

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

The main implication is clearly the additional 'tax burden' placed on employers who are within scope of the levy. However, it needs to be recognised that the introduction of the apprenticeship levy by the UK Government is intended to increase employers investment in skills training, in order to boost productivity, which, is not too dissimilar from the Welsh Government's aim with the proposed 'Framework for Co-investment' as outlined within the Skills Implementation Plan.

The other implication has been the difficulty caused for pan-UK employers, who now need to navigate their way through the funding regimes of the various administrations across the UK.

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

In terms of paying the levy, no

However, there is a recognition that as public sectors bodies in Wales are facing budgetary pressures from elsewhere, then the advent of an additional 'tax burden' will cause additional financial pressures.

The situation above will make it difficult for organisations who are under increased financial pressure (both within the public and private sector) to recruit new apprentices (aligned to the Welsh Ministers' priority) in order to re-coup any levy payment which is seen to be theirs.

A key consideration here is what employers can use apprenticeship funding for. Currently, against the background of the Welsh Government's commitment to "*delivering a minimum 100,000 high quality all age apprenticeships over the term of this Assembly*" contractual requirements are focusing resources on younger (16-19) learners and higher level (level 4 and above) programmes. Additionally, there are restrictions applied to provision for learners aged 20+ at level 2 and level 3, especially within non-priority sectors.

NTfW understands the need to move the Apprenticeship Programme in the direction above, but with the advent of the apprenticeship levy, there are difficult conversations to be had with levy payers on what it is they can use 'their' levy contribution for. Especially in the case of learners who are 20+, been employed for over twelve months, and are wanting to undertake development at level 2 (operator) and level 3 (supervisory) levels.

In terms of the public sector, the NTfW is aware that many local authorities (and indeed other public bodies) currently have a 'recruitment freeze' due to budgetary constraints, and as such, are required to deploy existing staff that are at the risk of redundancy to other posts. In many cases, these individuals will require re-training,

and/or upskilling to undertake these new roles. Clearly, there is an opportunity here for organisations that face this situation, to use the Apprenticeship Programme to develop their workforce.

### **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)?**

In other parts of the UK, there will be the introduction of a Digital Apprenticeship Service, and eventually all employers will be required to 'purchase' their apprenticeship provision using 'Digital Vouchers' and will need to negotiate a price with a whole range of apprenticeship providers. This will not be the case in Wales, and this is to be welcomed.

In Wales, employers can choose to work with any provider from a network of over 100 quality assured apprenticeship providers. No 'transaction' or financial contribution needs to take place, as the Welsh Government fully funds the provision of learning. This is a clear benefit to employers, as this significantly reduces any administrative burden.

It is clear to employers in England how they will be able to access apprenticeship funding in future i.e. through the Digital Apprenticeship Service, and by using Digital Vouchers for the delivery of their apprenticeship programmes for English domiciled employees.

What is less clear to employers based (or headquartered) in England, is how they will be able to access funding for apprenticeships in Wales (and indeed the other Devolved Administrations)

There will be two modes of operation in England for employers. The first will see levy payers funding their apprenticeship provision through the Digital Apprenticeship Services, and non-levy payers needing to link directly with a provider to access provision. In Wales, all employers can access provision through one mechanism - the provider network in Wales. This is clearly a benefit to Welsh employers.

It is worth noting at this stage, that non-levy payers in England will be required to make a 10% (financial) contribution to their apprenticeship provision, whereas employers in Wales are able to have their apprenticeship provision fully funded by the Welsh Government. This is clearly something that the Welsh Government should be promoting, in order to demonstrate the differences between the relevant systems.

### **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?**

In preparing employers in Wales for the advent of the apprenticeship levy, the Welsh Government should:

1. ensure that the positive messages around the success of the Apprenticeship Programme in Wales reach all employers, especially those who are impacted directly by the apprenticeship levy;

2. ensure that their business engagement and economic development teams actively work with the NTfW (as the expert body on apprenticeships in Wales), who can act as a 'funnel' for enquiries in regards to the availability of apprenticeship provision across Wales and other employer queries;
3. be very clear with all employers (regardless of size or sector) in relation to what are the "*Welsh Ministers priorities*" - the headline messaging around apprenticeships is at odds with contractual requirements around age, sectors and volumes;
4. ensure that there is a strong marketing campaign for apprenticeships, to run alongside the introduction of the apprenticeship levy, to include where employers need to go to get further information;
5. make a commitment to employers in Wales that they will fund the Apprenticeship Programme at least to the commitment made by UK Treasury;
6. should make public, the funding rates applicable to each apprenticeship.

NTfW position is that we know the apprenticeship levy will be implemented from 6 April 2017, and that there is now nothing that can be done to stop that. Therefore, we believe the focus of attention should now shift to informing employers how they can access the Apprenticeship Programme in Wales, in order that they can re-coup their contribution, and make an investment in the development of skills, which is needed to raise productivity.

Wales has an established Network of quality assured apprenticeship providers, who meet the needs of employers of all sizes and sectors. This Network is fully engaged with all three Regional Skills Partnerships, and will be key to the implementation of the emerging Employment and Skills Action Plans, which will provide the direction for prioritisation of available funding across sectors, regions and levels of apprenticeship provision. This Network believe that they are best placed to continue to deliver apprenticeship programmes on behalf of the Welsh Government, to those employers who will be paying the apprenticeship levy, within the limitations of funding available for the current apprenticeship programme.

The Network wants to ensure that the positive messages around the success of the Apprenticeship Programme in Wales reach all employers, especially those who are impacted directly by the apprenticeship levy. We would ask the Committee to urge the Welsh Government to take a 'whole systems' approach to delivering on its apprenticeship commitment. Welsh Government should ensure that their business engagement and economic development teams actively work with the NTfW (as the expert body on apprenticeships in Wales), who can act as a 'funnel' for enquiries in regards to the availability of apprenticeship provision across Wales and other employer queries.

Welsh Government should be very clear with all employers (regardless of size or sector) in relation to what are the "*Welsh Ministers priorities*." Currently, there is a considerable amount of interest and promotion around apprenticeships - which is of course welcomed - but the headline messaging around apprenticeships is at odds with contractual requirements around age, sectors and volumes.

Furthermore, the Welsh Government needs to ensure that there is a strong marketing campaign for apprenticeships, to run alongside the introduction of the apprenticeship levy, to include where employers need to go to get further information.

Historically, the Apprenticeship Programme in Wales has received wide cross Party support, which has led to a significant investment in various budget settlements. However, as the funding for the Apprenticeship Programme in Wales has been part of budget negotiations, this has led to significant variances between financial (and operational) years, which have a de-stabilising effect on sustained provision, especially as priorities tend to change with each financial settlement.

Moving forward, we know now what 'share' of funding Wales will receive from the UK Treasury in relation to apprenticeships. This is not a position we have been in previously, and one, which should be welcomed.

Population share of levy funding-2017-18-2018-19-2019-20

-£128.0m-£133.0m-£138.0m

**Note:** Wales will be provided with funding certainty as the UK Government will manage any difference between the levy forecast and actual revenues

The NTfW believes that if the Welsh Government made a commitment to employers in Wales that they would fund the Apprenticeship Programme at least to the commitment made by the UK Treasury, then this would go some way to alleviating any employer concerns.

Furthermore, one of the main differences between the funding regimes in England and Wales, will be that there will be a tangible 'transaction' between the employer and the training provider in England, which will make the employer aware of the cost of apprenticeship training. In Wales, the funding will still be accessed through the provider, and the employer would have no visibility of the cost of apprenticeship training. The NTfW believes, that if funding rates for apprenticeships were made available publically, then an employer paying the apprenticeship levy, would be able to see their 'return on investment.'

### **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)?**

The key issue here is what apprenticeships are funded, and therefore delivered, in other parts of the UK, most notably England. The NTfW recognises that the introduction of the apprenticeship levy is just one element of a whole range of reforms to the apprenticeship system in England. Another significant reform, will see the actual apprenticeship 'product' changing from one based on an Apprenticeship Framework, to one based on an Apprenticeship Standard. This has the potential to affect the portability of 'Welsh Apprenticeships' across the border with England.

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

The NTfW is aware that Welsh Government officials have been in dialogue with individual organisations in Wales that are expected to be in scope for paying the apprenticeship levy. However, we are unaware of any large-scale activity that has been undertaken to engage with employers as a whole.

There may well have been an opportunity lost to engage with employers, on how the apprenticeship funding allocated to Wales could be deployed, for the benefit of the Welsh economy. However, and to be fair to the Welsh Government, they were in the process of consultation on the apprenticeship policy in Wales with a whole host of stakeholder organisations at the time when the apprenticeship levy was announced (Summer 2015) Similarly, the Welsh Government had consulted with stakeholders on the 'Co-investment in Skills' proposals in the previous year.

The NTfW is aware that the Devolved Administrations of Scotland and Northern Ireland have had specific consultation on the apprenticeship levy, but upon closer inspection, most will note that the consultation is aimed more on how they intend to distribute the funds on a programme level, as opposed the mechanism by which employers will access the funding for apprenticeships.

**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 Network recognises that the advent of the apprenticeship levy will increase the appetite amongst those who pay it, to develop their own apprenticeship programme. We also recognise that some of these employers will be in sectors for which there is currently very little, if any, capacity or capability to provide. The NTfW would ask the Committee to urge the Welsh Government to increase its own capacity and capability in developing apprenticeships for Wales, as with the advent of 'Trailblazers' and the more recent post-16 Skills Plan, most UK-wide organisations will be focused on developments in England.

There is a clear opportunity here for Welsh Government to review its approach to SASW compliant apprenticeship frameworks, in order that their content meets the needs of employers, especially those who will be paying the apprenticeship levy. This may include, but would not be limited to, Welsh Government reviewing some prior decisions around the withdrawal of frameworks or lack of development.