



Apprenticeship levy factsheet

Here are some key facts for construction employers about the new apprenticeship levy (AL). This guidance was updated in October 2016 to reflect the proposals in the [Government's](#) response to their [consultation on funding](#) (PDF).

What is the apprenticeship levy?

Government is introducing the AL. It will replace all taxpayer funding of apprenticeships for companies of all sizes. It starts from April 2017 at a rate of 0.5% of an employer's wage bill, and will be paid through Pay As You Earn (PAYE).

Who will need to pay the apprenticeship levy?

All firms receive an offset allowance of £15,000, equivalent to 0.5% on a payroll of £3 million. Any employer with a payroll above this will be liable to pay the levy.

Example 1: an employer who would pay the levy

An employer with an annual pay bill of £5 million:

- Levy sum: $0.5\% \times £5,000,000 = £25,000$
- Allowance: $£25,000 - 15,000 = £10,000$ annual payment

Example 2: an employer who would not pay the levy

An employer with an annual pay bill of £2 million:

- Levy sum: $0.5\% \times £2,000,000 = £10,000$
- Allowance: $£10,000 - £15,000 = £0$ annual payment

Where companies are connected, only one £15,000 allowance can be shared between them. The division of the allowance must be decided at the beginning of the tax year. So if during the year an employer becomes connected to a company which already pays the levy, the first employer would immediately become liable to pay on their full payroll.

Connected companies may also pool their levy funds to pay for apprenticeship training.

How many construction firms will need to pay the apprenticeship levy?

Based on current data, about 1% of employers registered with CITB (750 companies at group level) will need to pay. However, the apprenticeship reforms will impact on construction employers of all sizes.



Will construction firms need to pay both the AL and the CITB Levy?

It is for the construction industry to decide what type of support they want for skills and training from CITB in the future.

To facilitate this, CITB has set up a new employer-led Levy Working Party to scope the options for how the CITB Levy could work alongside the Apprenticeship Levy, towards a possible new CITB Levy Order for 2018.

This means that for one year only (financial year 2017/2018), companies with a payroll over £3m who are in scope to the CITB levy will have to pay both levies.

CITB has agreed a temporary [Transition Package](#) with industry, for firms paying both levies that year. Under this arrangement these firms will be able to claim CITB funding at an enhanced rate, capped at their level of Apprenticeship Levy contribution.

How will the apprenticeship levy be collected?

Each month, the AL will be collected through the PAYE system, alongside Income Tax and National Insurance Contributions. Single employers with multiple PAYE schemes will only have one allowance.

Levy raised against the payroll of their employees who live in England will be available to fund apprenticeships. Funds raised against employees who live in Scotland, Wales or Northern Ireland will go into general taxation.

How is the levy payment calculated?

All employers have an offset allowance of £15,000 (equal to 0.5% of £3 million). Employers with a monthly pay bill under £250,000 (equivalent to a £3m annual pay bill) will not pay the AL at all.

The £15,000 is divided into 12 monthly allowances of £1,250. Where 0.5% of a month's pay bill is higher than the £1,250 allowance, the employer will pay the AL. However, if 0.5% of the monthly pay bill is under £1,250, the unused balance of the allowance will be carried to the next month.

This means that some companies might pay the levy only in months where payroll was higher than usual.

However if they were under the £1,250 allowance in previous months, the unused balance would be carried forward and deducted from any payment due in the higher payroll month.

What will employers get back from the levy?

Employers in England will be able to reclaim their AL contributions as digital vouchers to pay for training apprentices. This voucher system will not apply in Scotland, Wales and Northern Ireland.

The Government has announced that unspent funds in an employer's Digital Account will expire after 24 months. So for example funds entering the account in May 2017 will expire in April 2019, unless the employer uses them.



The Digital Account works on a 'first-in, first out' basis, so payments automatically draw from the funds which entered the account first.

Employers who pay the AL will also receive a 10% top-up from Government to their total monthly contributions in England. So for every £1 an employer pays in, they can draw down £1.10 to spend on apprenticeship training through their Digital Account.

Connected companies can pool their funds into a single levy to pay for apprenticeship training. But employers not connected to the group – for example separate companies in the supply chain – are not able to join the pool.

What can levy funds pay for?

Funds in the Digital Account can pay for apprenticeship training and assessment (with an approved provider and assessment organisation, up to its funding band maximum).

These funds cannot pay for wages, travel or subsidiary costs, managerial costs, work placements, traineeships, or the costs of setting up an apprenticeship programme.

Employers can use Digital Account funds to progress employees into a higher level apprenticeship, or an equal or lower level apprenticeship where this teaches a new set of skills.

Example 3: an employee who wants to start a higher level apprenticeship

An employer would be able to use their apprenticeship funds to pay for an employee who already holds Level 2 Plant Maintenance apprenticeship to take a Level 3 apprenticeship in this occupation.

If an employee wants to learn new skills, which are different from their existing qualifications, at the same or lower level, an employer can use their Digital Account funds to pay for this.

Example 4: an employee who wants to learn new skills through an apprenticeship at a lower level than their existing training

An employer would be able to pay for an employee who already has a Level 3 apprenticeship in wood occupations to undertake a Level 2 wood machining apprenticeship.

Who sets the cost of the training?

All employers must choose a training provider and negotiate the cost of the training.

Government funding caps will be set on each apprenticeship. This is the upper limit to which Government funding can be used to pay for an apprentice's training.

The proposed 15 new funding bands range from £1,500 to £27,000. A full breakdown of the provisional funding bands for construction apprenticeships is given in Appendix 1.

The new bands replace the old apprenticeship framework rates, which varied by age. The bands have been set based on the current adult rate, with an uplift applied to STEM occupations, which includes construction apprenticeships. There will be a 40% uplift to funding at Level 2, and 80% uplift



at Level 3. This applies to Frameworks, but will not apply to Standards, where funding rates are yet to be set.

Government funding, either through the AL Digital Account or co-investment for non-levy payers (detailed below), cannot be used to pay for apprenticeship costs above the funding cap.

Example 5: Funding Caps on apprenticeship costs – apprenticeship levy payers

Employer A (who pays the AL) trains an apprentice in Y occupation. The Government has set the funding cap for this training at £5k per year, but the employer negotiates a cost of £4k with the provider.

The cost is within the funding band limit, so £4k will be deducted from the employer's Digital Account over the lifetime of the apprenticeship.

OR

Employer B (who pays the AL) trains an apprentice in Y occupation, which is again set a funding cap of £5k. The price negotiated with the training provider is £6k, so over the funding cap.

This means the £5k will be deducted from the employer's Digital Account over the lifetime of the apprenticeship, and the employer will be responsible for paying the remaining £1k.

If apprentice training costs are above the funding cap, the employer cannot use AL funds to make up the difference. They must fund this additional cost separately.

Where a company has used all the funds in its Digital Account, any further training will be funded through the 'co-investment' model explained below.

However, Government co-investment cannot be used to cover training costs above the funding cap.

How will companies outside the apprenticeship levy fund apprenticeships?

Employers who do not pay the AL will not need to use digital vouchers to pay for apprenticeship training and assessment until at least 2018, with training providers still paid directly by the Government.

But they will need to choose a training provider from the registered list, negotiate the cost of the training and adhere to the funding caps for different qualifications, in the same way as larger firms that pay the AL.

Employers that do not pay the levy must contribute 10% of funding towards the cost of their apprenticeship training.

This is called 'co-investment', and the employer will make an initial payment to the training provider. The Government will then pay its share up to the funding cap limit for that apprenticeship.

The AL is expected to raise £2.5bn per year, which will be used for all Government contributions to apprenticeship training in England.



Example 6: Co-investment funding – employers who do not pay the apprenticeship levy

Employer A (who does not pay the AL) trains an apprentice in Y occupation. The funding cap for this training is £4k per year, but the employer negotiates a cost of £3k with the provider.

The cost is within the funding band limit, so the £3K will be made up of an employer contribution of £300 and a Government co-investment of £2,700.

OR

Employer B (who does not pay the AL) trains an apprentice in Y occupation, which is set a funding cap of £6k. The price negotiated with the training provider is £7k, so over the funding cap.

The cost is above the funding cap limit, so the employer will pay £600 of the £6K of training within the funding cap limit, with a Government co-investment of £5.4K. The employer is responsible for the remaining £1k over the funding cap.

How will training for apprentices aged 16 to 18 be funded?

To help employers adjust to the new funding levels as they move from apprenticeship Frameworks to new apprenticeship Standards, the Government has announced an additional 20% increase in funding for 16-18 year olds. This will apply to funding for apprenticeship Frameworks only, with funding levels for apprenticeship Standards to be set through the Trailblazer process. This additional money will be provided to training providers directly, rather than through an employer's Digital Account.

The training provider will also receive a £1,000 incentive. This reflects the Government's commitment to have more young people in apprenticeships and support employers with additional costs.

The Government further propose to incentivise employers that take on a 16-18 year old, with a £1,000 payment – paid at 3 and 12 months into the apprenticeship.

If a small employer (those with fewer than 50 employees) takes on a 16-18 year old apprentice, they will be exempt from paying the 10% co-investment. The training costs will be fully covered by Government (as long as they are within the funding cap).

Will there be any other Government payments?

The Government will provide £1,000 to an employer and £1,000 to a training provider to pay for the additional support required to take on an apprentice aged 19-24 who has previously been in care or who has a Local Authority Education, Health Care Plan.

To support apprenticeships in the most deprived areas, there will be a 'disadvantage uplift' of £600 for the 10% of most deprived areas, £300 for the next 10%, and £200 for the next 7%. Again, this will apply to Frameworks only and is a government grant, not from the Digital Account.



Learning providers will be able to claim up to an additional £150 a month from Government to support an apprentice with a learning disability. This amount could be increased where a greater level of learning support is needed.

For apprentices who do not have the required minimum standard in Maths and English, the training provider will be able to claim an additional flat rate of £471 from the Government to provide this qualification.

Can an employer transfer funds in their Digital Account to another employer or training provider?

From 2018, employers will be able to transfer up to 10% of the levy funds in their Digital Account each year to another employer with a Digital Account. This will allow employers to support their supply chain or other employers in their sector or community.

Employers will also be able to transfer up to 10% of the annual value of funds in their account to an Apprenticeship Training Agency (ATA). An ATA recruits, employs and arranges training for apprentices on behalf of employers.

The amount of funding that can be transferred will be reviewed by a new group of employer bodies including CBI, FSB, EEF and CFG.

How will the levy work in Scotland and Wales?

The AL applies to employers across the UK. Only funds raised against employees whose home address is in England will appear in the Digital Account. Funds can only be spent on apprentices whose normal place of work is in England.

Scotland and Wales will receive funds proportionate to the additional spending in England via the Barnett Formulaⁱ with the devolved administrations in Scotland and Wales deciding how these funds will be used.

Where a company works across different nations, the amount of levy available for them to spend through the Digital Account in England will reflect the proportion of the pay bill paid to employees living there.

This assessment will be made in early 2017, based on the data HMRC already holds on the home address of employees.

For example:

- If 100% of pay bill is in England, 100% of levy payment is in Digital Account
- If 80% of pay bill is in England, 80% of levy payment is in Digital Account

Employers will be able to use their Digital Account or Government co-investment funds to train an apprentice whose main place of work is in England. This is regardless of whether the apprentice lives in Scotland or Wales.

The Government is working with the Devolved Administrations on reciprocal funding arrangements for employees who live in England, but who may work elsewhere in the UK.



How will CITB support employers on apprenticeships?

The amount of grant support we provide is likely to increase. We aim to help employers meet the new costs of training an apprentice, and to pay grants quickly to help employers required to make an initial payment to a training provider. We will work with you to develop the details of the support.

We will also help employers, especially smaller companies, to negotiate with training providers to get the best rates. We will continue to support the development of relevant apprenticeship standards for construction and to quality assure the training on offer for the industry.

What happens if an employer starts an apprentice before the changes are introduced?

Employers that start an apprentice before April 2017 will receive funding under the current system, and that funding will continue for the duration of the apprenticeship.

Appendix 1: Proposed funding caps for construction Apprenticeships

Pathway title	Level	Maximum funding band value	Employer payment for 16-18	Provider payment for 16-18
Accessing and Rigging	2	6000	1000	2200
Applied Waterproof Membranes	2	6000	1000	2200
Building Control	3	9000	1000	2800
Built Environment and Design	3	6000	1000	2200
Civil Engineering for Technicians	3	9000	1000	2800
Cladding Occupations	2	6000	1000	2200
Construction and Building Services Management and Supervision (Sustainability)	4	12000	1000	3400
Construction Contracting Operations	3	9000	1000	2800
Construction Operations	2	4000	1000	1800
Construction Site Management	6	12000	1000	3400
Construction Site Supervision	4	12000	1000	3400
Decorative Finishing	3	9000	1000	2800
Decorative Finishing and Industrial Painting	2	6000	1000	2200
Fitted Interiors	2	5000	1000	2000
Floorcovering	2	5000	1000	2000
Formwork Occupations	2	6000	1000	2200
Foundation Degree in Architecture	5	12000	1000	3400
Foundation Degree in Built Environment	5	12000	1000	3400
Foundation Degree in Civil Engineering	5	12000	1000	3400
Foundation Degree Professional Practice in Construction Operations Management	5	12000	1000	3400
Geomatics Data Analysis	3	9000	1000	2800
Heritage Skills	3	6000	1000	2200
Highways Maintenance	2	5000	1000	2000



Insulation and Building Treatments	2	3500	1000	1700
Interior Systems	2	5000	1000	2000
Maintenance Operations	2	5000	1000	2000
Management Quantity Surveying and Commercial Management	6	12000	1000	3400
Mastic Asphaltting	2	6000	1000	2200
Mastic Asphaltting	3	9000	1000	2800
Occupational Work Supervision	3	5000	1000	2000
Plant Maintenance	2	9000	1000	2800
Plant Maintenance	3	12000	1000	3400
Plant Operations	2	4000	1000	1800
Plastering	2	6000	1000	2200
Plastering	3	6000	1000	2200
Roadbuilding	2	4000	1000	1800
Roofing Occupations	2	6000	1000	2200
Roofing Occupations	3	12000	1000	3400
Specialist Concrete Occupations	2	5000	1000	2000
Steelfixing	2	4000	1000	1800
Steelfixing Occupations Major Projects	2	9000	1000	2800
Stonemasonry	2	6000	1000	2200
Stonemasonry	3	9000	1000	2800
Surveying	3	6000	1000	2200
Sustainability	5	12000	1000	3400
Thermal Insulation	2	4000	1000	1800
Thermal Insulation	3	6000	1000	2200
Town Planning Technical Support	3	9000	1000	2800
Trowel Occupations	2	5000	1000	2000
Trowel Occupations	3	6000	1000	2200
Tunnelling Operations	2	5000	1000	2000
Wall and Floor Tiling	2	5000	1000	2000
Wall and Floor Tiling	3	9000	1000	2800
Wood Occupations	2	6000	1000	2200
Wood Occupations	3	9000	1000	2800
Woodmachining	2	6000	1000	2200

ⁱ The Barnett formula is a mechanism used by the Treasury in the United Kingdom to automatically adjust the amounts of public expenditure allocated to Northern Ireland, Scotland and Wales to reflect changes in spending levels allocated to public services across Great Britain.