment organisation for this apprenticeship, which means PMI will be involved in ensuring all Workplace Pensions apprentices have met the required standards, and in effect sign off each apprenticeship. We will be relying on our qualified membership to assist with this work

We are helping employers in various ways. Firstly, we can explain how the apprenticeship works, including funding aspects. As part of this we are working with a number of training providers who have expressed an interest in helping employers to deliver the apprenticeship, and are building up a list of them. Secondly, we can provide guidance on the most appropriate PMI qualifications to select, as well as some broader guidance on the non-qualification requirements of the apprenticeship. Finally, we can provide guidance on the end-point assessment process for both employers and training providers.

Further details can be found on our website. ■



Neil Scott
Head of Professional
Standards