

# Apprenticeship Funding



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APPRENTICESHIPS

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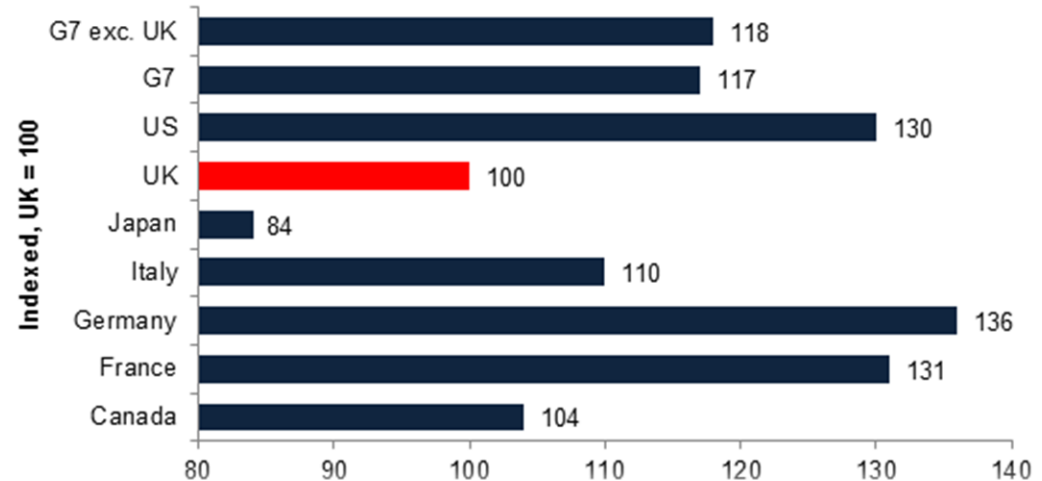


# Action is needed to address current economic trends

**UK productivity lags behind other developed economies...**

**... and employers are investing less in training**

*GDP per hour worked for the UK and comparator countries, 2014*



*Number of employees who worked fewer hours than usual because they attended a training course away from their workplace*



**Meanwhile... relative social mobility has stagnated or declined over recent decades**

**The UK has low levels of intergenerational social mobility compared to some other developed countries**



# Apprenticeships contribute to addressing these challenges

That's why the government is committed to significantly increasing the **quantity and quality of apprenticeships** in England and **achieving 3 million starts** by 2020.

## Benefits

**Apprentices** complete their apprenticeship with highly marketable skills...

...that make it more likely for them to remain employed, including with the same employer.

**Employers** experience tangible improvements to their product or service as a result of apprenticeships.

Apprenticeships create real benefits for the taxpayer and the wider **economy**...

...and contribute to the Government's overall goal of improving labour market outcomes.

**83%**



of apprentices said their career prospects have improved

**70%**



of surveyed employers said apprenticeships improved product quality and service

Apprenticeships provide a typical return of

**£26-28**

for every **£1** of government investment in apprenticeships at levels 2 and 3



# But the programme could be bigger and better

Individual apprenticeships provide good returns, but there is an **insufficient number of apprenticeship opportunities** to meet demand from individuals, and **skills gaps remain in the economy.**

Whilst the vast majority of apprenticeships provide high quality training, feedback from employers shows that this is not always the case. We need to continue to **drive up the quality of apprenticeship training** and ensure that anyone completing an apprenticeship is fully competent in their occupation.

Ambitious Government reforms:

- Employers at the heart of designing new Apprenticeships Standards to replace apprenticeship frameworks by 2020.
- New Institute for Apprenticeships led by employers to oversee standards and ensure quality and rigour
- Apprenticeships given equal legal protection to degrees
- Apprenticeship target for public sector bodies – duty for 2.3% of workforce to be apprentices will grow opportunities
- Secondary Class 1 NICs abolished for apprentices under the age of 25 since April 2016

**All underpinned by changes to how apprenticeships are paid for.** New apprenticeship levy paid by 2% of employers will fund expansion. **Digital Apprenticeship Service** will enable employers to directly manage their apprenticeship programmes and purchase training.



**Apprenticeship funding in England  
from May 2017:  
How the funding changes, including  
the levy, work**



# What is the apprenticeship levy and who pays it?

Starts on 6 April 2017, at a rate of **0.5% of pay bill**, paid through PAYE

Applies to all UK employers in all sectors

£15,000 allowance is **not a cash payment**

Only **1.3% of employers** will pay the levy

The levy will be set at **0.5% of an employer's pay bill**. It will only be paid on any pay bill in excess of

**£3m**

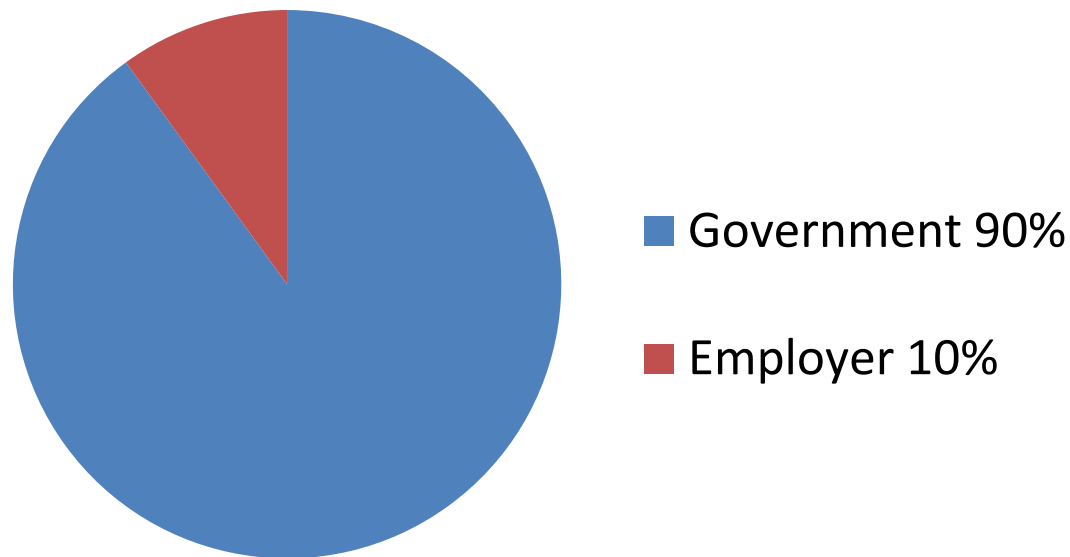
Employers will have an allowance of **£15,000** to offset against their levy payment



# What about non levy payers? Co-Investment

There are two types of employers who will benefit from government support towards the cost of their apprenticeships training:

1. Employers who haven't paid the levy and want to purchase apprenticeship training from a provider
2. A levy-paying employer who with insufficient funds in their digital account to pay for the cost of training and assessment they want to purchase



- The **government will pay 90%** of the costs of training and assessment.
- The **employer will be responsible for paying 10%** of the costs.





# Paying the levy

- Employers pay their levy to HMRC, through the **PAYE** process
- Single employers with multiple PAYE schemes will only have **one** allowance.
- Connected employers **share** one allowance

## LEVIED EMPLOYER

- Employer of **250 employees**, each with a gross salary of £20,000.
- Pay bill:  $250 \times £20,000 = \mathbf{£5,000,000}$
- Levy sum:  $0.5\% \times £5,000,000 = \mathbf{£25,000}$
- Allowance:  $£25,000 - £15,000 = \mathbf{£10,000 \text{ annual levy payment}}$

## NON-LEVIED EMPLOYER

- Employer of **100 employees**, each with a gross salary of £20,000.
- Pay bill:  $100 \times £20,000 = \mathbf{£2,000,000}$
- Levy sum:  $0.5\% \times £2,000,000 = \mathbf{£10,000}$
- Allowance:  $£10,000 - £15,000 = \mathbf{£0 \text{ annual levy payment}}$



# Accessing levy funds to spend on training

- Levy funds will be available through a new digital service on gov.uk
- First funds appear in account in late May 2017

## How funds in the account will be calculated

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

- 10% government top up to monthly funds entering an account



# Purchasing training – both groups

## New funding system comes into effect on 1 May 2017

Apprenticeships started before 1 May will be funded through to completion according to the existing rules

## Levied employers buying training from May 2017

- Can commit to apprenticeship starts from the beginning of May
- Funds will automatically leave the digital account on a monthly basis
- The cost will be spread over the lifetime of the apprenticeship
- We will hold back 20% of the total cost, to be paid on completion of the apprenticeship.

## Non-levied employers buying training from May 2017

- Continue to make payments direct to providers
- Move onto the digital system at a later date



# What can funds be used for?

Digital funds and government funding **can** be used for:

- apprenticeship training and assessment
- against an approved framework or standard
- with an approved training provider and assessment organisation
- up to the funding band maximum for that apprenticeship

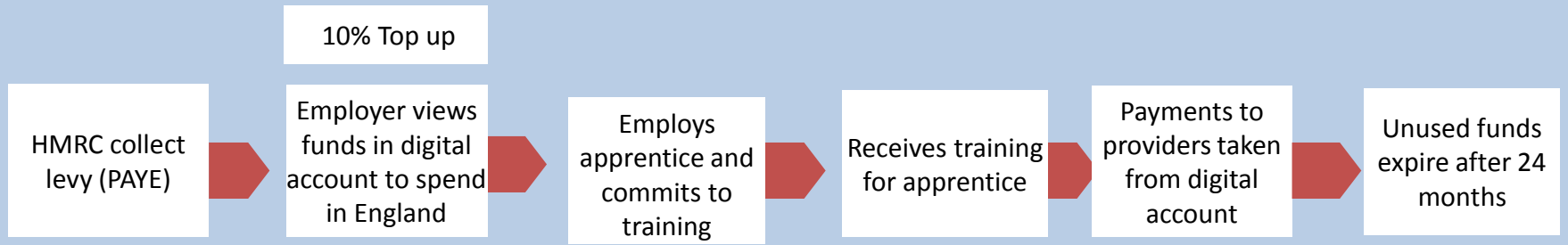
Digital funds and government funding **can not** be used for

- wages
- travel and subsistence costs
- managerial costs
- traineeships
- work placement programmes
- the costs of setting up an apprenticeship programme

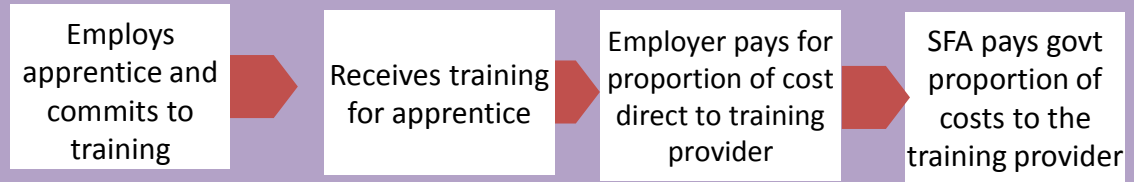


# How the funding system will work

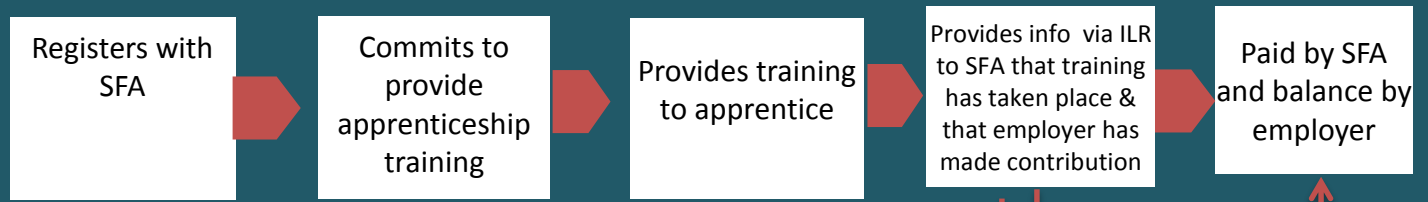
Levy paying employer



Non-levelLED employer



Training Provider



Government



# Apprenticeship funding in England from May 2017: Funding rules



# Key changes since August

In August, we published our proposals for apprenticeship funding. Since then, we have been listening to employers, training providers and other stakeholders to help us develop our final position. The adjustments we have made will help ensure that the reforms benefit more employers and apprentices.

Proposals in August	Final funding policy
Expiration of digital funds after 18 months	Extended to 24 months – helping employers to prepare for the new system and to adapt training programmes
Support for 16-18 year old apprentices - £1000 payment to employers and training providers	Retaining the £1000 payments plus extra government funding to provide a transitional 20% uplift for providers training 16-18 year olds on a framework. Also applies to 19-24 year olds formerly in care or have a Education and Health Care plan
Removal of disadvantage uplift	Retain a simplified version of current system for one year to support those from disadvantaged areas whilst review best way to support disadvantaged groups



# Funding bands

Number	Band limit
1	£1,500
2	£2,000
3	£2,500
4	£3,000
5	£3,500
6	£4,000
7	£5,000
8	£6,000
9	£9,000
10	£12,000
11	£15,000
12	£18,000
13	£21,000
14	£24,000
15	£27,000

## Every apprenticeship will be placed in a funding band

The upper limit of each funding band will cap the maximum:

- amount of digital funds an employer who pays the levy can use towards an individual apprenticeship.
- that government will 'co-invest' towards, where an employer does not pay the levy or has insufficient digital

## Employers can negotiate the best price for the training they require

- If employers want to spend more than the funding band limit, using their own money, then they will be free to do that.
- Funding bands do not have a lower limit.



# Funding bands for frameworks

We will allocate each individual framework pathway to:

- the nearest funding band based on the current rate of funding the government pays providers for training adult apprentices but with some extra support...

## 16-18 uplift

- Transitional support of 20% of funding band maximum paid directly to training providers
- Also applies to 19-24 year olds formerly in care or have Education and Health Care plan

## STEM Support

- For all STEM framework pathways we will increase the current government-funded adult rate by 40% at Level 2 and 80% at Level 3 and above, and then allocate these frameworks to the nearest funding band.

## Additional support in areas of disadvantage

Training providers receive:

- An additional £600 for training an apprentice from top 10% of deprived areas, £300 for next 10% range and £200 for the next 7% range

# Funding bands for standards

Apprenticeship standards are employer-designed and offer employers and apprentices a more robust and relevant training experience.

Recognised in the funding system by allocating higher funding bands to apprenticeship standards, relative to equivalent frameworks, where appropriate.

Existing apprenticeship standards have been allocated to new funding bands according to the following principles:

## Principles

- Lower cost standards should be allocated to the nearest funding band
- Those standards currently assigned to the widest and highest cost funding band will be allocated to a new band within this range. Taking into account:
  - Actual prices employers have negotiated with providers.
  - Evidence from Trailblazer employers on the estimated costs eligible apprenticeship training
  - The funding bands set for equivalent frameworks
  - The level and nature of the training, and consistency across similar types of apprenticeship standard.



## WITHIN THE FUNDING BAND LIMIT

- Example funding band limit = **£6,000**
- Price you negotiate with your training provider = **£5,000**
- The cost is **within** the funding band limit

### With enough funding in your account

**£5,000 will be deducted from your digital account over the life of the apprenticeship.**

### Without enough funding in your account

If you have £0 in your account **we will pay 90% (£4,500) and you will need to pay 10% (£500).**

If you have digital funds available, these will be used first, and then we will **pay 90% of the remaining costs, and you will pay 10%.**

## OVER THE FUNDING BAND LIMIT

- Example funding band limit = **£6,000**
- Price you negotiate with your training provider = **£7,500**
- The cost is **above** the funding band limit

### With enough funding in your account

**£6,000 will be deducted from your digital account over the life of the apprenticeship.**

**You will be responsible for paying £1,500.** This payment can't be made from your digital account

### Without enough funding in your account

If you have £0 in your account **we will pay 90% (£5,400) and you will need to pay 10% (£600). This is the maximum payable within the limit of the band.**

**You will also be responsible for paying the additional £1,500.** This payment can't be made from your digital account



# Additional support

## 16-18 year olds

Government will pay **£1,000 to employers**, and a further **£1,000 to training providers** if they train a 16-18 year old apprentice

## Disadvantaged young people

Government will pay **£1,000 to employers**, and a further **£1,000 to training providers** if they train 19-24 year olds leaving care or who have a Local Authority Education and Healthcare plan

## Small Employers

Employers with fewer than 50 employees will have 100% of the training and assessment costs covered when training a 16-18 year old (or 19-24 year old formerly in care or has a Local Authority Education, Health and Care plan)

## Additional learning support

We will pay training providers **up to £150 a month** to support these learners, plus additional costs based on evidenced need

## English and Maths training

To meet minimum standards of English and maths we will **pay training providers £471** for each of these qualifications (Level 1 and 2)



# Funding rules

## Cross-border funding

Applying a single test for funding through the English system: based on **whether the apprentice's main place of employment is England.**

'**Workplace**' is where the apprentice is expected to spend the majority of their time during their apprenticeship.

## Transferring funding

During 2018 we will introduce means for employers to **transfer up to 10% of the levy funds** to another employer with a digital account, or to an ATA.

New employer steering group to design this system so that it meets their needs

## Prior qualifications

Now and in the future, you can train any individual to undertake an apprenticeship at a higher level than a qualification they already hold.

From May 2017, an individual can be funded to undertake an apprenticeship at the **same or lower** level to acquire **substantive new skills**



# Apprenticeship funding in England from May 2017: Supporting the reforms



**ALPHA** This is a new service – your [feedback](#) will help us to improve it.

Ty Fairclough ▾

Levy accounts ▾

Help ▾

Home

Finance

Learners

Training

SFA agreements

Manage team members

[Ty Fairclough](#) > [Red & White Holdings Ltd](#) > [Finance](#) > [View your transactions](#) [View your transactions](#)

## View your transactions

This is your current balance:

# £5,340

on 20 August 2018

### Transactions

Date	Description	Credit	Debit	Balance	
15 August 2018	Hackney Skills and Training Ltd		£379	£5,340	<a href="#">View</a>
10 August 2018	Levy credit	£774		£5,719	<a href="#">View</a>
08 August 2018	Lots of skills Ltd		£347	£4,945	<a href="#">View</a>
15 July 2018	Hackney Skills and Training Ltd		£379	£5,292	<a href="#">View</a>
10 July 2018	Levy credit	£774		£5,671	<a href="#">View</a>
08 July 2018	Lots of skills Ltd		£347	£4,897	<a href="#">View</a>
15 June 2018	Hackney Skills and Training Ltd		£379	£5,244	<a href="#">View</a>
10 June 2018	Levy credit	£774		£5,623	<a href="#">View</a>
08 June 2018	Lots of Skills Ltd		£347	£4,849	<a href="#">View</a>



# Wider reforms - Institute for Apprenticeships

- **An independent employer-led body that will regulate the quality of apprenticeships**, set up by April 2017 (shadow form with effect from 2016)
- An independent Chair will lead a small Board comprised primarily of employers, business leaders and their representatives.
- Anthony Jenkins appointed as Shadow Chair and Peter Lauener as Shadow Chief Executive
- Outline role:
  - Approve/reject Expressions of Interest, standards and assessment plans
  - Provide advice and guidance during their development
  - Maintain a public database of apprenticeship standards and publish information illustrating potential gaps
  - Advise on the maximum rate of Government funding that should be assigned to each standard





# What you can do now

Read further – go to

<https://www.gov.uk/government/collections/apprenticeship-changes>

Plan your apprenticeship spending - <https://estimate-my-apprenticeship-funding.sfa.bis.gov.uk/>

Check out the draft regulations for the calculation, payment and recovery of the Apprenticeship Levy -

<https://www.gov.uk/government/publications/draft-legislation-regulations-for-the-calculation-payment-and-recovery-of-the-apprenticeship-levy>

