



Industrial Communities Alliance

The all-party association campaigning on behalf of local authorities
in the industrial areas of England, Scotland and Wales

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Rt Hon Baroness Jacqui Smith
Minister of State
Department for Education

By email to: CorrespondenceTeam.PO@education.gov.uk

8 January 2025

Dear Jacqui,

Deployment of the Growth and Skills Levy

Thank you for your letter of 25 September in reply to the Industrial Communities Alliance proposals on apprenticeship reform.

The detailed response to many of the specific recommendations was pleasing and the steps you outlined on the action the government is taking were welcomed by representatives of member authorities at our recent national meeting.

However, one area that your letter did not touch upon was the question of deploying more of the Levy.

As we noted in our proposals, the Apprenticeship Levy – now to become the Growth and Skills Levy – has in the last few years begun to return significant sums to the Treasury. In 2023-24 the surplus remaining with the Treasury was £727m and in the present financial year the OBR is predicting in excess of £800m. The Learning and Work Institute has forecast that by the end of the present Parliament the figure is likely to be nearer £1.2bn a year.

The national skills shortage, exacerbated by years of underinvestment in apprenticeships and training, is of particular concern to our member authorities, who represent parts of the country where manual work counts for a high proportion of jobs and where manufacturing is still a major employer. It's in our areas where the need for apprenticeships is often greatest. These are also areas where investment in skills is sorely needed to help tackle low productivity.

Given the scale of the skills shortage, our members' view is that it is unacceptable that such significant amounts of money – which, let us not forget, are collected on the premise that they are for training – are being retained by the Treasury.

This is an issue with wide-ranging ramifications. The Home Builders Federation estimates that for every 10,000 new homes to be delivered, the home building industry needs approximately 30,000 new recruits across a dozen different trades. Limitations in the apprenticeship system are holding back Labour's ambition to build 1.5 million homes by the end of this Parliament and to deliver sustained economic growth.

The first report from Skills England highlights that employer investment in training has been in decline over the past decade, in part due to a shift in attitudes that increasingly places responsibility for training with the government and the employee rather than the employer. Whilst it will no doubt take time for this attitude to be reversed, there is clearly a ready source of investment in the Levy surplus that is currently not being utilised.

We're aware, of course, that the new Growth and Skills Levy is expected to allow employers to fund a broader range of training.

For the benefit of our member authorities, I would therefore be grateful if you were able to clarify the government's intention to make full use of the Levy funds.

I look forward to hearing from you.

Yours,

A handwritten signature in black ink that reads "Keith Cunliffe". The signature is written in a cursive style with a large, prominent 'K' and 'C'.

Cllr Keith Cunliffe
National Chair