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Funding Focus – Apprenticeship funding after April 2017

16 August 2016

Funding Focus provides quick summaries of recent funding developments, or particular aspects of the funding system.

This Funding Focus is linked to Funding Focus – Proposed allocation of frameworks and standards to new funding bands from May 2017, which can be found on the Pearson website: [Funding](#).

Introduction

Key funding document

DfE released a suite of provisional guidance on apprenticeship funding and the supporting system on Friday 12 August. The key funding document is the 23 page [Proposals for apprenticeship funding from May 2017](#) for levy and non-levy payers, along with proposed new funding bands for all apprenticeships. The DfE included a [survey](#) asking for views on the proposed funding plans (closes 5 September)).

This Funding Focus summarises the proposals under three headings:

- Apprenticeship funding for levy and non-levy payers
- Apprenticeship funding for levy payers
- Apprenticeship funding for non-levy payers

Annex A looks at the proposed new funding bands for all current apprenticeships (frameworks and standards):

- Details of what these proposals mean for the allocation of frameworks and standards to new funding bands from May 2017 have been published [alongside the proposed funding guidance](#). The spreadsheets allow you to search for your framework or standard to find the proposed new funding band it has been allocated to.
- We have produced a full list of these new funding bands so you can easily see the proposed new funding band your framework or standard has been allocated to.

Becoming a registered provider

DfE also released the following documents and a Funding Focus on these will be available shortly:

- [Proposals for a new Register of Apprenticeship Providers](#) (RoATP) (17 pages) which organisations must apply to join if they want to deliver apprenticeship training from May 2017. (And a [survey](#) on the proposals (closes 5 September)).
- A 31 page [Employer-provider guide](#) which explains what employers need to do to become an apprenticeship provider.

Further documents and information

DfE also released:



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- A [press release](#) which outlines what has been published.
- Updated guidance on the [Apprenticeship levy: how it will work](#).
- [Information on the apprenticeship levy](#) with data broken down by size and sector and the total apprenticeship budget which shows how much money the government is spending on apprenticeships and the amount employers will pay as part of the apprenticeship levy (9 pages).
- An [online levy calculator](#) which employers can use to estimate if they will pay the apprenticeship levy, how much an organisation will have available to spend on apprenticeships and how much the government will contribute towards the cost of training.

When further information will be available

The publication of further guidance is now back on track. Throughout the summer DfE will be engaging with employers, providers and other stakeholders and collating responses to the online [survey](#) on the proposed funding guidance. We expect the following information to be available, as originally planned, in October 2016, and December 2016:

- October 2016: The final funding bands that will apply in the new system, the final levels of government support, additional support for 16-18-year-olds, and English and maths payments, the final, full set of technical rules that underpin the funding system, and confirmation of how the proportion of pay bill that is paid to employees living in England will be calculated.
- December 2016: Further employer guidance from HMRC on how to calculate and pay the apprenticeship levy.

A summary of the proposals for apprenticeship funding

Many aspects of the new funding system will be the same for both levy payers and non-levy payers. We have summarised the proposals under three headings:

- Apprenticeship funding for levy and non-levy payers
- Apprenticeship funding for levy payers
- Apprenticeship funding for non-levy payers

Apprenticeship funding for levy and non-levy payers

When the new system starts

- The new funding system will come into effect on 1 May 2017. All apprenticeships started before 1 May will be funded through to completion according to the existing rules.

Finding a provider

- All employers will be able to search for a provider and training using the digital apprenticeship service.

Negotiating price, and going over the funding band

- All employers can negotiate the price for apprenticeship training with their provider, which can be below the maximum set by the funding band. If employers want to spend more than the upper limit they will have to use their own money to cover the cost in full.



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Additional payments

16-18 year-olds

- DfE propose paying an extra £1,000 to employers taking on 16-18 year-old apprentices, or 19-24 year-old apprentices who have previously been in care or who have an Education, Health Care (EHC) plan, to help meet extra costs. Initially, these payments will be made to employers via their provider, but over time DfE intend to move to a system where employers receive this payment directly from government. This will be paid over two payments at 3 months and 12 months.
- DfE also propose paying an extra £1,000 to the provider for 16-18 year-old apprentices, or 19-24 year-old apprentices who have previously been in care or who have an EHC plan. This will be paid by government to providers over two payments at 3 months and 12 months.

English and maths

- Government currently provides funding to cover the cost of English and maths training up to level 2. DfE proposes to continue funding these costs directly at a flat rate of £471 for each qualification. This is a continuation of the current system for apprenticeship standards.
- Any additional English and maths training, over and above this minimum standard, must be paid for by the employer and negotiated separately as part of the overall price the employer agrees with their provider for the apprenticeship training.

Learning support

- Learning providers will be able to claim costs from government up to an additional £150 each month for learners who have a learning or physical disability and who may require extra learning support to achieve their apprenticeship. Where there is evidence of greater learning support needed then additional funding may be provided. This is a continuation of the current system of support.

Completion

- This isn't an *additional* payment, but DfE are proposing that 20% of the total cost is held back and paid to the provider at the end of the apprenticeship.

Cross-border funding rules

- The current rules will be simplified (they take into account provider location, employer location and employee residence) and a single test will be applied for whether apprenticeship training can be funded through the English system: whether the apprentice's main place of employment is England.
- When training an apprentice whose workplace is in England, employers will be able to use the funds in their digital account to pay for training, and access government co-investment if they do not pay the levy. A condition of this will be that the apprentice is undertaking an English statutory apprenticeship framework or standard and that they satisfy all other general rules on learner eligibility.
- DfE propose that the definition of workplace is the physical place of work, designated by the employer, where the apprentice is expected to spend the majority of their time during their apprenticeship.



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Equivalent and lower level apprenticeships

- These rules currently depend on whether a learner is on an apprenticeship framework or standard. They will be simplified to be more flexible and employers will be able to use funds in their digital account or access government co-investment support to train any eligible individual to undertake an apprenticeship at a higher level than a qualification they already hold, including a previous apprenticeship.
- Learners will also be able to be funded to undertake an apprenticeship at the same or lower level than a qualification they already hold, if the apprenticeship will allow the individual to acquire substantive new skills and the content of the training is materially different from any prior training or a previous apprenticeship.

Apprenticeship funding for levy payers

Who pays the levy, how much, and when

- As already confirmed, all employers will pay the apprenticeship levy if they have a pay bill of more than £3 million each year.
- The levy will come into effect in April 2017. Employers will declare levy payable based on payroll year to date. The first time eligible employers will have to declare their liability to HMRC will be in May 2017 for levy due on their April payroll.
- To calculate how much each employer will have to spend through the English system DfE are proposing to use data that HMRC hold about the home address of employees. HMRC will use this data to work out what proportion of each employer's pay bill is paid to employees living in England.
- An [online levy calculator](#) is available which employers can use to estimate if they will pay the apprenticeship levy, how much an organisation will have available to spend on apprenticeships and how much the government will contribute towards the cost of training. Employers will need to know their organisation's annual UK payroll to use it.
- Employers will be able to use the funds in the new digital apprenticeship service (DAS) shortly after their final declaration to HMRC, after 22 May, to pay for training from 1 May.

How levy payers will access their levy funds

- In England levy paying employers will be able to access a new digital apprenticeship service (DAS) that allows them to spend the levy on apprenticeship training.
- Employers will be able to purchase training through the new digital system from the start of May as the earliest payments for training will leave their accounts in the following month.

Government top-up to levy funds

- Government will top-up the monthly funds entering an account by 10%.
- The level of funding that will enter an employer's account each month will be:

- | |
|---|
| <ol style="list-style-type: none">1) Monthly levy paid to HMRC.2) Multiplied by the fraction of the employer's pay bill paid to their workforce living in England.3) Plus a 10% government top-up on this amount. |
|---|



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The digital account, and how it will be used

- Levy payers will use the digital service to pay for apprenticeship training.
- Funds will expire 18 months after they appear in the employer's digital account unless they are spent on apprenticeship training. This will also apply to any top-ups in their digital account.
- When an employer agrees to buy apprenticeship training from a particular provider and the apprenticeship has started, monthly payments will be taken automatically from their digital account and sent to the provider. If the training stops early, so will the payments. An employer will be able to request that payments are stopped.

Paying a provider

- The new system will pay providers one month in arrears for training they report has been delivered.
- 20% will be held back for completion of the apprenticeship.

Co-investment once the levy is spent

- Employers who pay the levy but who do not have sufficient funds to cover the costs of an apprenticeship/s will receive the same level of co-investment as non-levy payers.

Cross-border funding rules

- The digital apprenticeship service will support the English apprenticeship system. Scotland, Wales and Northern Ireland have their own arrangements for supporting employers to access apprenticeships. The level of funding available in each levy paying employer's account will depend on the proportion of their pay bill paid to their workforce living in England.

Directing funds in a digital account to another employer

- In April DfE said they would assess the options for enabling employers to direct funds to other employers on the digital system. The solution needed to balance simplicity with adequate protections, and support the overall aim of the apprenticeship programme.
- During 2018, subject to a final value for money assessment, DfE propose to introduce the means for employers to transfer up to 10% of the levy funds entering their digital account in a given year, to another employer with a digital account. DfE will assess the impact and effectiveness of these arrangements before considering how they could be expanded.
- The transfer of funds will be limited by EU State aid regulations. Until EU exit negotiations are concluded, the UK remains a full member of the EU. State aid rules apply when public resources are used to provide assistance that gives one organisation an advantage over others; an organisation can receive up to €200,000 in aid over three fiscal years. Any employer receiving a transfer would therefore need to take responsibility for being aware of these rules and remaining within them and DfE will work with employers to develop the processes to allow them to do this.
- These rules will also apply to employers using their levy funds on apprentices employed by ATAs.

Apprenticeship funding for non-levy payers

Co-investment

- The vast majority of employers will not be eligible to pay the levy and these employers will continue to benefit from government co-investment.



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- For apprenticeship frameworks the government currently pays providers at different rates depending on the age of the apprentice and employers are *expected* to make a cash contribution of about 50% to the costs of training adults on apprenticeship frameworks. Standards are currently paid for through a combination of government and employer funding and the government pays two-thirds of the cost and employers are *required* to pay one-third
- DfE propose that all employers who do not pay the levy co-invest 10% of the cost of the apprenticeship training and assessment and government co-invest the remaining 90% of the cost.
- An example of how this might work is:

- 1) Employer chooses apprenticeship in band 9 with a maximum price of £9,000.
- 2) Employer negotiates a price of £8,500 with their provider.
- 3) Government co-invests 90% = £7650.
- 4) Employer co-invests remaining 10%= £850.
- 5) Employer and provider agree to spread this over 10 installments of £85.

The digital account

- Non-levy payers will not use the digital apprenticeship service to pay for apprenticeship training and assessment until at least 2018.

Additional payments

Smaller employers who don't pay the levy

- For employers with fewer than 50 staff, 100% of the training costs will be paid for by government for 16-18 year-old apprentices, and for 19-24 year-old apprentices, who have previously been in care or who have an EHC plan.

Paying a provider

- Employers will be able to agree a payment schedule with their provider and spread their payments over the life time of the apprenticeship.
- 20% will be held back for completion of the apprenticeship.
- In the first year of the new system, employers will need to pay their co-investment share directly to providers and DfE will ask the provider to verify that this had been paid.
- Over time DfE intend to move to a system where the employer can pay this through their digital account.

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Information is correct at the time of writing and offered in good faith. No liability is accepted for decisions made on the basis of information given



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Annex A: Proposed new funding bands for all current apprenticeships (frameworks and standards)

Funding bands

<p>Currently, frameworks and standards are funded in different ways. From 1 May 2017 frameworks and standards will be funded in the same way. The new system will be made up of 15 funding bands and all existing and new apprenticeships will be placed within one of these funding bands.</p> <p>The upper limit of each funding band will cap the maximum amount of digital funds an employer who pays the levy can use towards an apprenticeship, and the maximum price government will 'co-invest' towards, where an employer does not pay the levy, or has insufficient levy funds and is therefore eligible for government co-investment. Funding bands do not have a lower limit.</p> <p>Over the course of parliament current apprenticeship frameworks will be phased out so that all new apprentices undertake standards.</p>	Number	Band upper limit
	1	£1,500
	2	£2,000
	3	£2,500
	4	£3,000
	5	£3,500
	6	£4,000
	7	£5,000
	8	£6,000
	9	£9,000
	10	£12,000
	11	£15,000
	12	£18,000
	13	£21,000
	14	£24,000
15	£27,000	

Setting new proposed funding bands for frameworks

Individual framework pathways will be allocated to the nearest funding band based on the current rate of funding for adult apprentices. For all STEM pathways the DfE propose to increase the current funded adult rate by 40% at level 2 and 80% at level 3 and above, and then allocate these frameworks to the nearest funding band. (This uplift is to take into account the fact that employers are likely to be paying extra on top of funding provided by government.) STEM frameworks will be determined by sector subject area. There are thirteen sector subject areas uplifts will be applied to: Engineering & Manufacturing Technologies; Information & Communication Technology; Science & Mathematics; and Construction, Planning & the Built Environment.

Setting new propose funding bands for standards

Standards are considered more costly to deliver so DfE will allocate higher funding bands to apprenticeship standards, relative to equivalent frameworks, where appropriate. DfE propose to allocate apprenticeship standards to new bands according to the following principles: lower cost standards allocated to new funding band that most closely aligns with current; standards currently assigned to widest and highest funding band will be allocated a new band within this range.

The DfE has produced [spreadsheets](#) which allow you to search for your framework or standard to find the proposed new funding band it has been allocated to. We have produced a [Funding Focus – Proposed allocation of frameworks and standards to new funding bands from May 2017](#), which provides a full list of the new funding bands so you can see the new funding band your framework or standard has been allocated to. We have included the current apprenticeship standards rates for comparison. The current frameworks rates have not been included.