

## **Extract from 'Apprenticeship funding: rules and guidance for employers August 2018 to July 2019'**

**Education and Skills Funding Agency July 2018**

### **Apprenticeships funded by transfer of levy funds Introduction for all employers**

E177. Levy-paying employers are now able to transfer up to 10% of their levy funds, which were declared for the previous tax year, to other employers, including apprenticeship training agencies (ATAs). The 10% allowance will be calculated from the total amount of levy declared during the previous tax year, with the English percentage applied, plus the 10% government top-up payment. This allowance is recalculated every tax year and any unused allowance will not be carried forward.

E178. Employers receiving transferred funds will only be able to use them to pay for training and assessment for apprenticeship standards, for new apprenticeship starts from 1 May 2018. Employers will not be able to use transferred funds to pay for training and assessment for apprenticeship frameworks or apprentices that started before 1 May 2018.

E179. A transfer of funds will not take place where the receiving employer is eligible for full government funding, because they have fewer than 50 employees and the apprentice is:

E179.1 16 to 18 years old; or 35

E179.2 an eligible 19 to 24 year old.

### **Rules for sending employers**

E180. A sending employer is a levy-paying employer who wishes to transfer levy funds in their apprenticeship service account to another employer to support their delivery of an apprenticeship standard starting from 1 May 2018. These funds can only be used for the cost of apprenticeship training and assessment.

E181. We will calculate the transfer allowance around the start of each tax year (the calculation is based on the period 12 levy figure declared to HMRC). The 10% transfer allowance is calculated on declared levy multiplied by the English percentage, along with the 10% automatic top up from government.

E182. If you are part of an account with connected organisations your 10% transfer allowance will be calculated from the total levy declared by all organisations included within the account at the time of the calculation. You will not have an individual transfer account.

E183. Provided you do not exceed the 10% transfer cap, you are able to transfer funds to any number of employers.

E184. To send a transfer you must re-sign the ESFA employer agreement which has been updated to include transfers.

E185. You must agree with the receiving employer which apprenticeship standard their chosen apprentice will be undertaking and the price that they have agreed with their chosen main provider and end-point assessment organisation. You will need to confirm these details through the apprenticeship service and ensure you do not exceed your 10% transfer cap.

E186. By agreeing to fund an apprenticeship with a transfer, you are committing to fund the apprenticeship over its entire duration until completion. You will need to ensure that you will have enough transfer allowance to cover these costs over the relevant number of years. You will not be able to stop payments once you have approved the apprenticeship on the apprenticeship service and transfer payments will be deducted from your levy account first, prior to your own apprenticeships.

E187. The transfer amount should cover 100% of the eligible training and assessment costs, up to the funding band maximum, of the apprenticeship standard. This does not include English and maths training up to and including level 2, which is funded separately.

E188. You cannot jointly fund an apprenticeship with another levy-paying employer.

E189. A transfer of funds will not take place where the receiving employer is eligible for full government funding, because they have fewer than 50 employees and the apprentice is:

E189.1 16 to 18 years old; or 36

E189.2 an eligible 19 to 24 year old. The eligibility criteria are detailed in the extra support for small employers section (paragraphs E94 to E97).

E190. You must not impose conditions on the transfer, such as choosing the receiving employer's main provider or end-point assessment organisation for them

E191. You must not seek or accept any incentives or inducements or any other payments not authorised by us in exchange for sending a transfer.

E192. If you are a main provider who is also a levy-paying employer, you must not deliver training to apprentices you are funding through a transfer. This includes where you are acting as a main provider or a subcontractor.

E193. The funds that you transfer will retain their initial date of expiry; the date of transfer will not affect this.

E194. As a sending employer, you will not be able to receive any transferred funds from another levy-paying employer, while you are funding a transfer.

### **Rules for receiving employers**

E195. A receiving employer is any (levy-paying or non-levy paying) employer who receives a transfer of funds from a levy-paying employer.

E196. You cannot use a transfer to fund an apprenticeship if you are eligible for full government funding because you have fewer than 50 employees and your apprentice is:

E196.1 16 to 18 years old; or

E196.2 an eligible 19 to 24 year old. The eligibility criteria are detailed in the extra support for small employers section (paragraphs E94 to E97). E197. Where a transfer of funds does not take place and the apprenticeship is 100% funded by government, you must not enter these apprenticeships on your apprenticeship service account.

E198. For the purposes of apprenticeships funded by a transfer, the receiving employer is treated as a levy-paying employer.

E199. To receive a transfer you must sign the ESFA employer agreement and ensure apprenticeships funded by a transfer follow the rules in this document.

E200. The transfer amount you receive should cover 100% of the eligible training and assessment costs, up to the funding band maximum, of the apprenticeship standard. This does not include English and maths training up to and including level 2, which is funded separately. 37

E201. You will need to set up an apprenticeship service account, if you do not already have one. You will need to enter details of the apprenticeship that the transferred funds relate to. If you are not a levy-paying employer then you can only use this account for apprentices funded through transferred funds - if any apprentices, which are not funded through transfers, are entered then all payments will be suspended and you will be notified. Once you have rectified your data the suspension of payments will be lifted.

E202. If you already have an apprenticeship service account, you may use this to receive a transfer. E203. Apprenticeships that are not being funded through either a transfer, or your own levy funds from your apprenticeship service account, must be delivered by a main provider who has a contract with us. These apprenticeships must:

E203.1 be funded by government-employer co-investment; and

E203.2 not be entered on your apprenticeship service account.

E204. The rules on what apprenticeship funding can be spent on are set out in the eligible costs section at paragraph E77.

E205. Before entering the details on your apprenticeship service account, you must:

E205.1 agree with the sending employer and the main provider which apprenticeship standard your apprentice will be undertaking; and

E205.2 confirm the price that you have negotiated with your main provider. All parties will need to approve these details through the apprenticeship service.

E206. If you are a levy-paying employer, you must not transfer funds to other employers while you are in receipt of transferred funds.

E207. You must not provide any incentives or inducements or any other payments not authorised by us in return for receiving a transfer.

### **If the total cost cannot be covered by the transfer**

E208. If you do not pay the levy or have exhausted the levy funds in your apprenticeship service account, and at any point the 'sending' employer has insufficient funds to cover the cost of your apprenticeship training you must pay co-investment to your main provider for the remainder.

E209. If you are a levy-paying employer, if at any point the 'sending' employer has insufficient funds to cover the cost of your apprenticeship training and you have sufficient levy funds available then these funds will automatically be used before you enter co-investment.

E210. If the total negotiated price of the apprenticeship exceeds the funding band maximum, you must pay all of the additional costs. 38

### **Monitoring**

E211. We will monitor transfer activity to ensure apprenticeship funding is used appropriately, and may take action were you do not meet the terms and conditions of using apprenticeship funding. These terms and conditions are set out in these funding rules and the ESFA employer agreement.