



AELP Submission: #121

Autumn Budget 2024: *A Mission for
Growth*

AELP's Response to The Autumn Budget 2024

Introduction

Skills policy will be essential to the government achieving each of its five core missions. Without the right people with the right skills in the right jobs, economic growth is not possible, the NHS will continue to suffer from staff shortages, the engineers and welders will not be available to make Britain a clean energy superpower and the administrative know-how will be missing to take back our streets. All of this would mean further barriers to opportunity. Skills policy crucially cuts across all of these missions and is rightly a focus for the government.

The government has reported that the digital skills gap alone is estimated to cost the UK economy £63 billion per year. Skills should be seen as an investment, with a long-term return for learners and employers and the government through increased tax revenues, improved worker output per hour and improved social outcomes. In fact, of all the levers for growth the government can pull, effective skills investment has the most immediate return on investment, through higher wages, higher employment and higher productivity. Despite this, the government's own briefings state that the number of skills shortage vacancies more than doubled between 2017 and 2022, from 226,500 to 531,000. Meanwhile, the latest statistics from the Office for National Statistics show the number of young people not in education, employment or training to be 872,000. The time is now for doing more for young people.

Summary of Recommendations: A Mission for Growth

Through the evolution of the current apprenticeship programme, introducing shorter foundation apprenticeships and mid-career apprenticeships alongside the core apprenticeship programme, AELP believes there is ***scope for significant growth in participation to over half a million apprentices a year*** – an increase on the current participation rate of nearly 50%. We believe the changes would also lead to higher levels of completion, improved social mobility through better accessibility, and an increase in both return on investment and value for money along with giving employers the greater flexibilities that the new Labour Government has committed to introducing. In our response to the Autumn Budget, AELP sets out the following set of recommendations:

1. Maintain the employer-led, all-age, all-level apprenticeship programme.
2. Introduce both a foundation apprenticeship to support more young people/SME training routes and an impactful mid-career apprenticeship programme for upskilling adults.
3. Increase the apprenticeship programme budget from the levy take to facilitate new non-apprenticeship funding flexibilities as part of the commitment to reform the levy and system.
4. Ensure a ringfenced budget to ensure certainty of funding for non-apprenticeship levy-paying employers.
5. Annually increase all apprenticeship funding bands in line with inflation and evolve the current approach for allocating funding bands.
6. Capital investment budgets for further education providers should be open to all providers of further education, allowing apprenticeship delivery to keep up with industry standards.
7. Allow learners of 16-19 study programmes to choose their place of study, not be artificially restricted by allocations and arbitrary growth limits faced by providers.
8. Adult Education needs a more responsive approach to gaps in provision, allowing for spot purchasing and a more dynamic approach to redistribution of underspend between grant and procured providers. More widely the system needs to evolve to a learner-led approach.
9. Skills Bootcamps funding should be continued and remain a separate funding stream.

10. Increase the maximum Advanced Learner Loan amount and rates which has become stagnant.

Recommendation 1 - Maintain the employer-led, all-age, all-level apprenticeship programme

The current apprenticeship system was designed to be open to people of all ages to learn at all levels. The government should resist any calls to diminish the scope of the apprenticeship system and keep this principle in place. Whilst more needs to be done to increase the participation of young people, this does not have to be at the cost of adult retraining and upskilling – they are not mutually exclusive. Apprenticeship policy should focus on training individuals regardless of age, based on employer and learner demand to help businesses grow and *kickstart economic growth*.

The modern economy demands a culture of lifelong learning. The typical individual is now likely to change careers between five and seven times during their working life. This means the apprenticeship concept will be increasingly relevant for people of all ages as they change careers, or develop their careers, throughout their lives. It is also important to remember that social mobility concerns do not end at 24 years old.

An all-age, all-level apprenticeship system is integral to the government achieving its long-term strategic goals. For example, the government's mission to *build an NHS fit for the future* will require it to meet the targets in the NHS Long Term Workforce Plan (LTWF). The LTWF includes the target of providing 22% of all training for clinical staff through apprenticeship routes by 2031/32¹. The majority of the apprenticeships involved in meeting the Long-Term Workforce Plan will be the level 6 Degree Apprenticeship in Nursing and Allied Health Professional apprenticeships. Arbitrary defunding based simply on age and/or level would be a huge backward step. Furthermore, the average age of NHS apprentices is 34. Adding an age cap, or a level cap to the apprenticeship system would result in a deepening of the NHS's long-term workforce crisis. If we want to build an NHS fit for the future, we need to maintain an all-ages, all-level apprenticeship system.

Recommendation 2 - Introduce both a foundation apprenticeship to support more young people/SME training routes and a mid-career apprenticeship programme to enable flexible upskilling

Apprenticeship funding rules can be inflexible, and sometimes too long at the lower end. The lack of lower-level skills has created the demand for a lower-level foundation apprenticeship that can be integrated into apprenticeships. This would support more people into work.

According to The Learning and Work Institute, there are 2.79 million 24–65-year-olds without qualifications and 6.26 million 24–65-year-olds with qualifications below level 2². Meanwhile, the UK is 29th of 36 OECD countries for medium-level qualifications, from level 3 through to 5. The government needs to make the system more attractive for employers, to take on lower-level learners and convert them into apprenticeships.

The government should introduce a foundation apprenticeship programme to support more young people, SMEs and early career learners to engage with skills programmes. A foundation apprenticeship programme would be longer than a Skills Bootcamp, but shorter than a full 12-month apprenticeship. The learner would have to be employed and on the payroll of an employer.

This would give employers a flexible high-quality, entry-level skills programme that doesn't require a minimum duration of 12 months before completion, as apprenticeships currently do. However, the

¹ <https://www.england.nhs.uk/publication/nhs-long-term-workforce-plan/>

² <https://learningandwork.org.uk/resources/research-and-reports/the-great-skills-divide-how-learning-inequalities-risk-holding-the-uk-back/>

programme should be integrated into apprenticeships, so if a learner completes a foundation apprenticeship and moves into a full apprenticeship, the foundation apprenticeship learning counts towards the 12-month minimum duration.

Alongside this, AELP believes there should be the introduction of a shorter mid-career programme to enable flexible upskilling of adult apprentices already within the workforce. This would use the same ‘triple helix’ that makes apprenticeships effective – a real job, structured employer/line manager supervision and off-the-job learning – but instead run over a few months rather than a twelve month minimum. Employers and learners would be more willing to engage, more likely to complete and be quicker to qualification and enhanced productivity.

AELP believes there is ***scope for significant growth in participation to over half a million people learning through apprenticeships, foundation apprenticeships and mid-career programmes a year*** – an increase on the current rate of nearly 50% if both these pathway programmes were introduced alongside the core apprenticeship mainstream offer. AELP believes such a change would also lead to higher levels of completion, improved social mobility through better accessibility, an increase in both returns on investment and value for money along with giving employers the greater flexibilities that the new Labour Government has committed to introducing as part of the move to a wider Growth and Skills levy.

Recommendation 3 - Increase the DfE’s apprenticeship programme budget in line with the levy paid by employers to facilitate funding non-apprenticeship flexibilities as part of the commitment to reform the levy and system.

AELP agrees with the government that the decline in the number of apprenticeships is concerning. However, the apprenticeship programme budget has been largely spent over the last three years, with the percentage returned to the Treasury standing at 0.4% in 2021/22, 4% in 2022/23 and 2.3% in 2023/24.³

With no money left in the apprenticeship budget and the government’s plans to introduce flexibility into the apprenticeship levy, allowing levy payers to use levy funds for non-apprenticeship programmes, the number of apprenticeships will drop unless the programme budget is increased to more closely reflect the amount raised by the apprenticeship levy.

The Apprenticeship Levy raised c£4.0bn in 2023/24, while the Department for Education (DfE) apprenticeship programme budget is set at £2.7bn. Taking into account the devolved Barnett consequential of approximately £500m, this means the Treasury has not allocated approximately £800m of revenue generated by the levy for apprenticeships. However, the demand for apprenticeships from employers is there, evidenced by the fact that the budget is being spent year on year and likely to be overspent at the current run-rate and that is before any flexibilities are introduced.

The lack of headroom means that without an increase in the programme budget, allowing levy-paying employers to use more of their levy funds to access non-apprenticeship training will almost certainly mean a matching decrease in funding for apprenticeships ***and a squeezing of the available funds for non-levy payers***. With the apprenticeship budget largely being spent, introducing non-apprenticeship provision is a zero-sum game; more non-apprenticeship programmes will mean fewer apprenticeships.

^{3 3} <https://feweek.co.uk/dfeset-to-surrender-60m-apprenticeship-cash-in-2023-24/#:~:text=Over%20the%20last%20two%20years,offer%2C%20how%20many%20and%20when.>

To help facilitate the government's plans to reform the apprenticeship levy, while protecting apprenticeship funding, AELP calls on the Treasury to increase the apprenticeship programme budget by at least £300m to bring it into closer alignment with levy receipts. The government should have the ambition to increase the budget in the long term to more accurately reflect levy take, ensuring businesses get the skills they are paying for.

Recommendation 4 - Ensure a ringfenced budget to ensure certainty of funding for non-apprenticeship levy-paying employers.

The apprenticeship system was designed so that levy-paying employers did not use all their levy funds. Any funds not spent after 24 months are first made available for non-levy paying employers before being returned to the Treasury. The government plans to introduce flexibility into the apprenticeship system, allowing levy payers to use more of their levy funds, which, assuming the budget remains the same, will result in a decrease in funding available for non-levy payers.

However, only c2% of employers pay the apprenticeship levy.⁴ This means the other 98% of employers have no guaranteed access to apprenticeship funding and are likely to see their ability to access apprenticeship funding decrease significantly if levy payers use more of their levy funds.

As mentioned above, 98% of the apprenticeship budget has been spent over the last three financial years, leaving no headroom in the budget. Skills shortages and ensuring that an organisation's skills needs are met are just as critical for non-levy payers as for levy payers. A Federation of Small Businesses report from 2022 showed that 78% of small businesses experienced difficulties in recruiting staff, with 82% of those citing a lack of skills as a reason.⁵ SMEs are the backbone of the economy, present in every community in the UK and proportionally employ more young people than larger employers.

AELP recommends introducing a ringfenced apprenticeship budget for non-levy payers, ensuring that all businesses across England have access to apprenticeships and the benefits they bring to businesses.

Recommendation 5 - Annually increase all apprenticeship funding bands in line with inflation and evolve the current approach for allocating funding bands which is too slow and doesn't recognise all appropriate delivery costs.

The funding bands process for apprenticeship standards is becoming a blocker to delivering some apprenticeships in key sectors. Not only are funding band reviews too slow, but they also fail to recognise that major delivery costs have increased, and as the bands themselves are static, this is leading to a slow erosion of funding due to inflation. In some cases, training providers no longer offer provision due to lack of viability. Employer demand needs supply to achieve their outcome.

There are 30 funding bands that an apprenticeship standard can sit on, with a maximum funding of £27,000. These funding bands are static and do not move with inflation, despite delivery costs increasing year by year.

This results in key apprenticeship standards, such as the Installation and Maintenance Electrician Apprenticeship being delivered at a loss or cross-subsidised from elsewhere. This standard has been recognised with the Coronation Emblem as one of the six gold-standard green apprenticeships.

⁴ <https://educationhub.blog.gov.uk/2023/03/10/how-are-apprenticeships-funded-and-what-is-the-apprenticeship-levy/>

⁵ <https://www.fsb.org.uk/resource-report/scaling-up-skills.html>

Funding apprenticeship standards in line with inflation will ***deliver economic growth, break down barriers to opportunity and make Britain a clean energy superpower.***

Based on a £2.7 bn apprenticeship programme budget, and CPI running at 3.1%, this would cost approximately £83m in 2024/25. As inflation rises and wages rise, more and more levy payers are being lifted into paying the levy, and levy receipts are rising. The levy itself take has risen from £2.7bn in 2019/20 to £3.9bn in 2024/24 and is predicted to rise to £4.6bn by 2028/29 according to the OBR⁶. Therefore, the mechanism to pay for the funding bands increases to keep pace with inflation is already in place.

Further, anything mandated by the apprenticeship funding rules should be included in the funding bands. The following is a list of costs not recognised in apprenticeship funding bands:

- British values
- VAT on consumables
- Capital costs
- Pastoral support
- Overhead costs

Including these costs in the funding bands would free up resources for front-line skills delivery.

Recommendation 6 – Capital investment budgets for further education providers should be open to all providers of further education, allowing apprenticeship delivery to keep up with industry standards.

Apprenticeship providers do not currently have access to capital funding. This is even though some of the priority sectors such as manufacturing and construction are capital intensive, therefore skills providers have to divert funds from skills delivery to acquire the needed equipment. Meanwhile, DfE runs a £2.8 billion capital investment programme for colleges.

All capital investment programmes for the further education sector should be open to all apprenticeship providers to ensure apprentices in England have access to the latest industry-standard equipment, and that providers can focus resources on frontline delivery. This small change to eligibility would transform apprenticeship delivery in growth sectors such as advanced manufacturing, engineering and clean energy sectors. There is widespread precedent and systems for safeguarding Government capital grants to non-Government organisations and these could readily be deployed here too.

Recommendation 7 - Allow learners of 16-19 study programmes to choose their place of study, and not be artificially restricted by allocations and arbitrary growth caps.

The latest Office for National Statistics figure for the number of young NEETs (not in education, employment or training) is 872,000⁷. Research by PricewaterhouseCoopers and Youth Futures Foundation estimated that UK GDP could benefit by £38bn by lowering levels of young people classed as NEET to levels of comparable countries.⁸ There are several causes behind the high number of NEETs and several solutions for reducing the number. One solution is to remove the growth cap on 16-19 Study Programmes that prohibits Independent training providers from meeting the demands of students.

⁶ <https://obr.uk/efo/economic-and-fiscal-outlook-march-2024/>

⁷ [Young people not in education, employment or training \(NEET\), UK - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk/youth-futures-foundation-research/young-people-not-in-education-employment-or-training-neet-uk)

⁸ <https://youthfuturesfoundation.org/wp-content/uploads/2022/04/PwC-Youth-Futures-Foundation-Youth-Employment-Index-2022.pdf>

Independent training providers currently deliver £180m of 16-19 study programmes but are limited in the number of students they can enrol based on allocations and arbitrary growth caps. At a time when the number of young NEETs is so high, and the economic potential of reducing this number so great, the growth cap should be lifted. ***The growth cap is a clear barrier to opportunity that needs to be broken down.*** Independent training providers also typically support 16-19 year olds who are not accepted at other institutions due to low levels of attainment and/or behavioural issues.

Further, the funding model should follow the learner, allowing learners to choose their place of study. Particularly for 16–18-year-olds, there is a legal entitlement to access study, but capacity needs to be increased to match an increased need. ITPs are flexible, adaptable, and ready to enrol young people from the most disadvantaged backgrounds⁹.

Recommendation 8 - Adult Education needs a more responsive approach to gaps in provision, allowing for spot purchasing and a more dynamic approach to redistribution of underspend between grant and procured providers. More widely, the system needs to evolve to a learner-led approach.

The Adult Education Budget (AEB) is split into devolved funding pots and non-devolved funding pots. AEB has been devolved into nine mayoral combined authorities and the Greater London Authority. Each of these distributed the AEB through a supply-led system, distributing the majority via grants to statutory providers to deliver AEB provision which leads to underspends in AEB budgets. In non-devolved areas, the ESFA procured contracts for a small number of ITPs. AELP believes a more dynamic approach is required to ensure funding flows around the system more effectively to ensure it is fully utilised. Currently, too much funding is trapped in institutions that do not use it and is calling for a more effective approach to both performance management and spot purchasing.

Furthermore AELP recommends that the government evolve the wider adult education system towards a more learner-led rather than institutionally based approach, where the funding follows the learner. This would empower and prioritise the learners, rather than the providers.

Recommendation 9 – Skills Bootcamps funding should be continued as a separate funding stream.

Skills Bootcamps are intensive and flexible training programmes lasting up to three months and end with a guaranteed job interview. They are therefore a potentially powerful lever for the government to pull to help bring people back into the labour market into key sectors. There are over 1,000 Skills Bootcamps available across the country, offering training in growth sectors such as digital, engineering and manufacturing, construction, logistics and skills that support the green economy. Over 1,000 employers are involved in Bootcamps.

According to a DfE Evaluation of Skills Bootcamps, providers, employers and learners, all emphasise the importance of Skills Bootcamps in overcoming skills shortages and growing the economy. The evidence also suggested that Bootcamps help learners “secure jobs in new sectors, obtain higher salaries, and acquire lifelong skills”.¹⁰ In 2022/23 40,040 learners enrolled in Skills Bootcamps.¹¹

⁹ [A Policy Review in to 16-18 provision and NEET challenges](#) – Northern Skills Network, August 2024

¹⁰

https://assets.publishing.service.gov.uk/media/6424129b3d885d000cdaddc3/Evaluation_of_Skills_Bootcamps_Wave_2_Implementation_Report_March_2023.pdf

¹¹

https://assets.publishing.service.gov.uk/media/66a78085ce1fd0da7b592e80/DfE_consolidated_annual_report_and_accounts_2023_to_2024_-_web-optimised_version.pdf

However, the future funding for Skills Bootcamps is uncertain and the funding is not guaranteed into the future. AELP recommends the Skills Bootcamp programme continues and continues as a standalone pot of funding. It is an effective way to bring people back into the labour market, and therefore reduce the number of young NEETs, and allow adults to enter a new attractive career.

The Skills Bootcamp budget adds up to £584m over the last five years. AELP recommends the government continues to support the programme with £500m throughout the next parliament to help retrain employees in critical growth areas.

Recommendation 10 - Increase the maximum Advanced Learner Loan amount and rates

The Advanced Learner Loan is an important funding mechanism, enabling learners aged 19 or over to access financial support to study at level 3 or above. Whilst the Lifelong Learning Entitlement is planned to be introduced, that is planned to be at level 4 and above.

As mentioned above, according to the Learning and Work Institute, the UK is 29th of 36 OECD countries for medium-level qualifications, from level 3 through to 5. Allowing learners to access funding for levels 3 through to 5 should be a national priority to address the skills gaps in every sector.

Whilst the Adult Education Budget has been reformed to become the Adult Skills Fund, including a review of the funding methodology and rates there has been no review or changes with the Advanced Learner Loan provision, including funding rates and maximum loan amounts which have become stagnant and have not been updated to reflect the impact of inflation.

AELP recommends that the government reviews and increases the maximum Advanced Learner Loan amount and brings funding rates on the provision in line with the same rates as funded through the Adult Skills Fund.

The Association of Employment and Learning Providers (AELP) is a national membership body, proudly representing organisations operating in the skills sector. AELP members deliver a range of training and vocational learning – including the majority of apprenticeships as well as Skills Bootcamps, 16-19 Study Programme, Adult Education Budget and more.



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