

Apprenticeship Reform

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Overview:

- Government policy aims & target
- The overall programme of reform
- The new Institute for Apprenticeships
- Curriculum changes : Apprenticeship standards
- The Levy & co-investment
- Funding limits for Standards (“Caps”)
- Apprenticeship Funding Reform: Next steps
- Key provider considerations

What are the aims of Apprenticeship reform?

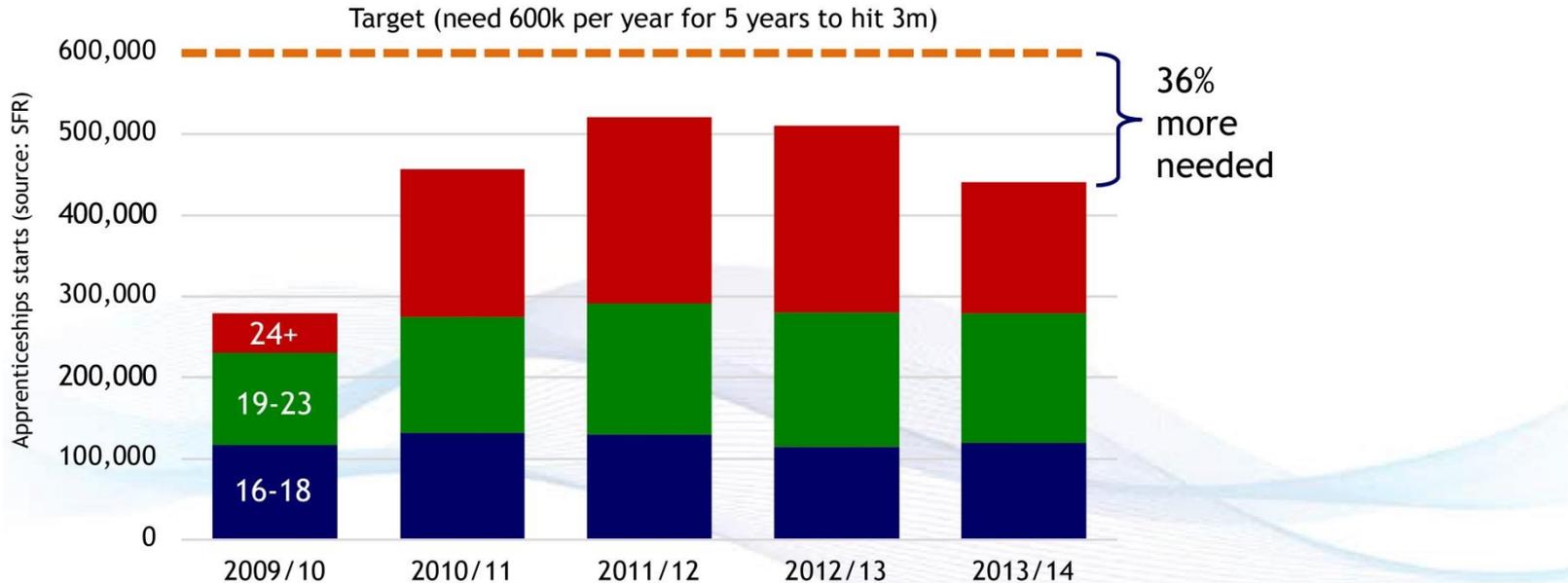
The Government's message

- Employer driven
- Quality
- Simplicity
- Young people/higher level

Other aims:

- Increase productivity
- Reduce public funding
- Reduce government responsibility (and SFA..)
- Achieve the target!

We will “support 3m new apprenticeships, so **young people** acquire the skills to succeed”



The 16-23 (young) apprenticeship starts have never broken through the 300k barrier

Despite introduction of Apprenticeship Grant for Employers (AGE) and Raising the Participation Age (RPA), the 16-18 starts in 13/14 were 9% lower than in 2010/11. Minimum duration at play?

3m target will either rely on 24+ growth (easy and cheap), or incentivising employers to take 16-23 (difficult and expensive)

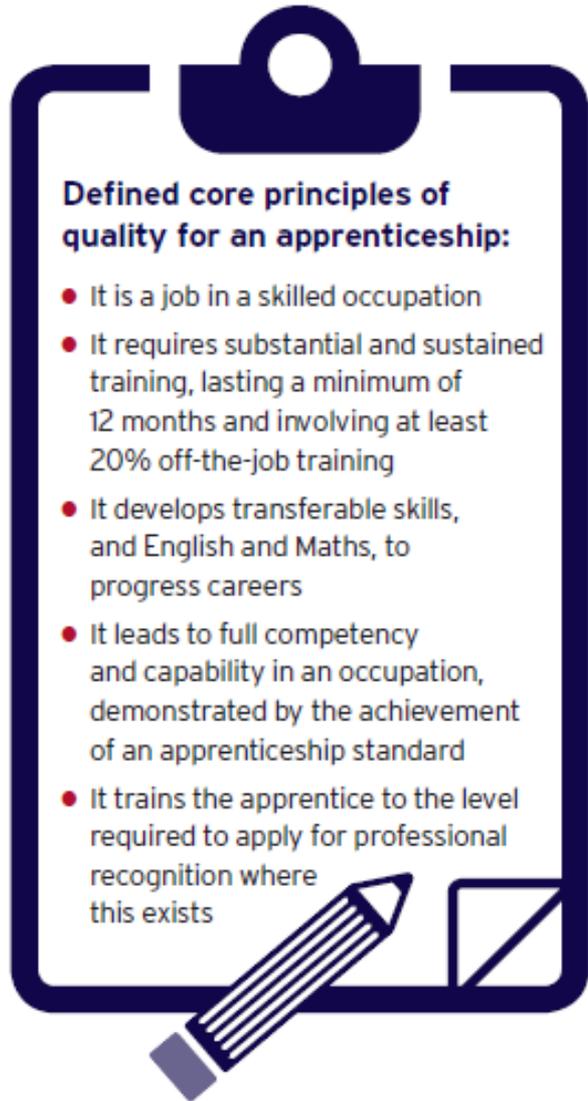
The overall programme of reform:

- New **Institute for Apprenticeships** led by employers to support quality apprenticeships
- Employers at the heart of designing new **Apprenticeships Standards** through the Trailblazer programme
- Apprenticeships will be given **equal legal protection to degrees**
- **Secondary Class 1 NICs abolished** for apprentices under the age of 25 from April 2016
- **Apprenticeship targets for public sector bodies** – consulted on new duty on public sector to have 2.3% of its workforce comprised of apprenticeships
- Introduction of the **Apprenticeship Levy** and other funding reforms

Institute for Apprenticeships

- **An independent employer-led body that will regulate the quality of apprenticeships**, set up by April 2017 (shadow form from 2016)
- An independent Chair will lead a small Board comprised primarily of employers, business leaders and their representatives.
- Rachel Sandby-Thomas (Shadow CEO) started in April 2016.
- 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

Apprenticeship Standards: what are they?



Employers are designing apprenticeship standards so that they meet the needs of their industry – through the Trailblazer programme

A standard should:

- be short, concise and clear
- set out the full competence needed in an occupation in terms of Knowledge, Skills and Behaviour (KSBs)
- have the support of employers including smaller businesses
- be sufficiently stretching so that it will require at least a year of sustained and substantial training to meet the standard
- align with professional registration where it exists
- contain minimum English and maths requirements and
- only include mandatory qualifications under certain circumstances.

How are Apprenticeship Standards being developed?

- **Employer-led ‘Trailblazers’** are leading the way in implementing the new apprenticeships.
- They are working together to design apprenticeship standards and assessment approaches for key occupations in their sectors. **More than 1000 employers** in **over 70 sectors** are currently involved.
- **More than 3000 standards** have been developed, or are in development
- **More than 100 employer groups** have been established

Trailblazer progress so far



- Over 150 Trailblazers currently developing over 375 standards.
- Over 40% are higher/degree level
- 82 of these standards are now approved for delivery.
- 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>

What is the timetable for curriculum reform?

- The first starts on the new employer-led standards were in 2014/15 (300 – 400), growth since has been slow
- The majority of starts are hoped to be on standards from the 2017/18 academic year,
- There is a monthly, on-line open consultation approach and new, high level governance arrangements are being put in place
- There are likely to be continued alterations to the approach to apprenticeship standard development

What about Funding Reform?

- Government remains **committed to employer routed funding** and growing and improving apprenticeships.
- No slowing down due to the target of 3 million and this includes funding reform
- Recognition of **the concerns of small businesses and commitment to addressing these in the design of any new funding approach.** Trying to ensure that any off-putting administrative and financial burdens are avoided.
- Compulsory cash contributions are a feature of the model being used in 2015/16 academic year.
- Including but not limited to.....introduction of the **Apprenticeship Levy**

Note: Whatever the mechanism, money will not flow directly from government to employers, except where employers are also providers

The Apprenticeship Levy

- The Apprenticeship Levy will be a levy on UK employers to fund new apprenticeships
- **The levy will be 0.5% of the pay bill**, paid through PAYE
- **An allowance of £15,000** to offset against levy liability
The levy allowance is not a cash payment and cannot be used to purchase apprenticeship training
- Any UK employer, in any sector, with a **pay bill of more than £3 million** per year is liable to pay the levy
- Employers in England who pay the levy and are committed to apprenticeship training **will be able to get out more than they pay into the levy**, through a **top-up** to their digital accounts

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



Paying the levy

LEVY PAYING EMPLOYER

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

NON-LEVY PAYING EMPLOYER

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

How?

- Employer will calculate, report and pay levy to HMRC, through PAYE
- Single employers with multiple PAYE schemes will only have one allowance
- Connected employers - Government intends to allow employers to share one allowance between employers which are in connected ownership or control.
- Employers won't be exempt if already pay into an existing levy (NB. CITB).

Employers getting more out than they put in

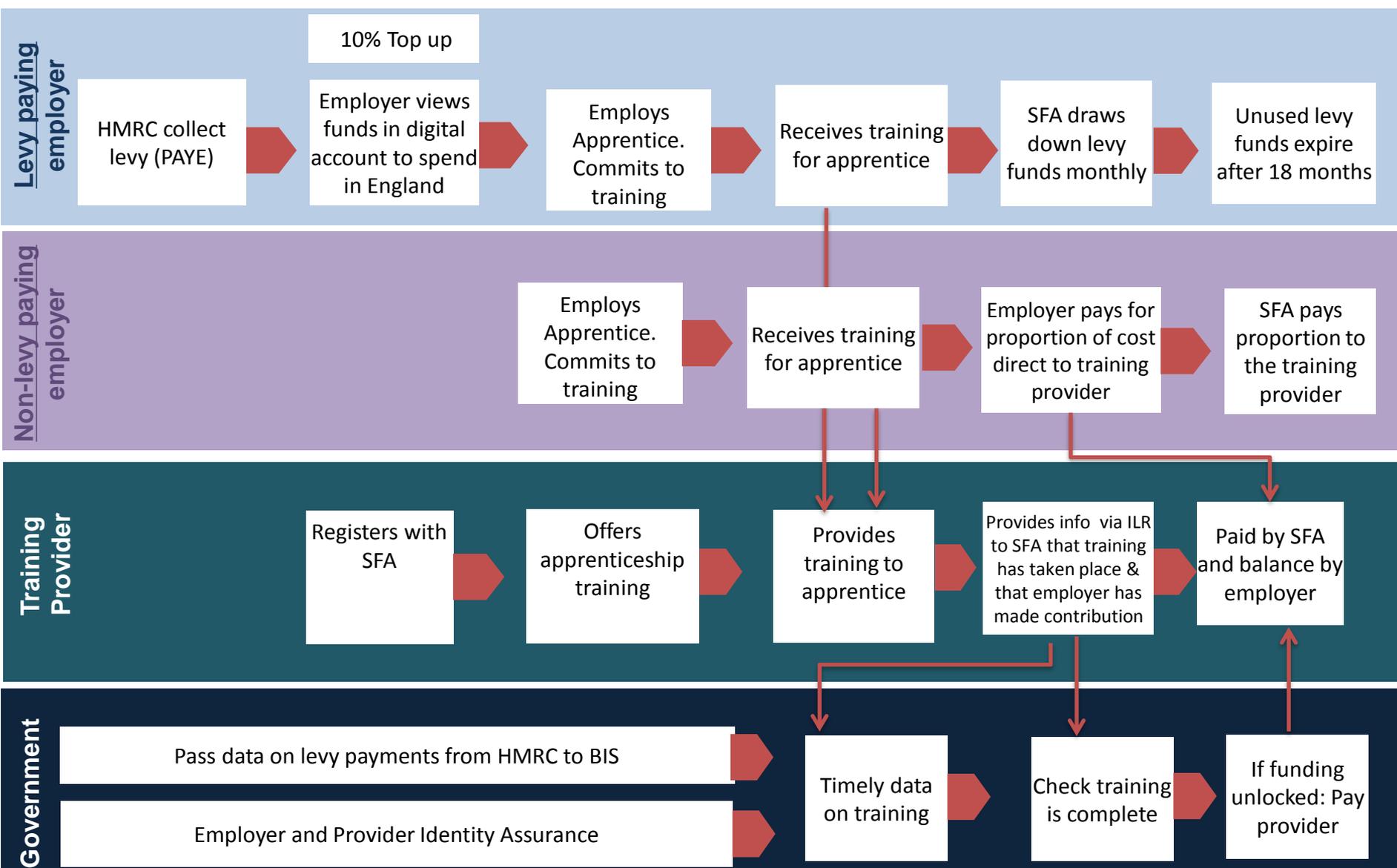
Employers who pay the levy and are committed to apprenticeships training will be able to get out more than they pay in to the levy.

The government will apply a **10% top-up** to monthly funds entering levy paying employers' digital accounts, for apprenticeship training in England, from April 2017.

Worked example

- Employer has **£12,000 annually entering their levy account**
- Monthly account funding = **£1,000**
- Top up: $10\% \times £1,000 = £100$
- Levy monthly account increase: $£1,000 + £100 = £1,100$
- **£13,200 annually to spend on Apprenticeships**

How the Levy will work



Operating model – what can happen?

Expiry of levy funds

- Levy funds will expire 18 months after they enter employer account unless spent on apprenticeship training. This will also apply to any top-ups in the account.
- Levy funds which have expired will keep their value, as they will be reallocated to committed employers through the top-up to their accounts.

Directing levy funds to other employers

- In the first year of the levy, employers will be able to use the funds in their levy account to pay for apprenticeship training and assessment for own employees.
- Employers might wish to direct their funding to other employers (eg. supply chain). Government will make an assessment of the pros and cons of any approach, including the trade-offs with other design choices, before providing further information in June

Pooling funds in a levy account with other employers

- If employer is in a group of companies connected for the purposes of paying the levy, the group will be able to collect their funds together into one account.

Co-Investment – including non-levy payers

CO-INVESTMENT

There are two types of employers who will be required to contribute outside the levy towards the cost of their apprenticeships training:

1. Employers who haven't paid into the levy
2. Employers who have used all funds in their digital apprenticeship account

These employers will be required to co-invest a small proportion of funding towards the cost of their apprenticeships training.

Employers who do not pay the levy will not need to set up a digital apprenticeship service account to pay the training provider in April 2017.

These employers will agree a price and pay a contribution towards the costs of the training and assessment to the training provider directly.

What can employers use levy or gov. funds for?

FUNDS CAN BE USED FOR:

- apprenticeship training and assessment
(with an approved training provider and assessment organisation up to its funding band maximum)

FUNDS CANNOT BE USED FOR:

- wages
- statutory licences to practise
- travel and subsidiary costs
- managerial costs
- traineeships
- work placement programmes
- the costs of setting up an apprenticeship programme

2015/16 Funding Model for Standards

Funding limits – or Caps

Maximum Core Government contribution (£2 for every £1 from employer)		Cap 1	Cap 2	Cap 3	Cap 4	Cap 5
		£2,000	£3,000	£6,000	£8,000	£18,000
Employer contribution if the maximum cap is claimed		£1000	£1,500	£3,000	£4,000	£9,000
Additional incentive payments	Recruiting a 16-18 year old	£600	£900	£1,800	£2,400	£5,400
	For a small business (<50)	£500	£500	£900	£1,200	£2,700
	For successful completion	£500	£500	£900	£1,200	£2,700
Maximum total Government contribution		£3,600	£4,900	£9,600	£12,800	£28,800

Why have funding limits?

What is a funding band?

Funding bands set the ranges in which government expects the cost of training an assessment for apprenticeships to fall.

Each of the bands will set an upper limit to which government or levy funding can be used to pay for the apprentice's training.

For example:

Butcher Apprenticeships
Standard

Band 3

£3,000 to £6,000

Employers will not be able to spend an unlimited amount of money on a single apprentice.

Government's stated intention is to ensure that apprenticeships represent the best quality and value for money to the employer.

Employers can negotiate the best price for the training they require directly with training providers.

Funding limits– how they work

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

Levy payers	Non-levy payers*
<p>£5,000 will be deducted from employer's levy account over the life of the apprenticeship.</p>	<p>Employer will be required to contribute a small proportion of the £5,000 cost.</p> <p>The level will be announced in June.</p>

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

Levy payers	Non-levy payers*
<p>£6,000 will be deducted from employers levy account over the life of the apprenticeship.</p> <p>Employer will be responsible for paying £1,500. This payment can't be made from your digital account</p>	<p>Employer will be required to contribute a small proportion of the £6,000 cost, and</p> <p>Employer will be responsible for paying £1,500.</p>

* Employers who have not contributed to the levy, or who have used all the funding in their accounts

Extra support

16-18 year olds

- Payment to help meet the additional costs associated with employing young apprentices. This will be paid to the employer via training provider.

Funding for disadvantaged individuals

- Employer receive the same payment (as for a 16-18 year old apprentice) if they recruit young people who are aged 19-24 with an Education and Healthcare Plan provided by the local authority or if they employ a 19-24 year old who has been in the care of the Local Authority.

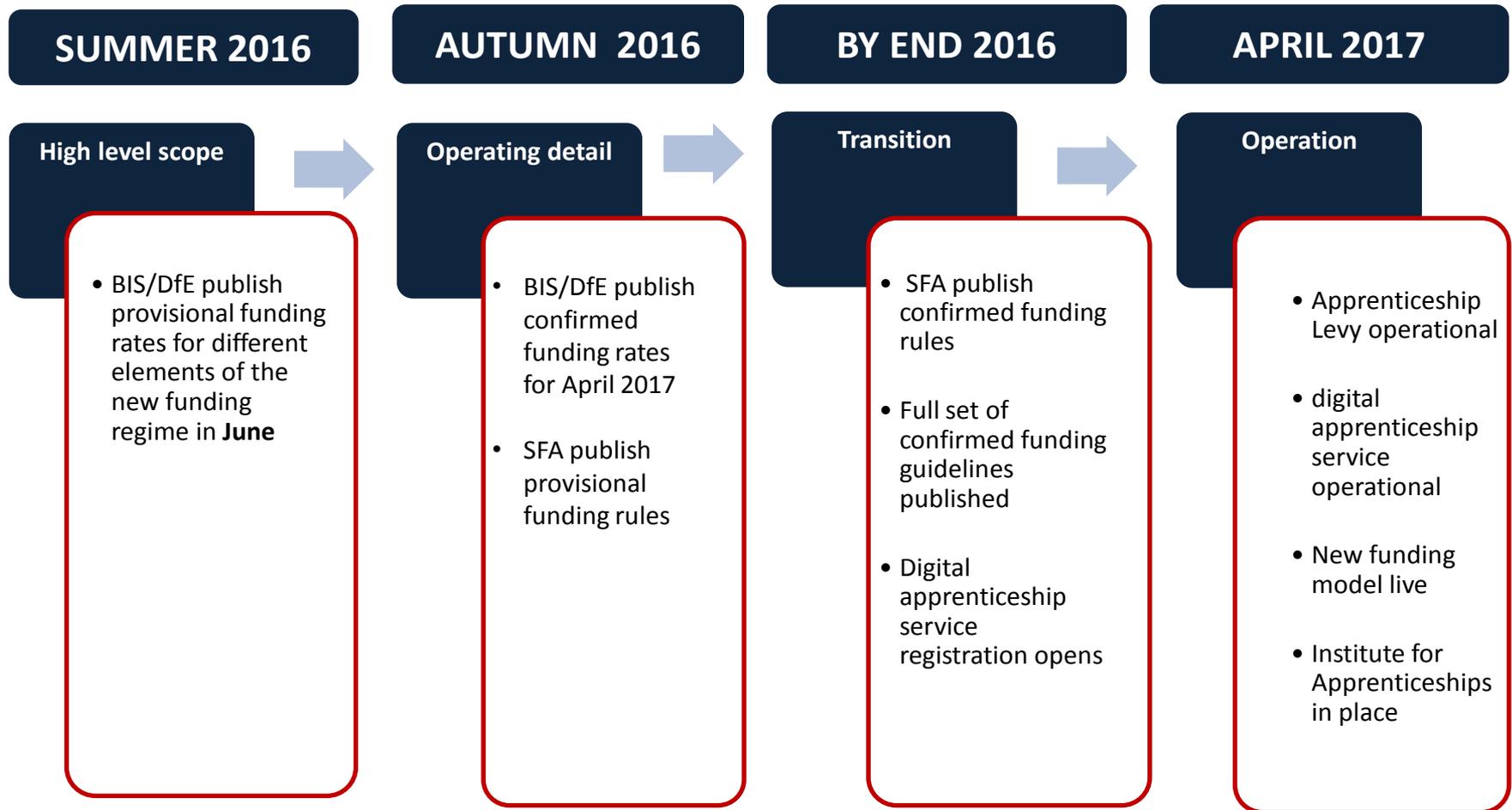
Funding for additional learning support

- If an apprentice needs extra support to help meet additional learning needs payments will be made direct to the training provider to pay for these

Funding for English and Maths training

- If an apprentice doesn't already have the required minimum standard in English and Maths they may need to undertake an English and/or Maths course.
- Government will still pay providers directly for English and Maths courses.

Apprenticeship Funding Reform : Next Steps



Key changes for providers

In addition to the above.....

- Financial year funding for Apprenticeships
- New Register of Apprenticeship Training Organisations.....
-and another for Apprenticeship Assessment bodies (details of both tbc)
- Two contracts per provider: for levy payers and non-levy payers (details of payment and reconciliation, quality and audit considerations tbc)

SFA Registers...some key points

- There will be 3 registers:
 1. Register of training organisations (ROTO)
 2. Register of apprentice training providers
 3. Register of apprenticeship assessment organisations
- ROTO = AEB, advanced learner loans & traineeships
- All organisations that want to deliver apprenticeships from April 2017 will need to be on the register of 'apprentice training providers' - expected to open for entry through the Bravo e-tendering portal this summer
- Register of apprentice assessment organisations – list of organisations that have been assessed as being suitable to conduct independent end-point assessments

Register of apprentice training providers

- Still subject to ministerial approval
- Employers must use this to select the apprenticeship training provider for their apprentice
- Employers wanting to deliver training to their own employees will need to be on the register
- SFA will undertake due diligence and readiness to deliver on all providers on register including financial health assessment tests

Key college/provider considerations

- Organisation culture and ethos?
- Appropriate apprenticeship 'vehicle'?
- Staffing structures?
- Commerciality and sustainability?
- LMI : employers and competitors?
- Alignment of classroom based offer?
- Employer influence on whole college/provider offer?
- Effective communications to all stakeholders (particularly employers and schools)
- Level of investment against potential return?

Apprenticeship reform : in summary

Significant....

- Political priority (& reputation)
- Target
- Change
- Uncertainty
- Unknowns
- Threat
- Opportunities

Information on apprenticeship reform

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