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Dear Mike,

During the House of Lords Oral on 25 June 2018, you asked me whether the Government will consider piloting the suspension of the 10% co-investment in order to let small businesses play their full part in boosting the number of apprentices.

The answer I gave mistakenly referred to the introduction of transfers, which allows levy payers to transfer up to 10 per cent of their levy funds to other employers so that they can benefit from the added flexibilities they offer.

I would like to correct my answer to clarify the Government's position on co-investment, which does not relate directly to transfers.

We developed the Apprenticeship Levy and funding policy to incentivise employers into becoming more intelligent and demanding customers. The levy encourages sustained employer investment in high quality apprenticeships. High quality training opportunities, like apprenticeships, are key to supporting the growth and success of small businesses. It is recognised that small businesses place great value on apprenticeships and are prepared to invest in them. It is essential that our reforms work for these employers.

Government funds 90% of the training and assessment costs of apprenticeships for small and medium sized business. We believe employers benefit from making a direct financial contribution to cover the remaining costs. By taking greater ownership and responsibility for these costs, SMEs can feel empowered to demand high quality apprenticeship training from their chosen provider that best suits their needs. For the smallest employers, those with fewer than 50 employees, 100 per cent of the cost of training is paid for young apprentices – those who are 16 to 18 years old, 19 to 24-year-old care leavers or 19 to 24 year olds with an Education and Health Care Plan.

The Government has already awarded over £550 million to providers across the country who were successful in the non-levy procurement to deliver apprenticeship training for smaller business from January 2018 to April 2019. This will help employers of all sizes increase the number of quality apprenticeships they can offer, in all parts of the country.

While providers have been consistently more negative about the impact of co-investment than employers, we have seen little evidence to back this up. Employers have said that many factors (business need, availability of standards and wage costs) influence their decision to engage with apprenticeships or not. Government has no current plans to change or suspend co-investment rates. Removing the requirement for 10% co-investment would mean less money being available to invest in quality apprenticeship provision.

We continue to work closely with employers to help them take advantage of the levy and wider funding changes, to invest in the long-term skills needs of their business.

I hope this has been useful. I will place a copy in the House of Lords Library and send a copy to all Peers who spoke.

With my best wishes,
James

VISCOUNT YOUNGER OF LECKIE