



An employer guide to the levy, apprenticeship service accounts and how to pay for apprenticeship training

What is the apprenticeship levy?

The government has an initiative to develop vocational skills, and to increase the quantity and quality of apprenticeships. The levy is being used to fund the increase in delivery of new apprenticeships and it supports quality training by putting employers at the centre, providing more control over where and how money is spent on apprenticeships.

Who does the Apprenticeship levy affect?

The Apprenticeship levy affects UK employers in all sectors with an annual paybill in excess of £3 million. It is estimated that less than 2% of UK businesses are subject to the levy. All businesses with a UK paybill above £3,000,000 per annum are required to pay the levy, regardless of whether they make use of the funding available for apprenticeships. Although the levy is calculated on an employer's full UK paybill, the levy scheme only applies to English apprenticeships. Scotland, Wales and Northern Ireland operate their own apprenticeship programmes.

Levy calculation and collection

The levy is charged at a rate of 0.5% of an employer's full UK paybill and will be paid to the HMRC through the PAYE process alongside tax and NICs. For the purpose of the levy, an 'employer' is someone who is a secondary contributor, with liability to pay Class 1 secondary National Insurance Contributions (NICs) for their employees. Each employer receives an annual levy allowance of £15,000 to offset against their levy payment (per tax year).

Levy examples

Example 1	Example 2	Example 3
An employer with an annual paybill of £5,000,000	An employer with an annual paybill of £3,000,000	An employer with an annual paybill of £2,000,000
<ul style="list-style-type: none">Levy sum: $0.5\% \times £5,000,000 = £25,000$	<ul style="list-style-type: none">Levy sum $0.5\% \times £3,000,000 = £15,000$	<ul style="list-style-type: none">Levy sum $0.5\% \times £2,000,000 = £10,000$
<ul style="list-style-type: none">Subtracting levy allowance: $£25,000 - £15,000 = £10,000$ annual levy payment	<ul style="list-style-type: none">Subtracting levy allowance: $£15,000 - £15,000 = £0$ annual levy payment	<ul style="list-style-type: none">Subtracting levy allowance: $£10,000 - £15,000 = £0$ annual levy payment

Once an employer has calculated that they need to pay the levy, they will need to declare this and include it in their usual PAYE payment to HMRC.

The Digital Apprenticeship Service and access to funding

Both levy paying employers and non levy paying employers need to register to create an apprenticeship service account. This will enable them to:

- access and manage apprenticeship funding
- receive a transfer of apprenticeship funds where eligible
- advertise vacancies on Find an apprenticeship
- search for apprenticeships and approved training providers

- choose approved training providers
- select suitable end-point assessment organisations
- give feedback on apprenticeship training
- give training providers permission to carry out some tasks on their behalf

Levy paying employers

The Apprenticeship Service enables levy paying employers to select and pay Government-approved training providers. The funding can be used to pay for training and assessment for apprentices in England. Employers can't use funds in their account to pay for other costs associated with apprentices (such as wages, statutory licences to practise, travel and subsidiary costs, work placement programmes or the setting up of an apprenticeship programme).

In addition to the amount paid into the account, the Government applies 10% top up on funds, meaning that for every £1 paid in, the employer gets £1.10 to spend.

Employers can only use funds in their account to pay for apprenticeship training and assessment for apprentices who work at least 50% of the time in England, and only up to the funding band maximum for that apprenticeship. If the cost for training and assessment go over the funding band maximum, an employer is required to pay the difference via funding from their own budget.

As a levy paying employer, you will also be able to:

- add PAYE schemes you want to use for apprenticeship funding
- add your organisations contracting with training providers
- transfer a maximum of 25% of your unused annual funds to other employers

Non levy paying employers

Non-levy paying employers share the cost of training and assessing their apprentices with government, this is called 'co-investment'. The co-investment rate for non-levy paying employers is 5% for apprenticeships, the government will pay the rest (95%), up to the funding band maximum.

Non-levy paying employers can use their account to reserve apprenticeship funding to pay for apprenticeships. Reserve funding in the 'finance' section of the apprenticeship service account. An employer can also give their training provider permission to reserve them on their behalf.

The reserved funds will be able to use from the start date of the apprenticeship and the following two months. Should the funds not be utilised within this time period, they will expire at the end of the third month.

Creating an apprenticeship service account

[Register to manage your apprenticeship funds](#) - is the link to either register or to sign into an apprenticeship service account.

In order to register for an apprenticeship service account, the account user will need:

- an email address that can be accessed at the time of registration
- the Government Gateway login for their organisation (or they can use the accounts office reference number and employer PAYE scheme reference number if their annual pay bill is less than £3 million)
- authority to add PAYE schemes to the account
- authority to accept the employer agreement on behalf of their organisation

By registering, the account user will be asked to

- create an account
- add a PAYE scheme on behalf of their organisation
- accept the employer agreement with the ESFA

The account user will need to input details of the apprenticeship standard and apprenticeship start date into their apprenticeship service account. These details can be amended prior to the start date that has been input.

It is important an employer adds apprentices to the account, as a provider will not get paid if the data they submit doesn't match the information an employer has approved for each apprentice in the apprenticeship service.

Agreement for the cost of training

An employer and their selected training provider must agree a total price for each apprenticeship, including the costs of training and the cost of the end point assessment agreed with the apprenticeship independent end point assessment organisation. A formal agreement is signed by both parties.

Paying for training and assessment

An employer pays for training and assessment with funds through their apprenticeship service account, once the apprenticeship training they've input, has started. Payments are taken from the service account on a monthly basis and sent to the selected training provider.

Should an employer not have enough funds in their account to pay for training in a particular month, they will be required to share the remaining cost of training and assessing of apprentices for that month with the government. This is referred to as 'co-investment'. With 'co-investment', an employer pays 5% of the outstanding balance for that month, and the government will pay the remaining 95% up to the funding band maximum.

How long will funds be available for?

The available funds within an employer levy account are visible from the 23rd of each month.

Funds within an account will expire if they are not used within 24 months of entering the account. Whenever a payment for training is made from the account, the oldest funds will be used to pay the training provider eg. funds enter your account in April 2019, if not used by April 2021 will expire and will no longer be accessible. Employers can view the levy funds in the finance session of their account.

For more information on the levy or to book one of our team to come and discuss the levy and how apprenticeships can help grow your business, please contact us on hello@dynamictraining.org.uk

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