



Department  
for Education

# **Apprenticeship funding in England**

**From April 2019**

**March 2019**

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## Introduction

This document sets out the policy for apprenticeship funding in England from 1 April 2019. It updates the policy that has been in place since August 2018.

Since the introduction of apprenticeship reforms, we have received feedback from employers, training providers and interested groups.

This document setting out the funding policy is supported by:

- published funding bands for individual frameworks and standards
- the full funding rules that set out more detail on how this funding policy will work in practice and our expectations of employers and providers

## Expiry or review date

The apprenticeship funding policy is part of major reforms to the apprenticeships programme. We will review it on a continual basis to ensure it supports growth in quality apprenticeships and 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

This publication provides information on apprenticeship funding in England from 1 April 2019. It 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

This section describes policy changes that will take effect from 1 April 2019 and further information on the expiry of funds from May 2019.

### Co-investment

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 have to make a financial contribution, a 'co-investment', alongside this government funding. All co-investment payments are made directly to the training provider.

From 1 April 2019 the rate of co-investment will be reduced to 5% for all new apprenticeship starts, with government funding of 95% provided to cover the remaining costs.

### Transfers

From 1 April 2019 levy paying employers wishing to support apprenticeships in other businesses, can transfer up to 25% of the annual funding in their apprenticeship service account.

Before setting up a transfer the organisation needs to ensure that the annual 25% transfer allowance is sufficient to cover the annual cost of an apprenticeship standard.

### Expiry of funds

At the time the Apprenticeship Levy was introduced the expiry period was set at 24 months, having been extended from 18 to 24 months following consultation with employers.

Funds will expire on a monthly basis and on a 'first in / first out basis', meaning employers will only see funds expire in May 2019 if they have spent less than their May 2017 levy contribution from their accounts in the previous 24 months.

### Exiting the European Union

Eligibility for apprenticeship funding will change for some individuals as a consequence 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 April 2019

## 1. Start date

1. The start date for the updated apprenticeship funding policy is 1 April 2019. 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.
2. Any apprenticeships that started before this date will continue to be funded under the rules that applied when they [started](#).

## 2. Co-investment

3. 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 have to make a financial contribution, a 'co-investment', alongside this government funding. All co-investment payments are made directly to the training provider.
4. An employer cash contribution towards the costs of training is an essential part of apprenticeship reforms, designed to increase quality and employer engagement. By reducing the rate, more smaller businesses will be able to afford to take on an apprentice and benefit from the added value apprentices bring.
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.
6. If an employer has not paid the levy and would like to train an apprentice, they need to co-invest. For new starts from 1 April 2019 the employer has to pay 5% of the cost of training and assessment for their apprentices, to the funding band limit. Government funding of 95% is provided to cover the remaining costs. All co-investment payments are made directly to the training provider.
7. This also applies to any levy-paying employer who wants to invest more in apprenticeship training than they hold in their apprenticeship service account. In this case, if in any single month a levy-paying employer has insufficient funds available in their account to meet the full costs of training and assessment, they need to co-invest 5% of the outstanding monthly balance, with government paying the remainder.
8. All apprenticeships started before 1 April 2019 will continue to attract the 10% rate of co-investment, with government funding covering the remaining 90% of the cost.
9. All employers need to meet, in full, any costs above the funding band limit for any particular apprenticeship. They will need to make these payments directly to the training provider.

### 3. Transfers

10. From 1 April 2019, 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 the 25% allowance. The apprenticeship service calculates this amount by:

- the total amount of levy declared in the previous tax year
- with the percentage applied
- plus the top-up payment of 10% from the government

11. Employers who pay the apprenticeship levy and have unused apprenticeship funds can find employers who want to receive a transfer in a number of ways, for example:

- work with employers in their supply chain
- get in touch with employers in their industry
- get in touch with an Apprenticeship Training Agency (ATA)
- work with regional or local partners

12. 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, the cost.

13. Once both employers are registered on the apprenticeship service the following must be done in their accounts to complete a transfer:

- connect with each other
- receiving employer to add the apprentice details
- confirm the transfer

14. 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.

15. By agreeing to fund an apprenticeship with a transfer, the 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 transferring 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.

16. 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.

17. For all starts funded through a transfer before 1 April 2019, 10% of all the funds received may be considered as state aid. For starts funded through a transfer on or after 1 April 2019, only 5% may count. This is because of the reduction to the co-investment rate. The rate is reducing from 10% to 5% for all new starts from 1 April 2019.

18. Before accepting a transfer, employers should check how much state aid they've already received in any 3 year period, so they don't go over the limit they're allowed under 'de minimis' funding rules – see guidance on ['de minimis'](#) support. The limit an organisation is allowed to receive as state aid is €200,000 in any rolling 3 year period.

## 4. Expiry of funds in accounts

19. 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. All funds that appear in the apprenticeship service accounts of employers who pay the levy will expire 24 months after they appear in the account. As funds first entered accounts in May 2017, the first funds to expire will be in May 2019. The oldest funds remaining in an account will then expire each following month on a 'first in / first out basis'. This will minimise the potential for funds to expire.

20. Employers can spend their funds on their own apprentice training and assessment costs, or they can transfer them to another employer. Employers will only see funds expire in May 2019 if they have spent or transferred less than appeared in their apprenticeship service account in May 2017. In following months, employers will see expire the difference between funds that entered their account 24 months earlier and funds spent on apprenticeships in the latest month. If in the latest month, they spend the same or more than entered the account 24 months earlier, no funds will expire.

21. Funds due to expire each month are shown in the apprenticeship service account. Employers can also use the National Apprenticeship Service's 'Estimate my apprenticeship funding' tool 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.

22. 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. However, any unused funds, including those that expire, support existing apprenticeship learners, new starts with levy-paying employers who spend more than the funds available in their accounts, and apprenticeships with non-levy paying employers.

## 5. Information for employers who pay the levy

### Determining the funds that enter accounts

23. The amount of funding that an employer paying the levy can access is linked to the value of an employer's levy contributions, the proportion of employees working in England and a government top-up.

24. Once employers have declared the levy to HM Revenue and Customs (HMRC) they can access government funding for apprenticeships through their apprenticeship service account.

25. We calculate the amount of funds each employer will have available to spend in England using data that HMRC already 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.

26. Employers continue to benefit from a 10% top up to monthly funds entering an account.

27. 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

28. 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.

29. After this, funds will enter accounts on a monthly basis, as described above.

## 6. Timing of payments by government to providers

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



## 7. Funding bands

31. Employers will need to choose the training they would like their apprentice to receive throughout their apprenticeship. There are currently two different types of apprenticeship scheme, frameworks and standards, and we fund both in the same way.

32. 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 off-the-job training and assessment for each apprenticeship.

33. All existing apprenticeship frameworks and standards will be placed into a band within the 30-band funding structure. The Institute for Apprenticeships and Technical Education (the Institute) reviews existing standards, including the appropriate funding band, on a regular basis.

34. New standards will be placed in a funding band as the Institute approves them for delivery.

35. Further information can be found at <https://www.gov.uk/government/publications/apprenticeship-funding-bands>

36. 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.

## 8. Additional payments for employers

### Determining the funds that enter accounts

37. 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 care<sup>1</sup>.

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<sup>1</sup> 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>

38. When employers take on a 16-18 year old on an apprenticeship framework or 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 3 months and 12 months. 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.

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

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

40. 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.

41. 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.

42. 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 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.

## **9. Additional payments for providers**

### **Transitional support for providers training 16-18 year olds on frameworks**

43. To help providers adjust as the market moves to apprenticeship standards, we agreed a transitional measure where we pay providers a further 20% of the funding band maximum for the training of apprentices aged 16-18 years old on frameworks. We extended this measure in August 2018 and will keep it under review ahead of 31 July 2020 when all frameworks will be withdrawn from the market.

44. This extra payment also applies to apprentices aged 19-24 who have previously been in care or who have a Local Authority Education, Health and Care plan. These payments come direct from the government and are not deducted from an employer's apprentice service account.

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

45. We recognise that providers face some additional costs associated with training younger learners and those that need additional support. Research<sup>2</sup> 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.

46. 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 3 months and 12 months. This is on top of the funds providers receive for core training and does not come from employer accounts.

## **10. Additional payments for individuals**

### **Support for care leavers**

47. We understand that care leavers can face additional financial barriers to undertaking an apprenticeship. From 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.

## **11. Funding apprentices who work in England**

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

49. 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 are able to 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 framework or standard and that they satisfy all other general rules on learner eligibility.

50. 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

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<sup>2</sup> 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>

location as part of their written agreement with the main training provider in the evidence pack for each apprentice.

51. 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

52. As skills policy is devolved, Scotland, Wales and Northern Ireland have their own arrangements for supporting employers to access apprenticeships. We continue to work with the Devolved Administrations on reciprocal arrangements to ensure that each nation will fund apprentices who come from other parts of the UK, provided that the apprentices fulfil that nation's eligibility and funding rules.

53. We are monitoring the implementation of these arrangements, in partnership with the other nations, to ensure that they do not limit access to apprenticeship training unfairly for either employers or learners across the UK.

## **12. Funding apprentices with prior qualifications**

54. 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.

## **13. Funding apprentices with prior qualifications**

55. 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.

56. 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.

57. We will pay the agreed costs of assessment (and training) up to the funding band maximum, subject to any employer co-investment, to the training provider who will pass it on to the end-point assessment organisation.



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