



DEBATE PACK

Number 2020-0024, 7 February 2020

Effectiveness of the apprenticeship levy

By Andrew Powell
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Summary

A Westminster Hall debate on recent trends on the effectiveness of the apprenticeship levy is scheduled for Tuesday 11th February 2020 at 2.30pm. The Member leading the debate is Richard Graham MP.

This briefing contains background information, statistics, and parliamentary and press material, as well as suggested further reading which Members may find useful when preparing for this debate.

The House of Commons Library prepares a briefing in hard copy and/or online for most non-legislative debates in the Chamber and Westminster Hall other than half-hour debates. Debate Packs are produced quickly after the announcement of parliamentary business. They are intended to provide a summary or overview of the issue being debated and identify relevant briefings and useful documents, including press and parliamentary material. More detailed briefing can be prepared for Members on request to the Library.

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1. Background

The purpose of this debate is to discuss the effectiveness of the apprenticeship levy.

The apprenticeship levy was introduced in April 2017, with all UK employers with a pay bill of over £3 million per year paying the levy. The levy is set at 0.5% of the value of the employer's pay bill, minus an apprenticeship levy allowance of £15,000 per financial year. It is paid into an apprenticeship service account, and funds in this account have to be spent on apprenticeship training and assessment.

At the time it was introduced, the (then) Government [stated](#) that the levy "will allow us to double investment in apprenticeships by 2020 from 2010 levels, to £2.5bn [per year]".

Since the levy was introduced the number of apprenticeship starts has fallen, and various concerns have been raised regarding the effectiveness of the levy.

The [Conservative manifesto](#) for the 2019 election stated that the Government will look at how the Apprenticeship Levy can be improved, and the Prime Minister confirmed in Prime Minister Questions on the 15th January 2020 that the levy will be reformed.

1.1 Aim of the levy

In its [Apprenticeship levy policy paper](#), the (then) Government reported that the levy had two main objectives: to increase the quantity and the quality of apprenticeships.

At the time of the levy's introduction the (then) Government had committed to an additional 3 million apprenticeship starts by 2020.

It also reported that it would "support quality training by putting employers at the centre of the system", and that those employers "will be able to get back more than they put in by training sufficient numbers of apprentices".

Additionally, the (then) Government reported that it expected the levy to support productivity growth:

It is expected that the levy will support productivity growth through the increase in training. It may have a near-term impact in reducing earnings growth, although by supporting increased productivity, it is expected that the levy will lead to increased profitability for businesses, and increased wages over the long-term.

1.2 How does the levy work?

Employers pay the levy if they either:

- have an annual pay bill of more than £3 million; or
- are connected to other companies or charities which in total have an annual pay bill of over £3 million.

The apprenticeship levy is charged at 0.5% of the value of the employers' pay bill, minus an apprenticeship levy allowance of £15,000 per financial year.

Levy-paying employers need to register an apprenticeship service account which is used to pay for apprenticeship training and assessment. After the employer pays their levy to HMRC each month, the government will then pay these funds into the employer's apprenticeship service account.

The funds in the service account can only be spent on apprenticeship training and assessment with a training provider. It cannot be used for other apprenticeship costs, such as the wages of an apprentice.

The government will apply a 10% top-up to the funds that are paid by an employer for the levy, which will be added at the same time as the levy payment enters the service account.

The funds will expire 24 months after they enter the service account. After the funds in a service account expire, the employer will no longer be able to spend them on apprenticeship training and assessment.

The government does not expect employers who pay the levy to use all the funds in their levy account. The expired funds will be used by the government to fund apprenticeship starts for non-levy paying employers and for the training costs of apprentices that are already in training.¹

1.3 Other changes introduced to the apprenticeship system

Other changes were introduced to the apprenticeship system in May 2017.²

Since May 2017 apprenticeship frameworks and standards have been funded in the same way. Each apprenticeship framework or standard is associated with a funding band, and the government will only pay a share of the costs below the upper limit of the funding band.

Apprenticeship levy funds are used to pay for the training and assessment for employers paying the levy (up to the upper limit of the funding band). Employers who do not pay the levy initially paid 10% of the cost of training and assessment with the government contributing the remaining 90% (up to the upper limit of the funding band). This was reduced to 5% in April 2019.

¹ [PQ 150113](#), 13 June 2018

² DfE, [Apprenticeship funding in England from May 2017](#), October 2016

Additional payments may be paid to the employer and training provider depending on the characteristics of the apprentice and the type of apprenticeship.

Prior to May 2017 almost all apprenticeship starts were on frameworks, and the amount of training costs covered by the government depended on the age of the apprentice:

- 100% of training costs for apprentices aged 16-18;
- 50% of training costs for apprentices aged 19-23;
- Up to 50% of training costs for apprentices aged 24 and over.³

A more detailed description of the apprenticeship funding system is provided in the library briefing paper [Apprenticeships and skills policy in England](#) (January 2019).

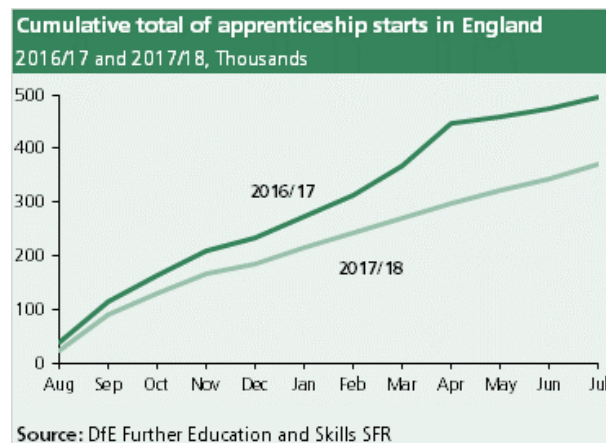
In May 2017, the (then) Government also set in place a requirement that at least 20% of an apprentice’s paid hours must be spent on off-the-job training.⁴

1.4 Immediate impacts

In the immediate period after the levy was introduced there was a large fall in the number of apprenticeship starts.⁵

Between August 2017 and July 2018 (the 2017/18 academic year), there were 369,700 apprenticeship starts in England, **125,200** fewer than in 2016/17.

The cumulative total of starts in 2016/17 and 2017/18 are shown in this chart.



The effect of the Apprenticeship Levy on starts

In the 12 months before the levy came into operation, **564,800** learners started an apprenticeship. This decreased to **364,000** starts in the 12 months after it was introduced. There has been a slight recovery in 2018/19 compared to 2017/18, but the fall in starts since April 2017 has not been reversed.⁶

³ Skills Funding Agency, [Funding Rates and Formula 2016 to 2017, version 2](#), March 2016, pp9,12

⁴ ESFA, [Apprenticeship funding: rules and guidance for employers May 2017 to July 2018](#), p9

⁵ DfE/ EFSA, Apprenticeship and traineeships: January 2018, table 2.1

⁶ Tom Richmond, *EDSK*, [Runaway Training: Why the apprenticeship levy is broken and how to fix it](#), January 2020

1.5 How was the levy initially received?

The decrease in apprenticeship starts led to criticism of the new funding system from various business groups.

The British Chambers of Commerce (BCC) stated in May 2018 that “the system just isn’t working”. For smaller businesses they reported that the new system has “added to the barriers, complexity and cost of recruiting and training staff”, while for larger businesses they reported that “the inflexibility of the system has made it difficult to spend their levy funds [...] leaving less money available to pay for the training people need”.⁷

The Chartered Management Institute (CMI) stated that “we need to make it easier for employers to use the levy to invest in much-needed skills”, and that it therefore needed to be reformed. They also stated that they did not want it to be scrapped.⁸

The Institute of Directors also called for businesses to have more flexibility in how they use their levy funds.⁹

The Manufacturers Organisation, EEF, published a report [A Levy Price to Pay? The Apprenticeship Levy One Year](#), that reported that manufacturers were not recruiting more apprentices as a result of the levy, and that in some cases plans to offer apprenticeships had been scaled back. It also reported that 93% of manufacturers had “faced challenges” with the levy, and that 95% of manufacturers wanted it to be reformed.

The BCC and the CMI subsequently published a 10-point plan which set out recommendations for how the government implements the levy and how employers use it. One of these points specifically called for the levy to be reformed by relaxing the rules and allowing levy funds to be used for other accredited training.¹⁰

There was still support across the business sector for the levy however. The CMI published, in conjunction with the government, an [open letter in support of the apprenticeship levy](#). This letter which was signed by 52 “leading managers” stated that “the Apprenticeship Levy gives employers a real opportunity to invest in training, bringing the well-recognised enthusiasm and new ideas of apprentices to their business”.

1.6 How did the Government respond?

The (then) Government responded to initial criticism of the apprenticeship levy and other reforms by stating that the quality of apprenticeships has improved since the reforms were introduced, but that employers were still adjusting to the new funding system:

⁷ British Chamber of Commerce, [BCC: Evidence of need for Apprenticeship reform mounting](#), May 2018

⁸ Financial Times, [Drop in UK apprenticeships draws calls for reform](#), 17 May 2018

⁹ Ibid

¹⁰ British Chamber of Commerce, [Apprenticeship Levy reform 10-point plan](#), June 2018

The apprenticeship levy is an important structural reform to the way we do training provision in this country, to make sure that all sizeable firms are contributing to upskilling the nation. We are in a period of change, and some employers are taking longer to bed down what they are going to do with their apprenticeship levy money. We must bear in mind that they have two years to do that with each month's money, but we are seeing a shift to longer, higher-quality apprenticeships, and that trend is to be welcomed.¹¹

The (then) Government also stated that “the number of people taking up these new, higher-quality apprenticeships has increased rapidly beyond our expectations”.¹²

In February 2018, the (then) Government responded to feedback from the business sector by allowing levy-paying employers to transfer up to 10% of the annual value of their levy funds to other organisations to pay for apprenticeship training and assessment. This was increased to 25% from April 2019.^{13 14}

In April 2019, the (then) Government also reduced the contribution of non-levy paying employers towards the cost of training and assessment from 10% to 5%.

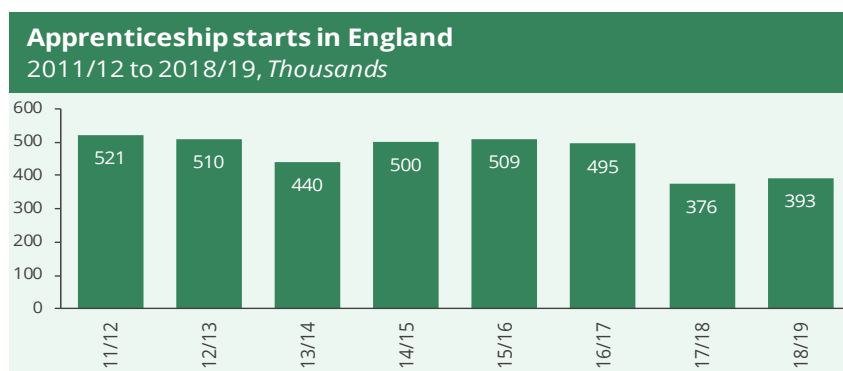
1.7 Has the number of starts increased?

In the first quarter of the 2019/20 academic year, there were 125,800 apprenticeship starts. This was a drop of 16% from the same period in 2018/19 with 24,000 fewer starts.

The number of apprentices aged 16-19 fell the most over this period. There were 40,700 starts by apprentices aged 16-19 in the first quarter of the 2019/20 academic year, almost 11,000 fewer than the same period a year previously. This was a 21% fall in starts for this age group.

There were 164,000 starts in the first quarter of 2016/17, prior to the levy being introduced.

The number of apprenticeship starts were slightly higher in 2018/19 than in 2017/18, but were considerably below levels seen in the academic years before the levy was introduced.



¹¹ [HC Deb](#), 14 May 2018, c3

¹² Financial Times, [Calls for changes to levy scheme after apprenticeship starts tumble](#), 14 June 2018

¹³ [PQ HL8153](#), 6 June 2018

¹⁴ [PQ HL12348](#), 20 December 2018

Despite this the range of professions of apprenticeships has widened since the introduction of the employer-led standards. As reported by the National Audit Office:

The apprenticeships programme now encompasses a wider range of professions and types of training. For instance, new standards enable apprentices to become qualified accountants, actuaries, solicitors, teachers, nurses and paramedics. Such standards have been developed in response to employer demand, and support the Department's aim to deliver more higher-level apprenticeships.¹⁵

1.8 Reasons why the number of apprenticeship starts fell

There are several possible reasons why there has been a large fall in apprenticeship starts, and differing views on which of these has caused the fall. These reasons include the following:

- **Complexity of the levy:** some commentators have claimed that the levy itself is too complex, and has been viewed as a tax on business as companies are struggling to use this funding. The EEF has reported that only 7% of manufacturers have faced “no challenges” with the levy.¹⁶
- **Inflexibility of the levy:** the funds that are collected by the apprenticeship levy can only be used to pay for apprenticeship training and assessment costs. Some commentators, such as the British Chambers of Commerce (BCC), have claimed that the “inflexibility of the system has made it difficult [for organisations] to spend their levy funds as they see best”, and that companies should be able to use these funds on any projects that would result in them upskilling their workforce.¹⁷
- **Requiring non-levy payers to pay 10% of apprenticeship costs:** since May 2017, those smaller employers who do not pay the levy have had to pay 10% of the apprenticeship training and assessment costs. When coupled with recent increases in the minimum wage, this can mean that the cost of an apprenticeship to a small/medium sized employer (SME) can be high. The BCC has reported that, “for SMEs in particular, the new rules have added to the barriers, complexity and cost of recruiting and training staff”.¹⁸
- **The 20% training commitment:** some employers have suggested that the 20% off-the-job training commitment is too large a requirement – employers have reported that they would need to employ an extra person to cover the apprentice's duties while the apprentice is on training. The Association of Employment and Learner Providers have stated that this

¹⁵ National Audit Office, [The apprenticeships programme](#), 6 March 2019, p30

¹⁶ EEF, [A Levy Price to Pay? The Apprenticeship Levy One Year On](#)

¹⁷ Glasgow Chamber of Commerce, [BCC: Evidence of need for Apprenticeship reform mounting](#), May 2018

¹⁸ Ibid

commitment is “not workable”, and the City of Guilds has reported that 29% of surveyed employers stated that this requirement is not suitable for their business.^{19 20}

- **A lack of suitable apprentices:** the City & Guilds have reported that this is the most commonly stated ‘blocker’ for using levy funds.²¹
- **Lack of available training:** the City of Guilds also reported that another commonly stated blocker by employers was that training providers are not providing the training that employers need for their apprentices.²²

1.9 Has the quality of apprenticeships improved?

There has been a noticeable change in the types of apprenticeships that people are starting since the changes were put in place.

More starts on standards

In the 2018/19 academic year, 63% of apprenticeship starts have been on standards. In 2016-17 only 5% of starts were on standards.²³

Apprenticeship standards are seen to be of a higher quality than frameworks, with one reason for this being that they are employer-designed. This means that the apprenticeship is designed to increase the likelihood that the apprentice will obtain the skills, knowledge and experience that they need to pursue a career in their profession. In contrast, apprenticeship frameworks were seen as qualification-focused, and could potentially end with the apprentice having achieved a qualification, but not necessarily having the skills they need to work in that profession.²⁴

Training

From May 2017, one of the funding requirements that was put in place was that apprentices must spend at least 20% of their time on off-the-job training.

The government has reported that there was a 26% rise in average expected apprenticeship training hours in the year to October 2019.²⁵

Apprenticeship level

Since the reforms were put in place in 2017, there has been an increase in the number of apprenticeship starts at higher levels (defined as level 4 and above).

¹⁹ TES, [Off-the-job training concerns still holding back apprenticeship starts](#), March 2018

²⁰ City of Guilds, [Flex for success?](#), January 2019, p12

²¹ Ibid

²² Ibid

²³ DfE/ESFA, [Statistics: further education and skills](#)

²⁴ Institute for Apprenticeships and Technical Education, [Apprenticeship frameworks and standards: the main differences](#), August 2017

²⁵ [PQ 1612](#), 24 October 2019

In 2017/18, 48,400 (13%) apprenticeship starts were at higher level, which was 13% of starts. This compared to 36,500 in 2016/17, which was 7% of starts in that year. This was an increase of 32% in apprenticeship starts at higher level.

The (then) government “welcomed” the increase in higher level apprenticeships, although are also “conscious of the challenges it presents”.²⁶

1.10 Further concerns regarding the levy

Increase in higher level apprenticeships

Although the government has suggested that the increase in the number of higher level starts indicates an improvement in quality, concerns have been raised about the cost and that professional development programmes are being rebadged as apprenticeships.

In 2016/17, the year in which the levy was introduced, 53% of starts were at intermediate level (level 2), 40% were at advanced level (level 3) and just 7% were at higher level (levels 4-7).

In 2018/19, the proportion of starts at intermediate level had fallen to 36%, and the proportion of starts at higher level had risen to 19%.

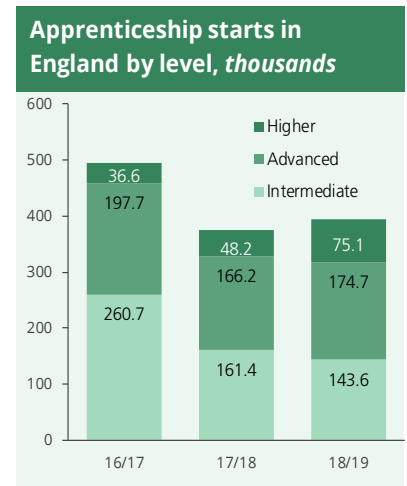
The chart to the right shows how the number of starts at each level changed between 2016/17 and 2018/19. The number of starts at intermediate level fell by almost 120,000 during this period, while the number of higher starts more than doubled.

The National Audit Office has reported that some levy-paying employers are replacing their professional development programmes with apprenticeships.²⁷ The [EDSK think tank](#) has reported that, for levy-paying employers, rebadging management training and development courses is a more effective strategy than offering apprenticeships to new recruits.²⁸

According to the National Audit Office, this issue has been recognised by the Education and Skills Funding Agency, although the ESFA has suggested that this may lead to benefits:

The Education and Skills Funding Agency recognises that some employers use apprenticeships as a substitute for training and development that they would offer without public funding. It argues, however, that the programme continues to have benefits in these circumstances, for example by encouraging employers to plan and develop their workforce better and by opening up professional training to a wider range of people.²⁹

The National Audit Office also suggests this may lead to a programme overspend. The training costs are greater for higher level apprenticeships, and the NAO reports that this has meant that the average cost of training an apprentice on a standard has been around



²⁶ [PO 239284](#), 8 April 2019

²⁷ National Audit Office, [The apprenticeships programme](#), 6 March 2019, p9

²⁸ EDSK, [Runaway training](#), January 2020, p2

²⁹ National Audit Office, [The apprenticeships programme](#), 6 March 2019, p30

double what was expected. They conclude that this means it is “more likely that the programme will overspend in future”.³⁰

Funding for small employers

Concerns have been raised regarding the available levels of funding for apprenticeships in small and medium sized businesses.

In an interview with the Financial Times, Jennifer Coupland, the chief executive of the Institute for Apprenticeships and Technical Education, has claimed that there is insufficient money available for these businesses and that the government needs to provide more support.³¹

She also suggested that funding was needed for around 85,000 apprenticeships which non-levy payers currently lack the resources to fund, and that the cost of these apprenticeships would be £750 million.

Research carried out by the Association of Employment and Learning Providers has found that three out of four apprenticeship training providers can no longer meet demand from small and medium sized businesses and a quarter of apprenticeship training providers have had to turn away a prospective new SME employer of apprentices.³²

Increase in the number of apprenticeship providers

In an article for FE Week, Paul Joyce, the deputy director for further education and skills at Ofsted, raised concerns about the increase in the number of apprenticeship training providers since the levy was introduced.³³

The number of further education and skills providers has increased by 63% since 2017, and the number of independent learning providers has more than doubled from 500 to more than 1,200.

Concerns are raised in the article regarding the quality of some of these providers. Monitoring visits from Ofsted found that some training providers were unclear on the purpose of an apprenticeship, and apprentices were not receiving adequate off-the-job training. In some cases, employees were not aware they were on an apprenticeship programme.

The National Audit Office raised similar concerns, reporting that only 58% of providers were rated ‘Good’ or ‘Outstanding’ for apprenticeships.³⁴

³⁰ Ibid, p7

³¹ Financial Times, [Apprenticeships chief urges plugging of funds gap](#), 22 January 2020

³² AELP, [Levy shortage starving small firms of apprenticeships poses early test for Johnson campaign pledge](#), 9 August 2019

³³ FE Week, [At Ofsted we find little evidence apprentices are actually moving up the levels](#), 5 February 2020

³⁴ National Audit Office, [The apprenticeships programme](#), 6 March 2019, p10

1.11 Latest Government position

The Government has indicated that it will look to reform the apprenticeship levy.

In their [2019 Manifesto](#), the Government pledged to improve the working of the levy, and the Prime Minister has recently said that the levy will be reformed.³⁵

In a recent PQ the government was asked whether it has plans to reform the levy:

Asked by: Lucy Allan (Telford), 28 January 2020

To ask the Secretary of State for Education, whether he has plans he has to reform the Apprenticeship Levy to enable levy funds to be accessed by businesses for other forms of accredited training.

Answered by: Michelle Donelan, 5 February 2020

The apprenticeship levy underpins our reforms to raise apprenticeship quality and supports employers to make long-term, sustainable investments in the skills that they need. Income from the levy is used to fund apprenticeships in all employers (both those who pay the levy and those who do not pay the levy).

In response to employers, we have already introduced the flexibility for levy-payers to transfer up to 25% of their funds, enabling them to support apprenticeship starts in their supply chains or to meet local skills needs. In January, we extended the use of transfers to cover the full cost of training for 16 to 18 year olds and eligible 19 to 24 year olds in employers with fewer than 50 employees.

We have listened to the concerns of businesses about the apprenticeship levy. We are committed to improving the apprenticeship programme to ensure that it continues to deliver the skilled workforce that employers need.

We will set out further detail on this in due course.

³⁵ [HC Deb](#), 15 January 2020, c 1014

2. Press Articles

Please note: The Library is not responsible for either the views or accuracy of external content

[Union claims job agencies exploiting apprenticeship levy rules](#)

Jonathon Moules, *Financial Times* [requires subscription],
6 February 2020

['The apprenticeship levy is on its knees'](#)

Andy Norman, *TES*, 5 February 2020

[At Ofsted we find little evidence apprentices are actually moving up the levels](#)

Paul Joyce, *FE Week*, 5 February 2020

[Union to sue construction firms for deducting apprenticeship levy from wages](#)

Billy Camden, *FE Week*, 5 February 2020

[Degree apprenticeships now offer priceless value and are an answer to skills shortfall](#)

Connor Moss, *Yorkshire Post* via *Nexis News* [requires subscription],
4 February 2020

[The new government needs to focus on the alarming fall in apprenticeship starts](#)

Kathleen Henahan, *Resolution Foundation*, 3 February 2020

[MBAs for CEOs: why it's time to change the apprenticeship levy](#)

Seb Murray, *The Guardian*, 3 February 2020

[UK firms demand shake-up of 'inflexible' apprenticeship system](#)

Julia Kollewe, *The Guardian*, 3 February 2020

[Bankers use apprentice levy funds to boost CVs](#)

Ben Gartside and Alan Tovey, *The Telegraph* via *Nexis News* [requires subscription], 3 February 2020

[England suffers further drop in apprenticeship starts](#)

Jonathon Moules, *Financial Times*, 30 January 2020

[Ofsted: 'Target apprenticeship levy money more directly at skills shortages'](#)

Billy Camden, *FE Week*, 21 January 2020

[Why critics of the apprenticeship levy should back off](#)

Sara Roberts, *Personnel Today*, 16 January 2020

[Apprenticeship fund shortfall hits small businesses](#)

Jonathon Moules, *Financial Times* [requires subscription],
9 January 2020

[Could the Apprenticeship Levy be the answer to the UK's diversity crisis and £63bn skills shortage?](#)

Claire Whittingham, *FE News*, 7 January 2020

[Apprenticeship levy used for 'well-qualified' staff](#)

Kate Parker, *Times Education Supplement*, 6 January 2020

[Apprenticeship levy scheme 'descending into farce', think tank warns](#)

Amy Jones, *The Telegraph* via *Nexis News* [requires subscription],
3 January 2020

[Warning over 'fake' apprenticeship courses](#)

Sean Coughlan, *BBC*, 3 January 2020

[UK apprenticeship levy's low take-up highlighted by survey](#)

Jonathon Moules, *Financial Times* [requires subscription],
9 December 2019

[Why the UK apprenticeship levy is struggling to boost social mobility](#)

Jonathon Moules, *Financial Times* [requires subscription], 12 April 2019

[Apprenticeships plummet as UK levy rollout goes awry](#)

Andy Bounds, *Financial Times* [requires subscription], 18 May 2019

[Two years in, is the apprenticeship levy still working?](#)

Seb Murray, *The Guardian*, 5 March 2019

[Big drop in uptake of UK's 'unfit for purpose' apprenticeship levy](#)

Jonathon Moules, *Financial Times* [requires subscription], 19 April 2018

3. Press releases and reports

[BCC comments on National Apprenticeship Week](#)

Ryan Denston, *British Chambers of Commerce*, 3 February 2020

[Apprenticeships and Traineeships, England: January 2020](#)

Department for Education, 30 January 2020

[Runaway training: Why the apprenticeship levy is broken and how to fix it](#)

Tom Richmond, *EDSK*, January 2020

[Shaping the Workforce of Tomorrow: Boosting England's business-led apprenticeship system](#)

London First and North West Business Leadership Team, January 2020

[Bridging the Gap: Next steps for the Apprenticeship Levy](#)

Stephen Evans & Joe Dromey, *Learning and Work Institute*, October 2019

[Further reform urgently needed for effective Apprenticeship Levy](#)

CBI, 17 September 2019

[An unlevy playing field for manufacturers](#)

Make UK, 28 July 2019

The report states that

over 95% of manufacturers say the Apprenticeship Levy must be changed while one in five want it scrapped altogether.³⁶

[The apprenticeships programme](#)

National Audit Office, 6 March 2019

[A Levy price to pay: The Apprenticeship Levy one year on](#)

Make UK, 30 January 2019

[Flex for success? Employers' perspectives on the apprenticeship levy](#)

City & Guilds, and *ILM*, January 2019

[The great training robbery: Assessing the first year of the apprenticeship levy](#)

³⁶ *Make UK*, [An unlevy playing field for manufacturers](#), 28 July 2019

Tom Richmond, April 2018

[BCC: Reform needed to make Apprenticeship Levy fit for purpose](#)

British Chambers of Commerce, 19 April 2018

4. Parliamentary material

4.1 Written questions

[Apprentices: Taxation: Written question - 9055](#)

Asked by: Lucy Allan (Telford), 28 January 2020

To ask the Secretary of State for Education, whether he has plans he has to reform the Apprenticeship Levy to enable levy funds to be accessed by businesses for other forms of accredited training.

Answered by: [Michelle Donelan](#), 5 February 2020

The apprenticeship levy underpins our reforms to raise apprenticeship quality and supports employers to make long-term, sustainable investments in the skills that they need. Income from the levy is used to fund apprenticeships in all employers (both those who pay the levy and those who do not pay the levy).

In response to employers, we have already introduced the flexibility for levy-payers to transfer up to 25% of their funds, enabling them to support apprenticeship starts in their supply chains or to meet local skills needs. In January, we extended the use of transfers to cover the full cost of training for 16 to 18 year olds and eligible 19 to 24 year olds in employers with fewer than 50 employees.

We have listened to the concerns of businesses about the apprenticeship levy. We are committed to improving the apprenticeship programme to ensure that it continues to deliver the skilled workforce that employers need.

We will set out further detail on this in due course.

[Apprentices: Written question - HL610](#)

Asked by [Baroness Brady](#), 21 January 2020

Her Majesty's Government what assessment they have made of the (1) year-on-year fall in the number of apprenticeships started by young people, and (2) the effectiveness of the Apprenticeship Levy.

Answered by: [Lord Agnew of Oulton](#), 4 February 2020

Our reforms to apprenticeships have fundamentally changed what apprenticeships are and the long-term opportunities they provide for people of all ages and backgrounds.

The tables below show apprenticeships starts, by age, from 2015/16 to 2018/19, including the percentage change from 2015/16 to 2018/19 and the breakdown of frameworks and standards.

Age range	2015/16	2016/17	2017/18	2018/19	Percentage change 2015/16 – 2018/19
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Under 19	131,400	122,800	106,600	97,700	-26%
19 to 24	153,900	142,200	113,700	116,000	-25%
25+	224,100	229,900	155,500	179,700	-20%
Total	509,400	494,900	375,800	393,400	-23%

Type of apprenticeship	2015/16	2016/17	2017/18	2018/19
Frameworks	505,100	470,300	212,100	145,300
Standards	4,300	24,600	163,700	248,100

The number of people starting apprenticeships has fallen across all age groups. A key reason for this is that we are moving away from old apprenticeship frameworks which employers said were not equipping apprentices to do the job; training was often poor or non-existent. As more standards have become available each year, the number of apprentices of all ages starting on standards has increased.

Employers are now in the driving seat, designing apprenticeship standards to give apprentices the skills that industry really needs. Over 63% of starts in 2018/19 were on standards, compared to 44% in 2017/18, and all starts will be on high quality standards from August 2020.

To promote apprenticeships to younger people, we launched the third phase of our apprenticeships marketing campaign, Fire it Up, in January. The campaign shines a spotlight on how apprenticeships can provide opportunities for ambitious young people and support businesses to diversify their workforce. Our annual National Apprenticeship Week will take place in February and celebrate the impact of apprenticeships on individuals, employers and the economy.

In 2019, we engaged with over 16,500 students in years 10 to 13, and 2,000 schools and colleges used the Apprenticeship Activity Pack for students. Throughout the year, our Apprenticeship Support and Knowledge (ASK) programme ensures that schools and colleges across England have free support to develop apprenticeship awareness activities.

The apprenticeship levy underpins our reforms to increase the quality of training and to support employers of all sizes to make a sustainable investment in the skills they need to grow.

We have already made changes to the levy in response to our engagement with employers. In April 2019, we raised the cap on transfers to 25%. We have already seen employers making use of

transfers to support apprenticeship starts in their supply chains or to meet local skills needs.

In January, we extended the use of transfers to cover the full cost of training for 16 to 18-year-olds, eligible 19 to 24-year-olds and for receiving employers with fewer than 50 employees, creating opportunities for organisations who may have previously felt that employing an apprentice was beyond their reach. We are committed to continuing to look at how we can improve the working of the levy to ensure it delivers the skilled workforce that employers need.

[Apprentices: Taxation: Written question - 7276](#)

Asked by: [Dr Lisa Cameron](#) (East Kilbride, Strathaven and Lesmahagow), 23 January 2020

To ask the Secretary of State for Education, what steps his Department is taking to make Apprenticeship Levy funding more flexible to enable businesses to access it for a wider range of accredited training.

Answered by: [Michelle Donelan](#), 31 January 2020

The apprenticeship levy underpins our reforms to raise apprenticeship quality and support employers to make a long-term, sustainable investment in the skills that they need to grow. Income from the levy is used to fund apprenticeships in all employers (both in employers who pay the levy and employers who do not).

In response to employers, we have already introduced the flexibility for levy-payers to transfer up to 25% of their funds, enabling them to support apprenticeship starts in their supply chains or to meet local skills needs. In January, we extended the use of transfers to cover the full cost of training for 16 to 18 year olds and eligible 19 to 24 year olds in employers with fewer than 50 employees.

We are committed to improving the working of the apprenticeship levy to ensure it continues to deliver the skilled workforce that employers need.

[Apprentices: Taxation: Written question - 127](#)

Asked by: [Angela Rayner](#) (Ashton-under-Lyne), 19 December 2019

To ask the Secretary of State for Education, what steps his Department is taking to increase the effectiveness of the Apprenticeship Levy.

Answered by: [Michelle Donelan](#), 8 January 2020

We are committed to improving the working of the apprenticeship levy, including delivering greater transparency on how the levy is being spent.

We have already increased the amount of funding that levy-paying employers can transfer to other businesses, from 10% to 25%, in response to feedback from employers. We are pleased to see that levy-

payers with uncommitted funds are increasingly using transfers to support apprenticeship starts in smaller employers.

We continue to work closely with employers and business groups to help them take advantage of the levy and consider improvements to the system to meet long-term skills needs.

Apprentices: Taxation: Written question - 7649

Grouped question 7650

Asked by: Gordon Marsden (Blackpool South), 30 October 2019

To ask the Secretary of State for Education, what estimate he has made of the number of GTA England members that have been unable to access apprenticeship funding since the apprenticeship levy was introduced.

Answered by: Michelle Donelan, 4 November 2019

We are committed to ensuring that our reforms to apprenticeships work for smaller employers and their providers, such as group training associations (GTAs).

GTAs are important members of the training provider market, working for groups of employers to provide high quality training. We ran a procurement exercise to secure high-quality training to support small and medium-sized employers from January 2018 to April 2019. This was a highly competitive exercise attracting interest from a wide range of training providers and we recognise that not all providers were successful in the competition. The contracts we awarded have been subsequently extended to April 2020, supported by over £700 million funding for new starts and existing apprentices.

In addition to these contracts, the smaller employers are also able to receive transfers from levy-paying employers, allowing GTAs access to levy-funded training. We have also announced that we will shortly enable levy payers to transfer funds to cover the full cost of training for 16 to 18-year-olds in the smallest businesses with fewer than 50 employers.

Earlier this year, we confirmed that small and medium enterprises (SMEs), who do not pay the apprenticeship levy, would soon be able to access the benefits of using the award-winning apprenticeship service (AS). The AS, already in use by large levy paying employers, will give SMEs greater control over choosing their apprenticeships, a greater range of training providers to engage with, and a new route to access apprenticeship funding.

We announced at the Association of Employment and Learning Providers (AELP) conference on 29 October 2019 that from January we will begin to transition SMEs onto the service, and will be supporting up to an additional 5,000 starts per month from January to March 2020 for employers that don't pay the levy. We will be issuing more detail on the transition arrangements from November and throughout 2020.

Officials meet regularly with GTA England to discuss training provision, including in respect of apprenticeships. We also work closely with the AELP, the Learning and Work Institute, and the Association of Colleges to consider a range of sectoral issues and to ensure that our apprenticeships reforms continue to work for employers of all sizes, including charities.

[Apprentices: Taxation: Written question - 7174](#)

**Asked by: [Marion Fellows \(Motherwell and Wishaw\)](#),
29 October 2019**

To ask the Secretary of State for Education, if he will make an assessment of the implications for his policies of the October 2019 report Learning and Work Institute report, Bridging the Gap: next steps for the apprenticeship levy, which has found that the levy fund could be overspent by £1 billion in the next year.

Answered by: [Michelle Donelan](#), 4 November 2019

The apprenticeship levy is collected by HM Revenue and Customs from all UK employers with a pay bill above £3 million. Separately, HM Treasury sets the Department for Education a fixed, annual budget for apprenticeships in England. This budget is distinct from the levy and is used to fund new apprenticeship starts for both levy and non-levy paying employers, and must also cover the ongoing costs of apprentices already in training.

We welcome employers designing higher-level apprenticeships which are longer and require more off-the-job training. However, we are conscious that this will increase costs in the longer-term. In 2019-20, funding available for investment in apprenticeships in England is over £2.5 billion and we expect to remain within budget this financial year. The recent spending settlement has set the department's budget for 2020-21. We keep apprenticeships funding policy under review to ensure that apprenticeships continue to be affordable and offer value for money for the taxpayer. We will consider how apprenticeships can continue to meet the changing needs of employers as part of the forthcoming Spending Review.

[Apprentices: Taxation: Written question - 1030](#)

Asked by: [Jim Shannon \(Strangford\)](#), 16 October 2019

To ask the Secretary of State for Education, what steps his Department is taking to help businesses make effective use of the Apprenticeship Levy funding.

Answered by: [Michelle Donelan](#), 24 October 2019

The department is responsible for apprenticeships policy in England and is working closely on the Industrial Strategy with the Department for Business, Energy and Industrial Strategy to meet the skills needs of business.

The Apprenticeship Levy gives employers control of the apprenticeship training that they buy. We continue to work closely with all employers in England to help them take advantage of the levy and wider funding arrangements to invest in their long-term skills needs.

In response to feedback from employers, in April 2019 we raised the amount that levy-paying employers can transfer to other employers to 25% of the annual value of their fund. This increase offers levy-paying employers more options in how they use their funds and also gives them the opportunity to support apprenticeships locally or within supply chains.

We provide ongoing face-to-face support for over 1,000 of the largest levy-paying employers through our network of national account managers. We also support a further 4,500 levy-payers through our dedicated telephone account management service.

We have recently held 8 country-wide roadshows, attended by over 800 employers, to communicate with large employers and encourage them to share good practice.

Our National Apprenticeship Service provides free impartial advice to all employers, including small and medium-sized businesses, via its helpline. It also works through intermediary organisations to reach smaller employers and increase their engagement in apprenticeships.

We produce a range of guidance for employers which is available online at: <https://www.gov.uk/government/publications/apprenticeships-guide-for-employers>.

4.2 Oral questions

[Apprenticeship Levy](#)

HC Deb 22 October 2019 c791

Sir Desmond Swayne (New Forest West) (Con)

1. What guidance her Department has issued to businesses to help them make more effective use of the apprenticeship levy. [900035]

Mr Gregory Campbell (East Londonderry) (DUP)

3. What steps her Department is taking to help businesses realise the potential benefits to their organisation of the apprenticeship levy. [900037]

Anne Milton (Guildford) (Ind)

6. What guidance her Department has issued to businesses to help them make more effective use of the apprenticeship levy. [900040]

The Secretary of State for Business, Energy and Industrial Strategy (Andrea Leadsom)

I strongly believe that apprenticeships are a superb option for people to earn and learn. In my Department, we have 154 apprentices, 149 of whom are levy funded. I have taken on a new school leaver apprentice in my office every year since becoming an MP, which has been an

excellent experience for them and for my team. Since the introduction of the apprenticeship levy, we have made changes to ensure that businesses can spend up to 25% of it in their supply chain, and I am delighted that the number of people starting higher-level apprenticeships has increased by over 40% since the 2016-17 academic year.

Sir Desmond Swayne

Is the 80:20 rule an overhead that is unwelcome to employers who have to provide cover for employees who are learning?

Andrea Leadsom

My right hon. Friend makes a really important point, but he will appreciate that off-the-job training is vital for apprentices to develop the knowledge, skills and behaviours they need to succeed at work. The 20% off-the-job training rule is based on standards used by apprenticeship programmes regarded as world class, such as those in Switzerland and Germany, which we have made it our ambition to at least match.

4.3 Debates

[Apprenticeship Levy](#)

HL Deb 28 January 2020 cc.1332-1334

[Apprenticeship Levy](#)

HC Deb 22 October 2019 cc.791-793

[Apprenticeship Levy](#)

HC Deb 24 June 2019 cc.458-459

[Creative Industries: Apprenticeship Levy](#)

HL Deb 4 June 2019 cc.5-7

[Apprenticeship Skills and Policy](#)

HC Deb 8 January 2019 cc. 71WH-94WH

5. Further reading

5.1 House of Commons Library

[Apprenticeship statistics for England](#)

House of Commons Library, 13 January 2020

[Apprenticeship and skills policy in England](#)

House of Commons Library, 4 January 2019

[Apprenticeship starts: has there been a big fall?](#)

House of Commons Library (Insight), 15 December 2017

5.2 Information on the Apprenticeship Levy

[Key facts you should know about the apprenticeship levy](#)

Department for Education, 5 April 2019

[Apprenticeship funding: how it works](#)

Gov.uk, 13 March 2019

[Post levy-apprenticeships in the NHS- early findings](#)

Denise Baker, *Emerald Insight*, 13 May 2019

This journal article investigates the apprenticeship developments in two NHS organisations since the introduction of the Levy in 2017. There are also considerations on potential impact on social mobility.

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