



All-Party
Parliamentary Group:
Central South

18 April 2023



WHY?

- To fund the immediate action needed to address skills deficits (regionally and sector-specific).
- To create greater opportunity and flexibility while encouraging apprenticeship starts.
- To empower employers at a local level.
- To support the levelling-up agenda, social mobility and local investment.

BACKGROUND

Apprenticeships have a vital role to play within the workforce of the Central South region, providing opportunities to improve social mobility and economic growth through empowerment and knowledge, leading best practices, and creating a culture of transformation, connectivity, and innovation.

The region champions innovation and support for small start-ups and larger projects, such as freeports and the introduction of new green technologies and initiatives.

The Apprenticeship Levy is funding that is paid to employers in England with a payroll of £3 million and above, to be used for apprenticeships, using an approved training provider who meets the accountability framework.

THE CHALLENGE: LACK OF FLEXIBILITY AND AUTONOMY TO USE FUNDS LOCALLY AND TACKLE LOCAL SKILLS DEFICITS.

The Workforce South Action Group are asking the Government to help address some of the issues seen since the Levy was implemented. These include:

- A low number of apprenticeships within the targeted aged group of 16-24
- Particular challenges for sectors such as health & social care
- A fall in apprenticeship starts since the Levy was introduced in 2017
- A recent increase in the number of apprenticeship redundancies

Research shows that £3.3 billion of Apprenticeship Levy funding has been returned to the Treasury since 2019, without being spent by the employer or transferred to an SME. These unspent funds remain in the employer's account for up to 24 months before being returned to the Treasury. That is 24 months unused, unspent and benefitting no one.

Business South welcome the recent changes, such as 'Flexi-Job' and the special 'returnerships' for the over-50s. We ask that a continued review is made to advance the Levy system and respond to feedback from employers.

We would like to explore what more can be done to ensure this vital funding delivers full benefit to the Central South region with immediate effect.

OUR PROPOSAL

A capped credit system, mirroring the existing 25% cap for transferring unspent funds, with credits earned from full apprenticeship spend or targeted campaigns for sectors and or ages.

WE PROPOSE THREE FORMS OF CREDITS:

1. Skills credits

- Creating bite-size internal training credits, which could be used on part of an apprenticeship or recognised vocational qualification or CPD, giving greater flexibility to support the breadth of skills training needed.

Employers in manufacturing and logistics sectors have highlighted the current skills crisis as harming their ability to function and to offer critical services.

2. Recruitment credits

- Allowing employers to take ownership of their own bursary scheme and using their Levy credits to support the relocation or travel of staff who are on the lowest salary (such as an apprenticeship wage).

This would benefit social mobility and widen participation, allowing employers to use a proportion of their Levy to support the levelling-up agenda by providing opportunities to attract and retain employees.

3. Placement or backfill credits

- Allowing employers to spend a proportion of their Levy on valuable placements would give employers greater power to build a pipeline and succession plan, supporting social mobility and levelling-up within the Levy system.
- The option to use credits to also pay for backfilling vital roles in a specified sector – such as health & social care – will allow apprentices to complete their off-the-job training while ensuring that vital services remain operational.

Employers in our region value the opportunity that placements bring to their business but raise many concerns over the demand on their people managers.

We have written to the Secretary of State with our proposal. The Minister for Skills, Apprenticeships and Higher Education replied on her behalf, acknowledging our concerns but advising that the government has no current plans to review the Levy.

Therefore, the Workforce South Action Group is calling on the members of the Central South APPG to ask the Department for Education for a meeting to discuss a review to the Apprenticeship Levy system.



Additional initiatives that could be considered:

- Subsidised travel to work for the under-25s
- Other funded training programmes
- Re-location campaigns

SUMMARY

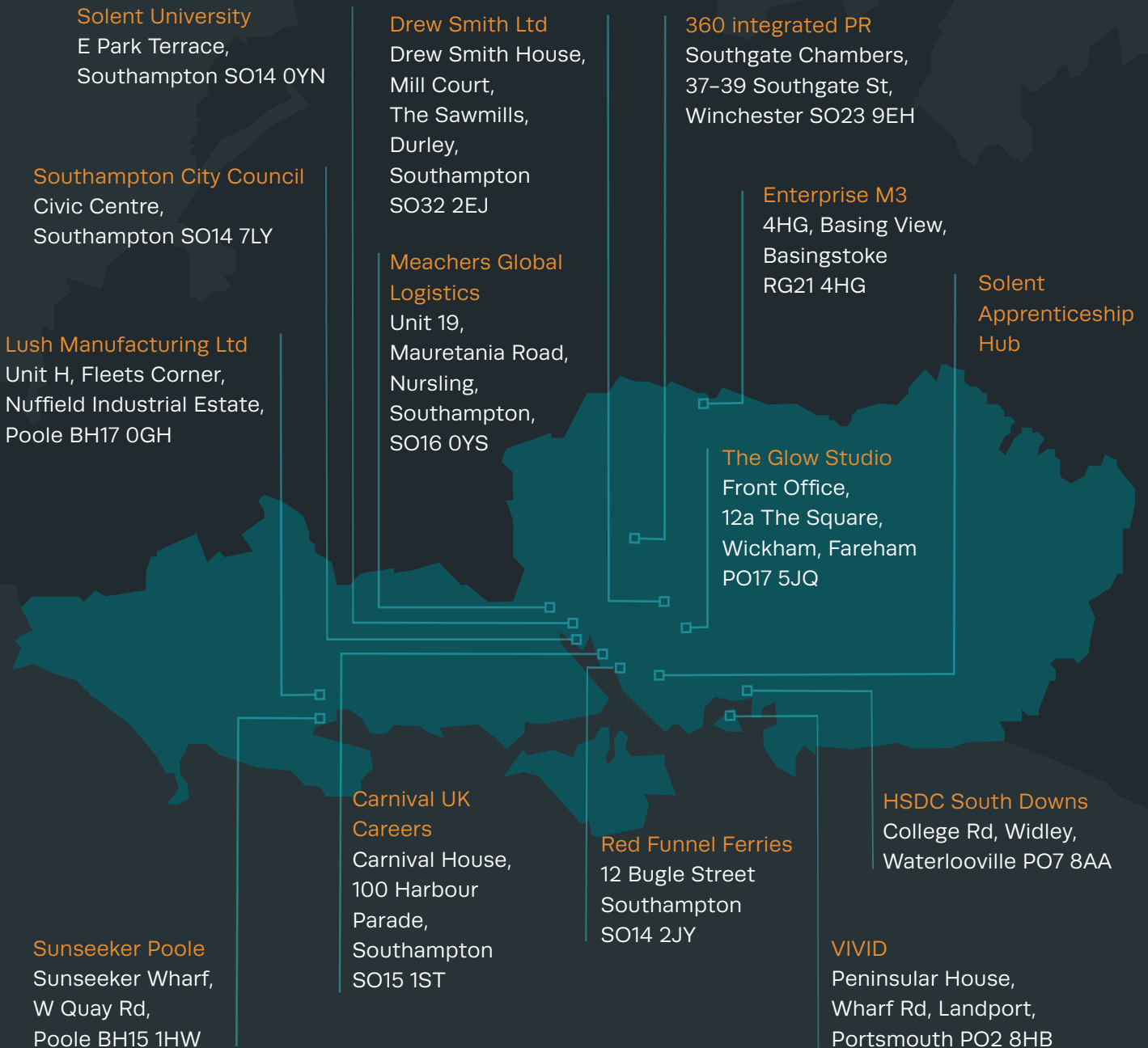
Whilst businesses in the Central South region want to provide more opportunities for apprenticeships through the Apprenticeships Levy, its lack of flexibility is hampering employers' ability to maximise its potential.

According to the London Progression Collaboration (LPC), employers in England have been returning unspent levy funds put aside for apprenticeships, leading businesses to lose out on the equivalent of £1.1 billion per year since 2019.

The situation is mirrored in the Central South region, with one major leading employer highlighting a huge underspend in Levy funds (just £8,354 of a total available £845,778).

Employers report that the levy is acting as a constraint on their investment in apprenticeships and skills more broadly.

These changes are supported by many major employers in the business community across the Central South region, including those identified in the map below.



We have a collective commitment to make sure apprenticeships are of high quality and add the right value to our people and our communities. Enabling businesses of any size, building a thriving economy, and attracting and retaining a workforce and succession plan for their future in the Central South.