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3 October 2024

Apprenticeships Policy in England



Summary

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Summary

Skills and training are devolved policy areas. This briefing covers apprenticeships in England, and covers policy developments from 2017 onwards.

Apprenticeships in England are available to people over the age of 16 who work in England, and take between one and six years to complete. They are paid jobs which incorporate on and off the job training. Apprentices have the same rights as other employees and are entitled to be paid at least the apprentice rate of the national minimum wage. As of August 2024 around 850 different apprenticeships were available.

Just over 750,000 apprentices participated in an apprenticeship in the 2022-23 academic year.

Apprenticeship levels

Apprenticeships can be studied at different qualification levels, which each have an equivalent educational level:

Name	Level	Equivalent educational level
Intermediate	2	5 GCSE passes
Advanced	3	2 A level passes
Higher	4,5,6 and 7	Foundation degree and above
Degree	6 and 7	Bachelor's or master's degree

Apprenticeship standards

Apprenticeship standards outline what an apprentice will be doing in a particular apprenticeship, and the skills that are required of them. Standards are developed by “trailblazer” groups that represent groups of employers and sector organisations, and will always include an end-point assessment.

Standards have replaced apprenticeship frameworks which have been progressively phased out since the 2017/18 academic year. Since August 2020, all new apprenticeship starts have been on standards. Frameworks were developed by sector bodies and were primarily qualification-focused.

Minimum requirements

There are various minimum standards in place to ensure that funding will be provided for an apprenticeship:

- A minimum length of 12 months, which is based on an apprentice working at least 30 hours per week. If the apprentice works fewer than 30 hours per week then the expected duration of the apprenticeship will need to be extended to take account of this.
- Off the job training: an apprentice must spend either 6 hours or more of their usual working hours on off-the job training, or at least 20% of their working time if this is less than 6 hours.
- End-point assessments: All apprentices have to take an independent assessment at the end of their apprenticeship, which will assess the knowledge, skills and behaviours they have developed whilst in the apprenticeship.
- Training to level 2 in Maths and English: Apprentices must be provided with training in English and Maths if they do not hold a level 2 qualification in both subjects. A level 2 apprenticeship can only be completed if the apprentice has achieved a level 1 in both English and maths. A level 3 or higher apprenticeship can only be completed if the apprentice has achieved a level 2 in both English and maths.
- Apprenticeship Agreement and training plan: Apprentices must sign an Apprenticeship Agreement with their employer before the apprenticeship begins, and a training plan with both the apprentice and the training organisation.

The apprenticeship levy

On 6 April 2017 the apprenticeship levy came into effect 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.

The levy is paid into an apprenticeship service account, and the government applies a 10% top-up to the funds that are paid into the account. The funds in this account can only be spent on apprenticeship training and assessment, and expire 24 months after they enter the service account.

Levy-paying employers are able to transfer unused apprenticeship funds to other employers, including to those who do not pay the levy. Since April 2024, employers have been able to transfer a maximum amount of 50% of their annual funds, and can make as many transfers as they wish.

How apprenticeships are funded

Apprenticeships are generally funded in the following way:

- Each apprenticeship standard is associated with a funding band. The upper limit of this band represents the maximum the Government will contribute towards training and assessment costs of the apprenticeship.

- Employers and training providers negotiate a price for training and assessment.
- Apprenticeship levy funds will be used to pay for the training and assessment for employers paying the levy, although only up to the upper limit of the funding band. The employer will need to use other funding for any additional costs.
- Employers who do not pay the levy will pay 5% of the cost of training and assessment with the government contributing the remaining 95%, although again only up to the upper limit of the funding band. They can also use levy funds that have been transferred to them by a levy paying employer.
- Additional payments may be paid to the employer and training provider depending on the [characteristics of the apprentice and the type of apprenticeship](#).

Impact of the funding changes

After the introduction of the apprenticeships levy in 2017 there was a large fall in the number of apprenticeship starts, leading to criticism of the levy and other reforms that have been put in place. The government has responded by stating that the quality of apprenticeships has improved since the reforms have been put in place.

Further concerns have continued to be raised about the levy. These concerns include that it is too complex, inflexible, that other training is being rebadged as apprenticeships and the high drop-out rates from apprenticeships.

Many groups within the apprenticeships and skills sector have called for the apprenticeship levy to be widened so that funding from the levy could also be used on non-apprenticeship training.

Government budget for apprenticeships

The apprenticeship levy is paid by all eligible employers in the UK, although some of the revenue from the levy is devolved to other countries within the UK.

The Treasury allocates an apprenticeship budget to the Department for Education to fund the apprenticeship budget in England. This pays for the training and assessment costs of both levy and non-levy paying employers, and assumes that levy-paying employers will not use all their levy funds.

There was a large underspend in the apprenticeship budget between 2017/18 and 2020/21, but most of the budget has been spent in years since 2020/21.

1 The current apprenticeship system

1.1 What are apprenticeships?

Apprenticeships are paid jobs which incorporate on and off the job training. Apprenticeships are available throughout the UK, although the apprenticeship system varies across the different countries in the UK. This briefing paper only covers the apprenticeship system in England.

Apprenticeships in England are available to people over the age of 16, although employers may set different entry requirements depending on the sector and job. An individual has to be working for at least half of their working hours in England to be eligible.¹ They take between one and six years to complete and as of August 2024 around 850 different apprenticeships were available.^{2 3}

Just over 750,000 apprentices participated in an apprenticeship in the 2022/23 academic year, and as of August 2024 almost 20,000 apprenticeship vacancies were posted on the GOV.UK [Find an Apprenticeship](#) website.^{4 5}

Apprenticeship levels

Apprenticeships can be studied at different qualification levels, which each have an equivalent educational level:⁶

Name	Level	Equivalent educational level
Intermediate	2	5 GCSE passes
Advanced	3	2 A level passes
Higher	4,5,6 and 7	Foundation degree and above
Degree	6 and 7	Bachelor's or master's degree

Apprentices are assessed at the end of their apprenticeship using an [end-point assessment](#). This checks the knowledge, skills and behaviours they have learned throughout their apprenticeship, and ensures they are competent in

¹ ESFA, [2024 to 2025 apprenticeship funding rules](#), 17 June 2024, p8

² Apprenticeships.gov.uk, [Becoming an apprentice](#) (accessed 23 September 2022)

³ Institute for Apprenticeships and Technical Education, [Search the apprenticeships](#) (accessed 19 March 2024)

⁴ Explore Education Statistics, [Apprenticeships and traineeships](#), 30 November 2023

⁵ Vacancies as of 20 January 2023. Not all vacancies are advertised through the Find an Apprenticeship website.

⁶ Gov.uk, [Become an apprentice](#)

their occupation. The apprentice can only pass and complete their apprenticeship if they pass the end-point assessment. If they do so, they will achieve the equivalent educational level.⁷

Minimum wage and employee rights

Apprentices aged 16-18, and those aged 19 and over and in the first year of their apprenticeship, are entitled to the apprentice minimum wage of £6.40 an hour.⁸ Apprentices are paid for both their normal working hours and the time they spend training as part of their apprenticeship.⁹

Apprentices aged 19 and over, and who have completed the first year of their apprenticeship, are entitled to the relevant [National Minimum Wage rate](#) for their age group.

Apprentices are entitled to the same employment rights as other employees, including holiday entitlement and maternity leave.

The apprentice will not pay any of the training or assessment costs that are associated with the apprenticeship.¹⁰

Apprenticeship standards

Apprenticeship standards outline what an apprentice will be doing in a particular apprenticeship, and the skills that are required of them.¹¹

Apprenticeship standards were introduced in response to the [2012 Richard Review of Apprenticeships](#), which stated that apprenticeship outcomes should be “meaningful and relevant for employers”. Standards are developed by “trailblazer” groups that represent groups of employers and sector organisations, and will always include an end-point assessment. The first standards were introduced in September 2014.¹²

Standards have replaced apprenticeship frameworks which have been progressively phased out since the 2017/18 academic year. Frameworks were developed by sector bodies and were primarily qualification-focused. In August 2017, an Insider Insight post on the Institute for Apprenticeships website said that frameworks “don’t always work”, and that it was possible for an apprentice to achieve all qualifications in the framework, yet not actually obtain the skills they need to carry out their job.¹³ 95% of starts were

⁷ ESFA, [Apprenticeship assessment](#), 5 August 2021

⁸ GOV.UK, [National Minimum Wage and National Living Wage rates](#) (accessed 10 June 2024)

⁹ Gov.uk, [Become an apprentice](#)

¹⁰ ESFA, [2023 to 2024 apprenticeship funding rules](#), 31 October 2023, p77

¹¹ GOV.UK, [Search for apprenticeship standards](#), 29 June 2021

¹² BIS, [More than 700 employers to design top quality apprenticeships](#), 23 Oct 2014

¹³ Institute for Apprenticeships, [Apprenticeship frameworks and standards: the main differences](#), 1 August 2017

on frameworks in 2016-17, but from August 2020 all new learners have had to start on standards.¹⁴

1.2 Minimum requirements

There are various minimum standards in place to ensure that funding will be provided for an apprenticeship, and the minimum standards as of the 2024-25 academic year are outlined below. The funding rules are revised each academic year, although changes between years tend to be quite minor.¹⁵

A minimum length of 12 months

The minimum apprenticeship length is 12 months.¹⁶

The end-point assessment can only be taken after the minimum standard has been met, and the apprentice must be employed until the end-point assessment is completed.

Employed for 30 hours a week

The minimum length of 12 months is based on an apprentice working at least 30 hours per week, including time training away from the workplace. If the apprentice works fewer than 30 hours per week then the expected duration of the apprenticeship will need to be extended to take account of this.¹⁷

Off the job training

An apprenticeship must include off-the-job training. This is training that is received by the apprentice during their normal working hours, and the aim of this training is to help the apprentice achieve the agreed knowledge, skills and behaviour of their apprenticeship. This differs from on-the-job training, which is training with the sole purpose of enabling the apprentice to perform the work for which they have been employed.¹⁸

An apprentice must spend, as a minimum, **either** 6 hours or more of their usual working hours on off-the job training, or at least 20% of their working time if this is less than 6 hours.

¹⁴ ESFA, [Withdrawal of apprenticeship frameworks](#), 7 July 2020

¹⁵ ESFA, [Apprenticeship funding rules](#), 31 October 2023

¹⁶ ESFA, [2024 to 2025 apprenticeship funding rules](#), 17 June 2024, p33

¹⁷ As above, p34

¹⁸ As above, pp36-39

The 6-hour minimum was put in place in the 2022-23 academic year.¹⁹ Prior to this year, all apprentices had to spend 20% of their paid hours, over the planned duration of the apprenticeship, on off-the-job training.

This change has meant that the minimum required level of off-the-job training has reduced for apprentices who work more than 30 hours a week. It is unchanged for those who work 30 or fewer hours.

Training that is provided towards a Level 2 in English and maths (see below) does not count towards the minimum required level of off-the-job training.

End-point assessments

All apprentices have to take an independent assessment at the end of their apprenticeship, which will assess the knowledge, skills and behaviours they have developed whilst in the apprenticeship. The requirements for the end-point assessment will be set out in an assessment plan for each standard, and an apprentice can only achieve an apprenticeship standard if they satisfy all the requirements of the assessment plan.²⁰

End-point assessments can include a range of different assessment methods, including observation in the workplace, practical or written tests and interviews. They must include a minimum of two distinct methods.²¹

Apprentices can only take the end-point assessment once they have met the minimum duration of the apprenticeship, and it will be up to the employer to decide when the apprentice is ready to be assessed.

The apprentice must be employed until the end-point assessment is completed.

Training to level 2 in maths and English

There is not a minimum requirement for maths and English in terms of starting an apprenticeship, but apprentices must be provided with training in English and maths if they do not hold a level 2 qualification in both subjects.²²

There are also minimum requirements for completing an apprenticeship:

- A level 2 apprenticeship can only be completed if the apprentice has achieved a level 1 in both English and maths.
- A level 3 or higher apprenticeship can only be completed if the apprentice has achieved a level 2 in both English and maths.

¹⁹ ESFA, [Apprenticeship funding rules: August 2022 to July 2023](#), 20 July 2022, p4

²⁰ ESFA, [2024 to 2025 apprenticeship funding rules](#), 17 June 2024, p60

²¹ IfATE, [Developing an end-point assessment plan](#), 19 March 2024

²² ESFA, [2024 to 2025 apprenticeship funding rules](#), 17 June 2024, pp20-24

Prior to the 2022-23 academic year, level 2 apprentices also had to attempt the level 2 assessments in maths and English if they did not hold these qualifications. This requirement was removed in 2022-23.²³

Apprentices with formally recognised special educational needs, learning difficulties or disabilities are able to complete a level 3 or higher apprenticeship if they have entry level 3 functional skills in English and/or maths.

Apprenticeship Agreement and training plan

Apprentices must sign an Apprenticeship Agreement with their employer before the apprenticeship begins. It will set out the name and the level of the apprenticeship being followed, the length of the apprenticeship and the amount of time the apprentice will spend on off-the-job training.²⁴

Employers must also sign a training plan with both the apprentice and the training organisation. This must include the planned content and schedule for training, what is expected and offered by all the parties involved and how to resolve queries or complaints. The training plan must be agreed before any training is delivered. This plan was previously called the commitment statement.²⁵

New rules on the recognition of prior learning and experience were introduced in the 2022-23 academic year. Employers and training providers have to assess and agree on the apprentice's prior learning and experience before they start the apprenticeship, and this will then be omitted from the [training plan](#).²⁶

Further detailed information on the minimum contractual and operational standards required of apprenticeships can be found in the ESFA guidance [Apprenticeship funding rules](#).

1.3 Key bodies

This section highlights the key bodies and organisations that are involved with apprenticeships.

Employers take on apprentices, and may also provide the training associated with the apprenticeship. Employers can group together to develop new apprenticeship standards. These groups are termed 'trailblazer groups'.²⁷

²³ ESFA, [Apprenticeship funding rules: August 2022 to July 2023](#), 20 July 2022, p3

²⁴ ESFA, [2024 to 2025 apprenticeship funding rules](#), 17 June 2024, p30

²⁵ As above, p44

²⁶ ESFA, [Apprenticeship funding rules and guidance for employers August 2022 to July 2023](#), July 2022, p10

²⁷ IfATE, [Trailblazer Groups](#)

Training providers train apprentices, although to be able to do so they need to be on the apprenticeship provider and assessment register (see section 1.5).

End-point assessment organisations (EPAOs) conduct the independent end-point assessment. An EPAO must be involved in the assessment of each apprentice. EPAOs must also be on the apprenticeship and provider assessment register to be able to conduct end-point assessments.²⁸

The **Department for Education** is responsible for setting apprenticeships policy. The [Minister of State for Apprenticeships and Skills](#), is based within this department.

The **Education and Skills Funding Agency (ESFA)** is accountable for apprenticeship funding, and it also regulates training providers.

The **Institute for Apprenticeships and Technical Education (IFATE)** is an executive non-departmental public body, sponsored by the Department for Education, which aims to ensure high-quality apprenticeship standards and to advise the government on funding for each standard. Further information on the Institute is provided in section 2.2.

HMRC collect the apprenticeship levy through the PAYE process.

1.4 The apprenticeship service

Since April 2021, all apprenticeships have been managed through the apprenticeship service. Employers need to set up an account in order to use the service.²⁹

The service is used by employers to set up and manage their apprenticeships, and can be used by employers to manage apprenticeship funding, advertise roles and manage applications, and to find training providers and end point assessment organisations.

1.5 Apprenticeship provider and assessment register

Training providers need to be on the apprenticeship provider and assessment register to be eligible to receive government funding to train apprentices.³⁰ This register replaced the register of apprenticeship training providers in

²⁸ DfE, [Joining the APAR as an end-point assessment organisation](#), 9 February 2024

²⁹ ESFA, [How to register and use the apprenticeship service as an employer](#), 7 August 2024

³⁰ DfE, [Apply to the APAR as an apprenticeship training provider](#), 1 August 2023

August 2023.³¹ Employers can use the register to search for providers that can provide training for their apprentice.

End-point assessment organisations must also be on this register to be eligible to receive government funding to carry out end-point assessments for apprenticeships.³²

How providers can join the register

Training providers are only able to join the register if they can show they are either:

- A provider that is able to fill a gap in the currently available training provision, and has been nominated by an employer.
- A provider in an area that the DfE is looking to grow or where they have identified a capacity issue,
- A levy paying employer who wants to train their own workforce (an employer provider).³³

Employers cannot use a provider if they are not on the register. The employer will only be able to nominate a new provider if they can show that no registered providers could meet the gap in provision.³⁴

The DfE can require training providers to re-apply for readmission to the register if they are not complying with the register's [conditions of acceptance](#), and providers may be removed if it is determined that they are a [higher risk provider](#).³⁵

³¹ ESFA, [Register of apprenticeship training providers: policy information](#), 16 August 2022

³² DfE, [Joining the APAR as an end-point assessment organisation](#), 9 February 2024

³³ DfE, [Apply to the APAR as an apprenticeship training provider](#), 1 August 2023

³⁴ An exception to this rule applies to subcontractors (see paragraph 187.3 on page 85 of the ESFA guidance [2023 to 2024 apprenticeship funding rules](#))

³⁵ DfE, [APAR conditions of acceptance](#), 26 September 2023

2 The apprenticeship levy

2.1 What is the apprenticeship levy?

The apprenticeship levy was announced at the Summer Budget 2015 in which the government explained that extra funding was needed to increase the quantity and quality of apprenticeships:

The most successful and productive economies in the world are committed to developing vocational skills. That is why the government has committed to significantly increase the quantity and quality of apprenticeships in England to 3 million starts this Parliament, putting control of funding in the hands of employers.

This goal will require funding from employers. In recognition of this, the government will introduce a levy on large UK employers to fund the new apprenticeships. This approach will reverse the long-term trend of employer underinvestment in training, which has seen the number of employees who attend a training course away from the workplace fall from 141,000 in 1995 to 18,000 in 2014.³⁶

Legislation was introduced in the 2016 Finance Act.³⁷

On 6 April 2017 the levy came into effect 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. The levy is paid into an apprenticeship service account, and funds in this account have to be spent on apprenticeship training and assessment.³⁸

In the 2022-23 academic year, 68% of apprenticeship starts were supported by levy funds.³⁹

Who pays it?

Employers pay the levy if they either:

- have an annual pay bill of more than £3 million; or

³⁶ HM Treasury, [Summer Budget 2015](#), 8 July 2015,

³⁷ [Finance Act 2016](#), Part 6, 15 September 2016

³⁸ HMRC, [Pay Apprenticeship Levy](#), 6 September 2022, p60

³⁹ GOV.UK Explore Education Statistics, [Apprenticeships](#), 13 June 2024

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

An employer's annual pay bill is calculated as payments to all employees that are subject to employer [Class 1 secondary National Insurance contributions](#) (NICs).

Employers will report and pay their levy to HMRC each month through the [PAYE process](#), at the same time as they pay any income tax and National Insurance contributions that are due.

It is up to the employer to work out how much they need to pay and to inform HMRC of this amount. The HMRC [Pay Apprenticeship Levy](#) guidance says that employers will need to do so if:

- their pay bill in the previous tax year was greater than £3 million
- they think their pay bill in the current tax year will be greater than £3 million
- if their annual pay bill unexpectedly increases to more than £3 million

In the 2022/23 financial year, 44,200 employers paid the apprenticeship levy.⁴⁰ As of March 2023, 2% of employers were paying the levy.⁴¹

How much will an employer pay?

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. Connected companies or charities will pay an amount based on their combined payroll, but will only have one annual allowance of £15,000 for all the connected companies or charities within their group.

The allowance means that only those employers (or connected companies/charities) with an annual pay bill of over £3 million have to pay the levy. This is because 0.5% of a £3 million pay bill is £15,000, which is equal to the levy allowance.

The monthly amount the employer will need to pay will be dependent on each month's pay bill. If they had a higher pay bill in one month, then they would pay a higher amount of levy in this month.

For example, an employer with a pay bill of £500,000 in one month would pay £1,250. This is calculated by taking 0.5% of £500,000 (which is £2,500) and then removing the monthly levy allowance of £1,250 (which is the annual levy allowance of £15,000 divided by 12). If in a subsequent month their pay bill was £250,000 then they wouldn't pay any levy in this month (as 0.5% of £250,000 is equal to the monthly levy allowance of £1,250).

⁴⁰ [PQ 11719](#), 1 February 2024

⁴¹ DfE, [How are apprenticeships funded and what is the apprenticeship levy?](#), 10 March 2023

Individuals or companies who only employ people for part of the financial year will still receive the full £15,000 allowance, and will have a higher levy allowance for the first month.

For example, if a company starts up in August and it believes its annual pay bill for that tax year will be over £3 million, it must begin reporting and paying the levy from that month. It is still entitled to the full annual levy allowance of £15,000, pro-rated over the 12 months of the tax year (so £1,250 per month), and in the first month it will receive the total of the year-to-date pro-rated payments. Therefore, the company's pro-rated levy allowance for August will be £6,250 (£1,250 x 5).

Unused allowance can be carried forward over months in the same financial year, but not into a new financial year.

What happens to the money paid into the levy?

Levy-paying employers will 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.⁴²

Once apprenticeship training has started, monthly payments will be automatically taken from the employer's service account, and the training and assessment provider will then receive payments from the ESFA.⁴³

What can the money in the apprenticeship service account be spent on?

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.⁴⁴

Will the Government provide any additional top-ups to the money in a service account?

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.⁴⁵

For example, if an employer makes a levy payment of £200 per month, then the Government will top up this payment by £20.

⁴² ESFA, [How to register and use the apprenticeship service as an employer](#), 1 June 2022

⁴³ ESFA, [Using the apprenticeship service as a training provider](#), 9 September 2021

⁴⁴ DfE, [Apprenticeship funding rules and guidance for employers August 2022 to July 2023](#), July 2022, p49

⁴⁵ Apprenticeships.gov.uk, [Funding an apprenticeship for levy payers](#) (accessed 4 October 2022)

Do the funds in the service account expire?

The funds will expire 24 months after they enter the service account.⁴⁶

Whenever a payment is taken from the service account, it will automatically use funds that entered the account first to try to minimise the amount of expired funds.

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

Can an employer transfer their levy to another employer?

Employers are able to transfer unused apprenticeship funds to other employers. The amount of levy that employers can transfer was increased to 50% of their levy funds in April 2024, and employers can make as many transfers as they wish.⁴⁷

The employers receiving the transferred funds will be able to use it to pay for the training and assessment costs of their apprenticeships. They can generally only be used to pay for a new apprenticeship start, and will pay for the full cost of that apprenticeship.⁴⁸

Employers can make a transfer to a specific business, or they can pledge the amount of money they wish to transfer and a business can then apply for these funds. If an employer chooses to create a transfer pledge, then they can set their 'priorities' for the business that receives this funding. They are able to restrict the businesses that can receive the funding to a particular location, sector, type of job role or apprenticeship qualification level.

The DfE explain some of the reasons why an employer may choose to transfer levy funds:

Transferring levy funds is a way of supporting other businesses by deciding which sectors, skills or local areas you'd like to fund.

For example, you could support the engineering sector across England, or fund digital apprenticeships in your local area, or support any apprenticeships in a particular town or city.

Prior to the increase in April 2024, employers were able to transfer a maximum amount of 25% of their annual funds. It was increased to 25% in April 2019, and before this only 10% of unused levy funds could be transferred to another employer.⁴⁹

⁴⁶ GOV.UK, [Get help with the apprenticeship service: Expired Funds](#), 3 December 2021

⁴⁷ DfE, [Transferring your apprenticeship levy to another business](#), 22 April 2024

⁴⁸ DfE, [Receive a levy transfer from another business to fund an apprenticeship](#), 27 September 2021

⁴⁹ [PQ HL12348](#), 20 December 2018

When the levy was first introduced, transfers could only be made to one other employer, but since July 2018 they have been allowed to multiple employers.⁵⁰

Almost £47 million was pledged between September 2021 and June 2024.⁵¹

In the 2022/23 financial year, 580 levy paying employers transferred funds to non-levy paying employers, which was 2.7% of all levy paying employers.⁵² 270 of those transferred the full allowance (1.4% of levy paying employers).⁵³

As of June 2024, around 8,500 apprenticeships in the 2023/24 academic year had been funded by transfers from levy paying employers, and around 5,000 of these were apprenticeships in non-levy paying employers.⁵⁴

2.2 How much has been raised by the levy?

The table below shows how much has been raised by the levy in every year since it was introduced.

Apprenticeship levy revenue 2017/18 to 2023/24	
Financial Year	Amount raised (£bn)
2017/18	2.27
2018/19	2.71
2019/20	2.80
2020/21	2.91
2021/22	3.21
2022/23	3.58
2023/24	3.84

Source: [HMRC tax receipts and National Insurance contributions for the UK](#)

In 2023/24, £3.8 billion was collected by HMRC through the levy.⁵⁵

Scotland, Wales and Northern Ireland all receive a share of this funding, and the remainder is made available for investment in apprenticeships in England. Section 6 of this briefing provides further information on how the government funds apprenticeships.⁵⁶

⁵⁰ DfE, [Greater flexibility for apprenticeship levy as transfers extended](#), 26 June 2018

⁵¹ DfE Explore Education Statistics, Apprenticeships and traineeships (accessed 20 September 2024)

⁵² [PQ 12845](#), 12 February 2024

⁵³ [PQ HL975](#), 21 December 2023

⁵⁴ DfE Explore Education Statistics, Apprenticeships and traineeships (accessed 20 September 2024)

⁵⁵ HMRC, [HMRC tax receipts and National Insurance contributions for the UK](#), 22 May 2024

⁵⁶ [PQ 162268](#), 14 March 2023

2.3 Apprenticeship levy in specific work sectors

The Government publishes [guidance on paying the Apprenticeship levy](#) which includes a section on whether the apprenticeship levy applies in specific sectors.⁵⁷

Schools

Only some schools will pay the levy, and whether they do will primarily depend on whether the employer of the staff who work within the school has an overall pay-bill of over £3 million:⁵⁸

- The governing body employs the staff in **voluntary-aided schools, foundation schools, free schools and academies**. Like other employers, these schools will pay the levy if they have a pay bill of over £3 million per year.
- The local authority employs the staff in **other maintained schools**, and therefore the local authority would be responsible for paying the levy for schools under their control. Each local authority with a pay bill of greater than £3 million will pay the levy. These local authorities will most likely pass the cost of the levy onto schools.
- **Multi-academy trusts** will pay the levy if the pay bill for all the schools within the trust is greater than £3 million, and they will get a single annual allowance of £15,000.
- **Independent schools** will pay the levy if their annual pay bill is over £3 million per year.

The Department for Education estimated that in 2018-19 to 2019-20, around half of academy trusts, 90% of Multi-academy trusts (MAT) and 10% of foundation and voluntary-aided schools would be affected by the levy. It suggests that it would add costs of 0.4% to schools that pay the levy.⁵⁹

How will schools use it?

In those schools where the governing body employs the staff, they will be able to use their levy funding by employing an apprentice like any other levy-paying organisation.

For those schools where the employer is the local authority or a MAT, the local authority/MAT will have responsibility for making arrangements so that schools have access to the relevant funds if they wish to take on an apprentice.

⁵⁷ HMRC, [Pay Apprenticeship Levy](#), 6 September 2022

⁵⁸ ESFA, [Apprenticeships for the school workforce](#), 13 July 2021

⁵⁹ DfE, [Schools' costs 2018-19 to 2019-20](#), February 2018, pp12-13

Local authorities and MATs could also transfer unused levy funding to other schools. West Sussex County Council, for example, have said they can fund apprenticeship training for all schools in the county using unused funding.⁶⁰

Construction and Engineering Construction Industries

Employers within the construction industry are already required to pay the [Construction Industry Training Board levy](#), while those in the engineering construction industry pay the [Engineering Construction Industry Training Board levy](#). The funds collected through these levies is used to provide training to the whole industry.

These employers will also need to pay the apprenticeship levy if their annual pay bill exceeds £3 million.⁶¹

Recruitment agencies and other employers who supply labour

Employers who supply labour to clients and pay National Insurance contributions for those workers will be liable to pay the levy, if their annual pay bill exceeds £3 million.⁶²

The Recruitment and Employment Confederation (REC), a body representing UK recruitment businesses, has continually called for the levy to be reformed since its introduction. They have expressed concerns about how the levy impacts on recruitment agencies which provide temporary agency workers to clients.⁶³

Agencies that specialise in temporary workers usually retain the temporary agency worker on their payroll. Therefore these companies can have payrolls over the £3million threshold despite small number of staff working directly for the company.⁶⁴ The REC argues that this means that small to medium sized recruiters, specialising in temporary agency workers, will be unfairly captured by the levy. The REC also argues that opportunities to take advantage of apprenticeships are limited for recruitment agencies specialising in temporary employees. This is because apprenticeships tend to last longer than agency workers are contracted for.⁶⁵

Concerns also have been raised by the trade bodies representing freelancers, contractors and umbrella companies who fear that this will

⁶⁰ West Sussex County Council, [Transfer of Apprenticeship Training Funding to other schools](#) (accessed 6 October 2022)

⁶¹ HMRC, [Pay Apprenticeship Levy](#), 6 September 2022

⁶² HMRC, [Pay Apprenticeship Levy](#), 6 September 2022

⁶³ REC, [REC Budget Submission](#), 11 March 2022

⁶⁴ REC, [Government Policy Fails Almost One Million Temporary Workers](#), 1 July 2019

⁶⁵ REC, [Industry Leaders Call on George Osborne to Make Apprenticeship Levy Fair](#), 23 May 2016

disproportionately impact on the employers that they represent as they have artificially high payrolls.

In response to a 2016 Parliamentary Question, the government said that excluding agency workers from the levy would create “adverse incentives to hire all staff off-payroll”.⁶⁶

2.4

Can employers reduce their employees’ wages to pay for the levy?

Section 109 of the Finance Act 2016 says that the earnings of those working for an employer cannot be decreased to pay for the levy. This applies to an employer who is liable to pay any secondary Class 1 National Insurance contributions under Part 1 of the Contributions and Benefits Act.⁶⁷

⁶⁶ [PQ 42076](#), 6 July 2016

⁶⁷ [Finance Act 2016](#), section 109, 15 September 2016

3 Apprenticeship funding

The existing apprenticeship funding system for England was put in place in May 2017. The Department for Education and the Education and Skills Funding Agency began consultation on proposals for changes to apprenticeship funding on 12 August 2016.⁶⁸ The final funding policy was published on 25 October.⁶⁹

3.1 How apprenticeships are funded

This section explains how apprenticeship standards were being funded at the date of publication. This is largely similar to how they have been funded since May 2017, although the section below explains changes that have been made since then. Any apprenticeship frameworks that have been started since May 2017 have been funded in the same way as standards. A summary of the changes that have been put in place since 2017 and an explanation of how apprenticeship frameworks were previously funded is provided in the appendix.

Apprenticeships are generally funded in the following way:⁷⁰

- Each apprenticeship standard is associated with a funding band. The upper limit of this band represents the maximum the Government will contribute towards training and assessment costs of the apprenticeship.
- Employers and training providers negotiate a price for training and assessment.
- Apprenticeship levy funds will be 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 will pay 5% of the cost of training and assessment with the government contributing the remaining 95% (up to the upper limit of the funding band). They can also use levy funds that have been transferred to them by a levy paying employer, although these will need to cover 100% of the training and assessment costs.

⁶⁸ DfE/SFA, [Views sought on plans to boost apprenticeships](#), 12 August 2016

⁶⁹ DfE, [New apprenticeship funding to transform investment in skills](#), 25 October 2016

⁷⁰ DfE, [Apprenticeship funding](#), 28 March 2024

- Training and assessment costs above the upper limit of the funding band will be paid for separately by the employer. Levy paying employers will not be able to use levy funds.
- Additional payments may be paid to the employer and training provider depending on the characteristics of the apprentice and the type of apprenticeship.

Funding bands

All apprenticeship standards are placed within a funding band, and new standards will be placed in a funding band as they become ready for use by employers. As of August 2024, the upper limits of these bands ranged from £1,500 to £27,000.⁷¹

The upper band sets in place a maximum that the government is prepared to spend on training and assessment for that apprenticeship. The Government has said that one of the aims of doing this is so that employers will take this upper limit into consideration when negotiating the price of training and assessment. Employers are able to spend more than the upper limit of the funding band, but the employers must meet the extra cost themselves and pay the training provider directly.

The funding bands do not have lower limits.

Levy paying employers

Employers who pay the levy will use the funding in their levy account to pay for training and assessment, but they will only be able to use levy account funds up to the upper limit of the funding band for that apprenticeship. If the costs are greater than the upper limit then the employer will need to pay the remaining costs from outside the levy account.⁷²

If the cost of training and assessment is higher than the amount of funding that the employer has in their levy account then the employer will pay 5% of the remaining cost and the government will provide 95%, up to the upper limit of the relevant funding band.

Non-levy paying and small employers

Employers who do not pay the levy pay 5% of the cost of training and assessment, and the government will provide the remaining 95% up to the upper limit of the relevant funding band.⁷³

From April 2024, the government has paid all the costs if the apprentice is aged 16-18, up to the funding band maximum. The government will also pay

⁷¹ DfE, [Apprenticeship funding](#), 28 March 2024

⁷² ESFA, [2024 to 2025 apprenticeship funding rules](#), 17 June 2024, p69

⁷³ DfE, [Apprenticeship funding](#), 28 March 2024

all of the costs for any apprentice aged between 19 and 24 who has previously been in care or who have a Local Authority Education, Health and Care plan.⁷⁴

Prior to April 2024, the government only paid all the costs for these apprentices if the employer had less than 50 people working for them.

Cap for non-levy paying employers

A cap has previously been in place that restricted the number of apprenticeships that the government will co-invest in for each non-levy paying employer, although this cap was removed in April 2023 meaning that there are currently no restrictions in place.⁷⁵

Prior to April 2023, non-levy paying employers were only able to reserve funds for up to 10 apprenticeship starts.

Apprenticeships that were funded using levy funds that had been transferred from levy-paying employers did not count towards the cap.

Additional payments for apprentices, employers and training providers

Both employers and training providers will receive £1,000 from the government for every apprentice they take on who is either aged between 16 and 18, or aged between 19 and 24 and has previously been in care or who have a Local Authority Education, Health and Care plan. This will be paid in two instalments of £500, the first of which will be paid after the first three months and the second will be paid after 12 months. This payment reflects the extra support that these apprentices generally need, and the costs associated with this support.⁷⁶

Apprentices who are care leavers can also access additional financial support when they start an apprenticeship. Apprentices aged 16-24 who have been in the care of their Local Authority will receive a £1,000 bursary.⁷⁷

Other rules of apprenticeship funding

Funding in England and other parts of the United Kingdom

Apprenticeship training will be funded through the English system if the apprentice's main place of employment is in England, even if the apprentice lives outside England.⁷⁸

The only exceptions to this rule are Armed Forces and Royal Fleet Auxillary personnel who are treated as based in England wherever they are based in

⁷⁴ ESFA, [2023 to 2024 apprenticeship funding rules](#), 17 June 2024, p76

⁷⁵ GOV.UK, [Reserving apprenticeship funding for employers who do not pay the levy](#), 23 April 2024

⁷⁶ DfE, [Apprenticeship funding](#), 28 March 2024

⁷⁷ ESFA, [2024 to 2025 apprenticeship funding rules](#), 17 June 2024, p57

⁷⁸ ESFA, [2024 to 2025 apprenticeship funding rules](#), 17 June 2024, p8

the UK, and apprentices whose occupation involves significant travel outside of the UK but have an identified work location in England.

Scotland, Wales and Northern Ireland have their own arrangements for supporting apprenticeships.

Funding apprentices with prior qualifications

Employers will be able to use funds in their levy account, or access government funding support, if the apprenticeship will provide a qualification at a higher level than the apprentice currently holds. These funds will also be available if the apprenticeship would enable the apprentice to acquire substantive new skills, even if the qualification is at a lower level than the qualification the apprentice already holds.⁷⁹

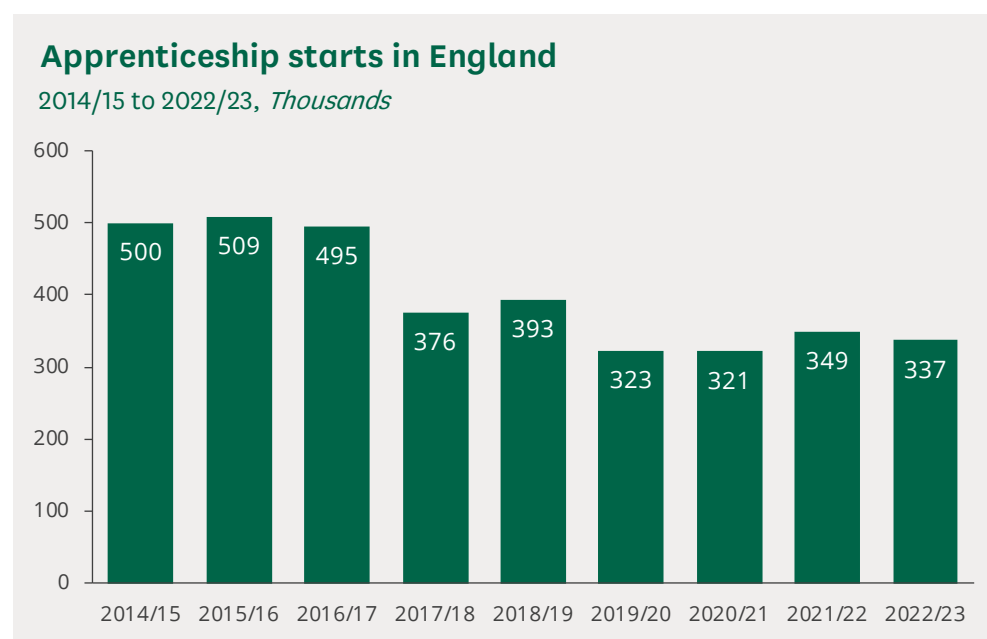
⁷⁹ As above, p11

4 Impact of the funding changes

Following the introduction of the funding changes in 2017 there was a large fall in the number of apprenticeship starts, as well as changes in the types of apprenticeships that people were starting.

4.1 Apprenticeship starts

There was a large fall in starts following the introduction of the levy, and as shown in the chart below, the number of starts in the most recent academic years remains below their pre-levy levels. There were over 150,000 fewer starts in 2022-23 than the pre-apprenticeship levy year of 2016-17.



Source: DfE Explore education statistics, [Apprenticeships and traineeships](#)

Further analysis of the impact of the levy and the pandemic on apprenticeship starts, including an analysis by age and level, can be found in the Library briefing, [Apprenticeship statistics for England](#).

4.2 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) said in May 2018 that “the system just isn’t working”. For smaller businesses they report that the new system has “added to the barriers, complexity and cost of recruiting and training staff”, while for larger businesses they report 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”.⁸⁰

The Chartered Management Institute (CMI) said 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 did however also state that they did not want it to be scrapped.⁸¹

The Institute of Directors also called for businesses to have more flexibility in how they use their levy funds.⁸²

The Manufacturers Organisation, EEF, published a report [A Levy Price to Pay? The Apprenticeship Levy One Year](#), that said 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 have “faced challenges” with the levy, and that 95% of manufacturers want 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.⁸³

Despite these reports, there was still support across the business sector for the levy. 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” states 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”.

4.3 How did the government respond?

In May 2018, the government responded to initial criticism of the apprenticeship levy and other reforms by saying that the quality of apprenticeships has improved since the reforms were introduced, but that employers were still adjusting to the new funding system:

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

⁸⁰ British Chamber of Commerce, [BCC: Evidence of need for Apprenticeship reform mounting](#), May 2018

⁸¹ Financial Times, [Drop in UK apprenticeships draws calls for reform](#), 17 May 2018

⁸² As above

⁸³ British Chamber of Commerce, [Apprenticeship Levy reform 10-point plan](#), June 2018

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.⁸⁴

It also stated that “the number of people taking up these new, higher-quality apprenticeships has increased rapidly beyond our expectations”.⁸⁵

In February 2018, the 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 and then to 50% in April 2024. It also reduced the contribution of non-levy paying employers towards the cost of training and assessment from 10% to 5% in April 2019.

4.4

Reasons why the number of apprenticeship starts has fallen

There are several possible reasons why apprenticeship starts fell, and differing views on which of these caused the fall. These reasons include the following:

- **Complexity of the levy:** some commentators 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 reported that only 7% of manufacturers faced “no challenges” with the levy.⁸⁶
- **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.⁸⁷
- **Requiring non-levy payers to pay 5-10% of apprenticeship costs:** smaller employers who do not pay the levy had, at first, to pay 10% of apprenticeship training and assessment costs, although this was reduced to 5% in April 2019. When coupled with increases in the minimum wage, this can mean that the cost of an apprenticeship to a

⁸⁴ [HC Deb](#), 14 May 2018, c3

⁸⁵ Financial Times, [Calls for changes to levy scheme after apprenticeship starts tumble](#), 14 June 2018

⁸⁶ EEF, [A Levy Price to Pay? The Apprenticeship Levy One Year On](#)

⁸⁷ Glasgow Chamber of Commerce, [BCC: Evidence of need for Apprenticeship reform mounting](#), May 2018

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”.⁸⁸

- **The 20% training commitment:** some employers suggested that the 20% off-the-job training commitment was 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 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.^{89 90}
- **A lack of suitable apprentices:** the City & Guilds have reported that this was the most commonly stated ‘blocker’ for using levy funds.⁹¹
- **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.⁹²

4.5

Has the quality of apprenticeships improved?

As reported above, the Government has said that since the introduction of the levy and the other funding changes, the quality of apprenticeships has improved.

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

More apprenticeship starts on standards

In 2016-17 only 5% of apprenticeship starts were on standards, but since then the proportion has increased year by year. Since July 2020, all starts have been on standards.⁹³

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

⁸⁸ As above

⁸⁹ TES, [Off-the-job training concerns still holding back apprenticeship starts](#), March 2018

⁹⁰ City of Guilds, [Flex for success?](#), January 2019, p12

⁹¹ As above

⁹² As above

⁹³ DfE Explore Education Statistics, [Starts for 'Subjects and levels - detailed series' for Framework and Standard in England between 2016/17 and 2021/22](#) (accessed 1 November 2022)

apprentice having achieved a qualification, but not necessarily having the skills they need to work in that profession.⁹⁴

Range of professions

The National Audit Office has reported that the range of professions of apprenticeships has widened since the introduction of the employer-led standards:⁹⁵

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.

Training

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

The government reported that this led to a 26% rise in average expected apprenticeship training hours in the year to October 2019.⁹⁶

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).

In 2017/18, 48,150 (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.

Since then the number of starts that are at higher level have increased in every year, and 36% of starts have been at this level in 2023/24.

In April 2019, the government “welcomed” the increase in higher level apprenticeships, although also said that it is “conscious of the challenges it presents”.⁹⁷

Further analysis of apprenticeship starts can be found in the library briefing paper [Apprenticeship statistics for England](#).

⁹⁴ Institute for Apprenticeships and Technical Education, [Apprenticeship frameworks and standards: the main differences](#), August 2017

⁹⁵ National Audit Office, [The apprenticeships programme](#), 6 March 2019, p30

⁹⁶ [PQ 1612](#), 24 October 2019

⁹⁷ [PQ 239284](#), 8 April 2019

4.6

Further concerns

This section highlights some of the other concerns that have been raised about apprenticeships in recent years.

Rebadging training as apprenticeships

Although the government has said 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.

The National Audit Office has reported that some levy-paying employers have replaced their professional development programmes with apprenticeships.⁹⁸ 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.⁹⁹

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:¹⁰⁰

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.

The National Audit Office also raised concerns 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 double what was expected. They concluded that this means it is “more likely that the programme will overspend in future”.¹⁰¹

Rebadging low skill roles as apprenticeships

Concerns have also been raised that low skill job roles that require minimal training have also been rebadged as apprenticeships. EDSK found that many apprenticeship vacancies were for jobs that could be performed with minimal

⁹⁸ National Audit Office, [The apprenticeships programme](#), 6 March 2019, p9

⁹⁹ EDSK, [Runaway training](#), January 2020, p2

¹⁰⁰ National Audit Office, [The apprenticeships programme](#), 6 March 2019, p30

¹⁰¹ Ibid, p7

training, and which do not require the training that would be provided in a year long apprenticeship.¹⁰²

EDSK also found that a considerable proportion of apprentices were not receiving the training that they were entitled to.

High drop out rates

In each of the last three full academic years, more than 40% of apprenticeship leavers have dropped out of their apprenticeship.¹⁰³

In the 2022/23 academic year, of the 293,400 leavers, 164,700 (56%) had completed their apprenticeship. 160,100 achieved their apprenticeship, meaning that they passed their end-point assessment, and so the achievement rate for this year was 55%.

In a March 2024 letter to the apprenticeship sector, the then Skills Minister Robert Halfon said that the government remained committed to a 67% apprenticeship rate by the end of the 2024/25 academic year. He also said that IfATE would take steps to improve or remove apprenticeship standards which are underused or have high drop off rates.¹⁰⁴

The Learning and Work Institute's October 2022 report [Apprenticeships Outcomes and Destinations](#) looked at the reasons why apprentices withdraw from their apprenticeships. Over a third of respondents (37%) to the survey conducted for this report said they had withdrawn due to a lack of support from their tutor. Other common reasons given were poor course organisation/change to logistics (32%), high workload (29%), a lack of support from their tutor (26%) and poor-quality teaching (24%).¹⁰⁵

Funding for small employers

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

In a January 2020 interview with the Financial Times, Jennifer Coupland, the chief executive of the Institute for Apprenticeships and Technical Education, said that there was insufficient money available for these businesses and that the government needed to provide more support.¹⁰⁶

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

Research from August 2019 that was carried out by the Association of Employment and Learning Providers found that three out of four

¹⁰² EDSK, [No train, no gain](#), November 2022

¹⁰³ DfE Explore education statistics, [Apprenticeships and traineeships](#), 12 September 2024

¹⁰⁴ DfE, [Apprenticeship standards achievement rate ambition](#), 21 March 2024

¹⁰⁵ Learning and Work Institute, [Apprenticeships Outcomes and Destinations](#), 24 October 2022

¹⁰⁶ Financial Times, [Apprenticeships chief urges plugging of funds gap](#), 22 January 2020

apprenticeship training providers could 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.¹⁰⁷

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.¹⁰⁸

In the article, it was reported that the number of further education and skills providers increased by 63% between 2017 and 2019, and the number of independent learning providers has more than doubled from 500 to more than 1,200.

Concerns were 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.¹⁰⁹

4.7

Future reform of the levy

The Labour government has said that it will reform the apprenticeship levy. The proposed Growth and Skills Levy will allow employers to use levy funding to fund a wider range of training.¹¹⁰

The Conservative government had ruled out a formal review of the apprenticeship levy, and instead said that it would look to make "further improvements" in response to concerns that were raised by employers.¹¹¹

A number of bodies within the apprenticeships and skills sector have called on the apprenticeship levy to be widened so that funding from the levy could also be used on non-apprenticeship training.

The Learning and Work Institute have called for a 'flex and match' skills levy. Employers would be able to use levy funds for training outside of

¹⁰⁷ AELP, [Levy shortage starving small firms of apprenticeships poses early test for Johnson campaign pledge](#), 9 August 2019

¹⁰⁸ FE Week, [At Ofsted we find little evidence apprentices are actually moving up the levels](#), 5 February 2020

¹⁰⁹ National Audit Office, [The apprenticeships programme](#), 6 March 2019, p10

¹¹⁰ DfE, [Prime Minister overhauls apprenticeships to support opportunity](#), 24 September 2024

¹¹¹ [PQ 18883](#), 20 June 2022

apprenticeships, but the amount they could spend would be limited to the amount they spend on apprenticeships for young people.¹¹²

The Lifelong Education Institute has said that the government should explore options for broadening the levy into a ‘flexible skills levy’, which would support investment in other vocational training activities.¹¹³

The Confederation of British Industry (CBI) has called for a ‘skills challenge fund’ which would allow employers to spend their levy funds “on any training that is part of regulated qualification or accredited training course”.¹¹⁴

The British Chambers of Commerce (BCC) has called for the levy to be more flexible and enable employers to train more people.¹¹⁵

In March 2022, the Institute of Directors (IoD) called on the government to reform the levy, and enable levy funds to be used for non-apprenticeship related training.¹¹⁶

The Institute of Fiscal Studies (IFS) have also said that there ‘may be a case’ for broadening how levy funds can be used, although that this would come with ‘significant risk of deadweight loss’. In their October 2023 report [Investment in training and skills](#), the IFS called for the levy to be reformed so that all employers would be able to access the same proportion of levy funding (called the subsidy rate). They argue that levy payers can access funding equal to 110% of the amount of levy paid, while non-levy payers receive a subsidy for 95% of the cost of apprenticeship training and must cover the remaining 5% themselves. They have called for all employers to have the same subsidy rate which would be set at a lower rate than the current rates.¹¹⁷

In their September 2022 report [The Future of the Apprenticeship Levy](#), the Chartered Management Institute (CMI) have said that the barriers to the use of apprenticeships for young people are mainly due to the apprenticeship system rather than the levy, with capacity constraints a particular barrier. They have called on the government to consult on widening the levy at a lower rate for more employers, potentially alongside wage subsidies. They have also recommended that an Apprenticeships Opportunity Fund should be set up which would be funded partly by levy funds.¹¹⁸

¹¹² Learning and Work Institute, [Flex and match: a new Skills Levy for growth and opportunity](#), 7 June 2024

¹¹³ Lifelong Learning Institute, [The Pathway to Lifelong Education: Reforming the UK's Skills System](#), 4 October 2021, p56

¹¹⁴ CBI, [Apprenticeships are good, the Apprenticeship Levy needs to work better](#), 26 September 2023

¹¹⁵ British Chamber of Commerce, [Unlocking the power of British business](#), 30 August 2023

¹¹⁶ Institute of Directors, [IoD urges Government to increase incentives for workplace training in skills shortage areas](#), 14 March 2022

¹¹⁷ IFS, [Investment in training and skills Green Budget 2023 - Chapter 9](#), 12 October 2023

¹¹⁸ Chartered Management Institute, [The Future of the Apprenticeship Levy](#), September 2022

5 Government budget for apprenticeships

Section 5 of this paper explains how apprenticeship funding is provided to employers and training providers. This section explains how this is funded by the Government.

5.1 Apprenticeship levy

As explained in section 3.1, the apprenticeship levy is paid by all employers in the UK if their payroll costs are over £3 million per year. The funding collected by the levy is used to pay for the cost of apprenticeships in England, while some of the funding will also be devolved to other countries within the UK.

Levy-paying employers provide their levy contributions to the Treasury through PAYE. £3.8 billion was raised through the apprenticeship levy in the year ending 31 March 2024, and the Office for Budget Responsibility (OBR) has forecast that £4.6 billion will be raised by the levy in 2028/29.^{119 120}

For the first three years after the levy was introduced, the devolved administrations had allocated budgets from the levy, and [£460 million was devolved in 2019/20](#).^{121 122} As £2.8 billion was collected through the levy in 2019/20, this would suggest that around 16% of levy funds were devolved to Wales, Scotland and Northern Ireland in that year, with the remaining 84% remaining in England.

From 2020/21 onwards, the amount of revenue that has been collected by the apprenticeship levy and allocated to the devolved administrations has been determined by the Barnett formula.¹²³ Since then the UK Government has not published any data showing the amount of levy revenue that has been devolved. The Library briefing [The Barnett formula and fiscal devolution](#) explains how the Barnett formula works.

¹¹⁹ HMRC, [HMRC tax receipts and National Insurance contributions for the UK](#), 21 August 2024

¹²⁰ OBR, [Economic and fiscal outlook](#), March 2024

¹²¹ HM Treasury, [UK government agrees apprenticeship levy funding deal with devolved administrations](#), 14 November 2016

¹²² [PQ HL10977](#), 6 November 2018

¹²³ [PQ HL8009](#), 5 June 2023

5.2 The budget for apprenticeships in England

The Treasury allocates an apprenticeship budget to the Department for England (DfE) to fund the apprenticeship programme in England. The government reported that the apprenticeship budget in 2022/23 was £2.55 billion.¹²⁴

The government said in the response to [PQ 142995](#) (2 February 2021) that the apprenticeship budget is not dependent on income from the levy, but will be set at a level to fund demand for apprenticeships:¹²⁵

In each of the 2019-20 and 2020-21 financial years, the annual budget available for investment in apprenticeships in England was set at almost £2.5 billion, which is double that spent in the 2010-11 financial year. This budget is agreed in advance with Her Majesty's Treasury and is set at a level to fund employer demand for apprenticeships; it is not dependent on income from the levy and does not equate to the funds in employer's apprenticeship service accounts.

When an employer draws from its levy account, it effectively draws down funding from the fixed, annual apprenticeships budget. We do not anticipate that all employers who pay the levy will need or want to use all the funds in their accounts, though they are able to do so.

The DfE's apprenticeship budget is used to pay for the training and assessment costs of both levy and non-levy paying employers. As explained in the response to [PQ HL1896](#) (1 August 2022), this is based on the assumption that levy-paying employers will not use all their levy funds and that unspent funds can be used to fund apprenticeships involving non-levy paying employers.¹²⁶

We do not anticipate that all employers who pay the levy will need or want to use all the funds available to them, but they are able to if they wish. As well as funding new apprenticeships in levy-paying employers, income from the levy funds new apprenticeships in employers that do not pay the levy, existing apprentices that started in previous years, English and maths tuition for apprentices and additional payments to employers, providers and apprentices.

This means that levy-paying employers pay for the cost of apprenticeship training for non-levy paying employers.¹²⁷

¹²⁴ [PQ 201370](#), 18 October 2023

¹²⁵ [PQ 142995](#), 2 February 2021

¹²⁶ [PQ HL1896](#), 1 August 2022

¹²⁷ HM Treasury, [Spring Statement 2022](#), 23 March 2022, p38

Despite this, the Government has said that the amount of funding that is available for non-levy payers is not affected by the value of levy funds that expire.

5.3

Underspend of the budget

The table below shows apprenticeship levy revenue, the DfE's apprenticeship budget and ESFA spend on apprenticeships from 2017/18 to 2024/25.

Apprenticeship budget and expenditure					
Financial Year	Apprenticeship levy revenue (Bn)	Ring-fenced DfE apprenticeship budget (Bn)	Total DfE apprenticeship spend (Bn)	Underspend (Mn)	
2017/18	2.271	2.010	1.586	424	
2018/19	2.713	2.231	1.738	493	
2019/20	2.798	2.469	1.919	550	
2020/21	2.910	2.467	1.863	604	
2021/22	3.213	2.467	2.455	12	
2022/23	3.580	2.554	2.464	90	
2023/24	3.841	2.585	2.512	73	
2024/25		2.729			

As shown in the table above, there was quite a large underspend in the apprenticeship budget between 2017/18 and 2020/21, with the number of starts being impacted by the 2017 funding changes and the start of the coronavirus pandemic in 2020.

The underspend has been much smaller from 2022/23 onwards. Just under 100% of the budget was spent in 2022/23, and 96% was spent in 2022/23 and 97% in 2023/24.

One of the ways in which the DfE can ensure it does not spend more than the budget is by capping the number of apprenticeships that non-levy paying employers can take on. There is currently, however, no cap in place. Further information on this cap is provided in section 4.1.

6 Policy developments since 2015

This section contains information on the key policy developments that have been put in place since 2015. Policy developments that were implemented prior to 2015 are included in separate library briefing papers (see section 4).

6.1 Skills for Jobs White Paper

Various apprenticeships initiatives were announced as part of the January 2021 [Skills for Jobs White Paper](#).¹²⁸

Flexi-job apprenticeships

In the White Paper, the Government reported that some employers are unable to commit to offering apprenticeships for 12 months, and therefore it was testing the idea of “sectoral apprenticeship agencies”. These would allow people to move between work placements during their apprenticeship, and support those employers who predominantly offer short-term, project-based employment to be able to offer apprenticeships.¹²⁹

On 3 August 2021, the flexi-job apprenticeship offer was launched with £7 million of funding across 2021/22 and 2022/23. From this date, sector bodies, groups of employers and other interested organisations were able to register as flexi-job apprenticeship agencies. Organisations were able to apply for between £100,000 and £1 million to set up the agencies.¹³⁰

These agencies employ an apprentice directly for the duration of their apprenticeship and arrange placements with different employers.¹³¹

15 organisations were initially admitted onto the register of flexi-job apprenticeship agencies and £5 million of funding was made available to 11 of these organisations.¹³² Other organisations were able to apply to be admitted

¹²⁸ DfE, [Skills for jobs: lifelong learning for opportunity and growth](#), 21 January 2021

¹²⁹ DfE, [Skills for Jobs: Lifelong Learning for Opportunity and Growth](#), 21 January 2021, p22

¹³⁰ DfE, HM Treasury, DCMS, [Cash boost to create new flexible approach to apprenticeships](#), 3 August 2021

¹³¹ ESFA, [Flexi-job apprenticeship offer](#), 3 August 2021

¹³² FE Week, [Revealed: Organisations named the first flexi-job apprenticeship agencies](#), 10 February 2022

onto the register in September 2022, and in April/May 2023.¹³³ As of June 2024, the register included 40 providers.¹³⁴

As of June 2024, there had been 1,690 reported starts through flexi-job apprenticeship agencies.¹³⁵

Flexi-job apprenticeships can also take place without the assistance of a flexi-job apprenticeship agency if the apprentice arranges the different placements. These are called ‘portable’ flexi-job apprenticeships, and were tested in an 18-month pilot that started in April 2022 and which ran across 37 apprenticeship standards in seven sectors.¹³⁶

FE Week reported in October 2023 that take-up of portable flexi-job apprenticeships had been very low. They report that, two months from the end of the pilot, only 18 apprentices had started through the scheme.¹³⁷

The DfE had said that up to 2,000 apprentices would be recruited on flexible apprenticeships by 2023.¹³⁸

Legislation was introduced in April 2022 that allowed employers to take on a flexi-job apprentice for a 3 month or longer period, as long as the whole apprenticeship lasted for at least a year.¹³⁹

Transfers from levy-paying employers

The White Paper pledged to make it easier for apprenticeship levy-paying employers to transfer levy funds to other employers.¹⁴⁰ As explained in section 3.1, levy-paying employers have always been able to transfer unused apprenticeship funds to other employers, although until April 2019, they were only able to transfer 10% of their unused funds.

Since April 2024, levy-paying employers have been able to transfer up to 50% of their levy funds each year.¹⁴¹

Front-loaded training/accelerated apprenticeships

The White Paper announced that, from April 2021, front-loaded training would be introduced for some apprenticeships in the construction sector. This means that a greater level of training is provided to the apprentice when they first start, to help them enter the workplace more quickly.

¹³³ Bidstats, [Flexi-Job Apprenticeship Agencies Register Opening 2023](#), 28 April 2023

¹³⁴ DfE, [Register of flexi-job apprenticeship agencies](#), 10 June 2024

¹³⁵ GOV.UK Explore Education Statistics, [Apprenticeships](#), 13 June 2024

¹³⁶ DfE, [The pilot scheme and participating providers](#), 31 October 2023

¹³⁷ FE Week, [Portable flexi-jobs apprenticeship pilot flops](#), 13 October 2023

¹³⁸ DfE, [How we are making apprenticeships more accessible](#), 10 February 2022

¹³⁹ [The Apprenticeships \(Miscellaneous Provisions\) \(Amendment\) \(England\) Regulations 2022](#), 6 April 2022

¹⁴⁰ DfE, [Skills for Jobs: Lifelong Learning for Opportunity and Growth](#), 21 January 2021, p21

¹⁴¹ ESFA, [Transferring your apprenticeship levy to another business](#), 22 April 2024

The Department for Education published a [Flexible Apprenticeships in Construction](#) manual at the end of April 2021 which provided further information on the different flexible training models, and on accelerated apprenticeships.

In an accelerated apprenticeship, the length of the apprenticeship is less than the typical duration to take into account the prior learning of the apprentice. The minimum requirements of an apprenticeship still need to be met, so it must last for at least 12 months.¹⁴²

6.2

The Institute for Apprenticeships & Technical Education

The [Institute for Apprenticeships](#) was established in May 2016 by the [Enterprise Act 2016](#). The executive non-departmental public body, sponsored by the Department for Education, went live in April 2017. The aim of the Institute is to ensure high-quality apprenticeship standards and to advise the government on funding for each standard.

Under the measures set out in the [Technical and Further Education Bill](#), the Institute was initially expected to expand to cover all technical education from April 2018 onwards.¹⁴³

In January 2019, the Institute took over responsibility for the T Level programme and became the Institute for Apprenticeships and Technical Education.¹⁴⁴

The Department for Education publishes [strategic guidance](#) every year which sets out the priorities for the Institute for each financial year.¹⁴⁵

6.3

Changes to apprenticeship funding and the apprenticeship levy

The Department for Education and the Education and Skills Funding Agency (ESFA) published proposals for changes to apprenticeship funding on

¹⁴² DfE, [Skills for Jobs: Lifelong Learning for Opportunity and Growth](#), 21 January 2021, p21

¹⁴³ Department for Education, [The Technical and Further Education Bill: factsheet](#), Oct 2016.

¹⁴⁴ Institute for Apprenticeships and Technical Education, [Name change ushers in exciting new dawn for T Levels preparations](#), 31 January 2019

¹⁴⁵ DfE, [Institute for Apprenticeships and Technical Education: strategic guidance](#), 29 April 2022

12 August 2016.¹⁴⁶ Following a consultation exercise, the final funding policy was published on 25 October 2016.¹⁴⁷

These changes involved the introduction of the apprenticeship levy.

The changes that were put in place following the consultation are covered in sections 3 and 4 of this paper.

6.4 Other developments

Protecting the term Apprenticeship

The [Enterprise Act 2016](#) gave Apprenticeships the same legal treatment as degrees and the term “apprenticeship” will be protected by law, to prevent it being misused. The Enterprise Bill, allows the Government to take action if it is misused by training providers.¹⁴⁸

Change of Departmental responsibility

The Department for Business, Innovation and Skills was replaced by the Department for Business, Energy and Industrial Strategy in July 2016. With this change responsibility for apprenticeships and skills, along with higher and further education policy, was transferred to the Department for Education.¹⁴⁹

¹⁴⁶ DfE/Skills Agency, [Views sought on plans to boost apprenticeships](#), 12 August 2016

¹⁴⁷ [Statement UIN HCWS214](#), 25 October 2016

¹⁴⁸ [Enterprise Act 2016](#), 4 May 2016

¹⁴⁹ [HCWS94](#), Machinery of Government Changes, 18 Jul 2016

7

Appendix

This section provides information on the policy developments that were put in place following the coronavirus pandemic. It also explains the changes that have been made to funding since 2017, and the funding system that was in place before the funding changes were introduced in 2017.

7.1 Response to the coronavirus pandemic

Coronavirus related incentive payments

The number of people starting apprenticeships fell following the outset of the coronavirus pandemic. In April to September 2020, there were 82,400 fewer starts than for the same period in 2019, which was a 41% fall.¹⁵⁰

In response, two increases to the incentive payments that are paid to employers when they take on new apprentices were announced.

In the March 2021 Budget, the Government announced that it will pay employers in England £3,000 for every new apprentice that was taken on between 1 April 2021 and 30 September 2021.¹⁵¹ In October 2021, it announced that the £3,000 would also be available for every new apprentice that was hired between 1 October 2021 and 31 January 2022.¹⁵²

This was an increase from the incentive that had been announced as part of the Plan for Jobs (July 2020).¹⁵³ This paid £2,000 for new apprentices who were under 25 and £1,500 for those aged 25 and over if they were employed from August 2020 to the end of March 2021.¹⁵⁴

Prior to the pandemic, the Government was providing £1,000 to employers for every apprentice they took on who was either aged between 16 and 18 or aged between 19 and 24 and had previously been in care or had a Local Authority [Education, Health and Care plan](#) (see section 4.1). The incentive payments introduced following the pandemic were in addition to this.

¹⁵⁰ Explore education statistics, [Download latest data files](#), Extracted from Underlying data - apprenticeship monthly starts on the 9 February 2021

¹⁵¹ HMT, [Budget 2021](#), p47

¹⁵² ESFA, [Incentive payments for hiring a new apprentice](#), 27 October 2021

¹⁵³ HM Treasury, [Plan for Jobs](#), 8 July 2020, p8

¹⁵⁴ ESFA/DWP, ['Plan for Jobs' skills and employment programmes: information for employers](#), 10 December 2020

As of the 13 June 2022, incentive claims had been submitted for 195,590 apprentices.¹⁵⁵

Temporary flexibilities

In response to the pandemic, the Government put in place a number of “temporary flexibilities” to support apprenticeships. These included the following:¹⁵⁶

- Training providers were encouraged to deliver training to apprentices remotely and via e-learning as far as practicable. When face-to-face contact was possible, providers were asked to prioritise young apprentices and those in the first year of their apprenticeship.
- Employers and training providers were able to put in place a ‘break in learning’. These are periods in which off-the-job training must stop, and can normally only be put in place by the apprentice. This temporary flexibility ended at the end of March 2022.
- Furloughed apprentices were paid up to 80% of their usual wages (up to £2,500) through the [Coronavirus Job Retention Scheme](#), even if this was less than the National Living Wage/National Minimum Wage (NLW/NMW). Apprentices were able to continue their apprenticeship whilst furloughed if the provider could deliver training remotely. Where training did continue, at the request of their employer, then the apprentice was entitled to be paid at least the NLW/NMW.
- If an apprentice was made redundant, then their training provider had to support them to find another employer. The ESFA aimed to support them to find alternative employment and continue their apprenticeship as quickly as possible, and within 12 weeks. Funding support was available to support apprentices who were made redundant. If the apprentice was within 6 months of the final day of training then the ESFA funded all the remaining training costs, unless they found a new employer with whom they could complete their apprenticeship. If they had more than 6 months remaining, then the ESFA funded training costs for a 12-week period. If an apprentice was made redundant and a new employer was not found within 12 weeks, then the apprentice was withdrawn from the apprenticeship.
- Flexibilities were introduced for the end-point assessments. These included the option to extend the length of the assessment period, or to deliver the assessment remotely. Many of the flexibilities that were

¹⁵⁵ Explore education statistics, [Apprenticeships and traineeships](#) Additional analysis (accessed 9 November 2022)

¹⁵⁶ DfE, [Providing apprenticeships during the COVID-19 pandemic](#), 19 January 2022

put in place have been retained as options beyond April 2022, while others ended at the end of March 2022.¹⁵⁷

Employers of apprentices and training providers were able to access the [financial support](#) that was put in place to support all businesses.

Employers who paid the apprenticeship levy continued to pay their monthly levy payments, and were not given extra time to spend their levy funds.

Training providers criticised the measures that were put in place.

The Association of Employment and Learning Providers (SELP) published a [statement](#) calling on the government to “urgently rethink its stance” and suggested that otherwise many independent training providers (ITPs) would go out of business.

In the statement, they compared the funding support that was provided for mainstream FE provision with the support that was provided for ITPs. Further education providers were paid scheduled payments for the rest of the 2019/20 academic year.¹⁵⁸

It has been reported that 70% of training for apprenticeships is provided by private providers.¹⁵⁹

Provider relief scheme

On the 24 April 2020, the ESFA introduced a [provider relief scheme](#) which provided financial support to some providers. To be eligible a provider must have held “a direct contract that was procured as a service under Public Contract Regulations 2015”. The guidance clarifies that this included training provided to non-levy paying employers who have met various requirements.

This was in response to the [Supplier relief](#) introduced in March 2020, which was directed at critical suppliers to the government (for example companies that operate prison services).

There were subsequent requests to extend this relief to providers who were providing training to levy-paying employers.¹⁶⁰ The AELP reported that the relief scheme would not provide support for over half of the ITPs and colleges training apprentices.¹⁶¹

The Government responded that it was not possible to extend eligibility.¹⁶²

¹⁵⁷ IfATE, [Flexibility framework](#) (accessed 3 October 2022)

¹⁵⁸ DfE, [Maintaining education and skills training provision: further education providers](#), 23 March 2020

¹⁵⁹ FT, [Apprenticeship crisis looms in England over coronavirus payments](#), 1 April 2020

¹⁶⁰ TES, [Labour: ‘No justification’ for lack of provider support](#), 27 May 2020

¹⁶¹ AELP, [DfE Covid-19 support package for apprenticeships and adult education](#), 24 April 2020

¹⁶² [PQ 49090](#), 2 June 2020

7.2

Changes to funding since May 2017

The following changes to apprenticeship funding have been put in place since May 2017:

- **Co-investment:** In April 2019, the amount that non-levy employers paid towards the cost of apprenticeship training reduced from 10% of the total cost of this training to 5%.¹⁶³
- **Training bands:** The new apprenticeship funding system was originally made up of 15 funding bands. From August 2018, the number of bands increased to 30, although the ranges of these bands stayed the same.¹⁶⁴
- **Transfer of levy funds:** Since April 2019, employers have been able to transfer a maximum amount of 25% of their annual unused apprenticeship levy funds to other employers.¹⁶⁵ Prior to April 2019, only 10% of unused levy funds could be transferred to another employer. When the levy was first introduced, transfers could only be made to one other employer, but since July 2018 they have been allowed to multiple employers.¹⁶⁶
- There were other payments that were available for a short period after the move to the new funding system, but these were only available for apprentices on frameworks:
 - A ‘transitional support’ payment was provided to providers for every apprentice they trained who was on an apprenticeship framework, and either aged between 16 and 18, or aged between 19 and 24 and who has previously been in care or who have a Local Authority Education, Health and Care plan. This was to reflect the impact the move to a “single adult-based rate of funding” would have on providers. Providers were paid a further 20% of the funding band maximum.¹⁶⁷ This transitional support payment was available until August 2020 when all new learners had to start on standards.
 - The funding bands were adjusted for apprenticeship frameworks in thirteen sector subject areas involving Science, Technology, Engineering and Maths (STEM). The government-funded contribution to these frameworks has been increased by 40% for level 2 apprenticeships, and by 80% for level 3 and above apprenticeships. This reflected the higher costs of training for these apprentices.¹⁶⁸

¹⁶³ DfE, [Apprenticeship funding in England From April 2019](#), March 2019, p4

¹⁶⁴ IfA, [New funding process explained](#), 30 May 2018

¹⁶⁵ ESFA, [Transferring unused apprenticeship funds to other employers](#), June 2018

¹⁶⁶ DfE, [Greater flexibility for apprenticeship levy as transfers extended](#), 26 June 2018

¹⁶⁷ DfE, [Apprenticeship Funding Apprenticeship funding in England from May 2017](#), October 2016, p12

¹⁶⁸ As above

- Providers received additional payments for those on apprenticeship frameworks who lived in more deprived areas. This payment was an additional £600 for those who lived in the most deprived areas (as per the Index of Deprivation), £300 for those who lived in the next 10% (11-20% range) and £200 who lived in the next 7% (21-27% range). This was to reflect the additional costs needed to train individuals from disadvantaged backgrounds.¹⁶⁹ Although this was only intended to be available for a year after the new funding system was implemented, it was extended for a further year but was not available for apprenticeships started after April 2019.
- If an apprentice needed training to reach the minimum standard in English and maths then the provider was able to claim £471 from the government to support the costs of delivering each qualification.¹⁷⁰ This funding was not available for apprenticeships started after April 2019.
- Providers were able to claim up to £150 a month for additional costs involved in training those with a learning or other disability, and who require extra learning support.¹⁷¹ This funding was not available for apprenticeships started after April 2019.

7.3 Apprenticeships funding prior to May 2017

Prior to May 2017, apprenticeship frameworks and standards were funded in different ways, although in both cases the government paid part of the apprentice's training costs and government funding was paid directly to the training provider.

Frameworks

For apprenticeship frameworks, the amount of training costs covered by 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.¹⁷²

In certain circumstances, the government provided extra funding in the shape of a 'disadvantage uplift' to support learners living in the most deprived areas

¹⁶⁹ DfE, [Apprenticeship Funding Apprenticeship funding in England from May 2017](#), October 2016, p16

¹⁷⁰ As above

¹⁷¹ As above, p17

¹⁷² Skills Funding Agency, [Funding Rates and Formula 2016 to 2017, version 2](#), March 2016, pp9,12

of the country or an ‘area cost uplift’ for those in areas where training costs are higher.¹⁷³

Standards

Funding for apprenticeship standards did not depend on age but on funding bands: all standards were assigned to one of five or six funding bands. The employer and training provider agreed on a price for the apprentice’s training and assessment within the limits of the funding band. The government covered two-thirds of the total agreed price up to the set maximum for that funding band. The employer paid the remaining third.¹⁷⁴

The total government contribution may have increased further through incentive payments; for employers recruiting 16-18 year olds, for small businesses, for English and Maths qualifications and for successful completion of the apprenticeship.

The funding system for apprenticeship standards did not include a disadvantage uplift or an area cost uplift.

¹⁷³ As above, pp7-9

¹⁷⁴ Skills Funding Agency, [Apprenticeship standards funding rules 2016 to 2017, version 2](#), March 2016, p6

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