



Department
for Education

Apprenticeship funding in England

From August 2021

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Contents

Introduction.....	3
Summary of updates	4
Supporting current apprentices	4
Supporting employers and apprentices	4
Funding policy from 1 August 2021	5
Start date	5
Funding bands	5
Costs above the funding band	6
Register of Apprenticeship Training Providers	6
Funding apprentices who work in England.....	6
Funding apprentices with prior qualifications	7
Funding end-point assessment.....	7
Information for employers who pay the apprenticeship levy	8
Determining the funds that enter accounts.....	8
Expiry of unused funds in accounts	9
Transfers	9
Information for employers who do not pay the apprenticeship levy	11
Co-investment.....	11
Small employer waiver	11
Reservation of funds	11
Timing of payments by government to providers.....	12
Additional payments	13
Additional payments for employers.....	13
Additional payments for providers	15
Additional payments for individuals	15

Introduction

1. This document sets out the policy for apprenticeship funding in England, for new starts from 1 August 2021. It updates the policy that has been in place since 1 April 2021.
2. As the economy continues to recover from the impact of 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.
3. 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
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

Supporting current apprentices

5. As part of the initial response to the pandemic we agreed a range of flexibilities that supported current apprentices to remain in learning and continue with their apprenticeship. **Some of these flexibilities continue beyond 1 August 2021 and further details can be found in the [apprenticeships covid-19 guidance](#).**

Supporting employers and apprentices

Learner eligibility: New residency eligibility rules for apprentices

6. From 1 August 2021 the residency rules have changed for apprenticeship funding in England, following the end of the Brexit transition period and end of freedom of movement for EU, EEA and / or Swiss nationals. We still require apprentices to have the right to live and work in the UK for the duration of their apprenticeship, but the specific residency criteria has been updated to reflect the amended Education (Fees and Awards) (England) Regulations 2007. Further information can be found in Annex A of the [apprenticeship funding rules](#).

Transfers of levy funds between employers (pledge functionality)

7. As announced in the 2020 Spending Review, we are making improvements to the system so that unspent funds can be used more easily to support apprenticeships, not just in large companies but in the small and medium-sized enterprises (SMEs) where there is so much potential for job creation.
8. This will allow, from August 2021, employers who pay the Apprenticeship Levy to be able to transfer unspent levy funds to other employers via a new online pledge function on GOV.UK. If they wish to, employers will be able to define the criteria of the apprenticeship they wish to support via a transfer and specify the amount of their funds available for transfer. This pledge will be advertised on a public-facing platform, enabling other employers, training providers and intermediary bodies to see what

opportunities are available. Potential receiving employers will be able to apply for these pledges from September 2021.

Funding policy from 1 August 2021

Start date

9. The start date for the updated apprenticeship funding policy is 1 August 2021. 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.
10. Any apprenticeship that started before this date will continue to be funded under the rules that applied when the apprenticeship started, with the exception of the funding rules relating to redundancy. The current apprenticeship funding rules, which describe the arrangements for any redundancy that occurs on or after 15 October 2020, will apply irrespective of the apprentice's start date and will include existing learners who started their apprenticeship programme in previous funding years.

Funding bands

11. Employers choose the training they would like their apprentice to receive throughout their apprenticeship. We are committed to driving up the quality of apprenticeships and, since 1 August 2020, all new starts must be on an apprenticeship standard.
12. All apprenticeship standards are placed into a funding band, within a 30-band funding structure, 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.
13. The Institute for Apprenticeships and Technical Education (the Institute) provides recommendations to the Department for Education on the appropriate funding band for each standard, and it reviews existing standards' funding bands on a regular basis.

New standards will be allocated a funding band once the Institute has approved them for delivery. Further information can be found on their [website](#).

14. 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 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.

Costs above the funding band

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

Register of Apprenticeship Training Providers

16. We will only make payments to a provider if they are on the approved Register of Apprenticeship Training Providers. This includes where the provision is subcontracted from one provider to another.

Funding apprentices who work in England

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

18. 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 apprenticeship service 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 learner eligibility rules.

19. The definition of the 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.

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

- armed forces and Royal Fleet Auxiliary 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 as a necessary part of their occupational development (such as in travel or tourism), who have an identified work location in England.

21. 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

22. Employers can use funds in their apprenticeship service 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 previous apprenticeship. All relevant prior learning must be considered when assessing learner eligibility and, where appropriate, the content, duration and price of the apprenticeship must be adjusted accordingly.

Funding end-point assessment

23. All apprenticeship standards include end-point assessment, which must be delivered by an independent end-point assessor. The funding band allocated to individual standards includes the cost of end-point assessment as well as the cost of the training. We expect that the cost of end-point assessment should not usually exceed 20% of the funding band maximum.

24. 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 from their apprenticeship service or coinvested funds.

25. 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.

Information for employers who pay the apprenticeship levy

Determining the funds that enter accounts

26. The amount of funding that an employer paying the apprenticeship levy can access is linked to the value of their 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.

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

28. Employers continue to receive a 10% top up to monthly funds entering an account. The level of funding that enters an employer's account each month is therefore 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.

29. 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

30. Employers can spend their funds on their own apprenticeship 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.
31. 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. For example, 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.
32. Funds due to expire each month are shown in the employer's [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.
33. We do not anticipate that all employers who pay the levy will need or want to use all of 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

34. Organisations can transfer unused funds in their account to any number of employers, for any number of apprenticeships with each, up to the annual 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.

35. 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 agree the details of the transfer (e.g. which apprenticeship standard, how many apprentices and the cost) and this can be done either via a direct transfer connection or via an approved pledge application. 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.
36. 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.
37. Employers need to take account of [subsidy control](#) rules when receiving funds from other organisations. A percentage of all of the funds received as a transfer may fall within the scope of subsidy control. This represents the amount of co-investment that the employer would otherwise have had to contribute towards the apprenticeship if funds had not been transferred. Therefore, for starts funded through a transfer from 1 August 2021, 5% may fall within the scope of subsidy control. For further information on subsidy control please contact the UK Subsidy Control team on subsidycontrol@beis.gov.uk.

Information for employers who do not pay the apprenticeship levy

Co-investment

38. 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, called a 'co-investment', alongside this government funding. This cash contribution towards the costs of training, by the employer, is essential to increase quality and employer engagement. All co-investment payments are made directly to the training provider.
39. For apprenticeships that start from 1 August 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.

Small employer waiver

40. 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, apprentices who are aged 16-18, or apprentices who are 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.

Reservation of funds

41. Since 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. Reservations provide certainty that the Government will pay for apprenticeship training while also managing the availability and affordability of apprenticeship funding for non-levy paying employers.

42. On 1 April 2021, all non-levy employer reservation levels were reset, to enable an employer who does not pay the apprenticeship levy to make up to 10 new reservations, to fund new starts in the financial year 2021-22. We will continue to monitor the number of reservations used by employers who do not pay the apprenticeship levy and we will keep this under review. We may pause reservations for employers within the financial year to ensure that the programme overall remains affordable.
43. Employers can reserve funds up to six months before an apprenticeship is planned to start. Each reservation will expire two months after the reservation month (a total of three months) if the employer does not make a commitment on the apprenticeship service to start an apprentice. For example, in August 2021 employers will be able to reserve funds six months in advance for a start in January 2022; if the reservation is not turned into a commitment by March 2022 it will expire.
44. Where a reservation is not required it can be deleted. 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.
45. 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.
46. As in 2020-21, funds transferred from employers who pay the levy to other employers through the apprenticeship service are not subject to reservations.

Timing of payments by government to providers

47. Providers are paid by the government when they have evidenced delivery of training and assessment activities through their monthly Individualised Learner Record. At the start of the apprenticeship, the provider will indicate how long they expect the apprenticeship training 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 practical period of the apprenticeship. We will pay the

remaining 20% at the end of the apprenticeship upon the apprentice's completion of the end-point assessment.

Additional payments

Additional payments for employers

Support for young apprentices aged 16-18

48. 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.

49. When employers take on a 16-18-year-old on an apprenticeship, 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 apprenticeship service account. Employers who benefit from the small employer co-investment waiver will also receive these payments.

50. 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

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>

51. 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. Employers who take on an apprentice with these characteristics will receive £1,000 to help with these additional costs, paid in the same way as the payment for 16-18-year-olds. Employers who benefit from the small employer co-investment waiver will also receive these payments.
52. 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

53. As announced in the government's Plan for Jobs (in July 2020) and in recognition of the value that apprentices can bring to businesses and to the wider economy, an incentive payment was made available to employers who hired an apprentice between 1 August 2020 and 31 March 2021. In April, the value of the incentive payment was increased and the availability was extended to 30 September 2021.
54. The apprentice must be a new employee to the business, have a contract of employment start date between 1 April 2021 and 30 September 2021 (inclusive) and must not have been employed by the employer within the six months prior to the contract start date. Employers who qualify will receive £3,000 for new employees of any age who start their apprenticeship. 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. Claims can be made by employers in relation to these apprentices (from 1 June 2021), with all claims being made through the apprenticeship service.
55. 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. Where employers fund their apprentice through a reservation of funds, the number of incentive payments they may claim is subject to the reservations available to them.

Additional payments for providers

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

56. We recognise that providers also 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.

57. Providers will also receive the same additional £1,000 payment as employers, for supporting those apprentices who are aged 16-18, or those ages 19-24 who 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 training and does not come from employer accounts.

Additional payments for individuals

Support for care leavers

58. 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. This bursary will not come from the employer's apprenticeship service 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>

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