

# 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 £3m, 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. The skills agenda is a core priority for Balfour Beatty and we take great pride in growing and developing our own talent. Balfour Beatty has been recruiting apprentices, trainees and graduates across the UK for over 40 years – including apprenticeships in a wide range of roles and at all levels, from Civil and Mechanical Engineering to Digital Engineering, Planning, Quantity Surveying, Finance and Procurement. However, the Apprenticeship Levy has no material impact on the number of apprentices our business recruits and trains. Due to the way the Levy is structured, we are unable to use c.40% of the amount we pay in, which reverts to the Treasury if not used within two years. Nor do the maximum allowances for apprenticeships cover the full cost of training those apprentices we do take on. We furthermore have no way of understanding whether this amount is used by our supply chain partners to upskill the rest of the industry.

More broadly, analysis by the CIPD shows that employer investment in training has declined since the Apprenticeship Levy was brought in; overall apprenticeship starts have fallen and fewer apprenticeships have gone to young people. Our position is therefore that the Apprenticeship Levy should be reformed in order to drive a genuine increase in the skills employers need.

## The Apprenticeship Levy

Balfour Beatty has been engaging constructively Government on some of the skills shortages currently being experienced across the construction and infrastructure industry and the economy more broadly. But there are a number of barriers preventing our business from using the Apprenticeship Levy to invest more in skills and training. We must look again at how the Apprenticeship Levy is implemented and make changes to ensure that the Levy is fully responsive to employers' needs.

The Levy's inflexibility is a key issue which, if addressed could, in our view, result in the training of more apprentices across the construction and infrastructure industry. For example, we would like to use the Levy to run high-quality shorter skills courses such as boosters and short programmes, but rules on the length of training and the evidence/paperwork needed, prevent this; businesses cannot use the money to fund any courses that are shorter than one year in duration. We would like to see the Apprenticeship Levy made more flexible to allow it to be used against shorter skills booster sessions such as six-month programmes, or the upskilling of existing employees into a different discipline on a one to two day course to allow more transitional training. Restructured in this way, the Apprenticeship Levy could help support those who have become economically inactive back into work to plug skills gaps through refresher courses.

We also recommend that the amount of paperwork and "exam type questions" involved for some courses, for example Supervisor training (ILM 3 level) be reduced, as this puts many of our site-based colleagues off doing an Apprenticeship to upskill and is unnecessary if they have already undertaken training and are working in-role.

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.
- 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/technology.
- 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.
- 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% Club<sup>1</sup> 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 Group Chief Executive, 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 2023 we are targeting the recruitment of 239 apprentices which would represent a 24% increase compared to the apprentices we recruited in 2022. These figures demonstrate our continued commitment to supporting "earn and learn" and growing our own talent within Balfour Beatty. 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, 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 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. 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.