



Employers'
guide to
apprenticeship
funding

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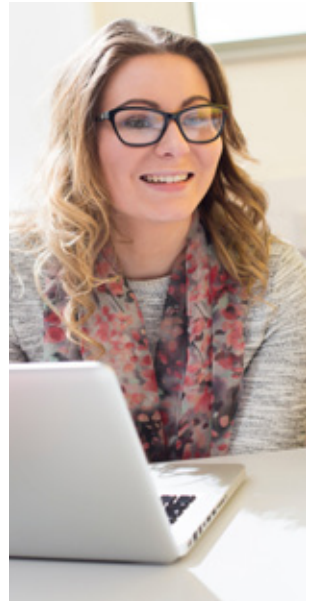
Employers' guide to apprenticeship funding

From April 2017, new funding rules are being introduced, giving UK employers greater control over apprenticeships and how they're run.

Part of a revolutionary new approach spearheaded by employer-led Trailblazer standards, these changes will see businesses deciding which providers they want to use to train their apprentices, as well as assuming their own purchasing power through a new online portal called the Digital Apprenticeship Service (DAS).

The levy

A major step in the development of employer-led apprenticeships is the introduction of a new levy for companies that have a wage bill in excess of £3m. They'll be required to pay a 0.5% levy on these wage payments, deducted directly via their PAYE system and paid into a 'digital account'.



This payment will be offset by a £15,000 allowance to fund apprenticeship training.

The levy itself will take the form of a central digital fund within DAS which can be accessed by all employers, regardless of whether they're a levy payer or not. It works on the basis of issuing a 'digital voucher' redeemed by delivery providers direct from government.

While levy payers will have a digital account generated automatically, employers who don't pay the levy will need to register with DAS to create an account. As well as managing payments, DAS is also designed to be a general service – helping employers source apprenticeship providers and end-point assessment organisations, along with posting apprenticeship vacancies.

Accessing DAS

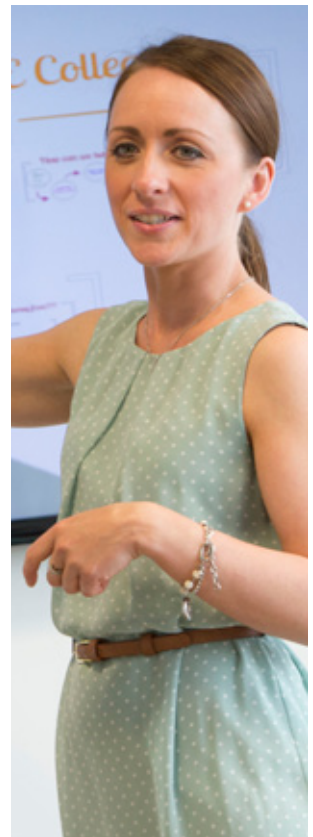
Once funds are available within DAS, the government will apply a 10% top-up to employers' apprenticeship training pots. This means that for every £1 that enters a digital account, the government adds 10p.

As with the current funding system, apprenticeship training will come from further education colleges or independent training providers – with vouchers triggering payment to the providers. It's important to note, however, that funds will expire 18 months after they enter the account, unless they're spent on apprenticeship training.

Employers who are exempt from paying the levy are expected to be able to select an apprenticeship provider using a DAS account from 2019/2020 – but will still be expected to contribute to the cost of the training in the meantime.

£1

For every £1 that enters a digital account, the government adds 10p





Currently, for every £1 that an employer contributes to the external training and assessment of an apprentice, the government will pay £2. This applies up to one of six spending caps – set at £2,000, £3,000, £6,000, £8,000, £13,000 and £16,000.

This structure is likely to change from May 2017 (in line with the start date of the new levy), with government proposals for the introduction of 15 funding bands. The upper limit of these bands ranges from £1,500 to £27,000. All existing and new apprenticeship frameworks and standards will be placed within one of these funding bands.

The upper limit of each band will cap the maximum amounts of digital funds an employer who pays the levy can use towards an individual apprenticeship – or represent the maximum price the government will co-invest towards.

The co-investment rate is also under discussion. This could mean that an employer who doesn't pay the levy, or has used up their levy funds for a particular month,



co-invests 10% of the costs, with government paying the remaining 90%.

In an effort to simplify the funding experience for employers, the government is also proposing the allocation of an individual framework to a single funding band – rather than linking it to the age or geographical location of the learner.

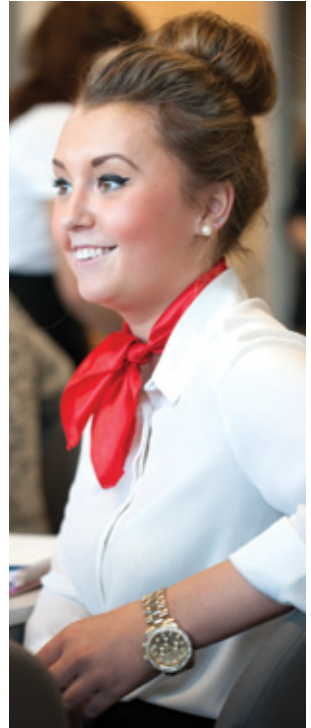
Final levels of funding, government support, additional support for 16-18 year olds, English and maths payments and detailed funding and eligibility rules will be published in October 2016. These will apply to all apprenticeship starts from May 2017. In December 2016, the government will release further employer guidance from HMRC on how to calculate and pay the apprenticeship levy.

DAS will support the English apprenticeship system, with Scotland, Wales and Northern Ireland supporting employers to access apprenticeships with their own arrangements for how to allocate the levy collected nationwide.

Counting the cost

With the government only obliged to fund to the agreed cap limit, it's still employers and providers who'll need to determine the costs associated with the apprenticeship.

Employers should be aware that only training and the end-point assessment that contributes to the completion of an apprenticeship standard are eligible for co-funding, with the cost of any other training the responsibility of an employer.



£2

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Additional funding

As it stands, the following incentive payments apply for apprenticeship standards. These relate to:

- small businesses with up to 50 employees, which can receive between £500 and £2,700
- employers taking on 16-18 year old apprentices, who will be eligible for between £600 and £5,400
- the successful completion of an apprenticeship, which can enable employers to apply for incentive payments of between £500 and £2,700.

The government is proposing the introduction of new incentives from May 2017. These include:

- waiving the co-investment requirement for small employers that train 16-18 year old apprentices
- paying 100% of the apprenticeship training costs for small employers where the apprentice is a 19-24 year old care leaver or is 19-24 years of age and has a Local Authority Education, Health and Care plan
- apprentices aged 16-18 years of age, 19-24 year old care leavers and those who have an Education, Health and Care Plan – via an additional payment of £1,000 made to both employers and training providers
- English and maths training (helping students gain the minimum standard of Level 2) with a £471 payment going directly to training providers for each of these qualifications.

The existing Apprenticeship Grant for Employers (AGE) cannot be claimed for apprentices undertaking a Trailblazer standard. AGE, which will continue until the end of the 2016/17 academic year, is a separate government scheme available to eligible businesses employing apprentices on an apprenticeship framework.



The government is proposing the introduction of new incentives from May 2017

How to claim funding

New Trailblazer apprenticeship funding will be dependent on an Individualised Learner Record (ILR), which must be submitted to the Skills Funding Agency (SFA). This will form part of an 'evidence pack' that acts as a single point of reference relating to the training and end-point assessment that's taking place.

An ILR must be completed and submitted by the lead provider in line with the ILR collection timetable and standards to ensure there are no delays to any incentive payments the employer is eligible to receive.

Lead providers must provide employers with an employer incentive claim form, and employers must use this form to claim any incentives they're entitled to receive through their lead provider.



Employer responsibilities

Employers offering apprenticeships are obliged to pay apprentices the minimum hourly rate according to current UK wage legislation – which includes any time spent training. This means that after the first year, current national minimum hourly wage rates apply according to the age of the apprentice.

They must also ensure that apprentices work more than 16 hours per week. Like other employees working at similar grades, apprentices must also be offered paid holidays, sick pay and any other benefits their colleagues can access.

As part of their written agreement, a lead provider and employer must agree a payment schedule, which will outline when the employer will pay their cash contributions to the lead provider and how much each contribution will be. The SFA stipulates that lead providers must pass on payments to employers in full within 10 working days of receipt of a correctly completed claim form.

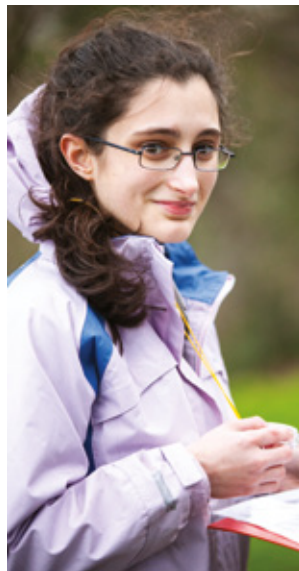
Direct grant payments

Direct grants apply to those employers who train their own apprentices (and those of their supply chain) and hold a current funding agreement with the SFA.

Much like training providers, employers will be required to calculate and report using the ILR. This document should outline the full cost of training and assessment (including the end-point assessment for each apprentice), in order to determine the value of the core government contribution.

The SFA will then monitor training and end-point assessment costs to ensure direct grant employers and training providers are achieving the best value.

Direct grant employers must demonstrate employer contributions through the internal transfer of training costs to another part of the organisation.



Find out more

For additional information, contact the Apprenticeship employer helpline at nationalhelpdesk@apprenticeships.gov.uk or call 08000 150 600. If you'd like to voice your opinion on the government's new proposals, visit <https://beisgovuk.citizenspace.com/ve/apprenticeship-funding-proposals/consultation/intro/> view by 5 September 2016 to participate in the official survey.