

Further Detail about Apprenticeship Reforms

Trail blazers/ new standards

All Apprentices study something called an Apprenticeship Framework. These tended to be around a particular subject, and employers complained that they were not always fit for purpose. As a result, new Apprenticeship standards are being introduced that are job specific. These new standards are developed by groups of employers. A number have already been developed – they were referred to as Trailblazers – and are already being used. By 2017/18 all Apprentices will follow new job related standards.

New standards are available through the link below along with a list of the employers that worked together to produce them:

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

The description of the standard is limited to two pages, easy for an employer to understand and shows showing clearly what the Apprentice must achieve by the end of the Apprenticeship in terms of skills and behaviour. The assessment that lies behind it is more detailed.

Degree Level Apprenticeships

These are the latest model to be developed as part of higher Apprenticeship standards, with Apprentices achieving a full bachelor's or master's degree as a core component of the Apprenticeship. The Apprenticeship combines both higher and vocational education and fully tests both the wider occupational competence and academic learning, either using a fully-integrated degree co-designed by employers and Higher Education Institutions, or using a degree plus separate end test of professional competence.

Institute for Apprenticeships

This is a new independent body to be established, led by employers, to regulate the quality of Apprenticeships within the context of reaching three million starts in 2020. The Institute for Apprenticeships will put in place transparent mechanisms for the approval of Apprenticeship standards and assessment plans, and maintain clear quality criteria so that only standards that are valued by employers will be approved and funded. It is government's intention that the Institute for Apprenticeships will be fully operational by April 2017 and that it will gradually start to assume functions in 2016.

Funding and the Apprenticeship Levy

The Levy will come into effect from 6 April 2017, and will be charged at a rate of 0.5 per cent of an employer's pay bill. Employers will be given an allowance of £15,000 to offset their payment. Ministers have said that since it is only applicable to companies with wage bills of more than £3 million, less than 2 per cent of employers would have to pay.

| Example 1: | Example 2: |
|---|---|
| Employer of 250 employees, each with a gross salary of £20,000 would pay: | Employer of 100 employees, each with a gross salary of £20,000 would pay: |
| Pay bill: 250 x £20,000 = £5,000,000 | Pay bill: 100 x £20,000 = £2,000,000 |
| Levy sum: 0.5% x £5,000,000 = £25,000 | Levy sum: 0.5% x £2,000,000 = £10,000 |
| Allowance: £25,000 - £15,000 = £10,000 annual levy payment | Allowance: £10,000 - £15,000 = £0 annual levy payment |

The money will be collected by HMRC. Individual employers' funding will then be made available to them via a new digital account, through which employers will be able to pay for training for Apprentices. In England, employers will be able to direct funding towards the Apprenticeship training they want through a new Digital Apprenticeship Service (DAS). The Service will also support employers to identify and pay a provider, choose an Apprenticeship training course, find a candidate and choose a training provider.

Unlike normal taxation, employers can get all of the funds that are levied simply by investing in a sufficient amount of Apprenticeship training.

Employers will be free to spend their money on Apprenticeships training which they judge best meets their needs. For example they could spend that on in-house Apprenticeships training (if the employer is a registered training provider) which meets the required quality standards for an Apprenticeship, or Apprenticeships training offered by another registered provider of their choice.

Employers that have not paid the levy will be able to access funding for Apprenticeship training through the Digital Apprenticeship Service. It is likely that they will also need to cover part of the cost of Apprenticeship training with their own funds.

Similarly, employers who have paid the levy and spent all of the funds in their levy account will still be able to access more funding to do more Apprenticeship training through the Digital Apprenticeship Service, but it is likely that they will also need to cover part of the cost this extra training directly.

Public Sector

Public sector organisations will also be required to pay the levy AND the government has set all public sector organisations a target of ensuring that Apprentices make up at least 2.3 per cent of their workforce.

According to LGA calculations, less than 10 per cent of local councils will be exempt from the levy and the workforce target is likely to mean that councils will need to employ up to eight times more Apprentices than they do now.

Lincolnshire County Council is already preparing for the introduction to the Levy. Steps that could be shared with business include:

- Calculate the value of the levy that will be applied (0.5% of total employee earnings subject to Class 1 secondary NICs) and therefore the potential impact on budgets.

- Consider what this might mean in terms of the number of Apprentices the value of the levy will support. The more high cost (higher and degree level) apprentices that are employed, the fewer will be required to offset the levy.
- Consider how Apprenticeships might be utilised to develop existing staff to meet future skills requirements to support succession planning.
- Consider how Apprenticeships might be utilised to help recruit, develop and retain staff in hard to fill vacancies and address skills shortages i.e. 'growing your own'.
- Map current training and development activities to identify any that could potentially be converted to Apprenticeships.
- Start to consider what might be the most cost effective delivery model.
- Calculate what the 2.3% target means in terms of Apprenticeship starts (public sector only).

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