Department for Education

Apprenticeship funding in England

From August 2018

May 2018

Contents

1. Introduction

This document sets out the policy for apprenticeship funding in England from August 2018. It updates the policy that has been in place since May 2017.

The document provides details of the policy from 1 August 2018, including some adjustments to the policy highlighted in chapter 2.

Since the introduction of apprenticeship reforms, we have received feedback from employers, training providers and interested groups. At this time, we have looked to prioritise stability for the market, and these are minor adjustments to support employers, providers and apprentices. We are also publishing research looking specifically at the way we support individuals with additional learning needs. This will inform our thinking as we continue to develop the policy.

This document setting out the funding policy is supported by:

- Published funding bands for individual frameworks and standards.
- The full funding rules that set out more detail on how this funding policy will work in practice and our expectations of employers and providers.

Review date

The apprenticeship funding policy is part of major reforms to the apprenticeships programme. We will review it on a continual basis to ensure it supports growth in quality apprenticeships and opportunities for all in an affordable and sustainable way, which delivers value for money for the taxpayer. Parts of the policy may be adapted in future to deliver programme objectives and other government priorities.

Who this publication is for

This publication provides information on proposals for apprenticeship funding in England from August 2018. It is for:

- Employers with a workforce in England.
- Training providers who provide training for English apprenticeships.
- Organisations who provide end point assessment for English apprenticeships.
- Individual apprentices.

2. Summary of changes

This section describes policy changes that will take effect from 1 August 2018.

Funding Band Structure

We have reviewed the apprenticeship funding band structure to assess whether the existing 15-band structure supported employers in securing value for money.

We expect employers to negotiate prices with training providers, conscious of the fact that the upper band limit represents the maximum that government will contribute towards the apprenticeship and is not a fixed price. However, we have seen limited price negotiation in the market, with many employers telling us that they do not feel they are able to negotiate on price or that they consider the funding band upper limit to be the ‘rate’ set by government.

Following feedback from stakeholders, we have decided to introduce more funding bands in order to support negotiation between employers and providers on price.

Therefore, we are increasing the number of funding bands to 30, as set out in Chapter 3.

This funding band structure will take effect for new starts from August 2018 and we will allocate newly developed standards into the 30-band structure.

Existing standards and frameworks will be placed in the new structure at the same level as they have been under 15 funding bands. We keep all prices under review, with changes to frameworks only where there is strong supporting evidence. Apprenticeship standards are subject to regular review by the Institute for Apprenticeships and any future reviews will make recommendations on the appropriate funding level based on the new 30-band structure.

Transitional payments to providers training 16-18 year olds and additional payments in areas of disadvantage on frameworks

The current policy includes transitional measures, whereby providers training a 16-18 year old on a framework receive a further payment from Government equivalent to 20% of the funding band maximum, and providers also receive payments for training individuals from disadvantaged areas on frameworks.

We have seen starts on standards grow, which are generally funded at higher rates, but we know that many providers are still delivering substantial numbers of frameworks, including to 16-18 year olds. It is important that apprentices are still able to undertake these frameworks until the relevant standards are available.

As such, we will be continuing to provide a payment equivalent to 20% of the funding band maximum to providers training 16-18 year olds on frameworks, and additional payments to providers training individuals from disadvantaged areas on frameworks.

Additional payments for apprentices who require learning support

Our research found that some providers do not clearly understand when they can claim additional learning support. Providers might not be claiming for individuals who would benefit from support, and therefore may be reducing their chances of successfully completing the apprenticeship. We are therefore updating the funding rules to provide greater clarity on eligibility and the support available.

We also understand from research that some apprentices experience challenges with their mental health, which can prevent them from fully participating in their apprenticeship. Understanding of available support is also limited, and we will draw greater awareness to the 'Supporting Apprentices' mental health service, operated by Remploy on behalf of the Department for Work and Pensions, which provides a range of free advice and support.

Support for care leavers

Care leavers can experience extra barriers when making the transition to the world of work and we want apprenticeships to help them overcome those. These barriers can include particular financial hardship and living independently at a young age.

We are introducing a £1,000 bursary payment to support care leavers aged 16-24 starting an apprenticeship.

This bursary will help to meet the costs they incur as they transition into work and support them in the first year of their apprenticeship, when wages can be lower for some apprentices. We will pay this once to each care leaver in the eligible age range starting an apprenticeship, via their training provider.

3. Funding policy from August 2018

1. Start date

1. The start date for the updated apprenticeship funding policy is 1 August 2018. In line with current policy, we will fund apprenticeships started on or after this date according to the apprenticeship funding rules in place on that date. This will apply to all employers, both those paying the levy and those who do not.

2. Any apprenticeships that started before this date will continue to be funded under the rules that applied when they started.

2. Information for employers who pay the levy

Determining the funds that enter accounts

3. The amount of funding that an employer paying the levy can access is linked to the value of an employer's levy contributions, the proportion of employees working in England and a government top-up.

4. Once employers have declared the levy to HM Revenue and Customs (HMRC) they can access government funding for apprenticeships through their apprenticeship service account.

5. We calculate the amount of funds each employer will have available to spend in England using data that HMRC already hold about the home address of their employees. HMRC work out what proportion of each employer's pay bill is paid to employees living in England for each PAYE scheme.

6. Employers continue to benefit from a 10% top up to monthly funds entering an account.

7. The level of funding that enters an employer's account each month is calculated as:

- Monthly levy paid to HMRC
- Multiplied by the proportion of the employer's pay bill paid to their workforce living in England
- Plus a 10% government top-up on this amount

8. When employers first set up an account on the apprenticeship service, funds will enter their accounts immediately. These funds will be based on employers' valid levy declarations to HMRC to date.

9. After this, funds will enter accounts on a monthly basis, as described above.

Expiry of funds in accounts

10. Employers who pay the levy will see funds expire 24 months after they appear in their apprenticeship service account unless they are used on apprenticeship training. This will apply also to the 10% top up they receive on the monthly funds entering an account. The oldest funds in the account will always be spent or expire first.

3. Funding bands

11. Employers will need to choose the training they would like their apprentice to receive throughout their apprenticeship. There are currently two different types of apprenticeship scheme, frameworks and standards, and we fund both in the same way.

12. The apprenticeship funding system will include 30 funding bands from 1 August 2018, with the upper limit of those bands ranging from £1,500 to £27,000. We expect employers to negotiate a price for their apprentice's training and assessment, in the knowledge that the funding band sets the maximum that Government is prepared to contribute towards off-the-job training and assessment for each apprenticeship.

13. All existing apprenticeship frameworks and standards will be placed into a band within the new structure that has the same upper limit as under the 15 funding band structure. The Institute for Apprenticeships will review existing standards, including the appropriate funding band, on a regular basis.

14. New standards will be placed in a funding band as the Institute for Apprenticeships approves them for delivery.

15. Further information can be found at https://www.gov.uk/government/publications/apprenticeship-funding-bands

16. The upper limit of each funding band represents the maximum amount of funds that an employer who pays the levy can use towards an individual apprenticeship. The upper limit of the funding bands also represents the maximum price that government will 'co-invest' towards, where an employer does not pay the levy or has insufficient funds in their account.

17. Setting an upper limit on the amount spent on an individual apprenticeship ensures that public money is spent in an appropriate way and achieves maximum value for the taxpayer. Funding band upper limits should not be considered the 'price' of an apprenticeship. Employers should negotiate the best price for the training they require

from a training provider, which can be below the maximum set by the funding band. Employers who want to spend more than the upper limit of the funding band can do so, but will have to use their own money to pay the amount above the band limit directly to the provider.

18. Funding bands do not have a lower limit because we do not want to prejudge what is the correct price for a provider and employer to settle on. The training required and its cost will vary according to the particular circumstances and the needs of the individual apprentice and employer, and employers will expect providers to offer quality and value for money for the agreed price.

19. The table below shows the 30 funding bands.

Funding band	Upper limit
1	£1,500
2	£2,000
3	£2,500
4	£3,000
5	£3,500
6	£4,000
7	£4,500
8	£5,000
9	£6,000
10	£7,000
11	£8,000
12	£9,000
13	£10,000
14	£11,000
15	£12,000
16	£13,000
17	£14,000
18	£15,000
19	£16,000
20	£17,000
21	£18,000
22	£19,000
23	£20,000
24	£21,000
25	£22,000
26	£23,000
27	£24,000
28	£25,000
29	£26,000
30	£27,000

Table 1: Funding bands

Funding bands for STEM frameworks

20. We know that employers of apprentices undertaking STEM (Science, Technology, Engineering and Mathematics) frameworks were disproportionately likely to be paying extra to providers on top of the funding provided by government.

21. When we allocated funding bands for frameworks in October 2016, we applied an increase to the government-funded adult rate of 40% at Level 2, and 80% at Level 3 and above, in four sector subject areas (Engineering and Manufacturing Technologies; Information and Communication Technology; Science and Mathematics; and Construction, Planning and the Built Environment). We allocated these framework pathways to the nearest funding band. We are retaining these increases for frameworks.

4. Timing of payments by government to providers

22. Providers are paid by government when they have evidenced delivery of training and assessment activities through their usual monthly Individualised Learner Return. At the start of the apprenticeship, the provider will indicate how long they expect the apprenticeship to last before successful completion. We make payments totalling 80% of the negotiated price (up to the funding band maximum) each month, spread evenly across the period of the apprenticeship. We pay the remaining 20% at the end of the apprenticeship upon completion.

5. Co-investment

23. Employers who do not pay the levy, and those who want to invest more in apprenticeship training than they have available in their accounts, benefit from significant government funding to support their commitment to apprenticeships. They have to make a financial contribution, a ‘co-investment’. An employer cash contribution towards the costs of training is an essential part of apprenticeship reforms, designed to increase quality and employer engagement.

24. If an employer has not paid the levy and would like to train an apprentice, they need to co-invest 10% and benefit from government funding to cover the remaining 90% of the cost. This also applies to any levy-paying employer who wants to invest more in apprenticeship training than they hold in their account. In this case, if in any single month a levy-paying employer has insufficient funds available in their account to meet the full costs of training and assessment, they need to co-invest 10% of the outstanding monthly balance, with government paying the remainder. All employers need to meet, in full, any costs above the funding band limit for any particular apprenticeship. They will need to make these payments directly to the training provider.

Small employer co-investment waiver

25. Smaller employers have historically played a very important role in helping young people into the workforce for the first time, and we continue to support this.

26. Employers with fewer than 50 people working for them are able to train 16-18 year old apprentices without making a contribution towards the costs of training and assessment. Instead, the government pays 100% of the training costs for these individuals, up to the funding band maximum. This also applies to apprentices aged 19-24 who have previously been in care or who have a Local Authority Education, Health and Care plan.

6. Additional payments for employers

Training younger apprentices

27. We are committed to an apprenticeship programme that supports young people into quality apprenticeships and we recognise that for employers who take on young apprentices aged 16-18 years old, there are some additional costs associated with supporting them in the workplace. For example, research on apprenticeships for 16-18 year olds suggests that these apprentices can require significantly more supervision and pastoral care[1].

28. When employers take on a 16-18 year old on an apprenticeship framework or standard, they receive £1,000 to help meet the extra costs associated with this. This will be paid to employers in two equal instalments at 3 months and 12 months. These payments are made to employers via their training provider, who will pass the money on. These payments come direct from the government and will not be deducted from an employer's account.

29. Employers who benefit from the small employer co-investment waiver will also receive these payments.

Support for care leavers and those who have a Local Authority Education, Health and Care plan

30. Apprentices aged 19-24 who have previously been in care or who have a Local Authority Education, Health and Care plan may need extra support and we recognise this can represent an extra cost to employers.

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[1] Costs and behaviours in the 16 to 18 apprenticeship system', Frontier Economics and CFE Research, 2016. Published on gov.uk: https://www.gov.uk/government/publications/apprenticeships-for-16-to-18-year-olds-the-cost-of-providing

31. Employers who train an apprentice who is aged 19-24 and has previously been in care or who has a Local Authority Education, Health and Care plan, will receive £1,000 to help with these additional costs in the same way as the payment for 16-18 year olds.

32. We want to continue to support smaller employers to take on those who need more support. Employers with fewer than 50 people working for them are able to train at no cost those aged 19-24 who have previously been in care or who have a Local Authority Education, Health and Care plan. These employers are not required to contribute the 10% co-investment; instead, the government will pay 100% of the training costs for these individuals.

7. Additional payments for providers

Transitional support for providers training 16-18 year olds on frameworks

33. To help providers adjust as the market moves to apprenticeship standards, we agreed a transitional measure where we pay providers a further 20% of the funding band maximum for the training of apprentices aged 16-18 years old on frameworks. We are extending this measure and will keep it under review ahead of 2020 when we expect all frameworks will be withdrawn from the market. This also applies to apprentices aged 19-24 who have previously been in care or who have a Local Authority Education, Health and Care plan. These payments come direct from the government and are not deducted from an employer’s apprentice service account.

Training younger apprentices and support for care leavers and those who have an Education, Health and Care plan

34. We recognise that providers face some additional costs associated with training younger learners and those that need additional support. Research[2] suggests that these costs can include additional recruitment activity and additional support for these apprentices as they transition from education to the world of work.

35. Providers also receive the same additional £1,000 payment as employers for supporting those apprentices who are aged 16-18, or 19-24 and are either a care leaver or have a Local Authority Education, Health and Care plan. We pay this over two equal instalments at 3 months and 12 months. This is on top of the funds providers receive for core training and does not come from employer accounts.

[2] Costs and behaviours in the 16 to 18 apprenticeship system’, Frontier Economics and CFE Research, 2016. Published on gov.uk: https://www.gov.uk/government/publications/apprenticeships-for-16-to-18-year-olds-the-cost-of-providing

Additional support in areas of disadvantage

36. We want to ensure that providers continue to provide opportunities to people regardless of where they are from, and that additional costs are not a barrier.

37. Providers will therefore continue to receive an additional £600 for training, on a framework, an apprentice who lives in the top 10% of deprived areas (as per the Index of Multiple Deprivation), £300 for any apprentice who lives in the next 10% of deprived areas (the 11-20% range), and £200 for those in the next 7% (the 21-27% range). These payments come direct from the government and will not come from employer accounts.

38. Standards are generally funded at much higher levels. As the IfA begins to review the prices of some of the published standards, we will consider the overall levels of funding for standards and whether additional support is required.

English and maths

39. We believe that it is the responsibility of both government and employers to ensure everyone has a basic level of English and maths in the workplace. We expect apprentices to reach a basic level of English and maths at Level 1 and wherever possible Level 2. We also expect employers to provide time and support to individuals to achieve these qualifications.

40. When employers agree with their provider that their apprentice needs training to meet this minimum standard, the provider is able to claim a flat rate of £471 from the government to deliver each qualification. These payments will come direct from the government and will not come from employer accounts.

41. 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 training provider for the apprenticeship training.

Learning support

42. We know that some apprentices may require extra learning support to achieve their apprenticeship; such is the case for many apprentices with a learning difficulty or disability. This can involve additional costs for training providers, and we want to make sure that these are not a barrier.

43. Providers are able to claim costs from government up to an additional £150 each month for these apprentices. Where there is evidence of greater learning support needed, then providers can access additional funding to support these costs. These payments will come direct from the government and will not come from employer accounts.

8. Additional payments for individuals

Support for care leavers

44. We understand that care leavers can face additional financial barriers to undertaking an apprenticeship. To help ensure they are able to access apprenticeships, from 1 August 2018 we will pay a £1,000 bursary to apprentices aged 16-24 who have been in the care of their Local Authority. It will not come from the employer's account. We will pay it once to eligible apprentices, via their training provider.

9. Funding apprentices who work in England

45. The apprenticeship funding rules place conditions on which individuals we will fund to undertake an apprenticeship through the English system.

46. We will fund apprenticeship training through the English system where the apprentice's workplace, which is their main place of employment, is in England. If this is the case, employers are able to use the funds in their account to pay for training, or access government co-investment, regardless of whether the apprentice lives in England or not. 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.

47. 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). Employers are required to confirm the workplace location as part of their written agreement with the main training provider in the evidence pack for each apprentice.

48. The only exceptions we will allow to this rule are the following:

- Armed Forces and Royal Fleet Auxiliary personnel are treated as based in England wherever they are based in the UK; and
- Apprentices whose occupation involves significant travel outside of the UK as a necessary part of their occupational development (such as in travel or tourism) and they have an identified work location in England.

49. As skills policy is devolved, Scotland, Wales and Northern Ireland have their own arrangements for supporting employers to access apprenticeships. We continue to work with the Devolved Administrations on reciprocal arrangements to ensure that each nation will fund apprentices who come from other parts of the UK, provided that the apprentices fulfil that nation's eligibility and funding rules. We are monitoring the implementation of these arrangements, in partnership with the other nations, to ensure that they do not limit access to apprenticeship training unfairly for either employers or learners across the UK.

10. Funding apprentices with prior qualifications

50. Employers can use funds in their account or access government co-investment support to train any eligible individual to undertake an apprenticeship at a higher, equal or lower level than a qualification they already hold, including a previous apprenticeship. They can do this if it allows the individual to acquire substantive new skills and the content of the training is materially different from any prior training or a previous apprenticeship.

11. Employer transfers

51. From April 2018, employers with funds in their apprenticeship service accounts are able to transfer funds to other employers of their choice, including apprenticeship training agencies (ATAs). This provides employers with greater flexibility in the way that they can use their available funds to support the wider skills needs of employers, for example in their sector or supply chain in England. Transferred funds can only be used to pay for apprenticeship standards, which are a key component of our reforms to deliver a higher quality apprenticeship offer.

52. The amount of funds that an employer can transfer is capped in any tax year at 10% of levy declared for the previous tax year adjusted for what would appear in the employer's apprenticeship service account. This allowance will be recalculated every tax year.

53. Employers transferring funds must commit to meeting the full cost of an apprenticeship for the receiving employer over the period of the apprenticeship, up to the maximum of the funding band; and expect to have sufficient funds in their account to meet this commitment. Providers that pay the levy and have funds to transfer cannot transfer funds and then provide the training for the apprenticeships those funds support.

54. The employer receiving the funds will have complete control of the apprenticeship including choosing the apprentice, the provider and agreeing the cost. They will need to agree the cost with the employer transferring the funds and what apprenticeship standard the funds are supporting. If the transferring employer is unable to meet their full commitment, then the receiving employer will need to pay co-investment on any outstanding balance.

55. We will monitor and review the use and effectiveness of transfers.

56. Further guidance on what types of training will meet these requirements is set out in funding rules.

12. End-Point Assessment

57. All apprenticeship standards include end-point assessment, which must be delivered by organisations independent of the training provider, on the register of end-point assessment organisations (RoEPAO). The funding band allocated to individual standards includes the cost of end-point assessment as well as training. We expect that the cost of end-point assessment should not usually exceed 20% of the funding band maximum.

58. This does not mean that end-point assessment must cost 20%; the cost that individual employers will pay for assessment varies between standards and we expect employers to negotiate with assessment organisations to secure value for money. We will pay the agreed costs of assessment (and training) up to the funding band maximum, subject to any employer co-investment, to the training provider who will pass it on to the end-point assessment organisation.

About this publication:

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