Department for Education

Apprenticeship Funding

Apprenticeship funding in England from May 2017

October 2016

Contents

1. Introduction

This document sets out the policy for apprenticeship funding in England from May 2017.

Apprenticeships benefit employers and individuals, and by boosting the skills of the workforce they help to improve economic productivity. Our apprenticeship reforms will support an increase in the quality and quantity of apprenticeships so that more individuals have the chance to pursue a successful career – whether this is their first step on the employment ladder or progression within a current employer or sector.

The document provides detail on how the policy has been adapted in response to feedback on initial proposals published in April and then August. Throughout this time, we have engaged with employers, training providers and interested stakeholders to inform the policy development. This valuable input has shaped the final funding policy.

Our reforms give employers more control over designing, choosing and paying for apprenticeship training. The funding policy supports the changes to the way apprenticeships in England are paid for, underpinned by the apprenticeship levy. The levy will be paid by employers with a pay bill of over £3 million from April 2017 and will allow us to double investment in apprenticeships by 2020 from 2010 levels, to £2.5bn.

From May 2017, the way we fund apprenticeships in England will simplify some of the complex arrangements that currently exist. This will make it easier for employers of all sizes to navigate and choose the apprenticeship training they want to purchase. Funding will follow employer choice, moving away from the current provider-led model and meaning providers will have to be much more responsive to what employers need.

Employers who pay the levy will be able to access a new digital apprenticeship service that allows them to spend available funds on apprenticeship training. The vast majority of employers will not be eligible to pay the levy and these employers will continue to benefit from generous government support to pay for apprenticeship training.

This document setting out the funding policy is supported by:

- Guidance on the operational model for the apprenticeship levy and how the new digital apprenticeship service will work.
- Final funding bands for individual frameworks and standards.
- The full funding rules that set out more technical detail on how this funding policy will work in practice and the expectations of employers and providers.

Further detail on the levy and the digital apprenticeship service can be found at: https://www.gov.uk/government/collections/apprenticeship-changes.

Expiry or review date

This policy will be implemented in May 2017. The apprenticeship funding policy is part of major reforms to the apprenticeships programme. It will be reviewed 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. It will be considered alongside the government's social mobility and industrial strategies, and may be adapted in future to deliver these priorities.

Who is this publication for?

This publication provides information on proposals for apprenticeship funding in England from May 2017. It is for:

- Employers with a workforce in England.
- Training providers who provide training for English apprenticeships.

2. Summary of key changes

This section highlights how the policy has been developed in response to feedback on the provisional policy published on 12 August 2016.

We invited employers and providers to feedback their views through a survey, which received 892 responses. We recognise that many of those responding will have experience of the existing system, and their responses will have reflected that. We also engaged directly with hundreds of employers and providers. This valuable feedback informed our final policy position, and a summary of the key developments is described below.

Funding of frameworks delivered to 16-18 year olds

- In August we outlined our intention to move to a simpler funding system for apprenticeship frameworks, building on the existing approach to funding apprenticeship standards. The current system of funding apprenticeship frameworks at different rates depending on age of the learner is overly complicated and is not appropriate where employers are responsible for negotiating a price with a provider. Overall, 16-18 year old apprentices make up around a quarter of all apprenticeship starts, and higher prices for training these younger apprentices would act as a disincentive for some employers.
- We proposed allocating each individual framework pathway to a single funding band based on the current adult rate and regardless of the age of the learner. Recognising that there are some additional costs to training younger apprentices, we proposed making a £1,000 payment to both the employer and provider when they train a 16-18 year old.
- We received feedback from providers on the change to income they could incur as result of the new funding approach, especially those who currently focus the majority of their business on training 16-18 year olds.
- We believe that moving to system of funding that does not differentiate the price an employer pays by age is the right thing to do. However, this will have a bigger impact on providers who deliver significant volumes of training to 16-18 year olds on frameworks while the market transitions to the new approach. We want to ensure stability through the transition so that employer demand for training can be met and opportunities for young people are maintained.

Therefore, in addition to the price that the employer and provider agree for training to 16-18 year olds on a framework, the provider will also receive a payment from government equivalent to 20% of the funding band maximum for that framework.

- This 20% uplift for providers is a transitional measure designed to support stability whilst providers adjust to the reforms. We will keep it under review and envisage reducing this uplift as more apprenticeship starts are on new apprenticeship standards.
- The uplift will also apply to 19-24 year olds who were formerly in care or who have an Education and Health Care plan.
- These payments will come direct from the government and will not be deducted from an employer's digital account.
- We also proposed that when employers and providers take on a 16 to 18 year old on an apprenticeship framework or standard, they would receive £1,000 to help meet the extra costs associated with this. This would also apply to 19-24 year olds who were formerly in care or who have an Education and Health Care plan. We asked for evidence and views from providers and employers on the additional costs associated with this and the level of support proposed.
- We invited feedback and commissioned independent research into the costs of training 16 to 18 year olds for employers and providers. This research indicates that, generally, the proposed £1,000 incentive to employers and providers is likely to cover the additional costs faced by both, irrespective of subject or length of apprenticeship. Employers will be free to direct some or all of this additional incentive payment to providers should they wish to.

We are therefore retaining, for both employers and providers, the £1,000 payment for taking on a 16-18 year old on an apprenticeship framework or standard, as well as 19-24 year olds who were formerly in care or who have an Education and Health Care plan.

Additional support in areas of disadvantage

- Our intention to move to a simpler funding system for apprenticeship frameworks also removed the previous uplifts to rates received by providers for training apprentices from disadvantaged areas. The current system of funding apprenticeship frameworks at different rates depending on the apprentice's address is not appropriate where employers are responsible for negotiating a price with a provider. Higher prices for training apprentices from disadvantaged backgrounds would act as a disincentive to recruiting from this group.
- The current approach of uplifts is also too complex, and it is not transparent to employers. However, responses to our proposals highlighted that there are also some additional costs associated with supporting individuals from disadvantaged backgrounds and we want to ensure we overcome barriers so all can access apprenticeships.

We will therefore retain, for frameworks only, a simplified version of the current system and provide at least the same level of funding to support those from disadvantaged areas. This will be for one year whilst we conduct a fuller review

into the best way to support individuals from all backgrounds into apprenticeships.

- Providers will 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 10-20% range), and £200 for those in the next 7% (the 20-27% range). Overall, government will make available at least the same amount on disadvantage payments as under the current system of more complex uplifts.
- These payments will come direct from the government and will not be deducted from an employer's digital account. This will be in place for the first year while we review the best ways of ensuring apprenticeships provide equal opportunity to all, regardless of their circumstances. This review will look at the role of employers, as well as training providers, and the differences in approach that may be needed in different parts of the country. We will work with Opportunity Areas to develop and test different approaches.

Expiry of funds in digital accounts

- We proposed that funds in digital accounts – including top-ups - would expire after 18 months unless they are spent on apprenticeships training and assessment. This was to encourage employers to plan and spend in good time.
- We received feedback from employers and representative groups that a longer expiry period would help employers prepare for the new system and adapt and scale their training programmes. Employers also highlighted that many new high quality standards on which they would like to train apprentices are still being developed. Employers suggested that 24 months would be more consistent with an annual planning cycle.
- We have considered this feedback and recognise that the market is changing significantly. We want to support employers to adapt and develop their apprenticeship programmes and agree that a longer expiry period will help employers to prepare for the new system, giving them more time to identify the skills they need, select the best training and scale their apprenticeship programmes.

We will therefore extend the expiry period, so that funds in digital accounts, including top-ups, will expire after 24 months unless they are spent on apprenticeship training.

3. Final funding policy

1. Start date for the new apprenticeship funding system

1. The start date for the new apprenticeship funding system will be 1 May 2017. Any apprenticeships started from this date will be funded according to the new rules. This will apply to all employers, both those paying the levy and those who do not.

2. The Apprenticeship Levy comes into effect on 6 April 2017, but funds will not appear in an employer's digital account until just before the end of May for levy paid on their April payroll.

3. We will make payments to providers under the new system monthly in arrears for training they report has been delivered. The first payments to providers for apprentices with levy-paying employers who start in May will be made in June, using funds that have appeared in levy paying employers' digital accounts in May.

4. Providers will claim directly from government for apprentices who start after 1 May and are employed by employers who do not have a digital account (those not paying the levy) under the new funding rules. The first payments for these will also be paid in June.

2. Information for employers who will pay the levy

Determining the funds that will enter digital accounts

5. The amount of government subsidy that an employer paying the levy will be able to access is linked to the value of an employer's contributions, the proportion of employees working in England and a government top-up. Government may vary the level of subsidy for employers to ensure it continues to support growth in quality apprenticeships and opportunities for all in an affordable and sustainable way.

6. Once employers have declared the levy to HM Revenue and Customs (HMRC) they will be able to access funding for apprenticeships through their account on the digital apprenticeship service. Employers will be able to register for an account from January 2017.

7. We will calculate how much each employer will have to use through the English system using data that HMRC already hold about the home address of their employees. HMRC will work out what proportion of each employer's pay bill is paid to employees living in England for each PAYE scheme. This proportion will be available to view through the digital apprenticeship service from March 2017.

8. The calculation will first be run in February 2017 and subsequently run quarterly in July, October, January and April each year. Employers can update their employees' address data on their real-time information tax return to HMRC in order for the most

accurate calculation to be reflected in their accounts. For assurance, the address will need to be submitted in 3 consecutive returns as it can take three months before any changes are reflected in the calculation. The amount in an employer's account will be based on this information and will be final.

9. When an employer creates a new PAYE scheme which is linked to their digital account we will assume that all employees are based in England until the next quarterly calculation is undertaken. Until this happens the proportion will be set at 1 (100% of funds).

10. Employers will also benefit from a 10% top up to monthly funds entering an account.

11. The level of funding that will enter an employer's account each month will be 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

Expiry of funds in digital accounts

12. We recognise that the market is changing significantly and we want to support employers to adapt and develop their apprenticeship programmes. Employers were concerned that the original proposal of an 18 month life span for funds was too short, so we have decided to change this.

13. Employers who pay the levy will see funds expire 24 months after they appear in their digital 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 used first.

14. This longer expiry period will help employers to prepare for the new system, giving more time to identify the skill needs they can address using their levy payments, select the best training and scale their apprenticeship programmes.

Directing funds in a digital account to another employer or to Apprenticeship Training Agencies (ATAs)

15. The main aim of the apprenticeship levy is to support employers in growing the quality and number of apprenticeships in their own workforce, but we know there are employers who will want to support their supply chain or other employers in their sector

or community by transferring funds from their digital account. Other employers want to be able to transfer funds to Apprenticeship Training Agencies (ATAs) who employ apprentices on their behalf.

16. We are committed to introducing this in 2018, and to initially allowing levy-paying employers to transfer up to 10% of the annual value of funds entering their digital accounts to other employers or ATAs. We recognise the effective delivery of apprenticeships in supply chains is important and so we have created a new employer working group to help us further develop proposals for a transfers system that works for employers. Alongside detailed research into the needs of employers of all sizes, this group will help government design how transfers should work, the level of funds that could be transferred and what controls are needed to protect the integrity of the apprenticeship system.

3. Funding bands

17. 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 both will be funded in the same way.

18. 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. Employers are expected to negotiate a price for their apprentice's training and assessment, in the knowledge that there is a maximum that Government is prepared to commit from its funds for the off the job training and assessment for each apprenticeship.

19. All existing apprenticeship frameworks and standards have been placed within one of these funding bands. New standards will be placed in a funding band as they become ready for use by employers. The upper limit of each funding band caps the maximum amount of digital funds an employer who pays the levy can use towards an individual apprenticeship. The upper limit of the funding bands will also cap the maximum price that government will 'co-invest', where an employer does not pay the levy or has insufficient digital funds and is eligible for extra government support.

20. 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. Employers can negotiate the best price for the training they require from a training provider, which can be below the maximum set by the funding band. If employers want to spend more than the upper limit of the funding band, using their own money, they will be free to do that.

21. 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.

22. The table below shows the 15 funding bands. The steps between bands are smaller at the bottom of the range as this is where the majority of apprenticeship frameworks are currently concentrated.

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

Table 1: Funding bands

Funding bands for frameworks

23. Historically, for apprenticeship frameworks the government has paid training providers at different rates depending on the age of the apprentice.

24. To help employers navigate the system, choose the apprenticeship training they want to purchase and negotiate on price, each individual framework pathway has been placed into a single funding band. Each pathway is put in the nearest funding band, based on the current rate of funding the government pays providers for training adult apprentices.

25. Details of the allocation of individual framework pathways to funding bands have been published alongside this document and can be found at:

https://www.gov.uk/government/collections/apprenticeship-changes. The methodology used to allocate framework pathways to funding bands is described at Annex 1.

Funding bands for STEM frameworks

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

27. In recognition of this, we have adjusted the funding bands for STEM framework pathways in thirteen sector subject areas: Engineering and Manufacturing Technologies; Information and Communication Technology; Science and Mathematics; and Construction, Planning and the Built Environment. We have increased the current government-funded adult rate by 40% at Level 2 and 80% at Level 3 and above, and then allocated these framework pathways to the nearest funding band. This extra support for STEM frameworks has been welcomed widely, with over three quarters of responses to our survey agreeing with this proposal.

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

28. The move to a single adult-based rate in the new funding model is a significant change for providers. To help providers adjust as the market transitions to apprenticeship standards, we will pay providers a further 20% of the funding band maximum for the training of apprentices aged 16-18 year olds on frameworks. This will also apply to apprentices aged 19-24 who have previously been in care or who have a Local Authority Education, Health and Care plan. These payments will come direct from the government and will not be deducted from an employer's digital account.

29. This 20% uplift for providers is a transitional measure designed to support stability whilst providers adjust. We will keep this under review and envisage adjusting this uplift as more apprenticeship starts are on new apprenticeship standards.

Funding bands for standards

30. Apprenticeship standards are employer-designed and offer employers and apprentices a more robust and relevant training experience. Over the course of the parliament, we will phase out the current apprenticeship frameworks so that all new apprentices undertake standards. Details of our plans for withdrawing frameworks can be found at: https://www.gov.uk/government/collections/apprenticeship-changes. Standards are higher quality and more rigorous and so more expensive to deliver. We will recognise this in the new system by allocating higher funding bands to apprenticeship standards, relative to equivalent frameworks, where appropriate.

31. Details of the allocation of individual standards to funding bands have been published alongside this document and can be found at: https://www.gov.uk/government/collections/apprenticeship-changes. The methodology used to allocate standards to funding bands is described at Annex 1.

4. Timing of payments by government to providers

32. Providers will be paid by government when they have evidenced delivery of training and assessment activities through their usual monthly return. At the start of the apprenticeship the provider will indicate how long it is expected to last before successful completion. We will make payments totalling 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. This is similar to the arrangements that have been in place for frameworks where 20% is retained to be paid on successful completion by the apprentice.

33. We are extending these arrangements to standards recognising that some of the cost of delivering the standard falls towards the end of the apprenticeship in the form of the end point assessment. 20% does not represent the anticipated cost of end point assessment, which will vary between different standards. For standards the final payment will be made once the end-point assessment has been completed.

5. Co-investment

34. Employers who do not pay the levy, and those who want to invest more in training than they have available in their digital accounts, will benefit from significant government funding to support their commitment to apprenticeships. They will also have to make a financial contribution and we call this ‘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.

35. In response to our proposals for 10% employer co-investment we heard from some employers who believe that making cash contributions will be a barrier to taking on an apprentice. Others felt that generous government support with a 10% employer contribution was the right level. Because apprentices bring significant benefit to employers, we believe that employer co-investment of 10% is appropriate and necessary to creating a high quality apprenticeship system that works for all individuals and all employers.

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

37. In the first year of the new funding system, employers will need to pay their co-investment share directly to training providers. Over time, we intend to move to a system where the employer can pay this through their digital account.

Small employer co-investment waiver

38. We know that smaller employers have historically played a very important role in helping young people into the workforce for the first time. We want to continue to support smaller employers to take on younger apprentices.

39. Employers with fewer than 50 people working for them will be able to train 16 to 18 year old apprentices without making a contribution towards the costs of training and assessment up to the funding band maximum. Instead the government will pay 100% of the training costs for these individuals. Nine out of ten non-levied employers responding to our survey agreed or strongly agreed with this proposal, with only 4% disagreeing. A significant majority of levied employers (79%) and providers (81%) also agreed.

6. Additional payments for Employers

Training younger apprentices

40. 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 to 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].

41. When employers take on a 16 to 18 year old on an apprenticeship framework or standard, they will 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. Initially, these payments will be made to employers via their training provider, who will pass the money on. These payments will come direct from the government and will not be deducted from an employer's digital account. Over time, we intend to move to a system where the employer receives this payment directly from the government.

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

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

Support for care leavers and those who have an Education, Health and Care plan

43. Apprentices aged 19 to 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. The majority of respondents to our survey were supportive of this, with the proportion of providers agreeing with the proposal over twice that of the proportion disagreeing (53% compared to 26%).

44. We want these apprentices to have equal opportunity in the workplace and so employers who train an apprentice who is aged 19 to 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 to 18 year olds.

45. 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 will be able to train at no cost those aged 19 to 24 and have previously been in care or who have a Local Authority Education, Health and Care plan. These employers will not be 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

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

46. We recognise that providers face some additional costs associated with training younger learners and those that need additional support. Our 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.

47. Providers will also receive the same additional £1,000 payment as employers for supporting those apprentices who are aged 16 to18, or 19 to 24 and are either a care leaver or have a Local Authority Education, Health and Care plan. This will be paid over two equal instalments at 3 months and 12 months. This will be on top of the funds providers receive for core training and it will not come from employer digital accounts.

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

Additional support in areas of disadvantage – a transitional measure for frameworks

48. Responses to our proposals, which did not include additional funding on frameworks for apprentices who come from disadvantaged areas, highlighted the need for extra support to meet additional costs associated with training individuals from disadvantaged backgrounds. We want to ensure that providers maintain current levels of training in order to provide equal opportunities to people regardless of where they are from while we move frameworks to this new funding approach.

49. However, the current approach of uplifts is also too complex, is not transparent to employers, and does not work where employers are negotiating a price with providers. Therefore for one year only we are introducing for frameworks a simplified version of the current system whilst we conduct a fuller review into the best way to support individuals from all backgrounds into apprenticeships.

50. Providers will receive an additional £600 for training against 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). This coverage is consistent with the area covered in the current system of provider uplifts. These payments will come direct from the government and will not be deducted from an employer's digital account. This will be a transitional measure while we review the best ways of ensuring apprenticeships provide equal opportunity to all, regardless of their circumstances.

English and maths

51. 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 if possible Level 2. We also expect employers to provide time and support to individuals to achieve these qualifications.

52. When employers agree with their provider that their apprentice needs training to meet this minimum standard, the provider will be able to claim a flat rate of £471 from the government to deliver each qualification. More than three quarters of levied and non-levied employers responding to our survey agreed with this proposal, with two thirds of providers also in agreement. These payments will come direct from the government and will not be deducted from an employer's digital account.

53. These payments will come direct from the government and will not be deducted from an employer's digital account.

54. 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

55. We know that some apprentices who have a learning or other disability may require extra learning support to achieve their apprenticeship and this can involve additional costs for training providers. We want to make sure that these apprentices have an equal opportunity to complete an apprenticeship.

56. Providers will be 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 additional funding may be provided. This is a continuation of the current system of support. These payments will come direct from the government and will not be deducted from an employer's digital account.

8. Funding apprentices who work in England

57. 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 and simple for employers and apprentices.

58. We will apply a single test for whether apprenticeship training can be funded through the English system: that is, whether the apprentice's workplace, which is their main place of employment, is in England. If this is the case, employers will be able to use the funds in their digital 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.

59. 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). Feedback from employers was that in general, this is a fair test to apply to eligibility for funding. Employers will be required to confirm the workplace location as part of their written agreement with the main training provider in the evidence pack for each apprentice.

60. 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.

61. We are continuing to work with the Devolved Administrations on the scope for reciprocal arrangements, so 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 intend to monitor the implementation of this rule, in partnership with the other nations, to ensure that it does not unfairly limit access to apprenticeship training for either employers or learners across the UK.

62. Scotland, Wales and Northern Ireland have their own arrangements for supporting employers to access apprenticeships and each will be setting out their plans for apprenticeships later this year.

9. Funding apprentices with prior qualifications

63. The purpose of an apprenticeship is to help an individual develop new skills and progress in their career and this is an important principle of our apprenticeship reforms. We want simple rules so that employers can easily apply them to their own workforce, and ensure there is a flexible approach which empowers employers to make decisions about the type and level of training that best suits their organisation and individual employees.

64. 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.

65. In August we proposed that employers should also be able to train individuals on an apprenticeship at the same or lower level than a qualification they already hold, if this 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. Employers were strongly supportive of this proposal, for example, saying that it allows them to re-skill their existing staff and access the widest talent pool possible to meet their business needs.

66. Further guidance on what types of training will meet these requirements will be set out in the detailed funding rules issued by the Skills Funding Agency. We will keep this policy under review to ensure that apprentices are genuinely learning new skills to the benefit of the wider economy.

ANNEX 1

Methodology for allocating apprenticeship frameworks and standards to funding bands

1 There are currently two different types of apprenticeships, frameworks and standards, and they are funded in different ways. We are simplifying this to fund all new apprenticeships starts from May 2017 using the same methodology.

2 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. All existing frameworks and existing and new standards have been placed within one of these funding bands.

3 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. The upper limit of the funding bands will also 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.

Allocating bands for apprenticeship frameworks

4 For the new funding model we are setting levels of funding using the current rates of funding the government pays providers for training adult apprentices. We have allocated each apprenticeship framework pathway to a single funding band to create a simpler funding approach based on these adult rates. Currently each pathway within a framework may attract significantly different funding rates. We calculated the funding bands for framework pathways using the following methodology.

5 An apprenticeship framework can contain a competency qualification and a knowledge qualification, or a combined competency and knowledge qualification. The knowledge qualification or technical certificate gives the apprentice the knowledge needed for the role and the competency qualification focuses on the vocational skills for the job.

6 In most framework pathways, there are numerous combinations of competency and knowledge aims an apprentice can take to achieve the apprenticeship. Each pathway can therefore attract more than one funding rate.

7 To generate a consolidated single adult rate, we have identified which aims have been delivered to adult apprentices for each pathway in the last two funding years (2014/15 and 2015/16), and totalled the rates for the individual competency and knowledge aims into pathway rates.

8 We have weighted the different pathway rates according to the volumes of starts on the different combinations of competency and knowledge aims. This means that if the pathway has been historically delivered using more expensive aims this is reflected in a new single higher pathway rate, and conversely if cheaper aims are being delivered then this is reflected in a lower calculated pathway rate. This produces the single consolidated pathway rate.

9 For example, take two possible options of aims in a pathway, one costing £10,000 and one costing £13,000. If these were the only two options for that pathway, depending on which combinations are chosen, the overall pathway rate would sit somewhere between £10,000 and £13,000. The table demonstrates some scenarios.

	Starts on option 1 in pathway with a £10,000 rate	**Starts on option 2 in pathway with a £13,000 rate**	**Average rate**
Example 1	0	500	£13,000
Example 2	500	0	£10,000
Example 3	250	250	£11,500
Example 4	100	400	£12,400
Example 5	400	100	£10,600

10 Once the new single pathway rate has been calculated, we have then adjusted it to reflect the rates we applied for different ages. Previously the amount paid to the provider was multiplied by a different factor depending on the age of the apprentice where rates providers received for training a 16-18 year old were over twice as much as adult rates. For an apprentice aged 16 to 18 years old, the rate was 7.23% higher than the published rate, for an apprentice aged 19 to 23 years old, the rate is 50% of the published rate, and if they are 24 years old and above, the rate is 40% of the published rate.

11 To calculate the average adult rate for apprenticeship framework pathways, we weight the overall pathway rates according to the volumes of starts on the different learning aim combinations from apprentices aged 19 to 23 years old and those aged 24 years old and above ("24+"). This means that pathways that have historically been delivered to mostly 19 to 23 apprentices will produce a higher rate.

12 For example, take a headline pathway rate of £10,000 for a fully-funded adult apprentice. Depending on the mix and balance of delivery of 19 to 23 and 24+, the adult pathway rate would sit somewhere between £4,000 and £5,000 when we apply our current methodology. The table demonstrates some scenarios.

	19-23 year old starts; funded at £5000	**24+ year old starts; funded at £4000**	**Average rate**
Example 1	0	500	£4,000
Example 2	500	0	£5,000
Example 3	250	250	£4,500
Example 4	100	400	£4,200
Example 5	400	100	£4,800

13 Accounting for both the mix of competency and knowledge aims and volumes of 19 to 23 and 24+ apprentices produces the final average rate for a framework pathway. The average adult rate is £5,281 for the example below

	Starts on option 1 in pathway with a £10,000 published rate	Starts on option 2 in pathway with a £13,000 published rate
19-23 starts	300	200
24+ starts	100	400
Total	400	600
Average adult rate		£5,280

14 Where appropriate, we add a STEM uplift to the final average rate for the pathway to produce a final rate for the pathway. The STEM uplift is based upon the Sector Subject Area (SSA) that the framework issuing authority assigns.

15 The uplift is 40% for level 2 pathways and 80% for pathways at level 3 and above. The SSAs that receive a STEM uplift are:

- Engineering and Manufacturing Technologies
- Information and Communication Technology
- Science and Mathematics
- Construction, Planning and the Built Environment.

16 The final rate is then allocated to the nearest funding band.

- For example, an average rate of £1,700 is allocated to the £1,500 band, and an average rate of £1,800 is allocated to the £2,000 band.

17 If there are no adult starts on the pathway, we allocate the band manually using a combination of:

- The combination of aims in the pathway reduced by the national mix of adult starts to generate an adult rate.
- A band that is consistent with other pathways within the framework.

Allocating bands for apprenticeship standards

18 We calculated the funding bands for standards using the methodology outlined below. The new bands reflect the total amount that can be spent from digital accounts for levy paying employers. This means that the highest band of £27,000 relates to the £18,000 funding cap in use for the standards trial funding model.

19 Generally, lower-cost standards are allocated to the new funding band that most closely aligns with the current funding band the standard is assigned to:

Trailblazer pilot bands and their overall maximum	New band maximum
Band 1 - £3,000	£3,000
Band 2 - £4,500	£5,000
Band 3 - £9,000	£9,000
Band 4 - £12,000	£12,000

20 The standards assigned to the widest and highest cost funding bands in the trailblazer pilot, which ranges from £12,000 to £27,000, have been allocated to a new band within this range. When identifying where individual standards should fit within this range, and also for lower cost standards where necessary, we have taken into account:

- Where there have been starts on standards and we have reliable data, the actual prices employers have negotiated with providers.
- The evidence originally presented by Trailblazer employers on the estimated costs of training, and taking into account only those costs which are eligible for public funding according to the existing funding rules. For example, if the evidence presented by Trailblazer employers estimated the costs were £21,000, we allocated this standard to the new £21,000 band. Previously this would have been in the funding cap that was set at £18,000, which with co-investment meant that £27,000 was the maximum that could have been spent.
- The funding bands set for equivalent frameworks, where comparisons exist.
- The level and nature of the training, and consistency across similar types of apprenticeship standard.

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