

Your guide to the apprenticeship levy

How to use apprenticeships and
levy funding to upskill your team



An introduction to the apprenticeship levy

The apprenticeship levy is a UK government initiative introduced in April 2017 to encourage businesses to invest in apprenticeship programmes. The levy is essentially a tax on large employers, designed to fund apprenticeship training and increase the number of apprenticeships available across the UK.

This guide simplifies the funding options available to all types of organisations considering a Thrive apprenticeship. For school-specific information on the apprenticeship levy, see page 3.

Who pays the levy

Employers with an annual pay bill of £3 million or more are required to pay the levy. The levy is set at 0.5% of the employer's total annual pay bill.

All eligible employers pay the 0.5% apprenticeship levy amount every month as part of their PAYE bill.

What the funds can be used for

Employers who pay the levy can use their contributions to fund apprenticeship training for their employees. The funds are held in a Digital Apprenticeship Service (DAS) account and must be used within 24 months, or they expire.

The levy funds can only be used for approved apprenticeship training programmes delivered by accredited providers.

Non-levy-paying employers

Smaller businesses (those with a pay bill under £3 million) do not pay the levy. They can still access apprenticeship funding by contributing 5% towards the cost of apprenticeship training, with the government covering the remaining 95%. In addition, they may be able to benefit from levy transfers to cover the 5%.

For settings with fewer than 50 employees, the rules above apply in the same way if your apprentice is over 24. However, there is an added incentive for training younger

apprentices: if your apprentice is aged 16–18, or aged 19–24 with an EHCP, the 5% fee (if applicable) is waived. Additionally, employers will receive a £1,000 incentive for each apprentice aged 16–18.

Transferring levy funds between businesses

Large employers that pay the apprenticeship levy have the option to transfer up to 50% of their annual levy funds to other businesses to help cover apprenticeship training and assessment costs. The choice of which businesses or apprenticeships to support is at the employer's discretion.

Both levy-paying and non-levy-paying businesses can receive transfers. These funds are limited to the training and assessment costs of new apprenticeship starts, and the sender is responsible for these payments throughout the apprenticeship's duration.

If you work with a large organisation, such as a parent company or a charitable partner, they can donate their unused levy funds to your setting. Transfers are managed through the apprenticeship service account, with the option for businesses to either pledge funds for general use or make a direct transfer to a specific business. For an organisation to donate their funds to you, they will need your apprenticeship service account ID.

To view a list of large organisations that want to fund apprenticeships for other employers, [click here](#).

How the apprenticeship levy works for schools

The apprenticeship levy applies to schools in the same way it does to other employers, but how it works depends on how your school is run.

Academies and multi-academy trusts (MATs)

Employer: The trust is the employer.

Levy responsibility: If the trust's annual pay bill exceeds £3 million, it must pay the apprenticeship levy.

How to access funds: Contact your trust to confirm levy payments and check how funds are allocated. Many MATs have a centralised apprenticeship strategy to ensure effective management of the levy.

Voluntary-Aided (VA) Schools and Foundation Schools

Employer: The governing body is the employer.

Levy responsibility: If the governing body's total pay bill exceeds £3 million, it must pay the levy.

How to access funds: Contact the governing body to check the available funds for apprenticeship training. Some voluntary-aided schools may access levy funds through the local authority. In this case, you will need to discuss the details with the local authority.

Community and Voluntary-Controlled Schools

Employer: The local authority is the employer.

Levy responsibility: If the local authority's total pay bill exceeds £3 million, they are responsible for paying the levy on behalf of the schools they manage.

How to access funds: Your local authority will allocate levy funds for apprenticeship training. They should inform you of how much is available for your school each year. If you're unsure, contact the local authority for clarification.

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