

Apprenticeships briefing - February 2017

This government has had a keen focus on apprenticeships. Achieving 3 million more starts by 2020 was a manifesto commitment in 2015 and the introduction of an apprenticeship levy has been seen as a way to fund expansion without having to commit to extra public spending. This briefing explains the changes that are on the horizon in 2017.

Apprenticeship levy

- The apprenticeship levy will be payable from April 2017 by all employers with an annual paybill over £3m at a rate of 0.5% (minus a £15,000 allowance). The government will top up an employers contribution to their apprenticeship account by 10%.
- It has been estimated by government that the levy will raise £3bn per year.
- Levy payments will be able to be spent on apprenticeships in England only. Employers in the other UK nations will have to pay the levy however it is up to the devolved governments to determine how their contribution is spent.
- Employers will lose the money in their apprenticeship accounts if they dont spend the money on apprenticeship training and end point assessment within 24 months.
- The new apprenticeship funding system will have 15 funding bands, with the upper limit of these bands ranging from £1,500 to £27,000. Banding will depend on the type of apprenticeship; for instance in general engineering apprenticeships will be placed in higher bands and thus attract more funding than business administration apprenticeships. It will be up to employers to negotiate prices with providers within these funding limits.
- If a levy paying employer wants to invest more in apprenticeships than they hold in their apprenticeship account the government will co-invest 90% of the remainder of the cost of training and assessment for that apprentice up to the funding band maximum. The employer would have to cover the remaining 10%.
- The employer will be permitted to hire an apprentice already with a completed degree/apprenticeship or higher level qualification as long as substantive new skills are acquired and the content of training is materially different from prior training. Although this is welcome for individuals, there are concerns around how this will be enforced to ensure quality apprenticeships and making sure they are not accrediting existing skills.

Non-levy employers

- The government estimates only 2% of employers (around 22,000 organisations) will qualify to pay the apprenticeship levy.
- Non-levy employers will have to co-invest 10% of training cost, with the government contributing the remaining 90%. The funding bands will be the same as per levy paying employers, and training providers and end point assessment organisations will be chosen from the same approved registers.
- Employers will pay their contribution directly to providers over the lifetime of the apprenticeship in accordance with a payment schedule agreed with the provider. Providers will be required to show government that employers have paid their contributions as a condition of government funding.
- If the training cost is above the funding band maximum the non-levy employers will have to meet the remainder of the cost in full.
- Non-levy employers will be brought into the apprenticeship service digital system from 2018

Funding for special groups

- An employer will receive an additional payment of £1000 when they recruit an apprentice aged 16-18. The provider will also receive an additional payment of £1000 for every apprentice aged 16-18 that they support.
- Small employers (those with up to 50 employees) will not have to pay costs towards training and assessment of 16-18 year old apprentices. This means that larger employers will have to pay to train 16-18 year olds. When you consider that the costs of education for all other 16-18 year olds is covered in full by government this is an erosion of the principle of free education up to the age of 18.
- The removal of the requirement for employers to pay national insurance contributions for apprentices aged 25 (introduced in April 2016) will continue.
- Employers will receive an additional payment of £1000 when they take on an apprentice care leaver aged 19-24 and those apprentices aged 19-24 who have an Education, Health and Care Plan.
- Additional learning support funding of up to £150 per month will be made directly to providers where an employer recruits an apprentice with additional learning needs.

Impact on providers

- Government will continue to pay for the required English and maths provision

directly to providers

- The new levy system will route all funding via the employers apprenticeship service account. The employer will negotiate a price with their chosen provider and pay them from their account. Under the current system providers receive their money directly from the Skills Funding Agency to a set funding amount.
- If, as intended, there is an increase in the number of apprenticeship starts, there might be an increase in demand for the services of providers and so colleges will need to be prepared to meet demand.
- On the other hand there may be increased competition with more employers choosing to become providers themselves under the levy system.

Institute for apprenticeships

- The institute will launch in April 2017 and will take on responsibility for technical education in 2018, overseeing the implementation of the Sainsbury reforms to technical and professional education.
- The eight board members of the Institute have been announced and apart from 2 college principals all other members are employer representatives. UCU has expressed disappointment that there is no union representation at board level.
- The institute has published a draft operational plan where it seems there might be a role for educators and unions in the fifteen 'route panels' aligned to the technical routes with a role to review and approve standards and assessment plans. UCU will of course press for representation on the panels.

Public sector apprenticeship target

- The government is introducing a target to have 2.3% of the public sector workforce as apprentices by 2020 in organisations with over 250 staff.
- FE colleges and universities are not included in scope however there are apprenticeship standards in development for FE teachers and school teachers which may have significant impact on ITE provision.