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Department
for Education

In spring 2017 the way the government funds apprenticeships in England is changing. Some employers will be required to contribute to a new apprenticeship levy, and there will be changes to the funding for apprenticeship training for all employers.

We are introducing the apprenticeship levy on 6 April 2017. The levy requires all employers operating in the UK, with a pay bill over £3 million each year, to invest in apprenticeships.

This guidance provides information on how the apprenticeship levy will work. It also explains the principles that apprenticeship funding will operate on from 1 May 2017, whether you pay the levy or not.

You can find out more about the benefits apprenticeships can bring to your organisation and about the ways apprenticeships are being reformed, in our [vision for apprenticeships](#). The reforms include giving employers the opportunity to add to the new [apprenticeship standards already available](#) by [developing standards](#) that meet their precise needs.

Who this guidance applies to

This guidance is for all employers operating in the UK, whether you pay the apprenticeship levy or not.

If you're an employer with operations in Scotland, Wales or Northern Ireland, you may also want to contact your apprenticeship authority:

- [Scotland](#)
- [Wales](#)
- [Northern Ireland](#)

The levy will not affect the way you fund training for [apprentices](#) who started an apprenticeship programme before 1 May 2017. You'll need to carry on funding training for these apprentices under the terms and conditions that were in place at the time the apprenticeship started.

For more details, see our [policy paper on apprenticeship funding in England from May 2017](#).

Paying the apprenticeship levy

Read guidance from HMRC on [how to pay the apprenticeship levy](#).

You will report and pay your levy to HMRC through the [PAYE process](#).

Accessing your levy money using the apprenticeship service

Once you have declared the levy to HMRC, you will be able to access funding for apprenticeships through a new apprenticeship service account.

Registering for the service

[Registration for the apprenticeship service](#) is now open to all levy-paying employers.

What the service will offer

Through the online apprenticeship service all employers will be able to:

- select an apprenticeship [framework](#) or [standard](#)
- choose the training provider or providers you want to deliver the training
- choose the organisation that will assess your apprentices
- post apprenticeship vacancies

If you are an employer who pays the levy, you can also use the apprenticeship service to:

- set the price you've agreed with your training provider
- pay for apprenticeship training and assessment
- tell us to stop or pause payments (for example, if your apprentice stops their training, your apprentice takes a break from training or you haven't received the service you agreed with the provider)

Separate arrangements will be in place in Scotland, Wales and Northern Ireland.

Employers who operate in England and other parts of the UK

The levy will apply to employers across the UK.

The amount entering your apprenticeship service account will be how much you have available to spend on apprenticeship training in England.

Apprenticeships are a devolved policy, which means that authorities in each of the UK nations manage their own apprenticeship programmes, including how funding is spent on apprenticeship training.

The apprenticeship service will support the English apprenticeship system. Scotland, Wales and Northern Ireland have their own arrangements for supporting employers to access apprenticeships.

To calculate how much you will have to spend through the English system, we plan to use data that we already hold about the home address of your employees. We'll use this data to work out what proportion of your pay bill is paid to employees living in England. We'll make this assessment in early 2017 and will announce the exact date in advance.

Employers can update their employees' address as part of their Real Time Information returns.

You can find more details in our [policy paper on apprenticeship funding in England from May 2017](#).

Top-ups to the funds in your apprenticeship service account

We will apply a 10% top-up to the funds you have for spending on apprenticeship training in England. We will apply the top-up monthly at the same time the funds enter your apprenticeship service account.

That means for every £1 that enters your account to spend in England on apprenticeship training, you get £1.10.

Expiry of funds in your apprenticeship service account

Funds will expire 24 months after they enter your apprenticeship service account unless you spend them on apprenticeship training with a training provider. Whenever a payment is taken from your account, the service automatically uses the funds that entered your account first.

This will minimise the amount of expired funds. This will happen automatically. Your apprenticeship service account will let you know in good time when any funds are due to expire so that you can arrange to spend them if you wish.

Directing funds in an apprenticeship service account to another employer

In the first year of the levy, you will be able to use the funds in your apprenticeship service account to pay for apprenticeship training and assessment for your new and existing employees.

We know that some employers will want to use funds in their account to pay for apprenticeship training of other employer's apprentices, for example, someone in their supply chain. We are committed to allowing levy-paying employers to transfer up to 10% of the annual value of funds entering their accounts to other employers or apprenticeship training agencies in 2018. We have set up an employer working group to

review options for how this will work.

Pooling funds in an apprenticeship service account with other employers in a group structure

If you are in a group of companies connected for the purposes of paying the levy, your group will be able to collect their funds together into one account. Your group will do this by registering to have PAYE schemes attached to a single account. Since you can only use funds in your account to pay for apprenticeship training for your own employees, employers that are not connected will not be able to pool funds in an account.

Buying apprenticeship training and assessment

Once you decide to buy apprenticeship training through the apprenticeship service, the funds will be taken from your account each month to pay the training provider and the assessment organisation.

Choosing apprenticeship training

You can only spend funds in your apprenticeship service account on training from a government-approved training provider - see the [register of apprenticeship training organisations](#).

There are 2 different types of apprenticeship training you can choose from:

- [apprenticeship standards](#) - each standard covers a specific job role and sets out the core skills, knowledge and behaviours an apprentice will need to be fully competent in their job role and meet the needs of employers, standards are developed by employer groups known as [‘trailblazers’](#)
- [apprenticeship frameworks](#) - a series of work-related vocational and professional qualifications, with workplace and classroom based training

We will phase out frameworks between now and 2020, as we move over to the employer-led apprenticeship standards.

Choosing an assessment organisation

Each apprenticeship standard requires an end-point assessment to decide whether the apprentice has met the standard. You can only spend funds on assessment delivered by a government-approved assessment organisation - see the [register of apprenticeship training organisations](#).

Public sector employers choosing a training provider and an assessment organisation

Public sector bodies will need to comply with [Public Contracts Regulation 2015](#) when selecting a provider and an assessment organisation from the approved registers.

Using funds in your apprenticeship service account to buy training

You and your main provider must agree a total price for each apprenticeship, which includes the costs of training and assessment. For standards this must include the cost of the end-point assessment agreed with the apprentice assessment organisation. Costs of end-point assessment will vary but we expect that it should not usually be more than 20% of the total agreed price for the delivery of the apprenticeship training and assessment. You can use funds from your account up to the funding band maximum, and if you agree a price in excess of this, you will need to cover the balance

Once the apprenticeship training you've bought has started, monthly payments will be automatically taken from your account and sent to the provider. The provider will pass funds on to the end point assessment organisation.

You will see funds entering your account each month as you pay the levy, and funds leaving the account each month as you pay for training.

Buying training if you don't have enough in your apprenticeship service account - levy-paying employers

If you pay the levy, you may find that over the course of an apprenticeship the funds in your account aren't enough to cover the full cost of the apprenticeship training and assessment you'd like to buy. This may be the case for employers who only pay a small amount of levy or have a variable pay bill and pay the levy in some months but not others.

Where the monthly cost of apprenticeship training cannot be fully met by funds from your digital account (because there are insufficient funds), you must co-invest 10% of the outstanding balance for that month. The government will pay the remaining 90% up to the funding band maximum. As both you and government make a payment, we call this 'co-investment'. Where the funding band maximum is exceeded you must pay all the additional costs.

Employers that don't pay the levy

If you do not pay the levy, you won't need to use the apprenticeship service to pay for apprenticeship training and assessment until at least 2018. When we ask you to start using the apprenticeship service to pay for apprenticeship training, we will help you to prepare.

When the new funding system begins in May 2017, you can choose the training you'd like your apprentices to receive, an approved training provider and an assessment organisation using the registers available on the apprenticeship service. Help with this is available from the [National Apprenticeship Service](#).

We will ask you to make a 10% contribution to the cost of this training and government will pay the rest (90%), up to the maximum amount of government funding available for that apprenticeship. As both you and the government make a payment, we call this 'co-investment'.

Every individual apprenticeship framework and standard is allocated to a funding band. The upper limit of the funding band caps the maximum price that government will 'co-invest' towards. You will have to meet in full any cost which is above the funding band maximum. We will ask you to pay your contribution directly to the provider and you will be able to spread it over the lifetime of the apprenticeship and agree a payment schedule with the provider. We will expect the provider to show us that you have paid your contributions as a condition of government paying its contribution.

What you can spend apprenticeship funding on - all employers

Funds in your apprenticeship service account, and funding provided by the government through co-investment, can only be used towards the costs of apprenticeship training and end point assessment. This must be with an approved training provider and approved assessment organisation.

Funds can't be used on other costs associated with your apprentices or wider training effort. For example wages, statutory licences to practise, travel and subsidiary costs, managerial or brokerage costs, traineeships, work placement programmes or the costs of setting up an apprenticeship programme. You can find more detail of what can be funded in the ['apprenticeship funding rules'](#).

What is an apprenticeship?

An apprenticeship is a genuine job with an accompanying skills development programme. Through their apprenticeship, apprentices gain the technical knowledge, practical experience and wider skills they need for their immediate job and future career.

The main rules governing apprenticeships are:

- the apprentice must be employed in a real job; they may be an existing employee or a new hire
- the apprentice must work towards achieving an approved [apprenticeship standard](#) or [apprenticeship framework](#)
- the apprenticeship training must last at least 12 months
- the apprentice must spend at least 20% of their time on off-the-job training - this training must be directly relevant to the apprenticeship framework or standard.

Employing an apprentice is very simple. The [National Apprenticeship Service](#) can provide all the information you need to know in order to employ an apprentice.

You can also read more about [how to set up your organisation to deliver apprenticeship training for your own employees](#).

Eligibility for training and assessment

Who provides the training - all employers

You can only spend the funds in your apprenticeship service account or access government support for apprenticeship training delivered by an approved training provider.

The Skills Funding Agency is working with employers and providers to identify what precise standards and measures are important to them in selecting an apprenticeship training provider. All training providers will need to show that they meet or exceed these criteria to join the register of approved training providers and receive digital payments or government funding to deliver apprenticeship training.

Employers wishing to become training providers

We recognise that employers can be extremely successful training providers and we want to encourage

those who want to take this route to deliver high-quality apprenticeships. Read further information for [employers who wish to become a provider of apprenticeships training](#).

Who provides assessment - all employers

You can only spend the funds in your apprenticeship service account or access government support to pay for approved assessment organisations that are listed on the [Register of apprenticeship assessment organisations](#). Organisations who wish to carry out end point assessments will need to show that they meet or exceed certain criteria. Although the provider will be involved in arrangements for end-point assessment, the assessment itself must be independent.

Full eligibility rules

A [set of detailed rules](#) exist to define what you can use apprenticeship funding for.

Get in touch

Apprenticeship employer helpline

If you'd like to know more about what this will mean for you, contact our employer helpline.

Email: nationalhelpdesk@apprenticeships.gov.uk Telephone: 08000 150 600

Apprenticeship levy team

If you think there's something else that should be covered in this guidance, please email the apprenticeship levy team. We will take your feedback into account for future versions of this guidance.

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

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