



**National Assembly for Wales
Economy, Infrastructure and Skills
Committee inquiry:**

**The Apprenticeship Levy in
Wales**

18 January 2017

Colegau Cymru
Uned 7 Cae Gwyrdd
Greenmeadow Springs
Tongwynlais, Caerdydd CF15 7AB
Ff: 029 2052 2500
E: hello@colegaucymru.ac.uk
W: www.colegaucymru.ac.uk

Colleges Wales
Unit 7 Cae Gwyrdd
Greenmeadow Springs
Tongwynlais, Cardiff CF15 7AB
T: 029 2052 2500
E: hello@collegeswales.ac.uk
W: www.collegeswales.ac.uk

Introduction

ColegauCymru welcomes the opportunity to respond to the National Assembly for Wales' Economy, Infrastructure and Skills Committee inquiry into the **Apprenticeship Levy in Wales**. ColegauCymru is a charity and limited company that represents the 14¹ Further Education (FE) colleges and FE institutions in Wales and exists to promote the public benefit of post compulsory education and learning.²

ColegauCymru undertakes regular research, develops policy and provides responses based on the best available evidence, utilising its network of educators and policy experts. It is the designated National Contact Point for Skills, a role which it discharges on behalf of the Welsh Government.

Its policy is informed by regular exchange of ideas and experiences facilitated by the European Commission's Erasmus+ programme and through participation in the British Council's International Education Programme.

Colleges are major providers of general education provision in Wales, helping to produce some of the best learner outcomes. Colleges are the predominant providers of funded vocational and technical education in Wales, providing about 85% of the total provision.

As large employers, FEIs will also be required to pay the levy.

This response has been compiled from feedback from colleges and B-wbl (formerly Skills Academy Wales (South West), a work based learning consortium made up of public and private sector training providers, led by Pembrokeshire College).

Question 1 - What are the implications of the introduction of the UK Apprenticeship Levy for employers in Wales?

By providing college-based and work-based learning to employees, FEIs are in regular contact with employers. The implications of the introduction of the UK Apprenticeship Levy are currently unclear for both employers and subsequently for providers in Wales. Training providers are working hard to promote the current support that exists towards funding apprenticeships.

¹ The 14 include 10 FE corporations including St David's Catholic College; the two FE institutions – Adult Learning Wales; and The College Merthyr Tydfil, Coleg Sir Gâr and Coleg Ceredigion which are part of university groupings.

² In this paper the terms 'FE college' and 'college' are used to cover FE colleges and FE institutions.

Large employers (both public and private sector) are becoming aware that from April 2017, they will have to pay an additional, and not insignificant, levy. There is a feeling from some employers that this levy is seen simply as an additional tax, a view promoted by Welsh Minister, where the impact is increased costs with no clear way of measuring the financial returns. Our understanding is that the Welsh Government will not know how much Welsh employers have paid to HM Revenues and Customs. Some large employers in Wales have expressed to ColegauCymru that they feel that they are getting little in return as access to apprenticeships and apprenticeship funding in Wales has not changed in the same way as access to provision in England.

There is an apparent and growing expectation from employers that they will get a return for 'their' money and some have already made enquiries as to how colleges can meet their need. This 'initiative taking' is to be welcomed and employers are reflecting to ColegauCymru that they will begin to request a more direct say in what training they receive and conversely what they do not want to receive, for example not wanting learners to undertake Essential Skills Qualifications. The Welsh Government has stated that the consequential of the levy will not be ring-fenced, although there may be an expectation from employers that this is the case, and that that employers will receive benefits up to and including their levy payment.

For small and medium size enterprises (SMEs) who are not eligible to pay the levy, there are also concerns. For instance, if large companies look to recoup their entire levy by training additional apprentices, this could eventually reduce the scope for SMEs, potentially through means such as imposing stricter eligibility conditions. SMEs who often, although not exclusively, utilise staff trained to level 2/3 of the European Qualifications Framework (EQF) have shown an expectation that such qualifications and training should be paid for out of general taxation and not via coinvestment or potentially a levy. What is clear is that they too would expect an immediate and clear return on their investment.³

In terms of unintended consequences, Pembrokeshire College owns a wholly owned subsidiary that was set up as a Shared Apprenticeship broker. Large energy companies have sponsored this company for the last two years and it has provided employment for seven apprentices and three have so far gone on to permanent employment. The large companies are reluctant to sponsor the company this year as they will now have to pay the levy.

³ FSB Wales June 2015 *Enterprise and Business Committee Discussion on Welsh Government Coinvestment in Skills Framework* <http://www.fsb.org.uk/docs/default-source/fsb-org-uk/final-co-investment-in-skills-framework.pdf?sfvrsn=0> [accessed 12 January 2017].

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

As a result of the size of the public sector workforce in Wales, public sector levy payments are likely to be a significant commitment and include the contribution made by Wales' FEIs themselves. As an economy that has a significant majority of SMEs and microbusinesses, there are issues over how many public sector employers versus private in Wales will be liable for the levy.⁴ The amount of the tax or levy base and how much will be raised from Wales will have longer-term implications for the success of the policy.

As a result of the introduction of the levy, we are evidencing a new audience of interest in apprenticeships. The legal and financial sector in particular are investigating the opportunities and threats that this development poses to their traditional training route.

The public sector will also see a surge in their demand for apprentices – we must ensure that the quality of apprenticeships is not put at risk with the increased demand and sense of urgency that could harm learners and results in the long term.

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 primary consequence is that employers operating in both countries will have to facilitate two systems which is complex, creating additional work and difficulties for both employers and providers, as well as potentially disadvantaging individual learners. The different methods of operation of the levy in England and Wales is causing confusion for employers who operate in both countries and providers are therefore having to adapt their strategies. There is a perception amongst many employers in Wales that the levy paid will be returned to them in the form of a voucher to be used for training, or that they will be able to directly access the funds that they have contributed.

Employers in England appear to have received more information to date and as the English system will not apply to Wales, this information is different and not applicable here. There is also the risk that some employers believe the rules for England apply UK-wide. Employers are not necessarily best placed to decide whether or not the UK Government is acting on behalf of England, as is the case for the training schemes, or on behalf of the UK as whole – as in the introduction of the levy. The difference in rules may cause confusion to employers, particularly those with peripatetic staff who work either side of the border. Issues around different age restrictions operating in Wales and England or eligibility being tied to age are also likely to be problematic. For instance, our understanding is that in England employers

⁴ Figures from Stats Wales show that in 2016, 94.9 per cent of businesses in Wales were micro businesses. See: <https://statswales.gov.wales/Catalogue/Business-Economy-and-Labour-Market/Businesses/Business-Structure/Headline-Data/latestbusinessstructureinwales-by-sizeband-measure> [accessed 12 January 2017].

will be able to use the new digital vouchers for any age of employee, whereas in Wales there are age restrictions on the current contract. This means that, for example, a 35-year-old would be fundable on all routes and all levels in England; this would not be the situation in Wales at present.

ColegauCymru would not however see this as a simple justification for the development or copying of an England-style market in Wales. On the contrary, it makes the case for the differentiation of the system in Wales which should be clearly communicated. This is primarily on the grounds of ease of administration, i.e. a system which can be delivered and led by a training provider, that will deliver better and higher quality outcomes through developing a better partnership or 'dual' model of vocational education and training.

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?

Greater clarity and understanding is needed on how the levy will be used to support apprenticeship and wider vocational education and training in Wales. The Welsh Government needs a clear communications plan setting out what the levy means for Wales for employers, providers, and importantly for learners. Literature, advertising and promotion needs to be developed for employers explaining the Welsh stance on the levy and clarifying Welsh Government priorities, for example whether the restriction on provision of vocational education and training in non-priority areas remains.

We would welcome an opportunity to be part of a Welsh Government working group with employer representatives on what this means for ColegauCymru members and how we can collaboratively, utilising the Regional Skills Plans, come up with solutions.

It should also assess the impact that the current policy of all age apprenticeships and the levy is having on other initiatives such as the ESF funded programmes to support the skills of those in work and currently requiring a financial commitment by employers.

A strategy for post-compulsory education is urgently needed to help address issues of apprenticeships, training and skills at all levels in a coherent manner. This needs to be set against a comprehensive economic strategy for Wales, dealing with the specific circumstances of Wales, and taking account of some of the ideas set out in the 2015 IWA report 'An Economic Strategy for Wales'.⁵

⁵ IWA (2015), *An Economic Strategy for Wales* [accessed 12 January 2017].

Question 5 - What, if any, are the 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)?

Given the significant cross-border flows between Wales and England for work and training purposes, there is likely to be initial confusion over which system operates where. Clear guidance is needed for employers and providers for situations such as where the employee's residence is in one country and place of work or training is in another. Employers may want to adopt different training programmes for employees based in Wales, based on their training levy paid in England.

As funding in England is set to follow the employer location rather than the employee or learner address, some employers may have to change the training provider they have historically used, and also the framework requirements and funding rules. There are instances of predominantly England-based employers removing apprenticeship provision from Wales to England to fully utilise their levy contributions in the future.

In the case of the levy, UK Government has introduced a UK-wide levy but only has responsibility for delivering the impact of levy funding in England. Future policies of this kind need to be given much more detailed consideration and a clear plan set out across all four constituent parts of the UK.

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

Our understanding is that details from the UK Government of how the levy would impact and operate in Wales were initially slow. However, employer feedback is generally of feeling ill-informed, combined with confusion and frustration with the lack of information available. Feedback from employers indicates that very little information has been circulated, for instance, they are unaware of any Welsh Government marketing campaign on this topic, and this has not provided a great deal of reassurance.

Welsh Government held some events in different parts of Wales on the topic of the apprenticeship levy in autumn 2016 which were attended by some colleges and employers. Reaction to these events was that they were not very informative – clear answers were not forthcoming and so they were of limited value.

Engagement with employers is paramount; those paying the levy are concerned about returns on their payments. A clear statement on the Welsh Government position on the apprenticeship levy is needed.

This lack of information is contrasted by the perceived ease of access to more detailed publications and guidance available on the levy and new apprenticeship system in England.

The information gap is not confined to employers. Providers are also awaiting guidance on a number of key issues, for instance how to prioritise their apprenticeship funding: large employer or SMEs, for instance, or what to do in situations where a large, levy-paying company requests a significant number of apprenticeships in a non-priority area such as customer service or business administration, taking the college over the 10 per cent restriction in terms of offering these “non-priority” routes. Likewise, there is little clarity on how providers should look to support Welsh employers with head offices in England or vice versa.

Further education colleges have also been asked general questions on the levy by employers which they are unable to answer.

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

The frequent changes to priorities and funding rules over the last few years, sometimes introduced at short notice, have caused confusion and irritation to employers. This risks making training providers appear inconsistent and difficult when this is not the case. A period of time without significant change would allow training providers to set clear, longer term recruitment strategies and communication with employers.

As highlighted elsewhere in this response, Further Education colleges need Welsh Government to clarify some of the specific issues on the future of apprenticeships and apprenticeship funding, such as how colleges should respond if a large employer wants apprenticeships in non-priority areas such as customer service or business administration. Currently colleges are under request that no more than 10% of their provision should be in these non-priority areas but the apprenticeship levy might increase employer demand in these areas. It is worth noting that some of the largest levy payments will be made by the retail sector which is, at present, a non-priority area in Wales, and there is the risk that colleges will not be able to meet the expectations of these employers. Clarification must take place within a wider review of Vocational Education and Training.

The Committee should note that addressing Apprenticeship provision is a small, but significant part of the wider vocational education and training. Stats Wales records that for 2015-16, there were 224,240 learners involved in further education and work-based learning at a post compulsory level (post-16). Of these, only 59,675 were involved in a work-based learning programme, representing just over a quarter of this section of

learners.⁶ While apprenticeships are important, we should not lose sight of the bigger picture of vocational education and training more widely.

Conclusion

ColegauCymru reiterates the need for a strategy for post-compulsory education to help develop the skills base and stock of human capital that Wales needs to build. Such a strategy would take into account, but not be confined to, apprenticeships, would look at training and skills more broadly, and would link closely to the economic development needs of Wales.

Better communication is urgently needed ahead of the introduction of the levy in April 2017. In conjunction with providers and employers, Welsh Government needs to develop and share a clear communications plan about the response to the levy in Wales which addresses the questions most frequently asked, including those regarding cross-border issues. Specific issues such as how to deal with large employers in future requesting significant numbers of apprenticeships in non-priority areas, such as customer service and business administration, where this would take colleges over the 10 per cent restriction on providing these routes, need to be addressed urgently.

ColegauCymru and Further Education Institutions need to be kept fully updated on developments relating to the apprenticeship levy and it may be useful to establish a working group, comprised of providers, employers and other relevant parties, on this topic.

Dr Rachel Bowen
Cyfarwyddwr Polisi a Datblygu
ColegauCymru
Uned 7 Cae Gwyrdd
Greenmeadow Springs
Tongwynlais
Caerdydd CF15 7AB
T: +44 (0)29 2052 2500
(switsfwrdd)
S: 07376 065 731
www.colegaucymru.ac.uk
Rhif Elusen Gofrestredig 1060182

Dr Rachel Bowen
Director of Policy and Development
CollegesWales
Unit 7 Cae Gwyrdd
Greenmeadow Springs
Tongwynlais
Cardiff CF15 7AB
T: +44 (0)29 2052 2500
(switchboard)
M: 07376 065 731
www.collegeswales.ac.uk
Registered Charity No: 1060182

⁶ Due to differences in recording data, these figures include A Levels studied at colleges but not in schools. Likewise, they do not include vocational qualifications studied at schools. Data available at: <https://statswales.gov.wales/Catalogue/Education-and-Skills/Post-16-Education-and-Training/Further-Education-and-Work-Based-Learning/Lifelong-Learning-Wales-Record/learningprogrammes-by-programmetype-provisiontype> [accessed 12 January 2017].