

Draft Budget - Apprenticeship Briefing

December 2023

Introduction

20 Dec, 2023

Welsh Government decision to reverse a commitment¹ to provide transition funding from the loss of EU funds, coupled with an in-year budget cut of £17.5m in October will result in circa 24.2% reduction in the apprenticeship contract value from August next year.

- Our initial analysis shows that the impact of these proposed cuts will result in circa **10,000 fewer apprenticeship starts, approx. 50% reduction** on the Welsh Government's flagship apprenticeship programme in 2024/25.
- The apprenticeship contract year runs from August – July and as normally an apprenticeship course is studied over more than one year. Apprenticeship providers must therefore prioritize those learners already in learning, and so a funding reduction of this size will have a **disproportionate impact on the number of new apprentices** able to start from August 2024.
- The Welsh Government have highlighted² that they will **fail to hit their apprenticeship target** of 125,000 apprentices during this Senedd term. And with the anticipated cuts, it is likely that the number of apprenticeships during this Senedd term 2021-2026, will be **fewer than the last Senedd term** 2016-2021, despite numerous pledges to increase apprenticeship opportunities.
- The **reductions would fall disproportionately on young people (16-24)**, and women, as in 2021/22 56% of apprentices were female.

¹ <https://www.gov.wales/sites/default/files/publications/2023-02/ministers-written-evidence-to-senedd-scrutiny-committees-2023-2024-v1.pdf> page 137

² <https://business.senedd.wales/ieListDocuments.aspx?CId=738&MIId=13575&Ver=4>

Impact on the Economy

- The Director of CBI Wales, Head of Wales, FSB, Membership Director – Wales, Make UK and Head of the CIPD in Wales have signed an open letter³ outlining the devastating impact of the cuts and that the demand for apprenticeships remains strong, from learners and employers, and they urge Welsh Government to reconsider and provide the necessary transition funding from European funds to benefit learners, skills development, productivity, and business growth.
- The Welsh Government’s own evaluation of apprenticeships in 2021 underscored the critical role of the programme in fostering economic growth and its positive impact in terms of ***“raising the skills levels of people who have low or no skills and increasing the number of people in the workforce who possess job-specific skills”***
- The evidence highlights the significant impact on apprentices’ income, with an impact equivalent to an increase of £7,866 in earnings in the first year after completing their apprenticeship alone⁴.
- Welsh Government has launched its new Economic Mission⁵, with an emphasis on supporting key sectors to grow and prioritising young people. At the same time, we are expecting significant cuts to be made to the flagship apprenticeship programme, which will cut off opportunities for thousands of young people across Wales and risk new business investment. An initial analysis indicates.
- Taken together with proposed reductions to the part-time further education (FE) allocation and to Personal Learning Accounts, the cuts to the apprenticeship budget will directly impact on the support available for employers to be able to upskill their workforce and to grow their businesses.
- Given the operating context of apprenticeship providers, the proposed cuts mean they will need to prioritise their provision based on existing commitments to employers. It is likely that the areas of specialist and niche provision, which have been costly to develop and maintain, would be the first to be reduced, it will also disincentive

³<https://www.colleges.wales/image/documents/Budget/2023%2012%2018%20Open%20letter%20from%20Employer%20Reps%20Eng.pdf>

⁴ [Evaluation of ESF funded Apprenticeships 2015 to 2019: Final Report](#) (Welsh Government, 2021)

⁵ <https://www.gov.wales/priorities-stronger-economy-html>

providers to develop new routes such as those Green Skills required to support the transition to net zero, as providers look to protect core employers as far as possible, many of whom would be apprenticeship levy paying employers, and / or SMEs operating in local, national, and regional priorities.

- The proposed cuts come on top of the recent £17.5m reduction in the apprenticeships budget, which was linked to a perceived lack of demand for apprenticeships from employers. This is simply not the case. There has been no reduction in demand for new apprenticeship starts, with Welsh Government published data showing an increase in apprenticeships starts in the first half of 2022/23, compared to the same period a year earlier.⁶
- There was a programme underspend in 2022/23, which was a legacy of the pandemic, business decisions because of Brexit and inflationary pressures and impacts of changes in the qualifications systems – mainly construction and the built environment, and health and social care sectors, both of which draw heavily on the apprenticeship budget. In short, there is no lack of demand from employers for apprenticeships and now is not the time to reduce funding even further.
- In fact, we expect a significant increase in demand from employers in 2023/24 which, if we could support, reflects well on the outlook for the Welsh economy. A 2021 Welsh Government evaluation underscored the critical role of apprenticeships in fostering economic growth and their positive impact in terms of “raising the skills levels of people who have low or no skills and increasing the number of people in the workforce who possess job-specific skills.” A recent [report from the owner of Screwfix and B&Q, Kingfisher Plc](#), showed that the UK is set to lose out on £98billion of growth by 2030 due to a shortage of tradespeople.

Impact on Sustainability and Net Zero

- The Welsh Government produced their green skills plan in February, 2023 ‘Stronger, fairer, greener Wales: net zero skills’,⁷ and their ‘Optimised Retrofit Programme: Training’⁸.
- The apprenticeship sector is a crucial partner in ensuring that those innovative key green skills and developed to hit the shared ambition to achieve net zero.

⁶ <https://www.gov.wales/apprenticeship-learning-programmes-started-february-april-2023-provisional>

⁷ <https://www.gov.wales/stronger-fairer-greener-wales-net-zero-skills>

⁸ <https://www.gov.wales/optimised-retrofit-programme-training>

- Many apprenticeship providers are working towards providing apprenticeships routes in these key areas, but faced with the cliff edge funding cut, which means that funding must be prioritised on those already in learning, and well-established routes with a learner and employer pipeline, these areas will not be prioritised and there is a risk that they won't be delivered at all.

Impact on Health and Social Care Services Workforce

- From 1 August 2019 to 30 April 2023 there have been 26,095⁹ apprenticeship starts in the Health Care and Health and Social Care Services.
- These courses are for those working in roles such as Social Care workers, Domiciliary Care Workers, Clinical Healthcare Support, and other key roles within health and social care.
- These have accounted for an average of 28.27% of all apprenticeship starts over this period.
- If the budget cut proposed leads to a reduction of circa. 10,000 apprenticeship starts next year, which is approximately a 50% reduction, there will be a significant impact on the health and social care workforce in all parts of Wales.

⁹ <https://statswales.gov.wales/Catalogue/Education-and-Skills/Post-16-Education-and-Training/Further-Education-and-Work-Based-Learning/Learners/Work-Based-Learning/apprenticeshiplearningprogrammesstarted-by-quarter-sector-programmetype>



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