

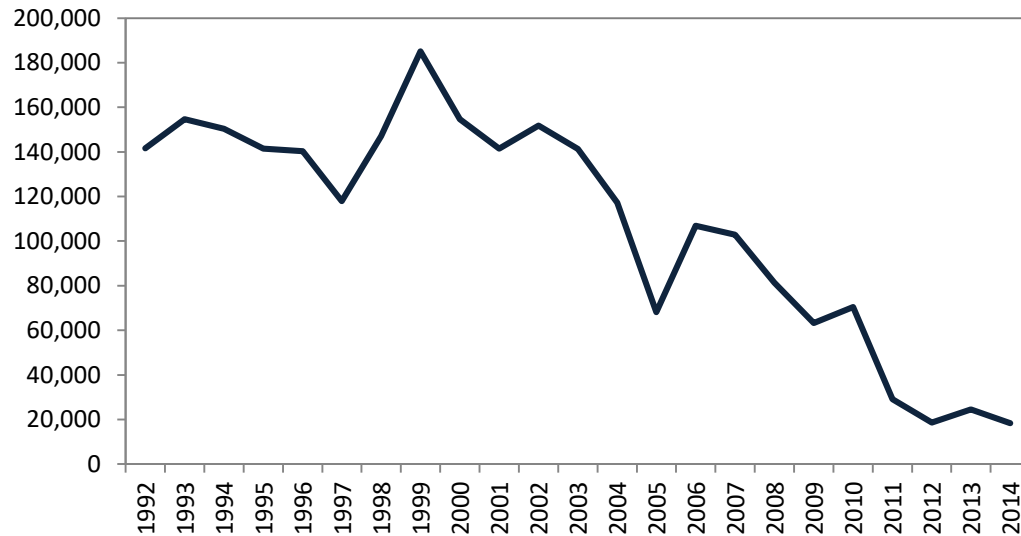
Apprenticeship Funding



**GET IN
GO FAR**
APPRENTICESHIPS

Action is needed to address current economic trends

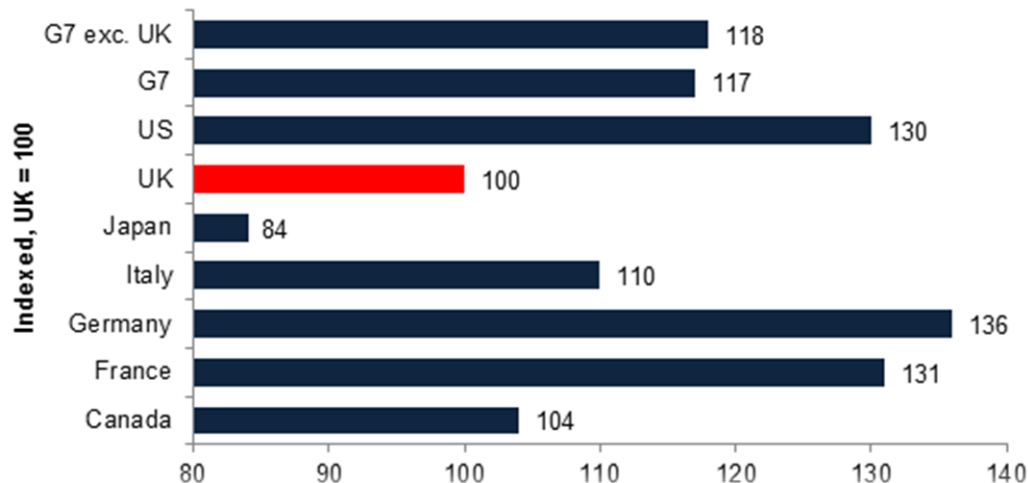
Number of employees who worked fewer hours than usual because they attended a training course away from their workplace



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

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



Apprenticeships contribute to addressing these challenges

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

Ambitious Government reforms:

- Replace apprenticeship frameworks by 2020
- New Institute for Apprenticeships
- Legal protection to degrees
- Apprenticeship target for public sector bodies
- Secondary Class 1 NICs abolished



Underpinned by apprenticeship levy and digital apprenticeship service

**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

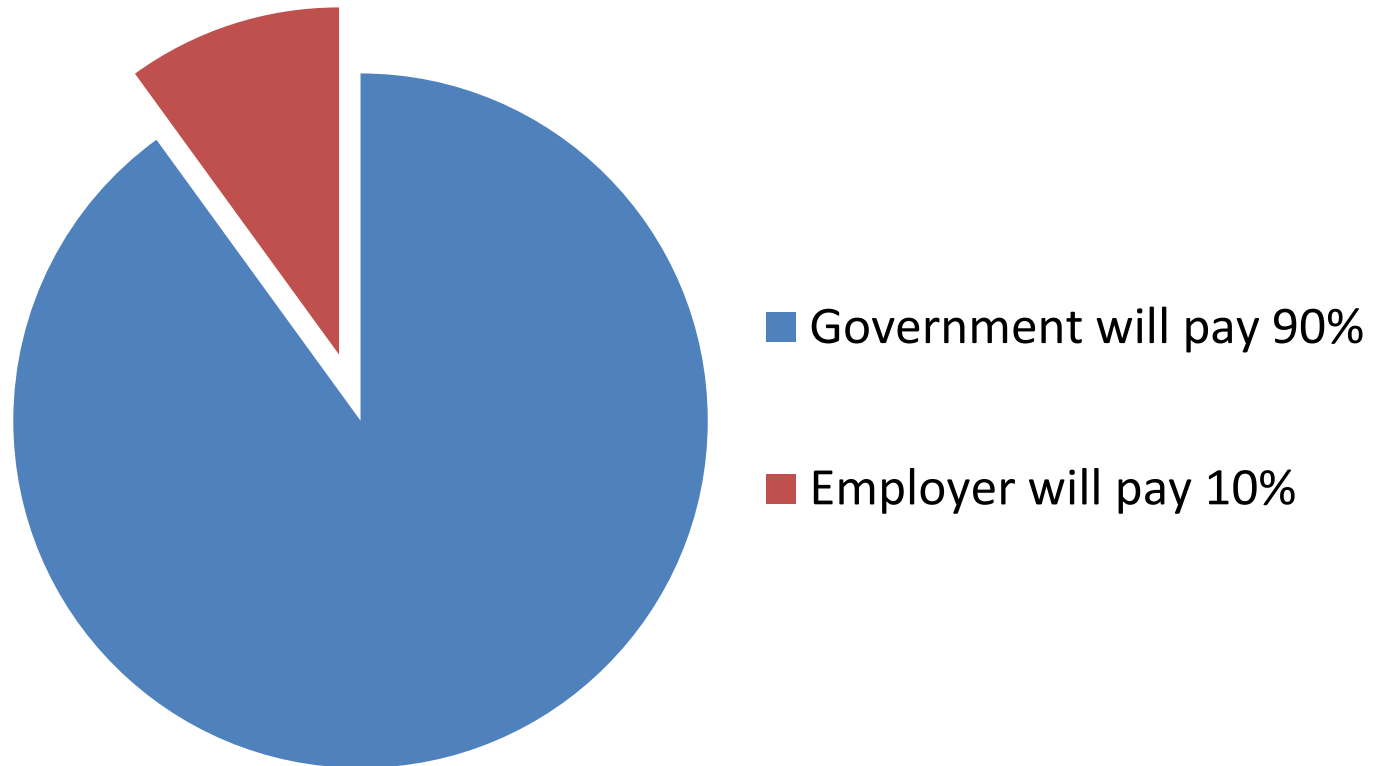
Employers will have an allowance of **£15,000** to offset against their levy payment



Co-Investment

Two types of employers:

1. Employers who haven't paid the levy
2. A levy-paying employer with insufficient funds



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: $250 \times £20,000 = \text{£5,000,000}$
- Levy sum: $0.5\% \times £5,000,000 = \text{£25,000}$
- Allowance: $£25,000 - £15,000 = \text{£10,000 annual levy payment}$

NON-LEVIED EMPLOYER

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

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
- Funds expire after 24 months

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

- Based on UK pay bill, not headcount
- 10% government top up to monthly funds entering an account

Levy account balance

Levy declarations to HMRC



Digital account transactions

Submitted	Month	Levy YTD		Date	Description	Credit	Balance
15/05/2017	1	£10,000		20/05/2018	Levy in	£10,000	£10,000
				20/05/2018	Top-up	£1,000	£11,000
15/06/2018	2	£20,000		20/06/2018	Levy in	£10,000	£21,000
				20/06/2018	Top-up	£1,000	£22,000
15/07/2018	3	£30,000		20/07/2018	Levy in	£10,000	£32,000
				20/07/2018	Top-up	£1,000	£33,000
15/08/2018	4	£40,000		20/07/2018	Levy in	£10,000	£42,000
				20/07/2018	Top-up	£1,000	£43,000

Purchasing training

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

New funding system comes into effect on 1 May 2017

- 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

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

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?

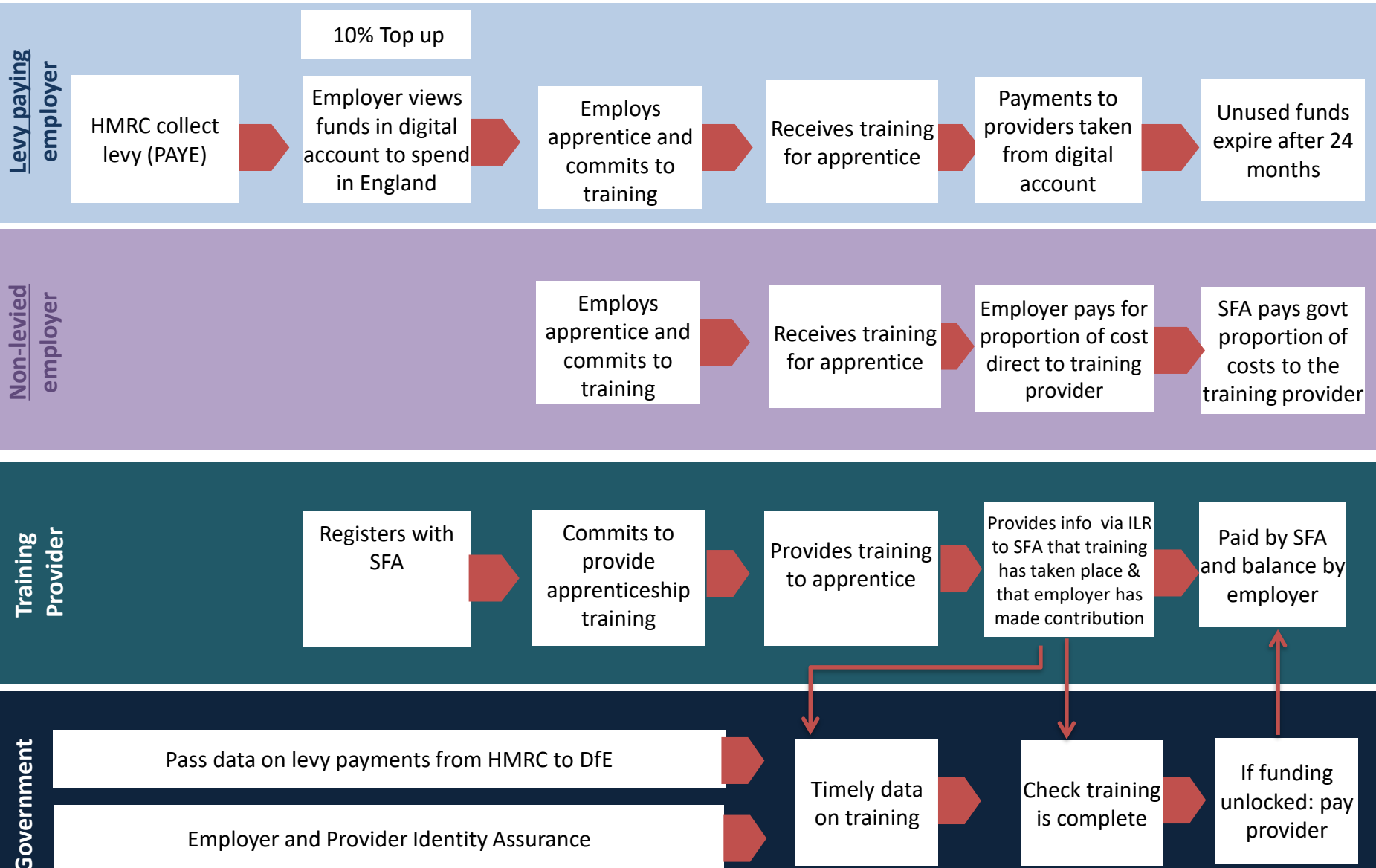
Digital funds and government funding **can** be used for:

- 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

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

How the funding system will work



Employer payments to providers

Start 1 September 2017

End 8 September 2019

Sept 2017	Oct 2017	Nov 2017	Dec 2017	Jan 2018	Feb 2018	Mar 2018	Apr 2018	May 2018	June 2018	July 2018	Aug 2018	Sept 2018	Oct 2018	Nov 2018	Dec 2018	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	June 2019	July 2019	Aug 2019	20%

- Negotiated price of £15,000 for training and assessment
- £3,000 held back for completion
- £12,000 split over remaining 24 census months - £500 per month
- Additional payments paid at 90 and 365 days

Apprenticeship funding in England from May 2017: Funding rules

Key changes since August

Proposals in August	Final funding policy
Expiry of digital funds after 18 months	Extended to 24 months
Support for 16-18 year old apprentices	Retaining the £1,000 payments, plus extra 20% uplift for frameworks
Removal of disadvantage uplift	For one year retain a simplified version of current system for frameworks

Provisional 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 funds

Employers can negotiate the best price for the training they require

- Employers are free to spend more than the funding limit
- 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

Additional support in
areas of disadvantage

STEM Support

Funding bands for standards 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:

1. Actual prices employers have negotiated with providers
2. Evidence from Trailblazer employers on the estimated costs eligible apprenticeship training
3. The funding bands set for equivalent frameworks
4. 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 employer negotiates with 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 or non-levy

If you have £0 in your account, or do not pay the levy **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 employer negotiates with 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 or non-levy

If you have £0 in your account, or do not pay the levy **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

Disadvantaged young people

£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

Funding for 16-18 year olds

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

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 support for apprentices

Funding for additional learning support

Up to £150 a month to support these learners, plus additional costs based on evidenced need

Funding for 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

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

Employers to support this by setting up a transfers working group.

Funding rules

Prior qualifications

- now and in the future

Train **any individual** to undertake an apprenticeship at a higher level than a qualification they already hold

An individual can be funded to undertake an apprenticeship at the **same or lower** level to acquire **substantive new skills**

Funding rules

Cross-border funding

Applying a single test 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.

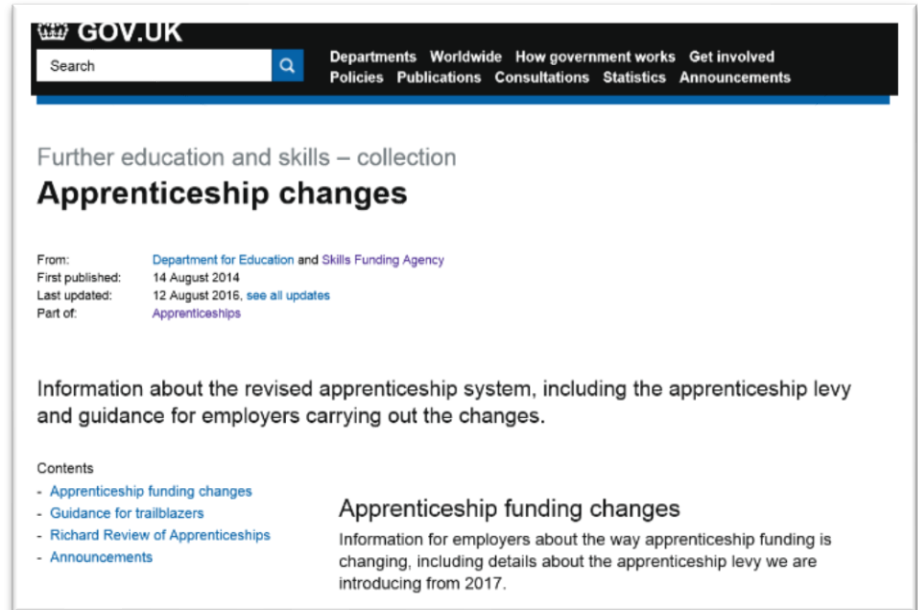
Apprenticeship funding in England from May 2017: Supporting the reforms

Wider reforms - Institute for Apprenticeships

- Independent employer-led body
- Regulate the quality of apprenticeships
- Set up by April 2017 (shadow form with effect from 2016)
- Chair will lead a small board
- 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

Updates

Search for Apprenticeship changes on GOV.UK



Search the internet for the
Estimate my apprenticeship spending tool