

# Understanding and making the most of apprenticeship delivery and funding

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# Apprenticeship reforms

- Transition from frameworks to standards
- Level 2 and 3, higher and degree apprenticeships
- Different arrangements in devolved nations and cross border issues
- Different arrangements for large and small employers
- Three funding systems running at the same time
- How will 20% off-the-job training work?
- What can the levy be spent on?
- When will the RoATP open again?
- How will sub-contracting be affected?

# Apprenticeship funding policy

## 16-18 year old uplift

Providers and employers training **16-18 year olds receive £1,000 payment each**. For frameworks, the government provides a transitional 20% uplift. Also applies to 19-24 year olds in care or with EHCP

## Disadvantaged uplift

Training providers receive additional payments for training apprentices who live in the top 27% deprived areas. £600 for the top 10% of deprived areas, £300 for the next 10% range and £200 for the next 7% range.

## Funding bands

All existing frameworks and standards have been placed into one of **15 funding bands**, with the upper limit of those bands ranging from **£1500 to £27000**. Employers negotiate a price for their apprentices' training and assessment.

## Small Employers

Employers with fewer than 50 employees 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 EHCP)

## English and Maths training

To meet minimum standards of English and Maths ESFA pays training providers £471 for each of these qualifications (Level 1 and 2)

## Co-investment

Employers that do not pay the levy or do not have sufficient funds in their levy accounts need to **contribute 10% of the training and assessment cost**, the government pays the remaining 90%.

## Additional learning support

ESFA pays training providers **up to £150 a month** to support learners with learning difficulties or disabilities, plus additional costs based on evidenced need

## Prior qualifications

Levy funds and co-investment can be used to fund an individual undertaking an apprenticeship **at the same or lower level** provided they will acquire substantive new skills.

# Key features of the levy

## Expiration of digital accounts

Funds in digital accounts expire after 24 months. This helps employers to prepare for the new system and to adapt training programmes.

## UK workers

Employers are able to use levy funds and government co-investment to pay for training for apprentices whose **main place of work is in England**, even if they live elsewhere in the UK.

## Digital funds

Funds in digital accounts are dependent on the proportion of employer's paybill paid to their workforce living in England. Funds entering the digital account **are topped up by 10%**.

## Starts prior to May 2017

All apprentices that started a framework or standard before 1 May 2017 are **funded through to completion** under the rules and rates in place when they started.

## Transferring funds

From April 2018, the ESFA will allow levy payers **to transfer a proportion (10%)** of their funds to other employers in the digital system and ATAs.

# Apprenticeships started before May 2017

- Apprentices who were accepted on to an apprenticeship programme before May 2017 are funded for the full duration of the apprenticeship under the terms and conditions that were in place at the time the apprenticeship started
- Existing contracts continue to conclusion
- This is the case for apprentices following programmes underpinned by both apprenticeship ‘frameworks’ and new ‘apprenticeship standards’. Where the apprenticeship requires the employer to make a payment to the provider or to the ESFA, this continues at the same rate
- If the employer pays the apprenticeship levy they are **NOT** able to use the funds in their digital account to pay for these apprenticeships
- “Carry-in” learners are not part of the allocations for apprenticeship provision to non-levy paying employers to end of December 2017

# Funding bands

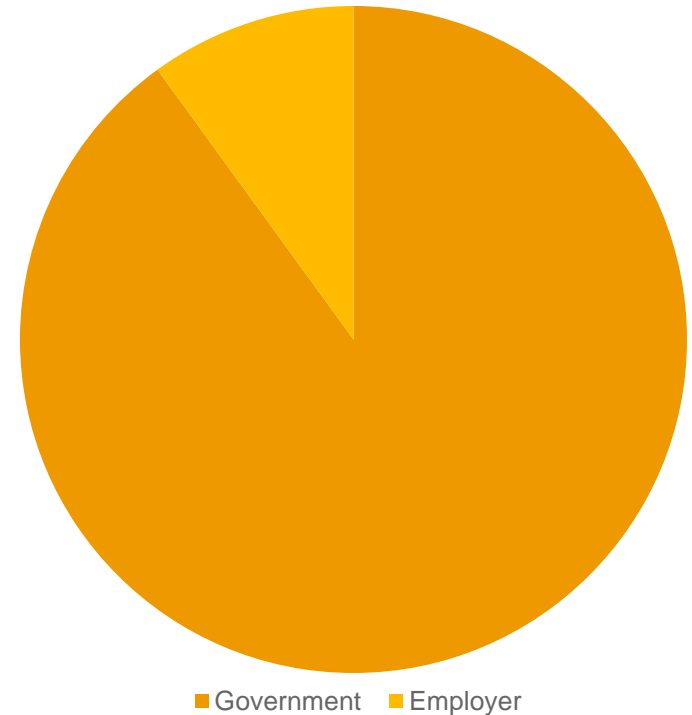
- **All existing and new frameworks and standards are placed within one of 15 bands (simplification)**
- Upper limit of bands ranges from £1,500 to £27,000
- Upper limit of each band caps the maximum amount of digital funds a levy-paying employer can use towards an individual apprenticeship (no lower limit)
- Also caps the maximum price the government co-invests to for non levy-paying employer or where a levy-paying employer has insufficient digital funds
- Employers negotiate prices (**including costs of End-point Assessment for standards**) with providers within these funding limits
- Subject to 80% on-programme instalments and 20% on-completion

# Funding bands

Number	Band upper limit £
1	1500
2	2000
3	2500
4	3000
5	3500
6	4000
7	5000
8	6000
9	9000
10	12000
11	15000
12	18000
13	21000
14	24000
15	27000

# Co-investment rate

- For non levy-paying employers they are expected to co-invest 10% of the cost of apprenticeship training and assessment, the remaining 90% from government funding
- Levy-paying employers who do not have sufficient funds in their digital account can invest in apprenticeship training by co-investing 10% of the costs and the remaining 90% is covered by the government
- In the first year of the new system, employers pay their co-investment share directly to training providers (through digital accounts in future)
- Not required if the apprentice and employer are eligible for extra support for small employers





# Employers that pay the levy

- Additional tax of 0.5% of annual payroll bills over £3 million
- Pay the levy to HMRC through the PAYE process alongside tax and NICs
- Able to access funding for apprenticeships through the new Apprenticeship Service account (accounts created from Jan 2017)
- Able to see funds appear in their digital account monthly, a few working days after they have confirmed their pay bill and levy contribution to HMRC for the previous month
- Benefit from a 10% top up to monthly funds from the government
- Able to use the account to pay for training and assessment on a monthly basis up to the funding band maximum
- Have to pay the provider directly if the price agreed with the provider is more than the funding band maximum
- Have 24 months to spend their levy contribution and top up for any month

# Calculating the levy for the employer

- Large employer with annual paybill of £5.4m
- Levy at 0.5% = £27,000
- Less allowance of £15,000 = £12,000
- Government top-up at 10% = £1,200

Month	1	2	3	4	5	6	7	8	9	10	11	12
Allowance	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250
Levy liability	2250	2250	2250	2250	2250	2250	2250	2250	2250	2250	2250	2250
Levy payment	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000
Top-up	100	100	100	100	100	100	100	100	100	100	100	100
App spend	-	1200	1200	1200	900	900	900	900	1200	1200	1200	1500
Balance on account	1100	1000	900	800	1000	1200	1400	1600	1500	1400	1300	900

# Operation of the digital account

- The level of funding entering an employer's account each month is calculated as:  
**Monthly levy payment to HMRC**  
**x fraction of employer's paybill paid to workforce living in England**  
**+ 10% government top-up on this amount**
- 20% of the total cost of training is held back and taken from the digital account at the end of the apprenticeship (when framework is completed or End-point Assessment completed)
- Funds will expire 24 months after they appear in the digital account unless they are spent on apprenticeships
- The account will work on a first-in, first-out basis, through either payment or expiry
- Online calculator to help employers to see how the system would work for them

# Employers that don't pay the levy

- Do not need to use digital account to pay for apprenticeship training and assessment until at least 2018, and will then receive assistance in preparation
- Are able to choose the training they want their apprentices to receive, an approved training provider and an assessment organisation using registers available on the Apprenticeship Service
- Are asked to make a 10% contribution to the cost of training and the government pays 90% up to the maximum funding band available for the apprenticeship (spread over the length of the apprenticeship)
- Pay the provider directly according to a payment schedule agreed with the provider, and this needs to be verified by the provider (**must be evidenced as financial transfer against invoice every 3 months**)

# 16-18 year old apprentices

## For all employers

- They receive a payment to cover the extra costs of employing and supporting 16-18 year olds
- Additional payment of £1000 to employer and a further £1000 to the training provider
- Paid in equal instalments at 90 days and 365 days
- Initially paid to training providers who pass money on
- Employers are free to redirect this payment to the provider

# 16-18 year olds in small employers

For small employers (less than 50 employees)

- Critical for participation of younger apprentices
- Not required to co-invest (10% is waived)
- Government pays 100% of the cost of apprenticeship training and assessment
- Also applies to an apprentice aged 19-24 with an EHCP issued by a local authority or a 19-24 year old care leaver
- Also receive the additional £1000 payments

# Frameworks delivered to 16-18 year olds

- ❑ Concerns were raised over the impacts of the new funding bands on the viability of provision for 16-18 year old apprentices, and incomes of providers who had high proportions of 16-18 year olds
- ❑ Retain the **£1000** incentive payments to the employer and training provider for taking on a 16-18 year old on a framework, as well as 19-24 year olds with EHCP or formerly in care
- ❑ The provider also receives a payment from government equivalent to **20% of the funding band maximum** for that framework, in addition to the price that the employer and provider agree for training to 16-18 year olds on a framework
- ❑ These payments come directly from the government and are not deducted from employers' digital accounts (levy paying)



# Support in areas of disadvantage

- Concerns raised over the removal of factors which reflected the additional costs of supporting apprentices from disadvantaged areas
- Retain, **for frameworks only**, a simplified version of the current system and provide at least the same level of funding to support apprentices from disadvantaged areas (for one year only)
- Additional payments to training providers of **£600, £300 or £200** for most deprived postcodes (IMD 2015)
- These payments come directly from the government and are not deducted from employers' digital accounts (extra £60m)
- Earned in two equal instalments at 90 days and 365 days

# Learning support for apprentices 1

- Fixed monthly rate of £150 per apprentice can be claimed through the ILR by the provider
- ‘Excess Learning Support’ is available where required but must be **evidenced**
- ‘Excess Learning Support’ is claimed through Earnings Adjustment Statement (**EAS**)
- If you deliver part of an apprenticeship in less than one calendar month due to breaks in learning, and the £150 rate is not generated from the ILR data, you may claim the value using the ‘Excess Learning Support’ column in the EAS

# Learning support for apprentices 2

- Retain £19,000 ceiling, exceptional learning support 'top up' from central funds (need confirming letter for 19-24 year old without EHCP)
- If English and Maths delivery up to Level 2 extends beyond the apprenticeship programme end date, ESFA will continue to pay learning support funding if the apprentice is eligible
- Learning support is fully funded and the employer is not required to contribute to the cost
- Funding for learning support is not taken from an employer's digital account
- Additional payments (such as learning support funding) are not subject to the funding band maximum, and are not included when calculating whether the limit is applied to the total price

# English and Maths

For all employers

- The Government pays for the cost of English and Maths training required for frameworks and standards directly to training providers
- Rate set at £471 per qualification (Levels 1 and 2)
- No completion element, 100% on-programme
- They are not required to pay providers directly (not a deduction from the employer's digital account)
- Lower funding level than for 16-19 study programmes or AEB funded adults



# Market entry

- Any organisation wanting a role in the delivery of apprenticeships has to apply to be on the Register of Apprenticeship Training Providers (RoATP)
- Subject to not having a grade 4 from Ofsted either for apprenticeship provision or for overall effectiveness (unless you have at least a grade 3 for apprenticeship provision)
- Three different routes: main provider, employer provider and supporting role
  - You can only apply for **one**
- Tests of financial health, compliance, capacity and capability, quality
- Additional procurement for non-levy paying employers in 2017
- Subcontractors who deliver less than £100,000 of training a year do not need to apply

# Market entry – non-levy employers

- £650 million tender value
- 714 training providers were successful
- Apparently 32% of providers on their first apprenticeship contract
- Regional variations in proportions of contract values relative to those applied for
  - London about 33%
  - East about 67%
- £200,000 minimum requirement has meant some providers have not been offered anything
- Other good quality providers did not score well on the procurement and have had no new starts after 1 January 2018
- Opportunities for more sub-contracting under the old rules to April 2019 to stabilise the sector and maintain capacity?

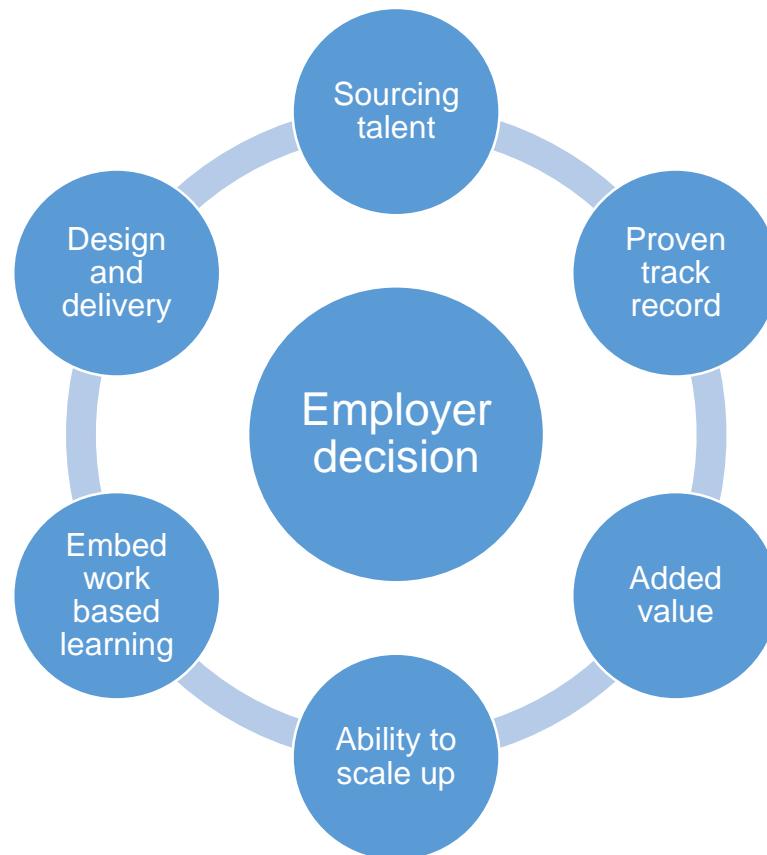
# What has worked for training providers?

- Marketing and branding strategies – market position, customer experience and communications
- Effective employer engagement
- Selling the benefits of apprenticeships to levy and non-levy paying employers, e.g. 20% off-the-job training
- Pricing and costing strategies
- Getting the active involvement of the employer in delivery and assessment (e.g. gateway process in standards)



# Effective employer engagement

Put yourself in the employer's shoes who has to pick through the different offerings and identify the provider which best meets their needs.



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# Employer involvement

Your personal commitment

Find an apprenticeship service provider

Agree the price

Agree the best way to deliver and administer

Agree to on-the-job and off-the-job options fit for purpose

Harness the practical application of learning

Coach and mentor the apprentice regularly

Use specialists to deliver gaps in internal capability

Actively and openly support the apprenticeship investment to assessment

Cheer on the progress & celebrate success

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# Decisions for training providers

- Funding implications of transition from frameworks to standards
- Choice of delivery methods, e.g. 20% off-the-job
- Choice of End-point Assessment organisations (with employers)
- Contracting with employers, apprentices, End-point Assessment organisations and ESFA
- Meeting audit and compliance arrangements
- Working with levy and/or non-levy paying employers
- Earning the on-programme and completion elements
- Ensuring the 10% contributions from employers
- **Is my current/future apprenticeship provision viable?**

# Any questions?

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