



Department
for Education

Apprenticeship Funding

**Proposals for apprenticeship funding in
England from May 2017**

August 2016

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1. Introduction

This document sets out our initial proposals for apprenticeship funding in England from May 2017. We are inviting feedback on these proposals and will use the summer to test them further, including how they support the government's emerging industrial strategy and ensure that individuals from all backgrounds and parts of the country have the opportunity to get on in life.

Apprenticeships benefit employers, individuals and the economy. Our apprenticeship reform programme aims to increase these benefits by delivering more and better quality apprenticeships. This will boost the skills of the workforce and help to improve economic productivity, and will mean more individuals have the chance to pursue a successful career.

These reforms include changing the way apprenticeships in England are paid for, underpinned by a new apprenticeship levy, to be paid by larger employers from April 2017. The levy will lead to greater levels of investment in training and employers will be given more influence over how apprenticeships are designed and paid for. This will encourage employers to seek out high quality, relevant training that meets their needs.

Employers in all sectors will need to pay the apprenticeship levy if they have a pay bill of more than £3 million each year. In England, these employers will be able to access a new digital apprenticeship service that allows them to spend the levy they have paid on apprenticeship training. 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.

In April we set out how the [operational model](#) for the apprenticeship levy and the new digital apprenticeship service will work. The guidance included information on how employers will pay the levy, access and manage funds in the digital apprenticeship service. This document follows on from that guidance with initial proposals on how individual apprenticeships would be funded in future, the support available from government and some of the main funding rules that govern what type of training can be funded and how. In designing these initial proposals, we have sought to ensure they are simple and support all employers and individuals to benefit from high quality training.

The first sections of this document are relevant to all employers in England, whether they will pay the levy or not. In sections 14 and 15 we outline what the proposals would mean for levy paying employers and those that will not pay the levy.

We welcome feedback from employers and training providers and will consider their views before aiming to confirm the final apprenticeship funding arrangements in October.

2. Expiry or review date

These policy proposals will be updated by October 2016.

3. Who is this publication for?

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

- Employers in England.
- Training providers who operate in England.

4. Contact for enquiries

Issued: August 2016

Enquiries to:

Apprenticeship Funding Unit

1 Victoria Street

London

SW1H 0ET

Email: apprenticeships.levy@bis.gsi.gov.uk

5. How to give your views

We have engaged thousands of employers and training providers throughout the development of the apprenticeship funding reforms and their feedback has shaped these initial proposals.

We welcome information from employers and providers on the initial proposals outlined here and, particularly, how they plan to adapt their hiring, training and development activities in response to these reforms. You can respond by [completing this survey by 5 September 2016](#).

6. Main points

This document sets out initial proposals for funding apprenticeships in England, from May 2017, and includes information on:

- **Start date for the new system:** We propose that the new funding system comes into effect on 1 May 2017 so that levy paying employers can use funds in their digital account to pay for training from the first month they declare levy payable through the PAYE system. All apprenticeships started before 1 May will be funded through to completion according to the existing rules.
- **Funding bands:** We propose that the new apprenticeship funding system should have 15 funding bands, with the upper limit of these bands ranging from £1,500 to £27,000. All existing and new apprenticeship frameworks and standards will be 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. 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 support. It will be up to employers to negotiate prices with providers, within these funding limits.
- **Simpler funding system for apprenticeship frameworks:** Government currently funds apprenticeship frameworks at different rates depending on the age of the learner. We are proposing to allocate each individual framework pathway to a single funding band, regardless of the age of the learner, or geographic location. This will bring frameworks into line with the funding system for apprenticeship standards and dramatically simplify the experience of employers.
- **Co-investment rate:** This determines how much an employer will be required to pay towards apprenticeship training and assessment if they do not pay the levy or if they pay the levy but do not have sufficient funds in their digital account to cover the training and assessment costs in a particular month. We propose that employers co-invest 10% of the costs, with government paying the remaining 90%.
- **Support for small employers training 16-18 year olds:** Small employers (those with fewer than 50 employees) have a tradition of employing younger apprentices. To encourage this to continue we propose to waive the co-investment requirement for small employers that train 16-18 year old apprentices. This means these employers will not have to contribute towards the cost of training apprentices. We are also proposing that the government pays 100% of the apprenticeship training costs for small employers where the apprentice is a 19-24 year old care leaver or is 19-24 years of age and has a Local Authority Education, Health and Care plan.
- **Extra support for apprentices aged 16-18 years of age, 19-24 year old care leavers and those who have an Education, Health and Care Plan:** We recognise that

there are some additional costs associated with supporting younger apprentices, young care leavers and young adults with additional learning needs. We therefore propose to make an additional payment of £1,000 to employers and a further £1,000 payment to training providers to help with these extra costs and ensure all individuals have the opportunity to benefit from an apprenticeship.

- Support for English and maths training: The government is committed to helping apprentices gain the minimum standard of Level 2 in English and maths. We propose to pay training providers £471 for each of these qualifications, as we do now when an individual is working towards an apprenticeship standard. This will come direct from the government and will not be deducted from an employer's digital account.
- Learning support: This is the extra amount that we propose to pay to the training provider where an apprentice requires additional learning support as a result of conditions such as dyslexia, learning difficulties or disabilities. We propose to pay training providers up to £150 a month to support these learners, plus additional costs based on evidenced need. This is a continuation of the current system.
- Cross-border training: We propose that employers should be able to use the funds in their digital account, and benefit from government co-investment support to pay for training apprentices whose main place of work is in England – whether they live in England or other parts of the UK.
- Re-training: We propose that employers should be able to use funds in their digital account and access government co-investment support to train individuals to undertake an apprenticeship provided the training will allow them to acquire substantive new skills, and the content of the training is materially different from any prior training or a previous apprenticeship.
- Transferring of digital funds: From 2018 we intend to allow levy-paying employers to be able to transfer up to 10% of the annual value of funds entering their digital accounts to other employers on the digital system.

7.Start date for the new apprenticeship funding system

1. The levy will come into effect in April 2017. Employers will declare levy payable based on payroll year to date. Therefore 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.
2. Levy-paying employers will be able to see corresponding funds in their digital accounts shortly after their final declaration to HMRC, so after 22 May. To simplify the employer experience of the new apprenticeship funding system we are therefore proposing that the new funding approach as set out in this document comes into effect from 1 May 2017. Any apprenticeships commenced from this date will be funded according to the new rules.
3. Levy paying employers will be able to purchase training through the new digital system from the very start of May as the earliest payments for training will leave their accounts in the following month. This is because the new system will pay providers one month in arrears for training they report has been delivered.
4. Those employers that do not pay the levy will continue to access the current funding system until the terms change on 1 May 2017, after which the proposals set out here will come into effect.

8.Funding bands

5. 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 they are funded in different ways. We propose to simplify this.
6. 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. We propose to have a greater number of funding bands than in the current system to manage the tendency for prices to drift towards the top of a funding band, until we see employers becoming more accustomed to negotiating on price.
7. All existing and new apprenticeship frameworks and standards will be 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. 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.
8. Setting a 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. Funding bands do not have a lower limit.

9. The table below shows the proposed 15 funding bands. The steps between bands are smaller at the bottom of the range as this is where the majority of apprenticeships 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: Proposed funding bands

Funding bands for frameworks

10. For apprenticeship frameworks the government currently pays training providers at different rates depending on the age of the apprentice. Apprentices between the ages of 16 and 18 years old are funded by government at a higher rate than adult learners. Employers are expected to make a cash contribution to the costs of training adults on apprenticeship frameworks, so that in total, providers earn the same amount whether training an adult or a younger apprentice.

11. However, we know that most employers do not make this additional cash contribution. Many training providers do not ask for it, either because they are able to subsidise the training of adult apprentices from the higher rates of funding they receive

from government for training younger apprentices, or because they are able to provide training using the government contribution alone.

12. In future we will be putting funding in the hands of employers and the system needs to be simple for them to navigate, choose the apprenticeship training they want to purchase and negotiate on price. That means we have to simplify some of the complex funding arrangements that currently exist, while retaining the right incentives for high quality training. We propose 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..

13. We propose to allocate individual framework pathways to the nearest funding band based on the current rate of funding the government pays providers for training adult apprentices. It will be for employers and providers to negotiate and agree a price for apprenticeship training, but the amount of levy funds that can be used or government support available for each apprenticeship will be capped by the upper limit of the funding band.

14. For all STEM framework pathways we propose 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. This uplift takes into account the fact that employers of these apprentices are currently disproportionately likely to be paying extra to providers on top of the funding provided by government. For this purpose, we propose to determine STEM frameworks by sector subject area. There are thirteen sector subject areas and we propose to apply the uplifts to: Engineering and Manufacturing Technologies; Information and Communication Technology; Science and Mathematics; and Construction, Planning and the Built Environment. We invite feedback from employers and providers about this proposal, including how STEM should be defined.

15. Details of what these proposals would mean for the [allocation of individual framework pathways to funding bands from May 2017 have been published alongside this document](#).

Training 16-18 year olds on frameworks

16. We know that for employers and providers supporting 16-18 year olds to undertake apprenticeships there are some additional costs involved. We are committed to an apprenticeship programme that supports young people into quality apprenticeships and our proposals for supporting this group are outlined in section 11.

Funding bands for standards

17. 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. Standards are higher quality and more rigorous and so more expensive to deliver. This is recognised in the current funding system and we will recognise it in the new system by allocating higher funding bands to apprenticeship standards, relative to equivalent frameworks, where appropriate

18. Standards are currently paid for through a combination of government and employer funding. The government pays two-thirds of the cost and employers are required to pay one-third, and the maximum total core funding for the most expensive standard in the highest funding band is £27,000.

19. We propose that existing apprenticeship standards are allocated to new funding bands according to the following principles:

a. Lower cost standards should be allocated to the new funding band that most closely aligns with the current funding band the standard is assigned to. For example, all standards in the current band 2 (maximum of £4,500 total core funding) will be allocated to the proposed new band 7, which has an upper limit of £5,000.

b. Those standards currently assigned to the widest and highest cost funding band, which ranges from £12,000 to £27,000, will be allocated to a new band within this range. When identifying where individual standards should fit within this range we have taken into account:

i. Where there have been starts on standards and we have reliable data, the actual prices employers have negotiated with providers.

ii. 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.

iii. The funding bands set for equivalent frameworks, where comparisons exist.

iv. The level and nature of the training, and consistency across similar types of apprenticeship standard.

20. Details of what these proposals would mean for the [funding bands of individual apprenticeship standards from May 2017 can be found alongside this document](#).

21. We invite feedback from employers and providers on these proposals, which aim to support quality apprenticeship starts whilst ensuring value for money and that apprenticeships are accessible to employers of all sizes.

9.Co-investment

22. We propose that all employers who do not pay the levy, and those who want to invest more in training than they have available in their digital accounts, should benefit from significant government funding to support their commitment to apprenticeships.

23. If an employer has not paid the levy and would like to train an apprentice, we propose that they 'co-invest' 10% of the cost of the apprenticeship training and assessment and benefit from government funding to cover the remaining 90% of the cost.

24. If a levy-paying employer wants to invest more in apprenticeship training than they hold in their digital account and at any point in time has insufficient funding available in their digital account to meet the full costs of training, we propose that the employer should 'co-invest' 10% of the cost of the apprenticeship training and assessment and benefit from government funding to cover the remaining 90% of the cost. We invite feedback from employers and providers on whether the proposal for employer co-investment is set at the right level.

25. 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.

10.Additional payments

Training younger apprentices

26. 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. We are therefore proposing that additional government funding should be paid to employers who take on 16 to 18 year olds.

27. We propose that when employers take on a 16 to 18 year old on an apprenticeship framework or standard, they receive £1,000 to help meet the extra costs associated with this. This would be paid to employers in two equal instalments at 3 months and 12 months, which is the payment schedule adopted for similar payments in the current funding system. Initially, these payments will be made to employers via their training provider, who will pass the money on. Over time, we intend to move to a system where the employer receives this payment directly from the government.

28. We know that smaller employers have historically played a very important role in helping young and disadvantaged people into the workforce for the first time. We want to continue to support small employers to take on younger apprentices and so propose that employers with fewer than 50 people working for them should be able to train 16 to 18

year old apprentices at no cost. The government would pay 100% of the training costs for these individuals.

29. We also recognise that there are additional costs for training providers associated with supporting younger learners. We value this support and want to ensure providers have adequate funds to cover these costs in a way that works for employers and represents value for money for the taxpayer.

30. To help meet these costs we propose to provide an additional £1,000 to the training provider for supporting an apprentice who is between 16 and 18 years old, and to pay this over two equal instalments at 3 months and 12 months. This would be on top of the funds providers receive for core training and it will not come from employer digital accounts.

31. We will engage with employers and providers over coming weeks and conduct further research to establish whether this proposal provides an appropriate level of support. We particularly welcome evidence-based feedback from employers and providers on the investment they currently make in supporting younger apprentices.

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

32. 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 and providers.

33. We want these apprentices to have equal opportunity in the workplace and so propose that employers and providers 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, should each receive £1,000 to help with these additional costs.

34. Employers would receive this payment via their training provider. Over time we intend to move to a system where the employer receives this payment direct from government.

35. We are also proposing that employers with fewer than 50 people working for them should be able to 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 at no cost. The government would pay 100% of the training costs for these individuals.

36. We welcome feedback on whether these proposals provide the right level of additional support to employers and training providers.

English and maths

37. 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 and currently provide funding to

cover the cost of this training up to Level 2. We propose to continue funding these training costs directly, expecting employers to provide time and support to individuals to achieve these qualifications.

38. When employers agree with their provider that their apprentice needs training to meet the minimum standards in English and maths, we propose that the provider should be able to claim a flat rate of £471 from the government to deliver each qualification. This is a continuation of the current system for apprenticeship standards.

39. 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

40. We know that some apprentices who have a learning or physical 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.

41. We propose that learning providers should 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.

11. Cross-border funding rules

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

43. The current apprenticeship funding rules also 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 need to review these rules so they make sense in a more employer-led funding system, and are fair for employers and apprentices.

44. We propose to simplify the current rules and apply a single test for whether apprenticeship training can be funded through the English system: whether the apprentice's main place of employment is England. This would mean that when training an apprentice whose workplace is in England, employers will be able to use the funds in

their digital account to pay for training and access government co-investment if they do not pay the levy. A condition of this will be that the apprentice is undertaking an English statutory apprenticeship framework or standard¹ and that they satisfy all other general rules on learner eligibility.

45. We propose that the definition of workplace is the physical place of work, designated by the employer, where the apprentice is expected to spend the majority of their time during their apprenticeship. We welcome feedback from employers on whether this is an appropriate test to apply to eligibility for funding.

46. We are continuing to engage with the Devolved Administrations on the scope for reciprocal funding arrangements for employees who live in England but who may work elsewhere in the UK.

12. Equivalent and lower level apprenticeships

47. The current apprenticeship funding rules determine whether an individual can be funded to undertake an apprenticeship if they already have a qualification, including another apprenticeship, at the same or a higher level. The rules are complex and vary depending on the nature of the learning and whether it is an apprenticeship framework or standard.

48. 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. However, we want to simplify these rules so that employers can more 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.

49. We propose that employers should 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.

50. In addition, we propose that an individual can be funded to undertake an apprenticeship at the same or lower level than a qualification they already hold, if the apprenticeship will allow the individual to acquire substantive new skills and the content of the training is materially different from any prior training or a previous apprenticeship.

¹ As defined in s40A (3) of the Apprenticeship, Schools, Children and Learning Act 2009

51. We invite views from employers and providers on whether this proposal strikes the right balance between flexibility for employers, value for the taxpayer and maximising opportunities for all individuals to benefit from training.

13. What does this mean for employers who will pay the levy?

Buying apprenticeship training

52. 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 new digital apprenticeship service.

53. To calculate how much each employer will have to spend through the English system, we are proposing to use data that HMRC already hold about the home address of employees. HMRC will use this data to work out what proportion of each employer's pay bill is paid to employees living in England.

54. Employers will also benefit from a 10% top up to monthly funds entering an account. Funds will expire 18 months after they appear in the employer's digital account unless they are spent on apprenticeship training. This will also apply to any top-ups in their digital account.

55. We propose that 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 fraction of the employer's pay bill paid to their workforce living in England

Plus a 10% government top-up on this amount

56. Employers will be able to use the funding in their digital accounts to pay for training and assessment of apprentices in England. The digital service will also help employers find training providers and assessment organisations.

57. When an employer agrees to buy apprenticeship training from a particular training provider and the apprenticeship has started, monthly payments will be taken automatically from their digital account and sent to the provider. This will spread the majority of the costs over the lifetime of the apprenticeship. If the training stops early, so will the payments. An employer will be able to request that payments are stopped.

58. We are also proposing that 20% of the total cost is held back and taken from the digital account at the end of the apprenticeship. This is a reflection of the fact employers will increasingly move to training apprentices on apprenticeship standards, where there is an end point assessment. The cost of this assessment is incurred at the end of the apprenticeship and so retaining 20% of total payments until completion will help to

ensure that the employer does not overpay in the event that the apprentice does not finish their apprenticeship.

59. We invite feedback from employers and providers on this proposal and in particular, whether 20% is the right proportion of the total costs to defer until completion of the apprenticeship.

Funding bands

60. Employers will be able to use the funds in their digital accounts to pay for 100% of the agreed price for training and assessment for an individual apprenticeship, within the upper limit of the relevant funding band.

61. If employers and providers agree a price for apprenticeship training and assessment which is higher than the upper limit of the relevant funding band, employers will need to pay any additional cost over the limit themselves. The employer will need to pay this additional cost in full and this cannot be paid for from their digital account.

Co-investment

62. Employers that pay a small amount of levy or invest in a lot of apprenticeship training may find that the funds in their digital account are insufficient to cover the full cost of all the apprenticeship training and assessment they would like to buy. We propose to provide financial support for those employers who want to train more apprentices but have spent all the funding in their digital account.

63. In these circumstances, we propose that government pays 90% of the additional costs incurred and that the employer should have to make a co-investment of 10%. This will support employers that are committed to apprenticeship training. Employers will need to pay their 10% share of these additional costs direct to their training provider.

64. For prices that are negotiated above the funding band limit, the additional amount must be met by the employer in full.

Additional payments

65. We are proposing that all employers will benefit from an additional payment to help with the costs of supporting apprentices aged between 16 and 18 years old or where the apprentice is 19 to 24 years old and is a care leaver or has a Local Authority Education, Health and Care plan.

66. We propose to pay £1,000 to employers and £1,000 to providers, and to pay this over two equal payments at 3 months and 12 months. Initially, the payment for the employer will be made via their training provider but over time we intend to move to a system where employers are paid this directly by government.

67. Government will also make funding available if an apprentice needs additional training to meet Level 2 in English and maths. We propose to pay training providers directly for this, rather than taking it from an employer's digital account, and to pay £471 for each qualification. Government will also allow providers to claim for additional costs of training an individual with a learning or physical disability, and this will not come from the employer's account.

Directing funds in a digital account to another employer

68. 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.

69. In April, we committed to making an assessment of the options for enabling employers to direct funds to other employers on the digital system. In doing so, we looked for a solution which balances simplicity with adequate protections against fraud and other risks, and supports the overall aim of the apprenticeship programme.

70. During 2018, subject to a final value for money assessment, we propose to introduce the means for employers to transfer up to 10% of the levy funds entering their digital account in a given year, to another employer with a digital account. We will assess the impact and effectiveness of these arrangements before considering how they could be expanded.

71. The transfer of funds by employers will be limited by EU State aid regulations. On 23 June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation.

72. State aid is a consideration when public resources are used to provide assistance that gives one organisation an advantage over others. Within State aid rules, an organisation can receive up to €200,000 in aid over three fiscal years. Any employer receiving a transfer would therefore need to take responsibility for being aware of these rules and remaining within them. We will work with employers to develop the simplest possible processes to allow them to do this.

Apprenticeship Training Agencies

73. Apprenticeship Training Agencies (ATAs) help employers benefit from apprenticeships but without having to employ them directly. They are currently used by employers of all sizes and we expect them to carry on playing an important role.

74. We know that some levy-paying employers want to be able to transfer funds in their digital account to pay for training of apprentices employed by an ATA. ATAs will be subject to the same transfer arrangements and State Aid rules as other receiving employers, as set out above.

75. This means that in the first year of the new system, levied employers will not be able to transfer digital funds to pay for training of apprentices employed by ATAs. Employers that want to use their own digital funds for training will only be able to do so for individuals in their direct employment. This means that employers will need to employ apprentices themselves if they want to use their digital funds to pay for training these apprentices.

76. From 2018, as part of our proposals on transfer of funds, employers would be able to transfer up to 10% of the annual value of funds entering their account, onto an ATA. However, the ATA will be subject to State aid rules and so limited in the total value of funds it can receive.

77. Many ATAs will have an annual pay bill above £3 million, and they will be able to use funds in their own digital account to pay for the training and assessment of apprentices they employ. An ATA that does not pay the levy will benefit from government co-investment like any other smaller employer. ATAs will also be eligible to receive payments made available to employers that take on 16 to 18 year old apprentices, 19 to 24 year old care leavers or those with a Local Authority Education, Health and Care plan.

14. What does this mean for employers who will not pay the levy?

Buying apprenticeship training

78. Employers who do not pay the levy will be able to look for training and search for a provider using the tools on the digital apprenticeship service. However, they will not need to use the digital apprenticeship service to pay for apprenticeship training and assessment until at least 2018. When we ask these employers to start using the digital apprenticeship service to pay for apprenticeship training, we will help them to prepare for this change.

Funding bands and co-investment

79. When an employer has identified the training they want for their apprentice they will need to negotiate a price with their chosen provider. Every individual apprenticeship framework and standard will be allocated to a funding band. The upper limit of the funding band will cap the maximum price that government will 'co-invest' towards.

80. Our proposals for co-investment mean that for employers that do not pay the levy, the government will fund 90% of the agreed price for training and assessment, and the employer will pay 10%. Employers will be able to agree a payment schedule with their provider and spread their payments over the life time of the apprenticeship. An example of how this might work is provided below;

Employer chooses apprenticeship in band 9 with a maximum price of £9,000

Employer negotiates a price of £8,500 with their provider

Government co-invests 90% = £7650

Employer co-invests remaining 10% = £850

Employer and provider agree to spread this over 10 instalments of £85

81. Employers can negotiate the best price for the training they require from a training provider, which might be below the upper limit of the funding band. If employers want to spend more than the upper band limit, using their own money, they will be free to do that, but government will not provide co-investment towards this additional amount.

82. In the first year of the new system, employers will need to pay their co-investment share directly to training providers and we will ask the provider to verify that this had been paid. Over time, we intend to move to a system where the employer can pay this through their digital account.

Small employer incentive

83. We recognise that taking on an apprentice is a big step for many small employers. We also know that smaller employers have historically played a very important role in helping young and disadvantaged people into the workforce for the first time. We currently recognise this by paying a grant to small employers to support them in taking on new apprentices aged between 16-24 years of age. This is called the Apprenticeship Grant for Employers 16-24. The AGE grant scheme will continue until the end of the 2016/17 academic year.

84. We want to continue to support small employers to take on younger apprentices and so propose that employers with fewer than 50 people working for them will be able to train 16 to 18 year old apprentices at no cost. The government will pay 100% of the apprenticeship training costs for these individuals.

85. We propose to extend this to small employers who take on a 19 to 24 year old apprentice who was formerly in care or has a Local Authority Education, Health and Care plan. The government will pay 100% of the apprenticeship training costs for these individuals.

Additional payments

86. Employers who do not pay the levy will receive additional payments for training apprentices aged 16 to 18 years old, and those aged 19 to 24 years old who were formerly in care or who have a Local Authority Education, Health and Care plan. This will help to pay for the additional costs of supporting these individuals.

87. We propose to pay £1,000 to employers and £1,000 to providers, and to pay this over two equal payments at 3 months and 12 months. Initially, the payment for the employer would be made via their training provider. Over time, we intend to move to a system where the employer receives this payment directly from the government.

88. Government will also make funding available if an apprentice needs additional training to meet Level 2 in English and maths. We propose to pay training providers directly for this, and to pay £471 for each qualification, continuing the current funding rate we use for apprenticeship standards. Government will also allow providers to claim for additional costs of training an individual with a learning or physical disability, and the employer will not have to pay this cost themselves.

Next steps

Throughout the summer, we will be engaging with employers, providers and other stakeholders as well as listening to your views from our online survey. This will help us to refine and develop our proposals ahead of October 2016, when we plan to publish:

- The final funding bands that will apply in the new system
- The final, full set of technical rules that underpin the funding system
- Confirmation of how the proportion of pay bill that is paid to employees living in England will be calculated

In December 2016, we will publish:

- Further employer guidance from HM Revenue and Customs (HMRC) on how to calculate and pay the apprenticeship levy



Department
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