

**Jeremy Miles AS/MS**  
Ysgrifennydd y Cabinet dros yr Economi, Ynni a'r Gymraeg  
Cabinet Secretary for Economy, Energy and Welsh Language



Llywodraeth Cymru  
Welsh Government

Paul Davies MS, Chair  
Chair of Economy, Trade and Rural Affairs Committee

[SeneddEconomy@senedd.wales](mailto:SeneddEconomy@senedd.wales)

30 April 2024

Dear Paul,

The previous Minister for Economy attended a general scrutiny session before the committee on 13 December. At this session, Hefin David MS posed a question on apprenticeship levy funding. My predecessor committed to write to the committee concerning this matter. I have attached to this letter a note setting out the information requested.

I look forward to working with the committee.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'J. Miles' with a stylized flourish.

**Jeremy Miles AS/MS**  
Ysgrifennydd y Cabinet dros yr Economi, Ynni a'r Gymraeg  
Cabinet Secretary for Economy, Energy and Welsh Language

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1SN

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:  
0300 0604400

[Gohebiaeth.Jeremy.Miles@llyw.cymru](mailto:Gohebiaeth.Jeremy.Miles@llyw.cymru)  
[Correspondence.Jeremy.Miles@gov.wales](mailto:Correspondence.Jeremy.Miles@gov.wales)

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

## Information Requested by the Economy, Trade and Rural Affairs Committee

### Apprenticeship Levy

1. The apprenticeship levy was introduced through the Finance Act 2016.
2. The levy is paid by large employers with a pay bill of over £3 million. Currently, only a very small percentage of employers pay the levy, which is set at a rate of 0.5% of their total annual pay bill.
3. In England, every employer who pays the levy has a digital account where they can access their levy funds to spend on apprenticeship training. The UK Government also applies a 10% top up to the funds in each account. While only the biggest businesses pay the levy, the funding generated by it also funds apprenticeship training for other employers who want to take on apprentices. Smaller employers – those with a total annual pay bill of less than £3 million – pay just 5% of the cost of their apprenticeship training and the UK Government pays the rest.

### Levy funding deal for devolved administrations

4. The levy was introduced as a means of implementing skills policy and achieving commitments made for England and so did not take into account or cater for the economic backdrop or apprenticeship policies of the devolved administrations.
5. However, the UK Government's committed to provide the devolved administrations with a 'fair deal' to be based on population share.
6. The table below shows funding provided to the devolved administrations based on population share<sup>1</sup>:

Population share of levy funding (£m)	2017-18	2018-19	2019-20
Scottish Government	221	230	239
Welsh Government	128	133	138
Northern Ireland Executive	76	79	82

7. The aim initially was to provide devolved administrations with funding certainty as the UK Government would manage any difference between the levy forecast

---

<sup>1</sup> Source: <https://www.gov.uk/government/news/uk-government-agrees-apprenticeship-levy-funding-deal-with-devolved-administrations>

and actual levy revenues. This population-based agreement was thought to be consistent with the UK's general approach to sharing UK-wide revenues. Beyond 2019-20, once the levy was embedded, the normal operation of the Barnett Formula was expected to provide a similar outcome. It was for the devolved administrations to decide how to allocate this funding to their devolved responsibilities.

8. The fact that the Welsh Government was funded via a share of revenues from the levy in the early years, rather than Barnett consequentials from the associated planned spending in England, may be seen as at least partly a recognition of the difficulties caused by its introduction.
9. However, whilst at the 2015 UK Spending Review the UK Government allocated resources to Whitehall Departments to cover programmes financed by the apprenticeship levy, these additions were offset by cuts to other programmes, including existing apprenticeship programmes. In aggregate, the UK Government's Spending Review 2015 meant that the Welsh Government's budget was reduced in real terms.

<b>Impact of UK Government apprenticeship programmes on Welsh Government budget - Post 2015 Spending Review (£m)</b>			
	2017-18	2018-19	2019-20
Apprenticeship levy funding (population share of expected UK revenues)	128	133	138
Consequentials from closure of existing apprenticeship programmes in England	-90	-90	-90
<b>Net change to Welsh Government funding</b>	<b>38</b>	<b>43</b>	<b>48</b>
Estimated cost of levy to Welsh public sector bodies	-30	-30	-30
<b>Net impact of changes to apprenticeship funding on devolved public sector</b>	<b>8</b>	<b>13</b>	<b>18</b>

10. From 2020-21, the levy and revenues raised from it are irrelevant from a Welsh Government budgetary point of view. The levy is a source of funding to the UK Government, but the Welsh Government block grant funding depends on changes to the funding of those public services in England which are devolved to Wales, not on UK tax revenues.

### **Apprenticeship levy payments made by employers in Wales**

11. According to the ONS, on average 4% of the total apprenticeship levy comes from Wales. The ONS publishes an estimate of apprenticeship levy revenues from Wales, most recently £122m for 2021-22. It was estimated to be £99m in 2019-20. This suggests that levy-related funding coming to Wales may be higher than revenues collected in Wales. However, this is uncertain as the ONS revenue statistics are estimates due to data limitations. They are apportioned based on workforce and earnings data, rather than the address of employers paying the levy.

12. In addition, the funding was never fully additional in the first place, because of the closure of previous apprenticeship programmes in England coinciding with the introduction of the levy. As such, the net impact on Welsh Government funding was less than the revenues collected from the levy as was the case in the other devolved administrations.
13. From 2020-21 onwards, the revenues from 2019-20 were baselined and the Welsh Government now receive consequentials from overall changes to the Department of Education budget. Changes specifically from apprenticeship spending are not identifiable within these consequentials. So, although the Welsh Government knew the actual amounts transferred over the first three years of the levy's introduction, we now have no knowledge of what these amounts are.
14. Likewise, we are not able to find out what individual employers pay in levy. However, at the time when the levy started the Welsh Government estimated the cost to the public sector at around £30million.