



**National Assembly for Wales Economy, Infrastructure and Skills Committee inquiry
into Apprenticeship Levy**

Centrica response

January 2017

About Centrica

Centrica is a FTSE 50 company headquartered in the UK, employing some 39,000 employees worldwide. Our business is focused on satisfying the changing needs of our customers across a number of international markets.

British Gas, Centrica's energy and home services provider in the UK, serves more than 11 million homes and businesses. Our Connected Home business has developed products such as Hive Active Heating and Boiler IQ. Through its Hive brand, British Gas is focused on delivering and developing connected home products, having installed over 300,000 smart thermostats in UK homes to date, alongside the three million smart meters we have also installed in customers' homes. British Gas insurance also serves over seven million policy holders.

Through our Distributed Energy and Power business we are developing integrated energy solutions for commercial and industrial customers, including flexible generation, energy management systems and battery storage.

Our Energy Marketing and Trading business operates in LNG trading and optimisation and risk management for customers. Alongside our continuing exploration and production activities in the North Sea and East Irish Sea, we also continue to operate five gas-fired power stations in the UK and retain a 20% equity stake in the country's existing nuclear generation fleet.

We employ around 1,800 people across Wales and are proud to be a Welsh Government Anchor Company. We make a key contribution to the economy through the British Gas contact centre in Cardiff, as well as our network of 400 engineers working around Wales. We operate the British Gas Academy at Tredegar and Centrica Energy's power station at Barry.

Apprenticeships are paramount to the development of our workforce. We have long and proud history of bringing people into the business and providing the foundations of long and fulfilling careers through this route - indeed many of our current leadership team joined the business as apprentices. Over the last decade we have invested more than £170m in training and currently employ over 1,100 apprentices. In 2016, 72 of these were based in Wales.

We have previously recruited through Welsh Government employability programmes including Jobs Growth Wales.

We internalise training delivery through our dedicated learning hub, to ensure the quality of

the programmes meet with the high standards we require – this is of upmost importance in our safety critical and highly regulated industry. Our approach is viewed as best practice by peers, and the academy is formally recognised by Ofsted as a “grade one outstanding” training provider.

Question1 – What are the implications of the introduction of the UK Apprenticeship Levy for employers in Wales?

- Apprenticeships are the foundation of Centrica’s workforce development strategy which requires a geographically flexible workforce trained to common standards. The absence of a UK-wide Apprenticeship policy presents significant challenges to this strategy.
- In 2016, we recruited 38 apprentices to work in Wales, in engineering roles. Our apprenticeship strategy for growth will deliver a 20% growth within three years and 40% within four years. This will be achieved by extending apprenticeships across a wide range of job opportunities.
- Centrica would be proud to contribute to the Welsh Government’s target of 100,000 apprentices of all ages before 2021. We are also keen to help promote diversity amongst those seeking and undertaking apprenticeships. The scope for us to do either of these is, however, restricted under the current regulations of Welsh apprenticeships.
- For a number of years, we have been required to engage in three very different policy systems if we wish to work to the apprenticeship frameworks in the nations where we recruit and train staff.
- In the absence of a UK wide apprenticeship policy, employers operating across the four nations are required to engage in four different apprenticeship systems. This presents significant challenge; primarily driven by our business requirement for a mobile workforce, trained against a common programme, irrespective of the geography. This workforce flexibility enables us to respond to the evolving needs of our customer base and remain competitive in the market.
- Our apprentice numbers are highest in England so we therefore align our UK wide programme to the English system. The disappointing consequence is that our apprentices in Wales are therefore not recognised by Welsh Government, do not

contribute to the 100,000 target and are not eligible for Welsh Government funding. We do not see this as a sustainable or mutually beneficial position.

- The differences in approach have become more pronounced in recent years since the introduction of industry-led Trailblazer apprenticeships in England. As a company with a proud record of recruiting engineers through apprenticeships which are delivered through our internal academy, we have welcomed the opportunity to extend apprenticeship opportunities through the Trailblazer system.
- Consequently, Centrica has led industry in developing Trailblazer apprenticeship standards in a number of priority areas for recruitment. These include smart meter installers, customer service advisers and gas engineers. We are finding that our apprenticeship programmes, based on these new standards and assessment approaches, are delivering impressive results for us in England. For example, we are seeing increased productivity of 6% and the attrition rate among new recruits is being reduced by an estimated 7%. We would welcome the chance to work with the Welsh Government's apprenticeship system to deliver the same results. There are obvious opportunities for us recruit through this route at our Cardiff Contact Centre and for engineering opportunities around Wales.
- We expect to make an annual contribution worth £4.5m as a result of the Apprenticeship Levy, of which around £267k will be directed to Welsh Government. In England, we have been able to gain a degree of clarity over how we will be able to access our contribution to the funds in our digital account. As a responsible employer, we have been able to look at our recruitment plans for the next financial year and consider how we will utilise the contribution to the digital account to fund more apprenticeships. In 2017/2018, we expect to use 100% of our digital account to fund apprenticeships in England.
- As we increase the amount of in-house training funded through the contribution to the digital account to meet our changing recruitment and skills needs, we want to see these opportunities to develop a highly-skilled workforce responsive to business need replicated throughout our UK workforce.
- We are therefore looking for opportunities to repeat the success of our programmes aligned to the Trailblazer standards as approved by the Minister of State for Apprenticeships and Skills in England in the other nations of Britain. As priorities, we are

asking the Welsh Government to recognise our apprenticeship programmes for smart meter installation and customer service practitioner.

Question 2 – Will there be different implications for public sector and private sector employers?

- We do not have the expertise to comment on the implications for the public sector.

Question 3 – Are there any specific implications for employers who operate both in Wales and also throughout the UK (that you have not previously referred to in your response)?

- The key implication for Centrica is that we are a business operating across Britain and are required to engage in different apprenticeship templates, funding systems, audit procedures, and validation requirements in each of the different nations.
- We appreciate that each nation will wish to ensure its apprenticeship system is appropriate for local needs, recognised skills gaps, and other priorities.
- At the same time, to deliver the common programme outcomes that are critical to a business that requires a geographically flexible workforce, we are increasingly training our apprentices at sites in Wales to follow Trailblazer standards. While approved in England, these are not recognised by the Welsh Government.
- This is despite the fact that we believe there is significant overlap in the outcomes that Centrica and Welsh Government wish to achieve. The result is that we are missing opportunities to work together on areas of shared interest.
- For example, we understand that the Welsh Government is keen to promote opportunities in STEM, particularly for women. We will be looking to recruit and train Smart Energy Experts using the smart meter installer Trailblazer at our academy in Tredegar during 2017. Currently this training will take place aligned to the English-recognised Trailblazer – an agreed industry-wide standard, on which British Gas led. Recognition of this standard by the Welsh Government would enable the promotion of these STEM opportunities to a more diverse group through our shared channels.

- We want to promote apprenticeships as a viable career path for young women and school girls. We know that in 2016 only approximately 4% of our engineering apprentices were women. We are setting a target of raising this to 10% by the end of 2017 – and then to 25% over the next two years across the group, as part of our Responsible Business Plan.
- As a consequence, we have worked closely with Business in the Community's CareersLab and others to get our apprentices back into schools so they become role models and inspire young people to consider apprenticeships as a career option. Over the past couple of years, 50 of our female engineers have taken part in this type of activity across Britain each year.
- We recognise the Welsh Government's commitment to widening access to apprenticeships – across age groups, as well as gender – and see the Apprenticeship Levy as a chance to address this.
- Furthermore, British Gas is finding that the Trailblazer for customer service advisers is delivering positive results in terms of staff retention and customer satisfaction across our contact centres, including in Cardiff. Through the Movement to Work programme, we have now seen 15 apprentices recruited to work for British Gas from young people Not in Education Employment or Training (NEETs). We are committed to offering a further 100 places on this programme over 3 years. These apprenticeships are being completed against the England-only Trailblazer framework for customer service advisers, which British Gas led on developing for the industry. We believe that this standard is raising training and skills levels in the contact centre industry and would like to see this approved by the Welsh Government.

Question 4 – If you have concerns about the funding of apprenticeships after the introduction of the UK levy, what would you like the Welsh Government to do to address your concerns?

- Centrica is engaged with Welsh Government officials to look at how we can work together on our shared objective of creating quality apprenticeships for all in Wales.
- As stated above, we would like to see an increase in opportunities to work together in delivering in-house training towards apprenticeships that are accredited and funded

by Welsh Government, consistent with opportunities available and now delivering results in England.

- We are looking for a sustainable solution that will enable accreditation and access to funding as we develop an apprenticeship programme that will include an increased range of jobs over the coming years, across engineering, leadership and management, sales, digital skills and STEM, and professional skills.

Question 5 – What, if any, are the costs of cross-border funding and policy issues which arise from the introduction of the Apprenticeship Levy (that you have not previously referred to in your response)?

- Centrica expects its annual levy allocation in Wales for 2017 to be £268k. It is not currently clear whether we will be able to access any of this contribution towards the cost of training apprentices in Wales during the current financial year. By contrast, our allocation in England will be £3.8m and we expect to draw down 100% of this.
- We believe the Apprenticeship Levy also provides an opportunity for levy paying employers to support workforce development in the supply chain. As a result of business cycles and the resulting peaks and troughs in apprentice recruitment, there may be times when we are not able to spend the full value of the levy funds in our digital account. To cover this possibility in England, we are working with the Department for Education to explore how a proportion of this underspend can be allocated within the supply chain.
- We are keen to explore how this approach could be extended to benefit the Welsh economy, specifically in target driven sectors like energy where the UK Government target for suppliers to offer smart meters to all homes and small businesses by 2020 means the sector must collaborate to develop the talent pool required.

Question 6 – Do you have any views about how the Welsh Government has engaged with employers with regard to the Apprenticeship Levy?

- We continue to work with Welsh Government to explore how we can best work together to meet our shared objectives in the interests of the Welsh economy.

- We have welcomed the chance to discuss this issue with the Minister for Skills and Science, as well as officials, in recent months.
- We have also raised our interest in the Apprenticeship Levy as a Welsh Government Anchor Company. It is clear that we are not alone as a major employer in looking to find sustainable approaches to delivering on the training and skills agendas in Wales from this change of policy at UK level.
- We see this current inquiry as a further opportunity to explore the impact of the Apprenticeship Levy as it relates to Wales and make recommendations for the new training landscape, with an increased role for work-based learning. In the absence of a full consultation by Welsh Government on the levy in Wales, we are looking to the committee to explore the immediate and medium to long-term consequences of a divergence in approach across Britain.

Question 7 – Do you have any general comments or concerns on the current system of apprenticeships in Wales? What should the Welsh Government be doing to address any concerns you have identified?

- Through our engagement with officials in Wales, we recognise that there are concerns regarding the Trailblazer approach, specifically in relation to flexibility of the inclusion of a “traditional” accredited qualification. In order to fully understand how our new apprenticeship programmes align to the Specification of Apprenticeship Standards for Wales (SASW), we commissioned an external consultant to conduct an independent review.
- The outcomes of this review indicate significant synergies and demonstrate that the learning outcomes and content of our priority apprenticeship programmes map in full to the relevant SASW framework. In some areas, our programmes deliver additional content and a greater breadth and frequency of assessment.
- We can therefore give assurance that the quality and brand of Welsh apprenticeships can be maintained if a flexible approach that recognises our apprenticeship programmes is introduced. The introduction of flexibility in these areas will be critical to enabling Centrica to contribute to Welsh apprenticeship targets.