

Funding Focus – Comparing proposals for new apprenticeship funding from May 2017, with existing funding

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

Introduction

The DfE are introducing a new funding system for all apprenticeships from 1 May 2017. It will apply to both levy paying employers (who will start paying the levy in April 2017) **and** non-levy paying employers, and to both apprenticeship frameworks **and** apprenticeship standards. All apprenticeships started before 1 May will be funded through to completion according to the existing rules.

This Funding Focus looks at the proposals for funding from May 2017 and gives four examples of comparisons with current funding. The purpose is to show you how you might go about comparing the funding your apprenticeships will attract in the proposed new system with existing funding. This is a simple comparison and there are a number of caveats to the examples on page 3.

Proposed new funding bands for standards and frameworks from May 2017

Under the new arrangements apprenticeships will be allocated in one 15 funding bands, with the upper limit of those bands ranging from £1,500 to £27,000. All apprenticeship frameworks and standards have been placed within one of these funding bands. 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 individual apprenticeship, and cap the maximum price that government will ‘co-invest’ towards, where an employer does not pay the levy or has insufficient digital funds and is eligible for extra government support.

Frameworks: The proposal is to move away from the current system of pricing apprenticeship frameworks at three different levels depending on the age of the learner, and move towards a single funding band for individual framework pathways. Individual framework pathways have been allocated to the nearest funding band based on the current rate of government funding for adult apprentices. For all STEM framework pathways the proposal is to increase the current government-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.

Standards: Over the course of the parliament frameworks will be phased out. The new system will ‘recognise’ that standards are ‘more expensive to deliver’ by allocating higher funding bands to apprenticeship standards, relative to equivalent frameworks.

15 proposed new funding bands for standards and frameworks from May 2017

Number	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Band upper limit	£1,500	£2,000	£2,500	£3,000	£3,500	£4,000	£5,000	£6,000	£9,000	£12,000	£15,000	£18,000	£21,000	£24,000	£27,000

When further information on funding proposals will be available

The DfE and SFA expect to publish the final funding bands that will apply in the new system, the final levels of government support, and 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 in October 2016.

Links to key documents

- **Funding bands for apprenticeship frameworks and standards from May 2017** from the DfE and SFA can be found [here](#) (*Proposed funding bands for individual apprenticeship frameworks and Proposed funding bands for individual apprenticeship standards*). The new rates in one complete spreadsheet can be found on the [Pearson funding website](#) in *Funding Focus – Proposed allocation of frameworks and standards to new funding bands from May 2017*. Details about how the funding methodology will work can be found in the DfE and SFA's [Proposals for apprenticeship funding in England from May 2017](#) and these proposals are summarised in [Funding Focus – Apprenticeship funding after April 2017](#).
- **Current funding caps for apprenticeship standards** can be found in [Apprenticeship standards approved for delivery](#), and details about how the funding methodology works can be found in [Apprenticeship standards funding rules 2016/17](#).
- **Current funding rates for apprenticeship frameworks** depend on the qualifications taken within the framework, and then the funding methodology is applied. The frameworks can be found on [Apprenticeship Frameworks Online](#), the funding rates can be found on the [funding hub](#), and details about how the funding methodology works can be found in the [Funding Rates and Formula 2016 to 2017](#).

Comparing proposals for new apprenticeship funding from May 2017, with existing funding

We have compared an apprenticeship framework and standard in Aerospace at level 3 and an apprenticeship framework and standard in Customer Service at level 2.

Code	SSA no.	SSA Desc	Name	Type	Level	Pathway name	Pathway number
56	4.1	Engineering	Aerospace Manufacturing Electrical, Mechanical and Systems Fitter	Standard	3	Aerospace Manufacturing Electrical, Mechanical and Systems Fitter	-
539	4.2	Manufacturing Technologies	Engineering Manufacture	Framework	3	Aerospace	1
122	15.2	Administration	Customer Service Practitioner	Standard	2	Customer Service Practitioner	-
488	15.2	Administration	Customer Service	Framework	2	Customer Service	1

Comparing proposals for new apprenticeship funding from May 2017, with existing funding: notes and caveats

	Current frameworks	Current standards	Proposed new funding for frameworks and standards from May 2017
16-18, 19-23, and 24+ and employer contributions	<ul style="list-style-type: none"> 16-18 year-olds are fully funded by government. This is reflected by the x 1.0723 calculation for 16-18 year-olds in comparison tables (the set rate is for 19+ year-olds). Employers co-invest 50% (not mandatory) for 19+ year-olds employers. This is reflected by the x 0.5 calculation in comparison tables. Funding for 24+ year-olds is reduced by 20%. This is reflected by the x 0.8 calculation in the comparison tables. Non-mandatory co-investment is reflected in the minimum and maximum rates in the comparison tables. 	<ul style="list-style-type: none"> For all age apprenticeships employers co-invest 33%; government co-invests 66% (mandatory). 16-18 year-olds attract an incentive payment. The amount is dependent on the funding cap. This is reflected in the comparison tables. There is no funding reduction for apprentices aged 24+. The funding cap is the maximum amount government will co-invest. 	<ul style="list-style-type: none"> For all age apprenticeships employers co-invest 10% and government co-invests 90% (mandatory). 16-18 year-olds attract additional payments of £1,000 to the employer, and £1,000 to the provider. This is reflected in the comparison tables. There is no funding reduction for apprentices aged 24+. The funding band is the maximum amount towards which government will co-invest 90%.
Small/large employers	<ul style="list-style-type: none"> Funding for large employers (> 1000) is reduced by 25%. This is reflected by the x 0.75 calculation in the comparison tables. 	<ul style="list-style-type: none"> Small employers (<50) attract an incentive payment. The amount is dependent on the funding cap. 	<ul style="list-style-type: none"> Small employers (<50) do not have to co-invest 10%. Government pays 100%. This is reflected in the comparison tables.
Achievement/successful completion, and completion	<ul style="list-style-type: none"> 20% of funding is held back for achievement. We have assumed for the purposes of the comparison tables that all learners achieve. To more usefully compare funding values providers may want to identify their achievement rates. 	<ul style="list-style-type: none"> Successful completion attracts an incentive payment. The amount is dependent on the funding cap. We have assumed for the purposes of the comparison tables that all learners successfully complete. 	<ul style="list-style-type: none"> For levy payers 20% of the total cost is held back and taken from the digital account at the end of the apprenticeship. This payment is held back just for completion of the end point assessment; there is no link to achievement/successful completion. We have assumed for the purposes of the comparison tables that all learners complete the EPA.
Negotiation	<ul style="list-style-type: none"> No negotiation on price. 	<ul style="list-style-type: none"> Employers negotiate price with provider. The figures in the comparison tables for current standards funding, and proposed new funding are maximum figures and could be negotiated down. In this case the government would pay their % of the negotiated rate, plus the additional incentive funding. The cost of the EPA comes out of the funding and is included in the negotiated price. 	
Area uplift	<ul style="list-style-type: none"> Funding for current frameworks is subject to uplifts for area costs. For the purposes of this example we have not included area uplift. To more usefully compare funding values providers may want to identify the area uplift they are currently attracting. 	<ul style="list-style-type: none"> No area uplift. 	<ul style="list-style-type: none"> No area uplift.
Disadvantage funding	<ul style="list-style-type: none"> Funding for current frameworks is subject to uplifts for disadvantage. For the purposes of this example we have not included disadvantage uplift. To more usefully compare funding values providers may want to identify disadvantage uplifts they are currently attracting. 	<ul style="list-style-type: none"> No disadvantage funding. 	<ul style="list-style-type: none"> Providers and all employers and will be paid an additional £1,000 for 19 to 24 apprentices who are care leavers or have a LA EHC plan. Calculations for 19 to 24 apprentices who are care leavers or have a LA EHC plan have not been included in the comparison tables.
Basic funding rate	<p>Funding depends on the qualifications taken within the framework:</p> <ul style="list-style-type: none"> There is a choice of qualifications within the apprenticeship framework. We have used the example of a framework made up of 501/1525/X Pearson Level 3 NVQ Diploma in Aeronautical Engineering (QCF) (£8,159), and 500/8099/4 Pearson BTEC Level 3 Extended Diploma in Aircraft Maintenance (QCF) (£8,159), but there are other options and these will attract different funding values. The Level 2 Customer Service framework only has one qualification and though this is available from different awarding organizations, they are all funded at the same rate. To more usefully compare funding values providers may want to identify the funding rates for the specific qualifications they are delivering within the framework. 	<ul style="list-style-type: none"> Funding set in funding caps. Funding can go over the cap if employers want to invest extra. Government won't contribute more than the cap. The cost of the EPA comes out of the funding. 	<ul style="list-style-type: none"> Funding set in funding bands. Funding can go over the cap if employers want to invest extra. Government won't contribute more than 90% towards the cap). The cost of the EPA comes out of the funding.
English & maths	<ul style="list-style-type: none"> English and maths functional skills or GCSE qualifications funded at £471 for 16-18 year-olds, £362 for 19-23 year-olds, and £290 for 24+ year-olds. 	<ul style="list-style-type: none"> English and maths functional skills or GCSE qualifications funded at £471 regardless of the age of the apprentice. 	

Comparing proposals for new apprenticeship funding from May 2017, with existing funding: Level 3 Aerospace Manufacturing

For simplicity, Functional Skills and learning support funding have not been included in comparison tables.

Current/proposed from 1-May-17 Funding	Employer	16-18*			19-23			24+		
		Employer pays	Government pays	Total to provider	Employer pays	Government pays	Total to provider	Employer pays	Government pays	Total to provider
Current standard £18,000 cap	Small employer (< 50)	-£1,800 (£9,000 - 2 x £2,700 - £5,400)	£28,800 (£18,000 + 2 x £2,700 - £5,400)	£27,000	£3,600 (£9,000 - 2 x £2,700)	£23,400 (£18,000 + 2 x £2,700)	£27,000	Same as 19-23		
	All other employers	£900 (£9,000 - £2,700 - £5,400)	£26,100 (£18,000 + £2,700 - £5,400)	£27,000	£6,300 (£9,000 - £2,700)	£20,700 (£18,000 + £2,700)	£27,000	Same as 19-23		
Proposed from 1-May £24,000 band	Non-levy, small employer (< 50)	-£1,000 (£0 - £1000)	£26,000 (£24,000 + 2 x £1,000)	£25,000	£2,400 (£24,000 x 0.1)	£21,600 (£24,000 x 0.9)	£24,000	Same as 19-23		
	Non-levy, all other employers	£1,400 (£24,000 x 0.1 - £1,000)	£23,600 (£24,000 x 0.9 + 2x £1,000)	£25,000	£2,400 (£24,000 x 0.1)	£21,600 (£24,000 x 0.9)	£24,000	Same as 19-23		
	Levy	£23,000 (£24,000 - £1,000)	£2,000 (2 x £1,000)	£25,000	£24,000	£0	£24,000	Same as 19-23		
Current framework £16,318 rate	All other employers	£0	£17,500 (£16,318 x 1.0723)	£17,500	£8,160 (£16,318 x 0.5)	£8,160 (£16,318 x 0.5)	Min £8,160 Max £16,318	£8,160 (£16,318 x 0.5)	£6,530 (£16,318 x 0.5 x 0.8)	Min £6,530 Max £14,690
	Large employer (> 1000)	£0	£17,500 (£16,318 x 1.0723)	£17,500	£8,160 (£16,318 x 0.5)	£6,120 (£16,318 x 0.5 x 0.75)	Min £6,120 Max £14,280	£8,160 (£16,318 x 0.5)	£4,900 (£16,318 x 0.5 x 0.75 x 0.8)	Min £4,900 Max £13,060
Proposed from 1-May £9,000 band	Non-levy, small employers (< 50)	-£1,000 (£0 - £1000)	£11,000 (£9,000 + 2x £1,000)	£10,000	£900 (£9,000 x 0.1)	£8,100 (£9,000 x 0.9)	£9,000	Same as 19-23		
	Non-levy, all other employer	-£100 (£9,000 x 0.1 - £1,000)	£10,100 (£9,000 x 0.9 + 2x £1,000)	£10,000	£900 (£9,000 x 0.1)	£8,100 (£9,000 x 0.9)	£9,000	Same as 19-23		
	Levy	£8,000 (£9,000 - £1,000)	£2,000 (£2x £1,000)	£10,000	£9,000	£0	£9,000	Same as 19-23		

Comparing proposals for new apprenticeship funding and existing funding: Level 2 Customer Service

For simplicity, Functional Skills and learning support funding have not been included in comparison tables.

Current/Proposed from 1-May-17 Funding	Employer	16-18*			19-23			24+		
		Employer pays	Government pays	Total to provider	Employer pays	Government pays	Total to provider	Employer pays	Government pays	Total to provider
Current standard £3,000 cap	Small employer (< 50)	-£400 (£1,500 – 2x £500 - £900)	£4,900 (£3,000 + 2 x £500 = £900)	£4,500	£500 (£1,500 – 2x £500)	£4,000 (£3,000 + 2 x £500)	£4,500	Same as 19-23		
	All other employers	£100 (£1,500- £500 - £900)	£4,400 (£3,000 + £500 + £900)	£4,500	£1,000 (£1,500- £500)	£3,500 (£3,000 + £500)	£4,500	Same as 19-23		
Proposed from 1-May-17 £4,000 band	Non-levy, small employer (< 50)	-£1,000 (£0 - £1,000)	£6,000 (£4,000 + 2 x £1,000)	£5,000	£400 (£4,000 x 0.1)	£3,600 (£4,000 x 0.9)	£4,000	Same as 19-23		
	Non-levy, all other employers	-£600 (£4,000 x 0.1 - £1,000)	£5,600 (£4,000 x 0.9 + 2 x £1,000)	£5,000	£400 (£4,000 x 0.1)	£3,600 (£4,000 x 0.9)	£4,000	Same as 19-23		
	Levy	£3,000 (£4,000 - £1,000)	£2,000 (2 x £1,000)	£5,000	£4,000	£0	£4,000	Same as 19-23		
Current framework £3,352 rate	All other employers	£0	£3,600 (£3,352 x 1.073)	£3,600	£1,680 (£3,352 x 0.5)	£1,680 (£3,352 x 0.5)	Min £1,680 Max £3,360	£1,680 (£3,352 x 0.5)	£1,260 (£3,352 x 0.5 x 0.8)	Min £1,260 Max £2,940
	Large employer (> 1000)	£0	£3,600 (£3,352 x 1.073)	£3,600	£1,680 (£3,352 x 0.5)	£1,260 (£3,352 x 0.5 x 0.75)	Min £1,260 Max £2,940	£1,680 (£3,352 x 0.5)	£1,010 (£3,352 x 0.5 x 0.75 x 0.8)	Min £1,010 Max £2,690
Proposed from 1-May-17 £1,500 band	Non-levy, small employers (< 50)	-£1,000 (£0 - £1,000)	£3,500 (£1,500 + 2x £1,000)	£2,500	£150 (£1,500 x 0.1)	£1,350 (£1,500 x 0.9)	£1,500	Same as 19-23		
	Non-levy, all other employer	-£850 (£1,500 x 0.1 - £1,000)	£3,350 (£1,500 x 0.9 + 2 x £1,000)	£2,500	£150 (£1,500 x 0.1)	£1,350 (£1,500 x 0.9)	£1,500	Same as 19-23		
	Levy	£500 (£1,500 - £1,000)	£2,000 (2 x £1,000)	£2,500	£1,500	£0	£1,350	Same as 19-23		