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Policy paper

# Apprenticeship funding

Updated 31 October 2023

**Applies to England**

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This document sets out the policy for apprenticeship funding in England for new starts from 31 October 2023. You should read it alongside:

- the published funding bands for individual [apprenticeship standards](#)
- the [apprenticeship funding rules](#)

It is for:

- training providers that provide training for English apprenticeships
- organisations that provide end point assessment for English apprenticeships
- employers with a workforce in England
- apprentices

We fund apprenticeships using the [apprenticeship funding rules](#) in place on the date the apprenticeship started. The exception to this are the funding rules that relate to redundancy. In these scenarios, the current rules will apply.

## Funding bands

Employers choose the training they would like their apprentice to receive throughout their apprenticeship. All new starts must follow an approved [apprenticeship standard](#). We expect employers to negotiate a price for their apprentice's training and assessment.

Each apprenticeship standard is in a funding band. These funding bands range from £1,500 to £27,000. The funding band sets the maximum amount that:

- an employer who pays the levy can use towards an individual apprenticeship from their apprenticeship service account
- the government will contribute towards the apprenticeship where an employer:
  - does not pay the levy
  - has insufficient funds in their apprenticeship service account

We allocate new standards a funding band once the Institute for Apprenticeships and Technical Education (IfATE) has approved them for delivery. IfATE also reviews the funding bands allocated to existing standards on a regular basis.

## Costs above the funding band

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.

## Apprenticeship provider and assessment register

We will only make payments to a provider if they are on the apprenticeship provider and assessment register. This includes where providers subcontract provision to another provider.

However, if an organisation has applied for (and we've approved) a subcontracting exemption, they can get funding without being on the apprenticeship provider and assessment register. They would need to provide their written subcontracting exemption approval. This approval will include the duration of the exemption. The purpose of the temporary exception is to ease specific capacity challenges in the market.

## Funding apprentices who work in England

The [apprenticeship funding rules](#) explains which individuals we will fund for an apprenticeship through the English system.

We will fund apprenticeship training 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
- access government co-investment

This is regardless of whether the apprentice lives in England or not. However, the apprentice must:

- be taking an English statutory apprenticeship
- meet all other learner eligibility rules

We define the workplace as the physical place of work, designated by the employer. It is where the employer expects the apprentice to spend most of their time during their apprenticeship (50% or more). Employers must confirm the workplace location as part of their written agreement with the main training provider in the evidence pack for each apprentice.

The only exceptions we will allow to this rule are for:

- Armed forces and Royal Fleet Auxiliary personnel, who are treated as based in England wherever they are based in the UK
- crown servants posted overseas who are or were immediately prior to the posting, ordinarily resident in England
- 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

We require apprentices to have the right to live and work in the UK for the duration of their apprenticeship. See annex A of the [apprenticeship funding rules](#) for detailed information about the residency rules.

[Scotland](#), [Wales](#) and [Northern Ireland](#) have their own arrangements for supporting employers to access apprenticeships.

## Funding apprentices with prior qualifications

Employers can use apprenticeship funds to train any eligible individual to take an apprenticeship. The apprenticeship can be at a higher, equal or lower level than a qualification they already hold, including a previous apprenticeship, if:

- it allows the individual to obtain substantive new skills
- the content of the training is materially different from any prior training or previous apprenticeship

Employers and providers must consider all relevant prior learning when assessing learner eligibility. They should adjust the content, duration and price of the apprenticeship where applicable.

## Funding end-point assessment

All apprenticeship standards include end-point assessment. An independent end-point assessor must complete the end-point assessment. The funding band allocated to an individual standard 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. This does not mean that end-point assessment must cost 20%. The cost for assessment will vary between standards. We expect employers to negotiate with assessment organisations to secure value for money.

## Employers who pay the apprenticeship levy

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

- a government top-up

Employers access government funding for apprenticeships through their apprenticeship service account.

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 the proportion of each employer's pay bill that it pays to employees living in England for each PAYE scheme.

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:

- monthly levy paid to HMRC
- multiplied by proportion of the employer's pay bill paid to workforce living in England
- plus a 10% government top-up on this amount

When an employer first sets up an account on the apprenticeship service, funds will enter their accounts immediately. We base these funds on the employer's valid levy declarations to HMRC to date, up to a maximum of 2 years in arrears. After this, funds will enter accounts monthly.

## Expiry of unused funds in accounts

Employers can:

- spend their funds on their own apprenticeship training and assessment costs
- transfer funds to another employer

If funds are not used, they expire 24 months after they appear in the account. We expire funds because, otherwise, levy-paying employers would accrue large balances. This could create financial commitments that the government has not planned to meet.

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.

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
- what funds may expire each month, based on their current and planned activity

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

- existing apprenticeship learners

## Transfers

Employers can transfer unused funds in their account to any number of employers for any number of apprenticeships. They can transfer up to the annual maximum transfer allowance of 25%. The apprenticeship funding rules include more information about how we calculate this. For example, employers could transfer funds to other employers in their supply chains or work with regional, local or sector partners.

Employers can transfer unspent levy funds to other employers via the online pledge function. Employers can specify the amount of their funds available for transfer. They can also define the criteria of the apprenticeship they wish to support. This pledge is then advertised on [search funding opportunities](#). This enables other employers, training providers and intermediary bodies to see what opportunities are available.

Potential receiving employers can apply for these pledges via their [apprenticeship service account](#). If an employer already knows who they want to send a transfer to, they can do this via a [direct transfer connection](#).

Receiving employers can then use transferred funds to pay for the training and assessment cost (up to the funding band maximum) of their apprenticeship. The sending employer and the receiving employer need to agree the details of the transfer - for example:

- which apprenticeship standard
- how many apprentices
- the training and assessment costs

Employers can agree this either via a direct transfer connection or 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.

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. We will deduct transfer payments from their levy account first, before their own apprenticeships.

If you are a sending employer with existing transfer commitments, you will also be able to receive transferred funds to take on new apprenticeship starts.

Employers need to take account of [subsidy control](#) rules when receiving funds from other organisations. A percentage of all 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 they had not transferred funds. 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, contact the UK Subsidy Control team at [subsidycontrol@beis.gov.uk](mailto:subsidycontrol@beis.gov.uk).

## Employers who do not pay the apprenticeship levy

Employers can get significant government funding to support their commitment to apprenticeships if they:

- do not pay the levy
- want to invest more in apprenticeship training than they have available in their apprenticeship service accounts

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. Employers make their co-investment payments directly to the training provider.

The rate of co-investment is 5% of the total price of the apprentice's training. The government covers the remaining 95% of the cost.

### Small-employer waiver

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 can train, at no cost:

- apprentices aged 16 to 18
- apprentices aged 19 to 24 who have previously been in care or who have an 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

[Employers who do not pay the apprenticeship levy](#) can access funding by:

- creating accounts on the apprenticeship service
- reserving funding to cover the costs of apprenticeship training and assessment

Employers can also give their training provider permission to reserve funds on their behalf.

Reservations provide certainty that the government will pay for the apprenticeship training. They also help to manage the availability and affordability of apprenticeship funding for non-levy-paying employers.

We will continue to monitor the number of reservations employers use. We may pause reservations within the financial year to ensure that the programme remains affordable.

Employers can reserve funds up to 3 months before an apprenticeship is planned to start. Where this is not possible, they can reserve funds within one calendar month of the apprenticeship starting. Each reservation will expire 2 months after the reservation month if the apprenticeship details are not completed and fully approved on the service. Employers can delete reservations they no longer need.

Once an employer makes a reservation, we guarantee the funds for that apprenticeship. This is subject to:

- the employer turning the reservation into a commitment
- meeting all the eligibility criteria detailed in the apprenticeship funding rules

Where the apprenticeship is being funded via a transfer of levy funds, these do not require a reservation to be made.

## Payments

We pay providers 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). We spread these payments evenly across the practical period of the apprenticeship. We will pay the remaining 20% at the end of the apprenticeship, on the apprentice's completion of the end-point assessment.

### Additional payments for employers

Employers will get an extra £1,000 when they take on an apprentice:

- aged 16 to 18
- aged 19 to 24 who has either:
  - previously been in care
  - an education, health and care plan

This is to help with additional costs. We pay this to employers in 2 equal instalments: at 90 days and 365 days. We make the payments to employers via their training provider, who will pass the



money on. These payments are not deducted from an employer's apprenticeship service account. Employers who get the small employer co-investment waiver will also receive these payments.

These payments are in addition to the recent incentive payment for hiring a new apprentice. We pay this directly to the employer through the apprenticeship service. The incentive payment for hiring a new apprentice scheme has now closed, but payments continued until summer 2023 to employers who made successful claims.

## Additional payments for providers

Providers will get an extra £1,000 payment for supporting apprentices aged:

- 16 to 18
- aged 19 to 24 who have either:
  - previously been in care
  - an education, health and care plan

We pay this over 2 equal instalments: at 90 days and 365 days. This is on top of the funds that providers receive for training. It does not come from employer accounts.

## Additional payments for individuals

We understand that care leavers can face additional financial barriers in undertaking an apprenticeship. Apprentices aged 16 to 24 who have been in the care of their local authority can get a bursary. This is to help ensure they can access apprenticeships. This bursary will not come from the employer's apprenticeship service account.

We will pay the bursary to eligible apprentices, via their training provider.

The bursary is £3,000 for apprenticeships that started on or after 1 August 2023. We pay the bursary in 3 equal instalments.

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