

Written Response by the Welsh Government to the report of the Economy, Infrastructure and Skills Committee entitled Inquiry into the Apprenticeship Levy

Apprenticeship policy in Wales is guided by investment in areas that deliver the very highest gains - apprenticeships that will support economic growth, increase productivity and aid social mobility.

This is a time when the economy is changing at a great pace and technology is a very significant driver of that change and given the changes with the European Union business will need to become more productive to remain competitive. We need to make sure that our apprenticeship programme supports this agenda and meets this challenge.

We have already committed to deliver a **minimum of 100,000 quality all age apprenticeships** over the current Assembly term and the apprenticeship policy plan which we published sets out our investment priorities in five areas:

- **Address acute skill shortages** – develop apprenticeships, particularly in growth sectors and emerging job categories, in line with priorities determined by Regional Skills Partnerships.
- **Introducing an all-age approach** - in August 2016, we introduced our approach to all age apprenticeships, particularly for those trying to enter or re-enter the labour market. Within that approach we intend to increase the uptake of apprenticeships amongst 16-19 year olds, focusing on the transition of school leavers into high quality employment opportunities.
- **Jobs and growth - ensure the programme improves its contribution towards higher level skills** - focusing on apprenticeships at level 3 and above, where returns tend to be higher and where the greatest success is seen in delivery by other European countries. We will continue to monitor the effectiveness and relevance of Foundation (level 2) Apprenticeships to determine whether a new approach is required to meet the skills requirement for entry level jobs.
- **Quality and Benchmarking** - improve performance measures, currently the success of the apprenticeship programme is measured through framework success rates. In future there will be a greater focus on success through the achievement of meaningful and sustainable employment. Skills competitions held around the world showcase and inspire world-class excellence in skills and introduce youth to a variety of skilled careers. Our work on skills competitions will help us benchmark our apprentices against other UK Nations and international skills.
- **Improving access, equality and equity of opportunity** - we are supporting people into employment who are new to the workplace as well as placing a renewed focus on progression in the workplace through access to higher

quality training opportunities. We will continue to ensure that those groups currently under-represented are given equal opportunities to benefit from our programme and we have appointed an equality champion specifically to take this work forward. In terms of access, all learners and employers need to know what provision they can access, when recruitment takes place and how long the programme takes. The digital interface to support employers to find providers and apprentices will be improved.

- **Deliver Apprenticeships in Welsh** - opportunities to undertake an Apprenticeship through the medium of Welsh or bilingually will be strengthened, ensuring learners have the opportunity to maintain and develop their Welsh-language skills.
- **Develop skill pathways** – integrate apprenticeships into the wider education system. Creating stronger co-operation between academic and vocational education by looking at the way in which these systems work together to deliver a combined comprehensive offer for apprenticeships. The outcome of the Diamond Review will support developments in degree level apprenticeships. To achieve this step change on the programme, a greater emphasis will be placed on partnership working; including schools, colleges, work-based learning providers and the higher education sector.
- **Establish a new system for framework review and development** – to ensure that apprenticeships are designed to meet employer needs and are responsive to industry changes.

To help deliver these priorities we have **increased our investment in apprenticeships by an additional £15m in 2017-18**. This investment will help ensure that employers are not disadvantaged as a result of the Apprenticeship Levy. This increase is despite there being no noticeable additional funding available to Wales as a result of the levy.

In Wales we will continue to invest in apprenticeships at higher levels in technical areas and priority sectors, so that levy paying employers have access to the very best training. Regional Skills Partnerships consult with employers to determine skills demands and publish annual skills assessments which will influence our investment in quality apprenticeships and national priorities.

As a final point, our approach in Wales is firmly driven by investing in apprenticeships that will have the greatest impact. There have been a number of recent reports critical of the approach being taken in England. The National Audit Office, Public Account Committee and the Institute for Fiscal Studies have all said that it is not clear how the English approach to apprenticeship delivery will promote productivity and economic growth.

In Wales we will ensure that we maximise returns on public investment through delivering high-quality provision.

Detailed Responses to the report's recommendations are set out below:

Recommendation 1

The Minister must re-double the efforts of the Welsh Government to ensure that all Levy-paying employers in Wales have the information they need during the Levy's introductory period

Response: Accept in principle

In Wales, employers are able to access funded apprenticeships in a range of priority subject areas through approved training providers, that work with employers to diagnose their needs and agree a training package to meet those needs. We have published a factual guide on opportunities for Welsh levy payers, which sets out how employers can access apprenticeships including identifying priority sectors¹. Through the guidance employers can complete a short diagnostic questionnaire which can be submitted to officials who will contact them directly.

We have also established a team of employer advisors within the Welsh Government's Apprenticeship Unit who are able to support employers in determining the impact of the levy and how they can be supported. This team will assess how current apprenticeships meet employer needs and how employers can maximise funding from the Welsh Government. There is ongoing evidence emerging that apprenticeship content needs reviewing and we are working with partners to do just that.

Many employers first port of call is expected to be Business Wales who are fully briefed on the apprenticeship levy and the referral process in place to access the Welsh Government's apprenticeship programme.

On a broader level, there will be continuing engagement with employers and representative bodies. Regional Skills Partnerships will consult directly with levy paying employers to determine skills demands arising from the levy and ensure they are fully represented as part of their annual skills assessments that influence where we invest.

Financial Implications – None. Any additional costs for employer engagement will be drawn from existing programme budgets.

Recommendation 2

The Committee believes that a period of stabilisation and certainty is required for the sector in Wales. The Minister should continue to engage with the employers from all sectors in the months ahead and should set out how she intends to do this in her response.

¹ Communications Toolkit for Skills Policy and the Apprenticeship Levy:
https://businesswales.gov.wales/skillsgateway/sites/dfes/files/documents/communications_toolkit_for_skills_policy_and_apprenticeship_levy.pdf

Response: Accept in principle

We have published our Policy document that outlines our direction of travel and the 100,000 commitment provides stability for Wales. We recognise the importance of engaging with employers and representative groups during the introduction phase. Business Wales will continue to engage with anchor companies, regionally important employers and other larger employers; approved training providers will continue to work with their network of employers; and officials will continue dialogue with sector groups and individual employers. Officials are already actively working with more than 200 employers across sectors to diagnose and help address their needs. Working with National Training Federation for Wales, we are planning a series of apprenticeship events aimed at public sector organisations to improve understanding of and raise awareness of the apprenticeship programme.

As referenced under Recommendation 1, we will be establishing a team of advisors who are able to support employers in determining the impact of the levy and the training options available.

Financial Implications – None. Any additional costs will be drawn from existing programme budgets.

Recommendation 3

The Committee recommends that the Minister review the effects of the Levy on employers in Wales and report these findings to the Committee no later than one year after its scheduled introduction on 6 April 2017.

Response: Reject

The UK Government has responsibility for taxation matters and the Apprenticeship Levy is a UK Government policy.

Financial Implications – None. Any additional costs will be drawn from existing programme budgets.

Recommendation 4

The Committee believes that any future levies in areas of devolved competence should not be introduced without the consent of the National Assembly for Wales and urges the Welsh Government to raise this with counterparts in the UK Government.

Response: Accept in principle

Wherever the Welsh Government considers that any provision of a UK Parliamentary Bill seeks to legislate in respect of a matter within the legislative competence of National Assembly for Wales, or seeks to legislate to alter the Assembly's

competence, we seek to ensure that the Assembly has the opportunity to consider whether to give consent, in line with Standing Orders.

With regards to the Levy, we and the other UK devolved administrations have already called on the UK Government to consult fully with us before announcing changes to taxes which have implications for our devolved responsibilities.

The Minister for Skills and Science has said many times that the Apprenticeship Levy directly conflicts with areas of devolved responsibility, completely overlooks our very distinctive approach to supporting apprenticeships in Wales.

Financial Implications – None.

Recommendations 5

The Committee believes that better communication between the UK Government and devolved administrations at both Ministerial and official-to-official level is required. The Committee recommends that the Minister continues to raise the issue with her counterparts in the UK Government.

Response: Reject

The UK Government's decision to introduce the Apprenticeship Levy was made without prior consultation with devolved administrations. This was despite established communication channels at Ministerial and official level:

- A Ministerial Four Nation meeting focussed on skills policy is scheduled for October 2017 in Cardiff. In addition, a Four Nations Senior Officials Group on Professional and Technical Education has been established, and held its initial meeting in February 2017. It acts as a forum to share policy developments within each nation and discuss cross-cutting skills issues. Area of shared interest included impact of Brexit, Adult Education Budget devolution, apprenticeships and lifetime learning/upskilling of employees. The next Four Nations Meeting of senior officials is scheduled for September in Cardiff.
- There are strong working relations between officials within the four nations through regular formal meetings and themed meetings to discuss specific policy approaches, such as the introduction of the levy. Through our discourse with the nations, we have been able to develop policy that is informed, particularly through having early intelligence on UK Government. We recognise that this process needs to continue as the UK Government develops its approach to post-16 technical education through the Institute for Apprenticeships (becoming the Institute for Apprenticeships and Technical Education in 2018).
- Existing formal arrangements include the National Occupational Standards (NOS) Governance Group, which meets quarterly (Terms of Reference available if required). Department for Education (DfE) officials have declined

representation on this group, but have brokered a meeting (15 May) between the Institute for Apprenticeships, DfE and NOS Governance Group members (which will include Government officials from the devolved nations). The meeting will discuss the merits of maintaining UK-wide occupational standards and seek greater alignment between the three Celtic nations and England of Standards which underpin Apprenticeship Frameworks in order to minimise confusion and cross-border disparities for employers and learners.

- The Four Nation Apprenticeship Group has met at least annually to take stock of current developments and share approaches on policy, including systems for developing apprenticeships, approaches to integrating engagement programmes and engaging young people. Whilst the Four Nation Apprenticeship Group has met twice a year since 2014, changes in staffing in UK Government (due to voluntary exit, reshuffles and moving of portfolios from the Department for Business, Energy and Industrial Strategy to the Department for Education) and the focus on the levy have resulted in these meetings becoming less frequent.

Financial Implications – None.

Recommendation 6

The Committee recommends that the Welsh Government re-doubles its efforts to allay the concerns of non-priority sectors in Wales by working with them to develop training opportunities, including new apprenticeship pathways, in less traditional areas such as financial services, project management, human resources and logistics.

Response: Accept in principle

The drive to develop and deliver apprenticeships at higher levels, in technical areas and priority sectors will mean a move away from lower level apprenticeships. We recognise that employers will nonetheless have workforce development needs for flexible, short-term programmes in our non-priority areas, such as retail, business administration and customer service.

To address their needs, we are looking at how we can address skills gaps and the training needs of existing employees where a full apprenticeship might not be appropriate. Our employability programme will offer employability support in many instances for those looking for work. Such training would need to meet industry standards and both provide value to employees and employers alike. Once initial options and flexibility are drawn up, we expect to consult with employers and other interested parties.

Officials are also working with employers in non-priority sectors to explore opportunities for developing or adapting existing apprenticeships to support business needs.

Financial Implications – None. Any additional costs will be drawn from existing programme budgets.

Recommendation 7

The Committee recommends that the Welsh Government sets out how it intends to ensure that all employers (including those in non-priority sectors who are making Levy payments) are made aware of the opportunities to overcome the issues of ‘no direct return’ via the Welsh model of apprenticeship delivery.

Response: Reject

Employers delivering against our priorities can access apprenticeships with no limits and no need for digital vouchers. In contrast, levy paying employers in England will need to select training providers themselves and agree a price for the training.

The Welsh Government has no plans to introduce a digital voucher system. We have seen no evidence that a voucher system would improve quality within the system. It would though introduce bureaucracy for employers and uncertainties as to how non levy employers would be supported. There have also been difficulties in the past with education and training vouchers systems in the UK. Many employers and employer bodies have criticised the system being proposed in England.

To support employers delivering in a non-priority sector/area, such as business administration, customer service or retail at Foundation level 2, training providers will carry out a skills analysis to see how they might realign their workforce development to meet with our priorities.

We recognise that employers will nonetheless have workforce development needs for flexible, short-term programmes in our non-priority areas. To address their needs, we are looking at how we can address skills gaps and the training needs of existing employees where a full apprenticeship might not be appropriate. Such training would need to meet industry standards and both provide value to employees and employers alike. Once initial options and flexibility are drawn up, we expect to consult with employers and other interested parties.

Financial Implications – None. Any additional costs will be drawn from existing programme budgets.

Recommendation 8

The Committee recommends that the Welsh Government identifies good practice and evaluate the proposals for the flexible skills fund in Scotland (known as the Flexible Workforce Development Fund).

Response: Accept in principle

Our apprenticeship programme is built on evidence and evaluation of best practice both within the UK and beyond. Sharing sector expertise and experiences with other nations has been critical to designing and delivering our high quality programme. In developing proposals to address the needs of levy paying employers that sit outside the apprenticeship programme, we will be looking at what best works for employers and learners alike, including how existing programmes operate.

Scotland's Workforce Development Fund is itself similar to our Flexible Skills Programme (FSP) which provides 'direct' financial support to an employer for skills development. Each applicant is relationship-managed by a Welsh Government official who advises on any skills and recruitment related issues. We have provided a briefing on FSP to counterparts in Scotland and Northern Ireland.

Financial Implications – None. Any additional costs will be drawn from existing programme budgets.

Recommendation 9

The Committee recommends that the Welsh Government sets out how it intends to promote and improve the take-up of apprenticeships among employers in Wales, particularly among those sectors that have not traditionally had clear pathways to higher level apprenticeships.

Response: Accept in principle

Our priorities are increasing higher level apprenticeships in sectors such as science, technology, engineering and professional services – sectors where there are skills shortages. This means shifting our investment into higher level training in priority areas.

Regional Skills Partnerships are instrumental in understanding the skills need and demand across Wales; they consult with employers to determine skills demands and ensure they are fully represented as part of their annual skills assessments. These assessments help us invest in apprenticeships where there is demand and need.

We will also be embedding employers into the decision-making structure through the Wales Employment and Skills Board, which will be advising the Welsh Government on apprenticeship development to ensure alignment with employer need.

Officials are scoping options for developing an Apprenticeship Engagement Network project that will bring together a range of employer representative bodies and former apprentices to promote the programme through various initiatives.

Financial Implications – None. Any additional costs will be drawn from existing programme budgets.

Recommendations 10

The Committee recommends that the Minister work with counterparts to ensure that opportunities for helping businesses to overcome the difficulties associated with operating in four separate systems are identified.

Response: Accept in principle

We work closely with counterparts across the UK to ensure that the apprenticeship system continues to support employers. For example, officials have worked with the other devolved administrations to establish and maintain the capacity of Sector Skills Councils to develop apprenticeship frameworks to meet employer demand in Wales. Following the demise of UKCES, in November 2016 the devolved nations have collectively commissioned a network of delivery partners to act as custodians for the National Occupational Standards and Framework system across the devolved nations, under contract to Skills Development Scotland. Collective commissioning has meant we are able to agree a fixed commissioning price for each product which, whilst the same as last year, is a reduction on the previous years' commissioning prices. Added to this there is no duplication of tendering for activity and development requests from delivery partners. This arrangement helps ensure the viability of the delivery partners to complete products commissioned.

The solutions will need to operate within relevant devolution policies.

Financial Implications – None.

Recommendation 11

The Committee recommends that the Minister explore options for working with businesses and employers to achieve apprenticeships with sectors that do not traditionally employ apprentices.

Response: Accept

We are already extending the reach of the programme through investing in apprenticeship in new occupations and sectors - those apprenticeships that will support economic growth, increase productivity and help individuals get into better quality jobs. This approach underscores our intention to prepare individuals for the jobs of tomorrow which we know will require higher levels of competence than in the past. Officials are actively engaged with private and public sector organisations to determine how the apprenticeship programme can support their workforce planning needs.

For the local authorities and fire and rescue service, we have committed to establishing a working group to specifically focus on their workforce planning needs, reviewing existing apprenticeship frameworks for suitability and developing new frameworks where there is a need. In the medium and longer term this will allow them to utilise the apprenticeship programme to better support their workforce planning needs and mobility of staff across the public sector.

Officials are working closely with the NHS Workforce Education and Development Service (WEDS) in Wales to understand how the apprenticeship programme can support workforce development needs. Work is already underway to develop a higher apprenticeship to support the NHS's informatics service which is aiming to create a paperless records service. We are also committed to work with the NHS on a series of workshops aimed at raising awareness of the apprenticeship programme throughout the NHS.

Financial Implications – None. Any additional costs will be drawn from existing programme budgets.

Recommendation 12

The Committee urgently recommends that the Minister lobby the UK Government to ensure that the number of people employed by local authorities in schools are not included in the overall local authority employee headcount for the purpose of calculating the Levy. This will adversely impact on schools budgets in Wales and is at odds with the treatment of Academy schools in England.

Response: Reject

The Apprenticeship Levy is an employment tax that has been introduced by the Westminster Parliament and applies to the whole of the UK. The levy is paid by any organisation that has a payroll in excess of £3 million per annum. In Wales, the majority of schools are maintained by local authorities. Therefore, their budgets will be impacted by the introduction of the levy, irrespective of their size. The English academy system has not been adopted in Wales.

We will continue to raise concerns via the Four Nations ministerial meetings and directly with UK Government on implications of the levy.

Officials are working with local authorities to determine how the apprenticeship programme can support their workforce planning needs. This will include reviewing how it could potentially be used to support schools which have been adversely affected by the introduction of the levy.

Financial Implications – None.

Recommendation 13

The Committee recommends that the Minister work with police forces in Wales and with her counterparts in the UK Government to ensure that the Welsh police forces are not unfairly disadvantaged by the fact that police forces in Wales will have to pay the Levy but cannot access the Levy to contribute to accredited courses in Wales.

Response: Reject

£0.5m has been ring fenced for Police and Crime Commissioners for the period 2017/18 to ensure they are not disadvantaged as a consequence of the Apprenticeship Levy. Officials are also liaising with the Police and Crime Commissioners and College of Policing to understand how the new police apprenticeships being developed by the College of Policing would operate in Wales. Funding for the training of police officers in Wales is the responsibility of the Home Office.

Financial Implications – None. Any additional costs will be drawn from existing programme budgets.

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Y Gweinidog Sgiliau a Gwyddoniaeth
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