

Apprenticeship Funding Proposals Briefing Paper for May 2017 Key Points

Reference Docs:

- Apprenticeship Proposals Policy Paper:
<https://www.gov.uk/government/publications/apprenticeships-proposals-for-funding-from-may-2017>
- Guidance available at: <https://www.gov.uk/government/publications/future-of-apprenticeships-in-england-guidance-for-trailblazers>
- List of standards developed / in development so far available at:
<https://www.gov.uk/government/publications/apprenticeship-standards-list-of-occupations-available>

This proposal is subject to change, and views are welcome on the online survey. The plan is to publish the final funding bands, the final set of technical rules to underpin the funding system, and confirmation of how the proportion of pay bill paid to employees living in England will be calculated in **October 2016**.

In **December 2016** it is planned that the guidance from HMRC on how to calculate and pay the apprenticeship levy is published.

Key Message:

- 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.

How it will work;

Apprenticeship Bands for Training:

Number	Band Upper 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

- All existing and new apprenticeship frameworks and standards will be placed within one of these funding bands. This will depend on the level and type of apprenticeship.
- 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.
- The upper limit of the funding band will also cap the maximum price that government will 'co-invest' towards, where an employer does not pay the levy or has insufficient digital funds and is eligible for extra support.
- Employers can negotiate the best price for the training they require

Example;

The employer wishes to recruit a trainee Dental Nurse in May 2017. Apprentice Dental Nurse is in Band 9, so upper limit for training would be £9000. The employer would be able to negotiate the cost of the training with the training provider.

Employers who have a wage bill of over £3 million pay the levy

- Employers will calculate, report and pay their levy to HMRC, through the Pay As You Earn (PAYE) process alongside income tax and National Insurance.

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



- Employers will not be exempt from the apprenticeship levy if they already pay into an existing levy. E.g. CITB, ECITB
- Levy funds will be available through a new digital service on gov.uk
- Once registered for the new digital service, levied employers will be able to select their PAYE schemes and access funds available to them as a result of their levy payments.

- Funds will first appear in account in late May 2017 after the employer has completed their RTI submission for April 2017.
- Funds will expire 18 months after they appear in the employer's digital account unless they are spent on apprenticeship training. This will also apply to any top-ups in their digital account.

- Once the levy is all used up on apprentices, the employer can access further apprentices using the 90% funding government funding, and pay a 10% top up towards training.
- The price of the training with the provider can be negotiated by the employer, with the upper limit set within the Band limits.
- Government proposes to pay £1,000 to employers, and a further £1,000 to training providers if they train a 16-18 year old apprentice.
- Government proposes to 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.

Example;

The Dental company have a wage bill of £4 million per year. 0.5% of this is £20,000, and £15,000 is offset. So the levy paid per year will be £5,000. This will be paid through the PAYE system to HMRC. The employer will have £5,000 in their digital account

The dental nurse training will cost £9,000, and the employer has negotiated the cost to £8,000 with the training provider.

£8,000 - £5,000 = £3,000 (The employer will now be able to access the 90% top-up funding for the £3,000) so the employer will need to pay £300 only).

The apprentice is 17 years old, so the employer and training provider will each receive back £1000 from the Government.

Employers who do not pay the apprenticeship levy

- Only 2% of employers across England will pay into the levy. For the majority of businesses across the Humber who regularly take on apprentices, the following information is key.
- Employers who do not pay the levy will be able to look for training and search for a provider using the tools on the digital apprenticeship service. However, they will not need to use the digital apprenticeship service to pay for apprenticeship training and assessment until at least 2018.
- Every individual apprenticeship framework and standard will be allocated to a funding band. The upper limit of the funding band will cap the maximum price that government will 'co-invest' towards.

Employer chooses apprenticeship in band 9 with a maximum price of £9,000

Employer negotiates a price of £8,500 with their provider

Government co-invests 90% = £7650

Employer co-invests remaining 10%= £850

Employer and provider agree to spread this over 10 instalments of £85

- Proposals for co-investment mean that for employers that do not pay the levy, the government will fund 90% of the agreed price for training and assessment, and the employer will pay 10%.

Employers will be able to agree a payment schedule with their provider and spread their payments over the life time of the apprenticeship.

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Employers of less than 50 members of staff

- To continue to support small employers to take on younger apprentices, it is proposed that employers with fewer than 50 people working for them will be able to train 16 to 18 year old apprentices at no cost. The government will pay 100% of the apprenticeship training costs for these individuals.
- Small employers who take on a 19 to 24 year old apprentice who was formerly in care or has a Local Authority Education, Health and Care plan. The government will pay 100% of the apprenticeship training costs for these individuals.
- The 'Age Grant' will be available to employers of less than 50 members of staff until Sept 17. This is a payment of £1500.

A Dental Practice wishes to take on an apprentice Dental Nurse in May 2017, has 10 members of staff and a pay bill of under £1 million. The training is negotiated at £8000 with the training provider. The employer can arrange to pay 10% (£800) to the provider. The employer then finds a young person who is 20 year old 'Care Leaver' and perfect for the job. The training is then fully funded for the apprenticeship. The employer will also receive £1000 for taking on a young 'Care Leaver' and £1500 Age Grant, providing it is a new apprenticeship.

Further key points for consideration

- Levy paying employers will be able to divert 10% of their levy to their supply chain/ other companies through their digital account from 2018.
- English and Maths qualifications to Level 2 will be funded at £421 per qualification to the training provider, the same as now.
- An individual can be funded to undertake an apprenticeship at the same, or lower level than they already hold, as long as the apprenticeship will allow the individual to acquire substantive new skills.
- Cross-border funding: This proposal takes effect in England only. We propose that the definition of workplace is the physical place of work, designated by the employer, where the apprentice is expected to spend the majority of their time during their apprenticeship. We are continuing to engage with the Devolved Administrations on the scope for reciprocal funding arrangements for employees who live in England but who may work elsewhere in the UK.