

# APPRENTICESHIP LEVY

## YOUR CHOICES OUR SUPPORT

How Connect2Care can help your  
business maximise your levy fund

5th Edition

Connect  
2care

## This pocket handbook explains how the apprenticeship levy affects your business and how you can turn a mandatory payroll tax into a business advantage for your staff and management team.

It's now three years since the introduction of the apprenticeship levy and figures obtained under the Freedom of Information Act show that there is currently a gap of over 3 billion pounds between levy that has been collected by HMRC and that being utilised by businesses. Why? I would suggest that the number one reason is that many levy paying employers still don't understand how the system works. I hope that this fifth edition of the C2C Levy Handbook will go some way towards improving that understanding.

Since the launch of the levy there have been many complaints that the system is too bureaucratic and that it was launched before the necessary mechanisms to make it work were in place, and to some extent this is justified. However, the benefits to businesses of apprenticeships still far outweigh the administrative burden that they cause. Better skilled people with a thorough understanding of their role and the right behaviours to exercise those skills and that knowledge are a huge asset not only to individual employers but also to the economy as a whole. Further, by investing in the development of your staff you gain their loyalty: many C2C clients have seen extraordinary levels of reduction in staff turnover and significant improvements in internal promotions. The short term net cost of apprenticeships is far outweighed by the longer term benefits to business.

The levy continues to change and in this edition of our levy handbook we have highlighted those changes alongside the original guidance. As with previous editions, we have taken the jargon out of the government announcements to explain how the levy works and what it means to you.

At C2C we deliver training and assessment to over 2000 Adult Care and Early Years apprentices each year, so our expertise on current apprenticeship funding and our insight into the future of levy funding, as well as changes to the apprenticeship programme, will ensure you are kept informed.

This handbook will answer your questions and point you in the direction for further information. It is your personal manual to understanding the levy. We've set out the facts clearly in an understandable way, debunked the myths, added links to help you set up your levy account online and highlighted the genuine benefits of the Adult Care and Early Years sectors. It doesn't have to be complex; it's your levy, and we're here to help you make the most of it.

No doubt there will be more developments about the apprenticeship levy in future. We will keep you updated via email and our website [connect2care.net/apprenticeship-levy](https://connect2care.net/apprenticeship-levy).

**Jill Whittaker FCA**  
Managing Director  
Connect2Care



## What is the Apprenticeship Levy?

- ▶ The apprenticeship levy is a payroll tax on UK employers to fund new apprenticeships.
- ▶ The levy is set at 0.5% of your pay bill, paid monthly through PAYE.
- ▶ Your pay bill is based on the total amount of earnings subject to Class 1 secondary employers NIC. Although earnings below the secondary threshold are not counted when calculating an employer's NIC, they are included for the purposes of calculating the amount of levy the employer needs to pay.
- ▶ Earnings in scope for the levy include any remuneration or profit coming from employment of all staff (including directors), such as wages, bonuses, commissions, and pension contributions that you pay Class 1 secondary employers NIC on. The levy is not charged on other payments such as benefits in kind and reimbursed expenses.
- ▶ The government says that any UK employer, in any sector, with a pay bill of more than £3 million per tax year pays the levy on a total pay bill over £3 million. However, the levy will be a monthly deduction, so in reality these costs are taken in any month where your pay bill is over £250,000. If your pay bill in that tax year is below £3 million any levy deductions will be reimbursed.

- ▶ You will hear talk of an 'allowance' of £15,000 per tax year to offset against your levy liability. This is confusing - all it means is that you only make levy payments on your pay bill in excess of £3 million per tax year. This 'allowance' is available on a monthly basis.
- ▶ Employers in England who pay the levy and participate in apprenticeship programmes receive more than they pay into the levy, through a monthly 10% top-up to their digital account.
- ▶ The levy is an allowable expense for corporation tax purposes.



### Using your levy payments

Levy payments can be used to fund apprenticeships right across your organisation, not just for new entrants. So staff seeking promotion could be eligible for a supervisory or management apprenticeship (level 3), senior management for a higher or degree apprenticeship (levels 4, 5, 6) even a Masters degree equivalent (level 7). Full details of all these programmes are available on our website at [connect2care.net](https://connect2care.net) or directly from our local teams across the country.



## Paying the Levy

Here's an example of how the levy will be calculated:

### Levy Paying Employer

Employer of **250 employees**, with an average gross salary of £20,000

Pay bill:  $250 \times £20,000 = £5,000,000$

Levy entry point: = **£3,000,000**

Therefore Levy payable on **£2,000,000**

Levy sum:  $0.5\% \times £2,000,000 = £10,000$

**£10,000 annual levy payment**

### Non-Levy Paying Employer

Employer of **100 employees**, with an average gross salary of £20,000

Pay bill:  $100 \times £20,000 = £2,000,000$

Levy entry point: = **£3,000,000**

**£0 annual levy payment**

## How?

Your payroll department calculates, reports and pays your levy to HMRC, through the Pay as You Earn (PAYE) process alongside Income Tax and National Insurance.

Single employers with multiple PAYE schemes are added together in levy calculations.

Connected employers – The government allows employers to share one allowance between employers who are in connected ownership or control (for example groups of companies or joint ventures).



### What you need to consider when using your levy

If the costs of training and assessment go over the funding band maximum, you will need to pay the difference with other funds from your own budget.

## The English Apprenticeship System

Education and training is a devolved policy, which means that authorities in each of the UK nations manage their own apprenticeship programmes. This handbook describes how the apprenticeship levy works in England.

In England your levy payments are recorded on the Digital Apprenticeship Service website where you can access your account at any time. If you need help setting this up just let us know.

You'll get the same proportion of your levy payment to spend in England as the proportion of your pay bill paid to employees living in England, this is called the 'English percentage'.

### EXAMPLE

If 100% of pay bill is in England -  
**100% of levy payment in digital account**

If 80% of pay bill is in England -  
**80% of levy payment in digital account**

For levy information outside of England contact:

Scotland [apprenticeships.scot](https://www.apprenticeships.scot)

Wales [businesswales.gov.wales/skillsgateway/skills-and-training-programmes/apprenticeships](https://www.businesswales.gov.wales/skillsgateway/skills-and-training-programmes/apprenticeships)

Northern Ireland [nidirect.gov.uk/campaigns/apprenticeships](https://www.nidirect.gov.uk/campaigns/apprenticeships)

## Getting out more than you put in

Employers who pay the levy and are committed to apprenticeship training are able to get out more than they pay in to the levy.

The government applies a 10% top-up to monthly funds entering levy paying employers' digital accounts, for apprenticeship training in England.

### Worked Example

Employer has

**£12,000 annually entering their levy account**

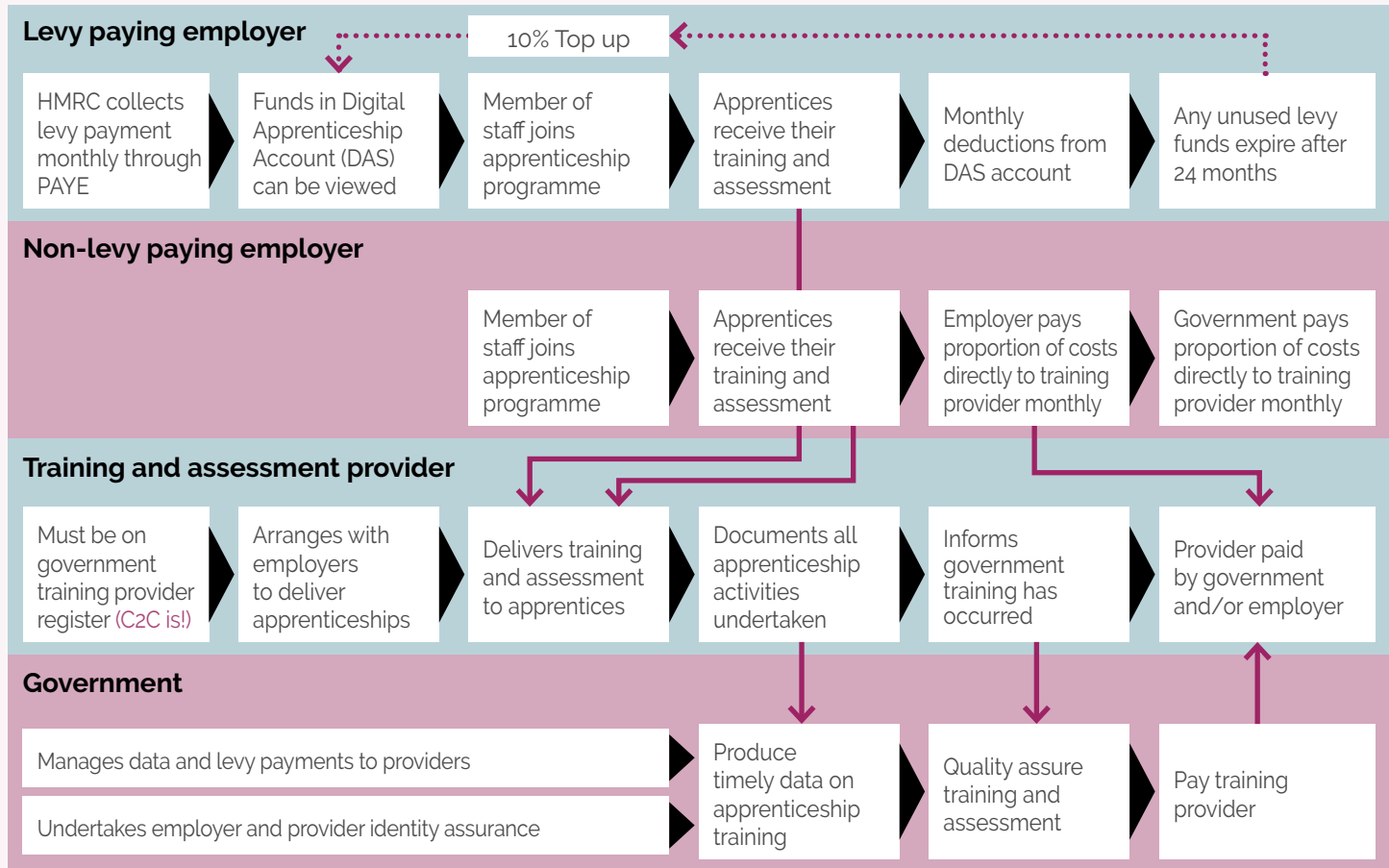
Monthly account funding = **£1,000**

Top up:  $10\% \times £1,000 = £100$

Levy monthly account increase:  $£1,000 + £100 = £1,100$

**£13,200 annually to spend on Apprenticeships**

# How the levy will work



## Operating model – what can happen?

### Expiry of levy funds

Levy funds expire 24 months after they enter your account unless you spend them on apprenticeship training. Levy spend is applied on a first in, first out basis (the government call this 'sunsetting'). This also applies to any top-ups in your digital account.

### Directing levy funds to other employers

- ▶ Employers that pay the apprenticeship levy have the option to fund an apprentice in another organisation. This means that levy-paying employers can work with another employer to help them take on apprentices, increasing the skills base in their supply chain, sector, charity or local area. The choice is up to you.
- ▶ Employers can transfer a maximum of 25% of annual funds. This is worked out from the total amount of levy declared, with the English % applied, plus the 10% government top-up payment.
- ▶ These funds will be used to pay for the training and assessment cost of the apprenticeships agreed with the receiving employer and will be paid monthly for the duration of the apprenticeship.
- ▶ Only levy-paying employers can make a transfer. Any non-levy paying employer can receive and use transferred funds, but they have to be registered on the apprenticeship service. A transfer can only be used to pay for training and assessment for apprenticeship standards.

- ▶ The Government has supplied a simple film to support you with the transfer process:  
[youtu.be/6sHogDiUgNM](https://youtu.be/6sHogDiUgNM)

For further information on the transfer process visit:  
<https://www.gov.uk/guidance/transferring-apprenticeship-service-funds>

### Pooling funds in an apprenticeship service account with other employers in a group structure

- ▶ If you are in a group of companies connected for the purposes of paying the levy, your group is able to collect funds together into one account. Your group can do this by registering to have PAYE schemes attached to a single account.
- ▶ The government says 'you will be free to co-ordinate your spending at local or sector level outside the digital service' - this simply means that you can spend your own non-levy cash as you wish.

You need to know that 10% of all the funds you receive as a transfer from another employer count as state aid. Therefore, you should check:

How much state aid you've already received in any 3 year period, so you don't go over the €200,000 limit you're allowed.

If you're part of a connected organisation, you'll need to find out the combined total of state aid you've received for that 3 year period.



## Co-Investment: Non-levy paying employers

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### Co-Investment

There are two types of employers who are required to contribute towards the cost of their apprenticeship training outside the levy system:

1. Employers who don't have to pay the levy - those employers whose pay bill is less than £3 million per tax year.
2. Employers who pay the levy but have either used all their funds or have an insufficient amount to fund the number of apprentices they wish to train.

These employers will be required to co-invest a 5% proportion of funding towards the cost of their apprenticeship training. The government will contribute a 95% proportion of funding to cover the majority of the costs of apprenticeships training.

### TOP TIP

Work with C2C to look at how we can help you to maximise the business benefits from your apprenticeship levy.

### Digital apprenticeship service (DAS) access

From January 2020, the Education and Skills Funding Agency (ESFA), is inviting all employers to use the apprenticeship service. If you are a levy paying employer or an employer receiving a levy transfer you have to create an account on the Digital apprenticeship service in order to manage your funds.

For smaller employers, with a paybill of less of £3 million, and therefore do not pay the apprenticeship levy, use of the service is currently optional. For information on how to set up your digital account please visit the government website: [gov.uk/guidance/manage-apprenticeship-funds](https://gov.uk/guidance/manage-apprenticeship-funds)

If you do not pay the apprenticeship levy, you will fund your apprentices in one of two different ways, either using the apprenticeship service or through a contract for funding apprenticeship training held by a training provider like C2C.

### Take advantage of the new apprenticeship standards



**HINT**

The recent switchover to the apprenticeship standards (the new method of learning and assessment which replaces the old frameworks) has ensured training is even more relevant, rigorous and in-line with the requirements of the hospitality sector. They have been designed by a group of sector employers – known as 'Trailblazers' – and cover a much broader context which caters to employees at all levels. There's a whole host of apprenticeships, ranging from Level 2, aimed at those just beginning their career, through to degree level qualifications designed for aspiring senior professionals.

You can find a list and full details of all the hospitality sector apprenticeship standards at [connect2care.net](https://connect2care.net)



## What can you use your levy or government funds for?

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### Funds can be used for:

- ▶ Apprenticeship training and assessment with an approved training and assessment provider.
- ▶ End Point Assessment services from a registered EPAO provider.

### Funds cannot be used for:

- ▶ Wages.
- ▶ Statutory licences to practise.
- ▶ Travel and subsidiary costs.
- ▶ Managerial costs.
- ▶ Traineeships.
- ▶ Work placement programmes.
- ▶ The costs of setting up an apprenticeship programme.

## Choosing a training provider as your apprenticeship partner



Levy paying employers need to partner with an approved training and assessment provider such as C2C, who receives your levy funding from the government to deliver the agreed training and assessment to your apprentices.

### There are three choices we offer:

1. Choose C2C as your apprenticeship partner and we will organise, deliver and arrange training and prepare for independent end assessment for all your apprentices. C2C has an excellent reputation as the hospitality and catering industry's leading expert apprenticeship provider.
2. White Label your own apprenticeship programmes using C2C. If you have sufficient apprentices nationally we will manage and deliver your apprenticeship programme with a dedicated team of trainers and assessors seconded into your organisation, branding the entire programme with your logos to encompass your organisation's culture. If you wish, we can work alongside your own staff to deliver this option.
3. Become a Training Provider yourself with C2C Consultancy. You can become your own training provider. You need to register on the government's Register of Training Providers and meet the criteria and be prepared for National Audit Office and Ofsted inspections. C2C can provide consultancy to enable you to meet the criteria and continued support to enable you to deliver your apprenticeships within the rules.



## Extra support

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### 16-18 year olds

When you take on an apprentice who is aged between 16 and 18 at the start of their apprenticeship, you will receive a payment of £1,000 to help meet the extra costs of employing them. This will be paid to you through the training provider. If you have fewer than 50 employees you will not be required to pay the 5% co-investment contribution for any 16 to 18 year old apprentices you employ.

### Funding for additional needs

To help meet extra costs, you will receive the same payment as you do when you recruit a 16 to 18 year old apprentice, if you recruit:

- ▶ An apprentice who is aged between 19 and 24 and who has an education, health and care plan provided by the local authority.
- ▶ A 19 to 24 year old who has been in the care of the local authority.

### Funding for English and maths training

If your apprentice doesn't already have the required minimum standard in English and maths they will need to undertake an English and/or maths course.

The Government will pay providers directly for the English and maths courses they deliver.

### Workforce Development Fund

This fund comes from the Department of Health and is managed by Skills for Care. The fund pays for qualifications and supports the ongoing professional development of staff across adult social care in England. It is available to all adult social care organisations.

## National Insurance breaks for employers of Apprentices under 25

From April 2016 employers of apprentices under the age of 25 will no longer be required to pay secondary Class 1 (employer) National Insurance contributions (NIC) on earnings up to the Upper Earnings Limit (currently £50,000), for those employees.

This is a 13.8% saving on everything the apprentice earns over £8,788 a year for the employers of apprentices.

#### Please note:

All costings and percentages quoted in this document are correct as of April 1st 2020.



### An example of the savings for employers could be:

An employer recruits an apprentice who is under 25 and they encourage them on to an apprenticeship. If the staff member is earning £18,000 per year, on employers national insurance rate of 13.8% (the first £8,788 earned is not subject to NIC anyway) the £9,212 that is subject to NIC gives the employer a saving of £1,271 that they no longer need to pay, for the entire time the staff member is on an apprenticeship and under 25.

This also includes people already on an apprenticeship as long as they are still under 25.



The regulations around the levy and apprenticeship funding are complex. Connect2Care's local teams are ready and able to support you to manage your levy through the government's Digital Apprenticeship Service. We will help you to maximise the benefits you will recoup from your levy payments.

We welcome your feedback on this handbook, and are available to answer any of your questions about how the levy will affect your business.

**Please get in touch:**

**Email:** [apprenticeshiplevy@connect2care.net](mailto:apprenticeshiplevy@connect2care.net)

**Call:** 0800 954 2803

**Visit:** [connect2care.net/apprenticeship-levy](https://connect2care.net/apprenticeship-levy)

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