

# Apprenticeship Funding

In 2017 the Government made big reforms to how apprenticeships in England are funded and delivered, the aim to increase the number of high-quality apprenticeships that meet the needs of employers. As part of the reforms apprenticeships are more rigorous, better structured, independently assessed and more clearly aligned to the needs of employers.

## A Guide for Small Employers (employing 49 or less employees)

As a small employer you can access free Apprenticeship training through an Apprenticeship Service (AS) **digital account** for those aged 16-18yrs or those aged 19-24yrs who are care leavers or have a Local Authority Education, Health & Care Plan. To register for an Apprenticeship Service digital account visit <https://www.gov.uk/guidance/manage-apprenticeship-funds>

In addition:-

- You'll receive a £1,000 '**incentive payment**' for each apprentice who meets the above criteria.
- You'll also receive an '**additional incentive payment**' of £3,000 for new apprentices of any age that join your organisation from 1<sup>st</sup> April 2021 to 30<sup>th</sup> September 2021. They must have an apprenticeship start date of 1<sup>st</sup> April 2021 to 30<sup>th</sup> November 2021.

## Incentive payments

Incentive payments will be made by the Training Provider in two equal instalments; the first once the apprentice has been on programme for 3 months and the second after the apprentice has been on programme for 12 months.

## Additional incentive payments

You apply for the additional incentive payments through your Apprenticeship Service **digital account** and these are paid direct from the ESFA to the employer once the apprentice has been on programme for 3 months and the second after the apprentice has been on programme for 12 months.

## Funding for 19+ Apprentices

Outstanding financial support is also available to help you train apprentices who are aged 19+. This is called '**co-investment**' funding. The Government will pay 95% of the cost of training apprentices and you will only pay the remaining 5%. E.g. for an Apprenticeship costing £5,000 the Government will pay £4,750 and you will pay £250. This is equivalent to £20.83 +VAT per month or £4.81 +VAT per week, for an Apprenticeship lasting 12 months. VAT may also be recoverable if you are a VAT registered company.

## A Guide for Small to Medium Employers (with 50+ employees and a pay bill of less than £3 million)

As a small to medium employer you'll receive '**co-investment**' funding from the Government. This means the Government will pay 95% of the Apprenticeship training costs and you will only pay the remaining 5%. (see above). The funding is accessed through an Apprenticeship Service **digital account**. To register for an Apprenticeship Service digital account visit <https://www.gov.uk/guidance/manage-apprenticeship-funds>

In addition, if the apprentice is aged:-

- 16-18; or
- 19-24 and is a care leaver or has a Local Authority Education, Health & Care Plan you'll receive a £1,000 '**incentive payment**' per apprentice, paid in two equal instalments. This may mean that you receive more money back than you spend on Apprenticeship training.
- You'll also receive an '**additional incentive payment**' of £3,000 for new apprentices of any age that join your organisation from 1<sup>st</sup> April 2021 to 30<sup>th</sup> September 2021. They must have an apprenticeship start date of 1<sup>st</sup> April 2021 to 30<sup>th</sup> November 2021.

For example:

Total cost of Apprenticeship = £5,000

Employer co-investment (5%) = £250

Government incentive payment for a 16-18 year old = £1,000

Additional incentive payment = £3,000

Employer gain = £3750

## **A Guide for Large Employers** (with more than 50 employees and a pay bill of over £3 million)

Since April 2017 large employers pay an annual Apprenticeship levy. The levy will allow you to access funds through an Apprenticeship Service **digital account** to purchase Apprenticeship training for new and existing employees - including graduates. To register for an Apprenticeship Service digital account visit <https://www.gov.uk/guidance/manage-apprenticeship-funds>

### **Key Facts**

- The levy will apply to all employers with a pay bill of over £3 million per year.
- It will be charged at 0.5% of the full annual pay bill.
- The Government will top up levy funds by 5%, meaning employers will be able to access more funds than they pay into the levy. (see examples below)
- There will also be an annual allowance of £15,000, meaning employers will not pay the first £15,000 of the levy.
- 16-18-year-old apprentices will attract an '**incentive payment**' of £1000 each, payable in two equal instalments.
- 19-24-year-old apprentices who are care leavers or have a Local Authority Education, Health and Care plan will also attract an '**incentive payment**' of £1000.
- You'll also receive an '**additional incentive payment**' of £3,000 for new apprentices of any age that join your organisation from 1<sup>st</sup> April 2021 to 30<sup>th</sup> September 2021. They must have an apprenticeship start date of 1<sup>st</sup> April 2021 to 30<sup>th</sup> November 2021.
- Levy payments will be made through the Pay As You Earn (PAYE) system and will be placed in an Apprenticeship Service **digital account**.
- Single employers with multiple PAYE schemes will be added together in levy calculations.
- Payments will be taken monthly, meaning the levy amount paid each month may vary as monthly pay bills change.
- The levy may be used to fund Apprenticeship training for all employees who live, or whose main place of work is, in England.
- Employers wishing to spend more than their levy fund will be able to top-up their digital account by accessing Government **co-investment** funding in the same way as non-levy paying employers. (See below)
- Levy funds will expire 24 months after they appear in an employer's digital account. This also applies to any top-up payments.
- From 2018, levy paying employers will be able to transfer up to 10% of the annual value of funds entering their digital accounts to other employers on the digital system.

<b>Example A</b>	<b>Example B</b>	<b>Example C</b>
Employer of 150 employees, each with a gross salary of £20,000 Wage bill: 150 x £20,000 = £3,000,000 Levy sum: 0.5% x £3,000,000 = £15,000 Allowance: £15,000 - £15,000 = £0 annual levy payment	Employer of 250 employees, each with a gross salary of £20,000 Wage bill: 250 x £20,000 = £5,000,000 Levy sum: 0.5% x £5,000,000 = £25,000 Allowance: £25,000 - £15,000 = £10,000 annual levy payment Total levy amount to spend: £11,000, i.e. £10,000 levy payment + 10% Government top up of £1000	Employer of 1000 employees, each with a gross salary of £25,000 Wage bill: 1000 x £25,000 = £25,000,000 Levy sum: 0.5% x £25,000,000 = £125,000 Allowance: £125,000 - £15,000 = £110,000 annual levy payment Total levy amount to spend: £121,000, i.e. £110,000 levy payment + 10% Government top up of £11,000

### **Apprenticeship Funding Bands and Costs**

Under the new funding proposals each Apprenticeship programme will fall into one of 30 'funding bands' ranging from £1,500 to £27,000. Levy paying employers will pay the full funding amount from their digital account.

### **Co-investment - Access to top up funding**

If you've used all of your levy funds, you may be eligible for '**co-investment**' funding. This means the Government will pay 95% of the cost of training additional apprentices and you will only pay the remaining 5%, regardless of the age of the apprentice. Payments will be plus VAT\* and any payments required will be invoiced on a monthly basis. Co-investment funding is available to train both new and existing employees – including graduates. (Training for existing employees and graduates must be for them to develop new/different skills).

### **Co-investment Funding Example**

An employer has used £5,000 of their levy funds and only has £1,000 left. They wish to train a second apprentice which will cost £6,000 in total.

To train this second apprentice:-

£1,000 of the employer's levy will be used; together with £5,000 of co-investment funding (the employer will only pay £250+VAT\* (i.e. 5%) with the Government paying the remaining £4750).

\*this may be recoverable if your company is VAT registered