

**Guide from**

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Apprenticeship funding in England for small and medium practices (SMPs) (updated January 2021)

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**Introduction**

Apprenticeships attract significant central government funding. They are a highly

cost-effective way for employers to recruit and develop ambitious new talent to help realise business ambitions. Apprenticeships also have the added benefits of offering people high-quality training, on-the-job experience and local employment opportunities.

This information is for small and medium practices (SMPs) that are employers with a workforce in England. It details apprenticeship funding in England for new starts from 1 August 2020.

**Supporting employers during the economic recovery**

Employers that offer apprenticeships view them as beneficial to their long-term success and future sustainability. 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. The information we are providing will support and protect current apprentices, and help employers maintain or rebuild the pipeline of new apprenticeship starts.

**Incentive payment for hiring a new apprentice**

In recognition of the value apprentices can bring to the economy, an incentive payment will be made to employers who hire an apprentice between 1 August 2020 and 31 March 2021.

The apprentice must be:

* a new employee to the business
* have a contract of employment start date between 1 August 2020 and 31 March 2021 (inclusive)
* must not have been employed by the employer within the six months prior to the contract start date.

Claims can start to be made by employers in relation to these apprentices from 1 September 2020. Those claims must be made through the government’s [apprenticeship service](https://accounts.manage-apprenticeships.service.gov.uk/service/index).

There will be two levels of payment made based on age

1. For apprentices aged 16-24, the payment will be £2,000.
2. 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.

There is no limit on the number of incentive payments that an employer can claim for apprentices eligible to receive funding. However, each apprentice needs to meet the criteria, including being a new employee.

**Introduction of standards for all new apprenticeship starts**

The government wants to enhance 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, provided they started it on or before 31 July 2020. The government intends 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).

A full list of available standards can be viewed on the [Institute for Apprenticeships and Technical Education’s website.](https://www.instituteforapprenticeships.org/apprenticeship-standards/)

**Co-investment for employers that do not pay the Apprenticeship Levy**

Employers that do not pay the levy, and those that want to invest more in apprenticeship training than they have available in their levy accounts, benefit from significant government funding to support their commitment. These employers must make a financial contribution – a ‘co-investment’ – alongside this government funding.

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.

For apprenticeships that start between 1 August 2020 and 31 July 2021, the rate of co-investment is 5% of the total cost of the apprentice’s training, with the government covering the remaining 95% up to the funding band maximum.

**Small employer waiver**

To support smaller employers to take on those who need more support, employers with fewer than 50 employees are able to train at no cost. This includes those aged 16-18, and 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 up to the funding band maximum.

**Reservation of funds**

From January 2020, employers that do not pay the Apprenticeship Levy have been able to create accounts on the [apprenticeship service](https://accounts.manage-apprenticeships.service.gov.uk/service/index) 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.

**Increase in the number of active and used reservations**

For the remainder of the FY 2020/21, the number of ‘active’ or ‘used’ reservations available to non-levy payers at any given time will increase from three to 10. This enables non-levy-paying employers to recruit more apprentices for their businesses through the apprenticeship service.

For further information and guidance on reserving funds, please go to [GOV.UK](https://www.gov.uk/government/publications/apprenticeship-funding).

**Funding for employers that pay the Apprenticeship Levy**

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](https://accounts.manage-apprenticeships.service.gov.uk/service/index).

**Expiry of unused funds in accounts**

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. Funds due to expire each month are shown in the apprenticeship service account.

All funds that appear in the apprenticeship service accounts of levy-paying employers expire 24 months after they appear in the account, if not already spent. The oldest funds will expire each month on a first-in, first-out basis, minimising the potential for funds to expire. 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, and what funds are expected to expire each month, based on their current and planned activity.

**Additional support for employers of young apprentices aged 16-18**

It is recognised that, for employers that take on young apprentices aged 16-18, there are some additional costs associated with supporting them in the workplace. For example, research suggests that this age group can require significantly more supervision and pastoral care.

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

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

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.

**Further resources**

Please check the government website [GOV.UK](https://www.gov.uk/government/publications/apprenticeship-funding) ([bit.ly/gov-appr-pol](https://bit.ly/gov-appr-pol)) for further information on:

* eligibility
* funding bands
* transfer of unused funds
* support for care leavers and those who have a local authority education, health and care plan
* funding apprentices with prior qualifications
* funding end-point assessment.

Apprenticeship standards: [bit.ly/iate-standards](https://bit.ly/iate-standards)

Apprenticeship programme response to Covid-19: [bit.ly/gov-appr-cov](https://bit.ly/gov-appr-cov)

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