



The Rt Hon Baroness Smith of Malvern MP
Minister for Skills for the Department of Work and Pensions

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Dear Phil, Tessa and Sarah

Apprenticeship funding bands reviews

I am writing to you today to commission Skills England, as an immediate priority, to provide advice to DWP on which apprenticeship standards should be prioritised for a funding band review. As you are aware, the Government is determined to boost apprenticeship starts for young people and it is imperative that our funding rates incentivise this rather than hold it back.

The skills solution for the country must take account of the full range of training opportunities, from privately paid for learning and development offers to the range of technical offers based on the same high quality occupational standards that underpin apprenticeships (including T-Levels, Higher Technical Qualifications and the forthcoming V Levels). I know that you are working closely with DBT, DfE, DWP and sector groups to refine and communicate this. Apprenticeships are a key part of that and offer a unique way of accessing those occupational standards and developing them in a practical and applied way within the workplace.

Apprentices have the security of knowing the skills they are learning are relevant and valued in the workplace, they build work experience as they train, making them more employable in the future, 94% of apprentices who successfully complete their programme progress into work or further training, often remaining with their employer. As well as earning as they learn, successful apprentices also achieve significant long term wage gains, with median earnings rising by over 40% within five years of completion.

Apprenticeships are great for business:

- employers gain a committed member of staff from day one;
- employers don't pay National Insurance for apprentices under 25
- from October they can benefit from up to £8,000 to cover additional costs
- Business productivity gains are estimated between £2,500 and £18,000 per apprentice per year.

- Employers report increased loyalty with 69% saying that employing apprentices has improved staff retention (65% of apprentices stay with the company that trained them upon completing their apprenticeship).

However, the apprenticeship system is in need of reform

Apprenticeship starts among 16–24-year-olds have declined by 40% over the last decade. That's over 113,000 fewer young people starting an apprenticeship in 2024/25 than in 2015/16. With apprenticeships increasingly popular among young people, and being so well-liked and understood by their parents, the difficulty in 'getting an apprenticeship' is becoming increasingly apparent.

Over half of all new apprenticeships are now by learners aged over 25. 43% of new apprentices had already been employed with their current employer for more than 12 months, yet there are now one million young people who are not in education, employment or training (NEET).

There is substantial misunderstanding about how the apprenticeship levy works and many levy payers don't realise that the money they pay enables government to support non-levy payers (in 2024-25 around £800m was paid out to small and medium sized employers). There is a misconception that if not used by themselves these funds go unspent. In fact the budget is finite and last year, we spent 100% of it.

Government needs to take a more active role in prioritising how this funding is used, to ensure we are delivering more opportunities for young people as well as the skills the country needs. It is on this issue that I am writing to you today.

We have four clear objectives for the Growth and Skills Levy and have announced a range of reforms to deliver them, backed by £1bn of additional investment over the next three years. Skills England has a key role to play in delivering these.

- 1. First and foremost, we want to see 50,000 more young people starting an apprenticeship by March 2029 – that's nearly half of the decade-long decline to be reversed within three years.**

We are increasing our support for smaller employers who are typically more likely to employ younger people. *From August 2026, we will fund 100% of the training costs for their 16-24-year-old apprentices by removing any requirement to contribute financially. And in October 2026, we will introduce a £2,000 payment when they hire 16–24-year-old apprentices as new employees.*

We want to increase the number of entry level apprenticeships to give more people a foot in the door in their careers. *From August we are launching a new level 2 administrative assistant apprenticeship specifically for 16-24-year-olds as a great way to start a career. We have also introduced foundation apprenticeships which are entry-level apprenticeships for young people aged 16 to 21, which come with a £2,000 payment premium for employers.*

And we will be investing £140m to work with Mayoral Strategic Authorities to explore how we can best connect young people, including those who are NEET, with apprenticeship opportunities at local employers.

These are all concrete steps to rebuild the apprenticeships careers ladder for young people.

- 2. We want to see further improvements in the quality of apprenticeship training provision, increasing the achievement rate to over 70%.**

For this reason, we will continue to focus on driving up the quality of training provision, the robustness of apprenticeship standards and the help available to employers to enable them to properly support their apprentices.

3. We want to continue to introduce greater flexibility to meet employer's skills needs, support the Industrial Strategy and power economic growth

I want Skills England to identify where apprenticeships are best placed to meet the needs identified, taking into account demand, outcomes (such as achievement rates), and the value they add to existing training options, alongside affordability.

In addition to a focus on people gaining early career occupational competence, it's vital we set aside funding to upskill the existing workforce, so as a nation we can address emerging skills gaps and help the economy grow. 80% of the work force of 2030 are already in the workplace and we need to help them adapt to new skills and technologies, for example AI and green skills.

We have introduced the first fully funded short courses, apprenticeship units, to support employers to rapidly upskill their workforces. You are leading the work with industry to identify further high-impact growth opportunities and I am keen to roll these out as swiftly as possible building on the fast track approvals process that you have recently introduced.

4. We want to simplify the system, target our funding and make it easier for employers, ensuring that our budget is prioritised towards key government objectives

Although we have a record-breaking budget of £3.3bn, it is a finite resource we expect to fully spend. We have stopped funding level 7 apprenticeships except for young people aged under 22, or those under 25 who are care leavers or have an education, health and care plan. And from September 2026, we will stop funding 16 apprenticeship standards that do not sufficiently support our policy objectives or form a core part of career pathways.

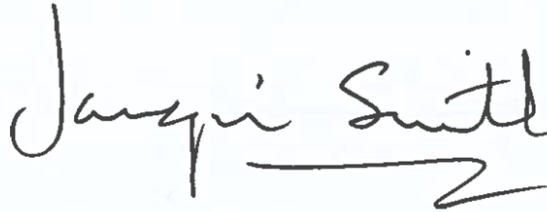
As we construct a more dynamic and responsive product offer, all future investment decisions need to be driven by an assessment against these four objectives, so that the offer to employers does more to tackle the nation's skills challenges head-on. I would like Skills England to put these objectives at the heart of their decision-making in relation to the Growth and Skills Levy. That means, when reviewing, designing and funding products, we will prioritise those which

- Make a strong contribution to supporting our objectives on young people, with a focus on apprenticeships that deliver, or can deliver, a high proportion of starts for those aged under 25;
- Make a strong contribution to growth and the priority skills to 2030 identified by Skills England across ten critical sectors, aligned with the government's [Industrial Strategy](#) and [Plan for Change](#).

Employers and providers have flagged that funding rates need to be sufficient to enable the standards most used by younger people to grow and flourish. For example, 6 of the top 20 standards used by under 25s have not been uplifted since the standard was introduced. I am therefore commissioning Skills England to provide advice to DWP to identify which standards should be brought forward as a priority for a funding band review and potential funding uplift in order to boost starts for young people. This work should be an immediate priority for Skills

England and I would like to receive the advice on 'which standards' by July and the advice on the potential funding rates by October. The Secretary of State will follow up shortly, with the wider remit letter.

The Rt Hon Baroness Smith of Malvern

A handwritten signature in black ink, reading "Jacqui Smith". The signature is written in a cursive style with a long horizontal stroke at the end.

Minister for Skills