

Balfour Beatty's position on the Apprenticeship Levy

Overview

Introduced in 2017, the Apprenticeship Levy applies to companies in England with an annual wage bill of over £3 million, which must pay 0.5% of salary costs to the Treasury. The objective is to increase the uptake of apprenticeships in order to boost the UK's skills base.

Balfour Beatty welcomes the Government's focus on skills development and reform of the Apprenticeship Levy into a Growth and Skills Levy which would give businesses more flexibility over how they spend the Levy. We particularly welcome proposals to support shorter technical courses, which is something we have been calling for.

Skills development is a core priority for our business. For over 40 years, we have been proud to recruit and develop apprentices, trainees, and graduates across the UK in roles ranging from Civil and Mechanical Engineering to Digital Engineering, Planning, Quantity Surveying, Finance, and Procurement (see page 2 for more detail on our investment in skills).

However, the Apprenticeship Levy the way it currently operates has not significantly impacted our apprentice recruitment and training. Due to its structure, on average, since the Levy was introduced, we have been unable to use approximately 40% of our contributions, which revert to the Treasury if not used within two years. There is no transparency on whether our supply chain partners use these funds to upskill the wider industry.

Analysis by the CIPD¹ reveals a decline in employer investment in training since the introduction of the Apprenticeship Levy. Specifically, apprenticeship starts have dropped by 41% for those under 19 and by 36% for those aged 19 to 24. Moreover, only 54.6% of courses started are completed. Therefore, we believe the Apprenticeship Levy should be reformed to genuinely boost the skills employers need.

Balfour Beatty believes that the way the Levy is implemented needs to change to ensure it fully meets employers' needs as many are choosing not to take up the funding that is available. We look forward to seeing the detailed proposals for reform of the Levy once they are presented.

The Apprenticeship Levy

Balfour Beatty has been engaging constructively with Government stakeholders on addressing the skills shortages in the construction and infrastructure industry and the broader economy. There are a number of barriers that prevent us from using the Apprenticeship Levy to invest more in skills and training.

A major issue is the Levy's inflexibility, which, if addressed, could lead to training more apprentices in our industry. Currently, the Levy cannot be used for high-quality shorter skills courses, such as boosters and short programs, due to restrictions on course length and extensive paperwork requirements. Businesses cannot fund courses shorter than one year. We advocate for a more flexible Levy that allows funding for shorter skills booster sessions, (e.g. six-month programmes), or upskilling existing employees through one- to two-day courses for more transitional training. This restructuring could help bring economically inactive individuals back into work and address skills gaps through refresher courses.

We also recommend reducing the paperwork and exam-type questions for some courses, such as Supervisor training (ILM 3 level). These requirements discourage many site-based colleagues from pursuing Apprenticeships to upskill, especially if they have already undergone relevant training and are working in their roles.

We also believe:

- 10% of funds should be allowed to cover costs associated with training the apprentice but additional to course fees, such as travel, for example.
- Funds should also be made available via the Levy to spend on other types of training for apprentices in addition to the specific apprenticeship, to equip them with skills for the future – for example, training in Modern Methods of Construction or digital, AI and other new technologies.
- Up to 10% of the Levy should be allowed to be spent on pre-apprenticeship programmes to help school children build confidence and encourage them to consider technical routes and to attract more talented young people into vocational routes.

¹ <https://www.cipd.org/globalassets/media/knowledge/knowledge-hub/reports/2024-pdfs/8624-apprenticeship-levy-report.pdf>

² <https://www.5percentclub.org.uk/>

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- There is a need for a national, high-impact public campaign like the Navy's "Made in the Navy" campaign to shift the dial and reverse the decline in apprenticeship take-up.
- Government should encourage employers to join The 5% Club² to demonstrate their commitment to earn-and-learn, making this, or membership of a similar body, a requirement in public procurement.

Balfour Beatty's investment in skills

Balfour Beatty are patron members of The 5% Club, an employer-led organisation founded by our CEO, Leo Quinn, which works to create "earn and learn" skills training opportunities across the UK and across all areas of the economy. In practice, our membership commits us to ensuring 5% of our workforce is made up of apprentices, sponsored students and graduates on formalised training schemes. We go further than this, with the proportion of our workforce meeting this criteria currently exceeding 6%. We are two time recipients of The 5% Club Gold Award having achieved Gold status in both 2021 and 2022.

In June 2023 we ranked in the Top 100 of Apprenticeship employers in the UK. This prestigious list is compiled by the Department of Education in partnership with High Fliers.

While we use the Apprenticeship Levy where applicable, Balfour Beatty also makes its own, significant, direct investment in skills, creating jobs and opportunity; and in in-house solutions, capability, equipment and innovation, all of which are spread right across the UK:

- We spend between £4-5m each year on technical training in addition to our contribution to the Apprenticeship Levy and CITB Levy.
- On average, with some annual variations, Balfour Beatty pays £2.7m into the Apprenticeship Levy and spends c.£1.6m p.a. - c.60% of what we pay in.
- We pay c.£1.5m in CITB Levy and get £0.5-£0.6m back in Grant, making us a net contributor to the tune of around £1m.
- In February 2021, we launched the Site Operator Skills Hub - in partnership with Flannery Plant Hire. This is a purpose-built facility that offers best-in-class plant operator training. Strategically located near Balfour Beatty VINCI's HS2 project, the Operator Skills Hub uses the latest technology and innovation, including simulators and semi-autonomous vehicles, to provide best-in-class training and prepare plant operators and apprentices for the modern-day construction site.

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You can find our Sustainability Strategy online at [balfourbeatty.com/sustainabilitystrategy](https://www.balfourbeatty.com/sustainabilitystrategy)

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About Balfour Beatty

Balfour Beatty is a proud British business founded and headquartered in the UK 114 years ago. We are also one of the Government's 40 strategic suppliers. With c.12,000 employees across the UK, we finance, develop, build, maintain and operate the increasingly complex and critical infrastructure that supports national economies and deliver projects at the heart of local communities. Our projects span transportation, power and utility systems, social and commercial buildings - combining world-class investments capability and leading construction and support services to deliver both large, nationally critical complex infrastructure and local and regional projects at the heart of local communities.

