



**European Union**

European  
Social Fund

## **2014-2020 ESF Programme**

### **Action Note**

<b>Reference Number:</b>	<b>006/17</b>
<b>Date Issued:</b>	<b>24 October 2017</b>
<b>Review date:</b>	<b>23 October 2018</b>

## **ESF and the Apprenticeship Levy**

### **Who**

All ESF beneficiary organisations, European Social Fund Division, IBs and GLA

### **What**

This Action Note is about the introduction of the Apprenticeship Levy and impacts on ESF.

### **Cleared**

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# Background

## Introduction of the Apprenticeship Levy

From April 2017 the Government required employers with an annual wage bill of over £3 million to contribute to the Apprenticeship Levy via a digital account and from May 2017 the way apprenticeships are funded in England was simplified. This makes it easier for employers to navigate and choose the apprenticeship training they want to purchase. The vast majority of employers will not be eligible to pay the levy although they will be able to get funds out of the Levy in order to pay the training costs of any Apprentices they employ.

Employers with fewer than 50 people working for them will be able to train 16 to 18 year old apprentices without making a contribution towards the costs of training and assessment. The government will pay 100% of the training costs for these individuals.

Providers will be paid by government when they have evidenced delivery of training and assessment activities through their usual monthly return. At the start of the apprenticeship the provider will indicate how long it is expected to last before successful completion. The government will make payments totalling 80% of the negotiated price on a monthly basis, spread evenly across the period of the apprenticeship. The remaining 20% will be paid at the end of the apprenticeship.

## Impact on ESF Delivery

Following the introduction of the Apprenticeship Levy and the changes to the way apprenticeships are funded in England we have received a number of queries from Grant Recipients requesting further information on the impacts on ESF.

## Match Funding

We have established that applicants whose ESF projects are approved on or after 24 October 2017 can use money received from the government, paid from an employer's Apprenticeship Levy digital account as match funding.

**Please note:** existing grant recipients (approved prior to 24 October 2017) are unable to submit a request to use the Apprenticeship Levy as match.

Potential ESF applicants may not be able to provide written evidence/letters of intent when they opt to use this as match funding, given that the amount available will be determined throughout the implementation of the project, and will be in relation to how many employers choose specific training providers in the future. In this situation the application would need to provide detail of what they expect to deliver in relation to provision for apprentices, how much income this is expected to bring and also that there is a demand for the grant applicant's specific training delivery to apprentices commissioned by their employers and paid for using the Apprenticeship Levy.

**Please note;** as all Apprentices are eligible to attract the levy to pay for their training, where the Apprenticeship Levy is being used as match funding, the application must

describe what 'additional' eligible activities the ESF contribution will be funding, such as mentoring / coaching etc.

Each project will be considered and appraised on its own merits. However a project should be able to use the money received as match funding and remain compliant with ESF rules if applicants maintain a detailed adequate audit trail and meet all ESF regulations.

## **Apprenticeship Levy and Staff Costs**

Grant Recipients who are required to contribute to the Apprenticeship Levy **cannot** claim their contribution as a direct salary cost as the contribution does not form part of an employee's salary package.

## **Action**

Note the decision to allow the Apprenticeship Levy to be used as match where relevant and ensure that contributions to the levy by employers has not be included in any ESF claims as staff costs. Guidance will be amended to reflect the information provided.

## **Contact**

For questions please contact: [esf.2014-2020@dwp.gsi.gov.uk](mailto:esf.2014-2020@dwp.gsi.gov.uk)