

APPG on Further Education & Lifelong Learning

AGM and the apprenticeship levy

Meeting Minutes: Monday 4 March 2024, 4.00-5.00pm,
Committee Room 7, House of Commons



Time	Item
4.00 – 4.05	AGM
4.05 – 4.09	Introductions & opening remarks from the Chair, Peter Aldous MP
4.10 – 4.18	David Hughes CBE, CEO, Association of Colleges
4.18 – 5.10	Discussion with parliamentarians and attendees
5.10 – 5.12	Closing remarks from the Chair

Attendees

Parliamentarians	Participants
Peter Aldous MP	David Hughes CBE, Chief Executive, Association of Colleges (AoC)
Baroness Garden of Frognal	Chris Russell, Senior Policy Manager, Federation of Small Business (FSB)
Lord Johnson of Marylebone	Yiannis Koursis OBE, Chief Executive, Bedford College Group
Lord Layard	Nicki Hay MBE, Chair, Association of Employment and Learning Providers (AELP)
Andrew Selous MP	Beatrice Barleon, Head of Policy and Public Affairs, Engineering UK
	Grace Breen, Senior Policy and Public Affairs Manager, Princes Trust

Annual General Meeting

The AGM was held. Peter Aldous stated that he was happy to be re-elected as Chair and this was agreed.

The Chair confirmed the Vice Chairs of the group were Baroness Garden of Frognal and Stephen Farry MP, which was agreed. The Chair confirmed Lord Blunkett as Officer of the group, which was agreed.

The Chair also confirmed that the APPG does not have to approve an income and expenditure statement as it does not receive more than £12,500 in money or in kind.

Introduction & Opening Remarks

Peter Aldous MP opened the meeting and introduced the participants. He set the scene for the meeting, which was about apprenticeships and the future of the apprenticeship levy. Peter noted that over the past few years, there has been a growing call from both businesses and the FE sector for changes to be made to the levy and the apprenticeship system more generally and while more investment in skills by employers was a good thing, changes did have to be made. He added that this

was a particularly pertinent time to be having this conversation as skills shortages are rising across the country, with the latest DfE employer survey finding that the skills shortage vacancy rate was roughly stable between 2013 and 2019 (between 22%-25%), but rose dramatically in 2022 (36%), reflecting difficulties in finding new employees with the required skills and qualifications.

Speaker 1 – David Hughes

The first speaker was David Hughes CBE, Chief Executive at the Association of Colleges. David began by highlighting that the answer on what should be done with the apprenticeship levy depends on what you think the apprenticeship levy is for – such as raising more tax income, increasing employer investment in skills, improving progression into good jobs etc. David said that for him apprenticeships have five key purposes:

- A route for young people into working life, from novice to mastery.
- Supporting progression for people already in work into new roles.
- A vehicle for securing more investment into the training system from employers.
- Providing key investment into areas of the economy which need productivity improvements.
- Potential for addressing regional and social inequalities.

He continued that if you look at it through some of these five lenses then it is not doing a good job. There are too many apprenticeships for people already in work, in higher paying jobs at the expense of younger people, career changers, and lower paid workers. There are not enough SMEs supported and apprenticeships do not align with national and local longer-term economic needs, nor are apprenticeship standards agile enough for the new and ever-changing roles businesses are experiencing.

David then detailed some upcoming research that AoC and London Economics have undertaken. These research findings have been shared with the participants and parliamentarians in attendance and are under embargo until April 2024.

Q&A Summary

Participants and parliamentarians then had a discussion based on the points raised by David Hughes and the apprenticeship levy more broadly. This was a discussion under Chatham House rules, so while the key points discussed are included, no identifying information will be provided.

- Possibilities to increase the levy to 1% to produce more income for skills and more employer investment into the system (which in comparison to other OECD countries is quite low) and that if this happened, Treasury would need to invest that back into the skills system.
- The suggestion to link the apprenticeship levy and the Lifelong Loan Entitlement for a more cohesive system. In response to this, it was suggested that not many people are willing to take a loan out to get a level 4/5 qualification without a good signal or commitment from their employer that they'll get a better job and better pay at the end of it.
- The need for greater employer engagement and buy-in to the system, for example employers providing the time off for employees to gain a qualification.
- The opinion that what goes on at Level 3 is more important than what happens at Levels 4, 5 and 6 and that degree apprenticeships aren't a sensible way of spending the levy, unless the employer wants to give more. It was suggested that half of the levy should be ringfenced for people doing apprenticeships at Levels 3 and below at ages 25 and below. There was some hesitation from

some attendees to put higher and lower levels against each other, arguing that apprenticeships should be all ages and levels. However, there was acknowledgement that there was a need to make sure these were in-demand areas, with nursing and medical apprenticeships noted as good examples of higher-level apprenticeships, but there aren't enough of them.

- That the funding of apprenticeships at lower levels was poor and made it difficult for SMEs to engage. The need for a higher funding band for SMEs was proposed, as a lot of the existing incentives were geared towards larger employers. SMEs hire young people at lower levels and there was concern raised that the proposed Labour policies would mean less funding for SMEs and putting off more SMEs from hiring apprentices.
- The lack of engagement from SMEs was also discussed, which was partly due to the complexity of the system, which very small employers don't have time to engage with.
- Participants also made note of the recent announcement from the Treasury about the growth sector pilot announced in the autumn statement for 13 apprenticeships and the better incentives being provided.
- The lack of transparency in the apprenticeship system was highlighted as a major issue, as the apprenticeship budget doesn't equal the apprenticeship levy receipts.
- Another issue was the lack of flex in the current system, with some of the standards becoming extremely specific and not being useful for all employers in changing industries.
- Speakers acknowledged that it was a risk to take a young person into a role they don't know is going to succeed, but that if flexibility in the levy was opened without a target for young people, opportunities would be reduced.
- The unintended consequences of the introduction of the levy were discussed, including that employers were trying to get back their 'tax' of what they've put into the system and providers were following the money and desire of employers. Discussion surrounding how to drive the right behaviours, growing businesses, and providing employment, rather than pure incentives and reclaiming taxes followed.
- The possibility of mayoral oversight for skills was raised, but it was noted that colleges are already accountable since the introduction of the Skills Act 2022. The issue around additional layers of complexity was also discussed.
- Local Skills Improvement Plans (LSIPs) and employer engagement in other European countries were discussed. LSIPs were noted as being a good idea, but they are still developing and need to go further.

Closing Remarks from the Chair

The Chair thanked all of the participants for their contributions and parliamentarians for their questions during the meeting. He said that the group would write to Skills Minister Robert Halfon to highlight what was discussed during the session, including possible changes to the apprenticeship levy. The Chair also suggested that the MPs present submit both written and oral questions on apprenticeships during both Education and Treasury departmental questions and that the Peers present could table a short oral question in the House of Lords on the future of the apprenticeship levy, with those present confirming their agreement.

Meeting closed 5:12pm