



Department
for Education

Equality Analysis: Apprenticeship funding policy from May 2017

October 2016

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Summary

This publication provides an Equality Analysis of the funding policy for apprenticeships in England, due to be introduced from May 2017, when employers start to pay the apprenticeship levy. It has been produced in line with the Public Sector Equality Duty, which came into force on 5 April 2011 to demonstrate that we are paying due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between persons who share relevant protected characteristics and those who do not.

Expiry or review date

This document will be reviewed at the point of any policy changes.

Who is this publication for?

This Equality Analysis is for:

- National, regional and local stakeholders who have an interest in equality of access and funding in relation to apprenticeships, including representatives of protected groups.
- Employers & employer associations
- Training providers & training provider associations

Scope of this Equality Analysis

The Public Sector Equality Duty came into force on 5 April 2011; it replaces three previous duties on race, disability and gender, bringing them together into a single duty and extends to cover age, sexual orientation, religion or belief, pregnancy and maternity and gender re-assignment: i.e. protected characteristics.

The law requires government departments and all public bodies to demonstrate they are making decisions in a fair, transparent and accountable way, considering the needs and rights of different members of the community; demonstrating they have paid due regard to equality issues in the decision-making process.

We must demonstrate due regard to the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by or under the Equality Act 2010 and advance equality of opportunity and foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

With reliable Individualised Learner Record (ILR) data on the status quo only available for age, disability, gender and ethnicity, the bulk of this assessment is focused on those four protected characteristics. The impact of the policy on other characteristics is considered towards the end of the document, based on the limited information available.

Description of the policy

Apprenticeships are at the heart of the Government's drive to give people of all ages the skills that employers need to grow and compete. We want to make apprenticeships as accessible as possible, to all people, from all backgrounds. Apprenticeships are real jobs with training. They offer great opportunities to those who take them, to work and earn at the same time as studying. We do not and would not want to interfere in employers' recruitment decisions. What we can do is ensure that people with additional needs have the support they need to compete for an apprenticeship and help people to overcome any additional barriers they might have to starting apprenticeships.

In December 2015, the Government published *English Apprenticeships: Our 2020 Vision* <https://www.gov.uk/government/publications/apprenticeships-in-england-vision-for-2020> which outlines the Government's plans to increase the quality and quantity of apprenticeships to reach 3 million apprenticeship starts by 2020. To achieve this target, we need to create opportunities for many more people to apply for and start apprenticeships. Previous funding arrangements based on funding providers through contracted allocations have not delivered the desired increase in quality and quantity and with the introduction of the apprenticeship levy, reform of the system is required. The new funding policy is intended to support the move to an employer-led market. The reform of the market to one that is employer-led includes:

- putting employers in the driving seat to create apprenticeships that meet their needs, through employer-designed standards;
- establishing the Institute for Apprenticeships – a new, independent, employer-led body to regulate the quality of apprenticeships in England, by April 2017
- putting employers in control of apprenticeships by introducing a UK wide levy to help fund the required increase in quantity and quality of apprenticeships. From 6 April 2017, all employers with a pay bill of £3 million or more will contribute to the levy.
- creating a Digital Apprenticeship Service, through which employers can recruit and apprentice, choose a provider and manage their spending on apprenticeship training.

A key message in the *2020 Vision* is that increasing diversity will not only help us grow apprenticeships to reach this target, it will do so in a way that is beneficial to employers, the economy and to a wider range of individuals. The *2020 Vision* document also set out plans to make this happen, including:

- further work to attract and support more women to start apprenticeships of all types, including those traditionally dominated by men, with an ambition of 20% of new entrants to engineering and technical apprenticeships in the transport sector to be women by 2020; and
- Ensuring that apprenticeships are open to all, with a 20% increase the proportion of apprentices started by young people from Black, Asian and minority ethnic (BAME) backgrounds by 2020.

Current funding arrangements

The current funding system is based on annual allocations to training providers. Until 2013, all funding was directed to English Apprenticeship frameworks; requirements for which are set out in the Specification of Apprenticeship Standards for England (SASE). The Skills Funding Agency has a complex set of funding rates for providers in relation to frameworks and these are weighted to take account of age, with uplifts to reflect training provided in higher cost areas and to those from disadvantaged postcodes. For learners aged 16-18, the fully funded rate is increased by 7.23% from the published rates, and reduced for learners aged 19+ (50% of the published rate for 19-23 year olds and 40% for 24+ year olds), with an expectation that employers will co-fund older apprenticeships up to the full rate.

Following the Richard Review (2012), the Government launched new Apprenticeship Trailblazers in England in 2013, with new apprenticeship standards being developed by employers through the Trailblazer programme. To date, over 200 Trailblazers, involving more than 1,400 employers, with 250 standards, have been published. For 2016/17, funding for standards developed through the Trailblazers are based on six funding caps, rising from £2,000 to £18,000, with the government contribution set at 66% of training costs up to the funding cap, and employer co-funding of 33%. In addition, there are incentive payments for providers recruiting 16-18 year olds, for small employers with less than 50 employees and upon completion, to supplement the government funding caps.

Apprenticeship frameworks accounted for the vast majority of apprenticeship starts in 2015/16. It is the Government's intention to replace apprenticeship frameworks with the new standards. We will withdraw frameworks over the course of the Parliament; to date over 30% (65) of frameworks have been withdrawn.

Further details on Trailblazer approved standards and assessment plans and funding cap allocations for standards that are ready for delivery are available at:

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

New funding arrangements

The final version of the new funding policy was published on 24 October, following publication of draft proposals on 12 August, and taking account of subsequent employer and stakeholder feedback; at <https://www.gov.uk/government/collections/apprenticeship-changes>

The new funding policy is intended to simplify the system and create an employer-led market, where all employers and individuals can benefit from high quality training. We are placing employers in the driving seat: to design apprenticeships so that they focus on the skills, knowledge and behaviours that are required for the workforce of the future. That workforce should include individuals from all backgrounds and parts of the country. Our apprenticeship reform programme will boost the skills of the workforce and help to improve economic productivity, and will mean more individuals have the chance to pursue a successful career.

The reforms will support social justice and opportunities for people to undertake quality apprenticeships by providing extra funding support for younger learners, those with learning difficulties and disabilities, care leavers, apprentices from the most disadvantaged areas and those undertaking frameworks in STEM subjects, as well as giving more flexibility to re-train.

As part of our reforms, employers will be given more control over choosing and paying for apprenticeship training. Employers will be able to register with the Digital Apprenticeship Service from January 2017 and from May 2017, all employers in England who pay the levy will have funds in their digital accounts to enable them to pay for apprenticeships and will also be able to choose training providers and recruit apprentices through the service. Non-levy payers will be able to use the tools on the service to search for providers, but will not use it to pay for apprenticeships until at least 2018.

The levy will be payable by employers operating within the UK, in any sector, at a rate of 0.5% of the pay bill, with a £15,000 allowance, meaning that only employers with a pay bill of £3 million or more will pay the levy. This will affect less than 2% of employers (around 20,000). However, the changes to the funding of apprenticeship training will apply to all employers in England. Therefore the system needs to be easy for employers of all sizes to navigate, choose the apprenticeship training they want to purchase and negotiate on price. That means we have to simplify some of the complex funding arrangements that currently exist.

The policy sets out how apprenticeships will be paid for in England in the future. Following publication of the provisional proposals on 12 August, we received feedback from employers and providers through a survey attached to the publication (with 984 responses) as well as feedback through other channels. As a result of that feedback and further research and analysis, we have made some transitional adjustments, which add some further complexity and cost to the policy, but which will mitigate some of the potentially negative effects of moving immediately to the new, simpler funding model. We have sought to balance this with achieving affordability and value for money.

The final funding policy, including these adjustments, is set out below.

Apprenticeship Funding Policy

1. Funding bands

The new funding system for apprenticeships in England will have 15 funding bands, with the upper limit for these ranging from £1,500 to £27,000. All existing frameworks and standards will be placed within one of these bands.

2. Funding for frameworks:

We will allocate each individual framework pathway to single funding band, regardless of age of the learner, or geographical location. This will bring frameworks into line with the existing approach for funding standards. The funding band will be based on the current adult funding rate for individual framework pathways (see below for additional support to 16-18 apprentices). For all STEM (Science, Technology, Engineering and Maths) framework pathways¹, we will increase the current (adult) rate by 40% for level 2 provision and by 80% for level 3 and above provision before placing in the nearest funding band. This recognises the fact that employers are more likely to be contributing additional funding towards apprenticeship training in these areas.

For 16-18 year old learners, we will make an additional payment to providers of an amount equivalent to 20% of the maximum for the relevant apprenticeship's funding band, where they are delivering an apprenticeship framework. This transitional measure will help providers to adjust away from age-linked framework funding rates and will be kept under review.

3. Extra support for 16-18 year olds:

We will make an additional payment of £1,000 each to employers and training providers to help with the extra costs of employing this group on both frameworks and standards.

¹ STEM subjects are those in the Engineering & Manufacturing Technologies, Information & Communication Technologies and Construction, Planning & the Built Environment Sector Subject Areas

4 Support for care leavers and holders of an Education, Health and Care (EHC) plan:

We will extend the incentive payments of £1,000 each to all employers and providers where the apprentice is a 19-24 year old care leaver or is 19-24 and has a Local Authority Education, Health and Care plan. We will also make additional payments to providers of the equivalent of 20% of the maximum for the funding band for these learners, where they are delivering a framework. This transitional measure will help providers to adjust away from the current system of framework funding rates and will be kept under review.

5. Support for disadvantage

We will make an additional payment to providers where they train apprentices from a disadvantaged background. A payment of £600 will be made to providers training an apprentice whose home postcode is in the 10% most deprived areas as measured by the Index of Multiple Deprivation; £300 for any apprentice who lives in the next 10% of deprived areas (10-20% range) and £200 for those in the next 7% (20-27% range). These payments will be in place for one year, whilst we conduct a fuller review into the best way to support individuals from all backgrounds into apprenticeships

6. Co-investment rate:

Employers will pay 10% of training costs, with government covering 90% of costs, if they do not pay the levy, or have exhausted available funds in their digital account. We call this co-investment.

7. Support for small employers:

Employers with fewer than 50 employees who train 16-18 year old apprentices will not be required to pay 10% co-investment. Government will also pay 100% of the cost of apprenticeships training for small employers where the apprentice is a 19-24 year old care leaver or is aged 19-24 and has a Local Authority Education, Health and Care plan.

8. Support for English and Maths:

The Government is committed to helping apprentices gain the minimum standard of Level 2 in English and maths and will pay training providers £471 for each of these qualifications. This is the same as the current rate for standards.

9. Learning Support:

We will pay training providers up to £150 per month where an apprentice requires additional learning support as a result of conditions such as dyslexia, learning difficulties or disabilities; every learner will have the opportunity to access support for additional costs up to £19,000 based on evidenced need.

10. Cross-border training:

Employers will be able to use their funds in their digital account and benefit from government co-investment, to pay for apprentices whose main place of work is in England – wherever they live in the UK.

11. Re-training:

Employers will be able to use funds in their digital account and access government co-investment support to train individuals to undertake a new apprenticeship below their current highest qualification, provided they will be acquiring substantive new skills and training content is materially different from any prior training or previous apprenticeship.

12. Transfers:

From 2018, we will allow levy-paying employers to transfer up to 10% of their annual funds to other employers who are on the digital system.

The evidence base

Data is collected about each apprentice through the Individualised Learner Record (ILR), which amongst other things, includes information on each apprentice's disability, gender and ethnicity. Aggregated data is published regularly on gov.uk, through the Statistical "First Releases"².

The Government also monitors the shape and diversity of the apprenticeship programme through other data collection, surveys and evaluations, for example:

- The **Apprenticeship Evaluation Surveys** (of Employers³ and Learners⁴) contain deeper insights into the perceptions around apprenticeships and their impact. For example, the Learner Survey shows how many apprentices were previously unemployed (18% in 2014)
- The **Apprenticeship Pay Survey**⁵ outlines apprentice pay split in various ways, e.g. by ethnicity and gender:
- The **Employer Perspective Survey**⁶ reports on employers' interactions with the UK skills system(s) including developments in average duration of apprenticeships and barriers to taking apprenticeships.

Analysis

Introduction

The new funding system will give employers more control in return for them investing more in apprenticeships. This will mean employers negotiate a price that they are willing

² <https://www.gov.uk/government/statistics/earner-participation-outcomes-and-level-of-highest-qualification-held>

³ <https://www.gov.uk/government/publications/apprentice-evaluation-employer-survey-2014>

⁴ <https://www.gov.uk/government/publications/apprentice-evaluation-learner-survey-2014>

⁵ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/387319/bis-14-1281-apprenticeship-pay-survey-2014.pdf

⁶ <https://www.gov.uk/government/publications/employer-perspectives-survey-2014>

to pay a provider, rather than providers earning a rate which government guarantees to pay. In moving to an employer-led model, the Government has had to re-consider the design of the funding system and simplify it to encourage employers to recruit more apprentices from all ages and backgrounds. For example, a system which differentiates funding rates by age or postcode does not work in an employer-led market and could act as a disincentive to taking on apprentices that cost them more because of their age or home address.

On apprenticeship frameworks, the Government's payments to providers are currently calculated by applying several multipliers to a 'base rate'. These multipliers account for age, location of the provider and the address of the apprentice. The result is that two individuals of a similar age, doing exactly the same apprenticeship but living a few miles apart can attract vastly different levels of public funding. For example, under the current system of frameworks, government pays a training provider more than two and a half times as much to train an 18 year old apprentice on a Level 2 Business Administration course in Greenwich than it does to train an 19 year old in North Kent – only 35 miles away.

We do not believe that all of this additional funding is spent on training these individuals: some of it may be used to cross-subsidise post -19 provision, or even to contribute towards providers' profit. This is borne out by the fact that many providers waive the intended employer contribution towards the cost of an apprenticeship for someone aged 19+, despite government funding for adults nominally only representing 40-50% of total costs. Three quarters of apprenticeships are undertaken by those aged 19 and over.

We will move to a single maximum price for each apprenticeship, regardless of the characteristics of the individual or the location of the provider. This builds on the approach introduced for Trailblazer apprenticeship standards in 2013. Whilst the vast majority of apprenticeships funded in 2016-17 have been on frameworks, we expect an increasing number of apprenticeships to be provided through the new standards, as these are rolled out and frameworks are withdrawn. Standards will be allocated to higher funding bands (relative to frameworks) to reflect their added rigour and quality.

Overall, the budget for apprenticeships for 2017-18 will increase by more than 30% from £1.8bn to £2.5bn by the end of the parliament.

Much of the stakeholder reaction to the funding proposals published on 12 August focused on comparing current framework funding rates to the proposed new model, because frameworks represent the majority of the market at present.

In an analysis of the total funding available for frameworks for 2017-18 only, compared to in the current system, the proposals would result a small reduction in the amount of funding of around 2%. This is based on current overall volumes and funding, assumes the same distribution and volume of apprenticeships as for 2014-15 and 2015-16, and takes into account new incentive payments for employers and providers proposed in the new system as well as the 20% provider uplift for 16-18 year olds. The removal of the

Apprenticeship Grant for Employers (AGE) from 2017/18 has been included in this analysis⁷. It also takes into account the removal of area cost uplifts. The analysis considers the impact of changing the way in which disadvantaged areas receive extra funding (announced on 24 October) to be neutral, as the overall level of funding will remain the same. Comparing current participation funding with future total funding only (ie not considering AGE) would mean an overall increase of 4%.

Overall, the move from hundreds of different funding rates for different apprenticeships frameworks and the trailblazer model for standards to the new, simpler system of fifteen bands will change the amount of funding that providers receive for nearly every kind of apprenticeship that is currently offered. Some apprenticeships could attract higher funding, others less, depending on the nature of the apprenticeship, the provider and the learner, and the price that an employer ultimately agrees to pay.

The most significant changes in potential funding arise from the removal of the age and area uplifts currently applied to framework rates in the new system. The following analysis considers the impact on the protected groups, with most of the analysis based on ILR data on age, ethnicity, gender and disability.

(a) Age

Summary

The new funding model is designed to support an employer-led system, where employers are in charge of agreeing a price and purchasing training from providers. This means that we need a simpler funding model, moving away from the complex funding system by which government currently funds providers, where funding rates include a range of uplifts to reflect a learner's age and geographic location.

We recognise that there are some extra costs associated with supporting younger learners and those with additional needs and this is incurred by both employers and providers⁸. Employers and providers will be required to agree a price that the employer will pay for training, with the funding band setting the amount of government funds they are able to use and any additional costs to be paid by the employer. We recognise that it must be possible for both parties to meet these additional costs, so that a price can be agreed. If a price can't be agreed, that meets the costs incurred by the employer and provider, then ultimately the apprentice can't be trained, which would put 16-18s and those with additional needs at a disadvantage.

⁷ AGE funding was £178m over the course of two years (2014 and 2015) –Skills Funding Agency

⁸ The Apprenticeship Evaluation Survey (Employers) 2014 outlines that there are additional barriers to taking on 16-18 year old apprentices, including employers desiring funding / financial assistance to pay their wages and 16-18 year olds lacking experience or maturity.

Our research⁹ findings suggests that most additional costs to providers arising from training 16-18 year olds are incurred through recruitment and outreach activities, as well as extra costs incurred by both employers and providers to counter younger apprentices' lack of experience, which reduces over time.

Our research¹⁰ also suggests that additional costs for employers come mainly from the additional supervision required for apprentices with limited prior experience. This is much more likely to be the case for 16-18 year olds, as they transition from education into work. Employers also incur additional recruitment costs for this age group.

To encourage employers and providers to continue to train young people we will provide additional payments to employers and providers if they train 16-18 year old apprentices and those aged 19-24 with an EHC plan and or previously in care. For providers, this will offset some of the additional income they could previously receive through differentiated funding rates and ensure they are able to meet the additional costs they incur when training these apprentices. We also propose an additional payment to providers of an amount equivalent to 20% of the maximum for the relevant apprenticeship's funding band, where they are delivering an apprenticeship framework to a 16-18 year old. This transitional measure will help providers to adjust away from age-linked framework funding rates towards a single funding band for each framework and standard and we will keep it under review.

Overall funding for apprenticeships will be increasing in 2017-18 (see table 1). But funding for frameworks, as they are allocated to new funding bands will be affected by the removal of the current funding uplift for 16-18 year olds. The overall average reduction of funding across apprenticeship frameworks, taking account of the £1,000 incentive payments to employers and providers and the 20% provider uplift will be -2%.

This is assuming that the distribution of starts remains the same. We anticipate that employer and provider behaviour will change over the next two to three years as a result of apprenticeship reforms. However, we cannot accurately predict and quantify these behaviour changes, so are using a static analysis to assess the implications of funding policy.

Providers will have to adjust, as they are accustomed to a system where government pays them twice as much to train someone aged between 16 and 18. Of those who would benefit from the new apprenticeship funding rates, (i.e an increase in overall funding) 33% are apprentices aged between 16 and 18. Of those who do not benefit from the new funding rates, 20% of them are aged 16-18. This takes into account the 20% provider uplift. Overall, there will be more money going into the system over the period to 2020 (see table 1 above) and there will be more money on average per apprenticeship

⁹ Costs and behaviours in the 16 to 18 apprenticeship system', Frontier Economics and CFE Research, 2016. Published on gov.uk

¹⁰ Costs and behaviours in the 16 to 18 apprenticeship system', Frontier Economics and CFE Research, 2016. Published on gov.uk

because we will fund apprenticeship standards more generously than the frameworks they are replacing.

In addition, the STEM uplift (where STEM framework base rates are uplifted by 40% for Level 2 and by 80% for Level 3+ before being placed in the nearest band) is generally beneficial for providers training 16-18 year olds, because they are more likely to do STEM apprenticeships than adults. Of those apprenticeship starts that will, in future, receive the STEM uplift (assuming that apprenticeship starts remain the same), 42% are between 16 and 18. Of those starts not receiving the STEM uplift, 21% are between 16 and 18.¹¹

Extra support for apprentices aged 16-18: £1,000 payment each to employers and providers

Survey evidence indicates that employers expecting to pay the levy are broadly supportive of the proposed payment of £1,000, with 41% expecting this to cover the additional costs of recruitment, 21% neutral and 28% responding negatively¹². For levy-paying employers, £1,000 was unlikely to act as a significant incentive, given the overall costs of an apprenticeship¹³.

Co-investment

We are proposing that employers co-invest at a rate of 10% of apprenticeship training costs, with Government contributing 90%. This would apply to non-levy paying employers and levy payers who have exhausted funds in their digital account. It compares with the current assumed, but essentially voluntary, co-investment rates for frameworks of 50% by employers for 19-23 year olds; and 60% for those aged 24+; although evidence suggests that in general, providers have not been requesting co-investment from employers for 19+ provision – only around a quarter of all employers of adult apprentices pay any fees towards providers¹⁴.

Small firms may be put off apprenticeships by co-funding requirements (only 18% of small, employers with 1-24 employees currently pay fees towards providers, versus around 30% of those with 25+ employees¹⁵), which could impact disproportionately on 16-18 year olds. This is because small (<50) employers currently take on around half of all 16-18 year old apprentices, despite taking on only around a third of all apprentices.¹⁶

¹¹ Internal analysis of funding rates, matched with ILR information on age, before and after reforms

¹² Funding Proposals Survey, 12th August 2016

¹³ Costs and behaviours in the 16 to 18 apprenticeship system', **Frontier Economics and CFE Research, 2016. Published on gov.uk**

¹⁴ Page 95, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/387595/bis-14-1207-Apprenticeships-Evaluation-Employers-December-2014.pdf

¹⁵ *ibid*

¹⁶ Internal analysis matching Individualised Learner Record with Inter Departmental Business Register 12/13

We are mitigating this by waiving the co-investment requirement for small employers with 50 or fewer employees that train either 16-18 year old apprentices or 19-24 year old apprentices who have an EHC plan or were in care.

We will need to continue to monitor those employers who employ 50-100 employees, who do not pay the levy, who haven't been asked to co-invest for 16-18 year olds before and who may be less willing to take on an apprentice as a result. We estimate that around 60%¹⁷ of all 16-18 apprentices are currently taken on by employers that will not be levied, so will need to monitor take-up amongst the 50 to around 100 employees bracket (currently around 10% of 16-18 year old apprentices work for these employers).

Older learners

In general the new funding measures are broadly neutral for older learners, apart from the STEM uplift funding, which generally favours frameworks taken up by 16-18 year olds. Because the bands to which frameworks will be allocated in future will be based on an average of the current adult rates, there will be an overall increase in the maximum funding available for 24+ learners of 17%, whilst that of 19-23 year old learners will only increase by 14%¹⁸. This is based on a static analysis of current rates, but future rates will depend on the price agreed between the employer and the provider. The overall policy approach is intended to drive increased demand for apprenticeships, and as such, some employers may look to upskill and re-train more of their existing, potentially older employees, in order to recoup the costs of the apprenticeship levy¹⁹.

The proposal to allow employers more flexibility to fund apprenticeships for employees at the same or lower levels than existing qualifications may encourage some employers to invest in existing, older employees; or equally recruit new staff with graduate qualifications (both younger and older) and provide them with (lower) technical or vocational qualifications in new skill areas. Overall, there is no overwhelming reason to believe that this proposal will favour a certain age group over any other. It will create new opportunities for people of all ages.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/545145/Apprenticeships_-_expected_levy_and_total_spend_-_Aug_2016.pdf

¹⁷ *ibid*

¹⁸ Internal analysis of funding rates, matched with ILR information on age, before and after reforms

¹⁹ As evidenced by the 'The apprenticeships levy – how will employers respond' study, recently published by DfE

(b) Disability

Summary

The number of apprentices declaring a Learning Difficulty or Disability (LDD) increased from 38,170 (8.7%) of learners in 2013/14 to 44,090 (8.8%) in 2014/15. We are confident that the overall level of people reporting LDD is accurate. However, more detailed data, such as the type of LDD varies in quality, as learners self-report and where multiple or sensitive conditions exist, these may be prone to poorer reporting. The **LDD taskforce**, led by Paul Maynard MP, was recently asked to consider improving access to apprenticeships for people with learning disabilities. Recommendations from the taskforce were all accepted by Ministers and published on 11 July. Work has already begun on implementation. The Taskforce was supportive of providing funding to meet the costs of learners with additional needs. They stressed the positive business benefits of employing an apprentice with a disability, rather than encouraging employers to do it for financial benefit. One of the recommendations of the task force was to pilot how the new funding model might be flexed to encourage employers to recruit apprentices with learning disabilities. We will look at how such a trial could be taken forward, after May 2017, to test how effective the new funding model is.

Funding bands and funding for frameworks

The funding changes will have a broadly neutral impact on LDD learners. Assuming that apprenticeship starts remain the same; overall, of those apprenticeships attracting a higher level of funding than currently, 8% are from an LDD background. Of those apprenticeships attracting a lower level of funding, 9% are from an LDD background²⁰ The STEM uplift is likely to have a very similar impact: of those apprenticeship starts that will, in future, receive the STEM uplift (assuming that apprenticeship starts remain the same), 8% have an LDD; of those starts not receiving the STEM uplift, 9% have an LDD – i.e. a small benefit to those without an LDD²¹.

Co-investment

The impact of the co-investment proposal is expected to be the same as for other protected groups. This is an issue that we will monitor as the new funding system is embedded.

Extra support for 19-24 Care leavers or with an Education and Health Care Plan

This proposal will provide £1,000 extra funding for employers and providers who train learners who are aged 19-24 and were in care or have an EHC plan. The basis for this

²⁰ The 16-18 reduction figure does not include AGE, as it has not been possible to identify AGE grants specifically directed to 16-18 apprenticeships.

²¹ Internal analysis of funding rates, matched with ILR information on age, before and after reforms

funding is that individuals in care or with an Education and Health Care Plan tend to progress more slowly than those in mainstream education and this payment recognises this. It is very challenging to assess the behavioural impact this payment will have on employers and providers and so we will monitor implementation to evaluate its effect.

English and Maths

The planned funding levels are in line with current funding for Trailblazer apprenticeships.

Additional learning support

We will pay providers £150 per calendar month for additional learning support for conditions such as dyslexia, learning difficulties or disabilities; and will meet additional costs of up to £19,000 per year based on need. We expect the impact on these groups to be neutral, as this is in effect continuing with the existing policy. We will consider piloting new approaches to funding at a later stage, as proposed by the LDD Task Force.

(c) Gender

Summary

As the Skills Plan²² notes, we know there is a broad issue with occupational segregation in our economy, which is reflected in take up of apprenticeships in England. This highlights the importance of clear information so that learners can make an informed choice before starting a route.

For the last five years, more women than men have started apprenticeships (between 53% and 54.7% in each of the last five years). However, there is much to do to improve the gender balance between sectors. In the Health, public services and care sectors, 79.3 % of apprenticeship starts are female; whereas in Engineering and manufacturing technologies, it is 6.8% and just 2.2% in Construction, planning and built environment²³. Female apprentices are more likely than males to choose apprenticeships in low pay sectors such as hair and beauty. Research by the Institute of Employment Studies²⁴ found that female apprentices are more likely than males to be existing employees, because many of the sectors using apprenticeships for existing staff employ a predominantly female workforce – such as the Care sector.

The Government is working to attract more women to start apprenticeships of all types, including those traditionally dominated by men and has an ambition for 20% of new entrants to engineering and technical apprenticeships in the transport sector to be

²² <https://www.gov.uk/government/publications/post-16-skills-plan-and-independent-report-on-technical-education>

²³ Source: ILR

²⁴ IES “Making Apprenticeships more inclusive” February 2014

women by 2020, and to achieve gender parity in the working population by 2030 at the latest. The Sainsbury report²⁵ recommends we support schools and colleges to embed into careers education and guidance details of the new 15 technical education routes, so that all young people understand the range of different occupations available and how to reach them.

Our reforms to careers guidance are based on schools connecting pupils with employers, to help them understand the breadth of careers opportunities available. The Careers and Enterprise Company, which we introduced in December 2014 is committed to opening up new opportunities. This employer-led company is strengthening the links between employers, schools and colleges and careers and enterprise organisations, helping them to work effectively with each other to open young peoples' eyes to choices and opportunities, broadening horizons and raising aspirations. This will enable girls to come into contact with employers and training providers from a wide range of careers, inspiring them to consider careers in areas that have historically been male dominated.

We recognise that too often girls' success at school is not reflected in employment outcomes. We are determined to tackle gender inequality at its root by growing the confidence of girls in the classroom. Raising girls' aspirations in the classroom will grow girls' confidence, spark their ideas and teach them that regardless of gender, race, or background, they can achieve whatever they set their mind to. We welcome initiatives like 'Inspiring Women' campaign run by Inspiring the Future, which has 20,000 inspirational women going into state schools/colleges to inspire girls to think about a wide range of professions and sectors.

We also recognise that parents are uniquely placed to support their daughters to make career choices that are driven by their skills and interests, rather than outdated stereotypes. That's why we published the 'Your Daughter's Future' guide to give parents the tools to help girls fulfil their potential. The Your Life campaign, which the Secretary of State launched in May 2014, is leading our efforts in getting more girls to study STEM subjects. It aims to increase the opportunities for all people, and particularly women, to pursue a wide range of careers that need skills in science, technology, engineering and maths.

Funding bands

Of those apprentices who benefit from the new levels of funding, 33% are women. Furthermore, of those who lose out as a result of the new funding rates, 69% are women.

²⁵ *The Report of the Independent Panel on Technical Education* is available online at <https://www.gov.uk>.

This highlights how the new levels of funding have a disproportionate effect on women relative to men²⁶.

Much of this is driven by the STEM uplift. Unsurprisingly, due to historical trends of female apprentices being underrepresented in STEM apprenticeships, the STEM uplift is likely to disproportionately benefit men versus women. Of those apprenticeship starts that will, in future, receive the STEM uplift (assuming that apprenticeship starts remain the same), 8% are women. Of those starts not receiving the STEM uplift, 66% are women²⁷.

Since 2009/10 the number of women starting engineering and manufacturing apprenticeships has increased more than threefold²⁸ but the Government is committed to doing more. All of our apprenticeship campaigns include role models to attract women into sectors where they are under-represented; and we are working through our Apprenticeship Ambassador Network, and the Science, Technology, Engineering and Mathematics Network (STEMNET), which promotes participation at school and college into science and engineering-related subjects.

Co-investment

The impact of the co-investment proposal is expected to be the same as for other protected groups, and a key issue is how far the introduction of a 10% co-investment requirement will depress non-levy paying smaller employers' take up of apprentices, and the relative prevalence of female apprentices in those employers. This is an area that we will monitor as the new funding package is introduced.

Extra support for English and Maths

Female apprentices comprise around 54% of overall apprenticeships and this is broadly reflected in the proportion of female apprentices undertaking English and maths qualifications as part of their apprenticeship (56%²⁹). We expect the impact of this funding measure to be broadly neutral.

²⁶ The 16-18 reduction figure does not include AGE, as it has not been possible to identify AGE grants specifically directed to 16-18 apprenticeships.

²⁷ Internal analysis of funding rates, matched with ILR information on age, before and after reforms

²⁸ ILR

²⁹ ILR

(d) Ethnicity

Summary

Between 2009/10 and 2014/15 there was an increase from 8% to 10.6% in the proportion of apprenticeship starts by people from a Black, Asian and minority ethnic (BAME) background. This compares with an overall proportion of 14% of the working age population in 2014/15. The Government has a target of increasing the proportion of apprenticeships taken up by people from BAME backgrounds by 20% by 2020; this would translate into 11.9% of apprenticeship starts by 2020.

Funding bands

Overall, 55% of apprenticeship starts would attract less funding, assuming that apprenticeship starts remained the same. Of those, 11% are apprentices from BAME backgrounds. This compares with 45% of apprenticeship starts which would attract more funding; of which 10% are apprentices from BAME backgrounds³⁰. This takes into account the 20% provider uplift for 16-18 year olds on frameworks.

Around 45% of starts are on apprenticeship frameworks that currently get an above average amount of area cost uplift funding. 11% of these apprentices come from a BAME background. 55% of starts are on those apprenticeship pathways that currently get a below average proportion of the area cost uplift; 10% of these apprentices are from BAME background. With similar proportions of BAME apprentices being located in apprenticeship programmes that receive above- and below-average amounts of area cost uplift funding, we believe that the removal of the area cost uplift is not likely to have a disproportionate impact on apprentices from a BAME background. The overall funding package includes mitigation for the removal of the disadvantage cost uplift, with the transitional additional payments to providers for training apprentices from a disadvantaged background, based on the most deprived areas, as measured by the Index of Multiple Deprivation

Of those apprenticeship starts that will in future receive the STEM uplift (assuming that apprenticeship starts remain the same), 8% are from a BAME background. Of those starts not receiving the STEM uplift, 11% are from a BAME background, a small benefit to those not from a BAME background³¹.

Co-investment

The impact of the co-investment proposal is expected to be the same as for other protected groups, and a key issue is how far the introduction of a 10% co-investment requirement will depress SME take up of apprentices, and the relative prevalence of

³⁰ AGE has not been included here

³¹ Internal analysis of funding rates, matched with ILR information on age, before and after reforms

learners from BAME background in SMEs. This is an issue that officials will monitor as the new funding package is introduced.

Support for English and Maths training

In 2014/15, around 12% of Maths and English learners were identified as from BAME groups, broadly in line with overall BAME participation in apprenticeships (10.6%)³². As such, we expect this funding proposal to be neutral.

(e) Sexual orientation

As we do not collect information on apprentices' sexual orientation as part of the Individualised Learner Record (ILR), we do not hold up-to-date data. This means we cannot fully assess whether the new funding policy is likely to have differing impacts on people with different sexual orientations.

The latest available research on Lesbian, Gay, Bisexual and/or Transgender (LGBT) adult learners in Further Education (of which adult apprentices are a subset) was published in August 2011³³. This explored issues of demographics, perceptions and barriers to adult learning, bullying / harassment, learning experiences and providers' policies and systems. It does not discuss the apprenticeship funding system having an impact on any of these issues.

We therefore do not consider the apprenticeship funding policy to have a negative or positive impact on LGBT apprentices.

(f) Religion and belief

As we do not collect information on apprentices' religion and beliefs as part of the Individualised Learner Record (ILR), we do not hold up-to-date data. This means we cannot fully assess whether the funding policy is likely to have differing impacts on people with different religions and beliefs.

The latest available research on Religion and Belief in Adult Learning (of which adult apprentices are a subset) was published in October 2012³⁴. This explored issues of demographics, practice and openness of religion / belief, perceptions and barriers to

³² ILR

³³

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/288670/Sexual_Orientation_and_Gender_Identity_Equality_in_Adult_Learning-_Published_August_2011.pdf

³⁴

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/286658/Religion_and_Belief_report.pdf

adult learning, bullying / harassment, learning experiences and providers' policies and systems. This research finds 6% of survey respondents (learners) stating that they had encountered barriers to taking up mainstream funding to support learning fees and living costs due to their religious beliefs. However, with no further insight into what these barriers may be, and the fact that apprentices' 'source of funding' is essentially the wages they earn (as opposed to other FE learners accessing grants, loans etc.), we do not consider this barrier flagged in 2012 an issue relevant to the current apprenticeship funding proposals.

We therefore do not consider the apprenticeship funding policy to have a negative or positive impact on different religious groups.

(g) Pregnancy and maternity

As we do not collect information on pregnant apprentices or whether apprentices have children, as part of the Individualised Learner Record (ILR), we do not hold up-to-date data here. This means we cannot fully assess whether the funding policy is likely to have differing impacts on pregnant apprentices or mothers who are apprentices.

Apprentices have the same employment rights as other employees, including around maternity leave. These funding proposals do not impact on any of these rights.

We therefore do not consider the apprenticeship funding policy to have a negative or positive impact on pregnant apprentices or mothers who are apprentices.

(h) Gender re-assignment

As we do not collect information on apprentices undergoing gender re-assignment as part of the Individualised Learner Record (ILR), we do not hold up-to-date data here. This means we cannot fully assess whether the funding policy is likely to have differing impacts on apprentices undergoing gender re-assignment.

However, we do not consider there to be any evidence that suggests that the apprenticeship funding policy will have a negative or positive impact on apprentices undergoing gender re-assignment.

(h) Marriage and civil partnership

As we do not collect information on apprentices' marriage and civil partnership status as part of the Individualised Learner Record (ILR), we do not hold up-to-date data here. This means we cannot fully assess whether the funding policy is likely to have differing impacts on married apprentices or those in civil partnerships.

However, we do not consider there to be any evidence that suggests that the apprenticeship funding policy will have a negative or positive impact on married apprentices or those in civil partnerships.

Summary

Our ambition is to move from a provider-led to an employer-led apprenticeship system to drive growth in the quality and quantity of apprenticeships. By establishing a much simpler funding model, we will encourage employers to increase investment in apprentices, enable them to negotiate funding rates with providers in a transparent way and provide clear and workable incentives for them to recruit and train apprentices of a wide range of ages and backgrounds. In simplifying the funding model, we have built on the existing approach to Trailblazer apprenticeship standards, introduced in 2013. Over the next three years, we aim to progress to all new apprenticeship starts to be on standards, and the funding model supports this move by allocating more rigorous standards to higher funding bands than comparable frameworks.

We believe that the impacts on protected groups are broadly neutral. Overall, there will be more money going into the system as apprenticeship demand rises and as we fund apprenticeship standards more generously than the frameworks they are replacing. However, the reform of the new funding system will have short-term impacts for providers and there are uncertainties around how employers and providers will respond to the new funding arrangements. The transitional additional payment to providers training 16-18 year olds on frameworks is designed to support provider stability during the transition process and ensure that opportunities for younger apprentices are not lost.

There is also a continuing challenge to break down occupational segregation and we will need to continue to use a range of strategies and levers to achieve a more balanced gender participation in STEM subjects.

Whilst overall the new funding policy is broadly neutral in its impact on protected groups, we will continue to monitor the impact as the changes are implemented, including.

- Small and medium sized employers' investment in apprenticeships following the introduction of 10% co-finance;
- Our broader policies to encourage more female apprentices into STEM subjects;
- Our broader approach to increase the proportion of BAME apprentices and ensuring that any expansion of apprenticeship numbers is reflected in numbers of BAME apprentices;
- Ensuring new funding arrangements provide continuing opportunities for LDD learners and using pilots proposed by the LDD Task Force to test ways of using funding more effectively;
- Careful scrutiny of the impact of funding changes on 16-18 provision, including the willingness of employers and the capacity of providers to deliver the full range of apprenticeships for this age group.

Decision making

On the basis of the above analysis and the proposed adjustments which have been agreed following employer and stakeholder consultation, we are proposing to **continue** with the policy implementation. The current plans will result in year-on-year increases in apprenticeship funding and the transition to new standards will result in more generous

funding for apprenticeships as the frameworks are gradually withdrawn. We have put in place additional funding for transition to the new standards and will carefully monitor the impact on participation and success of these protected groups as the policy is rolled out.

Annex: Proposed apprenticeship funding changes and how they may impact on different groups

Proposal	Change from current policy	Areas for potential equality impact
<p>1. New Funding bands with no age-linked pricing There will be 15 funding bands ranging from £1,500 to £27,000. All existing and new frameworks and standards will be placed within one of these bands. The upper limit will cap the maximum price of Government co-investment. Each apprenticeship assigned to a single funding band regardless of the age of the learner.</p> <p>As a transitional measure we will make an additional payment to providers of an amount equivalent to 20% of the maximum for the relevant apprenticeship's funding band, where they are delivering an apprenticeship framework to a 16-18 year old. This will help providers to adjust away from age-linked framework funding rates towards a single funding band for each framework and standard and we will keep it under review.</p>	<p>a) Frameworks: Currently, providers are paid by unit cost for each pathway ("SASE rate") and this depends on age of learner, e.g. 107% for 16-18; 50% for 19-23; 40% for 24+. In future, all framework pathways will be placed in a funding band based on the current adult rate, with no variation by age.</p> <p>b) Standards: currently 5 caps (with 6th new cap recently introduced in 2016/17); top cap is £18k (with £9k employer contribution). In future, all standards will be assigned to one of 15 funding bands. As now, no variation by age of the learner.</p>	<p>Individual frameworks and standards will be placed into the new funding bands and some will move up or down from where they are currently positioned. This will have a particular impact on younger apprentices. Responses to the consultation have focused on the potential impact that changes to framework funding could have on provision to 16-18 year olds if providers withdraw from this market. Transitional uplift of 20% is designed to address this.</p>
<p>2. STEM uplift For all STEM frameworks, we will increase current (adult) rate by 40% at Level 2 and 80% at L3+ and then place in the nearest funding band. This will reflect the fact that employers are currently disproportionately likely to be contributing extra costs towards the provision of these apprenticeships.</p>	<p>Not a feature of the current system because we assume employers will make contribution to training costs for apprentices aged 19+.</p>	<p>Apprenticeships likely to attract STEM uplift are primarily in sectors where there is strong gender segregation, with very low female participation. It will be important to continue to encourage increased participation of girls and women in STEM across the broad range of education and training opportunities.</p>
<p>3. Disadvantaged areas We will make an additional payment to providers where they train apprentices from a disadvantaged background. A payment of £600 will be made to providers training an apprentice whose home postcode is in the 10% most deprived areas as measured by the Index of Multiple Deprivation; £300 for any apprentice who lives in the next 10% of</p>	<p>In Frameworks, an uplift is applied to the funding rates for learners where their postcode prior to enrolment is in one of the 27% most deprived areas. The uplift ranges from 1.084 to 1.336. The new methodology will generate an additional payment rather than apply an uplift. It will use the same methodology for identifying which learners are eligible.</p>	<p>BAME learners more likely to be from disadvantaged areas so the inclusion of an additional payment to providers for those from the most disadvantaged areas will mitigate any impact of removing the previous system of incremental rate uplifts.</p>

<p>deprived areas (10-20% range) and £200 for those in the next 7% (20-27% range). These payments will be in place for one year, whilst we conduct a fuller review into the best way to support individuals from all backgrounds into apprenticeships</p>		
<p>4. Co-investment Employers who don't pay the levy or who have exhausted digital funds co-invest 10% of costs, with Government paying 90%.</p>	<p>Currently there is an expectation that employers co-invest (in frameworks), but in reality, may providers do not charge employers, particularly in the smaller end of the range. So the new approach will mean that non-levy paying employers from 50+ employees will be required to co-invest. Small firms employing fewer than 50 will not have to pay for 16-18 year olds (See 4 below). Current Trailblazer pilots require a 33% co-finance from employers. The new rate will be 10%.</p>	<p>We will need to particularly monitor the impact on smaller employers who do not pay the levy because of the relative prevalence of apprentices from protected groups in SMEs.</p>
<p>6. Support for smaller employers training 16-18 year olds. Waiving the co-investment requirement for employers with fewer than 50 employees that train 16-18 year old apprentices</p>	<p>This continues the current policy of providing a higher rate of government contribution towards the cost of 16-18 apprenticeships, but limited only to smaller employers. We are also withdrawing Apprenticeship Grants to Employers (AGE) at the end of the 2016/17 academic year, where businesses with fewer than 50 employees, who have not taken on an apprentice in the last year can receive a £1,500 grant per apprentice (aged 16 to 24) for up to five new apprentices currently.</p>	<p>Funding for AGE is across the age group from 16-24, so the impact will not be specifically in relation to 16-18 year old learners only. The overall package, including £1000 payments to employers and providers and the STEM uplifts, will mean that the impact will be mostly mitigated.</p>
<p>7. Extra support for apprentices aged 16-18: payment of £1000 each to employer & provider and an additional 20% of the funding band maximum for frameworks.</p>	<p>On frameworks, employer currently receives no additional payment for taking on a 16-18 year old; on standards they receive between £600 and £5,400 On frameworks, providers currently receive a higher (107%) funding rate for 16-18 year olds, but no extra funding on standards.</p>	<p>This will encourage employers directly to recruit 16-18 year olds, and partially compensate providers for the loss of funding premium for 16-18 year olds on framework apprenticeships. It recognises the fact that 16-18 year olds are less "work ready" than older learners and there are some extra costs associated with supporting them. We will monitor starts amongst 16-18 year olds.</p>
<p>8. Extra support for 19-24 year old care leavers or those with EHCP: payment of £1000 each to employers and providers to cover extra costs, and an</p>	<p>The current funding approach pays providers enhanced funding for individuals aged 19 – 24 (inclusive) with an Education, Health and Care</p>	<p>The impact is expected to be broadly neutral</p>

additional 20% of the funding band maximum for frameworks to providers.	(EHC) plan, by funding them at the same rate as 16-18 year olds, <u>where they are undertaking a framework</u> . Under the new funding model, employers and providers training these individuals will be paid £1,000 each to help with additional costs (ie. The same model as for 16-18 year olds), plus the 20% uplift for providers on frameworks.	
Proposal	Change from current policy	Areas for potential equality impact
9. Support for English and Maths training: £471 payment (per item) for Level 2 qualifications in English & Maths to training providers.	This level is in line with funding available through Trailblazer standards currently and will be applied to all frameworks and standards.	The impact on protected groups is expected to be neutral.
10. Learning support: payment to provider of up to £150 pcm for additional learning support for conditions such as dyslexia, learning difficulties or disabilities; plus additional costs based on need, up to £19,000 pa.	Continuation of current system.	The impact is expected to be neutral on those with learning difficulties and disabilities.
11. Cross-border funding – Employers able to use funds in their digital account to pay for any apprentices whose main place of work is in England – wherever they live in UK	The current apprenticeship funding rules place conditions on which individuals can be funded to undertake an apprenticeship through the English system. These rules take into account provider location, employer location and employee residence and have become increasingly complex over time. We have reviewed these rules so they make sense in a more employer-led funding system and are fair for employers and apprentices.	No data available on this and we expect the impact to be neutral.
12. Re-training: employers should be able to use funds to train individuals at or below the level of their highest qualification, provided this will deliver new skills/ or content is materially different to any prior training	More flexible than current system.	We expect the impact of this to be broadly neutral. Employers are likely to use this flexibility for a range of different strategies, including re-training existing employees, or recruiting graduates to be trained in technical skills. This could disadvantage some protected groups (e.g. those with disabilities) where they are less likely to be in work already.
13. Transfers: From 2018, levy paying employers will	New funding proposal not relevant in current	Impact likely to be neutral; all employers are

be able to transfer up to 10% of annual funds to other employers on the digital system	system. Will allow transfers between one (levy-paying) employer and another.	subject to equality legislation; we propose no further analysis
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Department
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Reference: DFE-00262-2016



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