

Economy, Infrastructure and Skills Committee's inquiry into the Apprenticeship Levy: one year on CITB Cymru Wales Response

CITB welcomes the opportunity to input into the Economy, Infrastructure and Skills Committee's follow up on the Apprenticeship Levy in Wales. We are pleased to see that the Welsh Government has increased funding on apprenticeships since the introduction of the levy, from £96m to £111.5m. We support the Welsh Government's commitment to consult annually with the Regional Skills Partnerships to ensure that the skills needs of levy paying employers are fully represented. It is important that the Welsh Government uses the introduction of the levy and the renewed focus on apprenticeships to engage employers with skills and training.

Recommendations

Utilised properly, the introduction of the levy could help Welsh Government meet its 100,000 all age apprenticeships target. In light of the anniversary of the Levy's introduction, the Welsh Government should:

- Continue to provide a period of stabilisation and certainty for our sector in Wales in terms of funding for apprenticeships
- Continue to engage with the employers in the year ahead to make sure that the voices of levy payers are heard, particularly around concerns that they will not see direct benefits from the Apprenticeship Levy. Welsh Government should ensure that money obtained from the levy is used to fund apprenticeships in Wales, so that employers can appreciate how they can assist in plugging skills gaps by accessing funded apprenticeship opportunities thereby seeing a return for their investment. CITB is happy to facilitate any engagement with Industry
- Work with levy paying employers to understand their needs and skills shortages, especially in light of any increased demand for apprenticeships due to the levy's introduction. This can be achieved via regular engagement with the Regional Skills Partnerships and by utilising Labour Market Intelligence
- Ensure that all employers are made aware of the opportunities to access training to the value of their levy payment via apprenticeship funding channels in Wales. CITB, through our network of Advisors, would be well placed to make employers aware of all opportunities available to them.
- Ensure that any additional apprentices funded by the levy receive training and qualifications that adequately prepare them for work, as called for in the Qualifications Wales Sector Review of Construction Qualifications (once they have been agreed.)
- Utilise feedback from industry when designing the online customer facing function that gives employers detailed advice on how they can access apprenticeships to ensure that any tools are easy to access and meet the needs of employers
- Communicate more effectively with employers that work across the border, ensuring they are aware that the voucher system in place in England does not operate in Wales, and signpost to the Welsh apprenticeship provider networks. It would also be useful for specific materials to be developed for businesses that operate in England and Wales to advise them on how to get the greatest benefits from both systems
- Work with the Westminster Government to clarify if and when the levy payment threshold will reduce from £3 million, and communicate any changes effectively with industry
- Support the development and delivery of higher and degree apprenticeships in construction and the built environment
- Create more skill pathways to higher and degree apprenticeships to meet the needs of levy paying employers

1. The impact on employers in Wales following the introduction of the Levy;

- 1.1 The Apprenticeship Levy only affects employers in Wales with a pay bill of more than £3 million. They pay their levy direct to HMRC through existing PAYE arrangements. Unlike in England, funded apprenticeship delivery in Wales is still accessed via contracted training providers. As a result, the introduction of the apprenticeship levy last year did not have a direct impact on the way employers procure apprenticeship training or provision.
- 1.2 As the Apprenticeship Levy has been operating for less than a year it is too soon for any impacts that are a direct result of the levy to be apparent. Further to this, the majority of construction apprentices in Wales are employed by SMEs, who do not pay the levy. To ease the transition, CITB agreed a Transition Package with companies impacted in the industry for the first year of the Apprenticeship Levy. This enabled employers paying both the Apprenticeship Levy and the CITB Levy to claim an enhanced rate for the training they undertook, up to the value of their Apprenticeship Levy contribution. As a result, in construction, the full impacts of the Apprenticeship Levy have not been felt by employers.
- 1.3 The introduction of the Apprenticeship Levy in Wales has resulted in renewed attention on apprenticeships and training. It is important that any surge in interest is used to draw more employers into discussions around the future of apprenticeships in Wales. In our sector, we are driving this debate around the Qualifications Wales Sector Review of Construction.

2. Any concerns to date in respect the impact or implementation of the Levy;

- 2.1 As Apprenticeship Levy payers are larger organisations, their workforce generally includes more construction professionals, as opposed to solely manual trades, than smaller employers. As a result, their training needs include higher and degree level apprenticeships. In order for these organisations to derive perceived benefit from the levy, it is important that Welsh Government develops skill pathways which integrate apprenticeships into the wider education system. This will require stronger partnership working between vocational and academic education organisations. The outcome of the Diamond Review will also support the development of degree level apprenticeships. The levy provides an opportunity to stimulate development of new apprenticeship frameworks where traditional recruitment has been through graduate/management trainee programmes. CITB would welcome the opportunity to provide any evidence needed to create these opportunities as at CITB we have worked with employers, the Construction Wales Innovation Centre (CWIC) and the Chartered Institute of Building (CIOB) to develop a higher apprenticeship route to encourage progression from first line supervision into management and are currently developing a direct management trainee higher apprenticeship route. The pilots have been successful and this model is being successfully rolled out further across the further education network.
- 2.2 We are pleased to see the commitment from the Welsh Government in *Aligning the apprenticeship model to the needs of the Welsh economy* to provide a new online customer facing function that gives employers detailed advice on how they can access apprenticeships. Going forward Welsh Government should engage closely with employers

and the Regional Skills Partnerships to get feedback on the website to ensure that it is easy to access and meets employer needs.

2.3 Money returned to Wales via the Apprenticeship Levy is not ring-fenced for skills. This could be problematic as employers who pay the levy would have expectations that the money will be spent on training. Money obtained from the levy should be used to fund apprenticeships in Wales; ensuring employers see a return for their investment. Specifically, the funds could be used to replace the loss of access to EU funding through the European Social Fund, which is contributing £73m over four years to apprenticeships in Wales. The only exception to this principle is where it is proven that there is a lack of apprenticeship demand in certain areas, and more relevant training is identified to support employers' skills need. An example would be the creation of more skills pathways to higher and degree apprenticeships. This should be based on consultation with industry, and high quality Labour Market Intelligence.

2.4 Some employers that work across England and Wales have reported confusion around the voucher system that is operating in England, and have been expecting that the levy paid in Wales will also be returned in this way. It is important that the differences between the two systems are communicated effectively, and that all relevant employers in Wales are made aware that the Welsh Government will continue to deliver its apprenticeship programme via the Welsh apprenticeship provider network.

2.5 Currently there are concerns from Welsh employers over if and when the levy payment threshold will reduce from £3 million. This would be a concern in Wales as it would draw a greater proportion of employers into levy payment, who would then be expecting a return of their investment. Should this happen any changes should be communicated in advance, alongside materials which help employers choose the best training options for their organisation.

About CITB

CITB is the Industrial Training Board (ITB) for the construction industry in Great Britain (Scotland, England and Wales). CITB is working to ensure that construction employers have the right skills, in the right place, at the right time by investing funds and providing a wide range of industry-led skills and training solutions. It does this through employer engagement in training, providing labour market insights on future skills needs and developing standards and qualifications for the sector. For more details on CITB's work visit: www.citb.co.uk.

Our specific work to improve sustainability in the built environment includes:

- Supporting the Qualification Wales Sector Review of Construction with expert advice and evidence.
- Delivering the widely recognised Site Environment Awareness Training Scheme (SEATS) which help employers comply with environmental legislation
- Funding the Supply Chain Sustainability School to encourage uptake of sustainability learning through the supply chain.