

Charity Name: Coach Core Foundation

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Executive Summary

Coach Core Foundation welcomes the Government's continued commitment to improving employment opportunities for young people, as set out in the National Youth Strategy and associated initiatives.

The removal of the co-investment requirement for under 25 apprentices goes some way to reducing some of the costs felt by small and micro organisations, whilst increases to National Minimum and Apprentice Wage make apprenticeships a more viable option for young people.

However, whilst these are important steps in the right direction, more is still needed to ensure that apprenticeships — especially at entry level — are accessible, high-quality, and available to the young people and small employers who stand to benefit most.

Background

Apprenticeships are proven to play a key role in addressing the youth unemployment challenge (Youth Futures Foundation 2025), yet uptake, particularly amongst entry level qualifications, continues to decline. Without urgent action, unemployed young people are at risk of further exclusion from the labour market, elevating the risks of low life satisfaction, social exclusion and a rising economic strain on public services.

Recommendations

Addressing the decline in apprenticeships, through the recommendations below, will align directly with the ambitions of the **National Youth Strategy**, which highlights the need to broaden access to skills and employment opportunities for all young people, particularly those facing barriers. It will also directly support the **UK's Industrial Strategy** and wider Government **missions** by tackling skills shortages and addressing the youth unemployment challenge.

We call on Government to go further to address rising costs for employers. Small and micro sized organisations are the backbone of apprenticeship opportunities for young people, yet the costs of recruitment, wages, training and mentoring continue to be a barrier. Whilst the Budget announcements reduce some of the upfront training costs, dedicated employer incentives and support, that keep pace with real costs and inflation, are still critical to prevent declines in Level 2 and 3 apprenticeship numbers.

We recommend:

- Further refine of the Growth and Skills Levy, to better support Small and Medium sized employers (SMEs).
- Pilot of free or concessionary transport for Level 2–3 apprentices.
- Review of welfare, council tax and wage policy to make apprenticeships financially viable.

These measures are explained in further detail below:

Further refine the Growth and Skills Levy to better Support Small and Medium Sized Employers

Proposal

Continue to refine the new Growth and Skills Levy, to:

- ***Ensure greater awareness on the use of unspent levy, and subsequent re-allocation of funds to the apprenticeship budget.***

We welcome the £1.5 billion investment from Government to enhance the Skills and Employment landscape. However, we also call for greater understanding of how this funding interacts with other funding streams, such as the Growth and Skills Levy, to ensure that funds are re-invested into the apprenticeship system, expanding high quality training opportunities for young people, particularly at Level 2 and 3 and in SMEs.

Estimates show that in 2022-2023 alone, over £400 million of levy funding was retained by the Treasury (FE Week 2023). Estimates indicate that this figure is expected to rise to over £1 billion by 2029 (Productivity Institute 2024). Whilst figures pertaining to this 'Treasury Margin' are widely accessible, less is known about how these retained levy funds are being used (Edge Foundation 2024). To ensure greater understanding and to ensure value for money, greater clarity is needed about how unspent funds are allocated.

In addition, the proposal to reduce the period in which levy funds can be spent (from 24 months to 12 months) will increase pressure on employers to spend quickly rather than strategically. Shorter expiry periods risk prioritising large employers with immediate recruitment needs over SMEs, limiting investment in entry-level apprenticeships and programmes that support young people facing barriers to work. For this reason, greater re-allocation of funds (specifically towards Level 2 and 3 programmes) is key to ensuring that the most disadvantaged young people are not left behind.

- ***Enables Local Authorities to redirect up to 5% of their unused Levy payments for use by Skills Hubs and SMEs***

The Apprenticeship Levy, in its existing form, has had a significant negative impact on the number of apprenticeship starts at Level 2 and 3 (AoC 2024), and within SMEs (CIPD 2023). This is because larger firms are choosing either to upskill existing staff onto higher level qualifications, or are choosing to transfer less of their levy funds to other providers within their supply chain. In addition, SMEs, who form the backbone of local economies and are well placed to offer Level 2 & 3 apprenticeships, are under acute pressure and lack the time, infrastructure and finances to recruit these young people (Edge Foundation 2025). Indeed, Edge's research highlights that SMEs represent 99.8% of businesses and 60% of total employment in the UK, but only employ 37% of apprentices - that's a 17 percentage point fall since the Apprenticeship Levy was introduced.

Allowing Local Authorities to redirect their unspent Growth and Skills Levy funding for apprenticeship starts in SMEs, with a specific focus on Level 2 and 3 apprentices, would align with the Government's ambition to **devolve** greater powers and decision-making to local areas. This approach would enable regions to target resources towards priority sectors, respond to local labour market and employability needs, address regional skills shortages and tackle youth unemployment. It would also help to mitigate risks for smaller organisations, who may otherwise choose not to take on apprentices. This could be trialled as a pilot initially, with the learnings then being replicated across other Devolved Authorities (mirroring the devolution of Adults Skills Fund policy).

- *Grants £3,000 per Level 2 or 3 apprentice to SMEs, distributed in three tranches based on progression through the qualification.*

We welcome the removal of apprenticeship co-investment for small and medium sized employers. This reduces the administrative burden for organisations, whilst allowing them to re-invest this funding into training and wraparound support for apprentices. However, we know that for many SMEs, the greatest financial barriers are linked to other on the job expenses, such as wages- an issue that will likely be compounded with the rise in National Minimum and Apprentice Wage rates. As such, more needs to be done to help SMEs mitigate these financial challenges.

Coach Core Foundation's Employer Research (2025), conducted with a cross section of micro, small and medium employers, demonstrated the value of financial support in reducing the perceived financial risk of employing an apprentice. Introducing financial payments would not only support SMEs to cover the enhanced salary costs, but may also enable them to 'top up' the salary provided, making apprenticeships a more financially viable option for young people (Coach Core 2025).

Financial support could also allow SMEs to develop a more holistic package of care for apprentices- for example, by covering training or travel costs in the first few weeks, or providing access to wrap around support, such as counselling. Both of these emerged as key recommendations from our Employer Research and would help to address issues linked to apprenticeship retention.

Finally, given the announcement of employer incentives for Foundation Apprenticeships, extending this incentive to also include full Level 2 and 3 apprenticeships, would mitigate the upfront costs carried by SME employers and safeguard against Foundation Apprenticeships diluting the uptake of full apprenticeships.

- *Allows the levy to be used for non- training costs, such as apprentice salaries, where employers face the biggest barriers*

Again, we welcome the removal of co-investment for SME employers. However, as noted, the levy must evolve to recognise that the biggest barriers for SMEs are not just limited to the cost of off-the-job training. Wider on-the-job expenses — including apprentice wages, supervision, pastoral support, and

the time required for effective mentoring — remain a significant obstacle. Building on the principles of the **Jobs Guarantee**- which offers paid employment and wrap-around guidance and support for young people- allowing a defined portion of levy funds to be used for these essential non-training costs would provide direct access to sustained employment. It would unlock more places at Levels 2 and 3, and help ensure apprenticeships remain a viable, high-quality route into work. This would significantly increase the impact of existing investment, delivering greater value for money by reducing dropout rates and removing financial barriers that prevent young people from accessing apprenticeships.

- *Considers how Apprenticeship Units can be expanded to include broader support for SMEs and young people*

SMEs and, more specifically, the mentors within them, play a transformative role in providing life-changing opportunities for young people, offering guidance, encouragement, and practical support that help apprentices develop both personally and professionally. Importantly, mentors also act as role models, demonstrating the pathways to progression and success, and inspiring apprentices to aim higher. At Coach Core, this is evident in a long-term cycle of support: previous apprentices often return as full-time mentors, guiding the next cohort and sharing the knowledge, experience, and confidence they have gained. This creates a sustainable, self-reinforcing system in which young people are consistently supported, motivated, and inspired throughout their apprenticeship journey.

Despite this, mentors have identified a need for further support and training. Our Employer Research indicates that mentors would benefit from targeted training to fully understand their role, foster positive relationships, and help apprentices progress effectively- particularly where young people are experiencing complex challenges. We propose that Government extend the scope of Apprenticeship Units to fund and recognise mentor training for SMEs, who often operate with minimal budgets. Enhanced guidance and support would reduce perceived risks for SMEs and better equip them to recruit, support, and retain apprentices, particularly those who require additional support (Coach Core 2025). Training should be broad enough to benefit employers in any sector and focus on enhancing the existing skills of young people. Suggested areas include, but are not limited to: Leadership and Management, Mentoring, Inclusive Practice, and Trauma-Informed Practice. We also recommend that pre-apprenticeship or employability training options are considered for young people—either through Apprenticeship Units or Foundation Apprenticeships—to ensure they are equipped, confident, and ready to enter the workforce.

Pilot Free or Subsidised Public Transport for Level 2–3 Apprentices

Proposal

We encourage Government, via Mayoral Combined Authorities, to pilot a free or concessionary travel scheme for Level 2 and 3 apprentices across the country.

Rationale

45% of respondents to the Youth Voice Census (2024) cited transport as a barrier to work or education. This data has been replicated in other surveys with young people across the Youth Futures Foundation's Youth Employment Group membership.

Despite being in work, apprentices often face higher travel costs, which can present a significant barrier to retention and completion rates (Coach Core 2025). Many apprenticeship roles require travel across multiple locations, however, young people on National Apprentice or Minimum Wage are less likely to own their vehicle, and travel support for apprentices is inconsistent. For example: Apprentices aged 19-24 living in the Liverpool City region are able to access discounts on public transport for the duration of their apprenticeship, while apprentices in London are only eligible for such discounts for the first year of their apprenticeship, and those in South Yorkshire no such specific support at all (Policy Exchange 2023). Addressing these transport challenges will help attract more young people to apprenticeships, reduce the non-completion rate and expand access to rural or transport-poor areas.

We call on (Local and National) Government to build on existing best practice, such as the Merseytravel Apprentice Travelcard, to pilot free or heavily subsidised travel passes for Level 2 and 3 apprentices across other Mayoral Combined Authority areas. This, together with the employer incentives, would open up the scope of work that apprentices could be given, as recommended in our Employer Research. It would also help to ensure consistency of transport access for young people across the country, reducing the current postcode lottery.

Review Welfare, Council Tax and Wage Policy to Make Apprenticeships Viable

Proposal

In addition to incentives for employers, apprentices and their families would also benefit from enhanced financial support. We urge Government to:

- *Extend employer National Insurance relief to all Level 2–3 apprentices, regardless of age, to incentivise recruitment.*

Rationale

In addition to the incentives also discussed, we also urge Government to extend National Insurance relief, to encourage employers to include intermediate level apprenticeships in their workforce strategies. Level 2 and 3 apprenticeships provide a valuable entry point into employment for many young people, particularly those who are further from the jobs market. However, as we have highlighted, employers may, at present, be discouraged from recruiting young people onto these programmes, in favour of upskilling existing staff, or recruiting those with more experience. Extending National Insurance relief may go some way to mitigating the perceived risks felt by some employers- and open up a new, diverse pool of possible recruits.

- *Align welfare policies (such as Universal Credit and Child Benefit) with the apprenticeship system, to prevent families from losing income when a young person begins work-based training*

Currently, young people entering apprenticeships may be financially worse off than if they were to remain in education. Youth Futures Foundation (2024) found families with apprentices may meet only 63% of their minimum living costs, compared to 90% if the child remains in education or other approved training.

Currently, apprenticeships are classed as employment with training, rather than 'approved education or training' under Child Benefit and Universal Credit rules. This means that families with young people on apprenticeships are unable to claim these payments, and are therefore financially worse off than if their young person chose other educational or training routes.

- *Introduce an apprentice-specific exemption for Council Tax, ensuring low-earning apprentices are not financially worse off when choosing work based training*

As with Universal Credit and Child Benefit rules, apprentices are considered to be in employment, rather than approved educational routes. That means that they do not qualify for student council tax exemptions, as those in full time education would. Additionally, their wages are also counted towards Council Tax Reduction (CTR) assessments. This may cause overall household income to tip over the CTR threshold, leading to some families experiencing loss of financial support.

Apprentices living independently, particularly when sharing accommodation with another apprentice or working adult, face a disproportionate financial burden due to council tax rules. Those living with other working adults would be ineligible for both the Single Person Discount and Council Tax Reduction. For example, two 19–20-year-old apprentices earning the apprentice minimum wage would bring home a combined net payment of around £830. A Band B property would equate to a council tax bill of around £75 each per month, with no reduction, on top of rent, utilities, and travel costs. This is financially unsustainable for many young people and effectively penalises them for choosing an apprenticeship over full-time education. This financial strain is likely to be felt even more significantly by those with no other family or financial support (such as care experienced young people, or those from lower socio-economic groups).

In addition, the earnings threshold for apprentices in relation to discounts for Council Tax payments has not changed in 20 years, despite increases to Apprentice Minimum Wages. This means fewer young people are likely to have the motivation or means to undertake an apprenticeship, or be able to live independently if they do.

Financial considerations are clearly impacting young people's decision to enter, or remain in, an apprenticeship programme. IFF Research (2023) found that nearly 40% of Level 2 apprentices who dropped out identified financial problems as a contributing factor.

To promote equity and support uptake of apprenticeships, policy should consider an **apprentice-specific disregard or exemption for council tax**, particularly for those on low wages and in shared accommodation. This will maximise existing investment and remove a key deterrent for under-served households. This would encourage more young people to start (and complete) an apprenticeship programme, thus contributing to Government targets to increase apprenticeship completions.

Alignment to Government objectives

These measures directly support the **UK's Industrial Strategy** and wider Government **missions** by tackling skills shortages, boosting productivity and improving youth employment outcomes. By creating accessible apprenticeship pathways and reducing barriers for employers, these measures advance the government's mission to **remove obstacles to opportunity** and expand high-quality skills provision. In addition, these measures will directly address Government's ambition for two thirds of young people to achieve an apprenticeship or technical route.

These measures will also directly advance the ambitions of the **National Youth Strategy** by helping young people **build skills, access good work** and ultimately, **improve their wellbeing**.

Collectively, these actions help build a healthier, more skilled workforce that underpins long-term national economic success and benefits all young people and employers, regardless of sector or location.

Financial Case

The Economy 2030 Inquiry's analysis, *Applying the Robbins Principle to Further Education and Apprenticeships*, shows that meeting the Government's ambition for two-thirds of young people to undertake apprenticeships or technical routes will require a significant expansion in Level 2 and 3 opportunities—particularly among SMEs, where most young people begin their careers. Their modelling estimates that *doubling* the current number of Level 2 and 3 apprenticeships in SMEs (restoring recruitment to 2015 levels) would require £1.5 billion per year. Crucially, this level of investment is substantially lower than the public funding currently allocated to support an equivalent number of young people progressing into Higher Education.

In addition, MeasureUp estimates a total social value of £32,700 for one person on an apprenticeship for one year. Using this methodology, each apprentice-year generates value that accrues not just to the individual and employer but to society more broadly (through better employment, reduced dependence on welfare, higher tax contributions and improved wellbeing).

Even with consideration of the proposed £3000 employer incentive and subsidised travel, implementing measures to deliver more apprenticeship starts (and completions), would see this value multiplied, making apprenticeships a very high-leverage public investment.

Long Term Impact

According to MeasureUp, young people who complete apprenticeships see higher lifetime earnings, reduced unemployment, and lower reliance on welfare. In addition, apprenticeships significantly reduce the likelihood of long-term NEET status—saving government expenditure across welfare, housing, and health.

Our proposed £3,000 employer incentive, alongside targeted reforms to reallocate unspent levy funds, would directly support SMEs to deliver these Level 2 and 3 apprenticeships, helping to achieve the two-

thirds target while ensuring high-quality, accessible opportunities for young people, particularly those facing barriers to education or employment.

Contact and Next Steps

We welcome the opportunity to meet with the Department for Education, Department for Work and Pensions, HM Treasury, and local Combined Authorities to develop this proposal further and identify pilot areas.

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