

BECOME A PIONEER – HOW TO EMBRACE THE APPRENTICESHIP LEVY

Financial Services Perspective

The new Apprenticeship levy is coming on 1st May 2017 is your organisation ready for it?

This mandatory levy is likely to change the landscape of entry level and graduate roles in the UK. School leavers will no doubt become a talent pool in demand, helping organisations fill specific skills gaps and grow talent in-house.

The UK Government set an ambitious target of three million apprenticeship by 2020. To achieve this it has simplified legislation and will introduce a mandatory 0.5 % apprenticeship-levy on all businesses with [pay bills](#)* greater than £3m - 2 % of all UK businesses.

Gone are the days of apprenticeships being for electricians and plumbers only. Apprenticeships now cover everything from Professional Accountancy qualifications (ACCA, CIMA etc.) to HR Management (CIPD) and Cyber Security. Businesses have been given the initiative and are playing leading roles in designing the new [apprenticeship standards](#) – an opportunity still available through [‘trailblazers’](#).

The new rules and processes are being released gradually in the lead-up to the go live date:

GONE ARE THE DAYS OF APPRENTICESHIPS BEING FOR ELECTRICIANS AND PLUMBERS ONLY.



Subtle differences in laws and education policies exist in England, Scotland, Wales and Northern Ireland. For the purposes of this blog, we'll focus on England.

THE IMPACT TO ORGANISATIONS WITH OPERATIONS IN ENGLAND

You pay 0.5 % of your pay bill, over £3m, to HMRC through the PAYE process on a monthly basis – with first payments in May 2017, based on April 2017 payroll.

Funds will then be available, one month later, to spend on apprenticeship training and assessment through a Digital Account. The account will be managed by the UK Government, accessible to employers via online login.

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Bonuses will be offered to employers taking on 16-18 year olds and young care leavers, amongst others. Plus, for every £1 that enters your Digital Account, the Government will give you an additional 10p. However, if you don't use it you lose it, as any unused funds will expire after 24 months.

So, who in your organisation knows about the apprenticeship levy? What have you already done to get ready for it? Here are some of the key areas we think you should start with:

STRATEGIC CHOICES

Whilst there are many practical HR activities to contend with - compensation packages, apprentice specific contracts, attraction and selection methods to name but a few - it can be difficult to realise the significance of the new legislation for talent management strategies, and the opportunities it brings.

It's Decision Time – take a financial hit or seize the opportunity? This question should form the foundation of your approach. Use this [online calculator](#) to estimate the annual financial impact the levy will have on your profit margin and how much subsequent funding you will have. Whilst larger organisations will undoubtedly spend more on the levy than they can recoup, many will be looking to offset this by employing more apprentices, creating new schemes and realigning internal and external L&D training.

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Plug those talent gaps: Businesses have been experiencing the pain from the lack of alignment between formal education and skills required to succeed in business. Skills shortages have led to certain disciplines such as digital, tech and engineering having massive declines in graduate applications. No more – the trailblazer set-up gives you a fantastic opportunity to ‘grow your own’ talent and align it to your short and long term strategy.

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Don't forget about current employees! Apprenticeships are for existing employees too – providing they give a substantive new skill, lead to career progression and last for 12 months. You can therefore use the apprenticeship funds to pay for and re-invigorate your current internal/ external training. Opening a wealth of opportunity to existing employees, up-skilling and retaining these valuable skills. It will be essential to make sure eligibility criteria and recruitment methods are fair and inclusive.

Select the right Training Provider for your business: The new apprenticeships must be taught by [approved training providers](#) (including professional outfits and Universities). Think about:

- Which providers can deliver all (or most) the training for the skills you require - are they known for innovative training programmes, teaching critical digital skills and high quality delivery?
- Whether there are local companies/ Universities you want to build relationships with?
- How you can make the best use of links the training provider has with local schools and colleges?
- The pros and cons of additional services offered by some Professional providers vs. Universities

‘A good reputation is more valuable than money’: Employers will need

to attract [Gen Z](#) (those born after 1998) who are known for their digital prowess and a consciousness for protecting their online reputation. For an organisation trying to attract them, a strong reputation for embracing digital and having a leading apprenticeship programme amongst your peers will be crucial. Additional apprentice specific incentives also give the perfect chance to enhance your diversity strategy.

And finally....embed the programme. Cohesively building a new apprenticeship programme within your business, in such a short timeframe is daunting. This could be the beginning of an exciting journey for your organisation with many benefits and opportunities.

Want to start your apprenticeship journey? Want to find out more about how we're helping our clients get ahead of the game? We are already implementing an apprenticeship programme at one of the world's largest banks. Not only could it save you millions, it will benefit your people.

* The total amount of earnings subject to Class 1 secondary NIC...including earnings below the secondary threshold. Earnings include any remuneration or profit coming from employment such as wages, bonuses, commissions, and pensions contributions that you pay NICs on. Other payments such as benefits in kind, subject to Class 1A NICs, will not be included.

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