



Skills Funding
Agency

Apprenticeship technical funding guide for starts from May 2017

Version 1

This document sets out the technical details of the funding system used to fund apprenticeship frameworks and standards starting on or after 1 May 2017.

November 2016

Of interest to colleges, training providers, higher education institutions and employers delivering training.

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Introduction and purpose of the document

1. This document sets out the features of the new apprenticeship funding system for new starts on or after 1 May 2017. It explains how we will calculate funding for organisations receiving funding from us. Employers may find this useful information in understanding how digital accounts or government and employer co-investment will operate.
2. It does not apply to apprenticeship programmes that started before 1 May 2017; these will continue to be funded for the full duration of the apprenticeship under the methodology in place before this date.
3. We may refine this document in January 2017 if further detail or clarification is required.
4. To understand how the funding system works from 1 May 2017, you can read this document together with:
 - [Apprenticeship funding: draft rules for training providers](#)
 - [Apprenticeship funding: rules and guidance for levy-paying employers](#)
 - [Apprenticeship funding: draft rules for employer-providers](#)
 - [Draft apprenticeship performance management rules 2017 to 2018](#)
 - [Individualised Learner Record Specification 2016 to 2017](#)
5. We refer to the first three documents as the 'Funding rules'. The Skills Funding Agency (SFA) may make changes to these documents.

Understanding our terminology

6. The terms 'we', 'our', 'us' and 'SFA' refer to the Skills Funding Agency.
7. We use the terms 'you' or 'provider' to refer to any organisation holding a contract with us through which we directly route funds from an employer's digital account or government-employer co-investment.

The data we use to calculate funding

8. You give us information about apprentices and their learning using the [Individualised Learner Record](#) (ILR) and the [Earnings Adjustment Statement](#) (EAS). We use this information to work out the funding you have earned for delivering this learning.
9. If the employer has a digital account, we will then use information maintained by employers and you on the digital apprenticeship service to calculate payments from that account, and if any co-investment is required from the employer and/or the government.
10. If the employer does not have a digital account, we will use the information you supply through the ILR to calculate the co-investment required from the employer (if applicable) and the amount that the government will pay you.

Funding bands

11. Every framework pathway and every standard is assigned to a funding band. The table below shows the 15 funding bands.

Band 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

12. When an employer identifies the training and assessment they want for their apprentice (including end-point assessment for apprenticeship standards), they will negotiate a price with you. For employer-providers, or providers delivering apprenticeships to their own employees, the price will be the actual cost of training and assessment for each apprenticeship instead of a negotiated price (see the [Apprenticeship funding: draft rules for employer-providers](#) and the [Apprenticeship employer-provider guide](#) for more information). The term 'total price' throughout this document also covers the actual cost for employer-providers or for providers delivering apprenticeships to their own employees.
13. The total price does not include:
 - Value Added Tax (VAT)
 - Additional payments which may be payable to you or the employer; see the 'Additional payments' section for more information
 - The costs of learning support or delivering English or maths up to Level 2.
14. The upper limit of each funding band caps the maximum amount which an employer who pays the levy can use towards an individual apprenticeship from their digital account. The upper limit of the funding bands also caps the maximum price that government will 'co-invest' towards, where an employer does not pay the levy or has insufficient funds in their digital account and is eligible for extra government support. [Annex 1](#) shows an example of this.
15. Additional payments, and other payments such as learning support funding and the framework uplift for 16-18 year olds, are not subject to the funding band upper limit, and are not included when calculating whether the limit is applied to the total price.
16. If employers want to spend more than the upper limit of the funding band, using their own money, they are free to do that and are responsible for paying you the additional amount in full.
17. The total price can be below the maximum set by the funding band. The funding bands do not have a lower limit, and there is no lower limit to the amount we will co-invest.

18. You can find the list of apprenticeship frameworks and standards eligible for public funding in the learning aims search on [the Hub](#). We update this regularly. More information about eligibility for public funding is in the [Funding Rules](#).

The earnings method

Qualifying period for funding

19. If an apprentice is in learning for at least the qualifying period, they are counted as a ‘funding start’. We calculate the qualifying periods using the table below:

Length of the learning aim	Qualifying period
168 days or more	42 days
14 to 167 days	14 days
Fewer than 14 days	1 day

20. The qualifying period for apprenticeships is 42 days; it is only lower for apprenticeships when a break in learning has occurred. If the apprentice takes a break in learning and then returns to learning, the qualifying period will be applied to the new programme aim before any monthly instalments are calculated. This also applies when the apprentice restarts for any other reason.
21. As an example, if an apprentice restarts an apprenticeship after a break in learning and the remaining planned period of the apprenticeship is 2 months, then the new qualifying period is 14 days.
22. If the apprentice leaves before the qualifying period for that learning aim (either the apprenticeship or an English or maths qualification), you will not earn any funding. However, if you have already earned funding in a previous month before the ILR ‘Learning actual end date’ was recorded, we will reclaim the funding.
23. If the apprentice completes a learning aim, they will be counted as having met the qualifying period for that learning aim.

Monthly instalments

24. Your earnings will be based on monthly instalments so that funding follows the apprentice for as long as they stay on the apprenticeship.
25. There is a completion element for the apprenticeship which is 20% of the **lower** of either the total price for training and assessment (including end-point assessment for apprenticeship standards), or the funding band maximum. The monthly instalments are calculated from the remaining 80%.
26. We will also calculate a funding uplift for 16- to 18-year-olds on frameworks using the same pattern of monthly instalments and completion. See '[Support for younger apprentices](#)' for further information.
27. We spread these instalments equally over the number of planned months for the apprenticeship programme aim, based on whether the apprentice is in learning on each census date (the last calendar day of every month). The planned number of months is calculated from the 'Learning start date' and the 'Learning planned end date' in the ILR.
28. If the apprentice leaves early, the monthly instalments stop. We will not calculate a monthly instalment for the final month if the apprentice withdraws before the last day of the month in which the learning stops.
29. We no longer calculate a double monthly payment in the first month (commonly referred to as 'n+1') as used in the previous funding system.
30. We calculate English and maths learning aims separately from the apprenticeship programme aim. We will split the rate into equal monthly instalments using census dates, and there is no completion amount.
31. The diagram below shows an example of how earnings are profiled based on an apprentice starting on 1 August and completing on 10 August the following year. The cells with an 'X' represent the months when there are earnings. This example shows that English and maths qualifications can be started at different times compared to the apprenticeship. The example assumes that additional payments are due for this apprenticeship. For more information see the 'Completion and end-point assessment' and the 'Additional payments' sections.

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Apprenticeship instalments	X	X	X	X	X	X	X	X	X	X	X	X	
Apprenticeship completion													X
Framework uplift instalments	X	X	X	X	X	X	X	X	X	X	X	X	
Framework uplift completion													X
Additional payments			X									X	
English instalments		X	X	X	X								
Maths instalments						X	X	X	X				

32. See [Annex 1](#) for an example showing how earnings are calculated and paid.

Completion and end-point assessment

33. We hold back 20% of the total price for training and assessment (including end-point assessment), capped at the maximum of the funding band, for completion. We will only release this when the apprentice completes their programme. See the [Funding Rules](#) for the definition of a completion.

34. The total price agreed with the employer will include the costs of delivering the end point assessment on apprenticeship standards. You will be responsible for passing on payment for end point assessment to the relevant assessment organisation. The cost of end point assessment does not affect the monthly payment schedule and completion payment described above.

35. The completion element is earned when you record a 'Learning actual end date' in the ILR and the 'Completion status' is recorded using code 2 ('The learner has completed the learning activities leading to the learning aim'). You will earn this funding for the month that the 'Learning actual end date' takes place, even if this month is different to the 'Learning planned end date' of the programme.

36. If the apprentice completes their programme earlier than their 'Learning planned end date', you will also earn any remaining funds that were due to be earned in the month of the 'Learning actual end date'. This is the balance between the earnings to date and the total agreed price of the apprenticeship (up to the maximum value of the funding band).

37. See [Annex 1](#) for an example showing how completion is paid.

Co-investment

38. Where apprenticeship training is not funded from the employer's digital account (for non-levy payers and levy payers with insufficient funds), employers must co-invest 10% of the agreed training cost up to the upper limit of the funding band. If the total price is above the band limit, the employer is responsible for paying the difference in full, in addition to the co-investment amount.
39. We will fully fund English and maths, learning support and any additional payments. The employer does not contribute to them.
40. We will use funds from a levy-paying employer's digital account where appropriate, and this may reduce the amount of co-investment required. For more information see the section on 'Payments from a digital account'.
41. We will waive the co-investment requirement for employers with fewer than 50 employees if the apprentice is defined as a 16- to 18-year-old or an eligible 19- to 24-year-old as described in the [Funding Rules](#).
42. We will pay 100% of the training and assessment costs for these individuals, up to the maximum value of the funding band, and any funding uplift for 16- to 18-year-olds on frameworks. You need to identify the employers with fewer than 50 employees as a 'Small employer' using the Employment Status Monitoring fields in the ILR.
43. You must record the co-investment received from the employer on the ILR using the 'Trailblazer Apprenticeship Financial Record' entity with 'Trailblazer financial type' code 'PMR' (Payment Record). To be eligible for the completion payment you must have collected the co-investment from the employer and reported the cash value on the ILR. If the apprentice is being fully-funded through an employer's digital account, or we have waived the co-investment amount, you do not need to report a zero payment record.

44. We will provide you with monthly reports to show which apprenticeships have been fully funded from the employer's digital account and which apprenticeships will need co-investment. These reports will tell you how much you need to collect from each employer for co-investment and for which apprentices. We will provide information to employers through the digital apprenticeship service on how much they are due to pay each provider for co-investment if applicable.
45. See [Annex 1](#) for an example showing how training and assessment are paid for through digital accounts or co-investment.

Payments from a digital account

Levy funds entering digital accounts

46. Once employers have declared the levy to HM Revenue and Customs (HMRC) they will be able to access funding for apprenticeships through their digital account on the digital apprenticeship service.
47. We will use data from HMRC about the home address of employees to calculate how much each employer will have to spend through the English apprenticeship system. HMRC will use this data to work out what proportion of each employer's pay bill is paid to employees living in England. The proportion for each PAYE scheme will be shown in the digital apprenticeship service in March 2017.
48. This proportion will be calculated quarterly. Employers can update their employee's address data on HMRC's database by adding their home postcode to their real-time information tax return for three consecutive months.
49. We will assume that all employees are based in England when a PAYE scheme is created, until the next quarterly calculation date when we will re-calculate the proportion. This means that the proportion will be defaulted to 1 (100% of funds) if the calculation has not yet been run on a PAYE scheme.
50. We will apply a 10% top up to monthly funds entering a digital account. For example, if a levy payment of £1,000 was added to the digital account, we would top this up with £100.

51. The funding entering an employer's account each month will be:
- 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
52. Funds will enter the digital account shortly after the HMRC cut-off date for declaring the apprenticeship levy each month.
53. We will apply a negative adjustment to the funds in the digital account if the amount of levy declared to HMRC decreases. We will reflect end-of-year adjustments to the HMRC declaration in the digital account. These adjustments will be applied to the month that we receive the adjustment.
54. Funds will expire 24 months after they enter an employer's digital account unless the employer spends them on apprenticeship training and assessment. This will also apply to any top-ups added to the digital account. For example, funds entering an employer's account in September 2017 will expire in September 2019, unless they have been spent. Money is spent when it leaves the digital account as a payment to you.
55. The account will work on a first-in, first-out basis, through either payment or expiry. Whenever a payment is taken from an employer's digital account it will automatically use the funds that entered the account first.
56. We will offset any negative adjustments against the earliest remaining funds paid into the employer's digital account; ensuring employers have the maximum opportunity to spend the funds in their digital account. Positive adjustments will expire in 24 months of being paid into an employer's account if they are unused.

Using digital accounts to pay for training and assessment

57. Payments to the provider for apprenticeship training and assessment (including end-point assessment for apprenticeship standards) are automatically debited from digital accounts where the employer has authorised us to do so.

58. The monthly instalment is paid:
- in full if the employer has sufficient funds in their digital account
 - partially if the employer has some funds in their digital account, with the balance coming from government-employer co-investment
 - in full from government-employer co-investment where an employer does not have any levy funds or has exhausted funds in their digital account
59. See [Annex 1](#) for an example showing how training and assessment are paid for through digital accounts or co-investment.
60. When each apprenticeship is added to the digital apprenticeship service, it will be automatically allocated a priority order. This priority order will be used to identify which apprenticeships are funded first from funds in an employer's digital account. This helps to ensure where possible that the same apprenticeships and providers are funded through an employer's digital account from month to month.
61. In the example below, an employer with a digital account balance of £800 has two apprenticeships that have each earned £500 this month (total = £1,000), and they are calculated in priority order:

	Digital account				Co-investment		
	Priority order	Start balance	Payment	End balance	Outstanding earnings	Government contribution	Employer contribution
Apprenticeship 1	1	£800	£500	£300	£0	£0	£0
Apprenticeship 2	2	£300	£300	£0	£200	£180	£20

62. We will confirm further details of this priority order in version 2 of this document.
63. Funding for English and maths, learning support and any additional payments will not be taken from an employer's digital account.

Matching data between the ILR and digital apprenticeship service

64. We will match apprentice data from your ILR submissions with the data held in the digital apprenticeship service, depending on the contract type the apprentice is being funded through (recorded as the 'Apprenticeship contract type' (ACT) in the ILR). If the apprentice is recorded as being funded through:

- ACT 2: a contract for services with the SFA (for a non-levy paying employer), then the data match is **not applied**.
- ACT 1: a contract for services with the employer (for a levy-paying employer) then the details in the digital apprenticeship service must match ILR data for a payment to be made. The employer must also have authorised the apprenticeship to be funded from their digital account.

65. The data values we will use to match are:

- an identifying number for the apprentice (the Unique Learner Number)
- the provider reference number (UKPRN)
- the apprenticeship framework or standard references, consisting of:
 - i. the apprenticeship code from our Learning Aims Reference Service
 - ii. the programme level (for frameworks only)
 - iii. the framework pathway (for frameworks only)
- when the apprentice started
- the total negotiated price.

66. English and maths, learning support funding and all additional payments (including the framework uplift) will not be paid if the data match check fails, even though the payments would not come from the employer's digital account. We will provide reports to both you and the employer showing where the data does not match.

Additional payments

Support for younger apprentices

67. We will generate additional payments totalling £1,000 for you and £1,000 for the employer if the apprentice is defined as a 16- to 18-year-old or an eligible 19- to 24-year-old as described in the [Funding Rules](#).
68. These payments will be split into two equal payments when the apprentice is still in learning at 90 days and 365 days.
69. We will also calculate 20% of the band maximum value as an uplift for **frameworks** which you will earn in addition to any earnings we have calculated using the capped total price. We will fully fund this framework uplift; the employer does not contribute, and it must be excluded from the total price you agree.
70. We will calculate the framework uplift in monthly instalments in the same way monthly on-programme earnings are calculated for the apprenticeship programme aim. We will spread the uplift equally over the number of planned months for the apprenticeship, based on whether the apprentice is in learning on each census date. We will withhold 20% of this amount until the apprentice completes their programme.
71. If the apprentice completes their programme earlier than their 'Learning planned end date', you will also earn any of the remaining uplift amount that was due to be earned in the month of the 'Learning actual end date'. If the apprentice leaves early, no further amount will be calculated or earned.

Disadvantage funding

72. We use the Index of Multiple Deprivation (IMD) from 2015 to calculate disadvantage funding **for apprenticeship frameworks only**. Disadvantage funding is based on an apprentice's postcode before they start learning (recorded as 'Prior to enrolment' in the ILR Postcode field and Contact Type).
73. You will earn an additional £600 towards the costs of training for apprentices recruited from the 10% most deprived areas in England, £300 for the 11-20% most deprived areas and £200 for the 21-27% most deprived areas.

74. This will be earned like the additional payments for younger apprentices and will be split across 2 equal payments, earned when the apprentice is still in learning at 90 days and 365 days.
75. The disadvantage funding amount is calculated at the start of the apprenticeship and applies throughout the programme.

Other payments

English and maths

76. We will fully fund all appropriate English and maths training up to and including level 2. For more information on eligible training refer to the [Funding Rules](#).
77. The eligible English and maths aims will be available on the learning aims search on [the Hub](#) in 2017.
78. You will earn £471 to deliver each qualification. You will be paid in equal monthly instalments over the planned period of the qualification. There is no completion element for English and maths.
79. If an adjustment is required due to prior learning, you must record data in the 'Funding adjustment for prior learning' field on the ILR.
80. We will continue to calculate English and maths earnings beyond the programme end date if applicable when apprentices complete their programme. The [Funding Rules](#) contain details of eligible scenarios that may apply.

Learning support funding

81. You can earn learning support at a fixed monthly rate of £150 through the ILR. See the [Individualised Learner Record Specification 2016 to 2017](#) for more information. If the cost of providing support to an apprentice exceeds the total earned from the fixed monthly rate, you can claim this excess through the Earnings Adjustment Statement (EAS).
82. If you deliver part of an apprenticeship in less than one calendar month due to breaks in learning, and the £150 rate is not generated from the ILR data, you may claim the value using the 'Excess Learning Support' column in the EAS.

83. If learning support is more than £19,000 you can claim exceptional learning support. For more information, refer to the [Funding Rules](#).
84. If English and maths delivery extends beyond the apprenticeship programme end date, we will continue to pay learning support funding if the apprentice is eligible.

Funding reports

85. We will continue to provide funding reports to show you what funding we have calculated for you. These will range from headline funding reports to detailed reports at apprentice level; similar to the Funding Summary Reports and Occupancy Reports we currently provide.
86. You will receive a set of reports when you submit your ILR data which will indicate how much you have earned. The report explaining how it will be paid, either through co-investment, from a digital account, or a combination of the two, will not be available until after the ILR collection has closed for each month. This is so that we can match ILR data with the digital apprenticeship service at the end of each ILR collection.
87. These reports will also show the amount of co-investment which you need to collect from each employer, and also show to which employers you need to give additional payments.

Annex 1 – An example of calculating payments

88. To demonstrate how earnings are calculated in the new apprenticeship funding system, we have used the following scenario:

- The employer engages a provider to deliver a 19+ apprenticeship with a maximum band value of £15,000.
- The employer negotiates a total price for training and assessment of £16,000
- The planned duration for the apprenticeship is 2 years (or 24 months)
- The apprenticeship is not eligible for any additional payments
- We assume that the employer has used the digital apprenticeship service to authorise funding for the apprentices, and the ILR has matching data for each apprentice.

89. As the total price is above the band limit, the maximum that can be paid from a digital account is £15,000. This is also the maximum we will co-invest towards. This means that the employer is responsible for paying the £1,000 above the band limit, in addition to any co-investment or funds paid from a digital account.

90. The earnings are calculated and profiled based on £15,000. We will retain 20% (or £3,000) of this amount until the apprenticeship has been completed. This leaves £12,000 profiled equally over 24 months, resulting in on programme earnings of £500 per month (assuming the census dates are met each month).

91. The monthly payments to the provider are:

- **Scenario A – The employer pays the levy and has sufficient funds in their digital account to cover the costs of training.**

100% of the monthly instalment is used from the digital account. We will not co-invest, so £500 is debited from their digital account.

- **Scenario B – The employer does not pay the levy.**

We will co-invest 90%, and the employer pays 10%. This means we will pay £450 monthly and the employer pays £50 to the provider. See the [Funding Rules](#) for frequency of collection of employer co-investment.

- **Scenario C – The employer pays the levy, but has insufficient funds in their digital account.**

The funds in the employer's digital account are used first. For the remaining amount, we will co-invest 90%, and the employer pays 10%.

If we assume the employer has £200 available in their digital account in a particular month, then this amount is used first. This takes the digital account balance to zero and leaves £300 remaining to be paid through co-investment. We will pay £270 and the employer pays an additional £30 directly to the provider.

92. If the apprentice completes their apprenticeship, the same approach applies to the completion payment (£3,000 in this example) at the end as follows:

- **Scenario A – The employer pays the levy and has sufficient funds in their digital account to cover the costs of training.**

100% of the monthly instalment is sourced from the employer's digital account. We will not co-invest, so we debit £3,000 from their account.

- **Scenario B – The employer does not pay the levy.**

We will co-invest 90%, and the employer pays 10%. This means we will pay £2,700, and the employer pays £300.

- **Scenario C – The employer pays the levy, but has insufficient funds in their digital account.**

The funds in the employer's digital account are used first. For the remaining amount, we will co-invest 90%, and the employer pays 10%.

If we assume the employer has £200 available in their digital account in the month of the completion payment, then this amount is used first. This takes the digital account balance to zero and the remaining £2,800 will be co-invested. We will pay £2,520 and the employer pays an additional £280.



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