



## Apprenticeship Levy : Latest News

### LWBLA Briefing

May 2016

Last Friday I signed up and listened to the webinar hosted by Nick Linford with Keith Smith from the SFA. The discussion focused on the recent web statement published by BIS on the 21st April entitled: 'the Apprenticeship Levy how it will work'.

If you haven't read this here is the link: [www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work/apprenticeship-levy-how-it-will-work](http://www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work/apprenticeship-levy-how-it-will-work)

In a nutshell was it me or did I hear Keith Smith announce the end of the sector as we know it?

Here are the key points he covered;

1. The current funding allocations and regulations for 2016-17 runs from the 1st August 2016 to the 6th April 2017. New regulations will apply from the 7th April onwards driven by the implementation of the Levy.
2. All apprenticeships starts up to the 6th April 2017 will be paid on the basis of the current funding rates and regulations.
3. Every UK employer is in scope to pay the Levy from the 7th April 2017 onwards. The Levy is to be collected on the 19th of each month every time the previous months payroll exceeds £250,000 reconciled by an automated credit at the year-end. The amount collected through the Levy is held in the employers account. First payment in the Levy accounts from 19th May 2017.
4. The Levy paying employer can only spend/pay out what is in the account. Any payment to an apprenticeship provider in excess of the sum in the account is treated on the same basis as a non-levy paying employer. In effect on the co-investment model of funding.
5. All non Levy paying employers pay for the apprentice's assessment and training using the co-investment ratio of employer cash to tax payer's cash. The current ratio is £1:£2 as set out in the current Trailblazer apprenticeship funding regulations. Government is expected to announce the co –investment rate to take effect from April 2017 onwards in June 2016. This is a Ministerial decision.
6. A non-Levy paying employer employing a 16-18 year old apprentice from the 7th April 2017 will have to pay at the co-investment rate and then secure the additional 'incentive' funding from the provider.
7. The provider funding agreement from the 7th April 2017 in effect becomes a 'facility' not an allocation against which the employer makes a cash contribution to the provider in order to secure the taxpayers contribution. The relationship of the current prime/subcontractor is not known from this date onwards.



8. All Employers: both levy and non-levy payers will choose an apprenticeship provider from an approved list. The 'approved list' will be the subject of consultation in the late summer by the SFA. This is to agree the criteria to judge which apprenticeship training providers can be on the approved list. The SFA want the criteria to be heavily influenced by what employers deem relevant.
9. All employers will be free to negotiate the price and payment terms with an apprenticeship training provider from the approved list for all new apprenticeship starts after the 7th April 2017. In effect once the system is fully operational 500,000 apprentices with circa 200,000 employers will each have individual price points.
10. The SFA are aiming to have all the key logistical and system changes defined and the 'approved list' in place by January 2017.

Here are the headline implications for apprenticeship providers as I see it:

1. You must maximise your apprenticeship starts and carry over volume in the run up to April 2017.
2. You must ensure your organisation is on approved list otherwise you have no future in the industry.
3. There is no incentive for an employer to recruit a trailblazer apprentice before the 7th April 2017 as they will have to pay on a 1:2 ratio - but after the 7th April 2017 everything can be negotiated.
4. 16-18 year olds will cease to be fully funded as we know it from the 7th April 2017. This should influence your future offer to both employers and individuals.
5. You will define and consider a commercial strategy designed to secure the lowest net contribution from the employer to secure the contract.
6. You must have a clear strategy for switching from frameworks to standards – where they exist in place from the 7th April 2017 onwards.

The SFA view the 7th April 2017 as a 'D Day' for change.

This is a 'moving feast' and the SFA statements in June and consultation process in late summer will be pivotal to how the new industry is defined and operates.

I will be hosting a seminar to discuss the issues and implications of the SFA's position on Wednesday the 4th May. All members are very welcome to attend , please confirm your attendance with Nicola in the usual way. I need a drink!

Victor Farlie  
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30th April 2016