



Department
for Education

Apprenticeship funding in England

From August 2020

July 2020

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Introduction

1. This document sets out the policy for apprenticeship funding in England, for new starts from 1 August 2020. It updates the policy that has been in place since 1 April 2019.
2. This document is supported by:
 - published funding bands for individual [standards](#)
 - the [apprenticeship funding rules](#) that set out, in more detail, how this funding policy will work in practice and our expectations of employers and training providers

Expiry or review date

3. We review apprenticeship funding policy on an ongoing basis to ensure it supports growth in quality apprenticeships and provides opportunities for all in an affordable and sustainable way, which delivers value for money for the taxpayer. Parts of the policy may be adapted in future to deliver programme objectives and other government priorities.

Main points

4. This publication is for:
 - employers with a workforce in England
 - training providers who provide training for English apprenticeships
 - organisations who provide end point assessment for English apprenticeships
 - individual apprentices

Summary of updates

5. Businesses that offer apprenticeships view them as beneficial to their long-term success. Hiring an apprentice is a productive and effective way for any business to grow talent and develop a motivated, skilled and qualified workforce. As the economy recovers from the coronavirus (COVID-19) outbreak, apprenticeships will be more important than ever in helping businesses to recruit the right people, and develop the skills they need to respond to conditions and grow – both now and in the long-term. Therefore, our policy is designed to support and protect current apprentices and to help employers maintain or rebuild the pipeline of new apprenticeship starts.

Supporting current apprentices

6. As part of the initial response to the outbreak we agreed a range of flexibilities that support current apprentices to remain in learning and continue with their apprenticeship. Some flexibilities continue beyond 1 August 2020, further details can be found in the [guidance](#).

Supporting employers during the economic recovery

Incentive payment for hiring a new apprentice

7. The government's Plan for Jobs will help to kickstart the nation's economic recovery. In recognition of the value apprentices can bring to our economy, an incentive payment will be made to employers who hire an apprentice between 1 August 2020 and 31 January 2021.
8. The apprentice must be a new employee to the business, have a contract of employment start date between 1 August 2020 and 31 January 2021 (inclusive) and must not have been employed by the employer within the six months prior to the contract start date.

9. Claims can start to be made by employers in relation to these apprentices from 1 September 2020. Those claims must be made through the apprenticeship service.
10. There will be two levels of payment based on age. For apprentices aged 16-24 the payment will be £2,000, and for apprentices aged 25 or over the payment will be £1,500. The payment will be made directly to employers in two equal instalments, where the apprentice is still in learning at day 90 and day 365.
11. There will be no limit on the number of incentive payments that an employer can claim for apprentices eligible to receive funding, provided each apprentice meets the criteria, including being a new employee.

Increasing the number of reservations for employers who do not pay the apprenticeship levy

12. From January 2020 employers who do not pay the apprenticeship levy have been able to create accounts on the apprenticeship service and reserve funding to cover the costs of apprenticeship training and assessment. Moving away from the use of Government-procured contracts for apprenticeship training will give smaller employers greater control over their apprenticeship choices.
13. For the remainder of the FY2020-21, the number of 'active' or 'used' reservations available to non-levy paying employers at any given time will increase from 3 to 10. This enables non-levy paying employers to recruit more apprentices for their businesses through the apprenticeship service. This policy will come into effect from 15 July and will continue to be kept under review as we further assess how the new system is working.

All new apprenticeship starts on standards from 1 August 2020

14. We are committed to driving up the quality of apprenticeships and so from 1 August 2020, all new apprenticeship starts must be on standards. Apprenticeship frameworks will no longer be available to new starts, but learners will still be able to complete their framework, providing they started it on or before 31st July 2020. It is our intention that all apprentices who started an apprenticeship framework

before 1 August 2020 complete their apprenticeship framework by 31 July 2025 (accounting for any breaks in learning).

15. There are now over 550 apprenticeship standards that have been designed by employers to meet their skills needs. A full list of available standards can be viewed on the Institute for Apprenticeship and Technical Education's [website](#).

Exiting the European Union

16. Eligibility for apprenticeship funding may change for some individuals because of the United Kingdom exiting the European Union. Detailed eligibility rules are set out in the [apprenticeship funding rules](#). We will update these as new arrangements are put in place.

Funding policy from 1 August 2020

Start date

17. The start date for the updated apprenticeship funding policy is 1 August 2020. In line with current policy, we will fund apprenticeships started on or after this date according to the [apprenticeship funding rules](#) in place on that date. This will apply to all employers, both those paying the levy and those who do not. Any apprenticeships that started before this date will continue to be funded under the rules that applied when the apprenticeship started.

Funding bands

18. Employers choose the training they would like their apprentice to receive throughout their apprenticeship. The apprenticeship funding system includes [30 funding bands](#), with the upper limit of those bands ranging from £1,500 to £27,000. We expect employers to negotiate a price for their apprentice's training and assessment, in the knowledge that the funding band sets the maximum that Government is prepared to contribute towards the off-the-job training and assessment for each apprenticeship.

19. All apprenticeship standards are placed into a band within the 30-band funding structure. The Institute for Apprenticeships and Technical Education (the Institute) provides advice and assistance on the appropriate funding bands, and reviews existing standards' funding bands on a regular basis. New standards will be placed in a funding band as the Institute approves them for delivery. Further information can be found on their [website](#).

20. The upper limit of each funding band represents the maximum amount of funds that an employer who pays the levy can use towards an individual apprenticeship from their apprenticeship service account. The employer will need to meet any costs above this from their own resources. The upper limit of the funding bands also represents the maximum price that government will 'co-invest' towards, where an employer does not pay the levy or has insufficient funds in their account.

Information for employers who pay the apprenticeship levy

Determining the funds that enter accounts

21. The amount of funding that an employer paying the apprenticeship levy can access is linked to the value of an employer's levy contributions, the proportion of employees living in England plus a government top-up. Employers access government funding for apprenticeships through their apprenticeship service account.

22. We calculate the amount of funds each employer will have available to spend in England using data that HMRC hold about the home address of their employees. HMRC work out what proportion of each employer's pay bill is paid to employees living in England for each PAYE scheme.

23. Employers continue to receive a 10% top up to monthly funds entering an account.

24. The level of funding that enters an employer's account each month is calculated as:
- 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
25. When employers first set up an account on the apprenticeship service, funds will enter their accounts immediately. These funds will be based on employers' valid levy declarations to HMRC to date, up to a maximum of two years in arrears. After this, funds will enter accounts monthly, as described above.

Expiry of unused funds in accounts

26. Employers can spend their funds on their own apprentice training and assessment costs, or they can transfer them to another employer. If funds are not used, they expire. We expire funds because otherwise levy-paying employers would accrue very large balances, with the potential to create financial commitments that Government has not planned to meet.
27. All funds that appear in the apprenticeship service accounts of employers who pay the levy expire 24 months after they appear in the account, if not already spent. The oldest funds remaining in an account will expire each month on a 'first in / first out basis'. This will minimise the potential for funds to expire.
28. If in the latest month, the employer spends the same or more than the funds that entered the account 24 months earlier, no funds will expire.
29. Funds due to expire each month are shown in the [apprenticeship service](#) account. Employers can also use the 'estimate my apprenticeship funding' tool in their apprenticeship service account to estimate how much their organisation will have available to spend on apprenticeships, and what funds are expected to expire each month, based on their current and planned activity.

30. We do not anticipate that all employers who pay the levy will need or want to use all the funds in their accounts, but they are able to. Any unused funds, including those that expire, support new starts with non-levy paying employers, new starts with levy paying employers who spend more than the funds available in their accounts and existing apprenticeship learners.

Transfers

31. Organisations can transfer unused funds in their account to any number of employers, for any number of apprenticeships with each, up to the maximum of 25% of funds entering the account. For example, employers could transfer funds to employers in their supply chains or work with regional, local or sector partners.

32. Transferred funds will be used to pay for the training and assessment cost of the apprenticeships agreed with the receiving employer. The sending employer and the receiving employer need to first agree the details of the transfer of funds, for example, which apprenticeship standard, how many apprentices and the cost. The transfer amount should cover 100% of the eligible training and assessment costs, up to the funding band maximum, of the apprenticeship standard. Using transferred funds to support starts does not count towards the number of reservations available to non-levy payers.

33. By agreeing to fund an apprenticeship with a transfer, the sending employer is committing to fund the apprenticeship over its entire duration until completion. They will need to ensure that they will have enough transfer allowance to cover these costs over the relevant number of years. The sending employer will not be able to stop payments once they have approved the apprenticeship on the apprenticeship service, and transfer payments will be deducted from their levy account first, prior to their own apprenticeships.

34. Employers need to take account of [state aid](#) rules when receiving funds from other organisations. A percentage of all the funds received as a transfer may be considered as state aid. This represents the amount of co-investment they would otherwise have had to contribute towards the apprenticeship if funds had not been transferred. For starts funded through a transfer from 1 August 2020 5% may be

considered as state aid. The limit an organisation can receive as state aid from any state source is €200,000 in any rolling 3-year period.

Information for employers who do not pay the apprenticeship levy

Co-investment

35. Employers who do not pay the levy, and those who want to invest more in apprenticeship training than they have available in their levy accounts, benefit from significant government funding to support their commitment to apprenticeships. These employers must make a financial contribution, a 'co-investment', alongside this government funding.
36. All co-investment payments are made directly to the training provider. An employer cash contribution towards the costs of training is an essential part of apprenticeship reforms, designed to increase quality and employer engagement.
37. For apprenticeships that start between 1 August 2020 and 31 July 2021 the rate of co-investment is 5% of the total price of the apprentice's training, with the government covering the remaining 95% of the cost up to the funding band maximum.

Small Employer Waiver

38. We want to continue to support smaller employers to take on those who need more support. Employers with fewer than 50 people working for them are able to train, at no cost, those aged 16-18 or those aged 19-24 who have previously been in care or who have a Local Authority Education, Health and Care plan. These employers are not required to contribute the 5% co-investment; instead, the government will pay 100% of the training costs for these individuals up to the funding band maximum.

Costs above the funding band

39. All employers need to meet, in full, any costs above the funding band limit for any apprenticeship. They will need to make these payments directly to the training provider.

Reservation of funds

40. From January 2020 employers who do not pay the apprenticeship levy have been able to create accounts on the apprenticeship service and reserve funding. Moving away from the use of Government-procured contracts for apprenticeship training will give smaller employers greater control over their apprenticeship choices.

41. For the remainder of the FY2020-21, the number of 'active' or 'used' reservations available to non-levy payers at any given time will increase from 3 to 10. This enables non-levy paying employers to recruit more apprentices for their businesses through the apprenticeship service. This policy will come into effect from 15 July and will continue to be kept under review as we further assess how the new system is working.

42. See annex A for further guidance on reserving funds.

Timing of payments by government to providers

43. Providers are paid by government when they have evidenced delivery of training and assessment activities through their usual monthly Individualised Learner Record. At the start of the apprenticeship, the provider will indicate how long they expect the apprenticeship to last before successful completion. We make monthly payments totalling 80% of the negotiated price (up to the funding band maximum), spread evenly across the period of the apprenticeship. We pay the remaining 20% at the end of the apprenticeship upon completion.

Extension of the timeframe for non-levy employers to move to the apprenticeship service

44. The transition period to move all employers who do not pay the apprenticeship levy onto the apprenticeship service, has been extended from October 2020. Funds available to providers through non-levy procured contract allocations can be used for new starts until 31 March 2021. We plan to fund all starts through the apprenticeship service from 1 April 2021.

Funding apprentices who work in England

45. [The apprenticeship funding rules](#) place conditions on which individuals we will fund to undertake an apprenticeship through the English system.

46. We will fund apprenticeship training through the English system where the apprentice's workplace, which is their main place of employment, is in England. If this is the case, employers can use the funds in their account to pay for training, or access government co-investment, regardless of whether the apprentice lives in England or not. A condition of this will be that the apprentice is undertaking an English statutory apprenticeship and that they satisfy all other general rules on learner eligibility.

47. The definition of workplace is the physical place of work, designated by the employer, where the apprentice is expected to spend the majority of their time during their apprenticeship (50% or more). Employers are required to confirm the workplace location as part of their written agreement with the main training provider in the evidence pack for each apprentice.

48. The only exceptions we will allow to this rule are the following:

- armed forces and Royal Fleet Auxiliary personnel are treated as based in England wherever they are based in the UK

- apprentices whose occupation involves significant travel outside of the UK as a necessary part of their occupational development (such as in travel or tourism) and they have an identified work location in England

49. As skills policy is devolved, Scotland, Wales and Northern Ireland have their own arrangements for supporting employers to access apprenticeships.

Funding apprentices with prior qualifications

50. Employers can use funds in their account or access government co-investment support to train any eligible individual to undertake an apprenticeship at a higher, equal or lower level than a qualification they already hold, including a previous apprenticeship. They can do this if it allows the individual to acquire substantive new skills and the content of the training is materially different from any prior training or a previous apprenticeship. All relevant prior learning must be considered when assessing learner eligibility for the apprenticeship and, where appropriate, the content, duration and price must be adjusted accordingly.

Funding end-point assessment

51. All apprenticeship standards include end-point assessment, which must be delivered by organisations independent of the training provider, on the Register of End-point Assessment Organisations (RoEPAO). The funding band allocated to individual standards includes the cost of end-point assessment as well as training. We expect that the cost of end-point assessment should not usually exceed 20% of the funding band maximum.

52. This does not mean that end-point assessment must cost 20%; the cost that individual employers will pay for assessment varies between standards and we expect employers to negotiate with assessment organisations to secure value for money.

53. The costs of assessment will be agreed as part of the overall negotiation between the employer and provider, and the training provider will pass payment on to the end-point assessment organisation.

Additional payments for employers

Support for young apprentices aged 16-18

54. We are committed to an apprenticeship programme that supports young people into quality apprenticeships and we recognise that for employers who take on young apprentices aged 16-18 years old, there are some additional costs associated with supporting them in the workplace. For example, research on apprenticeships for 16-18-year olds suggests that these apprentices can require significantly more supervision and pastoral care¹.

55. When employers take on a 16-18-year-old on an apprenticeship standard, they receive £1,000 to help meet the extra costs associated with this. This will be paid to employers in two equal instalments at 90 days and 365 days. These payments are made to employers via their training provider, who will pass the money on. These payments come direct from the government and will not be deducted from an employer's account.

56. Employers who benefit from the small employer co-investment waiver will also receive these payments.

57. These payments are separate from, and therefore in addition to, the incentive payments for hiring a new apprentice, which are paid directly to the employer through the apprenticeship service.

Support for care leavers and those who have a Local Authority Education, Health and Care plan

58. Apprentices aged 19-24 who have previously been in care or who have a Local Authority Education, Health and Care plan may need extra support and we recognise this can represent an extra cost to employers.

¹ Costs and behaviours in the 16 to 18 apprenticeship system', Frontier Economics and CFE Research. 2016. Published on gov.uk: <https://www.gov.uk/government/publications/apprenticeships-for-16-to-18-year-olds-the-cost-of-providing>

59. Employers who train an apprentice who is aged 19-24 and has previously been in care or who has a Local Authority Education, Health and Care plan, will receive £1,000 to help with these additional costs in the same way as the payment for 16-18 year olds.
60. Employers who benefit from the small employer co-investment waiver will also receive these payments.
61. These payments are separate from, and therefore in addition to, the incentive payments for hiring a new apprentice, which are paid directly to the employer through the apprenticeship service.

Incentive payment for hiring a new apprentice

62. An incentive payment for will be made to employers who hire an apprentice between 1 August 2020 and 31 January 2021.
63. The apprentice must be a new employee to the business, have a contract of employment start date between 1 August 2020 and 31 January 2021 (inclusive) and must not have been employed by the employer within the six months prior to the contract start date.
64. Claims can start to be made by employers in relation to these apprentices from 1 September 2020. Those claims must be made through the apprenticeship service.
65. There will be two levels of payment based on age. For apprentices aged 16-24 the payment will be £2,000, and for apprentices aged 25 or over the payment will be £1,500. The payment will be made directly to employers in two equal instalments, where the apprentice is still in learning at day 90 and day 365.
66. There will be no limit on the number of incentive payments that an employer can claim for apprentices eligible to receive funding, provided each apprentice meets the criteria, including being a new employee.

Additional payments for providers

Training younger apprentices and support for care leavers and those who have an Education, Health and Care plan

67. We recognise that providers face some additional costs associated with training younger learners and those that need additional support. Research² suggests that these costs can include additional recruitment activity and additional support for these apprentices as they transition from education to the world of work.
68. Providers also receive the same additional £1,000 payment as employers for supporting those apprentices who are aged 16-18, or 19-24 and are either a care leaver or have a Local Authority Education, Health and Care plan. We pay this over two equal instalments at 90 days and 365 days. This is on top of the funds that providers receive for core training and does not come from employer accounts.

Additional payments for individuals

Support for care leavers

69. We understand that care leavers can face additional financial barriers in undertaking an apprenticeship. On 1 August 2018 we introduced a £1,000 bursary to apprentices aged 16-24 who have been in the care of their Local Authority, to help ensure they are able to access apprenticeships. It will not come from the employer's account. We will pay it once to eligible apprentices, via their training provider.

² Costs and behaviours in the 16 to 18 apprenticeship system', Frontier Economics and CFE Research. 2016. Published on gov.uk: <https://www.gov.uk/government/publications/apprenticeships-for-16-to-18-year-olds-the-cost-of-providing>

Annex A – Reserving funds

Overview

1. We have previously used annual contract allocations to manage the amount of apprenticeship funding that we make available to contracted training providers. One of the things this has enabled us to do is to ensure that funding for apprenticeships is affordable within the Government's overall budget for apprenticeships. In moving away from Government contracts and introducing a system in which employers can choose their apprenticeship and their training provider via the apprenticeship service, we have developed a new mechanism to achieve the same objectives – 'reserve my funding'.
2. Since January 2020 employers who do not pay the apprenticeship levy have been able to reserve funding for an apprenticeship in advance of recruitment or an offer of an apprenticeship being made to an existing employee. This reservation ensures that employers can plan, and that funds will be available to pay for the training from the point the apprenticeship starts. The employer must then turn this 'reservation' into a 'commitment' once the training provider and an apprentice are confirmed. At this point funding can be released to the training provider in the usual way.
3. Until 31 March 2021 these new arrangements will run alongside the existing Government contracts for training provision so that we can test demand and operation of the system. As such we anticipate a gradual increase throughout the 2020-21 financial year in the number of employers arranging their own apprenticeships via the apprenticeship service.
4. To enable us to manage this transition and ensure that the apprenticeship service is meeting the needs of users, and that the programme overall remains affordable, we have applied the following constraints:

- Employers can reserve funding for apprenticeship standards only.
 - From 15 July 2020, employers may make reservations for up to ten apprenticeship starts (increased from the 3 previously available).
5. As we are satisfied that the new arrangements are operating effectively, we will consider adapting our policy on how the reservation of funds operates. 'Reserve my funding' will enable us to forecast, monitor and manage apprenticeship funding. To ensure that the spend on apprenticeships training remains affordable within the Government's overall budget for apprenticeships, we will continue to manage access to reservations for employers during and beyond the transition period.

Who do reservations apply to?

6. Reservations give employers and providers certainty that the government will pay for apprenticeship training and help us manage the availability and affordability of apprenticeships funding for all employers.
7. During the transition period until 31 March 2021, employers who do not pay the apprenticeship levy can choose to use the apprenticeship service to arrange an apprenticeship, alongside existing arrangements of accessing training via a provider with a Government contract, subject to the provider having sufficient funds available in their allocation.
8. If an employer who does not pay the apprenticeship levy chooses to use the apprenticeship service to access apprenticeship funding, they will be required to reserve funds for prospective apprentices undertaking apprenticeship standards.
9. For the transition period, the following are in scope for reservations:
- employers who do not pay the apprenticeship levy
 - apprentices starting after 1 January 2020
 - funding for apprenticeship standards only
 - apprenticeships with main providers listed on the RoATP
10. The following are out of scope for reservations:
- apprentices starting before 1 January 2020

- Apprenticeships arranged, and funded, through contracted training provision. An apprentice cannot be funded through both reservations, and via contracted provision, for the same apprenticeship.

11. During the transition we will keep under review how the reservation policy is applied.

How do reservations work?

12. Employers who do not pay the apprenticeship levy are able to reserve funding for apprenticeship standards. Employers who do not pay the levy are provided with a number of 'active or used' reservations at any given time.

13. From 15 July 2020 the cap on reservations will increase from 3 to 10 'active' or 'used' reservations per employer account, enabling non-levy paying employers to recruit more apprentices for their businesses through the apprenticeship service.

- An 'active' reservation is where the reservation has not yet turned into a commitment and has not yet expired
- A 'used' reservation is where the reservation has been turned into a commitment

14. Reserving funds is an action that must be undertaken by an employer prior to recruiting an apprentice or confirming a start date with an existing employee. The employer may give a provider their permission to do this on their behalf through the apprenticeship service.

15. Each reservation is linked to an employer and their account. If a provider reserves the funds on behalf of the employer, the employer can still use this reservation with any provider. The employer can change the provider at any time up to the point of turning the reservation into a commitment.

16. Once a reservation has been made, funds are guaranteed for that apprenticeship, subject to the reservation being turned into a commitment, and all other eligibility criteria being met as detailed in the Apprenticeship Funding Rules. This will be the eligibility criteria that is in place at the time the apprentice starts on programme and not when the reservation is made.

17. The ESFA will monitor the number of reservations being made by employers and retains the right to amend the operation of 'reserve my funding' – for example, by reducing or increasing the number of active reservations an employer may make, or restricting the ability to reserve funds for a given month. Changes to our policy will be set out in revised editions of this policy document.

How to make a reservation

18. Employers who do not pay the apprenticeship levy have been able to create accounts on the apprenticeship service since January 2020.

19. Once employers have set up their account and accepted the employer agreement, they can reserve funds.

20. When making a reservation the following details will be required:

- the month the apprenticeship training will start
- the apprenticeship standard

21. Employers can reserve funds up to three months before an apprenticeship is planned to start. As such, reservations for September can be made from July.

22. Once a reservation has been made it can be converted into a full apprenticeship record, or a commitment, by adding the chosen apprentice's details and being agreed by both the employer and provider.

23. Individualised Learner Records (ILR) and returns remain an essential feature of apprenticeship funding arrangements and will still need to be completed by providers.

Expired and deleted reservations

24. Reservations will expire if they are not turned into a commitment within 3 months of the apprenticeship start date, detailed within the reservation.

25. Where a reservation is not required it can be deleted by using the apprenticeship service.
26. Expired and deleted reservations cannot be turned into commitments. Where a commitment is needed, and a previous reservation has expired or been deleted, a new reservation must first be made.
27. Expired and deleted reservations are not classed as active reservations and will not count towards any reservation limits that are applied in the apprenticeship service.
28. Instructions on [how to use the apprenticeship service](#) to create an apprenticeship service account, make reservations and commitments, and more can be found on gov.uk.
29. The [apprenticeship funding rules](#) also provide additional information on reservation of funding for employers and providers.

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