



The Ultimate **Apprenticeship Levy Guide** for HR professionals and L&D Directors

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About this Guide

The introduction of the Apprenticeship Levy has presented new opportunities on how HR Directors and Learning & Development professionals can access training and development for their employees and acquire new talent to their organisation.

Understandably, many organisations need to figure out how they will spend their levy and identify any skills gap within their team(s), and also encourage employers to progress and develop new skills.

This guide has been designed to help navigate the apprenticeship levy and find out how best to maximise these funds to benefit your staff and the wider organisation.

Background

What is the Apprenticeship Levy?

The Apprenticeship Levy is a UK tax on employers which can be used to fund apprenticeship training. It is designed to help support quality training and develop vocational skills.

It came into effect in April 2017 in a bid to create an additional 3 million apprenticeships by 2020.

The primary aim of the Apprenticeship Levy is to ensure that businesses have access to funding to hire and train apprentices so that they can build a talented and skilled workforce for the future.

Who is eligible to pay for the Apprenticeship Levy?

The Levy applies to both public and private UK employers across all sectors with a payroll bill in excess of £3m a year.

Even if you don't take advantage of apprenticeship training, you will still have to pay the Levy so you may as well take full advantage of all the benefits it can deliver to your business.

"Apprenticeship participation now stands at a record level – there were 491,300 apprenticeship starts in the 2016 to 2017 academic year of which 121,250 (24.6%) were under 19."

Key Stats, Education & Skills
Funding Agency

How is the Levy payment calculated?

All employers have an offset allowance of £15,000 (equal to 0.5% of £3 million). 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 Levy. 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 can Levy funds pay for?

Levy funds can only pay for apprenticeship training and assessment with an approved training provider. They can be used to upskill existing staff as well as training new apprentices.

Funds cannot be used to pay for the following:

- Wages
- Travel
- Subsidiary costs
- Managerial costs
- Work placements
- Traineeships
- Cost of setting up an apprenticeship programme

What counts as an apprentice?

The apprenticeship funding rules set out by the government must meet the following criteria:

- They must be paid at least the minimum apprentice wage rate - £3.90. This rate applies to apprentices under 19 and those aged 19 or over who are in their first year. After their first year, adult apprentices are entitled to the National Minimum Wage for their age
- Be employed in a real job – they may be an existing employee or a new hire
- Be working towards achieving an approved apprenticeship standard/framework
- Be in training that lasts for at least 12 months, depending on the framework or standard
- Require substantive new skills and spend at least 20% of their working hours on off-the-job training.

Funding for apprenticeships aged 16-18 years

The Government wants to incentivise employers to take on 16-18 year olds by providing them with a £1,000 payment – paid at 3 and 12 months into the apprenticeship.

This reflects the Government's commitment to have more young people in apprenticeships and support employers with additional costs.

"Apprentices do not have to be a new hire, they can be an existing employee who wants to acquire new skills."

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 5% co-investment. The training costs will be fully covered by Government (as long as they are within the funding cap).



Utilising your Apprenticeship Levy

In order to utilise funds from the Levy Account, you are required to sign a contract directly with the Education Skills & Funding Agency (ESFA). You will need your Government gateway login details for your PAYE schemes and your organisation's company registration number.

Once you have created the account you will be able to see a forecast and utilisation of the Levy funds. You can also set up other users, manage your apprenticeship delivery, view payments you've made to your training provider, see your balance and stop or pause a payment.

Payments are collected monthly by HM Revenue and Customs (HMRC) through Pay as You Earn (PAYE), alongside tax and National Insurance.

Expiry of Levy funds

Levy payments expire 24 months after you have paid them unless you spend them on apprenticeship training, this will also apply to any top-ups from the government.

Transferring your Apprenticeship Levy

Employers can transfer up to 25% of their unused Levy funds to other organisations to pay for their apprenticeship training. This will be calculated from the total amount of levy declared during the previous tax year.

Who you choose to transfer your Levy funds to is up to you. It could be an employer in your supply chain, or even a business within your local community. It is your choice as long as the funding is being spent on apprenticeships.

The sending employer and the receiving employer need to first agree the details of the transfer of funds; for example, which apprenticeship standard, how many apprentices, and the cost. You will then be able to connect each other's accounts and confirm the transfer.



Employers who do not pay the Levy

Smaller businesses with a payroll of less than £3m per annum will not be eligible to pay the Apprenticeship Levy, but they can receive government funding towards the costs of apprenticeship training and assessment through co-investment.

The Government will pay 95% of the price agreed with the training provider, up to the maximum allowed by the funding band for the relevant apprenticeship standard or framework. The remaining 5% is paid by the employer, making apprenticeship training a very affordable way to train and develop new or existing staff.

Employers with fewer than 50 employees are not required to pay a contribution to the cost of the apprenticeship where the apprentice is aged 16 to 18, or aged 19 to 24 if he or she has previously been in care or has a local authority education, health and care plan. The Government will pay 100% of the training and assessment costs in these circumstances.

Commercial benefits of Levy funded Apprenticeships

Apprenticeships provide businesses with a great opportunity to invest in the future of their workforce. They allow employers to nurture and develop new talent, as well as grow and retain existing employees in a cost effective way.

“Nearly all apprentices feel that they acquire or improve their skills as a direct result of their apprenticeship.”

Key Facts about Apprenticeships,
Education and Skills Funding Agency

The apprentice gets to earn-as-they-learn, gain invaluable work experience and achieve nationally recognised qualifications.

Whether you are taking on new staff or upskilling existing members of your team, apprenticeships are a great way to tailor an employee's skillset to carefully meet the demands of your business.

Why choose NTG Training?

NTG Training works with a number of large businesses and SMEs, in a variety of sectors, providing them with suitable apprenticeship candidates that fit the requirements of their business, as well as honing and developing skills of your existing workforce to provide genuine value to the business as a whole.

We are a Government-approved training provider. This means we are approved to deliver apprenticeship training for employers using the apprenticeship service. We take the time to understand your business and training requirements to ensure that we match the right course, preferred learning style and apprentice to meet the needs of your business.

Qualified to the highest level

Our tutors, assessors and trainers are all qualified to the highest level with many years of industry related experience. They regularly monitor the apprentice to ensure that their progression meets industry standards and to identify any knowledge or skills gap in relation to the training. We also provide regular feedback to the employer on the apprenticeship's progress.

At the end of the training, the apprentice will go through an End of Point assessment where they are signed-off by their employer as ready for a final assessment of their knowledge and practical capabilities. The assessment will be graded (in most cases) and the Independent Assessment Organisation (IAO) and the assessor must be independent of, and separate from the training provider and the employer.

Nearly 9 out of 10 (89%) apprentices were satisfied with their apprenticeship overall, and 97% of apprentices said their ability to do the job had improved.

Key Stats, Education Skills & Funding Agency

Flexible, blended learning approach

NTG Training uses the latest technologies, including e-learning and e-portfolio systems to provide a flexible training approach that meets the demands of today's business.

Apprentices can access online systems at any time; giving total flexibility and minimum disruption in the work place which is essential for today's business demands. All e-learning systems have been developed with "non-IT experts" in mind, keeping them user friendly and simple to use.



NTG Training - the North West's leading Apprenticeship Training Provider

NTG Training has been delivering high quality apprenticeship training to businesses and individuals across the North West for over a decade.

We work closely with employers to upskill your workforce and acquire new talent. Our approach results in significant recruitment cost savings, increased productivity, and a motivated and qualified workforce. Most importantly, we are a strategic partner helping you grow your business to the next level.

We take time to get to know your business and the skills you need so that we can design apprenticeship training solutions and bespoke programmes that attract the brightest talent and empower your staff to grow and develop new skills.

We are experts across digital marketing apprenticeships, customer service operators, business administration training, warehousing and storage, and pioneers in textile care apprenticeship training.

Get in touch

If you are looking to take on an apprentice or upskill your existing workforce, please contact NTG Training to discuss your requirements in more detail.

Tel: 01244 678 100

Email: info@ntgtraining.co.uk

Mallard House
The Sidings
Boundary Lane
Saltney
Chester CH4 8RD