



## BRIEFING PAPER

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# Apprenticeships Policy in England: 2017

By Andrew Powell

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## Summary

Skills and training are devolved policy areas. This Briefing Paper covers apprenticeships in England. Sources of information on apprenticeships in Scotland, Wales and Northern Ireland are included in Section 3, Useful Sources.

### What are apprenticeships?

Apprenticeships are paid jobs which incorporate on and off the job training. Apprentices have the same rights as other employees and are entitled to be paid at least the apprentice rate of the national minimum wage. A successful apprentice may receive a nationally recognised qualification on the completion of their contract.

There are two different types of apprenticeship schemes, frameworks and standards. Apprenticeship frameworks are being progressively phased out and replaced by the newer apprenticeship standards.

Almost 900,000 funded apprentices participated on an apprenticeship in the 2015 to 2016 academic year, and the Government has set a target of 3 million new apprenticeships by 2020.

### Policy Development in 2017

#### Apprenticeship Levy

On 6 April 2017 the apprenticeship levy came into effect with all UK employers with a pay bill of over £3 million per year paying the levy. The levy is set at 0.5% of the value of the employer's pay bill, minus an apprenticeship levy allowance of £15,000 per financial year. The levy is paid into an apprenticeship service account, and funds in this account have to be spent on apprenticeship training and assessment.

The Government will apply a 10% top-up to the funds that are paid by an employer for the levy.

#### Other changes to apprenticeship funding

From May 2017 apprenticeship frameworks and standards will be funded in the same way. Each apprenticeship framework or standard will be associated with a funding band, and the government will only pay a share of the costs below the upper limit of the funding band.

Apprenticeship levy funds will be used to pay for the training and assessment for employers paying the levy (up to the upper limit of the funding band). Employers who do not pay the levy will pay 10% of the cost of training and assessment with the government contributing the remaining 90% (up to the upper limit of the funding band).

Additional payments may be paid to the employer and training provider depending on the characteristics of the apprentice and the type of apprenticeship.

### Register of Apprentice Training Providers

From May 2017, employers paying the apprenticeship levy will be able to choose a provider from a new register – the Register of Apprenticeship Training Providers. To be eligible to deliver apprenticeship training, organisations must be listed on the register.

# 1. The current apprenticeship system

## 1.1 What are apprenticeships?

Apprenticeships are paid jobs which incorporate on and off the job training. They take between one and four years to complete and are available in 1,500 occupations across more than 170 industries. A successful apprentice may receive a nationally recognised qualification on the completion of their contract.<sup>1</sup>

Apprenticeships are available to anyone over the age of 16 living in England, although there are different entry requirements depending on the sector and job.

Almost 900,000 funded apprentices participated on an apprenticeship in the 2015 to 2016 academic year, and an average of 23,000 apprenticeship vacancies are available through the government's [Find an Apprenticeship](#) website at any one time.<sup>2 3</sup>

## Apprenticeship qualification levels

Apprenticeships can be studied at different qualification levels:<sup>4</sup>

Name	Level	Equivalent educational level
Intermediate	2	5 GCSE passes at grades A* to C
Advanced	3	2 A level passes
Higher	4,5,6 and 7	Foundation degree and above
Degree	6 and 7	Bachelor's or master's degree

Traineeships also provide education, training and work experience to young people to help them get an apprenticeship or other job. Further detail is available in the [Library Briefing Paper, Traineeships](#).

## Frameworks and Standards

There are two different types of apprenticeship schemes: frameworks and standards. Apprenticeship frameworks are being progressively phased out and replaced by the newer apprenticeship standards. The only difference between the schemes is how they are funded (see Section 3).

## 1.2 The benefits of doing an apprenticeship

The National Apprenticeship Service produced a one page guide to apprenticeships which stated that the benefits of doing an apprenticeship included "the chance to earn a salary while also undertaking training in the skills that employers want, excellent

<sup>1</sup> Gov.uk, [Key facts about apprenticeships](#), 21 Feb 2017

<sup>2</sup> Gov.uk, [Key facts about apprenticeships](#), 21 Feb 2017

<sup>3</sup> Not all vacancies are advertised through the Find an Apprenticeship website.

<sup>4</sup> Gov.uk, [Become an apprentice](#)

progression opportunities, increased future earning potential and the support of a mentor”.

The Department for Business, Innovation and Skills highlighted some of the benefits of apprenticeships in the [Apprenticeships: vision for 2020 report](#). The majority of apprentices said that their career prospects have improved as a result of the apprenticeship, while the majority of employers felt that apprenticeships improved produce quality and design, and that the cost of apprenticeship training pays for itself within a couple of years of completion through increased productivity.

### 1.3 Minimum wage and employee rights

Apprentices aged 16-18 are entitled to the apprentice minimum wage of £3.50 an hour. Apprentices are paid for both their normal working hours and the time they spend training as part of their apprenticeship.<sup>5</sup>

Apprentices aged 19 and over are also entitled to the £3.50 apprentice minimum wage in the first year of their apprenticeship. After this, they are entitled to the relevant National Minimum Wage rate for the age group: £5.60 an hour for 18 to 20 year olds, £7.05 an hour for 21 to 24 year olds and £7.50 for people aged 25 and over.<sup>6</sup>

Apprentices are entitled to the same employment rights as other employees, including holiday entitlement and maternity leave.

### 1.4 Minimum Standards

There are various minimum standards in place to ensure that funding will be provided for an apprenticeship:

#### **Employed for 30 hours a week**

Apprentices must be employed for a minimum of 30 hours per week, including time training away from the workplace. If an apprentice’s personal circumstances or if the nature of employment in a given sector make it impossible to work these hours, then an absolute minimum of 16 hours a week must be worked.<sup>7</sup>

#### **A minimum length of 12 months**

The minimum apprenticeship length is 12 months, and may be longer for certain apprenticeship schemes. The length may be reduced for some apprentices aged over 19 if they have relevant prior learning or achievement.

If the apprentice works part time then the total duration of the apprenticeship is extended accordingly.<sup>8</sup>

#### **280 hours guided learning**

Guided learning relates to training which is designed to achieve clear and specific outcomes which contribute directly to the successful

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<sup>5</sup> Gov.uk, [Become an apprentice](#)

<sup>6</sup> Gov.uk, [National Minimum Wage rates](#)

<sup>7</sup> SFA, [Apprenticeships: common funding and performance management rules](#), Jan 2017, p4

<sup>8</sup> Ibid, pp5-6

achievement of the apprenticeship. Apprentices must spend at least 280 hours in 'guided learning' in their first year. 100 hours or 30% (whichever is greater) of all guided learning must be delivered off-the-job. Clear and verifiable evidence must be provided of all learning undertaken.<sup>9</sup>

### **Training to level 2 in Maths and English**

Apprenticeships must offer training to Level 2 in English and Maths or Functional Skills, if the apprentice does not already have these or equivalent qualifications.<sup>10</sup>

### **Apprenticeship Agreements**

Apprentices must sign an [Apprenticeship Agreement](#) with their employer before the apprenticeship begins. This is a contract stipulating the framework being followed and the skill, trade or occupation the apprentices is working in. Without this agreement an apprenticeship completion certificate cannot be issued.

### **Specification of Apprenticeship Standards for England (SASE)**

SASE sets out minimum academic requirements for frameworks, written primarily for organisations designing frameworks. It stipulates minimum qualification levels required of apprentices under the vocational, technical and key skills elements of the apprenticeship, as well as other areas such as team work and creative thinking.<sup>11</sup>

Further detailed information on the minimum contractual and operational standards required of apprenticeships can be found in the [SFA Funding rules for 2015 to 2016](#).

## **1.5 Apprenticeship Policy Developments in 2015 and 2016**

### **Commitment to 3 million apprenticeship starts**

The Government set a target of 3 million new apprenticeships by 2020 in the [2015 Queen's Speech](#). The [Welfare Reform and Work Act 2016](#) placed an obligation on the Government to report annually on its progress towards meeting this target.

### **Targets for public bodies**

The [Enterprise Act 2016](#) provided the Secretary of State with the power to set targets for apprenticeships in public bodies in England to contribute towards meeting the national targets.

The Government published a consultation document on apprenticeship targets for public sector bodies in January 2016, issued its response in January 2017, and it came into force on the 31 March 2017.<sup>12 13 14</sup>

<sup>9</sup> Gov.uk, [Specification of Apprenticeship Standards for England](#), Mar 2017, pp 9

<sup>10</sup> Skills Funding Agency, [Funding rules for 2015 to 2016](#), Mar 2015, pp 58

<sup>11</sup> Gov.uk, [Specification of Apprenticeship Standards for England](#), Mar 2017

<sup>12</sup> BIS/DfE, [Apprenticeship Targets for Public Sector Bodies](#), Jan 2016

<sup>13</sup> DfE, [Public Sector apprenticeship targets](#), 20 Jan 2017

<sup>14</sup> Gov.uk, [The Public Sector Apprenticeship Targets Regulations 2017](#), 31 Mar 2017

The Government consultation set out that only those public bodies that have 250 or more employees in England on 31 March in each year from 2017 to 2020 will be required to meet the targets. The target set out was a minimum of 2.3% apprenticeship starts each year, based on the number of employees working for a body in England. In response to the consultation responses, the Government made the target an average from 2017/18 to 2020/21 inclusive.

The ONS definition of what constitutes a public organisation/institution will be used but housing associations will be redefined as private bodies.

Public bodies operating across the UK or in Scotland, Wales and Northern Ireland will be set targets if their England-based workforce meets the 250-headcount criterion.

In the consultation document, the Government estimated that all but the smallest 30 English local authorities will be set apprenticeship targets based on their headcount in 2016, along with all police forces, almost all fire and rescue services, all NHS trusts, all the armed forces, the majority of ministerial departments and some schools and other public sector bodies.<sup>15</sup>

### Protecting the term Apprenticeship

The [Enterprise Act 2016](#) gave Apprenticeships the same legal treatment as degrees and the term “apprenticeship” will be protected by law, to prevent it being misused. The Enterprise Bill, allows the Government to take action if it is misused by training providers.

### The Institute for Apprenticeships

The [Institute for Apprenticeships](#) was established in May 2016 by the [Enterprise Act 2016](#). The executive non-departmental public body, sponsored by the Department for Education, went live in April 2017. The aim of the institute is to ensure high-quality apprenticeship standards and to advise the government on funding for each standard.

Under the measures set out in the [Technical and Further Education Bill](#), the Institute will expand to cover all technical education from April 2018 onwards. The Institute would accordingly be renamed as the “Institute for Apprenticeships and Technical Education”.<sup>16</sup>

### Change of Departmental responsibility

The Department for Business, Innovation and Skills was replaced by the Department for Business, Energy and Industrial Strategy in July 2016. With this change responsibility for apprenticeships and skills, along with higher and further education policy, was transferred to the Department for Education.<sup>17</sup>

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<sup>15</sup> BIS/DfE, [Apprenticeship Targets for Public Sector Bodies](#), Jan 2016, pp12-15

<sup>16</sup> Department for Education, [The Technical and Further Education Bill: factsheet](#), Oct 2016.

<sup>17</sup> [HCWS94](#), Machinery of Government Changes, 18 Jul 2016

## 2. The Apprenticeship Levy

### 2.1 What is the apprenticeship levy?

On 6 April 2017 the apprenticeship levy came into effect with all UK employers with a pay bill of over £3 million per year paying the levy. The levy is set at 0.5% of the value of the employer's pay bill, minus an apprenticeship levy allowance of £15,000 per financial year. The levy is paid into an apprenticeship service account, and funds in this account have to be spent on apprenticeship training and assessment.

The Government has stated that the levy "will allow us to double investment in apprenticeships by 2020 from 2010 levels, to £2.5bn [per year]"<sup>18</sup>.

#### Who will pay it?

Employers will pay the levy if they either:

- have an annual pay bill of more than £3 million; or
- are connected to other companies or charities which in total have an annual pay bill of over £3 million.

An employer's annual pay bill is calculated as payments to all employees that are subject to employer [Class 1 secondary National Insurance contributions](#) (NICs).

Employers will report and pay their levy to HMRC each month through the [PAYE process](#), at the same time as they pay any income tax and National Insurance contributions that are due.

It is up to the employer to work out how much they need to pay and to inform HMRC of this amount. The HMRC [Pay Apprenticeship Levy](#) guidance note states that employers will need to do so if:

- their pay bill in the previous tax year was greater than £3 million
- they think their pay bill in the current tax year will be greater than £3 million
- if their annual pay bill unexpectedly increases to more than £3 million

#### How much will an employer pay?

The apprenticeship levy is charged at 0.5% of the value of the employers' pay bill, minus an apprenticeship levy allowance of £15,000 per financial year. Connected companies or charities will pay an amount based on their combined payroll, but will only have one annual allowance of £15,000 for all the connected companies or charities within their group.

The allowance means that only those employers (or connected companies/charities) with an annual pay bill of over £3 million will actually have to pay and report the levy. This is because 0.5% of an

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<sup>18</sup> Department for Education, [Apprenticeship funding: Proposals for apprenticeship funding in England from May 2017](#), 25 October 2016, p3



employer's £3 million pay bill is £15,000, which is equal to the levy allowance.

The monthly amount the employer will need to pay will be dependent on each month's pay bill. If they had a higher pay bill in one month, then they would pay a higher amount of levy in this month.

For example, an employer with a pay bill of £500,000 in one month would pay £1,250. This is calculated by taking 0.5% of 500,000 (which is £2,500) and then removing the monthly levy allowance of £1,250 (which is the annual levy allowance of £15,000 divided by 12). If in a subsequent month their pay bill was £250,000 then they wouldn't pay any levy in this month (as 0.5% of 250,000 is equal to the monthly levy allowance of £1,250).

Individuals or companies who only employ people for part of the financial year will still receive the full £15,000 allowance, and will have a higher levy allowance for the first month.

For example if a Company starts up in August and it believes its annual pay bill for that tax year will be over £3 million, it must begin reporting and paying the levy from that month. It is still entitled to the full annual levy allowance of £15,000, pro-rated over the 12 months of the tax year (so £1,250 per month), and in the first month it will receive the total of the year-to-date pro-rated payments. Therefore, the company's pro-rated levy allowance for August will be £6,250 (£1,250 x 5).

Unused allowance can be carried forward over months in the same financial year, but it cannot be carried forward into a new financial year.

### **What happens to the money paid into the levy?**

Levy-paying employers will need to register an apprenticeship service account which is used to pay for apprenticeship training and assessment. After the employer pays their levy to HMRC each month, the government will then pay these funds into the employer's apprenticeship service account.

Once apprenticeship training has started, monthly payments will be automatically taken from the employer's service account and sent to the training and assessment provider.

### **What can the money in the apprenticeship service account be spent on?**

The funds in the service account can only be spent on apprenticeship training and assessment with a training provider. It cannot be used for other apprenticeship costs, such as the wages of an apprentice.

### **Will the Government provide any additional top-ups to the money in a service account?**

The Government will apply a 10% top-up to the funds that are paid by an employer for the levy, which will be added at the same time as the levy payment enters the service account.

For example, if an employer makes a levy payment of £200 per month, then the Government will top up this payment by £20.

### **Do the funds in the service account expire?**

The funds will expire 24 months after they enter the service account, and an employer will receive a warning prior to any funds expiring.

Whenever a payment is taken from the service account, it will automatically use funds that entered the account first to try to minimise the amount of expired funds.

After the funds in a service account expire, the employer will no longer be able to spend them on apprenticeship training and assessment.

## **2.2 Projections of who will pay the levy in 2017-18**

In August 2016 the Department for Education (DfE) published a document entitled [Information on apprenticeship levy](#) which provided data on the amount of apprenticeship levy they expect to be paid in 2017-18 and the proportion of employers who will pay it. These experimental statistics were published in response to a number of Freedom of Information (FOI) requests for the analysis supporting apprenticeship levy policy.

The document states that the DfE expect around 19,000 employers to pay the levy in 2017-18, which is 1.3% of all employers. This would generate £2.7 billion in levy funds, meaning that the average levy-paying employer would pay around £140,000 into their levy account in this year.

The document provides further breakdowns by industry sector and by size of the employer. This shows that:

- The manufacturing sector is expected to provide the largest number of employers who will pay the levy in 2017-18 (2,710 employers, 2.9% of all manufacturing employers). This is expected to generate £180 million in levy funds.
- The public administration and defence sector is expected to provide the largest proportion of employers who will pay the levy (10.4%). They are expected to generate £115 million.
- The education sector is expected to generate the largest amount of levy (£385 million). 2,590 (9.0%) of employers are expected to pay the levy in this sector.
- Employers in 'unknown' sectors are expected to generate the largest average levy per employer (£750,000 per employer), with the Human health and social work activities sector, the Public administration and defence sector and the Financial and insurance activities sector all having averages per employer of between £250,000 and £300,000.
- Small employers (those with between 0 and 49 employees) are extremely unlikely to pay the levy – only 410 out of 1.44 million employers are expected to do so.

- Almost 20% of employers with 250+ employees are not expected to pay the levy
- 97% of the levy will be paid by the 0.9% of employers that have 250+ employees.

In its report [Reforms to apprenticeship funding in England](#) the Institute of Fiscal Studies has calculated that 60% of employees work for an employer who will pay the levy.

The expected yield for the apprenticeship levy is published in the Spring Budget 2017 document. It is estimated to raise £2.6 billion in 2017-18, and that this amount will increase by £0.1 billion each year up to £3.0 billion in 2021-22.<sup>19</sup>

## 2.3 Apprentice levy in specific work sectors

The Government published [guidance on paying the Apprenticeship levy](#) which included a section which stated whether the apprenticeship levy applied in specific sectors.

### Schools

The Department for Education published a [Schools' guide to apprenticeship reforms](#) in March 2017.

Only some schools will pay the levy, and whether they do will primarily depend on whether the staff within the school are employed by the local authority or employed by the school's governing body.

The governing body employs the staff in voluntary-aided schools, foundation schools, free schools and academies. Like other employers, these schools will pay the levy if they have a pay bill of over £3 million per year.

The local authority employs the staff in other maintained schools, and therefore the local authority would be responsible for paying the levy for schools under their control. Each local authority with a pay bill of greater than £3 million will pay the levy.

For local authorities who will pay the bill, they will be able to decide how they will pay it. They will most likely pass the cost of the levy onto schools.

Multi-academy trusts will pay the levy if the pay bill for all the schools within the trust is greater than £3 million, and they will get a single annual allowance of £15,000.

The Department for Education has estimated that the levy will add 0.4% to the cost of schools.<sup>20</sup>

Independent schools will only pay the levy if their annual pay bill is over £3 million per year.

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<sup>19</sup> Gov.uk, [Spring Budget 2017](#), March 2017, Table B5 Current Receipts, p60

<sup>20</sup> <https://www.nao.org.uk/wp-content/uploads/2016/12/Financial-sustainability-of-schools.pdf>

## Construction and Engineering Construction Industries

Employers within the construction industry are already required to pay the [Construction Industry Training Board levy](#), while those in the engineering construction industry pay the [Engineering Construction Industry Training Board levy](#). The funds collected through these levies is used to provide training to the whole industry.

These employers will also pay the apprenticeship levy.

### Employers who supply labour

The Recruitment and Employment Confederation (REC), a body representing UK recruitment businesses, has continually expressed concern about how the levy impacts on recruitment agencies which provide temporary agency workers to clients. Concerns also have been raised by the trade bodies representing freelancers, contractors and umbrella companies who fear that this will disproportionately impact on the employers that they represent as they have artificially high payrolls.

Agencies that specialise in temporary workers usually retain the temporary agency worker on their payroll. Therefore these companies can have payrolls over the £3million threshold despite small number of staff working directly for the company. The REC argues that this means that small to medium sized recruiters, specialising in temporary agency workers, will be unfairly captured by the levy. The REC also argues that opportunities to take advantage of apprenticeships are limited for recruitment agencies specialising in temporary employees. This is because apprenticeships tend to last longer than agency workers are contracted for.

The government stated in the Gov.uk guidance on the apprentice levy that employers who supply labour to clients and pays National Insurance contributions for those workers will be liable to pay the levy, providing their annual pay bill exceeds £3 million. This was confirmed in David Gauke's answer to a parliamentary question:

Where an employment agency supplies labour to a client and pays Class 1 secondary National Insurance contributions for those workers, they will be liable to pay the levy, providing their annual pay bill exceeds £3million.

The government recognises the important contribution that contingent labour makes to the economy, however, excluding agency workers would create adverse incentives to hire all staff off-payroll.

The government will support all employers in using the levy funds to invest in apprenticeships and the Department for Business Innovation and Skills is working with employers to create apprenticeships across all sectors.<sup>21</sup>

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<sup>21</sup> [PQ42076](#), 6 July 2016

## 2.4 Can employers reduce their employees' wages to pay for the levy?

Section 109 of the Apprenticeship Levy Finance Act states that the earnings of those working for an employer cannot be decreased to pay for the levy. This applies to an employer who is liable to pay any secondary Class 1 contributions under Part 1 of the Contributions and Benefits Act.

## 2.5 Register of Apprentice Training Providers

From May 2017, employers paying the apprenticeship levy will be able to choose a provider from a new register – the Register of Apprenticeship Training Providers. The Government has stated that, “the register will give employers an assurance that the providers they are using have the capacity and capability to delivery good quality apprenticeship training.”<sup>22</sup>

From May 2017 onwards, to be eligible to deliver apprenticeship training for apprenticeships, organisations must be listed on the register. Organisations will be divided into 3 provider types:

- Main provider – organisations that can be selected by levy-paying employers to deliver apprenticeship training.
- Employer provider – levy paying employers who are permitted to provide training to their own staff or to apprentices in connected companies.
- Supporting provider – organisations that only deliver as a subcontractor for contract values between £100,000 and £500,000 per year in total.<sup>23</sup>

Organisations who want to deliver less than £100,000 of apprenticeship funding per year as a subcontractor do not currently need to apply to be on the register.<sup>24</sup>

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<sup>22</sup> SFA, [Register of apprenticeship training providers: policy information](#), 25 Oct 2016

<sup>23</sup> SFA, [Register of apprenticeship training providers](#), March 2017

<sup>24</sup> SFA, [Register of apprenticeship training providers: policy information](#), 25 Oct 2016

## 3. Other changes to apprenticeship funding

The Department for Education and the Skills Funding Agency published proposals for changes to apprenticeship funding on 12 August 2016. This was followed by a consultation on the proposals for providers and employers which closed on 5 September. The final funding policy was published on 25 October.<sup>25</sup>

### 3.1 The current apprenticeship funding system (pre May 2017 changes)

There are currently two different types of apprenticeship scheme: frameworks and standards. Apprenticeship frameworks have been progressively phased out and replaced by apprenticeship standards. Frameworks and standards are currently funded differently, although in both cases the government pays part of the apprentice's training costs and government funding is paid directly to the training provider.

#### Frameworks

For apprenticeship frameworks, the amount of training costs covered by government depends on the age of the apprentice:

- 100% of training costs for apprentices aged 16-18;
- 50% of training costs for apprentices aged 19-23;
- Up to 50% of training costs for apprentices aged 24 and over.<sup>26</sup>

In certain circumstances, the government will provide extra funding in the shape of a 'disadvantage uplift' to support learners living in the most deprived areas of the country or an 'area cost uplift' for those in areas where training costs are higher.<sup>27</sup>

Employers who choose to deliver additional training as part of an apprenticeship on top of the minimum requirements funded by the government must pay for it themselves. Employers can also fund apprenticeships themselves without any support from government.

#### Standards

Funding for apprenticeship standards does not depend on age but on funding bands: all standards are assigned to one of five or six funding bands. The employer and training provider agree on a price for an apprentice's training and assessment within the limits of the funding band. The government covers two-thirds of the total agreed price up to the set maximum for that funding band. The employer pays the remaining third.<sup>28</sup>

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<sup>25</sup> DfE/SFA, [Apprenticeship Funding in England from May 2017](#), 25 October 2016

<sup>26</sup> Skills Funding Agency, [Funding Rates and Formula 2016 to 2017, version 2](#), March 2016, pp9,12

<sup>27</sup> Ibid, pp7-9

<sup>28</sup> Skills Funding Agency, [Apprenticeship standards funding rules 2016 to 2017, version 2](#), March 2016, p6

The total government contribution may increase further through incentive payments; for employers recruiting a 16-18 year olds, for small businesses, for English and Maths qualifications and for successful completion of the apprenticeship.

The funding system for apprenticeship standards does not include a disadvantage uplift or an area cost uplift, to take account of relative deprivation or differences in the cost of provision.

## 3.2 How will the new funding system work?

In the new funding system, apprenticeship frameworks and standards will be funded in the same way:

- Each apprenticeship framework or standard will be associated with a funding band.
- Employers and training providers will negotiate a price for training and assessment.
- Apprenticeship levy funds will be used to pay for the training and assessment for employers paying the levy (up to the upper limit of the funding band).
- Employers who do not pay the levy will pay 10% of the cost of training and assessment with the government contributing the remaining 90% (up to the upper limit of the funding band).
- Training and assessment costs above the upper limit of the funding band will be paid for separately by the employer (levy paying employers will not be able to use levy funds).
- Additional payments may be paid to the employer and training provider depending on the characteristics of the apprentice and the type of apprenticeship.

There are obvious similarities in the new funding system with how apprenticeship standards are currently funded with the use of funding bands, although there are now more funding bands and the government contribution has changed.

### Funding Bands

The new apprenticeship funding system will be made up of 15 funding bands (see Annex A), with the upper limits of these bands ranging from £1,500 to £27,000. All existing apprenticeship frameworks and standards have been placed within one of these funding bands, and new standards will be placed in a funding band as they become ready for use by employers.<sup>29</sup>

The upper band sets in place a maximum that the government is prepared to spend on training and assessment for that apprenticeship. The Government has stated that one of the aims of doing this is so that employers will take this upper limit into consideration when negotiating the price of training and assessment. Employers are able to spend more than the upper limit of the funding band.

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<sup>29</sup> SFA, [Apprenticeship funding bands](#), 7 April 2017

The funding bands do not have lower limits.

### **Levy paying employers**

Employers who pay the levy will use the funding in their levy account to pay for training and assessment, but for each apprenticeship they will only be able to use levy account funds up to the upper limit of the band within which the apprenticeship has been placed. If the costs are greater than the upper limit then the employer will need to pay the remaining costs from outside the levy account.

If the cost of training and assessment is higher than the amount of funding that the employer has in their levy account then the employer will pay 10% of the remaining cost and the government will provide 90%, up to the upper limit of the relevant funding band.

### **Non-levy paying employers**

Employers who do not pay the levy will pay 10% of the cost and the government will provide the remaining 90%, up to the upper limit of the relevant funding band.

### **Small employers**

The government will pay all the costs of training apprentices aged 16-18 for employers with fewer than 50 people working for them, up to the funding band maximum. The government will also pay the costs of apprentices aged between 19 and 24 who have previously been in care or who have a Local Authority Education, Health and Care plan for small employers.

### **Apprenticeship frameworks in Science, Technology, Engineering and Maths (STEM)**

Training costs for apprenticeships involving STEM tend to be higher, and therefore the government has adjusted the funding bands for STEM framework pathways in thirteen sector subject areas. The government-funded contribution to these frameworks has been increased by 40% for level 2 apprenticeships, and by 80% for level 3 and above apprenticeships.

### **Additional payments for employers and training providers**

The Department for Education's [Apprenticeship Funding](#) document highlights the additional payments that will be made to training providers and employers:

- Both employers and training providers will receive £1,000 from the government for every apprentice they take on who is either aged between 16 and 18, or aged between 19 and 24 and has previously been in care or who have a Local Authority Education, Health and Care plan. This will be paid in two instalments of £500, the first of which will be paid after the first three months and the second will be paid after 12 months. This payment reflects the extra support that these apprentices generally need, and the costs associated with this support.<sup>30</sup>

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<sup>30</sup> DfE, [Apprenticeship Funding](#), Oct 2016 p12, pp 14-15



- A 'transitional support' payment will be provided to providers for every apprentice they train who is on an apprenticeship framework, and either aged between 16 and 18, or who is aged between 19 and 24 and who has previously been in care or who have a Local Authority Education, Health and Care plan. This is to reflect the impact the move to a "single adult-based rate of funding" will have on providers.<sup>31</sup>
- For the first year of the new funding system, providers will receive additional payments for apprentices on framework schemes who live in more deprived areas. This payment will be an additional £600 for those who live in the most deprived areas (as per the Index of Deprivation), £300 for those who live in the next 10% (11-20% range) and £200 who live in the next 7% (21-27% range). This is to reflect the additional costs needed to train individuals from disadvantaged backgrounds.<sup>32</sup>
- If an apprentice needs training to reach the minimum standard in English and maths then the provider will be able to claim £471 from the government to support the costs of delivering each qualification.<sup>33</sup>
- Providers may be able to claim up to £150 a month for additional costs involved in training those with a learning or other disability, and who require extra learning support.<sup>34</sup>

## Other rules of apprenticeship funding

### Funding in England and other parts of the United Kingdom

Apprenticeship training will be funded through the English system if the apprentice's main place of employment is in England, even if the apprentice lives outside England.

The only exceptions to this rule are Armed Forces and Royal Fleet Auxillary personnel who are treated as based in England wherever they are based in the UK, and apprentices whose occupation involves significant travel outside of the UK but have an identified work location in England.

Scotland, Wales and Northern Ireland have their own arrangements for supporting apprenticeships. Links to where this information can be accessed is provided in section 4 of this paper.

### Funding apprentices with prior qualifications

Employers will be able to use funds in their levy account, or access government funding support, if the apprenticeship will provide a qualification at a higher level than the apprentice currently holds. These funds will also be available if the apprenticeship would enable the apprentice to acquire substantive new skills, even if the qualification is at a lower level than the qualification the apprentice already holds.

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<sup>31</sup> DfE, [Apprenticeship Funding](#), Oct 2016 p12

<sup>32</sup> Ibid, p16

<sup>33</sup> Ibid, p16

<sup>34</sup> Ibid, p17

## 4. Useful sources

### 4.1 England

Commons Briefing Paper, [Apprenticeship Statistics for England](#)

Commons Briefing Paper, [Apprenticeships Policy in England: 2010-2015](#)

Commons Briefing Paper, [Apprenticeships Policy, England prior to 2010](#)

Gov.uk, [Find an Apprenticeship](#)

Gov.uk, [Apprenticeships](#)

Gov.uk, [Apprenticeship funding: how it will work](#)

Skills Funding Agency, [FE Data Library: apprenticeships](#)

### 4.2 Scotland

Skills Development Scotland, [Statistics: Modern Apprenticeships](#)

Skills Development Scotland, [My World of Work: Modern Apprenticeships](#)

Skills Development Scotland, [Apprenticeship Levy](#)

### 4.3 Wales

Welsh Government, [Statistics and Research](#)

Welsh Government, [Apprenticeships](#)

Welsh Government, [Apprenticeship Levy](#)

### 4.4 Northern Ireland

Department for Employment and Learning, [ApprenticeshipsNI statistics](#)

NI Direct, [Apprenticeships](#)

## Annex A – Apprenticeship Funding Bands

The table below shows the 15 apprenticeship funding bands that will be used from May 2017 onwards:

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

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