HOUSE OF LORDS
Industry and Regulators Committee

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23 October 2024

The Rt Hon Baroness Smith of Malvern
Minister for Skills
Department for Education
20 Great Smith Street
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House of Lords inquiry into skills for the future: apprenticeships and training

Dear Minister,

I am writing to you regarding the Industry and Regulators Committee's inquiry into skills policy, focusing in particular on apprenticeships and training in the context of the skills the UK economy needs for the future.

During this inquiry, the Committee has heard evidence from former Ministers and Government advisers, skills institutions, and representatives of businesses, Local Enterprise Partnerships, colleges, training providers, apprentices, and trade unions. We are grateful for the extensive interest in our inquiry from stakeholders, who contributed 120 written evidence submissions. We thank all those who gave evidence to our inquiry, even where we have not quoted them in this letter. A full list of those who provided oral evidence can be found in Annex B.

We acknowledge that it is early in the life of this Government and that some skills policies are not yet fully formed. This letter summarises the key findings of our inquiry, setting out our current view based on the evidence heard regarding the UK's skills system and the major decisions and trade-offs that the Government must grapple with to make progress.

In summary, we have found the following issues during our inquiry:

1. **Complexity of policy:** We found that the skills system is complex, short-term and lacks strategic direction, making it difficult for those engaging in the system to understand it. The Government's forthcoming post-16 education strategy should aim towards a simpler system, with greater long-term funding for a smaller number of priorities and programmes.

2. **Complexity of institutions:** The complexity of skills programmes and policies is reflected in the institutional set-up of the skills system. The Government's establishment of Skills England could provide a greater focal point for the system, and it will have an important role in setting out the trade-offs that the Government will face. However, outside of deciding what the Growth and Skills Levy can fund, it

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is not clear what role the new body will play in directing activity and allocating broader skills funding.

3. **Devolution:** Devolution can add value to the skills system through engaging knowledge of local conditions and by linking local employers and educators. However, there is a trade-off between giving flexibility and control to local areas and having a coherent, well-understood national system. Skills devolution should aim for local engagement and delivery, rather than reinventing Whitehall locally through new processes and separate programmes. The Government must ensure local institutions have the resources to carry out this important role and enable local work, health and skills plans to be a success.

4. **Employer investment in training:** It appears that the UK has lost the advantage that it has previously held of a nationwide culture of employer-led training. Employers seem fearful of investing in training due to the risk of those staff leaving for other employers, yet we heard that investment helps employers to retain staff for longer. The Government, Skills England, and others must take a lead in communicating this benefit to employers. Cost concerns are also a factor, and we believe there is a case for the Government to introduce financial incentives for employers to invest in training, for instance through a skills tax credit.

5. **The purpose of apprenticeships:** There is widespread dissatisfaction with how the Apprenticeship Levy is operating, with employers wanting greater flexibility in how they can spend Levy funds. Others raised concerns that employers are using Levy funds to train existing staff, rather than investing in new joiners and young people. Any changes to what the Levy can fund will present trade-offs, and the Government should set out what it believes the focus and purpose of apprenticeships should be. We believe there is a case for ring-fencing a substantial proportion of Levy funding for young people, new starters, or lower levels of qualifications. This would counter the shift in opportunities away from young people and those seeking to enter new industries under a broad, unfocused Levy. We welcome the Government's plans to rebalance Levy funding towards young people and await further detail of how this is to be achieved.

6. **Flexibility and apprenticeships:** There are some areas where there is a strong argument for greater flexibility in what the Levy can fund. Flexibility that enables apprenticeships would be welcome, for instance through providing pre-apprenticeship training, covering a larger portion of the costs of hosting apprentices, and further incentivising small businesses to provide places. There is also room for greater flexibility in the rules governing the content of apprenticeships, which risk making them overly academic for learners and bureaucratic for employers and providers. The Government should review current apprenticeship content rules which can be restrictive, including functional skills requirements.

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7. **Youth Guarantee:** The lack of opportunities for young people who do not go to university is a cause for concern. The Government's proposed youth guarantee of education, apprenticeships, or training is an ambitious proposal to meet this challenge. There is little detail yet on what the guarantee will involve and who will be responsible for delivering it. We have heard concerns about the capacity of local authorities and the further education system to meet this challenge, with adult education providers struggling to provide the necessary staff and facilities to meet demand. For providers to be able to guarantee opportunities for young people, further education funding will have to track demand, as it does in the higher education system, otherwise there will always be a cap on how many people can be taught.

Our more detailed findings and conclusions can be found in Annex A to this letter. We look forward to your evidence to the Committee on 26 November, during which we hope to explore these issues further and discuss the Government's forthcoming response to them.

I am copying this letter to Alison McGovern MP, Minister of State in the Department for Work and Pensions, who is responsible for overseeing the youth guarantee.

Yours sincerely,

Baroness Taylor of Bolton

Chair of the Industry and Regulators Committee

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ANNEX A

1. The UK's post-16 skills system helps people to gain skills through various routes. Higher education qualifications provide an academic route, whereas technical and vocational educational is provided by the further education system, comprised of colleges and independent training providers. Some investment in training is provided by employers paying for qualifications, or through on-the-job training. Apprenticeships, for example, involve a mix of on-the-job training and learning hours with further education providers, and apprenticeship funding generally comes from the Apprenticeship Levy, a tax on large businesses that funds apprenticeship provision. The Apprenticeship Levy is set to be replaced by a Growth and Skills Levy which we will return to below. Other qualifications are entirely classroom-based and separate from industry placements.

2. The Government supports this provision in a number of ways. It decides the rules for Levy funding and finances domestic students to access higher education through student loans. It also funds the further education system directly through one of its executive agencies, the Education and Skills Funding Agency. The Government has created and funded several new qualifications to be provided through further education including T-Levels and Skills Bootcamps and, in addition to that, has provided other shorter-term skills schemes, such as the Restart and Kickstart schemes to support young people on benefits into work.

Government programmes and strategy

3. The Committee heard frequently during its inquiry that there are a large number of skills programmes and policies funded by the Government, which we heard were "too complicated", "daunting to end users", "overwhelming", and providing "no consistency" over time.[1] The Local Government Association cited analysis in 2021 that found that £20 billion was spent on "at least 49… skills related schemes or services" managed by nine departments and agencies.[2] A smaller number felt that the current situation was an "inevitable consequence" of the complexity of the economy and the skills that employers are asking for.[3]

[1] Written evidence from BTP Cumbria (SFF0006), Purple Beard (SFF0009) and UK Hospitality (SFF0021), and Q 14 (Rt Hon Charles Clarke). See also written evidence from Sammy Shummo (SFF0003), the Local Government Association (SFF0012), the University of Warwick (SSF0016), the Financial Services Skills Commission (SFF0023), HIT Training Ltd (SFF0051), Checkatrade (SFF0065), London South East Colleges (SFF0069), the Heritage Alliance (SFF0074), City & Guilds (SFF0079), the Home Builders Federation (SFF0093), the Tees Valley Combined Authority (SFF0096), the Food and Drink Federation (SFF0098), the Hospitality and Tourism Skills Board (SFF0104), the British Retail Consortium (SFF0123), the Trades Union Congress (SFF0125) and Offshore Energies UK (SFF0126)
[2] Written evidence from the Local Government Association (SFF0012)
[3] Q 5 (Robert Halfon), Q 17 (Jennifer Coupland)

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4. Several witnesses stressed the need for greater stability in the skills system, arguing that the "proliferation of initiatives"[4] and the "feast-and-famine cycle of skills investment in many industries"[5] has created uncertainty and can be "confusing"[6] for employers.[7] Jane Gratton of the British Chambers of Commerce argued that "it takes employers a long time to hear about something", implement it and see a return, meaning that "it does not help when the system constantly changes".[8]

5. David Hughes of the Association of Colleges explained that the average college has "over 60 funding lines", with many courses being funded from several different sources with "different rules and different requirements". He explained that lots of initiatives and programmes "are set up, run for a while and then die".[9]

6. A number of witnesses called for better planning through a national skills strategy, with some calling for it to be based on an industrial strategy.[10] The lack of such a strategy was described as "bizarre" by David Hughes,[11] leaving the UK "quite directionless"[12] and with no clarity as to how programmes and policies should work together by the Local Government Association.[13] Witnesses argued that a strategy should set the priorities and outcomes for the system in terms of the sectors and groups to be targeted with "scarce public resource". [14]

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[4] Written evidence from the Financial Services Skills Commission (SFF0023)
[5] Written evidence from the National Skills Academy for Rail (SFF0007)
[6] Q 31 (Lloyd Thomas MBE)
[7] Q 24 (Jane Gratton), Q 27 (Pat Jackson), Q 32 (Nicola Drury), QQ 42-43 (David Hughes, Ben Rowland), and written evidence from Sammy Shummo (SFF0003), UK Hospitality (SFF0021). See also written evidence from Greenworkx (SFF0035), Training and Apprenticeships in Construction Limited (SFF0046), the Association of Accounting Technicians (SFF0054), the Chartered Institute of Personnel and Development (SFF0071), the High Value Manufacturing Catapult Network (SFF0087), Make UK (SFF0092), the Centre for Ageing Better (SFF0094), the Institute for Fiscal Studies (SFF0101), the Productivity Institute (SFF0103), the Chartered Institute of IT (SFF0107), the Association of School and College Leaders (SFF0108), the Engineering Construction Industry Training Board (SFF0110) and the Skills Federation (SFF0115)
[8] Q 27 (Jane Gratton)
[9] QQ 42-43, 46 (David Hughes)
[10] Q 26 (Jane Gratton), Q 31 (Shazia Ejaz), Q 42 (David Hughes), Q 43 (Ben Rowland), Q 59 (Sian Elliott), and written evidence from Sammy Shummo (SFF0003), the National Skills Academy for Rail (SFF0007), the University of Warwick (SFF0016), the Financial Services Skills Commission (SFF0023), Policy Connect (SFF0036), HIT Training Ltd (SFF0051), the Association of Accounting Technicians (SFF0054), the Chartered Institute of Personnel and Development (SFF0071), St Martin's Group (SFF0073), Professor René Koglbauer (SFF0075), the High Value Manufacturing Catapult Network (SFF0087), the National Composites Centre (SFF0095), the Food and Drink Federation (SFF0098), National Foundation for Educational Research (SFF0099), the National House Building Council (SFF0111), the Skills Federation (SFF0115) and Creative UK (SFF0121)
[11] Q 42 (David Hughes)
[12] Q 61 (Sian Elliott)
[13] Written evidence from the Local Government Association (SFF0012)
[14] Q 42 (David Hughes). See also QQ 31, 40 (Shazia Ejaz), Q 43 (Ben Rowland), Q 59 (Sian Elliott) and written evidence from Sammy Shummo (SFF0003), the National Skills Academy for Rail (SFF0007), the University of Warwick (SFF0016), and the Financial Services Skills Commission (SFF0023)

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7. Several witnesses called for a focus on strategic sectors and areas with skills gaps, including digital, green, construction and health-related skills.[15] For example, the University Vocational Awards Council argued for a focus on supporting the recruitment and training of key public sector employees, as "the registered nurse is arguably the most prominent skills shortage occupation in the UK".[16] David Hughes said that construction skills will be required for achieving net zero and economic growth, but that to provide such skills "requires long-term capital investment" in equipment and facilities and an increase in staffing. He suggested that this requires "a consolidation" of funding to allow long-term investment and stability in Government policy.[17]

8. **As it stands, the UK's skills system is complex, lacks strategic direction, and operates in a fitful, short-term fashion. Many employers, training providers and individuals find it difficult to understand the system, and even those that do find it challenging to plan for the long term.**

9. **Our witnesses were clear that there was a need for some form of national skills strategy. It is welcome that the Government plans to bring forward a comprehensive strategy for post-16 education. It is crucial that this strategy makes provision for a simpler system, including greater long-term funding for a smaller number of strategic priorities.**

National institutions

10. Alongside the Government, some national institutions play an important role in managing the skills system: the Institute for Apprenticeships and Technical Education (IfATE), which works with employers to develop, approve, review and revise apprenticeships and technical qualifications[18]; the Education and Skills Funding Agency (ESFA), which funds the further education system[19]; and Ofqual, which regulates end point assessments for apprenticeships.[20]

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[15] Q 5 (Lord Layard), QQ 30-31, 40 (Shazia Ejaz), QQ 42, 49 (David Hughes), and written evidence from Cystel Limited (SFF0001), the Local Government Association (SFF0012), Ennis & Co Group (SFF0014), the University of Warwick (SFF0016), the University Vocational Awards Council (SFF0018), the Financial Services Skills Commission (SFF0023), the University of Wolverhampton (SFF0034), Greenworkx (SFF0035), Dr Alexander Waller (SFF0038), and the National Trust (SFF0041)

[16] Written evidence from the University Vocational Awards Council (SFF0018)

[17] Q 43 (David Hughes). See also written evidence from the Chartered Institute of Personnel and Development (SFF0071)

[18] Institute for Apprenticeships and Technical Education, 'What we do': https://www.instituteforapprenticeships.org/about/what-we-do/ [accessed 12 September 2024]

[19] Education and Skills Funding Agency, 'About us': https://www.gov.uk/government/organisations/education-and-skills-funding-agency/about [accessed 12 September 2024]

[20] Ofqual, *Ofqual regulation of Apprenticeship End-Point Assessment: a guide for awarding organisations* (April 2023): https://www.gov.uk/government/publications/ofqual-regulation-of-apprenticeship-end-point-assessment-a-guide-for-awarding-organisations/ofqual-regulation-of-apprenticeship-end-point-assessment-a-guide-for-awarding-organisations [accessed 12 September 2024]

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11. Some witnesses argued that, in the words of the University of Warwick, "it is not clear who holds ultimate responsibility over skills in the UK, and how that responsibility is exercised".[21] SSE suggested that the apprenticeships system "is fragmented", making it "quite difficult to navigate", especially for smaller businesses.[22] The Local Government Association argued that the skills system is "currently too centralised, short-term, and operates in silos", making it "difficult to plan, target and join up provision".[23]

12. Sian Elliott of the Trades Union Congress (TUC) argued that the UK is "quite unique internationally in not having a space where unions, employers and education providers can come together and talk about the skills system".[24] UK Hospitality argued in favour of "a central coordinating body" that would set national standards, provide funding, and ensure consistency across the skills system, including by working closely with regions and sectors.[25] The University Vocational Awards Council suggested that a new body could provide "a national vision" of the opportunities and challenges for the skills system and an annual report on the impact of apprenticeships and skills provision.[26]

13. Former Skills Minister Robert Halfon argued against creating new institutions, suggesting that the existing system already has "a cast of thousands".[27] Pat Jackson of Enterprise Cheshire & Warrington said that there is a "danger" that when governments want to make changes, "they just move the deckchairs around".[28]

14. The July 2024 King's Speech announced a bill to create Skills England, a new body which will "bring together" businesses, providers, unions, mayoral combined authorities (MCAs) and the Government to ensure a highly trained workforce. Skills England, which has been set up in shadow form[29], will develop a single picture of national and local skills needs, identify training for which funds from a reformed Apprenticeship Levy will be accessible. It is expected that Skills England will take on several functions from IfATE.[30] A number of

[21] Written evidence from the University of Warwick (SFF0016)
[22] Written evidence from SSE (SFF0011). See also written evidence from Purple Beard (SFF0009), the University Vocational Awards Council (SFF0018), the Federation of Awarding Bodies (SFF0084) and Offshore Energies UK (SFF0126)
[23] Written evidence from the Local Government Association (SFF0012). See also written evidence from English Heritage (SFF0100) and the Productivity Institute (SFF0103)
[24] Q 53 (Sian Elliott)
[25] Written evidence from UK Hospitality (SFF0021)
[26] Written evidence from the University Vocational Awards Council (SFF0018)
[27] Q 4 (Robert Halfon)
[28] Q 26 (Pat Jackson)
[29] Skills England is initially being set up in shadow form as an organisation within the Department for Education, in preparation for its establishment as a standalone body through legislation.
[30] Prime Minister's Office, 10 Downing Street, *King's Speech 2024: background briefing notes* (July 2024): https://assets.publishing.service.gov.uk/media/6697f5c10808eaf43b50d18e/The_King_s_Speech_2024_background_briefing_notes.pdf [accessed 13 September 2024]

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witnesses welcomed the establishment of Skills England as a possible solution to co-ordination issues.[31]

15. **The complexity present in the Government's skills policies and funding is reflected in the institutional setup of the skills system. We heard some support for a national co-ordinating body to provide greater clarity and consistency, but also some scepticism about whether creating another new institution would lead to meaningful change.**

16. **The Government's proposal to set up a new body, Skills England, could provide a greater focal point for the skills system through its role as a convenor, bringing together information on the needs of the skills system to inform Government policy. We believe that as part of this role, it will be important for Skills England to set out the trade-offs that skills policy and funding will face in a tight fiscal environment, some of which we explore in later sections of this letter.**

17. **Beyond its role in deciding what training is eligible for Apprenticeship Levy funding, it is not yet clear what role Skills England will have in directing activity and allocating broader skills funding.**

Local institutions

18. At a local level, the previous Government set up Local Skills Improvement Plans (LSIPs) for 38 areas in England, through which employer representative bodies identified local skills needs and fed into local provision, supported by a Local Skills Improvement Fund that allocated £165 million to local areas over two financial years.[32] Additionally, Robert Halfon told us that 60% of the adult education budget, "a significant amount", has been devolved to mayoral combined authorities.[33]

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[31] Written evidence from LEVRA (SFF0044), the Construction Industry Training Board (SFF0045), HIT Training Ltd (SFF0051), the British Chambers of Commerce (SFF0052), the Aldersgate Group (SFF0053), the Association of Accounting Technicians (SFF0054), the Skills Builder Partnership (SFF0057), Multiverse (SFF0060), the Association of Professional Staffing Companies (SFF0061), Checkatrade (SFF0065), Aptem Limited (SFF0070), the Chartered Institute of Personnel and Development (SFF0071), the Bell Foundation (SFF0072), the Federation of Small Businesses (SFF0078), the Society of Motor Manufacturers and Traders (SFF0083), Historic England (SFF0097), the Hospitality and Tourism Skills Board (SFF0104), the Society of London Theatre (SFF0105), the British Film Institute (SFF0106), the Engineering Construction Industry Training Board (SFF0110), the Skills Federation (SFF0115), the Engineering and Building Services Skills Authority (SFF0117), the Association of British Insurers (SFF0118), the Co-op Group (SFF0122), the British Retail Consortium (SFF0123), the Trades Union Congress (SFF0125), Offshore Energies UK (SFF00126) and Engineering UK (SFF0128)

[32] Department for Education, *Local skills improvement plans (LSIPs) and local skills improvement fund (LSIF)* (April 2024): https://www.gov.uk/government/publications/identifying-and-meeting-local-skills-needs-to-support-growth/local-skills-improvement-plans-lsips-and-strategic-development-funding-sdf

[33] Q 4 (Robert Halfon)

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19. The introduction of LSIPs was praised by many witnesses for engaging local employers at a lower level than had been seen previously and provides "a lot of skills information" on their regions, according to IfATE Chief Executive Jennifer Coupland.[34] Jane Gratton stressed the importance of LSIPs but argued that they need to be "part of the long-term funding cycle" to have an impact.[35]

20. Other witnesses raised concerns that LSIPs can be difficult for small businesses to engage with, that their focus can be on a narrow range of sectors, and that they can be "a bit of a wish list… rather than a longer-term look" at skills needs and economic development.[36] David Hughes said that LSIPs are the "right starting point" but argued that educators and training providers should be involved in their development. He also suggested that LSIPs have insufficient funding to deliver on their priorities.[37]

21. We were told by several witnesses that there is a need for greater engagement between employers and local educators to provide opportunities for young people.[38] Former Education Secretary Rt Hon Charles Clarke argued that a systematic approach to this "requires something very localised".[39]

22. Pat Jackson explained that Local Enterprise Partnerships (LEPs)[40] have played a role in linking employers and educators. She gave the example that Enterprise Cheshire & Warrington had heard from employers that they were looking for Microsoft skills and "fed that back to the colleges", who were able to integrate this need more clearly into their curriculum.[41] The Government withdrew the core funding it provided to LEPs in April 2024, transferring their functions to local and combined authorities.[42] Jackson explained that some LEPs have merged into local authorities and some remain standalone, with the picture varying across the country.[43] Oxfordshire Local Enterprise Partnership's Sally Andreou stressed the need to work on how to "forge forward" with the institutional knowledge that LEPs provide in linking together the various actors within the skills system at a local level.[44]

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[34] Q 21 (Jennifer Coupland). See also Q 4 (Robert Halfon), QQ 25-26, 29 (Jane Gratton, Sally Andreou), Q 31 (Nicola Drury), QQ 32-33 (Shazia Ejaz)
[35] Q 29 (Jane Gratton)
[36] Q 33 (Shazia Ejaz), Q 45 (David Hughes)
[37] Q 45 (David Hughes)
[38] QQ 4, 13 (Rt Hon Charles Clarke, Lord Layard), Q 18 (Jennifer Coupland), Q 39 (Nicola Drury). See also written evidence from the Careers & Enterprise Company (SFF0050)
[39] Q 13 (Rt Hon Charles Clarke)
[40] Local Enterprise Partnerships are non-statutory bodies set up in 2011 by the Government to help determine local economic priorities and lead economic growth and job creation within 38 regions in England.
[41] QQ 24, 26 (Pat Jackson)
[42] Department for Business and Trade, Transfer of Local Enterprise Partnership (LEP) core functions to combined and local authorities (August 2023): https://www.gov.uk/government/publications/transfer-of-local-enterprise-partnership-lep-core-functions-to-combined-and-local-authorities [accessed 13 September 2024]
[43] Q 24 (Pat Jackson)
[44] Q 29 (Sally Andreou)

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23. Witnesses broadly supported the principle of greater devolution, particularly to mayoral combined authorities, as these authorities will have a better idea of local skills needs and how to meet them.[45] However, some employers raised concerns that devolution makes the system "a bit more complicated" for UK-wide employers, providing "even more inconsistency than there currently is".[46] Ben Rowland of the Association of Employment and Learning Providers argued that having different rules, criteria and processes can be a "real problem" for employers based in more than one area, as they "want the same programme to be delivered at all their sites across the country". He suggested that the emphasis on devolution "has not been quite in the right place", arguing that local areas are better at engaging and linking employers and educators, rather than "reinventing Whitehall" through "local process, local definitions and local programmes".[47]

24. The Labour Party's 2024 Manifesto set out plans to "devolve funding so local areas can shape a joined-up work, health and skills offer for local people".[48] The new Government has since announced that it will publish a White Paper on supporting people into work, which will include "work, health and skills plans" led by mayors and local areas.[49] Skills England will also be given responsibility for ensuring that "the national and regional skills systems are meeting skills needs and are aligned", convening MCAs and other stakeholders with the aim of "a more coherent system".[50]

25. **One of the criticisms we have heard was that the UK's skills system is overly centralised and Whitehall-driven. It is clear that local institutions can add value to the system through their knowledge of local conditions, businesses and educators. The direction of travel in skills policy has been to devolve more powers and funding to local areas, particularly to mayoral combined authorities. This appears set to continue under the new Government.**

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[45] Q 4 (Robert Halfon, Rt Hon Charles Clarke, Lord Layard), Q 26 (Jane Gratton), Q 31 (Nicola Drury), Q 48 (David Hughes), and written evidence from Sammy Shummo (SFF0003), BTP Cumbria (SFF0006), the Local Government Association (SFF0012), Policy Connect (SFF0036), the Skills Builder Partnership (SFF0057), the Tees Valley Combined Authority (SFF0096), and the Trades Union Congress (SFF0125)
[46] Q 31 (Lloyd Thomas MBE) and written evidence from SSE (SFF0011), Training and Apprenticeships in Construction Limited (SFF0046), Multiverse (SFF0060), Cogent Skills (SFF0086), the Food and Drink Federation (SFF0098) and the Association of School and College Leaders (SFF0108)
[47] QQ 43, 45 (Ben Rowland)
[48] Labour Party, *Change: Labour Party Manifesto 2024* (June 2024): https://labour.org.uk/wp-content/uploads/2024/06/Change-Labour-Party-Manifesto-2024-large-print.pdf [accessed 16 September 2024]
[49] Department for Work and Pensions, Press Release: *Kendall launches blueprint for fundamental reform to change the DWP from a 'Department of Welfare to a Department for Work'* on 23 July 2024: https://www.gov.uk/government/news/kendall-launches-blueprint-for-fundamental-reform-to-change-the-dwp-from-a-department-of-welfare-to-a-department-for-work?utm_medium=email&utm_campaign=govuk-notifications-topic&utm_source=3e97a5c2-cc7e-4b57-9e59-1c4106a423a3&utm_content=daily
[50] Prime Minister's Office, 10 Downing Street, *King's Speech 2024: background briefing notes* (July 2024): https://assets.publishing.service.gov.uk/media/6697f5c10808eaf43b50d18e/The_King_s_Speech_2024_background_briefing_notes.pdf [accessed 16 September 2024]

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26. On the other hand, there is a trade-off between giving greater flexibility and control to local areas and having a coherent, well-understood national system. Our witnesses emphasised the value of local engagement and delivery, and expressed concern at the prospect of "reinventing Whitehall" locally through new processes and separate programmes.

27. We heard that one of the real strengths of local institutions was their ability to link together employers and educators. It is a concern that Local Enterprise Partnerships, which helped to provide some of these links, are no longer receiving core funding and are being rolled into local authorities, who may struggle to resource this function. Furthermore, we heard that educators and training providers are not involved in the production of Local Skills Improvement Plans and that the Plans do not receive long-term funding.

28. If the Government wishes to capitalise on the benefits of a local approach, it must ensure that the resource is there to bring educators, training providers and employers together, particularly those small employers who are least able to engage in the system without support. If the new Government's work, health, and skills plans are to improve upon Local Skills Improvement Plans, they will need stable, long-term funding and the involvement of local educators and trainers.

Employer investment in training

29. Sammy Shummo of London South Bank University explained that employers have a "crucial role to play" in the skills system through identifying skills needs, designing training programmes with education and training providers, and providing work-based learning opportunities.[51] Jennifer Coupland explained that IfATE "would always want to see employers having a leading role in the system", shaping skills training.[52] Despite this crucial role, some witnesses compared UK employers' investment in training unfavourably with their counterparts in EU and OECD countries, leading to a system that is "underfunded by the Government and employers".[53]

30. Several potential explanations for this lower employer investment in training were advanced during our inquiry. Former Skills Minister Robert Halfon argued that there is "a cultural problem", contrasting the approach of UK employers with German employers he visited, whose view was that it was their "duty" to train "the next generation".[54] David Hughes suggested that before EU exit, the UK "had a very liberal labour market and employers got very lazy", due to a "buoyant graduate market".[55] Some witnesses

[51] Written evidence from Sammy Shummo (SFF0003)
[52] QQ 18, 20 (Jennifer Coupland)
[53] Q 42 (David Hughes). See also Q 6 (Robert Halfon), Q 18 (Jennifer Coupland) and Q 53 (Sian Elliott)
[54] Q 6 (Robert Halfon). See also Q 18 (Jennifer Coupland) and Q 46 (David Hughes)
[55] Q 44 (David Hughes)

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suggested that economic uncertainty had affected investment, calling for "stability and clarity" about the direction of travel for the economy.[56] Halfon stressed that the culture of employers "is changing", and witnesses stressed that there are "fantastic examples of employers who are doing the right thing".[57]

31. Many witnesses outlined the "poacher's fear"[58] that can make employers "hesitant to invest in training if they fear that trained employees will leave for other opportunities" afterwards.[59] For example, UK Hospitality explained that as "one of the most mobile labour markets", businesses in the hospitality sector fear that "they will not see a return on their investment" in training.[60]

32. Jennifer Coupland argued that there is evidence of a "really good return on investment" for apprenticeships of between £2,500 and £18,000 depending on the sector but stressed that employers "need to be prepared to put the legwork in at the start of that process".[61]

33. Many witnesses emphasised that investing in employees' training aids in the retention of staff.[62] Lloyd Thomas MBE of the Co-op Group said that longer, durational training means employees are "quite committed to staying with us" rather than obtaining qualifications and then moving on.[63] James Stephenson, a Level 6 Apprentice at BT Group and a member of IfATE's Apprentice Panel, explained that "up to 79%" of apprentices at BT had stayed on following completion of their apprenticeship.[64] Alexia Williams, a Level 7 Apprentice at Rolls-Royce and Chair of the Apprentice Panel, said that graduates can leave roles "a lot sooner" than apprentices "because they do not feel that loyalty" and they "do not feel like they have been trained up properly" to perform their role.[65]

34. Despite these benefits, witnesses warned that short-term cost considerations led to lower levels of investment in training, particularly by smaller employers.[66] Founders and Coders argued that businesses "need to focus on staying afloat" rather than performing broader

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56 Q 35 (Shazia Ejaz). See also Q 28 (Jane Gratton) and written evidence from Purple Beard (SFF0009)
57 Q 6 (Robert Halfon) and Q 28 (Jane Gratton). See also QQ 35-36 (Nicola Drury), Q 42 (David Hughes), and Q 59 (Alexia Williams, Sian Elliott)
58 Q 44 (Ben Rowland)
59 Written evidence from Purple Beard (SFF0009). See also Q 8 (Charles Clarke), and written evidence from Women's Tech Hub (SFF0004), Founders and Coders (SFF0019), Dr Alexander Waller (SFF0038), the Engineering Construction Industry Training Board (SFF0110), the National House Building Council (SFF0111), the Engineering and Building Services Skills Authority (SFF0117) and Offshore Energies UK (SFF0126)
60 Written evidence from UK Hospitality (SFF0021)
61 Q 22 (Jennifer Coupland)
62 Q 22 (Jonathan Mitchell), QQ 35-36 (Lloyd Thomas MBE, Shazia Ejaz), Q 59 (Sian Elliott), and written evidence from the Aldersgate Group (SFF0053), the National House Building Council (SFF0111), the Advertising Association (SFF0116) and Offshore Energies UK (SFF0126)
63 Q 31 (Lloyd Thomas)
64 Q 59 (James Stephenson)
65 Q 59 (Alexia Williams)
66 Q 8 (Rt Hon Charles Clarke), Q 35 (Nicola Drury), and written evidence from Hannah Lohan (SFF0002), Purple Beard (SFF0009) and Offshore Energies UK (SFF0126)

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economic functions, and incentives are needed "on a much bigger scale".[67] Several witnesses agreed on the need for greater incentives for employers.[68]

35. Robert Halfon suggested "a skills tax credit" for businesses, similar to research and development (R&D) tax reliefs, arguing that this would be the best way to boost skills training outside of the Apprenticeship Levy.[69] Several witnesses expressed support in principle for a skills tax credit, although industry witnesses stressed the need for it to be "easily accessible and not too complicated".[70] Jane Gratton suggested that employers who invest in skills could be rewarded through a "kitemark" that could form part of the public procurement system.[71] Similarly, Sammy Shummo suggested offering "recognition and accreditation for employers who demonstrate a commitment to training and development".[72]

36. Another potential explanation for low skills investment is that, in the words of Sally Andreou, "for a lot of businesses, understanding the landscape is very confusing", and it is "very challenging to navigate". She stressed that small employers "do not have enough time to navigate the skills system", a point echoed by the Recruitment and Employment Confederation's Shazia Ejaz, who argued that smaller employers "struggle to engage with the networks or the bureaucracy" to access the skills system.[73] Several witnesses argued that employers "need some help" in trying to understand what skills programmes are available, both through simplification of the system and through "some sort of business support".[74]

37. Andreou stressed that LEPs have been helping small employers navigate the system, as they "need people on the ground who can help".[75] However, as we noted above, core

[67] Written evidence from Founders and Coders (SFF0019)
[68] Q 8 (Rt Hon Charles Clarke, Robert Halfon), Q 28 (Jane Gratton), Q 35 (Shazia Ejaz, Nicola Drury, Lloyd Thomas MBE), and written evidence from Sammy Shummo (SFF0003), Purple Beard (SFF0009), the University Vocational Awards Council (SFF0018), the Association of School and College Leaders (SFF0108), the National House Building Council (SFF0111), Professor Sarah Park and Dr Michael Koch (SFF0114), and the Association of British Insurers (SFF0118)
[69] Q 8 (Robert Halfon)
[70] Q 35 (Shazia Ejaz). See also Q 15 (Charles Clarke), Q 28 (Jane Gratton), Q 35 (Nicola Drury, Lloyd Thomas MBE), and written evidence from Sammy Shummo (SFF0003), Purple Beard (SFF0009), UK Hospitality (SFF0021), the Chartered Institute of Housing (SFF0033), Dr Alexander Waller (SFF0038), LEVRA (SFF0044), Thatcham Research (SFF0048), Aadya Bahl and Sandra McNally (SFF0049), the Learning and Work Institute (SFF0064), the Federation of Small Businesses (SFF0078), Make UK (SFF0092), the Productivity Institute (SFF0103), the Advertising Association (SFF0116), Offshore Energies UK (SFF0126) and Engineering UK (SFF0128)
[71] Q 28 (Jane Gratton)
[72] Written evidence from Sammy Shummo (SFF0003). See also written evidence from the Chartered Institute of Housing (SFF0033), Dr Alexander Waller (SFF0038) and LEVRA (SFF0044)
[73] Q 24 (Sally Andreou) and Q 31 (Shazia Ejaz). See also written evidence from Edge (SFF0067)
[74] Q 31 (Lloyd Thomas MBE) and Q 26 (Jane Gratton). See also Q 17 (Jennifer Coupland), Q 31 (Nicola Drury, Shazia Ejaz), and Q 39 (Lloyd Thomas MBE)
[75] Q 24 (Sally Andreou)

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funding for LEPs has been discontinued and their functions are being moved into local and mayoral authorities.

38. **Most witnesses to our inquiry agreed that there needs to be greater employer investment in training. While there are individual examples of employers who take on apprentices and invest in training, it appears that the UK has lost the advantage that it previously held of a nationwide culture of employer-led workforce training.**

39. **We heard that some employers are fearful of investing in staff training given the risk of those staff then leaving for other employers. While this is always a possibility, it is contrary to the clear impression we received from witnesses that such investment helps employers to retain staff for longer. The Government, Skills England and local institutions will have to take a lead in communicating these benefits to employers.**

40. **If the Government wants to initiate an increase in employer investment in training, it must provide more obvious, immediate incentives. Given that one of the key barriers is the short-term cost, we believe there is a case for the Government to introduce financial incentives for employers to invest in training, for instance through a skills tax credit.**

41. **Another barrier is the low levels of employer awareness of, and capacity to engage with, the skills offerings available to them. This is especially true for smaller employers. A simpler, more consistent offering from the Government will help employers, but it will not resolve the fact that small employers may not have the time or capacity to engage with it. We reiterate our view that local institutions will be best placed to help smaller employers to navigate the system. The Government must ensure that they have the resource and capacity to do so.**

Apprenticeships

42. Apprenticeships play a key part in the UK's skills system, as does the levy that funds them. Apprenticeships are jobs that typically involve spending 80% of their time working and 20% learning off-the-job, either in the workplace, or at a college or training provider. Apprenticeships must last at least 12 months. Anyone over the age of 16 can become an apprentice, with no ring-fencing of funding for particular groups. Employers can make existing employees apprentices.[76]

[76] HM Government, 'What is an apprenticeship?': https://www.apprenticeships.gov.uk/employers/new-what-is-an-apprenticeship [accessed 18 September 2024]

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43. There are several levels of apprenticeship, with each having an equivalent level to academic educational qualifications. For instance, a Level 2 apprenticeship qualification is equivalent to a GCSE, Level 3 apprenticeships are equivalent to A-levels, and Levels 6 and 7 are equivalent to bachelor's and master's degrees respectively.[77] Apprenticeship standards are based on occupations recognised by employers. The Institute for Apprenticeships and Technical Education has worked with employers to approve over 600 occupational standards.[78]

44. In 2017, the Government introduced the Apprenticeship Levy, which requires employers with an annual pay bill of more than £3 million to pay 0.5% of that bill in tax, which is then used to fund apprenticeships. Those employers can access their Levy funds to spend on their own apprenticeship training. Unspent Levy funds can be used to fund apprenticeships for other employers who want to take on apprentices, including smaller employers who are below the threshold to pay the Levy.[79]

45. The Labour Party's 2024 Manifesto argued that "the current rigid rules" of the Levy "ignores vital skills and training needed to access apprenticeships". The Manifesto committed to creating a "flexible Growth and Skills Levy", with Skills England consulting on eligible courses to ensure qualifications offer value for money.[80] The Skills England Bill announced at the 2024 King's Speech will include provision for the new body to perform this function.[81]

46. In September 2024, the Prime Minister announced at the Labour Party Conference that the Government will introduce "new foundation apprenticeships" as part of the new Levy.[82] Alongside the speech, the Government announced that employers are "being asked to rebalance their funding for apprenticeships… to invest in younger workers". This will involve businesses funding more Level 7 apprenticeships outside of the Levy. The new Levy will also allow funding for shorter apprenticeships, informed by Skills England's

[77] HM Government, 'Become an apprentice': https://www.gov.uk/become-apprentice [accessed 18 September 2024]
[78] Institute for Apprenticeships and Technical Education, 'What we do': https://www.instituteforapprenticeships.org/about/what-we-do/ [accessed 18 September 2024]
[79] HM Revenue & Customs, *Pay Apprenticeship Levy* (September 2023): https://www.gov.uk/guidance/pay-apprenticeship-levy [accessed 18 September 2024]
[80] Labour Party, *Change: Labour Party Manifesto 2024* (June 2024): https://labour.org.uk/wp-content/uploads/2024/06/Change-Labour-Party-Manifesto-2024-large-print.pdf [accessed 19 September 2024]
[81] Prime Minister's Office, 10 Downing Street, *King's Speech 2024: background briefing notes* (July 2024): https://assets.publishing.service.gov.uk/media/6697f5c10808eaf43b50d18e/The_King_s_Speech_2024_background_briefing_notes.pdf [accessed 19 September 2024]
[82] Rt Hon Keir Starmer MP, Speech at Labour Party Conference 2024, 24 September 2024: https://labour.org.uk/updates/press-releases/keir-starmer-speech-at-labour-party-conference-2024/

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assessment of priority skills needs. The Department for Education will set out further details of these changes "in due course".[83]

47. Several witnesses praised the impact of the Apprenticeship Levy, with Jennifer Coupland suggesting that it had been "successful in very many ways", including having "massively increased the amount of money that can go into apprenticeship training" from "£1.2 billion to £2.8 billion now. She argued that this allowed "longer apprenticeships, of higher quality".[84]

48. The number of people starting apprenticeships has decreased since the introduction of the Levy, from 495,000 in 2016-17 to 337,000 in 2022-23.[85] Some witnesses argued that this decrease is because apprenticeships have changed, with employers hiring for higher quality and more costly apprenticeships that are in line with their skills needs.[86]

49. Others raised concerns that employers were "investing in their workforce who already have high levels of qualifications", in the words of the TUC's Sian Elliott, citing research that over one in two employers had admitted to "converting existing training activity and badging it as an apprenticeship".[87] The Association of Colleges' David Hughes argued that the Levy had led to "a big shift" in the apprenticeship system, which now trains "far fewer young people, far fewer people coming from disadvantaged backgrounds and far more older people in better-paid jobs".[88]

50. One of the key points of contention between witnesses concerned the purpose of apprenticeships. Some, such as Lord Layard, argued that apprenticeships should primarily be focused on improving the skills of those who did not go to university, and particularly young people. He noted that only a quarter of those registering a desire for an apprenticeship get a place, and other witnesses agreed that a barrier to apprenticeships is a "lack of supply".[89]

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[83] Prime Minister's Office, 10 Downing Street/Department for Education, Press Release: *Prime Minister overhauls apprenticeships to support opportunity* on 24 September 2024: https://www.gov.uk/government/news/prime-minister-overhauls-apprenticeships-to-support-opportunity
[84] Q 18 (Jennifer Coupland). See also QQ 1-2 (Robert Halfon), and written evidence from IASME (SFF0005), the University College of Estate Management (SFF0015), the University Vocational Awards Council (SFF0018), and UK Hospitality (SFF0021)
[85] Department for Education, *Apprenticeships and traineeships – academic year 2022/23* (November 2023): https://explore-education-statistics.service.gov.uk/find-statistics/apprenticeships-and-traineeships [accessed 18 September 2024]
[86] Q 2 (Robert Halfon), Q 18 (Jonathan Mitchell) and written evidence from the University Vocational Awards Council (SFF0018)
[87] Q 60 (Sian Elliott). See also Q 9 (Lord Layard) and Q 18 (Jennifer Coupland), and written evidence from Aadya Bahl and Sandra McNally (SFF0049)
[88] Q 44 (David Hughes)
[89] QQ 6, 9 (Lord Layard). See also Q 9 (Rt Hon Charles Clarke), Q 49 (David Hughes), Q 61 (James Stephenson), and written evidence from the National Skills Academy for Rail (SFF0007), the University Vocational Awards Council (SFF0018) and the Federation of Small Businesses (SFF0078)

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51. Lord Layard proposed ring-fencing two-thirds of Levy funding for people under the age of 25 doing qualifications at Level 3 and below, while the Sutton Trust suggested ring-fencing half of Levy funds for apprentices under 25.[90] Other witnesses suggested limiting Levy funding to lower levels of qualifications, requiring employers or learners to fund higher-level qualifications such as degree apprenticeships.[91] David Hughes noted that this would "free up an enormous amount of money" for apprenticeships at lower levels, as these apprenticeships are "much cheaper".[92] Alexia Williams and SSE proposed ring-fencing a proportion of Levy funding for new starters, rather than existing employees.[93]

52. A large number of witnesses, and particularly those representing employers, argued in favour of maintaining an "all-age, all-level" Levy, with many stressing the importance of allowing people to upskill within their jobs or change careers across their lifetime.[94] Concerns were raised that ring-fencing could lead to "unintended consequences", diverting resourcing from other apprenticeship levels and potentially penalising older learners and those progressing in the workplace.[95] The Co-op Group's Lloyd Thomas MBE worried that ring-fencing would lead employers away from apprenticeships, causing a fall in starts.[96]

53. Employers supported the prospect of allowing greater flexibility in how Levy funds can be spent. The Local Government Association noted that since 2019, an estimated £3 billion in unspent Levy funds has been returned to the Treasury,[97] which the University

[90] QQ 6, 9 (Lord Layard) and written evidence from the Sutton Trust (SFF0109). See also written evidence from the Chartered Institute of Housing (SFF0033), the National Franchised Dealers Association (SFF0039), Aadya Bahl and Sandra McNally (SFF0049), the Association of Accounting Technicians (SFF0054), Checkatrade (SFF0065), London South East Colleges (SFF0069), the Chartered Institute of Personnel and Development (SFF0071) and the National Foundation for Educational Research (SFF0099)
[91] Q 37 (Shazia Ejaz) and Q 49 (David Hughes). See also written evidence from Policy Connect (SFF0036), Thatcham Research (SFF0048), the Association of School and College Leaders (SFF0108), the Engineering Construction Industry Training Board (SFF0110), the National House Building Council (SFF0111), Engineering and Building Services Skills Authority (SFF0117) and Engineering UK (SFF0128)
[92] Q 49 (David Hughes)
[93] Q 61 (Alexia Williams) and written evidence from SSE (SFF0011). See also written evidence from the Association of School and College Leaders (SFF0108)
[94] Q 29 (Jane Gratton). See also Q 9 (Robert Halfon), Q 23 (Jennifer Coupland), Q 29 (Pat Jackson), Q 34 (Nicola Drury, Lloyd Thomas MBE), Q 37 (Shazia Ejaz), Q 42 (Ben Rowland), Q 61 (Alexia Williams, Sian Elliott), and written evidence from Women's Tech Hub (SFF0004), IASME (SFF0005), the National Skills Academy for Rail (SFF0007), SSE (SFF0011), the Local Government Association (SFF0012), the University of Warwick (SFF0016), the University Vocational Awards Council (SFF0018), the Financial Services Skills Commission (SFF0023), the Institute of Highway Engineers (SFF0042), the UK Institute for Technical Skills and Strategy (SFF0081), Cogent Skills (SFF0086), Mitie (SFF0127) and University Alliance (SFF0129)
[95] Written evidence from the National Skills Academy for Rail (SFF0007). See also written evidence from IASME (SFF0005), the University of Warwick (SFF0016), the University Vocational Awards Council (SFF0018), the Financial Services Skills Commission (SFF0023), the Aldersgate Group (SFF0053), Specsavers (SFF0059), Multiverse (SFF0060), the Chartered Management Institute (SFF0068), the Engineering and Building Services Skills Authority (SFF0117), the British Retail Consortium (SFF0123) and University Alliance (SFF0129)
[96] Q 33 (Lloyd Thomas MBE)
[97] Written evidence from the Local Government Association (SFF0012)

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Vocational Awards Council suggested "means there is room to introduce more flexibility into the system".[98] The Recruitment and Employment Confederation's Shazia Ejaz called for the Levy to be made more accessible to employers by allowing it to fund shorter, modular courses lasting two or three months, rather than the current minimum of 12 months.[99] A number of witnesses endorsed the idea of using Levy funds to pay for shorter, non-apprenticeship training.[100]

54. Apprentices told us that if Levy funds were to be used for shorter courses, it would be key to ensure that the training maintained a level of quality and was applicable to the relevant roles.[101] Other witnesses, such as Robert Halfon, argued that "diluting" the Levy would lead to fewer apprentices and would effectively "destroy" it.[102] Lloyd Thomas MBE said that if "everything" is funded by the Levy, "it would weaken" it to the point that apprenticeships are "the last thing people look to do", arguing in favour of different incentives such as a skills tax credit.[103] Jennifer Coupland said that there is a risk that apprenticeships "try to do everything in the system".[104]

55. Witnesses also suggested allowing Levy funding to be used to support people to become apprentices, for instance through funding pre-apprenticeship training, such as functional skills training in English and maths.[105] Several submissions suggested allowing Levy funds to be used to cover costs associated with providing apprenticeships, including backfilling apprentices when they are undertaking off-the-job-training, covering administration costs

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[98] Written evidence from the University Vocational Awards Council (SFF0018)
[99] QQ 30, 32, 35 (Shazia Ejaz). See also written evidence from Purple Beard (SFF0009), the University College of Estate Management (SFF0015), the University of Warwick (SFF0016), and the British Retail Consortium (SFF0123)
[100] Q 10 (Rt Hon Charles Clarke), QQ 26, 29 (Sally Andreou, Jane Gratton, Pat Jackson), Q 35 (Lloyd Thomas MBE), and written evidence from Anglian Water (SFF0008), Purple Beard (SFF0009), the Local Government Association (SFF0012), the University College of Estate Management (SFF0015), the University of Warwick (SFF0016), UK Hospitality (SFF0021), the Financial Services Skills Commission (SFF0023), Policy Connect (SFF0036), the National Franchised Dealers Association (SFF0039), the Construction Industry Training Board (SFF0045), Thatcham Research (SFF0048), the Aldersgate Group (SFF0053), the National Association of Jewellers (SFF0055), the Royal Shakespeare Company (SFF0056), Multiverse (SFF0060), the Association of Professional Staffing Companies (SFF0061), Checkatrade (SFF0065), Professor René Koglbauer (SFF0075), Fuels Industry UK (SFF0077), the Association for UK Interactive Entertainment (SFF0082), the Society of Motor Manufacturers and Traders (SFF0083), Bupa Global, India and UK (SFF0085), Make UK (SFF0092), Historic England (SFF0097), the Hospitality and Tourism Skills Board (SFF0104), the Society of London Theatre (SFF0105), the British Film Institute (SFF0106), the Institute of Customer Service (SFF0113), the Advertising Association (SFF0116), the Association of British Insurers (SFF0118), Directors UK (SFF0119), Creative UK (SFF0121), the British Retail Consortium (SFF0123), Offshore Energies UK (SFF0126) and Mitie (SFF0127)
[101] Q 62 (Alexia Williams, James Stephenson). See also written evidence from the Construction Industry Training Board (SFF0045) and the National Foundation for Educational Research (SFF0099)
[102] Q 13 (Robert Halfon). See also written evidence from Sammy Shummo (SFF0003), the Engineering and Building Services Skills Authority (SFF0117) and the Trades Union Congress (SFF0125)
[103] Q 35 (Lloyd Thomas MBE)
[104] Q 18 (Jennifer Coupland)
[105] Q 35 (Lloyd Thomas MBE), Q 39 (Nicola Drury) and Q 62 (Sian Elliott). See also written evidence from the Construction Industry Training Board (SFF0045), Pearson (SFF0120) and Mitie (SFF0127)

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and the wages of staff providing on-the-job training, supporting smaller employers to access apprenticeships, and covering apprentices' wages and training expenses.[106] Tank Storage Solutions argued that covering these expenses can make it "more financially viable" for smaller employers that "may struggle with the financial burden of hiring apprentices".[107]

56. Witnesses also called for greater flexibility in the rules governing apprenticeships themselves. Ben Rowland of the Association of Employment and Learning Providers argued that the "rules and bureaucracy" associated with apprenticeships "have strangled" the drive to increase uptake of apprenticeships. He argued that there are at least 55 regulatory burdens on training providers, making it "very hard to be compliant".[108] David Hughes agreed that "the boundaries are very tightly drawn", meaning that educators cannot adapt their provision to the needs of employers.[109] Rowland argued that 30% of the content of an apprenticeship should be determined by the employer and the training provider, rather than all of the content being mandated nationally.[110]

57. Rowland also suggested removing the need for functional English and maths skills to be an exit requirement for apprenticeships, arguing that it is "a massive blocker for social mobility" and "kills the joy of being an apprentice".[111] Other witnesses, including apprentices, agreed that the functional skills requirements "look too much like GCSEs" and were "putting off" learners from starting an apprenticeship, as well as leading to higher dropout rates.[112] Some witnesses, including from the Institute for Apprenticeships and Technical Education, which manages the content of apprenticeships, argued that the

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[106] QQ 39, 41 (Lloyd Thomas MBE), and written evidence from Hannah Lohan (SFF0002), Sammy Shummo (SFF0003), Anglian Water (SFF0008), the Local Government Association (SFF0012), the Chartered Institute of Housing (SFF0033), the National Trust (SFF0041), Training and Apprenticeships in Construction Limited (SFF0046), the National Hair and Beauty Federation (SFF0058), the MCS Foundation (SFF0076), At Places for People (SFF0091), Historic England (SFF0097), the National Foundation for Educational Research (SFF0099), English Heritage (SFF0100), the Sutton Trust (SFF0109), the Advertising Association (SFF0116) and Directors UK (SFF0119)

[107] Written evidence from Tank Storage Solutions (SFF0020)

[108] QQ 44, 47 (Ben Rowland). See also written evidence from Tank Storage Solutions (SFF0020), Greenworkx (SFF0035), HIT Training Ltd (SFF0051), the Royal Shakespeare Company (SFF0056), St Martin's Group (SFF0073) and the Association of School and College Leaders (SFF0108)

[109] Q 48 (David Hughes). See also written evidence from the University College of Estate Management (SFF0015)

[110] Q 45 (Ben Rowland). See also written evidence from St Martin's Group (SFF0073), the Chartered Institute of IT (SFF0107) and Pearson (SFF0120)

[111] Q 49 (Ben Rowland)

[112] Q 51 (David Hughes) and written evidence from UK Hospitality (SFF0021). See also Q 55 (Alexia Williams, James Stephenson) and written evidence from BTP Cumbria (SFF0006), Dr Alexander Waller (SFF0038), the National Trust (SFF0041), HIT Training Ltd (SFF0051), the Aldersgate Group (SFF0053), Multiverse (SFF0060), the Association of Professional Staffing Companies (SFF0061), St Martins Group (SFF0073), the Food and Drink Federation (SFF0098), the Association of British Insurers (SFF0118), the British Retail Consortium (SFF0123), the Trades Union Congress (SFF0125) and Mitie (SFF0127)

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quality of the qualifications is important and that they need to be "transferable" within industries rather than overly employer-specific.[113]

58. Lord Layard highlighted that the introduction of the Levy had "created a lack of clarity" about how employers outside of its scope were meant to be operating, meaning that the number of apprentices at small and medium-sized employers "has halved since 2015".[114] UK Hospitality noted that "98% of German apprenticeships are with SMEs, compared to 41% in England".[115] David Hughes said the shift of the Levy towards larger employers "has left a massive gulf", while Robert Halfon called for the provision of "more financial incentives to employers", and particularly smaller employers, to take on apprentices.[116] Lloyd Thomas MBE argued that it is not "always about money", emphasising that apprentices need support and that the capacity for that support can be a barrier.[117] Employer groups suggested that while larger, high-profile employers will be oversubscribed for apprenticeship opportunities, some smaller employers "are struggling to get those vacancies communicated" and find applicants.[118]

59. In March, the previous Government announced that it would fully fund the cost of apprenticeships in small businesses for anyone up to the age of 21. The Government also announced that it would allow Levy payers to transfer up to 50% of their funds to support other employers to take on apprentices, up from 25%.[119]

60. **The Apprenticeship Levy has driven an increase in spending on apprenticeships, which is welcome. Despite this, there is widespread dissatisfaction with how it is operating, with objections and proposals pulling in different directions. Some feel that employers are too free to use the Levy to pay for training for existing staff, rather than young people or new starters, while others feel that employers need greater flexibility in how they can spend Levy funds.**

61. **Since the introduction of the Levy, apprenticeships have become a means of training workers of all ages and, increasingly, of funding the training of existing staff. It is understandable that employers would seek to use money they have**

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[113] Q 18 (Jonathan Mitchell). See also Q 2 (Robert Halfon)
[114] Q 7 (Lord Layard). See also Q 46 (David Hughes)
[115] Written evidence from UK Hospitality (SFF0021)
[116] Q 9 (Robert Halfon)
[117] Q 41 (Lloyd Thomas MBE). See also written evidence from Greenworkx (SFF0035), HIT Training Ltd (SFF0051), the National Hair and Beauty Federation (SFF0058), the Association of School and College Leaders (SFF0108) and the Advertising Association (SFF0116)
[118] Q 28 (Jane Gratton). See also Q 28 (Pat Jackson) and Q 35 (Nicola Drury)
[119] Prime Minister's Office, 10 Downing Street, Press Release: *Prime Minister to announce major reform package to boost apprenticeships and cut red tape for thousands of small businesses*, on 18 March 2024: https://www.gov.uk/government/news/prime-minister-to-announce-major-reform-package-to-boost-apprenticeships-and-cut-red-tape-for-thousands-of-small-businesses?utm_medium=email&utm_campaign=govuk-notifications-topic&utm_source=88400a3d-fd31-46af-a488-50be54b5297d&utm_content=daily

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already spent to train their existing staff rather than new starters, but this does sometimes limit opportunities for new people to enter roles and industries.

62. **A broad, unfocused Levy has shifted opportunities away from young people and those seeking to retrain and move to new industries. We believe that there is a case for ring-fencing a substantial portion of Levy funding for young people, new starters, or for lower levels of qualifications. We reiterate the importance of employers working to upskill and provide training for existing staff, but we believe that other mechanisms, such as a skills tax credit, are a more appropriate way of doing this. We welcome that the Government plans to rebalance Levy funding towards young people and await further detail on how it intends to achieve this.**

63. **We acknowledge that ring-fencing funding would reduce the amount of Levy funding spent on older workers, existing staff, and higher-level qualifications. Correspondingly, allowing employers to spend Levy funds more flexibly, for instance on short courses, will reduce the amount spent on apprenticeships, and will potentially direct further Levy funding towards existing staff and away from young people and new starters. Any changes to what the Levy can fund will present trade-offs. The Government should set out what it believes the focus and purpose of apprenticeships should be and prioritise Levy funding accordingly.**

64. **There are some areas in which there is a strong argument for greater flexibility in what the Levy can fund. For instance, flexibility that enables apprenticeships would be welcome, for instance through covering a larger portion of costs, funding pre-apprenticeship training and further incentivising small businesses to provide places.**

65. **There is also room for greater flexibility in the rules governing the content of apprenticeships. Improvements to the quality of apprenticeships have been positive, but this should not come at the cost of making them overly academic for learners and bureaucratic for employers and providers. The Government should review how restrictive apprenticeship content rules are, including whether functional skills are required for all apprenticeships and whether a minority of the content of each apprenticeship could be determined by employers and providers.**

Youth guarantee

66. In August, it was estimated that 872,000 people between the ages of 16 and 24 were not in education, employment, or training (NEET), an increase of approximately 74,000 from

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the previous year. The percentage of all young people who are NEET was estimated at 12.2%, which is nearly one in eight.[120]

67. The 2024 Labour Manifesto included a commitment to establishing "a youth guarantee of access to training, an apprenticeship, or support to find work for all 18- to 21-year-olds", by "drawing together existing funding and entitlements".[121] The proposal will form part of a "Get Britain Working White Paper", which is expected in the autumn.[122]

68. The Apprenticeships, Skills, Children and Learning Act 2009 previously tried to ensure a guarantee of education and training for young people, requiring that local authorities "must secure that enough suitable education and training is provided" to meet the reasonable needs of 16- to 19-year olds, and 19- to 25-year olds with learning difficulty assessments.[123] The Act also provided that the Chief Executive of Skills Funding "may secure the provision of facilities for suitable apprenticeship training" by the same groups.[124] These provisions were amended by the Education Act 2011, which removed the attempt to provide a guarantee.[125]

69. Lord Layard called for an "apprenticeship guarantee" to be reintroduced as a governing principle for the skills system, up to the ages of either 21 or 25. He suggested that the guarantee should be "a governing principle driving the system forward" and would involve obligations on local and mayoral authorities to deliver it.[126]

70. Other witnesses raised questions as to the capacity of local authorities to take on this role. Ben Rowland argued that "they just do not have the headspace… to be able to meaningfully engage with enough employers", due to the other short-term challenges they face.[127] David Hughes agreed that the position of local authorities is "difficult to see" and suggested that colleges could be asked to lead the guarantee, as they are "public sector institutions with a public sector duty".[128] He suggested that colleges and training providers

[120] Office for National Statistics, *Young people not in education, employment or training (NEET), UK: August 2024* (August 2024): https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/bulletins/youngpeoplenotineducationemploymentortrainingneet/august2024 [accessed 19 September 2024]
[121] Labour Party, *Change: Labour Party Manifesto 2024* (June 2024): https://labour.org.uk/wp-content/uploads/2024/06/Change-Labour-Party-Manifesto-2024-large-print.pdf [accessed 16 September 2024]
[122] Department for Work and Pensions, Press Release: *Lockdown generation consigned to the 'scrapheap' will get life-changing support into work, vows Minister*, on 18 September 2024: https://www.gov.uk/government/news/lockdown-generation-consigned-to-the-scrapheap-will-get-life-changing-support-into-work-vows-minister--2 [accessed 19 September 2024]
[123] Apprenticeships, Skills, Children and Learning Act 2009, Section 41
[124] Apprenticeships, Skills, Children and Learning Act 2009, Section 83
[125] Education Act 2011
[126] Q 1 (Lord Layard)
[127] Q 50 (Ben Rowland)
[128] QQ 46, 50 (David Hughes)

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"tend to work more with SMEs", including "brilliant examples" of helping with recruitment, onboarding and induction, as well as providing off-the-job learning.[129]

71. Lord Layard said that a guarantee would apply the same principle as in higher education, where if someone has the necessary qualifications, they can "expect to find a place" because funding is made available, which is not the case for apprenticeships. He argued that the way in which those who do not go to university are treated "is a complete outrage".[130]

72. Hughes agreed that in further education and apprenticeships, "we cap the numbers and therefore we cap the opportunity", whereas higher education funding is "completely demand-led". He argued that making further education a demand-led system would cost "a few hundred million" and would allow a youth guarantee to be "a meaningful system".[131] However, other witnesses raised questions about the potential instability of moving to a demand-led funding model for further education, which may require additional support for disadvantaged regions and sectors.[132]

73. Rowland suggested that there could be a guarantee of training, but that apprenticeships cannot be guaranteed because they are jobs and employers cannot guarantee places.[133] Other witnesses were supportive of the guarantee in principle[134], although some raised concerns about how it would apply in practice, and how employers would be incentivised to provide placements.[135]

74. Several other witnesses raised issues at the capacity of the further education system. For instance, Anglian Water indicated that it would "like to take on even more apprentices" but is "limited by the number of college places available" in local areas. Colleges told the company that they do not have the funding or resources to offer more places to students, "despite the demand being there from industry".[136]

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[129] *Ibid.*
[130] Q 1 (Lord Layard)
[131] Q 50 (David Hughes). See also written evidence from Aadya Bahl and Sandra McNally (SFF0049), Bupa Global, India and the UK (SFF0085), and the Association of Employment and Learning Providers (SFF0090)
[132] Written evidence from HIT Training Ltd (SFF0051), London South East Colleges (SFF0069), the Home Builders Federation (SFF0093), Historic England (SFF0097), the Chartered Institute of IT (SFF0107), the Association of British Insurers (SFF0118) and Engineering UK (SFF0128)
[133] Q 50 (Ben Rowland)
[134] Written evidence from the Chartered Institute of Personnel and Development (SFF0071), Bupa Global, India and the UK (SFF0085), the Tees Valley Combined Authority (SFF0096), the Food and Drink Federation (SFF0098), the Co-op Group (SFF0122), the University and College Union (SFF0124), the Trades Union Congress (SFF0125) and Engineering UK (SFF0128)
[135] Written evidence from NASUWT (SFF0047), the British Chambers of Commerce (SFF0052), Checkatrade (SFF0065), the Association of Employment and Learning Providers (SFF0090), Make UK (SFF0092), the Home Builders Federation (SFF0093), English Heritage (SFF0100), the Engineering and Building Services Skills Authority (SFF0117), the British Retail Consortium (SFF0123) and Offshore Energies UK (SFF0126)
[136] Written evidence from Anglian Water (SFF0008)

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75. Sian Elliott argued that adult education had experienced "a real decimation", with funding having been cut by 27% since 2011.[137] Hughes said that the adult education budget had been cut by £1.5 billion over the last 14 years. He argued that this lack of funding means colleges have waiting lists in construction, engineering and digital, and they "sometimes cannot recruit the electricians and the engineers to be able to train people", or provide the necessary facilities and equipment.[138] Ginger Nut Media suggested that further and higher education providers "are not funded to engage with employers, build infrastructure or develop programmes", and are "crippled by poor funding bands and extensive administration costs that are often not funded".[139] Some engineering and construction witnesses complained that further education provision has not kept pace with industry developments, meaning that courses do not deliver the skills employers need.[140]

76. **The lack of opportunities for young people who do not go to university is a cause for concern. A youth guarantee of education, apprenticeships or training is an ambitious proposal to meet this challenge, and one that we heard support for during our inquiry. There is little detail yet on what the guarantee will involve and who will be responsible for delivering it.**

77. **Our witnesses raised concern at the capacity of local authorities and the further education system as they currently stand. Wherever the Government intends responsibility for the guarantee to sit, it must ensure that the recipient has the funding and bandwidth for this function.**

78. **Whether or not they are given responsibility for managing the youth guarantee, further education providers such as colleges and independent training providers will play a central role as the providers of education and training for those not going to university. We heard that cuts to adult education funding have left providers unable to meet demand, or to provide the facilities, equipment, and staff necessary to train vital skills for the future, such as construction and engineering.**

79. **For providers to be able to guarantee opportunities for young people, the funding necessary for this will have to track demand more closely, as it does in the higher education system. Otherwise, funding restrictions will mean that there will always be a cap on how many people can be taught, and there will be no guarantee. The Government should explore how demand-led funding**

137 Q 61 (Sian Elliott)
138 QQ 43, 46, 49 (David Hughes). See also Q 62 (Sian Elliott) and written evidence from NASUWT (SFF0047), the Institute for Fiscal Studies (SFF0101), the Association of School and College Leaders (SFF0108) and the Engineering and Building Services Skills Authority (SFF0117)
139 Written evidence from Ginger Nut Media (SFF0022)
140 Written evidence from the University of Wolverhampton (SFF0034), the Home Builders Federation (SFF0093), the National House Building Council (SFF0111) and the Engineering and Building Services Skills Authority (SFF0117)

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for further education providers could operate, as part of ensuring further education is funded sufficiently for the youth guarantee.

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ANNEX B

Witnesses to the Committee's inquiry into skills for the future: apprenticeships and training

Evidenced is published online at: Skills for the future: apprenticeships and training - Committees - UK Parliament. References to question numbers below refer to questions in the published transcripts.

Questions 1-16	• The Rt Hon Robert Halfon MP, former Minister of State for Skills, Apprenticeships and Higher Education, Department for Education • The Rt Hon Charles Clarke, former Education Secretary, Department for Education; Lord Layard, Co-Director, Community Wellbeing programme, Centre for Economic Performance.
Questions 17-23	• Jennifer Coupland, Chief Executive, Institute for Apprenticeships and Technical Education • Jonathan Mitchell, Deputy Director for Future Skills and Innovation, Institute for Apprenticeships and Technical Education
Questions 24-29	• Sally Andreou, Skills Hub Manager, Oxfordshire Local Enterprise Partnership • Pat Jackson, Director Skills and Education, Enterprise Cheshire and Warrington • Jane Gratton, Deputy Director for Policy, British Chambers of Commerce
Questions 30-41	• Shazia Ejaz, Director of Campaigns, Recruitment and Employment Confederation • Lloyd Thomas MBE, Future Workforce Skills and

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	Capabilities Lead, Co-op Group • Nicola Drury, UK Head of Skills and Apprenticeships, Amazon
Questions 42-51	• David Hughes CBE, Chief Executive, Association of Colleges • Ben Rowland, Chief Executive Officer, Association of Employment and Learning Providers
Questions 52-61	• Alexia Williams, Apprentice Panel Member, Institute for Apprenticeships and Technical Education • James Stephenson, Apprentice Panel Member, Institute for Apprenticeships and Technical Education • Sian Elliot, Senior Policy Officer for Public Services and Skills, Trades Union Congress