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# APPRENTICESHIP

# LEVY GUIDE



## CHARITY FINANCE GROUP

The purpose of Charity Finance Group (CFG) is to develop a financially-confident, dynamic and trustworthy charity sector.

Our 1,400 members are charity finance professionals, who between them manage £19bn of funds. We work with our members to: inspire and nurture leadership; drive up standards; create a better and fairer operating environment; identify best practice and share knowledge.

Ultimately, we strive to equip charities with the knowledge, skills and conditions they need to ensure that every pound works even harder, achieving a greater impact for even more beneficiaries.

## GRANT THORNTON

Grant Thornton UK LLP has a national team of dedicated specialists providing a full range of bespoke audit, tax and other advisory services to over 800 organisations in the charity and not for profit sector.

Ranked fourth in the top charity auditor table (listed by income audited) Grant Thornton is firmly committed to the sector through providing a varied and topical national seminar programme, sitting on regulatory boards, producing technical literature and regularly contributing to industry publications.

For more information, please contact Carol Rudge, Head of Not for Profit on 020 7383 5100.



# FOREWORD

**The charity sector is an important part of all our lives. Charities make a significant contribution to civic life locally, and their national work is well known to most people.**

As Minister for apprenticeships and skills, I believe that apprenticeships play a key part in making sure that people of all ages and backgrounds can fulfil their potential. Charities play a key role in training and skills provision, and apprenticeships are an opportunity for charities to extend their important work, by giving more people the opportunity to gain the skills they need to get on in life.

I am pleased to introduce this guide on the apprenticeship levy.

I think that there is a huge opportunity within the charities sector to support our work in making sure that there are high quality apprenticeships available to widen participation in apprenticeships – and, in doing so, build the valuable skills people need to get on in life.

I hope that the charities sector will welcome the additional flexibility to transfer up to 10% of their levy funds from April to support apprenticeships in other organisations.

The charitable sector does invaluable work. This is an opportunity for you to help change people's lives in new ways. I am also grateful to Charity Finance Group and Grant Thornton coming together to support the use of apprenticeships in the charity sector.

I would encourage charity employers to use this guide, to help them make the most of apprenticeships in their organisation.



**THE RT HON ANNE MILTON MP**  
Minister of State for  
Apprenticeships and Skills

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# WELCOME FROM GRANT THORNTON

*Grant Thornton UK LLP is part of a global organisation and is a leading business advisor to more than 40,000 clients. It sits at the heart of the growth agenda with a bold purpose to shape a vibrant economy by building trust and integrity in markets, unlocking growth in dynamic organisations, and creating environments where people and businesses thrive.*

Grant Thornton is committed to developing the skills and knowledge of the UK's current and future workforce. We truly value the contribution that this has for future productivity, growth and sustainable, long term prosperity.

According to NCVO, civil society organisations have an estimated combined annual income of nearly £200 billion which represents approximately 10% of UK GDP based on 2016 figures. Their combined importance goes way beyond their direct economic contribution. We know that the sector plays a key role in delivering services which support social mobility, social cohesion and social inclusivity. Across the UK, not-for-profit organisations are increasingly expected to deliver more, while at the same time facing cuts in government funding and voluntary giving. We understand the commitment and scrutiny within this sector, and as such, our industry specialists work with a wide range of organisations to meet these challenges, offering innovative solutions to help develop new skills and open up sources of funding. The people in our not-for-profit teams are passionate about helping the sector to achieve its missions and goals.

The Apprenticeship Levy was introduced in April 2017 and represents both a financial challenge and also a huge opportunity for upskilling your new and existing workforce. Grant Thornton sees the Levy as an opportunity to align recruitment and learning and development activities with the strategic needs of your organisation to ensure you have the skills you need now and into the future. Since the Levy was introduced we have supported over 1,500 employers to better understand the Levy and the new apprenticeship funding landscape and to put plans in place to maximise the opportunity.

As part of our ongoing support for the sector, we are delighted to have worked with the Charity Finance Group to develop this simple, accessible guidance document. It covers guidance on practicalities of paying and accessing the Levy funds, how to get the most from your payments, the available training opportunities and signposts you to further support and information.

We hope you find this document a useful resource and would welcome the opportunity to discuss your plans with you.

**Justin Rix**  
Partner, Head of Talent Solutions  
Grant Thornton UK LLP

**Carol Rudge**  
Partner, Head of Not for Profit

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4,500 PEOPLE

180 PARTNERS

£521M TURNOVER



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# INTRODUCTION TO THE APPRENTICESHIP LEVY

*Acknowledging that the Levy is here to stay, and likely to only increase, employers in every sector are reviewing training needs for new and existing employees. Apprenticeships are set to form a valuable part of resourcing and development strategies – offering opportunities for organisations who may not have been able to invest in training previously.*

## BACKGROUND AND DIRECTION

The Apprenticeship Levy was introduced in April 2017 to create a system of direct funding for apprenticeship training by employers. Every employer with a pay bill in excess of £3m per annum is now required to pay a 0.5% levy on their total pay bill. This money can be accessed by individual organisations to invest in apprenticeship training.

The key driver for the government is productivity. The UK is almost 20% behind the G7 average on productivity and the gap is widening. Long term underinvestment in skills development by employers is a major contributing factor. Workplace training has seen a 50% reduction over the last 15 years (Centre for Learning and Life Chances in Knowledge Economies and Societies, 2013).

Charities are not immune to the productivity gap. Many charities work in sectors such as health, social care and education where the UK also lags behind international competitors. Apprenticeships are an opportunity to boost charities' productivity, and impact as well.

The Government set a target of 3 million apprenticeship starts by 2020, seeing apprenticeships as a key driver for closing the productivity gap through upskilling our existing and future workforce.

## WHAT IS AN APPRENTICE?

An apprenticeship is a 'real-world', salaried job paying at least the minimum wage. An apprentice can be anyone of any age on an approved government apprenticeship scheme. The range of training includes intermediate, advanced, degree, master's degree and professional qualifications, which are delivered by registered providers with 20% of contracted hours spent in 'off the job' training (see 'What options do we have?' p10). Both new hires and existing employees are eligible and training could be in specialist skill areas or in functional areas of HR, finance, marketing, operations and management.

## IMPACT ON THE SECTOR

In the first year alone, the charitable sector is estimated to pay over £100m from the expected 1,200 charities paying the Levy (CFG, 2017). The Levy represents a significant, new cost at a time of rising costs in other areas as well.

The focus for the sector is making best use of Levy funds and a commonly cited concern is where levy funds go, if they are not utilised. From the date of payment, you have 24 months to spend your funds. If you do not use your full amount, you risk losing the difference and these are funds that could be used in your organisation.

There are aspects which could benefit charities specifically. From April 2018, Levy payers can transfer up to 10% of their funds to other employers, which has been reaffirmed by the recent government white paper on the Industrial Strategy (DBEIS, 2017). This could be a route for additional funding; perhaps think of corporate sponsors that might be unlikely to use their levy funds in full. Indeed, a charity may look to transfer a proportion of their funds to an employer or other charity who could benefit more.

Apprenticeships have an important role to play in future-proofing the sector and improving productivity. The Levy is the funding means. And the training opportunities can come from new hires or existing employees, in a range of training areas that could help further your charitable aims.

# HOW THE LEVY WORKS

**From April 2017, charities or alternatively, entities connected to another charity or company with a collective annual pay bill of more than £3m must pay the Apprenticeship Levy.**

## WHAT IS THE ANNUAL PAY BILL?

Your annual pay bill is calculated as all payments made to employees or deemed employees that are subject to employer Class 1 secondary National Insurance contributions (NICs), such as wages, salaries, bonuses and commissions. This includes but is not restricted to:

- all employees earning below the Lower Earnings Limit and the Secondary Threshold
- employees under the age of 21
- apprentices under the age of 25

Your pay bill does not include earnings subject to other types of NICs, such as pensions, or:

- earnings of employees under the age of 16
- earnings of employees who aren't subject to UK NICs legislation (e.g. employees over state pensionable age)
- earnings on which Class 1A NICs are payable, such as benefits in kind.

## HOW IS THE APPRENTICESHIP LEVY ALLOWANCE CALCULATED?

Employers, or groups of connected companies, have an Apprenticeship Levy allowance of £15,000 per year, which covers Levy liability up to the first £3m per annum.

If you become liable to pay the Apprenticeship Levy during the tax year, the full allowance is available to be applied for the rest of the year; it is not apportioned on a monthly basis. Connected companies or charities with multiple PAYE schemes will only have one allowance to share between them. The allocation of the allowance is determined entirely by the employer, however HMRC must be informed of this decision upon the first payment of the Levy and the agreed split cannot be changed throughout the tax year.

Public bodies may be eligible to receive a £15,000 allowance per each entity. However, where a connected charity is legally defined as a Public Sector Body, they are still considered to be a connected charity for the Apprenticeship Levy purposes and therefore, do not qualify for an allowance each. Instead, they must split the allowance accordingly.

**i The Apprenticeship Levy is deductible for corporation tax purposes**

## WILL THE PAYROLL SOFTWARE CALCULATE THE LEVY?

Whilst the majority of payroll providers have introduced a new function to calculate and process the Apprenticeship Levy, it is best practice to fully understand and monitor the payment and reporting of the Levy.

## WHAT FURTHER FUNDING IS AVAILABLE?

As an incentive for employers, government have integrated that you can 'get more out than you put in', which is achieved through a 10% 'top-up' on Apprenticeship Levy contributions. On the amount you pay in, government adds 10% to this amount. This boosts your Levy pot and means you can fund more training in your charity. It is important to consider this when planning ahead for how you may use levy funds.

Through the 9:1 'co-investment' model, if you choose to spend over your Levy funds, the Education and Skills Funding Agency (ESFA) will also meet 90% of training and assessment costs within the funding bands. In practical terms, the employer is simply invoiced for 10% of the training cost per month and the provider is invoiced for the remaining 90%. This additional funding can be accessed by all Levy payers who engage with the reforms and is of particular interest to small Levy payers. The 90% funding is also available to employers who do not pay the Levy.

*There are practical considerations in relation to the payment and reporting requirements.*

## HOW DO YOU CALCULATE THE APPRENTICESHIP LEVY?

1. Calculate your total pay bill for the year to date.
2. Add up your monthly levy allowances for the year to date.
3. Subtract your levy allowance for the year to date from 0.5% of your total pay bill for the year to date.
4. Subtract the amount of the levy you've paid in the year to date.

## RECORD KEEPING

You must keep records of any information you have used to calculate your Levy payment for at least three years after the tax year which they relate to.

## WORKED EXAMPLE FIRST MONTH'S LEVY PAYMENT

**Charity A and Charity B are connected employers because they are part of the same group. They have annual pay bills of £2.4m and £1.5m respectively and have decided to allocate their £15,000 allowance as outlined.**

## HOW DO WE MAKE THE PAYMENT TO HMRC?

You'll need to pay the Apprenticeship Levy each month through the PAYE process in the same way you pay Income Tax or National Insurance contributions.

The Levy amount is paid to HMRC along with your Employer Payment Summary (EPS) including the following:

- the amount of the annual Apprenticeship Levy allowance allocated to that PAYE scheme
- the amount of Apprenticeship Levy you owe to date in the current tax year

## CHANGES TO YOUR PAY BILL

You must report any changes to the Apprenticeship Levy as a result of changes to your pay bill on your next EPS.

If you find errors in your total annual pay bill at the end of the tax year, you must submit an extra EPS with the correct Apprenticeship Levy amount for the full tax year and pay what you owe.

If you've overpaid during the year, you'll receive a refund as a PAYE credit of £250 each month thereafter.

If there is still an overpayment outstanding at the end of the tax year, the credit will be offset against outstanding employer liabilities.

## HOW DOES THIS INTERACT WITH IR35 LEGISLATION?

Any payments made from a charity, operating in the public sector, which have been identified as falling within the new IR35 legislation surrounding off-payroll workers, must be included in the employer's pay bill.

These rules apply where a Personal Service Company has been engaged but the individual would be considered an employee if they were providing their services directly to the charity. In this circumstance, the entity responsible for paying the worker's intermediary must deduct tax and Class 1 NICs.

As Class 1 secondary NIC has been paid on this amount, the deemed payment should be included in your pay bill and thus, subject to the levy.

### CHARITY A

*Divide your Apprenticeship Levy allowance (£12,000) by 12 and subtract this figure from 0.5% of your monthly pay bill.*

1.  $£12,000 \div 12 = £1,000$
2.  $£200,000,000 * 0.5\% = £10,000$

**£10,000 – £1,000 =  
£9,000 levy due each month**

### CHARITY B

*Divide your Apprenticeship Levy allowance (£3,000) by 12 and subtract this figure from 0.5% of your monthly pay bill.*

1.  $£3,000 \div 12 = £250$
2.  $£125,000 * 0.5\% = £6,250$

**£6,250 – £250 =  
£6,000 levy due each month**

# CASE STUDY: PAYING THE LEVY



## EXAMPLES OF WHEN THE APPRENTICESHIP LEVY MAY OR MAY NOT NEED TO BE PAID.



*A charity has five PAYE schemes, of which only two pay tax and NICs for employees. Their annual pay bill collectively exceeds £3m but is roughly split half and half between the two employing entities.*

- If the annual pay bill of the combined PAYE schemes exceeds £3m then the charity must pay the Apprenticeship Levy but would only receive one Apprenticeship Levy allowance to split across all PAYE schemes.

- It is a commercial decision as to how the allowance is split, but evidently it would be used by the two employing entities in preference.

*The charity's annual pay bill is £2.9m however, in July 2017 £150,000 worth of benefits in kind are reported on the P11Ds.*

- The Apprenticeship Levy is not due.
- Although the total amount exceeds £3m, benefits in kind are subject to Class 1A NIC as opposed to Class 1 secondary NIC and therefore, do not fall inside the scope of the Apprenticeship Levy.

*A charity operating within the public sector has engaged off-payroll workers for £120,000 per annum to help operate their IT systems. These individuals have been identified as falling inside the scope of the new IR35 rules as, without the protection of their Personal Service Company, they would be categorised as employees. The charity's annual pay bill for employees only is £3.6m.*

- The subcontractors fall inside the scope of IR35 and therefore, a deemed payment would have been made to them, via payroll, subject to tax and NIC.
- As Class 1 secondary NIC has been paid by the employer, the £120,000 additional expenditure on IT services should be included in the annual pay bill when calculating the Apprenticeship Levy.

*Bonuses are paid in January, pushing the charity's annual pay bill just above £3m. This was expected and therefore, the charity has already registered for the Apprenticeship Service however, has not yet made any payments as their allowance has covered all Levy due to date.*

- As of January, the Apprenticeship Levy would become due for that month only however, any unused allowance from the same tax year can be used to offset the liability.
- Going forward, if this has still resulted in an overpayment of the Levy, £250 PAYE credit is provided each month thereafter.
- At the end of the tax year, if there is still an overpayment outstanding, the credit will be offset against any outstanding employer liabilities (the oldest cleared first).

1 2 3 4

# DEVOLVED ADMINISTRATIONS

**All UK employers are required to pay the Apprenticeship Levy if they meet the given criteria. Employers then receive a proportion of funds based on headcount in England. Accessing the funds differs across Scotland, Wales and North Ireland.**

## ENGLAND

The amount of Levy funds available to spend for employers depends on the proportion of headcount living in England – the 'English Fraction'. Therefore, whilst the total UK-wide pay bill is subject to the Apprenticeship Levy, the proportion of funds directly available depends on the proportion living in England. This is calculated automatically via the Apprenticeship Service account (see the Apprenticeship Service section pp15 for registration guidance). Funds are available to spend with employees where their main place of work is in England.

## EXAMPLE

An individual lives in Wales but works at a charity in Bristol.

A member of a company's fundraising team is seconded to America for two years for research.

A charity's Finance Director lives in Northern Ireland and their main place of work is Belfast.

This means that, whilst employers in Scotland, Wales and Northern Ireland pay the Apprenticeship Levy, those employees based outside of England do not have access to the funds in the same way.

## EXAMPLE

A charity has a headcount of 1,250 employees, of which 1,000 have an English postcode.

Therefore, the entity's English Fraction is 1000/1250.

Their levy is £200,000 per annum (after the £15,000 allowance has been deducted).

1000/1250 is then applied to the levy of £200,000, resulting in £160,000.

Government provide the 10% top-up, in this case £16,000, making £176,000 available for training.

## DO WE NEED TO PAY THE LEVY?

Yes, you need to pay the Levy, however it will not be reflected in the balance of the digital account based on your English Fraction.

Yes, the employee's earnings are NIC-able for the first 52 weeks and therefore, you need to pay the Levy.

Yes, you are required to pay the Levy as the individuals' salary would be subject to NIC.

## SCOTLAND, NORTHERN IRELAND AND WALES

Skills is a devolved policy area which means Scotland, Northern Ireland and Wales have direct control over their skills policy. The UK government has agreed the distribution of Apprenticeship Levy funds for Scotland, Wales and Northern Ireland based on the Barnett Formula. These funds are not ring-fenced for apprenticeships and therefore, each jurisdiction is able to determine how the funds are to be allocated themselves.

In order to benefit from the Levy, the Flexible Development Working Fund has been made available, as an alternative funding option for Scottish employers. A similar approach has been taken by the Welsh Government which is continuing to fund apprenticeships, however have not implemented a specific program as with the English government.

The Northern Ireland Assembly are yet to determine how the levy funding should be used or distributed.

## CAN WE DRAW DOWN FUNDS?

Whilst the Levy funds for this employee will not be in the digital account, the employee would be able to access funds where there is a main English place of work.

No, this proportion of the Levy will be deducted from the balance in the digital account using the English Fraction.

No, the Apprenticeship Levy funds can only be accessed for employees whose main place of work is England.

# MYTH BUSTING APPRENTICESHIPS

*The Apprenticeship Levy is one side of the reforms, the expansion of the types of training is the other. Higher and degree apprenticeships have broadened options for employers.*

**MYTH: APPRENTICES ARE ONLY 16-18 YEARS OLD**

Apprentices can be anyone of any age. The typical apprentice may previously have been 16-18 years old, but training is expanding beyond these years to suit employer needs, particularly at the higher levels.

With no upper age limit, apprenticeships can also be offered to upskill or retrain existing employees, reintroduce the long-term unemployed back into the workplace, or perhaps provide a 'returnship' for mothers or fathers who have taken a career break to have children.

**MYTH: APPRENTICES REQUIRE A LOT MORE LOOKING AFTER THAN OTHER EMPLOYEES**

Hiring at junior levels can mean more support is needed, yet the structure of an apprenticeship can actually help provide support for these roles. The training provider is responsible for supporting the learner and they are incentivised around completion of the apprenticeship. For line managers, training providers can often offer guidance on requirements, which differ per apprenticeship, learning level and the individual.

**MYTH: CHARITIES CAN ONLY HIRE APPRENTICES WHICH DELIVER FRONTLINE SERVICES**

Like all aspects of charity, organisations have a duty to spend their resources in a way which maximises their charitable objectives. However, this can come in many ways. Some charities will hire apprenticeships for finance, IT, HR and other functions which support their charitable work but are not on the frontline. Provided that the charity is seeking to advance its objectives, there is a range of options open to it.

In choosing which levels and types of training are useful, it very much depends on the requirements of the role, suitability of training and whether specific individuals are in mind.

**MYTH: LEARNING MUST BE AT A HIGHER LEVEL THAN YOU CURRENTLY HOLD**

Learning must provide 'substantive' new skills and often is at a higher educational level, however this does not necessarily have to be at a higher level – it can be at a lower level in a new area. For example, retraining in a new area.

**TRAINEESHIPS**

**INTERMEDIATE APPRENTICESHIPS**

- Level 2
- 5 GCSE Passes (Grade A\* – C)

**ADVANCED APPRENTICESHIPS**

- Level 3
- 2 A Level Passes

**HIGHER APPRENTICESHIPS**

- Levels 4,5,6 & 7
- Foundation degree and above

**DEGREE APPRENTICESHIPS**

- Levels 6 & 7
- Full Bachelor's Master's degree

**POTENTIAL FOR PHD APPRENTICESHIPS**

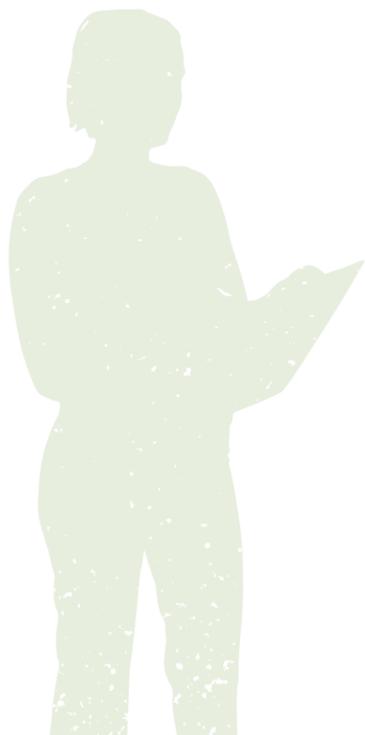
- Level 8
- PHD equivalent

# USING THE LEVY

*The Apprenticeship Levy is a cornerstone of the Government's skills agenda and is likely to play a key part for years to come. It is important all employers understand the scope, opportunities and potential challenges for making the most of the Apprenticeship Levy.*

## SCOPE AND OPPORTUNITIES

New and existing employees are eligible for apprenticeships at all levels throughout the organisation. Apprenticeships can provide funded qualifications, including degree, master's degree and professional qualifications currently up to level 7. You can work with providers to co-develop programmes that suit specific training needs in your organisation.



## THE NEW STANDARDS

'Standards' are the new occupation-specific apprenticeship schemes, which capture the knowledge, skills and behaviours to be competent at the stated level in that role. Through the Trailblazer process, any employer can submit a proposal to develop a 'Standard'. If approved by government, it can be developed with a group of at least ten other employers, who produce the two-page Standard and, typically ten-page, End Point Assessment Plan. The funding band is allocated and the occupational training requirements become a recognised apprenticeship scheme (see Further Resources for the link to available Standards). Some existing Frameworks are also still available, although have started to be phased out where there is a new Standard available. If you are interested in developing a Standard for charities, please contact Charity Finance Group for more support.

## CHALLENGES

The top perceived challenge is the requirement for 20% of contracted hours to be spent in 'off-the-job' training. Some employers can balk at the notion of a day a week out of the office, however requirements differ and flexible approaches can be applied. It is worth acknowledging 'off-the-job' training does not necessarily mean 'off site'. Quality training typically involves a mix of classroom based time, coaching and mentoring, and use of distance learning resources. Some training can be most effective when in intensive periods of multiple days, say at the beginning of the role or perhaps a few days every month to two months. Government has provided guidance and best-practice examples, included in the Further Resources section.

## WHAT OPTIONS DO WE HAVE?

In planning to utilise your levy, action falls into three scenario areas:

- 1. 'Do nothing':** to simply write the Levy off as a 'tax' was perhaps a valid option in the early days. Since introduced, it is harder to justify to both internal and external stakeholders. Even if your specialist training needs cannot be met through apprenticeships, training can be offered in areas of finance, HR and marketing at a range of levels.
- 2. New hires:** there is a natural tendency to hire at a more experienced level than may often be required. The potential to fully fund training can facilitate hiring at a more junior level instead, using the training to support the individual in that role. This could mean a saving on wages, a better-trained individual and the opportunity to share learning in the organisation.
- 3. Existing employees:** your current people can qualify for apprenticeships, most likely at Level 4–7. Eligibility depends on whether training is at a higher educational level than they currently hold or in a new learning area. For example, a degree apprenticeship for someone who does not hold a degree or someone moving into a new area with training to support.

Apprenticeship training for new hires and existing employees is likely to best suit your training, recruitment and engagement needs.

# MAKING APPRENTICESHIPS WORK FOR YOUR ORGANISATION

*The Levy funds can be accessed to develop your current and future workforce through apprenticeship schemes, however the approach differs for existing employees and new hires.*

## PLANNING YOUR PROGRAMMES

Start first with your skill, training and resourcing needs – the scope to do this is enabled by the breadth of training available. Before reviewing types of apprenticeships, consider conducting a skills audit to identify areas of skill shortfalls and possible training solutions. This provides clear direction to your decision making and should encourage relevant thinking around your organisational needs.

Establishing a steering group of key stakeholders (usually finance, HR, divisional representatives and a member of the leadership team) provides a complete picture of the organisation and encourages funds to be deployed strategically. The planning process benefits from the steering group meeting regularly and it is worth focusing on bringing everyone up to the same knowledge level in the initial sessions, especially on the types of training available.

Think about current and future skill needs of the organisation. What changes are there likely be over the next 3–5 years? How is the workforce set to change? What skills are needed now and do you recruit into these areas or seek to develop internally?

## CONSIDERATIONS FOR EXISTING EMPLOYEES

It might be that you currently offer training or qualifications and these can now be funded via the apprenticeship route. For example, qualifications in finance or HR, or perhaps specialist training areas to suit the charitable purpose of your organisation. If you do not currently have central oversight on training spend, it is worth gathering this information to assess scope for funding via the Levy.

The funding may also open doors for accredited training that you may not have been able to offer previously, such as management qualifications. Once you've chosen applicable training, you can start promoting with your teams. It could be that you offer training direct with potential candidates or via their line managers. Some organisations have used management training as a retention and engagement tool. Others see it as an opportunity to develop their high potentials.

## RECRUITING INTO APPRENTICESHIP ROLES

With the training funded, you could look to convert existing or future vacancies into apprenticeship roles, particularly at the junior levels. Training supports and develops the individual, while bringing new skills into the organisation. Funding training can also be a compelling offer in attracting talent.

For some roles, hiring at a junior level and developing the individual into that role could offer greater benefits. For example, savings on wages in the short term and potentially seeing the individual stay in the organisation longer. It is particularly important to have experienced individuals working with more junior hires.

If recruiting at school-leaver age, it can be worth establishing links with local schools, perhaps through work experience programmes, information evenings or sharing roles with careers guidance teams. Some local authorities also offer services to pair employers with prospective apprentices.

The same Employer NIC rate of 0% is applied to apprentices until the age of 25, currently equating to a tax saving of 13.8% on their salary amounts, which could be applied to degree and master's degree apprenticeships, in place of conventional graduate programmes.

# CASE STUDY: BARNARDO'S EXPERIENCE



**Steve Woolcock, Barnardo's Head of Skills, Employment and Training, shares their experience of apprenticeships and what the Apprenticeship Levy means for them.**

Last year Barnardo's supported 272,000 vulnerable children and young people, parents and carers. Of those, 2,695 were helped through our employment, training and skills services.

We've been working towards maximising the opportunities that the Levy creates for our staff and those we support. But there are challenges. By being such a large organisation, with an annual salary payroll value of more than £3m, we now have to contribute 0.5% of the value of our payroll as our Levy payment – amounting to around £700,000 a year.

For us to benefit from the Levy, we will have to create more apprenticeships to draw-down the full funding that we have paid out. Charities in similar positions could also end up out of pocket.

However, we do not object to the introduction of a levy in principle as we believe apprenticeships are an excellent way for young people to gain new skills and are a real alternative to school, sixth form or university, with the added bonus of earning a wage whilst learning. Barnardo's plans to maximise the use of the Apprenticeship Levy by supporting new and existing members of staff to develop their skills. Opportunities include new, younger members of staff joining the organisation and studying level 2 qualifications through to existing members of staff studying up to degree level.

Our new Apprenticeship Academy supports the development of existing staff and young people joining the UK's largest children's charity. The main focus will be in retail, business administration, and leadership and management. We have qualified staff to deliver training via e-learning, virtual classrooms, remote learning and face-to-face training in the workplace.

Our work delivering business administration and team leader apprenticeships is now expanding to IT and degree-level leadership and management with specialist partners. We are also increasing our delivery capacity to support our retail chain with apprenticeships in their donation centres. Partnership working is key in providing high quality apprenticeships across England.

Young people joining the organisation bring enthusiasm, a different perspective and often very good IT and social media skills, with which they can support and often train colleagues.

Young people usually haven't built up a lengthy CV, so unless employers adapt accordingly young people will simply not engage with an organisation. So when hiring apprentices at a junior level it's important to ensure recruitment and selection processes are young person friendly – for example, don't insist on five years of employment history and references and consider advertising through social media.

As well as adapting processes to make them accessible to young people in general, Barnardo's, through its academy, continues to demonstrate its open-door policy by providing opportunities for disabled young people, along with those from BAME communities, as part of our ten-year strategy to become a more diverse organisation.



*"Barnardo's has been delivering apprenticeships to vulnerable young people for 30 years"*

# DELIVERING HIGH-QUALITY APPRENTICESHIPS

**Apprenticeship training can only be delivered by a registered provider of apprenticeships and presents three models for delivery. Suitability may depend on the types of training.**

## DELIVERY MODELS

Apprenticeship training can only be delivered by a registered provider, as found on the Register of Apprenticeship Training Providers. Providers are required to pass due diligence and financial health checks, as well as assessment of the organisation's capabilities to deliver training.

The list of registered providers is publically available (a link to which can be found in the Further Resources section) and includes colleges, universities, private providers and employers delivering their own training.

There are three types of providers:

- 1. Main provider:** can deliver apprenticeship training for levy-paying employers via their Apprenticeship Service account, as well as their own apprentices and apprentices in connected companies, or as subcontractors.
- 2. Employer provider:** can only deliver training for their own apprentices or for those of connected companies. This is purely cost recovery.
- 3. Supporting providers:** enter into subcontracting arrangements that total up to £500,000 per year and are more common in areas of specialist training.

## LINE MANAGERS

Line managers are required to provide varying degrees of management, from minimal to more hands on. Each will need to be aware of the time commitment and any necessary insight or experience of particular areas that are needed to facilitate learning. Providers are typically able to provide guidance on this. Line managers can also be supported by mentors, often those who are best placed to work in a similar role or are ex-apprentices or graduates themselves.

## EMPLOYER PROVIDER SPOTLIGHT

For organisations considering becoming employer providers, and delivering their own training, it is worth considering the following areas:

- **Capability:** a provider is required to demonstrate they have the necessary skills and experience in the organisation to deliver the training, including employer providers.
- **Ofsted inspection:** the quality of training is assessed and made publically available for future employees and other stakeholders. This is the key quality measure, and useful when choosing external providers, however it could pose reputational risk for the charity.

- **Reporting and monitoring:** the Education and Skills Funding Agency (ESFA) requires reporting on both a monthly and annual basis to enable payments, keep track of learners and their outcomes, and to ensure the delivery of good quality training, which presents a resourcing need and cost.
- **Eligible costs:** the guidance is clear that being an employer provider should not be a profit centre and it is simply cost recovery. Eligible costs are listed on p15 of the Employer Provider Guidance (link provided in Further Resources).

## PROCUREMENT OF APPRENTICESHIP TRAINING

Existing procurement processes may not be suitable for procuring apprenticeship training. Having a sense of the types of training, and possible providers, means you are likely to procure centrally and work with the relevant areas of the organisation on the resourcing requirements. Funds are accessed for training through the Apprenticeship Service account.

It is also worth highlighting procurement should be treated as a commercial conversation. The funding bands give a maximum for available funding, however you can pay more or less, depending on your specific requirements.

# TRAINING OFFERS FROM GRANT THORNTON

*Grant Thornton, an advisory firm, has directly supported over 1,500 organisations on the Apprenticeship Levy to date. Support typically involves providing guidance on the reforms, the financial incentives and approaches for talent planning. Building on this support, Grant Thornton partnered with Cranfield on an Executive MBA and Babington on ACCA and CIMA accredited Accountancy training - both can be accessed using levy funds.*

## CRANFIELD EXECUTIVE MBA WITH GRANT THORNTON

The Cranfield Executive MBA is an opportunity to access the world-class education of Cranfield and the commercial expertise of Grant Thornton, a leading business advisory firm.

Management training can often be overlooked, yet can result in some of the greatest gains in productivity. 71% of UK organisations admit they fail to effectively train first-time managers and 43% rate their line managers as ineffective – management training can lead to a 23% increase in organisational performance (CMI 2016).

The blended learning approach provides monthly tuition, complemented by access to online resources and application in the workplace. The structure of the MBA provides a chance to take a step back and confront day-to-day challenges with a cross-section of managers from different industries. Employers can scope the project work, providing the opportunity for your managers and future leaders to bring value straight back into the organisation.

**Why Cranfield?** Cranfield is a top 10 UK business school and top 100 globally, rated number 1 for Economics in 2017 and number 1 for Organisational Behaviour in 2015 (FT Ranking). The emphasis of the MBA is the individual, developing personal qualities of leadership and furnishing them with tools, knowledge and insight to further the aims of the organisation.

The partnership with Grant Thornton applies expertise in Accountancy and Cyber Security, as well as integrated access to executive coaching.

## PROFESSIONAL ACCOUNTANCY WITH BABINGTON AND GRANT THORNTON

Grant Thornton have partnered with Babington to deliver a professional accountancy programme that leads to ACCA or CIMA qualifications, while developing leaders of the future in finance.

Our collaboration with Babington is the first of its kind in the market, offering our clients the chance to benefit from high levels of expertise in both training and the commercial world. The three-year course is designed to equip finance teams with business acumen and 'real-world' application.



In developing your finance teams, we share expertise and resources by offering:

- **Grant Thornton Buddies** – each trainee is paired with a member of the firm to help support their development
- **Seminars and specialist knowledge** – insights into the market challenges our clients face
- **Shadowing** – learners have the opportunity to shadow an accounting professional
- **Networking** – experienced professionals help participants make valuable contacts
- **Professional development** – our tailored approach helps achieve learning objectives of the individual and organisation

Completion of the programme is more than simply earning the qualification, learners develop as individuals and have the opportunity to achieve professional status. From there, they go on to offer best practice-application of their financial expertise.



# THE APPRENTICESHIP SERVICE

*The Apprenticeship Service is a platform for levy-paying employers to view, access and manage their levy funds for apprenticeship training with approved training providers.*

## WHAT DOES IT DO?

The Apprenticeship Service has been introduced to allow employers to:

- Have visibility of funding available
- Choose types of apprenticeship training required and the number of apprentices required
- Review and select approved training providers based on the apprenticeship standards available.

## HOW DO WE REGISTER?

It is necessary to register every organisation that will be making an agreement with a training provider online in order to make payments to them.

You cannot move funds between accounts, even where you are a connected company. Therefore, if you have multiple PAYE schemes, you could create multiple accounts or have one account for all of them.

There is no restriction on the number of connected organisations you can add, however a single PAYE scheme cannot be split across multiple accounts.

## REGISTER FOR THE APPRENTICESHIP SERVICE:

<https://manage-apprenticeships.service.gov.uk/>

## WHY IS THE AMOUNT OF FUNDS AVAILABLE IN MY ACCOUNT DIFFERENT TO THAT PAID?

There are two main reasons as to why there may be a difference in these amounts:

1. **English Fraction** – only the proportion of the pay bill related to employees living in England is available in the Apprenticeship Service account.
2. **Top-up** – the 10% top-up is provided by the government to increase the amount of funds available as an employer incentive.

## HOW DO WE PAY TRAINING PROVIDERS?

The training cost is agreed with the provider and logged through the Apprenticeship Service account, unlocking the training funds. The funding band dictates the maximum level of funding available, which is equally divided over the lifetime of the apprenticeship, with 20% held back until the end of the apprenticeship.

Employers can temporarily 'pause' or permanently 'stop' payments for reasons such as an apprentice leaving or the wrong apprenticeship information being provided.

Your training provider submits data about apprentices to the Education and Skills Funding Agency (ESFA) by the fourth working day of each month. That data needs to match the data that you have approved in your account to allow the payment to be processed. The funds that are used to pay your training provider will leave your account, once authorised, on the fifth working day of the month.

## PROCESS MAP ONCE YOU HAVE SET UP YOUR ACCOUNT:

Add PAYE schemes that you want to use for apprenticeship funding

Add organisations that enter into a contract with training providers

Invite other members of your team to join the account

Sign employer agreement with the ESFA

View transactions and check what total funds have built up

Search an apprenticeship and select training providers

Add apprentices and update details of existing apprentices

# FURTHER SUPPORT AND RESOURCES

## USEFUL RESOURCES

■ **Apprenticeship Employer-provider Guide**  
<https://www.gov.uk/government/publications/apprenticeships-become-a-training-provider>

■ **Apprenticeship Levy Calculator**  
<http://www.grantthornton.co.uk/insights/apprenticeship-levy-calculator/>

■ **Apprenticeship Standards**  
<https://www.instituteforapprenticeships.org/apprenticeship-standards>

■ **Off-the-job training requirement**  
<https://www.gov.uk/government/publications/apprenticeships-off-the-job-training>

■ **Register of Apprenticeship Training Providers**  
<https://roatp.apprenticeships.sfa.bis.gov.uk/download>

■ **Registration for the Apprenticeship Service Account**  
<https://manage-apprenticeships.service.gov.uk/>

## CONTACT THE TEAM

The team at Grant Thornton are interested in exploring this guidance with you. We would like to directly support your plans and apply our expertise to help you make the levy an opportunity. If interested, please contact:

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