

Agenda – Economy, Infrastructure and Skills

Committee

Meeting Venue:

Committee Room 4 – Tŷ Hywel

Meeting date: Thursday, 2 February
2017

Meeting time: 09.00

For further information contact:

Gareth Price

Committee Clerk

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Private pre-meeting (09:00–09:15)

1 Introductions, apologies, substitutions and declarations of interest

2 Business panel – The apprenticeship levy in Wales

(09:15–10:15)

(Pages 1 – 24)

Gavin Jones, Head of Early Careers Programmes, Airbus UK

Joanne Foster, UK Government & Business Relations Leader, GE Aviation

Craige Heaney, Head of Learning and Development Group Operations, Centrica

Anne Middleton, Human Resources Manager, Atradius

Attached Documents:

Research brief

EIS(5)–04–17 (p1) Centrica

Break (10:15–10:30)



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

3 Training providers – The apprenticeship levy in Wales

(10:30–11:30)

(Pages 25 – 41)

Jeff Protheroe, Operations Manager, National Training Federation for Wales

Sarah John, Chair, National Training Federation for Wales

Rachel Bowen, Director of Policy and Development, Colleges Wales

Claire Roberts, Director of Engagement, Colleges Wales

Attached Documents:

EIS(5)–04–17 (p2) National Training Federation for Wales

EIS(5)–04–17 (p3) Colleges Wales

4 Paper(s) to note

4.1 Additional information from the Cabinet Secretary for Economy and Infrastructure on Visit Wales arising from the meeting on 3 November

(Pages 42 – 47)

Attached Documents:

EIS(5)–04–17 (p4) Additional information from the Cabinet Secretary for Economy and Infrastructure on Visit Wales arising from the meeting on 3 November

Private de-brief (11:30–11:45)

Informal – Meeting with the Welsh Retail Consortium and retail organisations to discuss the apprenticeship levy in Wales

(12:00–13:30)

Break (13:30–14:00)

5 Women in the economy – Alternative perspectives on the Economic Strategy for Wales

(14:00–15:00)

(Pages 48 – 58)

Natasha Davies, Policy and Research Lead, Chwarae Teg

Dr Alison Parken, Project Director, Women Adding Value to the Economy (WAVE),
Cardiff University

Helen Walbey, Director, Rideout Motorcycles and Scooters

Attached Documents:

Research brief

Private de-brief (15:00–15:10)

Agenda Item 2

Document is Restricted

**National Assembly for Wales Economy, Infrastructure and Skills Committee inquiry
into Apprenticeship Levy**

Centrica response

January 2017

About Centrica

Centrica is a FTSE 50 company headquartered in the UK, employing some 39,000 employees worldwide. Our business is focused on satisfying the changing needs of our customers across a number of international markets.

British Gas, Centrica's energy and home services provider in the UK, serves more than 11 million homes and businesses. Our Connected Home business has developed products such as Hive Active Heating and Boiler IQ. Through its Hive brand, British Gas is focused on delivering and developing connected home products, having installed over 300,000 smart thermostats in UK homes to date, alongside the three million smart meters we have also installed in customers' homes. British Gas insurance also serves over seven million policy holders.

Through our Distributed Energy and Power business we are developing integrated energy solutions for commercial and industrial customers, including flexible generation, energy management systems and battery storage.

Our Energy Marketing and Trading business operates in LNG trading and optimisation and risk management for customers. Alongside our continuing exploration and production activities in the North Sea and East Irish Sea, we also continue to operate five gas-fired power stations in the UK and retain a 20% equity stake in the country's existing nuclear generation fleet.

We employ around 1,800 people across Wales and are proud to be a Welsh Government Anchor Company. We make a key contribution to the economy through the British Gas contact centre in Cardiff, as well as our network of 400 engineers working around Wales. We operate the British Gas Academy at Tredegar and Centrica Energy's power station at Barry.

Apprenticeships are paramount to the development of our workforce. We have long and proud history of bringing people into the business and providing the foundations of long and fulfilling careers through this route - indeed many of our current leadership team joined the business as apprentices. Over the last decade we have invested more than £170m in training and currently employ over 1,100 apprentices. In 2016, 72 of these were based in Wales.

We have previously recruited through Welsh Government employability programmes including Jobs Growth Wales.

We internalise training delivery through our dedicated learning hub, to ensure the quality of

the programmes meet with the high standards we require – this is of upmost importance in our safety critical and highly regulated industry. Our approach is viewed as best practice by peers, and the academy is formally recognised by Ofsted as a “grade one outstanding” training provider.

Question1 – What are the implications of the introduction of the UK Apprenticeship Levy for employers in Wales?

- Apprenticeships are the foundation of Centrica’s workforce development strategy which requires a geographically flexible workforce trained to common standards. The absence of a UK-wide Apprenticeship policy presents significant challenges to this strategy.
- In 2016, we recruited 38 apprentices to work in Wales, in engineering roles. Our apprenticeship strategy for growth will deliver a 20% growth within three years and 40% within four years. This will be achieved by extending apprenticeships across a wide range of job opportunities.
- Centrica would be proud to contribute to the Welsh Government’s target of 100,000 apprentices of all ages before 2021. We are also keen to help promote diversity amongst those seeking and undertaking apprenticeships. The scope for us to do either of these is, however, restricted under the current regulations of Welsh apprenticeships.
- For a number of years, we have been required to engage in three very different policy systems if we wish to work to the apprenticeship frameworks in the nations where we recruit and train staff.
- In the absence of a UK wide apprenticeship policy, employers operating across the four nations are required to engage in four different apprenticeship systems. This presents significant challenge; primarily driven by our business requirement for a mobile workforce, trained against a common programme, irrespective of the geography. This workforce flexibility enables us to respond to the evolving needs of our customer base and remain competitive in the market.
- Our apprentice numbers are highest in England so we therefore align our UK wide programme to the English system. The disappointing consequence is that our apprentices in Wales are therefore not recognised by Welsh Government, do not

contribute to the 100,000 target and are not eligible for Welsh Government funding. We do not see this as a sustainable or mutually beneficial position.

- The differences in approach have become more pronounced in recent years since the introduction of industry-led Trailblazer apprenticeships in England. As a company with a proud record of recruiting engineers through apprenticeships which are delivered through our internal academy, we have welcomed the opportunity to extend apprenticeship opportunities through the Trailblazer system.
- Consequently, Centrica has led industry in developing Trailblazer apprenticeship standards in a number of priority areas for recruitment. These include smart meter installers, customer service advisers and gas engineers. We are finding that our apprenticeship programmes, based on these new standards and assessment approaches, are delivering impressive results for us in England. For example, we are seeing increased productivity of 6% and the attrition rate among new recruits is being reduced by an estimated 7%. We would welcome the chance to work with the Welsh Government's apprenticeship system to deliver the same results. There are obvious opportunities for us recruit through this route at our Cardiff Contact Centre and for engineering opportunities around Wales.
- We expect to make an annual contribution worth £4.5m as a result of the Apprenticeship Levy, of which around £267k will be directed to Welsh Government. In England, we have been able to gain a degree of clarity over how we will be able to access our contribution to the funds in our digital account. As a responsible employer, we have been able to look at our recruitment plans for the next financial year and consider how we will utilise the contribution to the digital account to fund more apprenticeships. In 2017/2018, we expect to use 100% of our digital account to fund apprenticeships in England.
- As we increase the amount of in-house training funded through the contribution to the digital account to meet our changing recruitment and skills needs, we want to see these opportunities to develop a highly-skilled workforce responsive to business need replicated throughout our UK workforce.
- We are therefore looking for opportunities to repeat the success of our programmes aligned to the Trailblazer standards as approved by the Minister of State for Apprenticeships and Skills in England in the other nations of Britain. As priorities, we are

asking the Welsh Government to recognise our apprenticeship programmes for smart meter installation and customer service practitioner.

Question 2 – Will there be different implications for public sector and private sector employers?

- We do not have the expertise to comment on the implications for the public sector.

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)?

- The key implication for Centrica is that we are a business operating across Britain and are required to engage in different apprenticeship templates, funding systems, audit procedures, and validation requirements in each of the different nations.
- We appreciate that each nation will wish to ensure its apprenticeship system is appropriate for local needs, recognised skills gaps, and other priorities.
- At the same time, to deliver the common programme outcomes that are critical to a business that requires a geographically flexible workforce, we are increasingly training our apprentices at sites in Wales to follow Trailblazer standards. While approved in England, these are not recognised by the Welsh Government.
- This is despite the fact that we believe there is significant overlap in the outcomes that Centrica and Welsh Government wish to achieve. The result is that we are missing opportunities to work together on areas of shared interest.
- For example, we understand that the Welsh Government is keen to promote opportunities in STEM, particularly for women. We will be looking to recruit and train Smart Energy Experts using the smart meter installer Trailblazer at our academy in Tredegar during 2017. Currently this training will take place aligned to the English-recognised Trailblazer – an agreed industry-wide standard, on which British Gas led. Recognition of this standard by the Welsh Government would enable the promotion of these STEM opportunities to a more diverse group through our shared channels.

- We want to promote apprenticeships as a viable career path for young women and school girls. We know that in 2016 only approximately 4% of our engineering apprentices were women. We are setting a target of raising this to 10% by the end of 2017 – and then to 25% over the next two years across the group, as part of our Responsible Business Plan.
- As a consequence, we have worked closely with Business in the Community's CareersLab and others to get our apprentices back into schools so they become role models and inspire young people to consider apprenticeships as a career option. Over the past couple of years, 50 of our female engineers have taken part in this type of activity across Britain each year.
- We recognise the Welsh Government's commitment to widening access to apprenticeships – across age groups, as well as gender – and see the Apprenticeship Levy as a chance to address this.
- Furthermore, British Gas is finding that the Trailblazer for customer service advisers is delivering positive results in terms of staff retention and customer satisfaction across our contact centres, including in Cardiff. Through the Movement to Work programme, we have now seen 15 apprentices recruited to work for British Gas from young people Not in Education Employment or Training (NEETs). We are committed to offering a further 100 places on this programme over 3 years. These apprenticeships are being completed against the England-only Trailblazer framework for customer service advisers, which British Gas led on developing for the industry. We believe that this standard is raising training and skills levels in the contact centre industry and would like to see this approved by the Welsh Government.

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?

- Centrica is engaged with Welsh Government officials to look at how we can work together on our shared objective of creating quality apprenticeships for all in Wales.
- As stated above, we would like to see an increase in opportunities to work together in delivering in-house training towards apprenticeships that are accredited and funded

by Welsh Government, consistent with opportunities available and now delivering results in England.

- We are looking for a sustainable solution that will enable accreditation and access to funding as we develop an apprenticeship programme that will include an increased range of jobs over the coming years, across engineering, leadership and management, sales, digital skills and STEM, and professional skills.

Question 5 – What, if any, are the costs of 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)?

- Centrica expects its annual levy allocation in Wales for 2017 to be £268k. It is not currently clear whether we will be able to access any of this contribution towards the cost of training apprentices in Wales during the current financial year. By contrast, our allocation in England will be £3.8m and we expect to draw down 100% of this.
- We believe the Apprenticeship Levy also provides an opportunity for levy paying employers to support workforce development in the supply chain. As a result of business cycles and the resulting peaks and troughs in apprentice recruitment, there may be times when we are not able to spend the full value of the levy funds in our digital account. To cover this possibility in England, we are working with the Department for Education to explore how a proportion of this underspend can be allocated within the supply chain.
- We are keen to explore how this approach could be extended to benefit the Welsh economy, specifically in target driven sectors like energy where the UK Government target for suppliers to offer smart meters to all homes and small businesses by 2020 means the sector must collaborate to develop the talent pool required.

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

- We continue to work with Welsh Government to explore how we can best work together to meet our shared objectives in the interests of the Welsh economy.

- We have welcomed the chance to discuss this issue with the Minister for Skills and Science, as well as officials, in recent months.
- We have also raised our interest in the Apprenticeship Levy as a Welsh Government Anchor Company. It is clear that we are not alone as a major employer in looking to find sustainable approaches to delivering on the training and skills agendas in Wales from this change of policy at UK level.
- We see this current inquiry as a further opportunity to explore the impact of the Apprenticeship Levy as it relates to Wales and make recommendations for the new training landscape, with an increased role for work-based learning. In the absence of a full consultation by Welsh Government on the levy in Wales, we are looking to the committee to explore the immediate and medium to long-term consequences of a divergence in approach across Britain.

Question 7 – Do you have any general comments or concerns on the current system of apprenticeships in Wales? What should the Welsh Government be doing to address any concerns you have identified?

- Through our engagement with officials in Wales, we recognise that there are concerns regarding the Trailblazer approach, specifically in relation to flexibility of the inclusion of a “traditional” accredited qualification. In order to fully understand how our new apprenticeship programmes align to the Specification of Apprenticeship Standards for Wales (SASW), we commissioned an external consultant to conduct an independent review.
- The outcomes of this review indicate significant synergies and demonstrate that the learning outcomes and content of our priority apprenticeship programmes map in full to the relevant SASW framework. In some areas, our programmes deliver additional content and a greater breadth and frequency of assessment.
- We can therefore give assurance that the quality and brand of Welsh apprenticeships can be maintained if a flexible approach that recognises our apprenticeship programmes is introduced. The introduction of flexibility in these areas will be critical to enabling Centrica to contribute to Welsh apprenticeship targets.

INQUIRY INTO APPRENTICESHIP LEVY

Your contact details

Name:	Jeff Protheroe
Are you responding as an individual or on behalf of an organisation?	On behalf of an organisation
Organisation (and role if applicable)	National Training Federation for Wales (NTfW)



CONSULTATION QUESTIONS

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 chose 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 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.

Please return completed pro-forma to:
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**National Assembly for Wales
Economy, Infrastructure and Skills
Committee inquiry:**

**The Apprenticeship Levy in
Wales**

18 January 2017

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Introduction

ColegauCymru welcomes the opportunity to respond to the National Assembly for Wales' Economy, Infrastructure and Skills Committee inquiry into the **Apprenticeship Levy in Wales**. ColegauCymru is a charity and limited company that represents the 14¹ Further Education (FE) colleges and FE institutions in Wales and exists to promote the public benefit of post compulsory education and learning.²

ColegauCymru undertakes regular research, develops policy and provides responses based on the best available evidence, utilising its network of educators and policy experts. It is the designated National Contact Point for Skills, a role which it discharges on behalf of the Welsh Government.

Its policy is informed by regular exchange of ideas and experiences facilitated by the European Commission's Erasmus+ programme and through participation in the British Council's International Education Programme.

Colleges are major providers of general education provision in Wales, helping to produce some of the best learner outcomes. Colleges are the predominant providers of funded vocational and technical education in Wales, providing about 85% of the total provision.

As large employers, FEIs will also be required to pay the levy.

This response has been compiled from feedback from colleges and B-wbl (formerly Skills Academy Wales (South West), a work based learning consortium made up of public and private sector training providers, led by Pembrokeshire College).

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

By providing college-based and work-based learning to employees, FEIs are in regular contact with employers. The implications of the introduction of the UK Apprenticeship Levy are currently unclear for both employers and subsequently for providers in Wales. Training providers are working hard to promote the current support that exists towards funding apprenticeships.

¹ The 14 include 10 FE corporations including St David's Catholic College; the two FE institutions – Adult Learning Wales; and The College Merthyr Tydfil, Coleg Sir Gâr and Coleg Ceredigion which are part of university groupings.

² In this paper the terms 'FE college' and 'college' are used to cover FE colleges and FE institutions.

Large employers (both public and private sector) are becoming aware that from April 2017, they will have to pay an additional, and not insignificant, levy. There is a feeling from some employers that this levy is seen simply as an additional tax, a view promoted by Welsh Minister, where the impact is increased costs with no clear way of measuring the financial returns. Our understanding is that the Welsh Government will not know how much Welsh employers have paid to HM Revenues and Customs. Some large employers in Wales have expressed to ColegauCymru that they feel that they are getting little in return as access to apprenticeships and apprenticeship funding in Wales has not changed in the same way as access to provision in England.

There is an apparent and growing expectation from employers that they will get a return for 'their' money and some have already made enquiries as to how colleges can meet their need. This 'initiative taking' is to be welcomed and employers are reflecting to ColegauCymru that they will begin to request a more direct say in what training they receive and conversely what they do not want to receive, for example not wanting learners to undertake Essential Skills Qualifications. The Welsh Government has stated that the consequential of the levy will not be ring-fenced, although there may be an expectation from employers that this is the case, and that that employers will receive benefits up to and including their levy payment.

For small and medium size enterprises (SMEs) who are not eligible to pay the levy, there are also concerns. For instance, if large companies look to recoup their entire levy by training additional apprentices, this could eventually reduce the scope for SMEs, potentially through means such as imposing stricter eligibility conditions. SMEs who often, although not exclusively, utilise staff trained to level 2/3 of the European Qualifications Framework (EQF) have shown an expectation that such qualifications and training should be paid for out of general taxation and not via coinvestment or potentially a levy. What is clear is that they too would expect an immediate and clear return on their investment.³

In terms of unintended consequences, Pembrokeshire College owns a wholly owned subsidiary that was set up as a Shared Apprenticeship broker. Large energy companies have sponsored this company for the last two years and it has provided employment for seven apprentices and three have so far gone on to permanent employment. The large companies are reluctant to sponsor the company this year as they will now have to pay the levy.

³ FSB Wales June 2015 *Enterprise and Business Committee Discussion on Welsh Government Coinvestment in Skills Framework* <http://www.fsb.org.uk/docs/default-source/fsb-org-uk/final-co-investment-in-skills-framework.pdf?sfvrsn=0> [accessed 12 January 2017].

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

As a result of the size of the public sector workforce in Wales, public sector levy payments are likely to be a significant commitment and include the contribution made by Wales' FEIs themselves. As an economy that has a significant majority of SMEs and microbusinesses, there are issues over how many public sector employers versus private in Wales will be liable for the levy.⁴ The amount of the tax or levy base and how much will be raised from Wales will have longer-term implications for the success of the policy.

As a result of the introduction of the levy, we are evidencing a new audience of interest in apprenticeships. The legal and financial sector in particular are investigating the opportunities and threats that this development poses to their traditional training route.

The public sector will also see a surge in their demand for apprentices – we must ensure that the quality of apprenticeships is not put at risk with the increased demand and sense of urgency that could harm learners and results in the long term.

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)?

The primary consequence is that employers operating in both countries will have to facilitate two systems which is complex, creating additional work and difficulties for both employers and providers, as well as potentially disadvantaging individual learners. The different methods of operation of the levy in England and Wales is causing confusion for employers who operate in both countries and providers are therefore having to adapt their strategies. There is a perception amongst many employers in Wales that the levy paid will be returned to them in the form of a voucher to be used for training, or that they will be able to directly access the funds that they have contributed.

Employers in England appear to have received more information to date and as the English system will not apply to Wales, this information is different and not applicable here. There is also the risk that some employers believe the rules for England apply UK-wide. Employers are not necessarily best placed to decide whether or not the UK Government is acting on behalf of England, as is the case for the training schemes, or on behalf of the UK as whole – as in the introduction of the levy. The difference in rules may cause confusion to employers, particularly those with peripatetic staff who work either side of the border. Issues around different age restrictions operating in Wales and England or eligibility being tied to age are also likely to be problematic. For instance, our understanding is that in England employers

⁴ Figures from Stats Wales show that in 2016, 94.9 per cent of businesses in Wales were micro businesses. See: <https://statswales.gov.wales/Catalogue/Business-Economy-and-Labour-Market/Businesses/Business-Structure/Headline-Data/latestbusinessstructureinwales-by-sizeband-measure> [accessed 12 January 2017].

will be able to use the new digital vouchers for any age of employee, whereas in Wales there are age restrictions on the current contract. This means that, for example, a 35-year-old would be fundable on all routes and all levels in England; this would not be the situation in Wales at present.

ColegauCymru would not however see this as a simple justification for the development or copying of an England-style market in Wales. On the contrary, it makes the case for the differentiation of the system in Wales which should be clearly communicated. This is primarily on the grounds of ease of administration, i.e. a system which can be delivered and led by a training provider, that will deliver better and higher quality outcomes through developing a better partnership or 'dual' model of vocational education and training.

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?

Greater clarity and understanding is needed on how the levy will be used to support apprenticeship and wider vocational education and training in Wales. The Welsh Government needs a clear communications plan setting out what the levy means for Wales for employers, providers, and importantly for learners. Literature, advertising and promotion needs to be developed for employers explaining the Welsh stance on the levy and clarifying Welsh Government priorities, for example whether the restriction on provision of vocational education and training in non-priority areas remains.

We would welcome an opportunity to be part of a Welsh Government working group with employer representatives on what this means for ColegauCymru members and how we can collaboratively, utilising the Regional Skills Plans, come up with solutions.

It should also assess the impact that the current policy of all age apprenticeships and the levy is having on other initiatives such as the ESF funded programmes to support the skills of those in work and currently requiring a financial commitment by employers.

A strategy for post-compulsory education is urgently needed to help address issues of apprenticeships, training and skills at all levels in a coherent manner. This needs to be set against a comprehensive economic strategy for Wales, dealing with the specific circumstances of Wales, and taking account of some of the ideas set out in the 2015 IWA report 'An Economic Strategy for Wales'.⁵

⁵ IWA (2015), *An Economic Strategy for Wales* [accessed 12 January 2017].

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)?

Given the significant cross-border flows between Wales and England for work and training purposes, there is likely to be initial confusion over which system operates where. Clear guidance is needed for employers and providers for situations such as where the employee's residence is in one country and place of work or training is in another. Employers may want to adopt different training programmes for employees based in Wales, based on their training levy paid in England.

As funding in England is set to follow the employer location rather than the employee or learner address, some employers may have to change the training provider they have historically used, and also the framework requirements and funding rules. There are instances of predominantly England-based employers removing apprenticeship provision from Wales to England to fully utilise their levy contributions in the future.

In the case of the levy, UK Government has introduced a UK-wide levy but only has responsibility for delivering the impact of levy funding in England. Future policies of this kind need to be given much more detailed consideration and a clear plan set out across all four constituent parts of the UK.

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

Our understanding is that details from the UK Government of how the levy would impact and operate in Wales were initially slow. However, employer feedback is generally of feeling ill-informed, combined with confusion and frustration with the lack of information available. Feedback from employers indicates that very little information has been circulated, for instance, they are unaware of any Welsh Government marketing campaign on this topic, and this has not provided a great deal of reassurance.

Welsh Government held some events in different parts of Wales on the topic of the apprenticeship levy in autumn 2016 which were attended by some colleges and employers. Reaction to these events was that they were not very informative – clear answers were not forthcoming and so they were of limited value.

Engagement with employers is paramount; those paying the levy are concerned about returns on their payments. A clear statement on the Welsh Government position on the apprenticeship levy is needed.

This lack of information is contrasted by the perceived ease of access to more detailed publications and guidance available on the levy and new apprenticeship system in England.

The information gap is not confined to employers. Providers are also awaiting guidance on a number of key issues, for instance how to prioritise their apprenticeship funding: large employer or SMEs, for instance, or what to do in situations where a large, levy-paying company requests a significant number of apprenticeships in a non-priority area such as customer service or business administration, taking the college over the 10 per cent restriction in terms of offering these “non-priority” routes. Likewise, there is little clarity on how providers should look to support Welsh employers with head offices in England or vice versa.

Further education colleges have also been asked general questions on the levy by employers which they are unable to answer.

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 frequent changes to priorities and funding rules over the last few years, sometimes introduced at short notice, have caused confusion and irritation to employers. This risks making training providers appear inconsistent and difficult when this is not the case. A period of time without significant change would allow training providers to set clear, longer term recruitment strategies and communication with employers.

As highlighted elsewhere in this response, Further Education colleges need Welsh Government to clarify some of the specific issues on the future of apprenticeships and apprenticeship funding, such as how colleges should respond if a large employer wants apprenticeships in non-priority areas such as customer service or business administration. Currently colleges are under request that no more than 10% of their provision should be in these non-priority areas but the apprenticeship levy might increase employer demand in these areas. It is worth noting that some of the largest levy payments will be made by the retail sector which is, at present, a non-priority area in Wales, and there is the risk that colleges will not be able to meet the expectations of these employers. Clarification must take place within a wider review of Vocational Education and Training.

The Committee should note that addressing Apprenticeship provision is a small, but significant part of the wider vocational education and training. Stats Wales records that for 2015-16, there were 224,240 learners involved in further education and work-based learning at a post compulsory level (post-16). Of these, only 59,675 were involved in a work-based learning programme, representing just over a quarter of this section of

learners.⁶ While apprenticeships are important, we should not lose sight of the bigger picture of vocational education and training more widely.

Conclusion

ColegauCymru reiterates the need for a strategy for post-compulsory education to help develop the skills base and stock of human capital that Wales needs to build. Such a strategy would take into account, but not be confined to, apprenticeships, would look at training and skills more broadly, and would link closely to the economic development needs of Wales.

Better communication is urgently needed ahead of the introduction of the levy in April 2017. In conjunction with providers and employers, Welsh Government needs to develop and share a clear communications plan about the response to the levy in Wales which addresses the questions most frequently asked, including those regarding cross-border issues. Specific issues such as how to deal with large employers in future requesting significant numbers of apprenticeships in non-priority areas, such as customer service and business administration, where this would take colleges over the 10 per cent restriction on providing these routes, need to be addressed urgently.

ColegauCymru and Further Education Institutions need to be kept fully updated on developments relating to the apprenticeship levy and it may be useful to establish a working group, comprised of providers, employers and other relevant parties, on this topic.

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⁶ Due to differences in recording data, these figures include A Levels studied at colleges but not in schools. Likewise, they do not include vocational qualifications studied at schools. Data available at: <https://statswales.gov.wales/Catalogue/Education-and-Skills/Post-16-Education-and-Training/Further-Education-and-Work-Based-Learning/Lifelong-Learning-Wales-Record/learningprogrammes-by-programmetype-provisiontype> [accessed 12 January 2017].

Russell George AM
Chair
Economy Infrastructure and Skills Committee

24 January 2017

Dear Russell,

Further to my letter of 17 November, I said I would write to you with additional information on Visit Wales' marketing campaigns.

The additional information is provided in the attached annex.

Yours ever,

Ken

Ken Skates AC/AM
Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith
Cabinet Secretary for Economy and Infrastructure

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

**ADDITIONAL INFORMATION
ECONOMY INFRASTRUCTURE & SKILLS COMMITTEE
BUDGET SCRUTINY**

Background

In 2015 a three-year approach to promoting Wales was announced – based on a series of annual themes: Adventure in 2016; Legends in 2017; and the Sea in 2018.

In 2016 Visit Wales began a multi-media international marketing programme for Year of Adventure which comprised a variety of media channels and activities including but not limited to the specific channels in question (TV advertising, print advertising and digital advertising).

Budgets and Advertising Spend

Visit Wales' 2016/17 tourism marketing budget can be broken down as follows:

	<i>Million</i>	
UK Market	£	3.50
International	£	2.05
Golf Product Marketing	£	0.15
Tourism Innovation Product Fund (TPIF)	£	0.01
Digital	£	0.85
Content/Publications/PR	£	0.90
Brand Projects	£	0.10
Marketing Evaluation	£	0.07
Total	£	7.63

The Year of Adventure marketing programme has signified a shift in approach from discreet campaigns, to a much more integrated, always-on, content-led marketing approach, with advertising bursts at key periods.

This means that 2016 has seen an increased focus on year round social media, PR & content generation; always on digital advertising; long term strategic partnership marketing; experiential marketing and events; and direct marketing. These decisions have been informed by ever changing media consumption habits coupled with previous marketing programme evaluations, which evidence the cost effective impacts delivered by these channels.

Advertising (TV, print and digital) remains an important component of the marketing programmes; but it is increasingly difficult to itemise expenditure by channel for each 'campaign' due the new multi-media, integrated, always on approach.

However, we are able to identify elements of Visit Wales' advertising spend and can report that in 2016/17 Visit Wales will invest approximately £3.01 million on TV, print and digital

advertising. This includes the brand and media advertising campaign during the UEFA European Championship campaign (the Euros), which was delivered in response to Wales' unprecedented success in the Euros during the summer months.

Evaluation

We use a combined set of metrics to monitor and evaluate the impacts of tourism marketing campaigns. These include a set of operational delivery targets and a set of key performance indicators that measure the outcomes of the overall tourism marketing programme.

Detailed marketing evaluation for the Year of Adventure has now begun and full results will be available in spring 2017.

We are already seeing excellent operational results as follows:

- Unprecedented coverage for Wales as a 'must see' destination for 2016 in publications as wide-ranging as Wanderlust and Forbes USA. More recently, prestigious travel brand 'Lonely Planet' included North Wales in its Best in Travel listings for 2017 – celebrating the region's reinvention through Adventure. This announcement received widespread media coverage in the UK and beyond, and high levels of engagement for Visit Wales on social platforms;
- Record response levels of over 400,000 to our UK campaign following the spring campaign and 50,000 from Germany;
- A 30% increase in Visit Wales' social media followers, taking the total to over 900,000;
- Over 5 million unique visitors to the Visit Wales website in the past 12 months; and
- Over £7 million generated by travel trade Business to Business marketing.

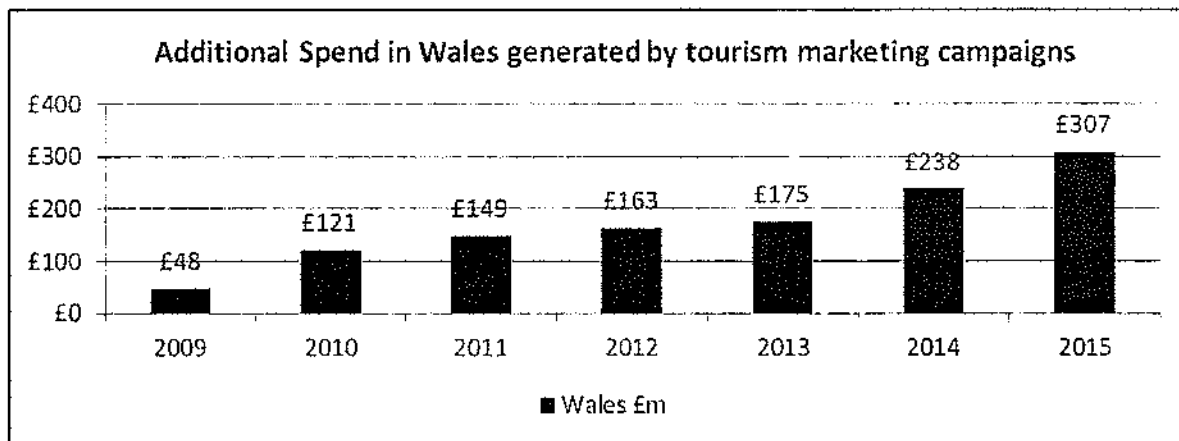
Key performance indicators that measure the success of the overall tourism marketing programme include additional visitor spend and awareness and intention to visit Wales.

Additional spend in Wales generated by tourism marketing campaigns

This Key Performance Indicator measures, on an annual basis, the additional spend in Wales generated by Visit Wales tourism marketing campaigns.

The additional spend figure is based on people contacting Visit Wales, including visitors to the website, who have subsequently taken a holiday or short break in Wales and who state that their trips were definitely influenced by Visit Wales marketing. A value for the resulting trip is then calculated using an average spend per visitor night.

As the table below highlights, there has been consistent growth in additional spend generated by Visit Wales campaigns and this reflects an increase in enquirers contacting Visit Wales and a higher level of conversion of these enquiries to trips to Wales.



Marketing Awareness and Intention to Visit

Visit Wales tracks, monitors and measures the impact of the tourism marketing programme on awareness of Wales as a tourist destination, intentions to visit and recall of marketing activities. The data is based on independent research which surveys a representative sample of the UK online population – the latest position is detailed below:

Key Performance Indicators	2015 - average	2016 – year to date
Spontaneous Destination Awareness	30%	28%
Intentions to visit Wales	38%	39%

The figures are from the Visit Wales brand and marketing tracker which is a weekly online survey of a sample of the GB population. The figure shows the percentage of respondents who spontaneously mention Wales when asked if they have recently seen any advertising for promotion for holiday destinations.

Industry Performance Indicators

Visit Wales' marketing success in recent years is also reflected in exceptionally strong industry performance indicators.

Wales has enjoyed two record breaking years with staying domestic visitor numbers crossing the 10 million mark for the first time in 2014; and record spend from domestic and overseas visitors in 2015.

International visits to Wales have increased by 15.1% during the first six months of 2016; and related expenditure is up by 8.3%.

Latest figures also reveal the number of day visits to Wales grew by 28% compared to 2015 according to The Great Britain Day Visits Survey. There were 95.2 million day visits to Wales, while average spend per visit increased by 40%. Spend per visit is now higher in Wales than in Great Britain, with an average spend of £38 per visit, compared with £34 per visit.

Cadw has seen an increase of 4% in visitors to its sites this year – again suggesting a strong year for the industry across Wales.

Agenda Item 5

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