

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cyllideb Ddrafft Llywodraeth Cymru 2024-25](#).

This response was submitted to the [Finance Committee](#) consultation on the [Welsh Government Draft Budget 2024-25](#).

WGDB\_24-25 34: Ymateb gan: **Federasiwn Hyfforddiant Cenedlaethol Cymru (FHCC)**  
(Saesneg yn unig) | Response from: **National Training Federation Wales (NTFW)**  
(English Only)

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Senedd  
Pierhead Street  
Cardiff  
CF99 1SN

30 November 2023

**To: Clerk to the Finance committee**

The National Training Federation for Wales (NTFW) is a Wales-wide representative body for all those organisations or individuals involved in the delivery of learning in the workplace.

The NTFW is extremely concerned that recent and planned cuts to the apprenticeship programme will significantly undermine social mobility and economic growth in Wales. The information in this letter is based on actual cuts to the 2023-24 budget and planning assumptions for 2024-25 recently shared with providers by Welsh Government officials.

**2023-24 Budget**

The 2023-24 budget (finalised less than 9 months ago) included this statement - *We are continuing to provide investment for our flagship apprenticeship programme. The Welsh Government is working against a backdrop of significant economic challenge and uncertainty, exacerbated by the upcoming loss of EU funding. To help combat this, an additional £18m will be invested in apprenticeships, highlighting our commitment to deliver a programme focussed on successful and high-quality upskilling opportunities.*

Since then, £4.374m was transferred to HEFCW for Degree Apprenticeships (June supplementary budget) and a further cut of £17.5m was announced through the recent emergency budget statement. The rationale for the latest cut was given as a lack of demand from employers. This is simply untrue. Demand for apprenticeships is increasing, as demonstrated by the Welsh Governments own data.

**2024-25 Budget**

The NTFW is anticipating a 3.65% cut to the apprenticeship budget for 2024-25. However, given the loss of EU funding the **overall effect on the apprenticeship programme would be a catastrophic 24.5% reduction.** This is a critical point which may not be made clear when the draft budget is presented.

The loss of EU funding is no surprise. The Welsh Government has known this would happen for many years. Indeed, until recently Welsh Government officials have advised apprenticeship providers to plan for a 3% cut in 2024/25 contracts in the full knowledge that EU funding was ending. This is consistent with the statement below from the Minister for the Economy relating to the Welsh Government's target of 125,000 apprenticeships:

*Vaughan Gething, Minister for Economy, revealed that the Welsh Government had decided to defer for one year its target of creating 125,000 apprenticeships in the current Senedd term.*

*“European Union funds previously supported around 5,000 apprenticeships in Wales each year,” he said. “Without that investment and in the face of real and unavoidable inflationary costs, I have invested an extra £36 million over the next two years to support quality, all age apprenticeships that are proven to help unlock higher earning in even better quality careers.*

*“That’s a top priority that we support despite the economic crisis that we face. However, even after cutting budgets elsewhere within my department to help boost this investment, the funding gap and greater costs mean that I need to push back the target of creating 125,000 apprenticeships by one year. That means we won’t achieve that within this Senedd term*

*“I am determined, nonetheless, to deliver a programme that focuses on equality and outcome. We need to deliver apprenticeships that will raise productivity, create quality jobs and respond to the skills needs of the future, such as growing delivery in the net zero and digital sectors.”*

The NTFW and apprenticeship providers have been given absolutely no justification or explanation for the Welsh Government’s proposed shock withdrawal of support for apprenticeship programme and the rapid change in their planning assumptions for 2024/25 contracts (from a proposed 3% cut to 24.5%).

These proposals have been particularly shocking and bewildering as they have been shared at the same time as the economy minister set out his top priorities for a stronger Welsh economy ‘built by all of us’ – which are largely predicated on the Welsh Government’s ‘flagship’ apprenticeship programme.

## **Impact**

If the Welsh Government’s current proposals come to fruition, an initial analysis by the NTFW and Colleges Wales indicates:

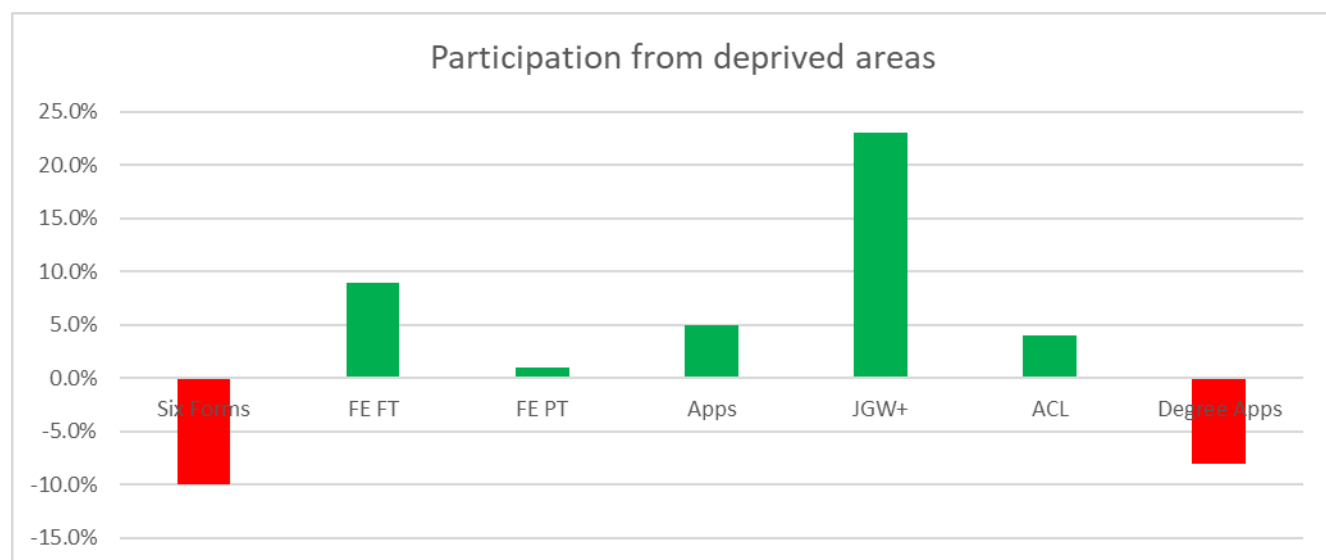
- The impact of these proposed cuts will result in circa **10,000 fewer apprenticeship starts** on the Welsh Government’s flagship apprenticeship programme in 2024/25. This represents a fall of approximately 50 percent, the most rapid decline in training opportunities since devolution.
- The **reductions would fall disproportionately on young people (16-24)**, those in the lowest socio-economic groups and women. The analysis also indicates that it would likely mean a significant reduction in the number of Black, Asian, and Minority Ethnic apprenticeship learners. If, as expected, the Welsh Government protect the budgets for school sixth forms and degree apprenticeships, we will see a clear shift of education and skills resources from disadvantaged areas to more affluent areas. Further information on learner participation by deprivation decile and post-16 sector is set out below.
- Feedback from members indicates that **impacted businesses will include anchor companies** who have expressed their desire to expand their number of apprenticeships, and that new inward investment was based partly on the availability of apprenticeships.

It should be noted, however, that the above 'quick' analysis is made on the assumption that the current training providers will remain financially viable. It is likely that a number training providers, including those who deliver specialised and niche provision, will go out of business if current budget proposals are finalised. Niche provision at particular risk includes clinical health, paralegal, CIPD, data analytics, veterinary nursing, banking and insurance.

We also risk losing 100s of highly professional and specialist tutors, assessors and trainers from the sector. If the Welsh Government wished to increase delivery on the apprenticeship programme in future, it would year years and many millions of pounds to rebuild capacity.

### Social Justice

The table below compares learner participation by post-16 sector against the social deprivation indices. The table shows the proportion of **learners** compared to the **total population** in the most deprived 5 deciles. If participation in a post-16 sector exactly matched the distribution of the general population it would show as a zero on the chart. To illustrate, only 40% of learners in school sixth forms come from the 5 most deprived deciles (hence a score of -10%) and 73% of JGW+ learners (previously Traineeships) are from the 5 most deprived deciles (hence a score of 23%).



The NTFW has been informed that the Welsh Government plans to increase the budget for Degree Apprenticeships in 2024-25. We also expect the budget for school sixth forms to be protected (although no proposals have been shared at this stage). As such, with the expected cuts to the apprenticeship and FE budgets, **there is a risk that the Welsh Government will move education and training resources from disadvantaged areas to more affluent areas.** This seems contrary to everything the Welsh Government stands for so we can only assume this is an error or oversight. Indeed, we would be relieved to be told that the above analysis and conclusion is incorrect.

The Socio-economic Duty came into force in Wales on 31st March 2021. The Duty requires relevant public bodies, including Welsh Ministers, to give due regard to the need to reduce inequalities experienced as a result of Socio-economic disadvantage when taking strategic decisions.

It is not clear what regard has been given to the Socio-economic Duty when deriving the proposed budgets for post-16 education and training. Also, given that degree apprenticeships cost roughly twice as much a year as proper apprenticeships, the

NTFW would be keen to see what value for money assessment has been undertaken on the budget proposals.

### **Workforce Skill Levels**

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 highest qualification for more than half the learners who start an apprenticeship is Level 2 (equivalent to GCSE A\*-C) or below. Indeed, in 2021/22 almost 8,000 adults who had not even achieved a Level 2 qualification started an apprenticeship in order to transform their lives.

The Welsh Government has spent substantial resources implementing the new Commission for Tertiary Education and Research (CTER) with its new duty to promote lifelong learning. However, the proposed cuts to the apprenticeship budget will mean significantly fewer low skilled adults would have the opportunity to embrace lifelong learning. As well as the obvious individual human cost, if this decision is confirmed, it will have a lasting and damaging impact on the Welsh economy.

### **Employer Expectations**

ONS data shows that Welsh employers paid £122m through the apprenticeship levy in 2021/22 but only benefitted from c£40m worth of support through the Welsh apprenticeship budget (the apprenticeship contacts in 2021/22 totalled £125.5m and only 32% of apprenticeship learners in that year came from levy paying employers). As such, there is a strong feeling from Welsh levy paying employers that they are being short-changed. This will obviously be compounded if the proposed cuts to apprenticeship budget are agreed.

The NTFW believes that the Welsh Government received approximately £188m from the apprenticeship levy consequential in 2023-24, substantially more than it invested in the apprenticeship programme in Wales.

This sum is based on the £138m that the Treasury confirmed the Welsh Government would receive through the levy in 2019-20, and extrapolating that in line with the change in the overall Welsh budget from then to 2023-24 (*please note – due to different ways of reporting, it is not easy to identify the Welsh Government's total annual budgets. The extrapolation is based on a total budget of £18.411b in 2019-20 to £25.028b in 2023-24*).

### **Conclusion**

In summary, the Welsh Government has invested billions in the development and delivery of its flagship apprenticeship programme in Wales, which is a real success story of devolution. As the Welsh Government faces tough decisions for the 2024-25 budget, we urgently implore them to steadfastly continue their support the apprenticeship programme. The costs of not doing so are much greater in both social and economic terms.

Yours faithfully

Lisa Mytton

Lisa Mytton  
Strategic Director, NTFW