



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

25 January 2016

The Rt Hon Andrew Tyrie MP  
Chairman  
Treasury Committee  
7 Millbank  
House of Commons  
London  
SW1P 3JA

#### APPRENTICESHIP LEVY

Following the Select Committee meeting on the 1 December 2015 I agreed to write about the public sector impact of the Apprenticeship Levy.

The government has made it clear that in order to deliver 3 million apprenticeship starts by 2020 and improve the quality of apprenticeship training programmes, the public sector will need to play its part. This means public sector employers will have to pay the Apprenticeship Levy like every other employer whose paybill exceeds £3million.

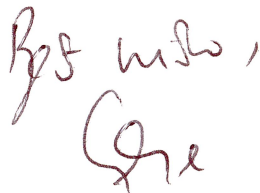
As requested, I have set out the public finance projections for the Apprenticeship Levy. In total, the public sector will pay around £700m in Apprenticeship Levy in 2017-18; of which £400m will be paid by central government and around £300m by local government. These numbers are projections from HMRC's sample-based modelling of administrative data and thus are subject to some uncertainty. At the meeting, you were also keen to understand the impact on the NHS. Treasury analysis suggests that the NHS Hospital and Community Health Service in England will have to pay around £190m in Apprenticeship Levy. However, like any other employer, the NHS will be able to draw down levy funding and get back more than they pay in the levy by taking on sufficient apprentices; and we fully expect them to do so.

Some public sector employers are already exemplars in this area such as the Army, which is England's biggest provider of apprenticeships. We want to see all public employers emulate this success as we create 3 million new apprenticeship starts by 2020. That is why the government has just announced a consultation to ensure apprentices make up more than 2.3% of the workforce in public bodies in England.

The NHS will benefit from the steps that the government has taken to reduce the cost of employing apprentices for all employers. From April 2016, employers will no longer have to pay National Insurance contributions for apprentices aged under 25, saving over £500 a year for an apprentice earning £12,000 and over £1000 for an apprentice earning £16,000.

Apprenticeships broaden the routes into training and employment in the NHS, and provide thousands of NHS staff the opportunity to gain a qualification and apply the learning to their new or existing role. We already have around 15,000 apprentices working in the NHS. We will create a further 100,000 by 2020. For the first time, these roles will include a new Nursing Associate. They will sit between Care Assistants and Registered Nurses and establish a new career pathway into nursing.

I would like to reassure you that individual departments, as well as the NHS, are working hard to see where they can make their contribution to increasing the quantity and quality of apprenticeships in England.

A handwritten signature in red ink, appearing to read "GOS" followed by a stylized flourish.

GEORGE OSBORNE