

2017 Apprenticeship Reforms



A brief overview of what is happening:

- Apprenticeship reform – frameworks to standards – as a result of the Richard Review (2012) which made a number of recommendations on simplification and on placing employers in the driving seat.
- In 2015 the government committed to creation of three million apprenticeships by 2020.
- To enable this, from April 2017 levy will be paid by employers with pay bill of over £3 million, 0.5% of pay bill. Levy will mean doubling of investment in apprenticeships by 2020 from 2010 levels, to £2.5bn.
- The way employers access funding will change – employers who pay the levy will be able to access a new digital apprenticeship service that allows them to spend available funds on apprenticeship training. The vast majority of employers will not be eligible to pay the levy and these employers will continue to benefit from government support to pay for apprenticeship training.
- In May 2017, the way apprenticeships are funded in England will change.



What is changing?

- Apprenticeship reform – frameworks to standards – ongoing
- Levy – from April 2017
- Digital apprenticeship service
- New requirements – new register – from May 2017
- Funding – from May 2017

Levy – from April 2017

- On pay bill of UK employees at rate of 0.5%, and allowance of £15,000 each tax year.
- So, payable on pay bills over £3 million (0.5% x £3 million = £15,000).
- Paid to HMRC through PAYE process alongside income tax and NI.
- Government makes 10% top up to monthly fund.
- Based on employees living in England; can be spent on employees working in England.
- Amount paid into employers' accounts in digital apprenticeship service.
- Levy calculator estimates if organisation will pay, how much they will have available to spend, and how much government will contribute—[<https://estimate-my-apprenticeship-funding.sfa.bis.gov.uk>]
- Funds expire after 24 months.
- Once levy used, move over to system for non-levy paying employers.

Employers with a pay bill over £3million (levy paying) - Pay levy via HMRC and PAYE Receive 10% top up

Employers with a pay bill under £3million (non-levy paying) - Have to co-invest 10% employer, 90% government

Levy – from April 2017 – Sharing levy funds

- In 2018 levy-paying employers will be allowed to transfer up to 10% of the annual value of funds entering their digital accounts to other employers or ATAs with a digital account.
- New employer working group created by DfE to help further develop proposals for a transfers system that works for employers.
- Will undertake research into needs of employers of all sizes, help government design how transfers should work, decide level of funds that could be transferred, and controls needed.



Digital apprenticeship service (DAS) – levy payers' digital account

- From May 2017 levy payers will use DAS to pay for training.
- Employers will have a digital account and apprenticeship funds will be paid into the account via DAS which employers then use to pay providers (or themselves in some cases) for apprenticeship training.
- By 2018 earliest, 2020 latest, every employer in England will use the system to pay for apprenticeship training.

Digital apprenticeship service (DAS) – wider information

- All employers will have access to DAS and use it to choose an apprenticeship provider, channel certification
- Providers offering apprenticeships will upload information about their offer to the DAS so all employers can see their offer on the course directory provider portal.
- Portal was open for submissions between 5 December and 13 January.
- Main providers can include information from sub-contractors.

Funding – from May 2017 – Start of the new system

- Start date for new apprenticeship funding system 1 May 2017.
- Any apprenticeships started from this date funded according to new rules.
- This will apply to all employers; levy paying, and non-levy paying.
- Apprenticeship levy comes into effect on 6th April 2017, funds appear in employer's digital account just before end of May for levy paid on April payroll.
- Payments made to providers under new system monthly in arrears for training they report delivered.

Funding – from May 2017 – Prior qualifications

Employers can use levy funds/access co-investment to train individuals on apprenticeship at same or lower level than a qualification they already hold, including previous apprenticeship if this allows individual to acquire substantive new skills and the content of the training is materially different from any prior training or a previous apprenticeship.

Funding – from May 2017 – How funding will flow

Levy - Employer and government contribution into DAS.
- Paid by employer to provider via DAS.

Non-levy - Employer contribution paid to provider according to agreed schedule, government contribution to provider paid via SFA contract.
- All employers will use DAS to pay for training and assessment by 2018 earliest, 2020 latest.

Funding – from May 2017 – Employer contribution

Levy - Price negotiated between employer and provider.
- Employer pays 100%.
- Once levy spent, employers use same model as non-levy payers

Non-levy - Price negotiated between employer and provider.
- Employers co-invest 10%, government co-invests 90% (mandatory).
- No funding reduction for apprentices aged 24+.
- Small employers (<50) do not have to co-invest 10% for 16-18s, 19-24 care leavers or 19-24s with a LA EHC plan; government pays 100%

Funding – May 2017 – Funding rates

Levy and non-levy

- All apprenticeships allocated to one of 15 funding bands, upper limit from £1,500 to £27,000.
- Upper limit caps maximum amount of digital funds levy-paying employer can use towards an apprenticeship, and maximum price government will 'co-invest' towards for non-levy paying employer
- Final funding negotiated, can go above maximum but then 100% employer's own money.
- Some frameworks and standards allocated to higher bands than originally in August.
- New system will recognise standards are 'more expensive to deliver' by allocating higher funding bands to apprenticeship standards, relative to equivalent frameworks.

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Levy paying employers	Pay levy, government tops this up by 10%	Choose apprenticeship & approved provider	Check funding band & additional payments	Agree a price with the provider	Monthly payments made to the provider via DAS	If insufficient funds in the levy pot - coinvestment
Non-levy paying employers	-			Agree a price & payment schedule with the provider	Invoiced by the provider	Co-investment.



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FAQs

Q Can someone with a degree now complete an apprenticeship with the funding changes?

A Yes. An apprentice can be funded to undertake an apprenticeship at the same or lower level than a qualification they already hold, if the apprenticeship will allow the individual to acquire substantive new skills and you have evidence that the content of the training is materially different from any prior qualification or a previous apprenticeship.

Q How about degrees? Are they the same as A levels in regards to previous qualifications?

A Yes. The rule is that an apprentice can be funded to undertake an apprenticeship at the same or lower level than a qualification they already hold, if the apprenticeship will allow the individual to acquire substantive new skills and you have evidence that the content of the training is materially different from any prior qualification or a previous apprenticeship. That applies to all qualifications including degrees.

Q Will foreign owned companies have to pay the levy or are they just UK registered companies?

A The levy applies to employers operating in the UK.

Q Does the funding for Functional Skills come from the Levy pot, or does that come from the SFA?

A It comes from the SFA. It is not taken out of the levy for levy-paying employers, and non-levy paying employers do not have to contribute. The full rules can be found in Apprenticeship funding: draft rules for training providers.

Q Are the extra £1000 payments available for all companies regardless of employee size?

A Yes.

Q When will EPA contracts be available to view and will they be a 3 way contract between the AO, provider and employer?

A The employer will select an apprentice assessment organisation to deliver the end-point assessment from the Register of Apprentice Assessment Organisations (RAAO). The main provider (or employer-provider) will contract with the apprentice assessment organisation that has been selected.

Q Will a payment from the DAS be immediate and can it be paid all up front if employer and provider agrees to this?

A Funds will be removed from the digital account and paid to the provider (or training arm of n employer) on a monthly basis on return of data through the ILR.

Q How will the 10% be collected from the employers?

A Providers will need to invoice employers for employer co-investment, including any VAT.