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The Scottish Parliament
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13 March 2026

Dear Convener,

Review of Modern Apprenticeship Contribution Rates

In my letter to the Committee regarding the Tertiary Education and Training (Funding and Governance) (Scotland) Act on 16 January, I reiterated my commitment that we intended to undertake a review of modern apprenticeships contribution rates, and that this would start by April 2026.

I want to provide an update to the Committee on this work. The scope and terms of reference for the review, which will be undertaken in two stages, are attached at **Annex A**. The first stage will begin in March and the initial evidence gathering will be complete by the end of June 2026. The second stage of the review will commence in February 2027 and will provide a more in-depth consideration of contribution rates.

I am committed to ensuring that the Act delivers its intended purpose and real, lasting benefits for learners, employers and Scotland's wider economy.

Yours sincerely,

BEN MACPHERSON MSP
Minister for Higher and Further Education

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Modern apprenticeship contribution rates review: scope and terms of reference

1. Background and context

During the passage of the Tertiary Education and Training (Funding and Governance) (Scotland) Act the Scottish Government (SG) confirmed that there would be a review of modern apprenticeship (MA) contribution rates which would start by April 2026. A commitment was also given that a report would be published on the outcome of the review, including any SG actions in response to the review once it has concluded.

This review will build on an earlier contribution review undertaken in 2012/13 and implemented by 2019, which focused on value for money, transparency, and differentials across frameworks and policy priorities.

Contributions range from £300 to £10,300 paid for the duration of the training. Current annual public sector investment is c. £90 million for MAs (Skills Development Scotland (SDS) budget contribution). In addition, the Scottish Funding Council (SFC) estimate that c. £50m credits are used to support MA delivery in colleges. Evidence shows that employers invest £10 for every £1 public investment.

The following is the current MA contribution rates paid by SDS - 2024-25 Appendix 1 MA Contribution Table.xlsx.

2. Purpose of the review

The purpose of the review is to assess whether current public funding for the modern apprenticeship programme remain appropriate, sustainable and aligned with Scottish Government priorities, labour market needs, employer behaviour, provider costs and learner outcomes. The review will consider whether changes are required to:

- Maximise public value and impact from MA investment
- Ensure fairness, transparency and coherence across frameworks, levels and age cohorts
- Support financial viability and quality delivery by contracted learning providers
- Maintain high levels of employer engagement.

3. Scope

The review will include:

- Public funding contribution rates across a sample of MA frameworks and levels (Levels 5–11).
- Differences in contribution rates by:
 - Framework and occupational grouping
 - Age cohorts
 - Policy priorities and targeted groups
 - Economic value and priority sectors.

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- The relationship between contribution rates, delivery duration and public contribution paid out on evidence of delivery and outcomes.
- Evidence on provider delivery costs, including changes in delivery models (e.g. blended and digital delivery) and management costs.
- The interaction between contribution rates and:
 - Employer demand and behaviour
 - Provider financial sustainability
 - Programme volumes, allocations and the ease of procuring training provision.
- Alignment with current Scottish Government economic and skills priorities.

4. Out of Scope

The review will not:

- Redesign the overall MA programme or contractual framework.
- Consider the future funding model for MAs.
- Consider the different models of delivery including the role of Managing Agents/Lead Providers.

For clarity, the three issues above will be included in work to look at the MA delivery model, where consideration will be given to the strengths of the current system and where reforms could be made. This work will align to the second stage of the rates review.

Whilst some of the background and evidence-gathering work will start prior to the formation of the redesigned funding body in April 2027, the majority of the work to consider any change to the MA delivery model will take place after April 2027. We will engage fully with delivery partners so that their experience and knowledge can help shape any changes in apprenticeship delivery. Change will be implemented as soon as practicable

Any wider policy changes will be treated as dependencies rather than outputs of this review.

5. Two stage approach to the review

The review will comprise of two stages:

Stage 1

A short, focused piece of work to gather evidence to determine the cost of delivery across a sample number of frameworks and providers before the end of June 2026. A standardised approach to gather the evidence will be adopted across different provider types. This work will aim to identify immediate actions for the 2027-28 contract and would centre on modest, evidence-based adjustments. The information gathering and data review will be undertaken between March to September 2026.

Stage 2

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A more in-depth consideration on the cost of delivery across frameworks. This stage of the review would align with other work including a more fundamental consideration of the MA delivery model, and the review of Scotland's college credit-based funding model. This work would be undertaken from February 2027 until 2028.

6. Terms of Reference (TOR)

Objective

To **review and, where appropriate, recommend changes** to public funding for the MA programme, ensuring they deliver maximum public benefit, are evidence-based, and remain fit for purpose for future operational years.

7. Key Questions

Stage 1 of the review will address:

- How do current rates compare with:
 - Provider delivery costs and financial viability
 - Employer contribution and engagement.
- The options for refining or restructuring contribution rates for the 2027/28.

Stage 2 of review will address:

- Should there be a definition of what public funding for MAs can be used for?
- Does public funding provide a clear and coherent pricing rationale across MA frameworks and levels?
- Are differentials between frameworks, levels and policy priorities transparent and justified?
- How do current rates compare with:
 - Provider delivery costs and financial viability
 - Employer contribution and engagement
- Are there unintended impacts on participation, equality groups or specific sectors?
- How does public funding for apprenticeships in Scotland compare with other UK nations?

8. Outputs

Stage 1 of the review will produce:

- An evidence-based rationale for current and proposed MA contribution rates.
- Clear options for decision makers.

Stage 2 of the review will produce:

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- A clear evidence-based rationale for current and proposed MA contribution rates.
- Options for:
 - Adjustments to existing contribution levels
 - Revised differentials across frameworks, levels or age cohorts.
- An appraisal of the impacts of proposed changes, including:
 - Providers
 - Employers
 - Learners
 - Volumes, contracting and systems (e.g. FIPS).
- Clear recommendations for decision-makers.
- Produce a report that will be published.

9. Evidence Base

The review will draw on:

- SDS and SFC management information and delivery data.
- Historical and recent evaluation evidence.
- Financial analysis of provider delivery costs.
- Financial analysis of college delivery costs including the costing exercise undertaken by the college Modern Apprenticeship Working Group.
- Engagement with key stakeholders, including:
 - Learning providers
 - Employers
 - Representative bodies.
- Analysis of economic and sectoral priorities set by Scottish Government.

10. Governance and Reporting

- The review will report into the Simplification Project Board.
- A technical reference group will be created to oversee stage one of the review. The arrangements for Stage two will be confirmed after stage one to ensure it aligns with the review of the MA delivery model. See Annex A1 for proposed role and membership.

Scottish Government
March 2026

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Technical reference group on the review of contribution rates

A technical reference group will be established that will provide a co-ordination role for the gathering of evidence that will help inform options for decision makers for stage one of the review. The Scottish Government will chair this group and membership will be a nominee from:

- Skills Development Scotland
- The Scottish Funding Council
- The Scottish Training Federation
- Colleges Scotland

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