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# Funding Focus – Apprenticeship funding from May 2017

2 November 2016

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

## Introduction

On 25 October the DfE confirmed the [apprenticeship funding rules](#) which will be implemented from May 2017. This summary is an update to the Funding Focus published on 16 August which looked at the proposals the DfE released for consultation on the 12 August. It:

- Explains the confirmed apprenticeship funding rules from May 2017, and a very quick guide to the differences between current and new funding, and
- Provides information about further summaries that will shortly be available, and links to key official funding documents.

The document is organised as follows. Changes made to the original proposals in August are highlighted in the document in [blue](#).

## Section 1 Apprenticeship funding for levy and non-levy payers

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## Section 1 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.

### Paying for apprenticeships, non-levy payers, and levy payer and the new digital apprenticeship service

- The vast majority of employers will not be eligible to pay the levy and these employers will continue to benefit from government support to pay for apprenticeship training (see more below).
- Employers who pay the levy will access a new digital apprenticeship service that allows them to spend their available levy funds on apprenticeship training.
- All employers will be able to search for a provider and training using the digital apprenticeship service.
- Non-levy payers will not use the digital apprenticeship service to pay for apprenticeship training and assessment until at least 2018.

### Employer contributions for different types of employers

All employers attract the same additional payments (see below for more).

#### *Levy payers*

- 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. 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.
- Government will top-up the monthly funds entering an account by 10%.
- The levy will pay for the apprenticeship training (frameworks and standards) and there will be no further co-investment from government.
- 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.
- The level of funding that will enter an employer's account each month will be:

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

#### *Non-levy payers*

- 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:



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- 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.

### Small employers who don't pay the levy

- Employers with fewer than 50 staff do not have to co-invest 10% for certain learners: 100% of apprenticeship training costs will be paid for by government for 16-18 year-olds, and for 19-24 year-olds who have previously been in care or who have an EHC plan.

### Funding bands

- The new apprenticeship funding system will be made up of 15 funding bands, with the upper limit of those bands ranging from £1,500 to £27,000.
- The funding band is the maximum amount of digital funds an employer who pays the levy can use towards an individual apprenticeship, and the maximum amount towards which the government will 'co-invest', where an employer does not pay the levy or has insufficient digital funds and is eligible for extra government support. Funding bands do not have a lower limit.
- All existing apprenticeship frameworks and standards have been placed within one of these funding bands and new standards will be placed in a funding band as they become ready for use.

<b>Funding bands for frameworks and standards</b>	<b>Number</b>	<b>Funding band</b>
<ul style="list-style-type: none"> <li>• Currently, frameworks and standards are funded in different ways.</li> <li>• From 1 May 2017 frameworks and standards will be funded in the same way.</li> <li>• 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.</li> <li>• 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.</li> <li>• Funding bands do not have a lower limit.</li> <li>• Over the course of parliament current apprenticeship frameworks will be phased out so that all new apprentices undertake standards.</li> </ul>	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

- **Framework funding bands:** funding bands have been allocated to *individual framework pathways* and these have been set to the nearest funding band based on the current rate of funding for adult apprentices. For all STEM pathways the DfE has increased the current funded adult rate by 40% at level 2 and 80% at level 3 and above, and then allocated these frameworks to the nearest funding band. Since the proposal in August nine of the funding bands for frameworks have been increased and two have been increased – see Annex A for more.
- **Standard funding bands:** funding bands for standards have generally been set at a higher rate than bands for individual framework pathways as they are generally considered more costly to deliver (and presumably so DfE have allocated higher funding bands to apprenticeship standards, relative to equivalent frameworks, where appropriate. DfE propose to allocate apprenticeship standards to new



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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.

## 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.

## Additional payments

All additional payments come direct from government and will not be deducted from a levy-payers digital account, or be expected to be paid for by a non-levy-paying employer. Some of the additional payments will be in place as a transitional measure only.

### *16-18 year-olds*

- DfE will pay £1,000 to all employers and £1,000 to all providers for 16-18 year-olds.
- *Transitional:* DfE will pay providers 20% of funding band maximum for 16-18 year-olds on *frameworks*. This is a transitional measure and will be kept under review and reduced as more apprenticeship starts on new standards.

### *Disadvantage*

- DfE will pay £1,000 to all employers and £1,000 to all providers for 19-24 year-olds who have been in care or who have an Education, Health Care (EHC) plan.
- *Transitional:* DfE will pay providers 20% of funding band maximum for 19-24 year-olds who have been in care or who have an Education, Health Care (EHC) plan on *frameworks*. This is a transitional measure and will be kept under review and reduced as more apprenticeship starts on new standards.
- *Transitional:* DfE will pay providers for all apprentices on frameworks an additional £600 for those living in the top 10% of deprived areas (as per the Index of Multiple Deprivation), £300 for those living in the next 10% of deprived areas, and £200 for those in the next 7%. This coverage is consistent with the area covered in the current system of provider uplifts. This will provide at least the same level of funding to support those from disadvantaged areas. It will be in place for the first year and DfE will review best ways of ensuring apprenticeships provide equal opportunity to all, regardless of their circumstances.

### *English and maths*

- DfE will fund the costs for English and maths 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.

### How providers are paid

- Employers will be able to agree a payment schedule with their provider and spread their payments over the life time of the apprenticeship. Providers will be paid monthly in arrears for training they report has been delivered.
- The first payments to providers for apprentices who start in May with levy-paying employers will be made in June. Monthly payments will be taken automatically from their digital account and sent to the provider.
- Providers will claim directly from government for apprentices who start in May with non-levy payers, and again, will be paid in June. In the first year of the new funding system, employers will need to pay their co-investment share directly to training providers. Over time the intention is to move to a system where the employer can pay this through their digital account.
- At the start of the apprenticeship providers will indicate how long it is expected to last before successful completion. DfE will make payments totaling 80% of the negotiated price on a monthly basis, spread evenly across the period of the apprenticeship.
- The remaining 20% will be paid at the end of the apprenticeship. For standards the 20% final payment will be made once the end-point assessment has been completed.

### Equivalent and lower level apprenticeships

- Employers can use levy funds/access co-investment to train individuals on apprenticeship at the same level or lower level than a qualification they already hold, including previous apprenticeship if this allows individuals to acquire substantive new skills and the content of the training is materially different from any prior training or a previous apprenticeship.
- This is more flexible than the current rules for both framework and standards.

### Funding apprentices who work in England

- A more simple approach will be taken to determine whether an apprentice can be funded through the English system.
- If the apprentice's workplace is in England then an individual will be eligible for apprenticeship funding (either via the levy or via government co-investment). 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 (50% or more).
- Individuals would need to then meet all other general rules on learner eligibility.
- Exceptions will be made for Armed Forces and Royal Fleet Auxiliary personnel and apprentices whose occupation involves significant travel outside of the UK as a necessary part of their occupational development.



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## Section 2 A quick guide to the differences between the current and new funding rules

	Current Frameworks	Current Standards	New Frameworks	New Standards
<b>Negotiation</b>	x	✓	✓	
<b>Basic funding rate</b>	Based on qualifications	Standard funding cap	Framework funding band	Standard funding band
<b>Additional payments/reductions for age</b>	16-18, full funding 19-23, 50% of full funding 24+, -20% of 19-23 rate	16-18 payment to employer	16-18, £1,000 to employer and £1,000 to provider 16-18, 20% of funding band maximum to provider	16-18, £1,000 to employer and £1,000 to provider
<b>Employer contribution</b>	50% optional	33% mandatory	Levy paying employers 100%, non-levy paying employers 10% mandatory	
<b>Employer reduction/incentive</b>	25% large employer reduction (> 1000)	Small employer payment(< 50)	Small employers do not contribute for 16-18s, 19-24 care leavers or with LA EHC plan; government pays 100% (< 50)	
<b>Achievement/success</b>	20% achievement rate	Success payment	20% paid at end of apprenticeship	20% paid once EPA complete
<b>Disadvantage</b>	Uplift based on IMD	x	19-24 care leavers/with LA EHC, £1,000 to employer and £1,000 to provider 19-24 care leavers/with LA EHC, 20% of funding band maximum to provider £600 living in top 10% of deprived areas (IMD), £300 living in next 10%, £200 living in next 7%	19-24 care leavers/with LA EHC £1,000 to employer and £1,000 to provider
<b>Area uplift</b>	✓	x	x	
<b>English and maths</b>	16-18 £471, 19-23 £362, 24+ £290 to provider	£471 for each subject to provider	£471 for each subject to provider	
<b>Learner support</b>	✓	✓	✓	





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## Section 3 Further summaries available

Further summaries from Pearson are available on the [Pearson Funding News](#) website:

- [Allocation of frameworks and standards to new funding bands from May 2017](#)
- [Comparing existing apprenticeship funding with new apprenticeship funding from May 2017](#)
- [The Apprenticeship levy from April 2017](#)
- [The register of apprenticeship training providers and guidance for employers wanting to become apprenticeship providers from May 2017](#)

## Section 4 Links to key official funding documents

### Overview

- Justine Greening's [written ministerial statement](#) on supporting apprenticeships.
- [Press release](#): New apprenticeship funding to transform investment in skills.

### Funding, and the levy

- [Apprenticeship funding from May 2017](#): How apprenticeship funding will work, including details of funding bands and the apprenticeship levy.
- [Apprenticeship funding: how it will work \(the levy\)](#): Details on the levy for employers.
- [Revised apprenticeship funding calculator](#): To help employers understand what levy they will pay.
- [Apprenticeship funding and performance management rules 2017 to 2018](#).

### Register of apprenticeship training providers (RoATP)

- [Working with the SFA as an apprenticeship training provider](#): Information for all providers who wish to offer apprenticeship training in England from May 2017 including existing providers as well as organisations that might wish to enter the apprenticeship training market.
- [Register of apprenticeship training providers](#): This series brings together guidance on how to apply to the register of apprenticeship training providers (RoATP).
- SFA presentations on YouTube: [register of apprenticeship training providers](#), and [invitation to tender: apprenticeship training delivery for employers without a digital account](#).

### Guidance on the register of apprentice assessment organisations, and new programme to tackle the shortage of end-point assessors

- [Register of apprentice assessment organisations, overview](#): information on the new register of apprentice assessment organisations for employers seeking an independent end-point assessment (EPA) organisation, and for potential applicants to the register.
- [New programme to tackle shortage of end-point assessors](#): funded by the DfE and commissioned by the ETF, with the aim of improving capacity to deliver independent EPAs in apprenticeships.

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