



BRIEFING PAPER

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Apprenticeships and skills policy in England

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Summary

Skills and training are devolved policy areas. This Briefing Paper covers apprenticeships in England. Sources of information on apprenticeships in Scotland, Wales and Northern Ireland are included in Section 3, Useful Sources.

This paper covers policy developments from 2015 onwards.

What are apprenticeships?

Apprenticeships 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. A successful apprentice may receive a nationally recognised qualification on the completion of their contract.

There are two different types of apprenticeships: frameworks and standards. Apprenticeship frameworks are being progressively phased out and replaced by the newer apprenticeship standards.

Over 800,000 funded apprentices participated on an apprenticeship in the 2017 to 2018 academic year.

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 funds in this account have to be spent on apprenticeship training and assessment.

Other changes to apprenticeship funding

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

Apprenticeship levy funds 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 10% of the cost of training and assessment with the government contributing the remaining 90% (up to the upper limit of the funding band).

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

Since the introduction of the funding changes in 2017 there has been 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.

Other Skills initiatives

The Government has various other initiatives in place to improve the skills of workers in England, including Skills Advisory Panels, Technical Education reforms, the Digital Strategy and the Industrial Strategy.

1. Coronavirus response

This section of the briefing paper outlines the Government response to the Coronavirus outbreak in relation to the apprenticeship programme.

On 23 March 2020, the Department for Education (DfE)/Education and Skills Funding Agency (ESFA) published the guidance [Coronavirus \(COVID-19\): apprenticeship programme response](#). This document sets out new measures that the ESFA will be implementing for the duration of the pandemic. This document was last updated on the 2 June 2020.

Guidance for apprentices

The ESFA intend to support apprentices to continue and complete their apprenticeships wherever possible. If necessary, they are encouraged to make use of digital or distance-learning tools if practicable to do so.

From 15th June, training providers have been told they should offer some face-to-face contact for 16-19 year old apprentices where possible and practical, although remote training should remain the predominant form of training. The guidance suggests that priority for face-to-face contact may be given to those apprentices who:

- Are on the first year of an apprenticeship.
- Require face-to-face training to help them complete their apprenticeship.
- Have upcoming key assessment dates.

Providers can have face-to-face contact with older apprentices, but have been asked to prioritise those aged 16-19.

End point assessments

End point assessments should take place remotely where possible.

Temporary discretions or flexibilities have been put in place for some apprenticeship standards to ensure the end point assessment can take place. The Institute for Apprenticeships and Technical Education has provided [a list](#) of the standards where these changes have been put in place.

A temporary measure has also been put in place that enables apprentices to take their end point assessment ahead of receiving their calculated functional skills qualifications (FSQ) later on in the summer.

Apprentices who are ready for assessment, but cannot be assessed due to the Coronavirus outbreak, will be able to have their end-point assessment rescheduled. The guidance states that, at the current time, the ESFA will not consider awarding an apprenticeship without an end-point assessment.

Breaks in learning

There are various reasons why the apprentice may need to take a break in learning. The apprentice may be ill or having to self-isolate, or they may have been deployed to a different role which no longer supports the apprenticeship. Alternatively, the training provider may not be in a

This section outlines the measures that had been put in place by 2 June 2020. Any measures that have been put in place since then will not be included.

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position to provide training or assessment. During a break in learning, an apprentice does not need to meet the minimum 20% off-the-job training requirement, although the 20% minimum off-the-job requirement will still need to be met across the length of the apprenticeship.

Existing apprenticeship funding rules allow for breaks in learning. If the break is less than 4 weeks then the end-date of the apprenticeship remains the same. If it is more than 4 weeks then a formal break in learning must be reported, and the planned end-date will be re-planned when the apprentice returns to learning.

A temporary measure that has been introduced as a result of the Coronavirus outbreak is that employers and training providers are able to set in place a break in learning. Previously, only the apprentice themselves were able to do this.

Any apprentices who continue to work will continue to be paid, even if they have a break in learning.

A break in learning may also be necessary if the apprentice is furloughed, placed on unpaid leave or made redundant.

Furlough and redundancy

Furloughed apprentices will be paid 80% of their usual wages (up to £2,500), even if this is less than the National Living Wage/National Minimum Wage (NLW/NMW). Apprentices can continue their apprenticeship whilst furloughed if the provider can deliver training remotely. Where training does continue, at the request of their employer, then the apprentice is entitled to be paid at least the NLW/NMW.

If an apprentice is made redundant, then their training provider must support them to find another employer. The ESFA will aim to support them to find alternative employment and continue their apprenticeship as quickly as possible, and within 12 weeks. The ESFA will keep the 12-week period under review and may extend it.

In a scenario where a large number of apprentices are made redundant from the same employer, the ESFA will aim to provide support to the apprentices and training providers to secure them alternative employers.

Funding support is available to support apprentices who are made redundant. If the apprentice is within 6 months of the final day of training then the ESFA will fund all the remaining training costs, unless they find a new employer with whom they can complete their apprenticeship (and who will assume outstanding liabilities from that point). If they have more than 6 months remaining, then the ESFA will fund training costs for a 12 week period.

If an apprentice is made redundant and a new employer is not found within 12 weeks, then the apprentice will be withdrawn from the apprenticeship.

Apprentices may be entitled to access Universal Credit during a period of unpaid leave, and may be eligible for other benefits.

Guidance for employers

Businesses that employ apprentices will be able to access the [measures](#) that have been put in place to support businesses. This means that a business will be able to get support to claim for 80% of a furloughed apprentice's salary (up to £2,500 per month) through the [Coronavirus Job Retention Scheme](#).

If an employer requests that a furloughed apprentice continue their training, then the employer will need to pay the apprentice the National Living Wage/National Minimum Wage as a minimum. If this is greater than 80% of their wages, then the employer will be expected to cover the remainder of their wages.

A new measure has been put in place that enables an employer, temporarily, to initiate a break in learning. Previously, only the learner could initiate such a break. The employer may need to do this if they have to deploy the apprentice to a different role that does not support their apprenticeship, or if they need to furlough the apprentice or put them on a period of unpaid leave.

Employer who pay the apprenticeship levy will continue to pay their monthly levy payments, and the ESFA do not intend to increase the time available to employers to spend their levy funds.

Payments for employers who hire new apprentices

In July the Government announced the [Plan for Jobs 2020](#), including £1.6 billion¹ in support for boosting worksearch, skills and apprenticeships. This will include a new payment to employers in England for each new apprentice they hire: £2,000 for each apprentice under 25, and £1,500 for each apprentice aged 25 and over from 1 August 2020 to 31 January 2021.

This payment will be in addition to the £1,000 payment the government already provides for new 16-18 year-old apprentices, and those aged under 25 with an Education, Health and Care Plan – where that applies.²

Guidance for training providers

Training providers have been encouraged to deliver training to apprentices remotely and via e-learning as far as practicable.

From 15th June, training providers have been told they should offer some face-to-face contact for 16-19 year old apprentices where possible and practical, although remote training should remain the predominant form of training. Providers can have face-to-face contact with older apprentices, but have been asked to prioritise those aged 16-19.

If they can't deliver training then the provider can put in place a break in learning. Previously only the learner could initiate such a break.

¹ Includes the indicative cost of 100,000 incentive payments for new apprenticeship hires. Final costs will depend on the number of new apprentices hired and may be lower

² HM Treasury, [A Plan for Jobs 2020](#), 8 July 2020

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If an apprentice is made redundant, then the training provider must support the apprentice to find another employer.

Training providers are paid retrospectively for the training they deliver, meaning that if there is a break in an apprentice's learning they will not be paid for the duration of the break. This continues to be the case. The Government will not allow payment for services in advance of delivery.

The ESFA also "reserve the right to recover payment" for payments made to training providers in March for training that has not been delivered and cannot be delivered in the future.

The ESFA guidance directs training providers who have lost income to the [measures](#) that have been put in place to support businesses.

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 over the next three months.

In the statement, they compared the funding support that has been provided for mainstream FE provision with the support that has provided for ITPs. Further education providers will be paid scheduled payments for the rest of the 2019/20 academic year.³

It has been reported that 70% of training for apprenticeships is provided by private providers.⁴

Provider Relief Scheme

On the 24 April the ESFA introduced a [provider relief scheme](#) which will provide financial support to some providers. To be eligible a provider "must hold a direct contract that was procured as a service under Public Contract Regulations 2015". The guidance clarifies that this will include training provided to non-levy paying employers who have met various requirements (see section 6 of the guidance).

Further detail on the relief scheme was provided by the Apprenticeships and Skills Minister in a [webinar](#) with FE Week. The Minister said that the only exception from the business support measures that are available to all businesses is the [Supplier relief](#) announced by the Cabinet Office, which the Minister reports was directed at critical suppliers to the government (for example companies that operate prison services). It was subsequently realised that this included the contracts for apprenticeship training for delivery to smaller employers who do not pay the levy.⁵

In response, the [AELP published a further statement](#) that welcomed this support, but also that they were "left with no choice but to take legal advice on the omission of support for apprentices being trained at levy paying employers.". In the statement they also report that the relief

³ DfE, [Maintaining education and skills training provision: further education providers](#), 23 March 2020

⁴ FT, [Apprenticeship crisis looms in England over coronavirus payments](#), 1 April 2020

⁵ FE Week, [Minister explains 'anomaly' leaving majority of apprenticeships ineligible for ESFA supplier relief](#), 28 April 2020

scheme would not provide support for over half of the ITPs and colleges training current apprentices.

The Shadow Secretary of State for Education and Shadow Minister for Apprenticeships and Lifelong Learning have subsequently sent a letter to the Secretary of State for Education and the Apprenticeships and Skills Minister asking them to extend the scheme more widely.⁶

The Apprenticeships and Skills Minister has stated that it is not possible to extend eligibility.⁷

⁶ TES, [Labour: 'No justification' for lack of provider support](#)

⁷ [PQ 49090](#), 2 June 2020

2. The current apprenticeship system

2.1 What are apprenticeships?

Apprenticeships are paid jobs which incorporate on and off the job training. They take between one and four years to complete and are available in 1,500 occupations across more than 170 industries. A successful apprentice may receive a nationally recognised qualification on the completion of their contract.⁸

Apprenticeships are available to anyone over the age of 16 living in England, although employers may set different entry requirements depending on the sector and job.

Over 800,000 apprentices participated on an apprenticeship in the 2017 to 2018 academic year, and at the time of publication around 8,600 apprenticeship vacancies were posted on the government's [Find an Apprenticeship](#) website.^{9 10}

Apprenticeship levels

Apprenticeships can be studied at different qualification levels:¹¹

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

Frameworks and Standards

There are two different types of apprenticeships: frameworks and standards. Apprenticeship frameworks are being progressively phased out and replaced by the newer apprenticeship standards. By 2020, the ESFA expect all apprenticeship starts to be on standards, and will not allow any starts on frameworks.¹²

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.^{13 14}

Traineeships also provide education, training and work experience to young people to help them get an apprenticeship or other job. Further detail is available in the [Library Briefing Paper, Traineeships](#).

⁸ Gov.uk, [Key facts about apprenticeships](#), 21 Feb 2017

⁹ DfE/ESFA, [FE data library: apprenticeships](#)

¹⁰ Vacancies as of 2 April 2020. Not all vacancies are advertised through the Find an Apprenticeship website.

¹¹ Gov.uk, [Become an apprentice](#)

¹² ESFA, [Information about the withdrawal of apprenticeship frameworks](#)

¹³ Institute for Apprenticeships, [What is an Apprenticeship Standard?](#)

¹⁴ BIS, [More than 700 employers to design top quality apprenticeships](#), 23 Oct 2014

In contrast, frameworks are developed by sector bodies, and are primarily qualification-focused. This means that, as reported by the Institute for Apprenticeships, it's possible for an apprentice to achieve all qualifications in the framework, yet not actually obtain the skills they need to carry out their job. Apprentices are assessed throughout the apprenticeship for frameworks, and there is not a requirement for an end-point assessment.¹⁵

As of January 2019, there were 390 standards approved for delivery, and in the 2017/18 academic year, 44% of apprenticeship starts have been on standards. In 2016-17 only 5% of starts were on standards.¹⁶

¹⁷

2.2 Minimum wage and employee rights

Apprentices aged 16-18 are entitled to the apprentice minimum wage of £3.70 an hour. Apprentices are paid for both their normal working hours and the time they spend training as part of their apprenticeship.¹⁸

Apprentices aged 19 and over are also entitled to the £3.70 apprentice minimum wage in the first year of their apprenticeship. After this, they are entitled to the relevant National Minimum Wage rate for the age group: £5.90 an hour for 18 to 20 year olds, £7.38 an hour for 21 to 24 year olds and £7.83 for people aged 25 and over.¹⁹

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

2.3 Minimum Standards

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

A minimum length of 12 months

The minimum apprenticeship length is 12 months, and may be longer for some apprenticeships.

For apprenticeship standards, 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.²⁰

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.²¹

¹⁵ Institute for Apprenticeships, [Apprenticeship frameworks and standards: the main differences](#), 1 August 2017

¹⁶ Institute for Apprenticeships, [Search the Apprenticeship Standards](#) (accessed 3 January 2019)

¹⁷ DfE, [Further education and skills: November 2018](#), 6 December 2018

¹⁸ Gov.uk, [Become an apprentice](#)

¹⁹ Gov.uk, [National Minimum Wage rates](#) (as of April 2018)

²⁰ ESFA, [Apprenticeship funding: rules and guidance for employers](#), July 2018, p11

²¹ Ibid, p12

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Off the job training

At least 20% of the apprentice's paid hours, over the planned duration of the apprenticeship, must be spent on off-the-job training.

This does not include any training provided towards a Level 2 in English and maths (see below).²²

Training to level 2 in Maths and English

Apprenticeships must offer training to Level 2 in English and Maths or Functional Skills, if the apprentice does not already have these or equivalent qualifications. The apprentice is not required to achieve these level 2 qualifications in order to successfully complete the apprenticeship.²³

An apprentice needs to hold or achieve a level 2 in both subjects before they can successfully complete a level 3 apprenticeship.

Apprenticeship Agreements

Apprentices must sign an Apprenticeship Agreement with their employer before the apprenticeship begins. This will include details on the duration of the apprenticeship, the training that will be provided, their working conditions and the qualifications they will be working towards. It will also stipulate the framework being followed and the skill, trade or occupation the apprentice is working in. Without this agreement an apprenticeship completion certificate cannot be issued.

Employers must also sign an apprenticeship commitment statement 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.²⁴

Further detailed information on the minimum contractual and operational standards required of apprenticeships can be found in the ESFA guidance [Apprenticeship funding and performance management rules 2018 to 2019](#).

²² Ibid, p8

²³ ESFA, [Apprenticeship funding: rules and guidance for employers](#), July 2018, pp22-23

²⁴ Gov.uk, [Employing an apprentice](#)

3. Apprenticeship Policy Developments since 2015

This section contains information on the 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).

3.1 Commitment to 3 million apprenticeship starts

The Government set a target of 3 million new apprenticeships by 2020 in the [2015 Queen's Speech](#). The [Welfare Reform and Work Act 2016](#) placed an obligation on the Government to report annually on its progress towards meeting this target.

Targets for public bodies

The [Enterprise Act 2016](#) provided the Secretary of State with the power to set targets for apprenticeships in public bodies in England to contribute towards meeting the national targets.

The Government published a consultation document on apprenticeship targets for public sector bodies in January 2016, issued its response in January 2017, and it came into force on the 31 March 2017.^{25 26 27}

The Government consultation set out that only those public bodies with a headcount of 250 or more employees in England on 31 March in each year from 2017 to 2020 will be required to meet the targets. The target set out was a minimum of 2.3% apprenticeship starts each year, based on the number of employees working for a body in England. In response to the consultation responses, the Government made the target an average from 2017/18 to 2020/21 inclusive.

The ONS definition of what constitutes a public organisation/institution will be used but various organisations will be specifically exempted from the target. A full list of the exemptions can be found on page 6 of the DfE's Statutory Guidance document [Meeting the Public Sector Apprenticeship Target](#).

Public bodies operating across the UK or in Scotland, Wales and Northern Ireland will be set targets if their England-based workforce meets the 250-headcount criterion.

In the consultation document, the Government estimated that all but the smallest 30 English local authorities will be set apprenticeship targets based on their headcount in 2016, along with all police forces, almost all fire and rescue services, all NHS trusts, all the armed forces,

²⁵ BIS/DfE, [Apprenticeship Targets for Public Sector Bodies](#), Jan 2016

²⁶ DfE, [Public Sector apprenticeship targets](#), 20 Jan 2017

²⁷ Gov.uk, [The Public Sector Apprenticeship Targets Regulations 2017](#), 31 Mar 2017

the majority of ministerial departments and some schools and other public sector bodies.²⁸

3.2 The Institute for Apprenticeships

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. The Institute has since stated that, by March 2019, it will have agreed a full implementation timetable with the DfE to transfer responsibility for the “T level qualification aspect of technical reform”.^{29 30}

The DfE have produced a paper [Institute for Apprenticeships: strategic guidance 2018 to 2019](#) (May 2018) that fully explains the purpose of the Institute.

3.3 Changes to apprenticeship funding

The Department for Education and the Education and Skills Funding Agency (ESFA) published proposals for changes to apprenticeship funding on 12 August 2016. Following a consultation exercise, the final funding policy was published on 25 October.

The changes that were put in place as a result are covered in sections 3 and 4 of this paper.

3.4 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.

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.³¹

²⁸ BIS/DfE, [Apprenticeship Targets for Public Sector Bodies](#), Jan 2016, pp12-15

²⁹ Department for Education, [The Technical and Further Education Bill: factsheet](#), Oct 2016.

³⁰ Institute for Apprenticeships, [Business Plan 2018-2019](#)

³¹ [HCWS94](#), Machinery of Government Changes, 18 Jul 2016

4. The Apprenticeship Levy

4.1 What is 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 funds in this account have to be spent on apprenticeship training and assessment.

The Government has stated that the levy "will allow us to double investment in apprenticeships by 2020 from 2010 levels, to £2.5bn [per year]".³²

Who will pay it?

Employers will pay the levy if they either:

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

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 note states 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

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 will actually have to pay and report the levy. This is because 0.5% of an

³² Department for Education, [Apprenticeship funding: Proposals for apprenticeship funding in England from May 2017](#), 25 October 2016, p3

employer's £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).

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 it cannot be carried forward 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.

Once apprenticeship training has started, monthly payments will be automatically taken from the employer's service account and sent to the training and assessment provider.

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.

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.

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

Do the funds in the service account expire?

The funds will expire 24 months after they enter the service account, and an employer will receive a warning prior to any funds expiring.

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. They may transfer a maximum amount of 10% of their annual funds, but can make as many transfers as they wish.³³

The employers receiving the transferred funds will be able to use it to pay for the training and assessment costs of their apprenticeships.

From April 2019, levy-paying employers will be able to transfer 25% of their annual apprenticeship funds to other employers.³⁴

4.2 How much has been raised by the levy?

The levy raised £2.7 billion in 2017-18, and between April 2018 and November 2018 it has raised an additional £1.8 billion.³⁵

The Department for Education expected around 19,000 employers to pay the levy in 2017-18, which is 1.3% of all employers. This means that the average levy-paying employer paid around £140,000 into their levy account in this year.³⁶

In its report [Reforms to apprenticeship funding in England](#) the Institute of Fiscal Studies calculated that 60% of employees work for an employer who will pay the levy.

Since the introduction of the levy in April 2017, a total of £370 million has been paid to providers on behalf of employers from their apprenticeship levy accounts, as at 30 September 2018.³⁷

4.3 Apprentice levy in specific work sectors

The Government published [guidance on paying the Apprenticeship levy](#) which included a section which stated whether the apprenticeship levy applied in specific sectors.

Schools

The Department for Education published [A guide to apprenticeships for the school workforce](#) in June 2018, and this includes a section on *What the apprenticeship levy means for schools*.

³³ ESFA, [Transferring unused apprenticeship funds to other employers](#), June 2018

³⁴ [PO HL12348](#), 20 December 2018

³⁵ Gov.uk, [Spring Budget 2017](#), March 2017, Table B5 Current Receipts, p60

³⁶ DfE, [Information on apprenticeship levy](#), August 2016

³⁷ [PQ 191418](#), 19 November 2018

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:

- 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 (MAT)** 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 have estimated that around half of academy trusts, around 90% of MATs and 10% of foundation and voluntary-aided schools will be affected by the levy. It suggests that it will add costs of 0.4% to schools that pay the levy.³⁸

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.

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 pay the apprenticeship levy.

Recruitment agencies and other Employers who supply labour

The Recruitment and Employment Confederation (REC), a body representing UK recruitment businesses, has continually expressed concern about how the levy impacts on recruitment agencies which provide temporary agency workers to clients. Concerns also have been

³⁸ DfE, [Schools' costs 2018-19 to 2019-20](#), February 2018, pp12-13

raised by the trade bodies representing freelancers, contractors and umbrella companies who fear that this will disproportionately impact on the employers that they represent as they have artificially high payrolls.

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. 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.

The government stated in the Gov.uk guidance on the apprentice levy that employers who supply labour to clients and pays National Insurance contributions for those workers will be liable to pay the levy, providing their annual pay bill exceeds £3 million. This was confirmed in David Gauke's answer to a parliamentary question:

Where an employment agency supplies labour to a client and pays Class 1 secondary National Insurance contributions for those workers, they will be liable to pay the levy, providing their annual pay bill exceeds £3million.

The government recognises the important contribution that contingent labour makes to the economy, however, excluding agency workers would create adverse incentives to hire all staff off-payroll.

The government will support all employers in using the levy funds to invest in apprenticeships and the Department for Business Innovation and Skills is working with employers to create apprenticeships across all sectors.³⁹

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

Section 109 of the Apprenticeship Levy Finance Act states 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 contributions under Part 1 of the Contributions and Benefits Act.

4.5 Register of Apprenticeship Training Providers

From May 2017, employers paying the apprenticeship levy will be able to choose a provider from a new register – the Register of Apprenticeship Training Providers. The Government has stated that, “the register will give employers an assurance that the providers they

³⁹ [PQ42076](#), 6 July 2016

are using have the capacity and capability to delivery good quality apprenticeship training.”⁴⁰

From May 2017 onwards, to be eligible to deliver apprenticeship training for apprenticeships, organisations must be listed on the register. Organisations will be divided into 3 provider types:

- Main provider – organisations that can be selected by levy-paying employers to deliver apprenticeship training.
- Employer provider – levy paying employers who are permitted to provide training to their own staff or to apprentices in connected companies.
- Supporting provider – organisations that only deliver as a subcontractor for contract values between £100,000 and £500,000 per year in total.⁴¹

Organisations who want to deliver less than £100,000 of apprenticeship funding per year as a subcontractor do not currently need to apply to be on the register.⁴²

⁴⁰ SFA, [Register of apprenticeship training providers: policy information](#), 25 Oct 2016

⁴¹ SFA, [Register of apprenticeship training providers](#), March 2017

⁴² SFA, [Register of apprenticeship training providers: policy information](#), 25 Oct 2016

5. Other changes to apprenticeship funding

The Department for Education and the Education and Skills Funding Agency (ESFA) published proposals for changes to apprenticeship funding on 12 August 2016. This was followed by a consultation on the proposals for providers and employers which closed on 5 September. The final funding policy was published on 25 October.⁴³

5.1 Apprenticeships funding since May 2017

Since May 2017, apprenticeship frameworks and standards have been funded in the same way:

- Each apprenticeship framework or standard will be associated with a funding band.
- Employers and training providers will 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 10% of the cost of training and assessment with the government contributing the remaining 90% (up to the upper limit of the funding band). This will decrease to 5% in 2019.
- 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

The new apprenticeship funding system was originally made up of 15 funding bands (see Annex A), with the upper limits of these bands ranging from £1,500 to £27,000. From August 2018, the number of bands increased to 30, although the ranges of these bands stayed the same. All existing apprenticeship frameworks and standards have been placed within one of these funding bands, and new standards will be placed in a funding band as they become ready for use by employers.⁴⁴

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 stated 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.

⁴³ DfE/SFA, [Apprenticeship Funding in England from May 2017](#), 25 October 2016

⁴⁴ SFA, [Apprenticeship funding bands](#), 7 April 2017

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 for each apprenticeship they will only be able to use levy account funds up to the upper limit of the band within which the apprenticeship has been placed. If the costs are greater than the upper limit then the employer will need to pay the remaining costs from outside the levy account.

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 10% of the remaining cost and the government will provide 90%, up to the upper limit of the relevant funding band.

Non-levy paying employers

Employers who do not pay the levy currently pay 10% of the cost and the government will provide the remaining 90%, up to the upper limit of the relevant funding band.

The amount non-levy employers will pay will reduce to 5% in 2019.⁴⁵

Small employers

The government will pay all the costs of training apprentices aged 16-18 for employers with fewer than 50 people working for them, up to the funding band maximum. The government will also pay the costs of apprentices aged between 19 and 24 who have previously been in care or who have a Local Authority Education, Health and Care plan for small employers.

Apprenticeship frameworks in Science, Technology, Engineering and Maths (STEM)

Training costs for apprenticeships involving STEM tend to be higher, and therefore the government has adjusted the funding bands for STEM framework pathways in thirteen sector subject areas. 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.

Additional payments for employers and training providers

The Department for Education's [Apprenticeship Funding](#) document highlights the additional payments that will be made to training providers and employers:

- 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

⁴⁵ [PQ HL12203](#), 20 December 2018

reflects the extra support that these apprentices generally need, and the costs associated with this support.⁴⁶

- A 'transitional support' payment will be provided to providers for every apprentice they train who is on an apprenticeship framework, and either aged between 16 and 18, or who is aged between 19 and 24 and who has previously been in care or who have a Local Authority Education, Health and Care plan. This is to reflect the impact the move to a "single adult-based rate of funding" will have on providers.⁴⁷
- For the first year of the new funding system, providers will receive additional payments for those on apprenticeship frameworks who live in more deprived areas. This payment will be an additional £600 for those who live in the most deprived areas (as per the Index of Deprivation), £300 for those who live in the next 10% (11-20% range) and £200 who live in the next 7% (21-27% range). This is to reflect the additional costs needed to train individuals from disadvantaged backgrounds.⁴⁸
- If an apprentice needs training to reach the minimum standard in English and maths then the provider will be able to claim £471 from the government to support the costs of delivering each qualification.⁴⁹
- Providers may be 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.⁵⁰

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.

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 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. Links to where this information can be accessed is provided in section 4 of this paper.

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

⁴⁶ DfE, [Apprenticeship Funding](#), Oct 2016 p12, pp 14-15

⁴⁷ DfE, [Apprenticeship Funding](#), Oct 2016 p12

⁴⁸ Ibid, p16

⁴⁹ Ibid, p16

⁵⁰ Ibid, p17

apprentice to acquire substantive new skills, even if the qualification is at a lower level than the qualification the apprentice already holds.

5.2 Apprenticeships funding prior to May 2017

Prior to May 2017, apprenticeship frameworks and standards were funded differently, 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.⁵¹

In certain circumstances, the government provided extra funding in the shape of a 'disadvantage uplift' to support learners living in the most deprived areas of the country or an 'area cost uplift' for those in areas where training costs are higher.⁵²

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.⁵³

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.

⁵¹ Skills Funding Agency, [Funding Rates and Formula 2016 to 2017, version 2](#), March 2016, pp9,12

⁵² Ibid, pp7-9

⁵³ Skills Funding Agency, [Apprenticeship standards funding rules 2016 to 2017, version 2](#), March 2016, p6

6. Impact of the funding changes

Since the introduction of the funding changes in 2017 there has been a large fall in the number of apprenticeship starts, as well as changes in the types of apprenticeships that people are starting.

6.1 Immediate impacts

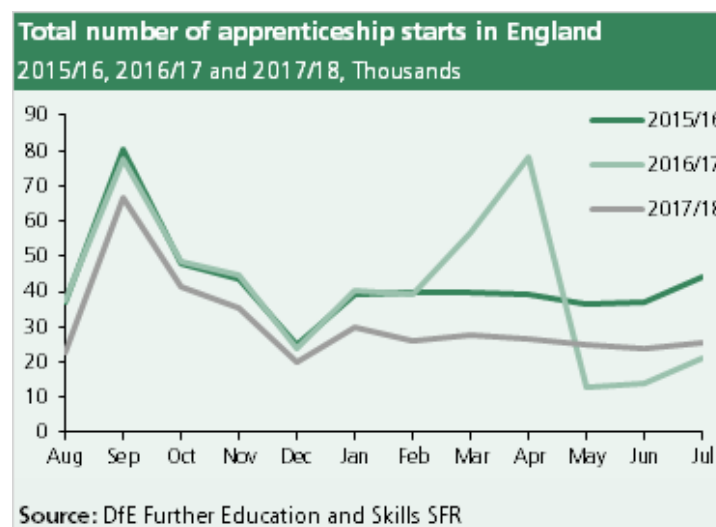
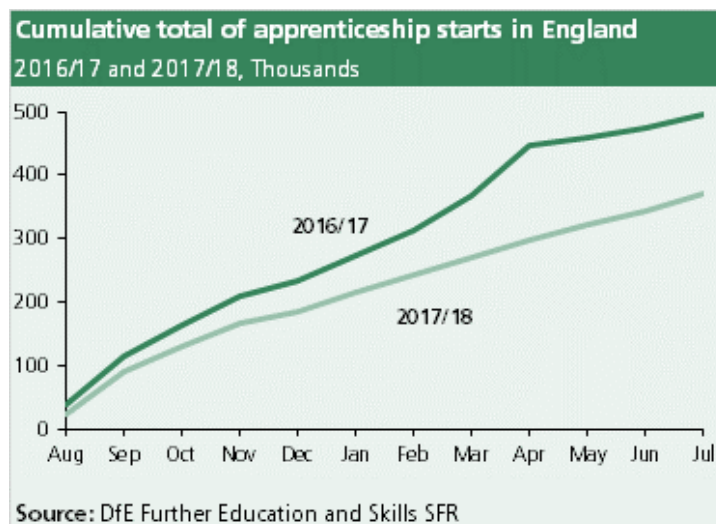
In the immediate period after the levy was introduced there was a large fall in the number of apprenticeship starts.⁵⁴

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

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

The bottom chart shows the number of apprenticeship starts in each month of the 2015/16, 2016/17 and 2017/18 academic years.

Prior to the introduction of the new apprenticeship funding system in May 2017, there was a large increase in the number of starts, but this was followed by a large fall in starts in the month after it was introduced. For the rest of 2016/17 and throughout 2017/18, the number of starts each month was less than levels seen in previous years.



The effect of the Apprenticeship Levy on starts

In the 12 months before the levy came into operation, **564,800** learners started an apprenticeship. This decreased to **364,000** starts in the 12 months after it was introduced. There has been a slight recovery in 2018/19 compared to 2017/18, but the fall in starts since April 2017 has not been reversed.⁵⁵

⁵⁴ DfE/ EFSA, Apprenticeship and traineeships: January 2018, table 2.1

⁵⁵ Tom Richmond, *EDSK*, [Runaway Training: Why the apprenticeship levy is broken and how to fix it](#), January 2020

6.2 How was the levy initially received?

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

The British Chambers of Commerce (BCC) stated in May 2018 that “the system just isn’t working”. For smaller businesses they 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”.⁵⁶

The Chartered Management Institute (CMI) stated that “we need to make it easier for employers to use the levy to invest in much-needed skills”, and that it therefore needed to be reformed. They did however also state that they did not want it to be scrapped.⁵⁷

The Institute of Directors also called for businesses to have more flexibility in how they use their levy funds.⁵⁸

The Manufacturers Organisation, EEF, published a report [A Levy Price to Pay? The Apprenticeship Levy One Year](#), that reported that manufacturers were not recruiting more apprentices as a result of the levy, and that in some cases plans to offer apprenticeships had been scaled back. It also reported that 93% of manufacturers 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 sets 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.⁵⁹

There is still support across the business sector for the levy however. The CMI published, in conjunction with the government, an [open letter in support of the apprenticeship levy](#). This letter which was signed by 52 “leading managers” 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”.

6.3 How did the Government respond?

The (then) Government responded to initial criticism of the apprenticeship levy and other reforms by stating that the quality of

⁵⁶ British Chamber of Commerce, [BCC: Evidence of need for Apprenticeship reform mounting](#), May 2018

⁵⁷ Financial Times, [Drop in UK apprenticeships draws calls for reform](#), 17 May 2018

⁵⁸ Ibid

⁵⁹ British Chamber of Commerce, [Apprenticeship Levy reform 10-point plan](#), June 2018

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 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.⁶⁰

The (then) Government also stated that "the number of people taking up these new, higher-quality apprenticeships has increased rapidly beyond our expectations".⁶¹

In February 2018, the (then) Government responded to feedback from the business sector by allowing levy-paying employers to transfer up to 10% of the annual value of their levy funds to other organisations to pay for apprenticeship training and assessment. This was increased to 25% from April 2019.^{62 63}

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

6.4 Has the number of starts increased?

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

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

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

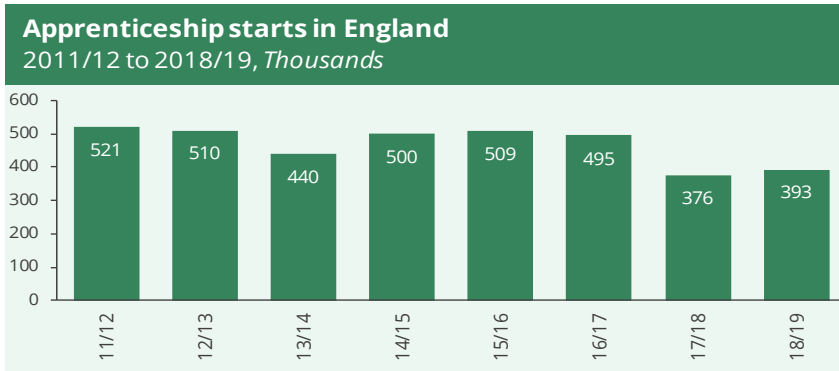
The number of apprenticeship starts were slightly higher in 2018/19 than in 2017/18, but were considerably below levels seen in the academic years before the levy was introduced.

⁶⁰ [HC Deb](#), 14 May 2018, c3

⁶¹ Financial Times, [Calls for changes to levy scheme after apprenticeship starts tumble](#), 14 June 2018

⁶² [PQ HL8153](#), 6 June 2018

⁶³ [PQ HL12348](#), 20 December 2018



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

The apprenticeships programme now encompasses a wider range of professions and types of training. For instance, new standards enable apprentices to become qualified accountants, actuaries, solicitors, teachers, nurses and paramedics. Such standards have been developed in response to employer demand, and support the Department's aim to deliver more higher-level apprenticeships.⁶⁴

6.5 Reasons why the number of apprenticeship starts has fallen

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

- **Complexity of the levy:** some commentators have claimed that the levy itself is too complex, and has been viewed as a tax on business as companies are struggling to use this funding. The EEF has reported that only 7% of manufacturers have faced "no challenges" with the levy.⁶⁵
- **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.⁶⁶
- **Requiring non-levy payers to pay 10% of apprenticeship costs:** since May 2017, those smaller employers who do not pay the levy have had to pay 10% of the apprenticeship training and assessment costs. When coupled with recent increases in the minimum wage, this can mean that the cost of an apprenticeship to a small/medium sized employer (SME) can be high. The BCC

⁶⁴ National Audit Office, [The apprenticeships programme](#), 6 March 2019, p30

⁶⁵ EEF, [A Levy Price to Pay? The Apprenticeship Levy One Year On](#)

⁶⁶ Glasgow Chamber of Commerce, [BCC: Evidence of need for Apprenticeship reform mounting](#), May 2018

has reported that, “for SMEs in particular, the new rules have added to the barriers, complexity and cost of recruiting and training staff”.⁶⁷

- **The 20% training commitment:** some employers have suggested that the 20% off-the-job training commitment is too large a requirement – employers have reported that they would need to employ an extra person to cover the apprentice’s duties while the apprentice is on training. The Association of Employment and Learner Providers have stated that this 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.^{68 69}
- **A lack of suitable apprentices:** the City & Guilds have reported that this is the most commonly stated ‘blocker’ for using levy funds.⁷⁰
- **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.⁷¹

6.6 Has the quality of apprenticeships improved?

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

More starts on standards

In the 2018/19 academic year, 63% of apprenticeship starts have been on standards. In 2016-17 only 5% of starts were on standards.⁷²

Apprenticeship standards are seen to be of a higher quality than frameworks, with one reason for this being that they are employer-designed. This means that the apprenticeship is designed to increase the likelihood that the apprentice will obtain the skills, knowledge and experience that they need to pursue a career in their profession. In contrast, apprenticeship frameworks were seen as qualification-focused, and could potentially end with the apprentice having achieved a qualification, but not necessarily having the skills they need to work in that profession.⁷³

⁶⁷ Ibid

⁶⁸ TES, [Off-the-job training concerns still holding back apprenticeship starts](#), March 2018

⁶⁹ City of Guilds, [Flex for success?](#), January 2019, p12

⁷⁰ Ibid

⁷¹ Ibid

⁷² DfE/ESFA, [Statistics: further education and skills](#)

⁷³ Institute for Apprenticeships and Technical Education, [Apprenticeship frameworks and standards: the main differences](#), August 2017

Training

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

The government has reported that there was a 26% rise in average expected apprenticeship training hours in the year to October 2019.⁷⁴

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

The (then) government “welcomed” the increase in higher level apprenticeships, although are also “conscious of the challenges it presents”.⁷⁵

Further analysis of apprenticeship starts in 2017/18 can be found in the library briefing paper [Apprenticeship statistics for England](#).

6.7 Further concerns regarding the levy

Increase in higher level apprenticeships

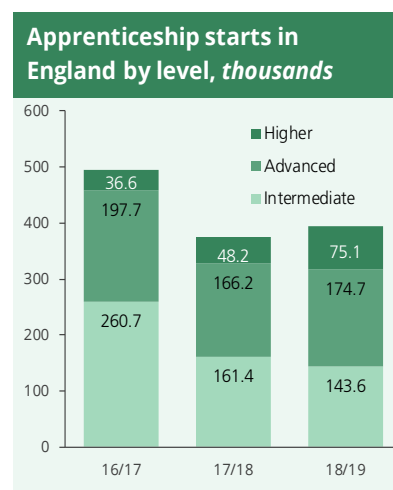
Although the government has suggested that the increase in the number of higher level starts indicates an improvement in quality, concerns have been raised about the cost and that professional development programmes are being rebadged as apprenticeships.

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

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

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

The National Audit Office has reported that some levy-paying employers are replacing their professional development programmes with apprenticeships.⁷⁶ 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.⁷⁷



⁷⁴ [PO 1612](#), 24 October 2019

⁷⁵ [PO 239284](#), 8 April 2019

⁷⁶ National Audit Office, [The apprenticeships programme](#), 6 March 2019, p9

⁷⁷ EDSK, [Runaway training](#), January 2020, p2

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

The Education and Skills Funding Agency recognises that some employers use apprenticeships as a substitute for training and development that they would offer without public funding. It argues, however, that the programme continues to have benefits in these circumstances, for example by encouraging employers to plan and develop their workforce better and by opening up professional training to a wider range of people.⁷⁸

The National Audit Office also suggests this may lead to a programme overspend. The training costs are greater for higher level apprenticeships, and the NAO reports that this has meant that the average cost of training an apprentice on a standard has been around double what was expected. They conclude that this means it is “more likely that the programme will overspend in future”.⁷⁹

Funding for small employers

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

In an interview with the Financial Times, Jennifer Coupland, the chief executive of the Institute for Apprenticeships and Technical Education, has claimed that there is insufficient money available for these businesses and that the government needs to provide more support.⁸⁰

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

Research carried out by the Association of Employment and Learning Providers has found that three out of four apprenticeship training providers can no longer meet demand from small and medium sized businesses and a quarter of apprenticeship training providers have had to turn away a prospective new SME employer of apprentices.⁸¹

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.⁸²

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

Concerns are raised in the article regarding the quality of some of these providers. Monitoring visits from Ofsted found that some training

⁷⁸ National Audit Office, [The apprenticeships programme](#), 6 March 2019, p30

⁷⁹ Ibid, p7

⁸⁰ Financial Times, [Apprenticeships chief urges plugging of funds gap](#), 22 January 2020

⁸¹ AELP, [Levy shortage starving small firms of apprenticeships poses early test for Johnson campaign pledge](#), 9 August 2019

⁸² FE Week, [At Ofsted we find little evidence apprentices are actually moving up the levels](#), 5 February 2020

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.⁸³

6.8 Latest Government position (as at March 2020)

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

In their [2019 Manifesto](#), the Government pledged to improve the working of the levy, and the Prime Minister has recently said that the levy will be reformed.⁸⁴

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

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

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

Answered by: Michelle Donelan, 5 February 2020

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

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

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

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

⁸³ National Audit Office, [The apprenticeships programme](#), 6 March 2019, p10

⁸⁴ [HC Deb](#), 15 January 2020, c 1014

7. Other initiatives to improve skills

Apprenticeships are one of the initiatives that the government has in place to improve the skills held by workers in England. This section outlines some of the other initiatives that are in place.

In the response to [PQ HL8999](#) the Government outlined the steps it is taking to ensure that the UK workforce has the “critical skills that UK-based businesses need”:

The department recently conducted the latest Employer Skills Survey, which provides robust assessments of skills shortages across the UK by region and by sector. The results of this survey will be published by the end of summer 2018. The department also holds responsibility for ‘Working Futures 2014 to 2024’, which provides labour market projections. A summary of this report is attached and the full report is available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/513801/Working_Futures_final_evidence_report.pdf.

In addition, we are establishing Skills Advisory Panels (SAPs), which bring together local representatives including business, training providers and tertiary education to make sure that the local provision of skills, and the delivery of skills policy in local areas, meets and responds to changing employer needs. Along with SAPs, we hold frequent meetings with businesses from across sectors to ensure we adapt our programmes to meet their needs.

We are working with employers to jointly design and deliver policies and programmes, which will make the skills system more responsive to employer needs, while giving individuals the skills they need to succeed. This includes making apprenticeships longer, better, with more off-the job training and proper end point assessments; and developing T Levels to offer a high quality and rigorous technical alternative to academic education. The National Colleges and Institutes of Technology will provide higher level technical skills needs. The department is developing a new National Retraining Scheme, an ambitious, far-reaching programme, which will give adults the skills they need to thrive and support employers to adapt as the economy changes.

We established The Careers & Enterprise Company (the Company) to connect schools and colleges with employers to offer young people meaningful encounters with the world of work. Since 2015, the Company’s Enterprise Adviser Network has recruited over 2000 Enterprise Advisers. These senior business volunteers work with individual schools or colleges providing strategic guidance on their careers plans in order to open young people’s eyes to opportunities and raise their aspirations.

Further information on the initiatives mentioned in this response, as well as other Government initiatives focussing on skills, is included below.

7.1 Skills Advisory Panels

Skills Advisory Panels (SAP) were one of the commitments included in the Conservative manifesto for the 2017 election. The aim of these

panels are to identify “local skills shortages and ensure that colleges deliver the skills required by local businesses” .⁸⁵

Each Local Enterprise Partnership (LEP) and Mayoral Combined Authority (MCA) is to have a SAP, and guidance from the DfE provided further information on how they will work:

Skills Advisory Panels aim to bring together local employers and skills providers to pool knowledge on skills and labour market needs, and to work together to understand and address key local challenges. This includes both immediate needs and challenges and looking at what is required to help local areas adapt to future labour market changes and to grasp future opportunities. This will help colleges, universities and other providers deliver the skills required by employers, now and in the future.

Skills Advisory Panels aim to strengthen the capabilities of Local Enterprise Partnerships and Mayoral Combined Authorities, or local areas from hereafter, to carry out high quality analysis which will be used to identify their skills and employment needs and priorities, as well as inform their skills agenda, and improve their economic outcomes. This will assist local areas to develop action plans to address skills issues which, in turn can give more people in the local community access to high quality skills provision that leads to good jobs. The analysis produced will underpin the ‘People’ element of their Local Industrial Strategy.⁸⁶

The DfE has stated that £75,000 would be provided for each panel.⁸⁷

7.2 Reforms to technical education

The Government is undertaking major reforms to the technical education system in England. The proposed reforms were first set out in the [Post-16 Skills Plan](#). In November 2017, the Department for Education published a [consultation](#) on implementation, which it [responded](#) to in May 2018.

Under the reforms, a new technical education option will be created to sit alongside the academic option (e.g. A Levels and a degree). The technical option will comprise 15 routes based around occupations with shared training requirements. Some routes will be further sub-divided, with closely-related occupations grouped together into pathways.

For example, one of the 15 routes will be in Health and Science, and this will be sub-divided into 4 different pathways.

The technical option will be delivered by a combination of college-based education and apprenticeships, with four of the 15 routes delivered primarily through apprenticeships.

New level 3 study programmes – T Levels – will be created to sit at the start of technical routes (apart from the four apprenticeship only

⁸⁵ [The Conservative Party Manifesto 2017](#)

⁸⁶ DfE, [Skills Advisory Panels: analytical toolkit](#), 6 December 2018

⁸⁷ FE News, [DfE to match skills to jobs with new support for Skills Advisory Panels](#), 7 December 2018

routes), with a T Level for each pathway (i.e. some routes will have more than one T Level). They will be primarily aimed at 16 year olds.

Three T Levels within the construction, digital, and education and childcare routes will be delivered at small number of providers from September 2020. A further seven T Levels will be available from September 2021, with the reminder rolled out from September 2022 onwards. The Government's current aim is for all T Levels to introduced by September 2023.

Further information on T levels is provided in the library briefing paper [I Levels: Reforms to Technical Education](#) (December 2018).

7.3 National Retraining Scheme

In their manifesto for the 2017 election, the Government committed to introducing a National Retraining Scheme, which would provide training funded by the government.

The scheme will provide a new service for adults in low-skilled work to retrain and find new jobs. To develop this service, the Department for Education will work with the Confederation of British Industry and the Trades Union Congress.⁸⁸

In the 2018 Autumn Budget, £100 million was announced for the "continued testing and development" of the scheme, with an "initial launch to the first users of the National Retraining Scheme in 2019".⁸⁹

7.4 Careers & Enterprise Company

In December 2014 the Careers and Enterprise Company (CEC) was created by the Department for Education to provide improved careers education and advice to school pupils aged 12 to 18. The company is employer-led and independent of government.⁹⁰

The company set up the Careers and Enterprise Fund which is allocated to organisations who have "a proven understanding of how to increase the number of encounters young people have with employers". In 2016, £5 million was invested in 50 careers and enterprise programmes.⁹¹

The Government published its [Careers strategy](#) in December 2017 which set out a series of measures to be implemented between 2018 and 2020 to improve careers guidance in England.

By the end of 2020, the strategy intends that all schools and colleges will have access to an Enterprise Adviser. Schools should also offer every young person seven encounters with employers, including STEM employers (at least one each year from years 7 to 13), with support from the CEC.

⁸⁸ DfE, [Designing a retraining scheme that meets user needs](#), 20 December 2018

⁸⁹ [PQ HL12376](#), 20 December 2018

⁹⁰ DfE, [New careers and enterprise company for schools](#), December 2014

⁹¹ Careers and Enterprise Company, [Careers and Enterprise Fund](#)

Labour's shadow skills Minister, Gordon Marsden, has raised concerns about the financial support being provided to the strategy, in particular the money committed for careers leaders, describing it as "frighteningly small."⁹²

Furthermore, the chair of the Education Select Committee has raised concerns over CEC spending, stating that "the body can be ludicrously wasteful".⁹³

Further information on careers education in England can be found in the library briefing paper [Careers guidance in schools, colleges and universities \(England\)](#).

7.5 Digital Skills

On 1 March 2017, the Department for Digital, Culture, Media and Sport published the [UK Digital Strategy 2017](#), within which the Government put forward proposals to improve the UK's digital skills.

One of the initiatives in this strategy was to establish a Digital Skills Partnership, which included technology companies, local businesses, local government, charities and other organisations. Further information on this partnership was provided in the response to [PQ 199396](#) (14 December 2018):

We have also established the Digital Skills Partnership, bringing together organisations from across all sectors to improve digital skills and capability levels across the skills spectrum. Organisations on the DSP's Board include Google, Microsoft, BT, Barclays, Lloyds Banking Group, AbilityNet, Good Things Foundation, Tech Nation, the Federation of Small Businesses, Microsoft, and Nominet. A priority for the Digital Skills Partnership is to work with regional stakeholders, including SMEs and charitable organisations, and to incentivise the creation of Local Digital Skills Partnerships so that regional partners can better understand the skills needs of their local economies and communities.

Further information on digital skills in the UK can be found in the House of Lords Library briefing [Digital Skills in the United Kingdom](#) (August 2017).

7.6 Industrial Strategy

In November 2017 the Government published the [Building a Britain fit for the future](#) White Paper which sets out the industrial strategy. The aim of this strategy is to "help young people develop the skills they need to do the high-paid, high-skilled jobs of the future".

The White Paper outlines how the government intends to "help people develop the skills needed for jobs of the future":

AI and data analytics will change jobs and businesses, and we want people to be able to capitalise on these opportunities. Our

⁹² TES, [Careers strategy needs funding, says shadow skills minister](#), 7 December 2017

⁹³ FE Week, [Halfon blasts Careers and Enterprise Company for their 'magic money tree'](#), December 2018

Industrial Strategy builds on our work to develop people's skills, investing an additional £406m in maths, digital and technical skills in England. This includes investing £84m over the next five years to deliver a comprehensive programme to improve the teaching of computing and drive up participation in computer science. We will up-skill 8,000 computer science teachers and work with industry to set up a new National Centre for Computing Education.

We will also promote a new adult digital skills entitlement to support basic training and our new National Retraining Scheme will help people re-skill and up-skill as the economy changes, including as a result of automation.

This scheme will be informed by career learning pilots, which are testing barriers to adults engaging in learning, and the National Retraining Partnership. Initially it will focus on priority skills, including digital. As a first step, we will invest £30m to test the use of AI and innovative education technology (edtech) in online digital skills courses.

We also need to build an evidence base about how technological change may affect different sectors, groups and places. Building on the work of Skills Advisory Panels and local Digital Skills Partnerships in England, the government and industry will explore how data analytics can be used to improve our understanding of employer demand for skills.⁹⁴

7.7 Skills and training within the UK

The [UK Employer Skills Survey for 2017](#) report was published in August 2018, and provides an outlook on skills and training within UK employers. The report is based on responses from 87,000 employers, and also includes a [Slide Pack](#) that analyses skills gaps for different regions.

In 2017, 6% of employers reported that they had a **skill-shortage vacancy**. This is a vacancy that is difficult to fill due to a lack of the required skills, qualifications or experience among applicants. In total there were 226,000 skill-shortage vacancies, up from 209,000 in 2015, an 8% increase. 22% of vacancies were hard to fill due to reported skills shortages.

The skills shortages were more prevalent in certain sectors and occupations. Over 36% of vacancies in Construction were reported to be a skill-shortage vacancy, as were 42% of Skilled Trades vacancies.

Some of the skills that were cited as lacking in applicants included digital skills, complex analytical skills and management and leadership skills.

Employers also reported on **skills gaps in their workforce**, meaning that some employees lacked the proficiency to fulfil their role.

In 2017, approximately 1.27 million workers lacked full proficiency in their role, 4.4% of the total UK workforce, with 13% of employers reporting such skills gaps. Both the number and proportion of workers lacking proficiency has been falling in recent years: in 2011, 1.49 million

⁹⁴ HM Government, [Industrial Strategy Building a Britain fit for the future](#), November 2017, pp 40-41

workers lacked full-proficiency, 5.5% of the total workforce, and 17% of employers reported skills gaps.

The most common skill lacking among staff was time-management and prioritisation of tasks, while other common skills that were lacking included sales and customer skills, and a lack of knowledge of an organisation's products, services and processes.

The main reason why staff would lack proficiency was that staff were either new in their role, or had only partially completed their training. However, other reasons for skills gaps that were reported were due to staff lacking motivation, staff failing to do their jobs more effectively following training or because they were receiving inappropriate training.

63% of employers reported that they expected to need to upskill their staff over the coming year.

The report also looked at whether staff were underutilised, meaning that their qualifications and skills were at a higher level that was needed for their current role. Employers reported that 2.5 million workers were underutilised in this way (8.7% of the workforce), with 35% of employers reporting that they had underutilised their workers. This was most prevalent in the Hotels and Restaurants sector.

Two thirds of employers reported that they had provided **training** for their staff over the past 12 months, with 62% of workers receiving training. Workers received, on average, 6.4 days of training in 2017, slightly down from 6.8 in 2015.

In real terms, £44.2 billion was spent on training in 2017, up 1% from 2015. This was £1,530 per employee, down 2% on 2015. The rate per person was down due to an increase in the number of people in employment between 2015 and 2017.

Employers reported a greater use of online training and e-learning.

An analysis of skills gaps by region is available in the England Slide Pack that the DfE

8. Useful sources

8.1 England

Commons Briefing Paper, [Apprenticeship Statistics for England](#)

Commons Briefing Paper, [Apprenticeships Policy in England: 2010-2015](#)

Commons Briefing Paper, [Apprenticeships Policy, England prior to 2010](#)

Gov.uk, [Find an Apprenticeship](#)

Gov.uk, [Apprenticeships](#)

Gov.uk, [Apprenticeship funding: how it will work](#)

Skills Funding Agency, [FE Data Library: apprenticeships](#)

8.2 Scotland

Skills Development Scotland, [Statistics: Modern Apprenticeships](#)

Skills Development Scotland, [My World of Work: Modern Apprenticeships](#)

Skills Development Scotland, [Apprenticeship Levy](#)

8.3 Wales

Welsh Government, [Statistics and Research](#)

Welsh Government, [Apprenticeships](#)

Welsh Government, [Apprenticeship Levy](#)

8.4 Northern Ireland

Department for Employment and Learning, [ApprenticeshipsNI statistics](#)

NI Direct, [Apprenticeships](#)

Annex A – Apprenticeship Funding Bands

The table below shows the 15 apprenticeship funding bands that will be used from August 2018 onwards:

Funding band	Upper limit
1	£1,500
2	£2,000
3	£2,500
4	£3,000
5	£3,500
6	£4,000
7	£4,500
8	£5,000
9	£6,000
10	£7,000
11	£8,000
12	£9,000
13	£10,000
14	£11,000
15	£12,000
16	£13,000
17	£14,000
18	£15,000
19	£16,000
20	£17,000
21	£18,000
22	£19,000
23	£20,000
24	£21,000
25	£22,000
26	£23,000
27	£24,000
28	£25,000
29	£26,000
30	£27,000

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