

Skills sidelined

The importance of higher level skills provision to meet government ambitions

Dani Payne
Jamie Gollings

SMF

**Social Market
Foundation**

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ABOUT THIS REPORT

This research draws on a series of focus groups and interviews with policy experts and stakeholders. Two focus groups were held with education providers. Approximately a dozen in-depth interviews were conducted with politicians, advisors and policy makers with expertise in skills policy and vocational training in England. This report also draws on an in-depth literature review of the relevant academic, grey and white literature on vocational and skills policy, and analysis of DfE data.

EXECUTIVE SUMMARY

Mass skills shortages and a confusing skills training landscape is holding back Government from achieving economic growth

- The Government has ambitious plans to deliver economic stability, boost growth, and raise living standards. Central to their growth ambitions is their industrial strategy, focusing on delivering clean power by 2030, utilising data to improve public services, providing high-quality care, and building a resilient economy.
- However, mass skills shortages stand in the way of these ambitions being realised. Almost a quarter of all employers report staff vacancies; 10% have at least one skill-shortage vacancy and 15% have at least one employee lacking necessary skills.
- Across the UK there are over 500,000 skill-shortage vacancies. Without these being filled, many government promises may go unkept:
 - The Government is committed to building 1.5 million new homes over the course of the Parliament, but the construction industry faces 36,000 skill-shortage vacancies.
 - Recruiting 6,500 new teachers was a core election pledge, but the number of new trainees joining the workforce has fallen by nearly as much (6,000) in the last year.
 - Reforming the NHS and providing high-quality care will be challenging in the face of over 110,000 skill-shortage vacancies in the health and social work sector.
 - And transitioning rail into public ownership will have limited impact on the experiences of passengers without also filling the 23,000 shortages in the transport industry.
- Inefficiencies in the skills landscape have led to persistent skills shortages, but also skills mismatch and overqualification. Around 9% of the current workforce is underutilised – in roles that they are overqualified for in terms of skills and qualifications.
- The Government has pledged to reform the “confusing” skills landscape, with vocational training currently being delivered by FE colleges, independent training providers, and universities with insufficient planning and collaboration.
- A comprehensive review of post-16 education, alongside the establishment of Skills England and the devolution of adult skills budgets, has been announced and, in the case of Skills England, begun. However, policy details remain light, and these may not be sufficient to tackle longstanding skills issues.

Higher level skills provision is a vital but often overlooked area of England's skills landscape

- Higher level skills refer to provision above A-Levels/T-Levels (Level 4 and above), where a qualification has a vocational element, and where a course has been designed or is delivered in collaboration with employers.
- These qualifications are relatively neglected in policy discussions, with the exception of Level 7 provision. Despite warm words from Labour as an opposition party, with plans to potentially expand degree apprenticeships, Level 7 provision has recently been almost entirely defunded.
- Higher level skills training is an underutilised area of the education sector. The expansion of Level 6 apprenticeships in particular has great potential to fill skills shortages, and to widen opportunity.
- These types of qualifications work particularly well for training in the key shortage sectors (health and social care, business, and construction), and growth sectors (AI, digital).
- They can also offer alternative, debt-free routes into higher level education for those from disadvantaged backgrounds who are likely to be more debt-averse, and widen participation in 'left-behind' regions with traditionally low levels of participation in HE (e.g. the North West and North East).

But there are several barriers holding back the success of higher level skills provision

For higher level skills provision to be a success, providers must collaborate with each other and with employers. However, the market encourages competition rather than collaboration, and universities are often left out of local skills planning

- In some sectors or regions, individual providers cannot deliver skills programmes alone, either because of small intake, issues recruiting staff, or because of the associated costs of such programmes.
- Collaboration between institutions is helping to address capacity and viability challenges. Collaborative models – such as the Police Education Consortium and the Health Education Consortium – are enabling shared delivery, better regional coverage and stronger employer links.
- New initiatives could help foster more effective collaboration, but details are limited. The introduction of Skills England and Technical Excellence Colleges offers opportunities to reset relationships between providers and employers. However, there is still limited clarity about how universities will be supported to take part, or how collaboration will be incentivised.
- Collaboration, particularly at a regional level, is held back by the fact that not all skills providers are required to consider local skills needs, nor to be involved in Local Skills Improvement Plans (LSIPs).

Employers must be at the heart of course design and delivery, but relationships between providers and employers can be hit-and-miss

- The success of higher and degree apprenticeships relies on their close links to industry. They need to be designed and delivered with employers, beyond the initial Trailblazers and apprenticeship standard processes. Employers must take responsibility for delivering high-quality training experiences for the on-the-job portion of the apprenticeship.
- However, whilst there are many examples of effective collaboration, tensions between employer needs and provider flexibility can hinder the success of the skills system at times. Providers sometimes feel that employers don't "really know what they want/need", and employers bemoan providers' inability to change curricula fast enough to address changing workforce needs.
- Both suffer for a lack of coordinated workforce planning across local authorities, providers and employers that considers the needs of the workforce, student demand, and what is deliverable by a provider.

Understanding of higher level skills provision is low amongst young people, but particularly disadvantaged students

- Despite being designed at least in part as an alternative route into higher level training for non-traditional or disadvantaged students, the extent to which higher and degree apprenticeships have been successfully harnessed as a tool of social mobility is unclear.
- Those from the most disadvantaged backgrounds have the lowest levels of understanding and knowledge of higher level skills qualifications on offer.

Higher level skills provision is extremely costly, not least because providers are overseen by two (or more) regulators

- Delivering higher and degree apprenticeships can be extremely costly for the provider. Funding bands often do not reflect the cost of provision, often significantly below funding for traditional degrees despite requiring similar or more intensive resource.
- Providers are subject to regulatory oversight from Ofsted, the Office for Students, the Department for Education (formerly the Education and Skills Funding Agency), Skills England, and Professional Statutory & Regulatory Bodies (PSRBs). Intensive inspection regimes, audits and reporting processes from multiple oversight bodies drives up costs and has led to some providers leaving the market.
- As higher level apprenticeships have expanded, the overall numbers of apprenticeships able to be delivered through the apprenticeship budget (the portion of the levy intake made available by the Treasury to the DfE) has fallen. 99% of the 2023-24 apprenticeships budget was spent. Mechanisms of reducing cost to providers but and also increasing overall funding available through the levy, for all forms and levels of apprenticeships, is needed.

Higher level skills provision could play a crucial role in delivering the Industrial Strategy, facilitating growth and breaking down barriers to opportunities for young people. There are steps that government can take to nurture this area of the skills

landscape, but providers and employers will also have an instrumental role to play in expansion.

Policy recommendations	
Employer engagement	
Create more accountability for employers in apprenticeship system	A condition of using the levy more flexibly should be that employers take on a greater role and greater responsibility for skills training . Skills England should work to ensure that all stakeholders in apprenticeships have equal stakes in the process and that accountability measures are in place to ensure that employers are engaging meaningfully.
Collaboration	
Ensure that higher education providers are involved in local skills planning	Universities should be formally integrated into local skills planning systems, including issuing a requirement for higher education providers to be consulted in the development of LSIPs.
Skills England should facilitate and reward collaboration	Skills England to collate and champion models for collaboration and examples of best practice between providers and between employers and providers, and consider whether strong collaboration that leads to filling local skills gaps could be incentivised or rewarded in some way.
Widening access	
Collate richer data on student background	Use the introduction of foundation apprenticeships to start collecting richer data relating to participants' backgrounds , such as secondary school type and whether they were eligible for free school meals. This data would enable better analysis of the social mobility impacts of such qualifications.
Reform careers education advice and guidance throughout the education system	<ul style="list-style-type: none"> • Ensure every school leaver receives a minimum level of personalised careers support by offering an entitlement to three one-to-one sessions. • Add careers provision to part of the new 'report card' judgements that Ofsted will be issuing to schools, following the government's reforms. • Prioritise reducing inconsistency in the level and quality of careers advice and guidance and make it an objective for the Careers and Enterprise Company, for example by including it in their grant agreement with DCMS and giving them the funding to expand their Careers Hubs to all disadvantaged schools.
Funding and bureaucracy	
Ensure all Levy funds spent on skills	The Treasury should stick to the spirit of the apprenticeship levy, and pass through the whole amount to be spent on skills . This would have added over £700m to the apprenticeship budget this year.
Widen Levy taxpayer base	The Treasury can protect the overall quantity of apprenticeship spending by expanding the Levy tax base . They should consider introducing a new, lower

	apprenticeship levy tier, charging a 0.3% tax on payroll from £1.5-3m of total spend.
Uprate apprenticeship funding bands and tie to inflation	Uprate more funding bands to acknowledge the impact of recent inflation, and commit to revising them annually. This should enable quality, rather than lowest cost of delivery, to be a bigger driver of the market.
Simplify the regulatory system to reduce cost burden	Spare providers from the bureaucracy of managing two (or more) different regulatory systems . Have higher and degree apprenticeships be monitored by the main regulator of that provider – so OfS in universities, and Ofsted for colleges.

CHAPTER ONE – SKILLS FOR GROWTH

This report explores the current Labour government’s approach to higher level skills provision in England, and how this area of skills provision could help government deliver on its goals of economic growth and widening opportunity, and its role in delivering the Industrial Strategy.

For this research project, we were interested in the following questions:

1. What are Labour’s plans for reforms to the skills landscape?
2. How will these plans impact higher and degree apprenticeship provision?
3. What are the main barriers to success for the expansion of Higher Level Skills provision?

We undertook an extensive literature review and in-depth policy analysis of all announcements, publications, and relevant speeches given by the new Government, both preceding and after the 2024 election. We interviewed over a dozen politicians, advisors, and sector experts, and held focus groups with representatives of universities providing higher and degree apprenticeships. Drawing on this, we outline the opportunities (and barriers) to higher level skills provision plugging key skill shortages and providing alternative routes to higher level study for disadvantaged young people and regions.

The Government has been grappling with a difficult inheritance but ambitious plans

With public services “crumbling”, demand for spending outstrips supply

The new Government had barely settled into Number 10 before briefing that the public finances were worse than they had anticipated.¹ The UK economy is grappling with weak economic growth,² widespread skills shortages,³ and mounting public service pressures. Prior even to the election it was rumoured that Labour had drawn up a list of potential crises they might face if elected, including the collapse of Thames Water, overcrowding in prisons and university insolvencies.⁴ Speaking at the Trade Union Congress last year, Keir Starmer remarked that much of Britain’s public realm – including universities, local councils and the care system – was “crumbling”, and that the situation was “even worse than we expected” to inherit.⁵

In this fiscal climate, demands on the public purse far exceed the funding available. The Department for Education (DfE) is under intense pressure from all sides of the education system competing for funding. While schools contend with structural issues such as RAAC concrete and ongoing teacher pay pressures, further education continues to bear the brunt of historic budget cuts, having seen the biggest real term cuts to their budgets compared to other parts of the education system over the last two decades.⁶ In this context, universities are often not top of the list for additional government investment.

The university sector is widely reported to be in financial crisis. The majority (70%) of higher education institutions could be in deficit by 2025-26, according to modelling

by the Office for Students (OfS).⁷ Nine in 10 university leaders report needing to make significant organisational changes to adapt to the current financial pressures, and a quarter of all institutions reportedly need a “complete overhaul” to survive.⁸ The cross-subsidy model that once allowed surpluses from international students to prop up sector finances is increasingly unworkable: recent changes to immigration policy by the previous government has seen a reduction in demand to study in the UK and smaller changes to the graduate visa route proposed by the current government risk exacerbating this trend. Across the sector in 2023-24, teaching resident students made a loss of £2 billion; for research, this was £6 billion.⁹ According to the Financial Times, institutions make a loss of about £2,500 per home undergraduate student, and the gap between funding available and cost is widening.¹⁰

A one-off inflationary uplift in tuition fees was announced in November 2024, setting the maximum fee cap to £9,535.¹¹ This amounted to an estimated £370 million for the sector, and was the first inflationary increase since 2018. However, this has since been dwarfed by other policy changes increasing costs for institutions:

The increase in **National Insurance contributions** announced in the budget is expected to impose additional costs for the sector of £133 million in 2024-25 and c£430 million each year from 2025-26, according to modelling by the Office for Students.¹²

In May 2025, Bridget Phillipson issued new guidance to the OfS regarding the 2025-26 **Strategic Priorities Grant** (SPG). Written in a tight fiscal environment and reflecting need for further efficiencies, cuts announced in this guidance are estimated to amount to £110 million.¹³ Funding was suspended for a number of areas that had previously received targeted investment – including accelerated full-time undergraduate courses, degree apprenticeship development funding, and Level 4 and 5 skills top-up funding. The high-cost subject funding – distributed to support strategically important but expensive courses – will remain frozen, and now excludes subjects such as media studies, journalism, and publishing and information services courses.¹⁴

The guidance also tasked the OfS with reviewing the SPG ahead of the 2026-27 academic year to “more effectively target towards priority provision” which align with the Industrial Strategy and other government priorities. The desire for a more strategic alignment between higher education and economic priorities signals an interesting shift towards a more planned market which has traditionally been left to market forces and institutional autonomy.

And in the Immigration White Paper, news of a potential levy **on international student fees** emerged. The levy, as currently conceived, would require universities to pay a proportion of their income from international student fees back to the government. Proposed at 6% – it is at one point referenced that the intention is for these funds to be reinvested into the “higher education and skills system”, and at another just into the “skills system”.¹⁵ It is expected to cost the sector £600 million per year.

Collectively, government policy decisions – including the additional income from uplifting tuition fees, and the costs of policy changes such as National Insurance

contributions, cuts in the Strategic Priorities Grant, and the proposed levy – is estimated to cost the sector £1.4 billion overall.

Growth is critical to the success of government, and the education sector will need to play its part

The new Government has defined itself as a “mission-driven” government, and their first mission is to kickstart economic growth. With the overarching aim of securing the highest sustained growth in the G7, they’ve pledged to deliver “good jobs and productivity growth in every part of the country making everyone, not just a few, better off”.¹⁶ This would represent a significant climb from the UK’s current position, with the lowest growth in the G7 for the last two years.¹⁷

It is therefore not surprising that so much of the Government’s rhetoric around post-16 education is predicated on how it will contribute to skills (and therefore economic growth). When money is tight, it is natural to prioritise the initiatives that bring greatest economic return. Despite sitting within the Opportunity mission, much of the manifesto spoke more about how post-16 education could deliver for employers and the economy – stating, for example, that the current skills system in England leaves “an economy without the necessary skills, nor any plan for the skills needs of the future”.¹⁸

The Government has high expectations for the education sector, and any additional funding will come with strings attached. Bridget Phillipson used the announcement of the tuition fee rises to set out government’s aims for higher education: universities must deliver more on widening access, on quality of teaching, must contribute to economic growth, and be civic anchors in their communities. There will also be a “renewed drive for efficiency”, with Phillipson stating that government “will not accept wasteful spending”.¹⁹

Higher education is one of the UK’s largest exports, and accounts for 78% of all education related exports.²⁰ Universities are also significant local employers, providing 768,000 full time jobs across the UK.²¹ The journey from lowest growth in the G7 to highest, however, will require all sectors of the UK to increase efficiencies and improve performance in a harsh fiscal context. The Government has already identified areas for improvement in post-16 provision, and has announced some associated policy interventions:

- The skills system is “confusing” for stakeholders, including students and employers. It is not providing the country with the skills it needs, evidenced in mass skills shortages.
- There is a lack of effective long-term skills planning, meaning that young people are not graduating with skills that match what employers’ need at that time.
- There has been a lack of effective collaboration between Further and Higher Education providers, leading to confusion over roles and responsibilities, duplication and unhelpful competition.
- The skills system, and particularly funding, is not flexible enough for employers.

Government has promised a “comprehensive strategy” for post-16 education and skills

The new government announced a comprehensive strategy for post-16 education in England, responding to the need for more cohesive and effective pathways for young people transitioning into further or higher education, training, or the workforce. This announcement came as a response to widespread concerns about falling apprenticeship numbers and persistent skills shortages under previous Conservative governments, which Labour described as suffering from “policy churn” and a lack of long-term planning.²²

The strategy was originally announced in their manifesto and we expect publication imminently. The recently published Industrial Strategy commented on the SPG changes to align funding more closely to future skills needs, but also said that they would set out further reforms in the “forthcoming Post-16 Education and Skills White Paper”.²³

So far, Labour’s most significant changes to the skills landscape are as follows:

- The creation of **Skills England**, which will bring together local authorities, employers, training providers and governmental departments to create and oversee skills policy in England. They will oversee and help implement the Industrial Strategy, and be embedded into both the Industrial Strategy Council and the Labour Market Evidence Group.
- Replacing the current Apprenticeship Levy with a new **Growth and Skills Levy**, which allows businesses to use the Levy more flexibly on non-apprenticeship training, such as allowing the levy to fund short courses that support the Industrial Strategy priority areas from April 2026.
- The creation of **Foundation Apprenticeships**, along with allowing some shorter apprenticeships in key sectors with significant skills gaps.
- Scrapping **functional skills exit requirements** for adult apprentices.
- A four-year £600 million **construction skills package**, as well as skills packages for **tech, engineering and defence** referenced in the Industrial Strategy.
- Defunding of **Level 7 apprenticeships**, reorientating funding towards young people.

Where do Higher Level Skills fit in?

It is clear that fixing skills training in England is critical to the success of the Government’s Growth mission, including to its Industrial Strategy. Many of the policies announced thus far have been met with hesitant support from businesses and from the education sector, but all are awaiting key details on responsibility, process, and timelines. Sitting alongside this information vacuum is uncertainty for providers delivering Higher Level Skills qualifications, which have been either absent from current announcements, or presented negatively, as with the announcement on Level 7 apprenticeships funding.

Employers and providers of Higher Level Skills provision are overwhelmingly positive about the value that they bring to the education system. Particularly for degree apprenticeships, employers report that these qualifications provide high-level apprenticeships with parity of esteem with more traditional academic routes; that the degree element helps to attract a high calibre apprentice; and that they provide transferable skills critical for a rapidly transforming economy.²⁴ The ability to obtain a degree without any student debt, and to be able to work and earn money whilst training, is obviously attractive to potential learners and demand for places consistently outstrips supply. However, there are concerns about pockets of provision, particularly at Level 7, from some parts of the education sector and clearly from government.

The Level 7 debate

Earlier this year the Department for Education announced that funding for Level 7 degree apprenticeships would be restricted to those aged 16 to 21 from January 2026 onwards. This announcement marked the culmination of a long-running debate over the role, quality and use of higher level apprenticeships in England's skills system, and the funding they attracted. Whilst framed as a question of financial sustainability and fiscal constraint, the issue reflects deeper tensions around access, the purpose of the apprenticeship levy itself, and the extent to which employers are contributing to the upskilling of their existing employees.

Level 7 apprenticeships have grown rapidly since their introduction in 2015. Many universities and employers invested heavily in developing novel provision, viewing them both as a way for universities to be more involved in the 'skills' side of the education landscape and, particularly for employers, as an effective route to workforce development. In 2023, just under £240 million was spent on Level 7 apprenticeship programmes.²⁵

Criticisms of degree apprenticeships have predominantly centred around how they are funded and who the learners are. Some argued that Level 7 qualifications being funded through the levy was a misuse of the pot, misaligned with the original intended goals.²⁶ Whilst the majority of those undertaking Level 7 qualifications are mature learners, this government and some in the sector have traditionally viewed apprenticeships as being for younger learners, including those who are not yet in employment. Some Level 7 programmes, particularly leadership and management programmes, are popular with those already in employment wishing to re- or up-skill. Concerns have been raised that employers are funnelling employees through these programmes, funded by the levy, to develop skills (such as management) that they would have previously funded themselves through personal development investment. Whilst such programmes may deliver value to employers, they arguably offer less return in terms of 'additionalty': that is, they have been said to fund training that would have taken place anyway. The proportion of apprentices who already held degree-level qualifications also came under scrutiny, with critics arguing that the levy's intention was to provide alternative pathways into work, not a top-up qualification for existing graduates.²⁷

On the other hand, Universities UK and other sector bodies countered that Level 7 apprenticeships play a critical role in upskilling the workforce, particularly in areas like clinical practice and advanced engineering, and that many learners from non-traditional backgrounds benefit from these flexible, work-based programmes.²⁸ Many have also pointed out that the age restriction results in an almost complete defunding of this kind of provision: in 2023, only 2% of level 7 starts were under 19, and 34% were aged 19 to 24.²⁹ Some programmes will be hit harder than others. In healthcare, for example, the Advanced Clinical Practitioner degree apprenticeship – used widely by the NHS – will lose almost all its eligible cohort, as a vast majority are mature professionals already working in the service.³⁰ Local authorities, meanwhile, warn that the funding cut could hamper upskilling efforts in areas like planning, environmental services and public leadership.³¹ In business and finance, employer groups have warned that these cuts will cost employers £214 million.³²

However, Labour rhetoric about degree apprenticeships has not always been so scathing. In 2023, Labour’s Council of Skills Advisors, led by former Education Secretary David Blunkett, published a report, *Learning and skills for economic recovery, social cohesion and a more equal Britain*. The report referred extensively to the opportunities for Higher Level Skills to contribute to economic recovery. On degree apprenticeships specifically, it stated that:

*“Degree apprenticeships will play a crucial part in facilitating the development of cutting edge industries. **Degree apprenticeships should be significantly expanded, and higher education institutions should integrate more project-based learning and employer engagement into their provision.**”³³*

And throughout our interviews with politicians and policymakers in the lead up to the 2024 General Election, interviewees were overwhelmingly positive about the contribution of this type of provision.

*“[Government feels] that **degree apprenticeships are a very important part of the skills landscape.** But, we do need to make sure that people are doing it for the right reasons, and that they choose the right disciplines” Political figure*

The future of Level 6 and Level 7 provision

Whilst Level 7 provision has come under fire, more broadly the Government does seem to be supportive of the higher education sector and its role in supporting a skilled workforce. Skills England has highlighted that graduates are almost three times more likely than non-graduates to be in high-skilled employment³⁴, and the Unit for Future Skills has forecasted that the country will need 11 million new graduates by 2035, particularly in sectors such as digital technology, the green economy and health and social care.³⁵ The recently published Industrial Strategy said that universities will play a “critical role” in delivering the Strategy, and that they make a significant contribution to the economy and the wider skills and innovation system.³⁶

Between the growing need for higher-level skills to deliver on economic priorities, government ambitions to shift more funding toward younger and lower-level learners,

and differences between policymakers view Level 6 and Level 7 apprenticeships, the future of degree apprenticeships – universities’ flagship higher levels skills provision – is looking increasingly uncertain. Whilst Level 7 has thus far borne the brunt of recent policy shifts, remarks by the Director of Apprenticeships at the AELP conference suggest the Level 6 could too be in danger.³⁷ There is a growing risk that government throws out degree apprenticeships with the bathwater.

This would be a mistake. Whilst the concerns raised about some areas of Level 7 provision – particularly the extent to which it aligns with the original policy intent of the apprenticeship levy – are not trivial, they are also not insurmountable. The system has flaws but fixing it offers greater and faster benefits than starting again. The underlying motivation for these types of provision – that universities should and do contribute to skills and vocational training, and that having alternative pathways to degree-level qualifications can support widening participation efforts – still align strongly with government priorities.

However, the early signs from the new government suggest a somewhat fragmented approach to skills policy. Since taking office, ministers have made a flurry of high-profile announcements relating to skills, from foundation apprenticeships to changes to the Strategic Priorities Grant funding and the defunding of most Level 7 apprenticeship provision. But this patchwork of announcements lacks coherence and depth, and has generated uncertainty across the higher-level skills landscape. The new government have faced similar criticisms on other policy areas: that they had a plan to win the election, but not a plan to govern, and that recent policy direction has seemed to be lacking strategic direction. Policy detail was perhaps not seen to be a priority prior to the election: as one source close to government stated in an interview for this report:

“Don’t presume everyone in Labour has done the work [on Higher Level Skills]. There are clean slates here to be written on. There’s a lot of work that will need to be done immediately after an election, and everyone will need to be all hands on deck [to help shape policy]”.

As this new government finds its footing post-election, the question becomes how this policy vacuum can be filled. We are still only a year into Labour’s tenure, and following an accelerated campaign, delivery is playing catch-up. There is a need for the education sector and employers to move beyond commentating and to play a more active role in shaping what comes next. This will likely include being realistic about where levy funding is – and isn’t – appropriate, and focusing on improving the quality, reach and equity of the remaining provision. Importantly, it also requires a clearer voice on how Level 6 and Level 7 apprenticeships fit into the wider post-18 landscape. What are they for, who do they serve, and how can their sustainability be ensured without crowding out other priorities?

The next chapter sets out the opportunities higher level skills provision offers and how, if done right, it could be invaluable in both plugging key skills shortages and providing high-quality alternative training routes to disadvantaged students. However, there are also significant barriers to realising these benefits, and this report does not ignore that. As in the higher education system more generally, there will be

pockets of poor provision that need to be identified and tackled and areas where it will fall to the education sector and employers to find ways to meet the governments' ambitions. The remaining chapters then consider what it will take from institutions, employers, and government to realise these benefits.

CHAPTER TWO – OPPORTUNITIES

Chapter summary

- There are great opportunities for higher and degree apprenticeships to help fill key skills shortages, particularly in health care, construction, and business services.
- However, our research also identified several barriers to their success:
 - These types of training are extremely costly to deliver – not least because providers are regulated by at least two oversight bodies – and the associated costs are often not reflected in funding bands.
 - Collaboration between providers is key to reducing some of these costs but also to ensure that skills provision is joined-up at a local level, yet collaboration and provider involvement in skills planning can be patchy.
 - It is unclear the extent to which higher and degree apprenticeships have succeeded in providing alternative routes for disadvantaged students, with fears of a ‘middle class grab’ of places.
 - Engagement with employers can sometimes be hit-or-miss, and there can be discrepancies between what an employer wants and what is feasible for a university to provide.
- The following chapters take each barrier in turn and provide policy recommendations that aim to enable government to harness the opportunities higher level skills provision provides, whilst addressing existing concerns about funding and quality.
- The report and policy recommendations focus on higher and degree apprenticeships as a case study through which to consider opportunities and challenges for other types of higher level skills provision and the wider skills system.

Higher level skills provision is a relatively neglected area of the skills landscape that has significant opportunities to fill key skills shortages

Higher and degree apprenticeships have been rising rapidly in popularity since 2017

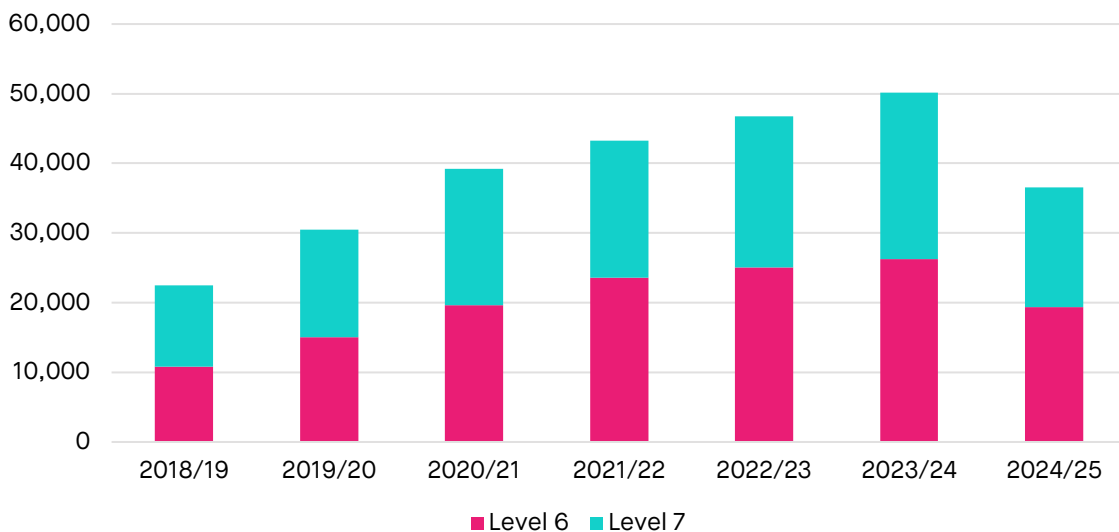
Higher level skills training refers to provision at Level 4 and above, where a qualification has a vocational element, and where a course has been designed or is delivered in collaboration between employers and providers. Degree apprenticeships are one type of higher level skills qualification, where a student gains a full degree (at either undergraduate, Level 6, or master’s level, Level 7) whilst they also work for an employer. Higher apprenticeships are apprenticeships at Levels 4 and 5.

There are more than 170 higher and degree apprenticeships delivered by 88 universities in England and Wales.³⁸ The majority of providers delivering higher and degree apprenticeships are post-92 or modern universities, although several Russell Group institutions such as the University of Exeter and University of Durham also offer

apprenticeships. They are offered by many major employers, including the BBC, BT, the Civil Service Fast Track, EDF Energy, Network Rail, and Tesco, and in the public sector, including by the NHS.

Whilst the number of starters for Level 2 apprenticeships has declined, degree apprenticeships have been rising rapidly in popularity (Figure 1). In 2023/24, approximately 50,000 students started a degree apprenticeship. This represents an increase of over 123% since 2018/19. The trend continued until 2024/25, when starts fell by 27% compared to the previous year, reaching the lowest level since 2019/20.

Figure 1. Degree apprenticeship starters from 2017/18 – 2023/24, by level.



Source: SMF analysis of DfE apprenticeship data

Higher and degree apprenticeships have the potential to bring opportunities to disadvantaged areas and students, but have yet to achieve this

Higher and degree apprenticeships, spearheaded by the former Conservative government, have often been positioned by ministers and policymakers as a tool of social mobility. Degree apprenticeships, in particular, were meant to “help widen access to advanced education by providing a tuition fee-free route to a bachelor’s or master’s degree”.³⁹ The ability to earn whilst obtaining a degree seemed to be a good way to encourage participation in higher education for those who were more debt-averse, often those from more disadvantaged backgrounds and mature students.

The success of higher and degree apprenticeships in attracting diverse learners has been mixed. Despite being branded as a tool for social mobility, research in 2022 by the Sutton Trust found that “more prosperous areas have benefitted disproportionately from the expansion of Degree Apprenticeships”, and at Level 6 only 5% of apprentices were eligible for free school meals in 2020.⁴⁰ However, research this year by the Edge Foundation found that the picture was more complicated – that the profile of apprentices varied significantly by sector, and that

whether degree apprenticeships contributed to widening participation depended on what you were measuring.⁴¹

Looking at DfE data, these qualifications are popular with adult and mature learners; in 2023/24 they represented 75% of higher apprenticeship starters and almost 60% of for degree apprenticeships (Table 1). And whilst Level 6 and Level 7 starters were initially male dominated from 2017-2020, the difference is now marginal.

Table 1: Apprenticeship numbers by level and demographic (2023/24)

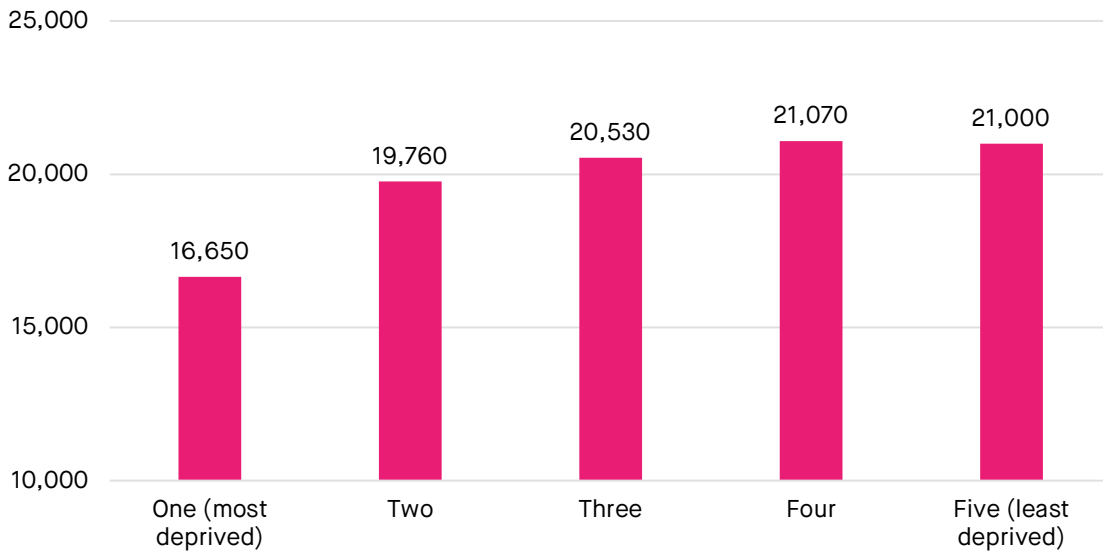
	Higher apprenticeship		Degree apprenticeship	
	Level 4	Level 5	Level 6	Level 7
Under 19	2,680	220	3,390	470
19-24	8,860	2,690	7,820	7,200
25+	20,610	21,360	12,450	12,730
Female	15,880	17,130	12,480	10,720
Male	16,280	7,140	11,190	9,680
White	25,520	20,160	19,070	15,080
Ethnic minority	6,230	3,860	4,320	4,930

Source: SMF analysis of DfE apprenticeship data

However, higher and degree apprenticeship starters tend to be less ethnically diverse. In 2023/24, 82% of higher apprenticeship starters and 79% of degree apprenticeship starters were white. Both higher and degree apprenticeships have worse participation rates for non-white students than traditional undergraduate degrees.⁴²

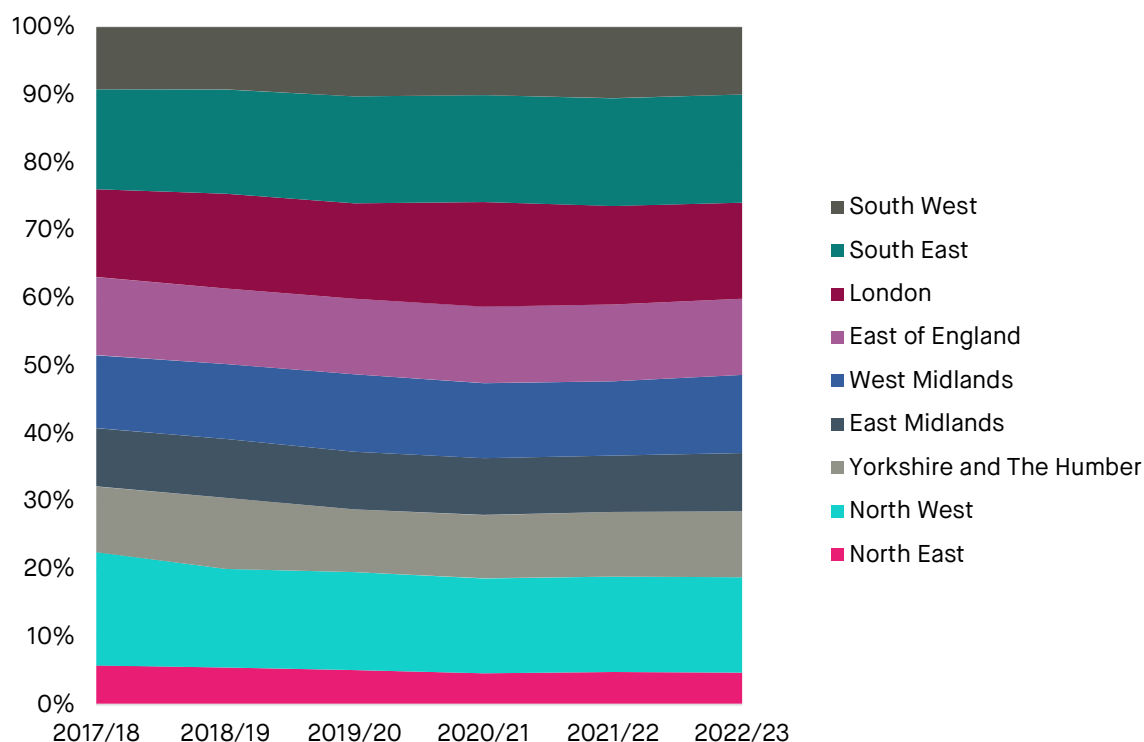
Similarly, despite the ambition of such qualifications to open up alternative routes to higher level qualifications for those from disadvantaged backgrounds, starters are less likely to be from the most deprived IMD (Index of Multiple Deprivation) quintiles (Figure 2). Starters from the most deprived quintile represent approximately 17% of all starters, compared to 21% for full-time undergraduate students across the sector.⁴³ However, research from Middlesex University highlighted issues with using geographically based data sets, such as IMD and POLAR, as proxy measures to determine social mobility impact. Their study found no clear correlation between these measures and the socio-economic backgrounds, levels of higher education participation and disadvantage described by respondents to a survey that used individualised socio-economic measures.⁴⁴

Figure 2. Higher apprenticeship starters by learner home deprivation, 2023/24.



Source: SMF analysis of DfE apprenticeship data

Positively, higher and degree apprenticeships are more popular in regions with low higher education participation rates. Since 2017/16, on average 1 in 5 starters have been in the North West or North East. In 2017 starters in the North West outstripped all other regions, although subsequently the popularity of apprenticeships in both London and the South East has grown (Figure 3). The popularity of higher and degree apprenticeships in the North East and West is particularly positive given that these are regions that have seen the largest decline in overall apprenticeship starts: between 2018/19 and 2023/24 the North East saw a 45% decrease in overall starts, and the North West saw a 38% decrease.⁴⁵

Figure 3. Higher apprenticeship starters by region, 2017/18 - 2022/23.

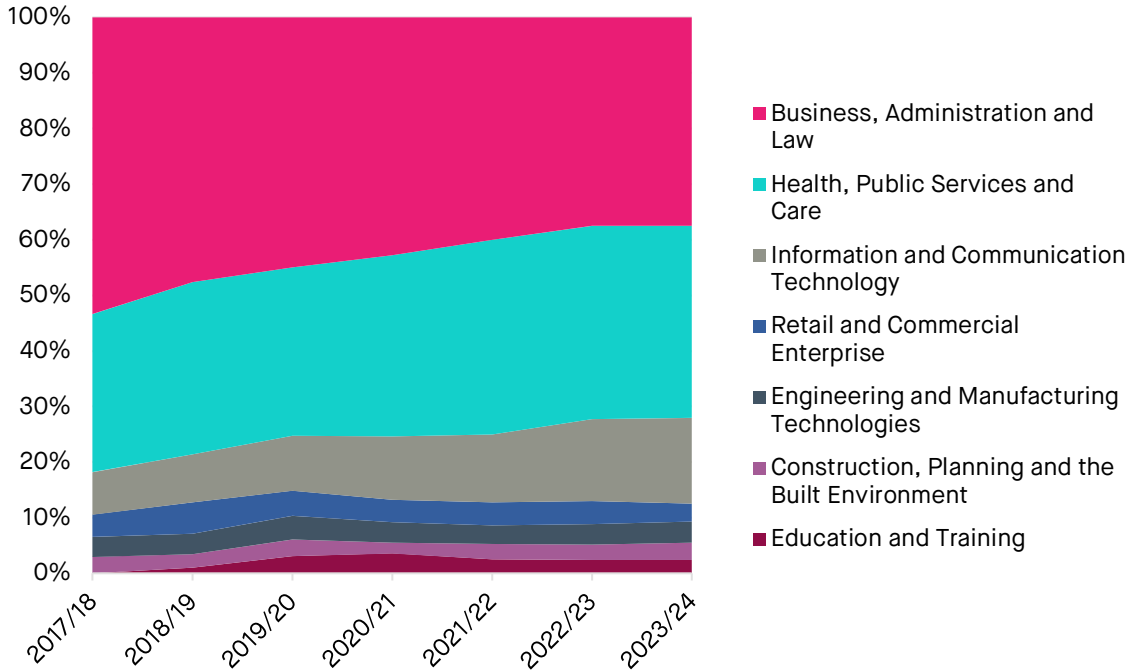
Source: SMF analysis of DfE apprenticeship data

The extent to which higher and degree apprenticeships have been successfully harnessed as a tool of social mobility is unclear. There are positive indications that they are popular with those from less advantaged backgrounds, but previous SMF research shows that these groups are also least likely to know about them when making choices about post-16 study.⁴⁶ Those we interviewed also commonly noted that the biggest issue in getting more disadvantaged apprentices on these programmes was about availability – demand simply outstrips supply. Furthermore, the demographic makeup of apprentices is largely outside of providers’ control, given that it is the employer who recruits the apprentices.

There are clear opportunities to expand these programmes and, alongside improvements in awareness of degree apprenticeships, this should open up more opportunities for those from less advantaged backgrounds who stand to gain the most from the apprenticeship. Popularity in regions such as the North East and West, which have historically low higher education participation rates and which have been areas targeted for levelling up agendas, signals the potential of these qualifications to attract hard-to-reach learners. They have been particularly popular with adult and mature learners wishing to re-train or up-skill, which is positive given that employer skills shortages are as much about skills mismatches as they are about under-qualifications. There is also evidence that degree apprenticeships are successful in increasing productivity, the other high-level goal of apprenticeships.⁴⁷

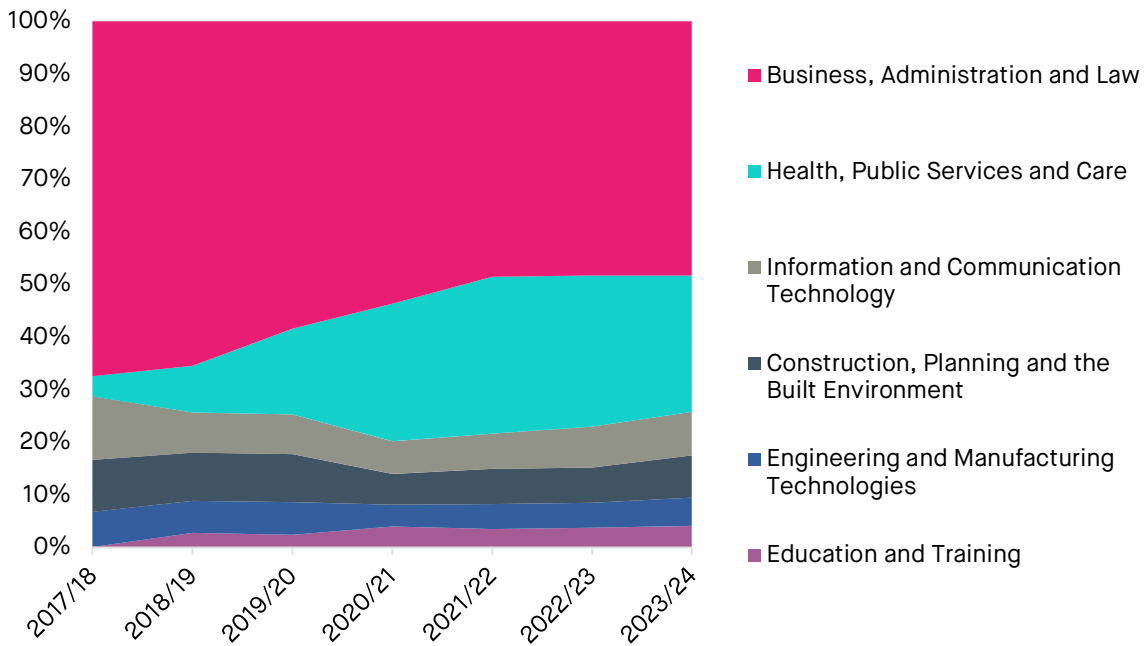
Degree and higher apprenticeships are in exactly the kind of sectors that we need to plug shortages in, and focus on skills we'll need more of in the future

Figure 4. Higher apprenticeship starters by subject, 2017/18-2023/24 (for subjects with over one thousand starters in 2023/24).



Source: SMF analysis of DfE apprenticeship data

Figure 5. Degree apprenticeship starters by subject, 2017/18-2023/24 (for subjects with over one thousand starters in 2023/24).



Source: SMF analysis of DfE apprenticeship data

Table 2. Number of skill-shortage vacancies by sector, and percentage of all skills vacancies, for 2022.

	Number of skills vacancies	% of all skills vacancies
Health & Social Work	110,221	20.75%
Business Services	102,436	19.29%
Wholesale & Retail	56,027	10.55%
Hotels & Restaurants	52,161	9.82%
Manufacturing	38,453	7.24%
Construction	36,086	6.79%
Education	30,484	5.74%
Arts & Other Services	24,876	4.68%
Transport & Storage	23,551	4.43%
Information & Communications	20,514	3.86%
Public admin.	17,363	3.27%
Primary Sector & Utilities	9,598	1.81%
Financial Services	9,389	1.77%

Source: SMF analysis of DfE employer skills survey

Alongside goals of widening participation, higher and degree apprenticeships have the opportunity to plug skills shortages in key industries. They are most popular in the business, administration and law sectors, which represent nearly 20% of all skill-shortage vacancies (Table 2). Demand for higher and degree apprenticeships in these areas have been consistently high. In 2017, 67% of degree and 53% of higher apprenticeship starters were in these subjects. These qualifications are also becoming increasingly common in health-related fields, public services, and the care sector. Starters in health-related sectors for degree apprenticeships rose by 3115% between 2017-18 to 2022-23 (Figure 5).

Whilst skill-shortage vacancies in information and communications only account for 4% of vacancies in 2022 (Table 2), demand for IT and technological skills is rising rapidly in the face of technological advancements. In 2020, almost all new skills mentioned in job adverts were regarding IT-related skills such as cyber security, artificial intelligence and machine learning.⁴⁸ IT related fields particularly benefit from training that is employer-led and has key workplace training components because it is the sector that changes most rapidly due to technological advancements. It is

therefore critical that learners have regular exposure to current workplace practices, skills and needs.

Government should harness the opportunities of higher and degree apprenticeships

There is clearly great potential to expand higher and degree apprenticeships. They are an underappreciated but rapidly growing area of our skills system. They are popular in areas with existing skills shortages, in sectors such as health and social care, business and construction. This is because these are roles that often need a higher level of competency for entry level staff than Level 3 qualifications, but also have specific competencies that need to be learnt through on-the-job training. In all areas demand from prospective students outstrips supply of places. In focus groups, providers raised concerns that, when demand is high, applicants who come from more advantaged socioeconomic backgrounds are more likely to secure these places as they often have more extracurricular and work-based experiences to draw on to help them stand out in the application process.

However, it is not simply a matter of creating more places on all higher and degree apprenticeship programmes. Growth should be managed, and deliberately stimulated in key areas. And, of course, because these programmes are not just courses but also jobs, there needs to be an associated employer willing to employ each apprentice and train them on the job.

Longstanding low growth and low productivity will not be solved entirely by reforming the skills sector, and certainly not just from higher and degree apprentices who, despite growing, still represents a relatively small proportion of England's students.

Those sceptical of the importance of skills for growth point to the falling wage premium for both Further and Higher education as evidence that skills are not a key constraining factor for growth.⁴⁹ In reality, the wage premium has been falling for university graduates in every region apart from London, as has the premium for advanced Further Education qualifications.⁵⁰ If the constraining factor for growth was a lack of highly skilled graduates, this is not the data you'd expect to see – you'd expect to see high wage premiums as demand outstrips supply.

There will be other constraining factors on growth that cannot be explained or solved by skill shortages. Physical infrastructure, and the ability (or lack of) to build, will be significant. Not least because this impacts whether skilled graduates are able to be matched with jobs that effectively use their skills and experience – “When housing supply is constrained and the benefits of productivity gains are eroded by rising rents, workers do not move to the jobs where their skills are best used.”⁵¹

But while the debate over whether we have enough or too many graduates overall continues, there are good reasons to think that there are critical gaps in certain sectors and certain skills, and potentially at certain levels of education:

- **Skill shortages in certain sectors:** For example, on physical infrastructure as a constraining factor for growth. Even if government succeed in making it easier to build through planning reform, the sector has warned that “there just won't be the people” to build sufficiently.⁵²
- **Shortages for certain skills:** The most pertinent of these, as mentioned above, are likely digital and technological skills. More than 75% of companies are

looking to adopt big data, cloud computing and AI technology and this is expected to be one of the biggest drivers of job growth over the next five years.⁵³ In these areas, the demand is particularly large for specialists⁵⁴ with deep experience and therefore degree apprenticeships may help us meet some of this demand.

- **Gaps at certain levels of education:** There has been a dramatic decline in higher technical qualifications (Level 4 and 5) in the last two decades. In England, only 4% of 25 year olds hold a Level 4 or 5 qualification; in comparison, Level 4 and 5 makes up 20% of all higher education enrolments in Germany. The independent Review of Post-18 Education and Funding (2019) stated that “there is a near-total barrier to progress for people who have achieved a basic level of education at age 18, but do not progress to university”.⁵⁵

It’s important to note that Higher Level Skills provision is not just a route for higher qualifications for those who have thus far achieved Level 3. It is also critical for retraining and upskilling those with other existing qualifications at Level 4 and above. In 2019, a research report by the Industrial Strategy Council noted that “a skills mismatch can act as a drag on economic growth by limiting the employment and earnings opportunities of individuals and impacting on firm performance and productivity”. It concluded that *reskilling* will be the major challenge between now and 2030, predicting that 7 million additional workers could lack appropriate skills for their job role.⁵⁶ Higher and degree apprenticeships are effective for reskilling workers, with most learners being mature employees, showing their success in this area. These programmes are preferable to traditional degrees because the 30-hour work requirement allows learners to stay in the workforce, unlike conventional degrees, which typically remove workers for at least three years.

Whilst these qualifications have potential for (managed) expansion, it will be just as important to ensure that the quality of these qualifications is high. This is particularly pertinent in relation to employer engagement – higher and degree apprenticeships fail to deliver on their core USP, exactly what makes them attractive to employers and students over other forms of training, if they fail to be designed and delivered through invested employers.

Through interviews with stakeholders across the political and education sectors, we identified four main barriers to the successful expansion of higher and degree apprenticeships. Expansion without addressing these risks entrenching existing concerns from government and parts of the sector that these programmes are not of sufficient quality, or targeting the ‘right’ apprentices, to be worthy of levy spend. The four key barriers are as follows:

- **Collaboration:** The extent to which institutions are able to work together, and with employers, to increase efficiency and feasibility of expanding higher level skills provision.
- **Employer engagement:** Skills training should be a partnership between the employer and a provider, with both having stakes and responsibility for successful outcomes. Currently, a lack of long-term planning and, at times, tensions between providers and employers limits the success of programmes.

- **Widening access:** There is a debate over whether higher level skills provision, such as degree apprenticeships, have succeeded in providing alternative routes for disadvantaged young people. There are concerns about a ‘middle class grab’ of these programmes, and the extent to which disadvantaged young people can access them.
- **Funding and bureaucracy:** Currently the higher education funding system is set up to reward research, innovation, teaching and (to some extent) widening access and participation. However, most skills provision breaks even, at best. Furthermore, complex bureaucracy drives up the price of delivery. Issues with funding leaves providers competing on cost, rather than quality of provision.

These barriers are discussed in turn below, alongside policy recommendations to overcome them and deliver a world-class skills system that meets the needs of students, providers, and employers.

In this report, we use higher and degree apprenticeships as a case study through which to view the opportunities and challenges for the new Government in reforming the skills system. We argue that higher and degree apprenticeships have the opportunity to play a significant role for the new Government in fulfilling their missions, but that there are some key barriers that must be addressed to allow these programmes to scale to the sizes needed make a dent in such large shortages.

It is likely that a number of, if not all of, the barriers that we have identified also apply to other parts of the skills system. Our recommendations focus specifically on the success of higher and degree apprenticeships, but we hope that they will also offer lessons for the skills landscape as a whole.

CHAPTER THREE – EMPLOYER ENGAGEMENT

Chapter summary

- Higher and degree apprenticeships are only as effective as the extent to which they engage meaningfully with employers – both in design and delivery.
- Whilst these programmes are rightly employer-led, this should not absolve employers of the responsibility of making them work. Currently, accountability measures are heavily skewed towards the provider with little consequence to employers if they do not engage or withdraw an apprentice early.
- Employer engagement is highly variable, with smaller businesses facing practical barriers to participation including cost, staff capacity and administrative burden.
- Mismatches between what employers want and what providers can realistically deliver – especially where demand is low or sporadic – create frustration on both sides and hamper long-term workforce planning.
- Greater coordination and long-term planning through Skills England and the new Labour Market Evidence Group (LMEG) will be essential to align employer need with provision and reduce the burden on individual employers. However, there are risks that new structures could become overly top-down or duplicative, rather than supporting genuine regional engagement.
- Policies that expand flexibility in levy spend should be matched by policies that ask more of employers, including stronger expectations around engagement, investment, and follow-through.

Higher and degree apprenticeships are only effective to the extent that they meaningfully engage employers

The apprenticeship system in England is ‘employer-led’ in that apprenticeships are designed to meet the skills needs of employers. Unlike other areas of the Higher Education system, it is predominantly employer demand, as opposed to learner demand, that shapes provision.

Employers should be involved in both the design and the delivery of courses – not just providing the on-the-job portion of the apprenticeship, but in designing content and shaping ways of teaching to ensure that student learning aligns with workplace needs. Through the Trailblazer process employers identify skills gaps in their industry and design the standards that apprentices will be assessed on to ensure that provision maps onto employer need. At a more local level, employers and groups of employers may also work with local providers to inform provision more informally. The expectation is that employers are actively involved throughout the apprenticeship journey, ensuring that apprentices receive hands-on training that can be directly applied in the workplace.

The responsibilities of employers in these programmes include:

1. Identifying skill gaps in their industry, either nationally through the Trailblazer process or more informally at a local level.
2. Working with providers to build courses to address the identified gaps, and through the Trailblazer process setting apprenticeship assessment standards.
3. Providing mentorship and on-the-job training to apprentices.

Crucially, without all three of these aspects, at a local level individual apprentices and employers will be less likely to benefit from the investment in a higher or degree apprenticeship and at a national level, they will not deliver the current and future workforce needs of key sectors and industries. A lack of support from employers is a key predictor of student drop-out: looking at apprenticeships as a whole, 37% of students who dropped out cited a lack of support from employers as a reason for withdrawal.⁵⁷

Degree apprenticeships have higher retention and achievement rates than other forms of apprenticeships, which may signal positive employer engagement in these programmes. Out of all levels, the highest overall achievement rate is seen at Level 6, at 66%.

However, employer engagement in these programmes is mixed

There are various barriers for employers wishing to take a greater role in course delivery and design

“There's a lot of learner interest and demand [in higher and degree apprenticeships]. It's the employer base where we've got a sticking point in terms of capacity to deliver, or appetite[to] deliver.” - Provider representative

Expanding the provision of higher and degree apprenticeships requires increasing the number of employers actively participating and benefitting from these programmes. Employer engagement can be broadly divided into two categories: **offering apprenticeships** (i.e. employing new apprentices or putting existing employees through an apprenticeship), and **actively engaging in apprenticeship design** (e.g. contributing to curriculum development).

Take-up of apprenticeships, and involvement in delivery

Data available on employer engagement in higher and degree apprenticeships specifically is limited. However, some inferences can be drawn from general apprenticeship data. Despite government efforts to encourage employer participation, most employers in the UK do not currently have apprentices. As of 2021, it was estimated that only about 8% of employers in England employed an apprentice. Large employers dominate the apprenticeship landscape, not least because they are motivated to spend their levy pot, but also because they are typically better positioned to manage the associated demands, including having staff who can supervise and train apprentices, and complete necessary administrative and regulatory tasks.⁵⁸

Smaller and medium-sized enterprises (SMEs) particularly struggle with these challenges, including concerns about cost and their ability to support apprentices. For instance, despite the government subsidising at least 95% of the tuition and training costs for employers with an annual payroll of under £3 million, there is often a misconception, especially in smaller employers less familiar with the apprenticeship system, that offering apprenticeships is expensive.⁵⁹

Nevertheless, even where costs of tuition and training are subsidised, SMEs still bear additional costs such as providing supervision, resources and time for apprentices. The regulatory and bureaucratic burden – raised repeatedly throughout focus groups and interviews – is of particular concern to SMEs, who may not have specialist staff (e.g. HR teams, health and safety teams, etc) to navigate a complex regulatory system that sits across multiple regulators. These barriers can deter SMEs from participating, especially given the leaner operational structures common in smaller businesses.

Meaningful engagement in design

Beyond delivering apprenticeships, effective design and establishment of new apprenticeships also requires meaningful employer involvement. Whilst all employers who have apprentices will have to be involved in delivery (e.g. on-the-job training, supervision), only some will have the appetite and capacity to contribute to design.

Again, involvement in design and establishment is particularly difficult for SMEs, who may not have the resources and capacity to dedicate to this area. Interviews also raised that it can be challenging in areas of skills shortages, where employers of all sizes are already stretched in their own capacity, to undertake additional long-term responsibilities, even when support and appetite for more apprenticeships is there.

Policy churn was commonly raised as a key issue in this area. When new types of qualifications are proposed, significant time and resource is required to develop programmes from scratch. When policy changes regularly, with government bringing in new qualifications and phasing out old ones, the uncertainty of how long the new initiative may last can put off employers from dedicating the required time and resource. Furthermore, the initial rush to get new programmes off the ground can lead to those who do want to engage feeling like they did not have sufficient time to do so effectively. For example, an evaluation of degree apprenticeships in Wales – at the very start of these qualifications, before any apprentice had actually completed – found that only 2 in 5 participating employers felt that they'd had sufficient input into course content. There are clearly key challenges in bridging the gap between the ideal of co-designed programmes, and the practical realities of sustained employer engagement at a local level throughout the apprentice journey, but especially when policy direction seems uncertain or at the start of new initiatives when some engagement needs to be frontloaded. This should serve as a cautionary tale as government works to establish new apprenticeship models, such as foundation apprenticeships.

There can be tensions between providers and employers, who each sometimes feel the other could perform more effectively

Most of the time, the relationships between providers and employers were reported as being positive, and providers were quick to provide examples of effective collaboration. However, in some cases providers reported feeling that engagement from employers could be disorganised and sporadic. There was a sense that some employers “don’t really know what they want” in terms of course outcomes and skills, that they change their mind quickly, or that they have unrealistic expectations of what providers can deliver. This was almost always because of capacity issues on both sides which made long-term planning difficult.

“The bit where you’ve got challenges for universities is in the ability to establish a programme with enough [students], and a sufficient assurance around those numbers for long enough to make the development and the recruitment of staff and the medium-term viability of that programme work.

*We’ve had lots of interest from employers [and] a sense of demand, [we have then] set something up and then found that [the demand is no longer] there. Even amongst pretty big employers like NHS Trusts, **there’s a kind of tap on tap off, approach. We are consistently given higher expectations than materialised.**” – Vocational university provider representative*

Providers particularly struggled when working with a single employer on a short-term basis, or when working with several smaller employers on the same programme. Whilst working with a single large employer can be a more streamlined process, working with multiple small employers, all whom may only provide a few apprentices each, was reportedly very burdensome for providers trying to coordinate multiple partnerships for a relatively small return in terms of apprentice numbers.

On other occasions, providers reported a mismatch between employer demand and the reality of what provision was feasible. Employers might approach providers, for example, and say that they need a handful of apprentices in a very specific area in a few years, and no more. This does not represent sufficient demand to justify the creation and running of a course, nor would it be sensible to encourage learner demand and create a larger course if the employment demand wasn’t going to be there once they graduated. In rare cases, this soured relationships between employers and providers, with providers feeling employers held unrealistic expectations and employers feeling that providers were not sufficiently flexible to meet their workforce needs.

These issues are surmountable, and in fact providers were not short of examples of positive employer-provider partnerships. One provider gave an example in the aerospace industry: an employer had approached the provider wanting to design a course in a particular niche. Through discussions with other employers in the sector the provider managed to create a slightly broader programme, one that was viable to run and matched the needs of the wider sector but still included enough of the content from the original employer request.

Greater coordination via Skills England will help...

Some of the issues identified with employer engagement could be solved by more sustainable funding, which is discussed separately in Chapter Six. But all could be helped by greater coordination and long-term planning. For example, providers pointed out the lack of university engagement in the NHS Workforce Plan, despite playing a key role in training new employees.

Coordination and long-term workforce planning will be a key role of Skills England. It is clearly not possible in most cases for providers to create viable courses if they are only working with a few employers, or with small employers who have very specific skills-needs. Long-term workforce forecasting is extremely complex, and increasingly so in the face of technological advancements. It is not realistic to expect every employer to have the expertise and adequate data to be able to accurately predict their future workforce needs, particularly for large courses that may need longer to develop given the workforce changes that can occur during design.

Greater centralised coordination that takes regional needs into account remains a key part of the solution, reducing the burden on individual employers whilst still keeping their needs at the heart of training provision. Local Skills Improvement Plans (LSIPs), which set out an agreed vision between education and training providers, employers, and other local stakeholders, have shown early signs of success, particularly in brokering new collaborations between providers and local businesses.⁶⁰ However, there is still much to be worked out about how employers, providers, local government and central government will work together to meet the UK's skills needs, particularly in the context of the government's focus on greater devolution. As the Industrial Strategy notes, the chair of Skills England, alongside the Industrial Strategy Advisory Council, has been tasked with exploring new opportunities for employer engagement and investment in the skills pipeline.

The devolution agenda adds another layer of complexity. Under proposals in the English Devolution White Paper, LSIPs will be co-owned by both the Employer Representative Body and the relevant strategic authority, with both required to approve the plan before it can be signed off by the Secretary of State, via Skills England. This joint ownership offers potential for stronger alignment with local strategies but also brings risks, particularly given the uneven progress of devolution deals and the variable capacity of strategic authorities to engage effectively in LSIP development. Moreover, unlike further education colleges, universities are under no obligation to participate, or be invited to participate, in LSIPs despite being a major part of the local skills training landscape.

The benefit of having a national coordinating body like Skills England is that it can tie regional skills needs into the wider economic and policy picture and help coordinate different government departments and datasets. Its formal role within both the Industrial Strategy Advisory Council and the Migration Advisory Committee is now being bolstered by its inclusion in the newly established Labour Market Evidence Group (LMEG), discussed in both the Immigration White Paper and the Industrial Strategy. This group brings together Skills England, the Industrial Strategy Advisory Council, the Department for Work and Pensions and the Migration Advisory

Committee (MAC) to build a more coherent understanding of the labour market, particularly in sectors where high migration reliance coincides with low domestic training investment. It will support the development of new sector-specific Workforce Strategies and assess whether employers are making sufficient effort to train and recruit locally before occupations are added to the Skilled Worker visa Shortage List.

These changes represent an opportunity to move towards a more joined-up and evidence-based approach to workforce planning. But they also bring new risks. Stakeholders are already concerned that the Government's promise of greater devolution for skills could end up being more in name only and not in practice, with a risk of Skills England potentially becoming a top-down delivery arm rather than a facilitator of regional priorities. These concerns are compounded by issues of patchy capacity of strategic authorities to engage meaningfully in skills planning, and a patchy network of provider requirements and levels engagement (for example, some further education and skills providers may soon be inspected by Ofsted on the extent to which they meet local skills needs, but these plans don't include universities).

It is also important to be realistic about what these new structures can achieve. As the MAC itself noted in its 2024 annual report, linking immigration and skills policy is not a "one-size-fits-all" solution. Addressing skills shortages will require a deeper understanding of whether problems stem from genuine skills gaps or from other factors such as pay and conditions of the work itself.

We expect that the outputs of the new workforce and skills planning structures, particularly the LMEG, will shape the training options eligible for public funding through the Growth and Skills Levy. But it will be crucial that Skills England does more than simply compile a list of in-demand skills and match existing provision onto that. It must work closely with employers, providers and regional authorities to also play a quality assurance role. This is especially important given the planned expansion of the Levy to fund non-apprenticeship programmes, including short courses, the first of which are due to launch in April 2026. Without strong oversight there is a risk that employers use up limited Levy funds on low-quality or poorly targeted provision; that flexibility in spend comes at the expense of quality, reducing resources available for apprenticeships and other high-quality training routes.⁶¹ Getting the governance and guardrails right from the outset – a difficult task, given the short timeframe – will be critical.

...but employer-led shouldn't prohibit employer responsibility

Whilst being employer-led is central to the mission of all apprenticeships, this should not mean that employers get everything they ask for and are permitted to offer little in return. Many employers invest significant resource and time into training programmes such as apprenticeships. However, there are some, particularly large employers, who could be investing more, and government should not shy away from expecting greater participation where it is possible.

Employers will benefit from the successful expansion of degree and higher apprenticeships. But they are undoubtedly the largest constraining factor. Labour's approach to business pre-election was primarily to emphasise their desire to partner

with business to facilitate growth. But the party also implied that it wanted to hold businesses to account for an overreliance on foreign workers and a lack of sufficient investment in local skills – this was the basis of the Prime Minister’s promise to build a stronger British workforce. The expansion of the Levy to be able to be used more flexibly was a government policy at the request of large employers, with the aim of fostering positive partnerships between businesses and Labour pre-election. There has been little thus far on the second aspect – holding businesses to account – and government should not hesitate to ask for things in return.

Currently, the system of accountability is heavily skewed towards providers. Given that employers are 1) the largest constraining factor on expansion, and 2) one of the most significant factors in whether an apprentice progresses or not, there is a need for government to create a more balanced system of accountability.

The most prominent example of this is completion of End Point Assessments (EPA). Currently, if an apprentice withdraws before the EPA then the provider has 20% of their funding withheld. This is not just a financial issue (although it is, and that is discussed further in Chapter Six), but it is an accountability issue. Providers are then penalised for lower completion rates, even when the withdrawal was out of their control and not related to the quality of their provision. In fact, we heard throughout interviews that it was not uncommon for employers to recruit their apprentice, or enrol a current employee as an apprentice, with no intention of putting them through to EPA. For non-integrated degree apprenticeships this issue persists in cases where the EPA is particularly convoluted or time consuming for the apprentice, and, given that the apprentices will usually gain their degree before having to complete the EPA, there is little incentive for the employer or apprentice to continue.

Ofqual’s new proposed rules could introduce some welcomed flexibility in apprenticeship assessment, allowing elements of assessment to take place “on-programme” and enabling training providers or colleges to do some marking themselves, though awarding organisations still retain responsibility and oversight. This could help reduce some of the burden of end point assessments, but still leaves the issue of unequal stakes in the process between employers and providers.

CHAPTER FOUR – COLLABORATION

Chapter summary

- Higher and degree apprenticeships have helped bring traditionally ‘academic’ providers into offering more skills focused courses.
- However, it can be challenging for institutions to deliver these programmes alone. Finding suitable staff is a major barrier, particularly in skill-shortage sectors where wages are high and industry roles more attractive.
- The challenge is compounded by a lack of certainty around long-term demand. Without clear and sustained student numbers, institutions struggle to justify investing in programme development and staff recruitment.
- Several institutions reported difficulties running niche or employer-requested programmes alone, due to low demand and high fixed costs.
- New initiatives could help foster more effective collaboration, but details are limited. The introduction of Skills England and Technical Excellence Colleges offers opportunities to reset relationships between providers and employers. However, there is still limited clarity about how universities will be supported to take part, or how collaboration will be incentivised.
- Collaboration, particularly at a regional level, is held back by the fact that not all skills providers are required to consider local skills needs, nor to be involved in Local Skills Improvement Plans.

Higher and degree apprenticeships are helping to bring traditionally ‘academic’ providers into offering more skills focused courses

Some institutions already deliver brilliant higher-level skills training, but others still feel this is something ‘other providers’ do

The UK’s skills provider landscape combines the HE sector of universities, the FE sector of colleges and private training providers. These latter two groups are more often explicitly focused on vocational skills.

Within HE, the extent to which institutions view skills and vocational training as part of their missions is mixed. Traditionally post-92 and modern universities have excelled in this area, whilst older universities focus on research and more academic programmes. One education expert we spoke to celebrated this “strength in breadth” in the sector, meaning that “often [there will be] two different universities side by side fulfilling different purposes”.⁶²

There have always been exceptions, however. Medicine and veterinary courses are centred around work placements and vocational experience but have long been the preserve of the otherwise more academic universities.

The divide is cultural too. In a focus group, one university leader reflected that: “in some areas, universities are not considered in the dialogue about the skills agenda. They think ‘oh, that's other kinds of providers’, which is really quite anachronistic”. An interviewee argued that “culturally universities are too configured around academic research and then converting that into economic value” with the result that they are not thinking about “how we as a university can help our local region to level up”.

There are signs that this is changing. Particularly, initiatives such as degree apprenticeships are causing providers to blur those lines, with an increasing number of providers who did not traditionally engage in more vocational programmes getting on board. Offering these qualifications is not always easy for providers though. This chapter examines the main barriers, such as dealing with multiple regulators and finding the right staff. It looks at how providers are collaborating successfully to mitigate these issues, as well as how the new government’s plans may or may not help.

Degree apprenticeships have helped to bring new providers into the ‘skills’ space

Participants in our focus group of university leaders suggested that degree apprenticeships had “changed the game” in how universities are perceived and think of themselves. Some would have previously thought that the skills agenda was for “other kinds of providers”, but that has now evolved.

Degree apprenticeships were launched in 2015. The Degree Apprenticeship Development Fund supported 38 institutions to kickstart provision of the qualifications from 2016-18. Of these 38, only three were in the Russell Group (University of Sheffield, University of Newcastle and University of Warwick)⁶³. However, this type of provision has become far more widespread, with over 70 percent of all higher education institutions (HEIs) having previously delivered Level 6 and/or Level 7 apprenticeships.⁶⁴

These qualifications have brought more institutions into delivering vocational courses driven by employer collaboration. One more vocational university commented that degree apprenticeships are “at the front end of change and improvement to how we deliver across the range of our higher education provision”. This may have wider benefits to academic-focused universities too, raising the importance of practice and work-based learning in their thinking.

There are a number of barriers for providers wishing to deliver higher level skills provision, but better collaboration could help

Some providers are finding it hard to find suitable staff to deliver degree apprenticeship programmes

Interviewees described how hard it can be to find good teachers for programmes such as degree apprenticeships in skill shortage industries. In these sectors, wages will have been pushed up, meaning those who might have made good teachers will likely stay working in the private sector rather than training the next generation.

Some colleges are offering ‘golden hellos’ of £3,000-£7,000 to attract teachers in certain fields. There have also been proposals to create more ‘dual professionals’ who work in industry whilst also doing some teaching.⁶⁵

Staffing issues are more complex when there is not long-term certainty in course demand. As one university representative described:

"The bit where you've got challenges for universities I guess is in the ability to establish a programme with enough and a sufficient assurance around those numbers for long enough to make the development and the recruitment of staff and the kind of medium-term viability of that programme work."

As previously mentioned, providers can also sometimes find that there is not sufficient student demand for the programmes that employers want, if only run by a single institution.

Collaboration between providers can be an important part of delivering effective degree apprenticeships

Sometimes, running a programme alone is not viable for a provider. Degree apprenticeships have therefore been helping to forge better relationships between institutions, as well as between providers and employers. Over half of universities feel that degree apprenticeships have strengthened their links with other universities, as well as with FE colleges.⁶⁶ In both their 2024 Manifesto and their Opportunity Mission, Labour said that they want greater collaboration and integration across different forms and levels of tertiary education. We've heard little policy detail on what this may look like in practice, although we expect more detail to be included in the forthcoming post-16 White Paper. Degree apprenticeships can be used as a case study to show how greater collaboration can work well in practice.

The Universities of Lincoln, Sheffield Hallam, Harper Adams and Wolverhampton for example, worked together with the National Skills Academy for Food and Drink to develop the first degree apprenticeships in the food manufacturing sector. The universities were well established in this space - Lincoln University houses the National Centre for Food Manufacturing, whilst Sheffield Hallam has the National Centre of Excellence in Food Engineering. Someone from the University of Lincoln team reflected that “the project has been a catalyst for enhancing networking opportunities for both universities and employers”. With Sheffield Hallam having “routinely shared their exemplary food engineering knowledge to develop capacity in the other three institutions”, the collaboration has both enabled the creation of the degree apprenticeship, and strengthened the universities more broadly.⁶⁷

Another example described in our focus group was the Police Education Consortium of Middlesex, Canterbury Christ Church, Cumbria and Portsmouth Universities. They work with a range of police forces, offering degree apprenticeships and programmes that ready graduates for the police workforce. Our participant praised the set up and how “it's really broken the idea that universities all want to compete, they all think they know how to do things best”. They noted how “we have collectively adapted and changed and amended all of our regulatory procedures to provide consistent provision to meet the needs of our employers.”

The concept and learnings from the Police Education Consortium are now being utilised in the healthcare sector. Several University Alliance members have formed the Health Education Consortium to coordinate and expand healthcare degree apprenticeships to meet the NHS Long Term Workforce Plan goals. The Consortium was awarded nearly £3.4m in October 2024 through the third wave of the OfS's £40 million degree apprenticeship development fund.^{68 69}

Previous SMF work has explored how to foster successful collaboration between providers.⁷⁰ Looking at examples of good practice, 4 common features were identified:

- **Shared mission and values:** both institutions agreed on their fundamental objectives and shared core commitments (often serving widening participation students).
- **Strong leadership and personal relationships:** collaboration was set as an organisational priority by senior management, and staff at all levels had an open, communicative and trusting relationship.
- **Clear delineation of roles:** competition was held in check by agreements over which students to serve and courses to deliver.
- **Suitable geography:** institutions operating in areas with a clear distinctive sense of place and/or a well-integrated labour market tend to have a stronger shared commitment to their place and find it easier to contribute to local skills planning.

Interviews with educational experts echoed these themes, and the need to foster greater collaboration. One highlighted a part of the country where “the universities all hate each other”, to the detriment of local economic clusters. Although such a strong feeling is not necessarily common across the country, providers can find it difficult to collaborate logistically in a market that is set up for them to compete. Many experts argued that a more formalised ‘tertiary education’ sector approach to collaboration, as seen in Wales, would not work in the larger and more complex English market, but there may be other ways to foster positive collaboration.

Labour is understood to be “fairly interested in having a more cooperative set up”, with “more unified routes” between further and higher education. They can build on LSIPs by bringing higher education formally into those conversations, as well as further education. Skills England should also play a key role in fostering greater collaboration, for example by bringing providers together when they identify that there is a training need in an area that would be better filled by collaborative delivery.

Labour has introduced a new body, Skills England, and new forms of institution to help strengthen the provider landscape

Skills England is intended to play an important role in encouraging providers' supply of skills provision to meet the demands of the employment market

In October 2024, Skills Minister Jacqui Smith presented the Institute for Apprenticeships and Technical Education (Transfer of Functions etc) Bill, which received Royal Assent in May 2025. This Act transfers all powers of Institute for Apprenticeships and Technical Education (IfATE) to the Department for Education, and was the first step for the establishment of Skills England.

The creation of Skills England represents the thirteenth skills body to be established in England since the 1970s. Replacing IfATE, this new body aims to address widespread skills shortages and improve coordination between education providers and industry. Whilst government positioned this initiative as part of its broader mission to break down barriers to opportunity, its remit and goals are clearly economic in focus: to create a highly trained workforce capable of meeting the demands of a modern economy, particularly in sectors like healthcare, social care, and construction, where skills gaps are most acute and/or are holding back other government aims.

A key function of Skills England is to oversee and help implement the Government's broader industrial strategy, focusing on upskilling the domestic workforce and reducing reliance on migrant labour. It is embedded into both the Industrial Strategy Council and the Migration Advisory Committee, and will also play a key role in the newly established Labour Market Evidence Group. Through this group, Skills England will contribute to gathering and analysing workforce data across sectors and will use this to improve the integration of training and education with regional and national economic priorities, ensuring that specific sectors are equipped with the necessary workers and skills.

Whilst Skills England has been presented as a cornerstone of the strategy to reform post-16 education, many critical details about its structure, authority, and operations are only recently emerging. Whilst originally presented as an independent body working across government, documents published with the Transfer of Functions Act shows that it has been established as an executive agency of the Department for Education.⁷¹ In comparison to IfATE, which was a non-departmental public body with some independence from DfE, Skills England sits within the Department and many of the previous powers of IfATE have been transferred to the Secretary of State for Education by this Act, who will then delegate roles to Skills England. This has raised concerns about its authority and independence for previous Education Secretary Damien Hinds,⁷² and some in the sector have warned of risks that it will just be "a body sitting within the DfE, without that real clout across government".⁷³

Alongside concerns about whether Skills England will have enough authority to 'get things done' across government, our interviews with political figures and policymakers revealed concerns about capacity within the organisation. The transfer of all of the functions of IfATE leaves the risk that Skills England gets bogged down in

bureaucracy and minute details of delivery, limiting their ability to invest time and resources into the big-picture thinking and direction-setting. One interviewee close to the development of the early thinking of Skills England highlighted that it is critical that Skills England is a “light-touch body” that ensures resources are deployed where they can be used most effectively – directly into regions that will be given more devolved powers over skills and training. The purpose of Skills England should be to provide some coherence at the centre, and to oversee prioritisation and integration between different regions, sectors and governmental departments where appropriate. But there exists a challenge that, whilst holding all functions of IfATE and attempting to bring together stakeholders from across government, industry, and providers, that Skills England becomes “so bureaucratic and clumsy that it doesn’t actually do anything”.

Hope was expressed in our interviews that Skills England would take a convening role, “bringing together providers, employers, experts and the government”. Some providers wished in particular for Skills England to help better balance the relationship between employers and institutions, citing better sharing of financial risk and support.

Skills England will also act as a gatekeeper to funding, responsible for maintaining a list of which courses businesses can spend the new levy on, although it is unclear to what extent this will include a quality-assurance role or will simply be about which subjects/sectors they wish to prioritise for funding. As part of this, powers to design and approve standards and apprenticeship assessment plans have been transferred to the Secretary of State by the Act, a role currently often held by employer groups. Whilst the stated aim to make the skills system more flexible and responsive to employer needs, this, in combination with Skills England sitting within DfE, has raised concern about whether this undermines an ‘employers first’ approach.⁷⁴

Labour has promised Technical Excellence Colleges and a review of the skills landscape

In the 2024 manifesto, Labour promised a new strategy for post-16 skills to “better integrate further and higher education”, making the roles of HE and FE clearer and enabling students to move more easily between the two sectors.⁷⁵ Regulation will also be strengthened. It is not yet clear when the strategy will be released although we expect it to be imminent, and whether it will be as ambitious as the Welsh reforms which established a Commission for Tertiary Education and Research bringing all forms of tertiary education providers together under one umbrella group.

The biggest change to the provider landscape announced so far is the introduction of Technical Excellence Colleges. Although details remain limited, the Industrial Strategy outlines a key ambition for these colleges to specialise in training skilled workforces for local businesses, with a £200 million Skills Mission Fund for new facilities, equipment and provision. They will focus on sectors with acute shortages – such as engineering, construction, clean energy and defence. Skills England will support their development and ensure that training remains aligned to workforce needs, including by working with employers and industry bodies on curriculum, delivery costs and skills recognition. Whilst their exact form is still emerging,

Technical Excellence Colleges represent a significant new intervention aimed at anchoring technical skills more firmly in regional economic priorities.

Both of these initiatives have commendable aims but clearly lack detail at this stage. The extent to which higher education providers could play a role in supporting Technical Excellence Colleges has not been explored, but could pose an interesting opportunity to promote collaboration between different parts of the tertiary sector.

CHAPTER FIVE – WIDENING ACCESS

Chapter summary

- Degree apprenticeships in particular were launched to widen access to higher education and fill skills gaps – but on access, the extent to which they have succeeded is debated.
- There are concerns about a “middle class grab” of these programmes. Less affluent pupils are less aware of these programmes, whilst middle class parents are steering their children towards them to avoid student debt.
- Degree apprenticeships are highly competitive: for example, one finance firm reported over 4000 applications for just 28 places.
- When competition for places is high, those who have had access to impressive work experience and networking opportunities will be at an advantage.

With no fees, and students earning whilst learning, middle class families are squeezing out others from degree apprenticeships

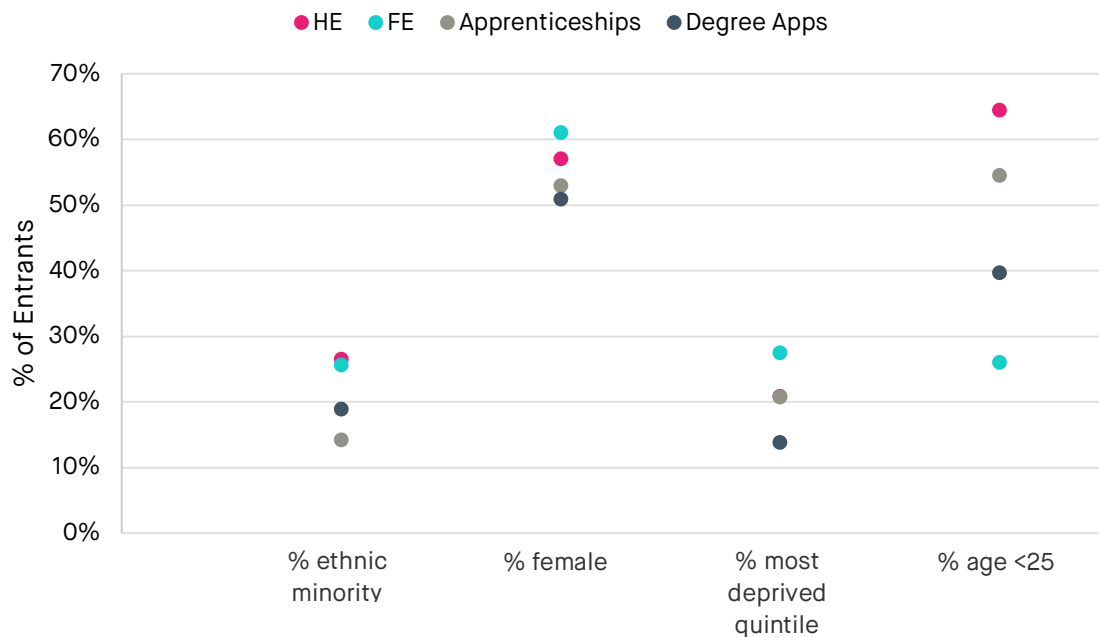
The degree apprenticeship cohort is more affluent and less ethnically diverse than HE and wider FE

Degree apprenticeships were “launched to help widen access to higher education and fill skill gaps”, but on that first point, at least, they are currently falling short.⁷⁶

Degree apprentices are less likely to be from an ethnic minority background than those in wider higher education and further education, as Figure 6 shows. 19% of degree apprentices are from an ethnic minority, whilst 26% of higher education and 27% of further education students are.

They are also much less likely to be from the most deprived fifth of neighbourhoods – just 14% of degree apprentices are, compared to 21% in higher education and further education. Neighbourhood based measures like these are not ideal, though, as someone’s background and means may differ to those who live near them, especially in densely populated areas like London. Individualised data would give a fairer picture.⁷⁷

Their gender balance, however, is more even than in wider higher education and other further education. 51% of degree apprentices are female, whereas for higher education the figure is 61%.

Figure 6. Difference in demographics between areas of HE and FE system, 2021/22

Source: SMF analysis of DfE⁷⁸

Politicians are aware of the “middle-class grab” on degree apprenticeships

Former Skills Minister Anne Milton admitted as much as far back as 2018, telling a House of Lords inquiry that “fears of a middle-class grab on apprenticeships are valid”.⁷⁹

Gillian Keegan echoed these comments when she was Skills Minister in 2021. She acknowledged that the department is “fearful...that a lot of people will suddenly see that degree apprenticeships are a very good option” by people who would otherwise followed a traditional route through higher education. This can then result in them “squeez[ing] out people like [her], sat in a comprehensive school at 16, with nowhere to go thinking ‘how do I get on in life?’”.⁸⁰

An interviewee involved with policy delivery agreed with these sentiments too, warning of “sharp elbowed middle class parents” steering their children into degree apprenticeships to save them from student debt.

One study from the Edge Foundation focused on two degree apprenticeship providers. Outreach staff at both of these found that “private schools have been more aware of the possibilities of DAs for their students, leaving young people at state secondary schools at a disadvantage with less awareness of different levels of apprenticeship”.⁸¹

Indeed, many degree apprenticeships are proving highly competitive to get into. One finance worker claimed that more than 4,000 people applied for 28 degree apprenticeship positions at their bank over the previous year.⁸² That success rate of under 0.7% is worse than, for example, the success rate of the entry level scheme at prestigious private equity firm Blackstone⁸³.

This competitiveness is understandable when university can otherwise cost so much

The cost of higher education is increasingly falling on students and their families. In 2012, the coalition government hiked the cap on tuition fees from £3,000 to £9,000 a year. In 2017, this was raised to £9,250 and will go up to £9,535 for the 2025/26 academic year. This is funded through the student loans system, to be paid back once the young person is earning over the threshold.

These are not the only costs incurred, however, and the current level of maintenance loans are deemed to be inadequate. The value of maintenance loans have been falling in real terms, being increased by just 2.8% in the 2023/24 whilst inflation was in double digits. They are set to rise by 3.1% in 2025/26, in line with inflation.⁸⁴ The Higher Education Policy Institute found that parents are having to contribute up to £15,127 a year to help their children cover rent, books, equipment and other ‘hidden’ studying costs.⁸⁵ Part-time jobs are also taking up greater amounts of students’ time.⁸⁶

It is therefore no surprise that degree apprenticeships, which are paid jobs and require no tuition fees, are popular with both students and their parents, when the traditional degree system entails such a financial burden. The DfE’s own messaging on degree apprenticeships celebrates them as a chance to “get a degree for free”.⁸⁷

Labour’s uprating of maintenance loans in England in their October 2024 budget should help students to better manage these costs. Whilst we have a system that places a majority of the costs of higher education on students, however, options like degree apprenticeships are going to be sought after.

Those with better connections and more ‘assumed knowledge’ – often the wealthier – have more chance of securing a degree apprenticeship

Around half of young people understand what a degree apprenticeship is, which is similar across different income levels...

Previous SMF research tested young people’s awareness of career options and what they entailed through a survey of 1,030 respondents⁸⁸. Less than half of young people aged 15 to 21, 48%, were aware that a degree apprenticeship would result in the same level of qualification as a traditional undergraduate degree. This proportion was very consistent across people from different backgrounds, ranging from 47%-49% whether someone was on free school meals at school or not, or whether they were white or not. Understanding of this particular element, then, is fairly low across the board, and not a clear driver of the difference in uptake between less and more affluent young people.

...although those on free school meals were less likely to understand how apprenticeships worked in general

Just over half of the survey panel (53%) were confident that apprentices get holiday pay, and a wage whilst they are studying. There was a difference here in knowledge between more and less affluent young people. 52% of those who had been on free school meals were aware of this, compared to 60% of those who had not been on

free school meals. This gap in understanding the financial ramifications of apprenticeships may therefore be partly driving the differing levels of take-up.

Better off families can better access the work experience opportunities that some degree apprenticeships require

As with all jobs, employers selecting degree apprentices value evidence of experience as well as other markers of aptitude. The NHS explicitly calls for work experience in its apprenticeship applicants.⁸⁹ Access to such opportunities is not, however, equally shared.

Our polling of 15-21 year olds in a previous project revealed how better connected those who are better off are, especially those at private schools. Almost half (46%) of private school pupils personally knew someone who worked in law that they would be able to ask for career advice, compared to 26% of state school pupils. The gap was smaller but still pronounced when enquiring about knowing someone in a medical profession (46% of private school students vs 34% of state school students). Just 8% of those at private school knew no one that worked in law, politics, academia, medicine or consulting, compared to 31% of those at state schools.⁹⁰

These connections can be used to secure work experience placements that would advantage applications to degree apprenticeships (and indeed many other opportunities). The middle class skew of degree apprenticeships should be tracked, and employers should be encouraged to take account of people's backgrounds through the selection process.

Apprenticeship wages can also be too low to live on, putting off those who cannot rely on family support

Another barrier to degree apprenticeship participation is living costs. Although higher and degree apprentices do get a salary, the high cost of living can deter prospective students from low-income backgrounds. Apprenticeship wages, particularly in the early stages of a programme, are often not enough to cover the costs of moving away from home, setting up independently and participating in the social and professional life that comes with starting a new job. Degree apprenticeships also fall outside of the student finance system, meaning participants are not eligible for maintenance loans to help with these costs.⁹¹ For those without family support this can make degree apprenticeships inaccessible, regardless of academic ability or motivation.

But ultimately the biggest barrier to increasing participation is the high competition for a limited number of places

Increasing the supply of degree apprenticeships is the most effective way to reduce their competitiveness. Unlike traditional university places, degree apprenticeships are jobs: applicants are hired by an employer, not recruited by a university. This limits the effectiveness of traditional widening participation initiatives, which focus on outreach and admissions support. When supply is constrained, employers can be highly selective, and applicants with strong CVs, prior work experience, or polished interview skills (qualities more commonly found among more advantaged young people) are more likely to succeed. If middle-class families are now viewing degree apprenticeships as a desirable option, this reflects the strength of the model.

Supporting expansion will be crucial to ensure that these opportunities are genuinely accessible to all, much as the expansion of university places helped widen participation in the traditional three year undergraduate degree.

“I think degree apprenticeships are bringing something that we've never quite managed to achieve before in education which is a parity of esteem between vocational and non-vocational education in a way that I think is transcending class, the number of people that when you reveal that you are kind of working in degree apprenticeships that kind of collar you for a longer talk and talk about their own children's ambitions and aspirations and the ambitions and aspirations they have for them.” – **University representative in focus group**

CHAPTER SIX – FUNDING AND BUREAUCRACY

Chapter summary

- Degree apprenticeships are costly to run, not least because of complex regulatory oversight involving multiple bodies such as Ofsted, the Office for Students, Department for Education, Skills England and PSRBs.
- Some providers have left the market due to this, and others have decided not to invest in new higher level skills provision.
- Since its inception, the Apprenticeship Levy has raised over £20 billion but the Treasury has kept over £1 billion of this since 2018, limiting funds available for apprenticeship provision.
- Funding bands for higher and degree apprenticeships have remained largely static since 2017 despite inflation and rising costs, making many programmes financially unviable and limiting providers' willingness to expand.

Funding is a fraught topic across the education landscape. The boon of raised tuition fees for universities in 2012 was followed by a freeze since 2017. It is possible that we could see the majority of universities reporting a deficit in the next few years. In an interview for this project, one former minister predicted that “perhaps 50 large institutions [would be] in difficulty” if the financial sustainability of the sector is not addressed. In further education, the period of austerity hit the sector hard, with funding still 25% below 2010/11 levels. Last year the government ended the tuition fee freeze, with a one-off tuition fees rise to £9,535 for the 2025/26 academic year, and an intention to find a more sustainable path thereafter.⁹²

These challenges have been found in the apprenticeship system too. One university representative felt that “degree apprenticeships just about wash their face, but that’s all”. This chapter will explore several facets of the degree apprenticeship funding system that are holding back their expansion – from the DfE’s budget to funding bands and whether they should be part of the student loan system. It will also explore the issues that make running these programmes so expensive, such as issues around regulation and bureaucracy.

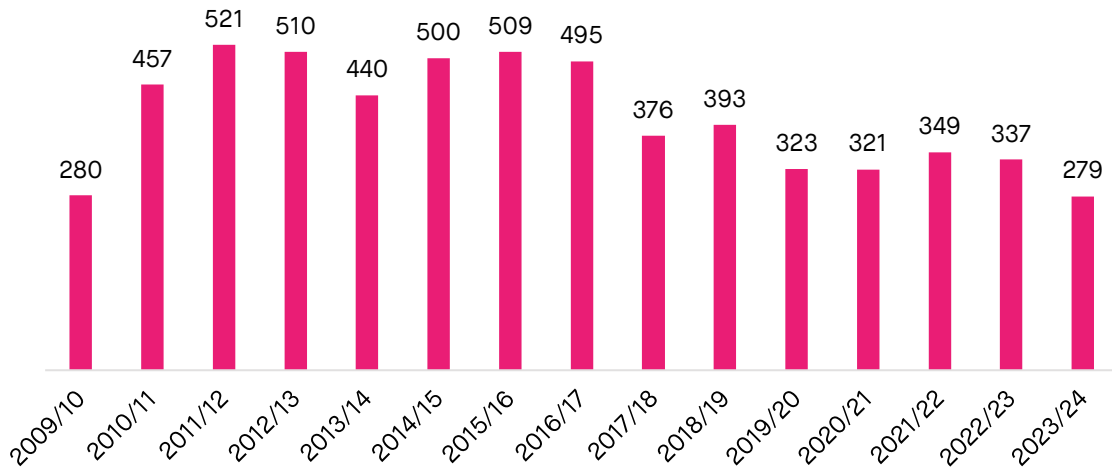
Degree apprenticeships are often very expensive to run

Apprenticeships have become costlier as more are delivered at higher levels, pushing down the numbers delivered from the budget

Whilst the spend on apprenticeships has grown, the number of them taking place has fallen sharply since the first half of the 2010s. They peaked in 2011/12 at 521,000 and stayed above 400,000 a year until 2017/18 when the levy was introduced. In the first year of the levy, there was a drop of over 100,000 apprenticeship starts on the previous year, to 376,000. Since then, numbers have declined further, with just 279,000 beginning their apprenticeship journey in 2023/24. Meanwhile, the numbers

taking degree apprenticeships has expanded significantly since they were introduced in 2015.

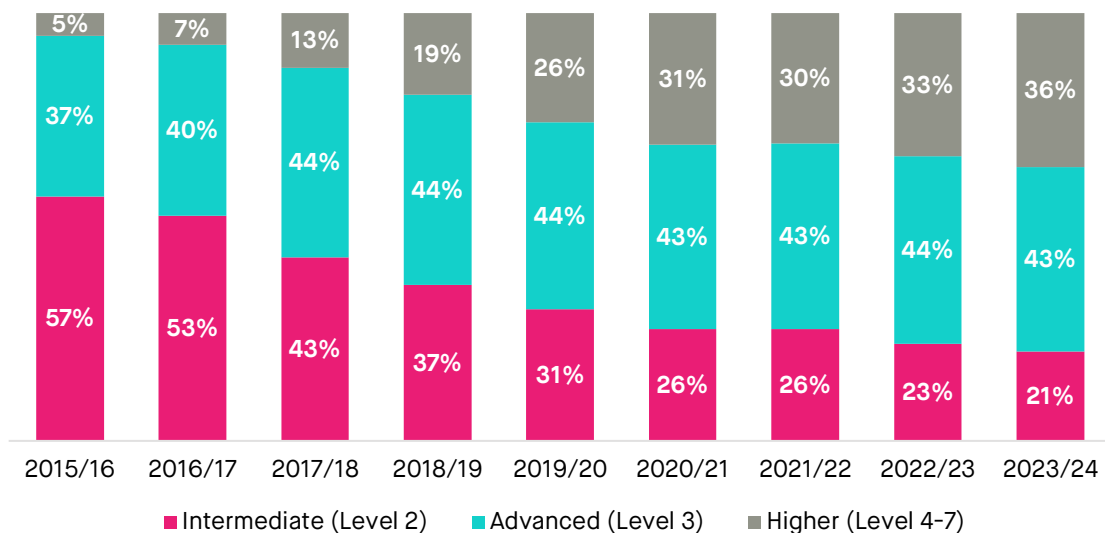
Figure 9. Number of apprenticeship starters in England by year, thousands.



Source: SMF analysis of DfE apprenticeship data

The rise in degree apprenticeships, and other higher-level apprenticeships has pushed up the average cost of all apprenticeships. These qualifications tend to be longer and more cost intensive. In 2015/16, 5% of apprenticeships were at level 4-7. By 2023/24, that figure was 36% (Figure 10).

Figure 10. Proportion of apprenticeship starters in England by level



Source: SMF analysis of DfE apprenticeship data

The bureaucracy required to deliver degree apprenticeships pushes up costs and has caused some providers to leave the market

Different parts of the education system have different regulators. Universities and colleges are monitored by the Office for Students for their higher education provision. Meanwhile, further education providers, which are within the public sector, are regulated by the Department for Education, and monitored by Ofsted. Until recently, the Institute for Apprenticeships and Technical Education (IfATE) sets out apprenticeship standards, which has now been taken on by Skills England.

Since April 2021, degree apprenticeships, like other forms of apprenticeships, have been regulated as though they are the purview of further education institutions and independent training providers. As a result, institutions offering degree apprenticeships are subject to a complex web of regulatory oversight: Ofsted inspections on training quality, OfS regulation on conditions of registration (and on the quality of end point assessments for integrated degree apprenticeships), funding audits, and, in many cases, the requirements of Professional, Statutory and Regulatory Bodies (PSRBs). This leaves universities operating across multiple different regulatory regimes.

As we heard in focus groups and interviews, this complexity imposes a substantial administrative burden:

"We've been through two Ofsted inspections, an ESFA audit, and an OfS visit and integrated [end-point assessment organisation] activity. So... for us that's unhelpful, the kind of level of red tape and complexity that the system has built into it." - University representative

"For us, you know, there's a real challenge in scaling up and delivering degree-level apprenticeships considering the very complicated regulatory requirements and all that brings with it adds a huge amount of cost and complexity" - University representative

This challenge is compounded by a regulatory environment that remains in flux. Ofsted's new inspection framework, currently under review, has drawn criticisms for adding further ambiguity – particularly around how different types of providers are assessed on their contribution to skills needs. Universities are excluded from this entirely, and some in the sector have raised concerns about a broader imbalance in Ofsted's approach, which remains heavily school-focused despite the Gilbert Review highlighting the importance of its wider responsibilities.⁹³

This can hold universities back from engaging according to one interviewee, who cited a provider that nearly started delivering degree apprenticeships "until they found out that it would put them under Ofsted".

Providers have even exited the market due to this bureaucracy. Dyson were hosting 120 degree apprentices in a programme rated as 'outstanding' by Ofsted who praised a programme that was "exciting, ambitious, coherently planned and sequenced well". However, in 2024 they dropped the programme citing the "onerous administrative burden", and will instead sponsor Master's degrees.⁹⁴

The system is clearly not working. Labour should simplify how degree apprenticeships are regulated, so that providers do not have to operate across dual systems.

Changes to the Apprenticeship Levy could threaten apprenticeship provision if not designed carefully

Hundreds of millions of pounds of apprenticeship levy funding is being shaved off by the Treasury

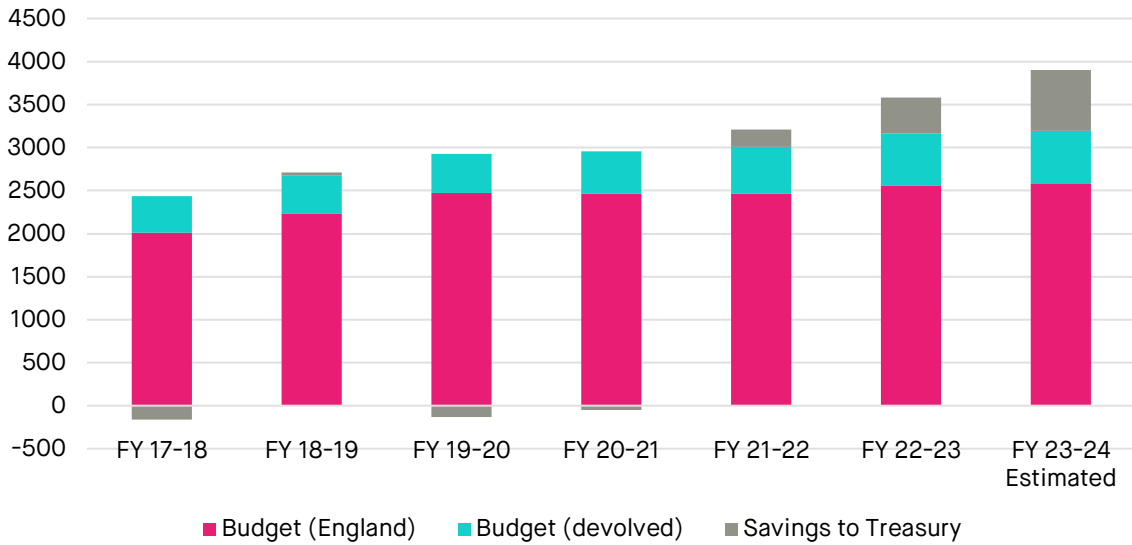
In April 2017, the Conservative government introduced the Apprenticeship Levy. Businesses spending over £3 million on salaries were charged 0.5% of their total annual pay bill.⁹⁵ Only 2% of employers currently have to pay the levy – a very narrow tax base compared to other forms of business taxes.⁹⁶ These firms can draw down from their contributions to fund apprenticeships, or they can transfer 50% of the funds to another employer (up from 25% as of April 2024).⁹⁷

Smaller firms, under the Apprenticeship Levy threshold, have all or the majority of the costs of their apprenticeship training covered either through these transferred funds, or by the government, up to the funding band maximum. Up until April 2025, they were expected to co-invest 5% if the Government was covering the rest, with some age-related exceptions designed to encourage the hiring of younger apprentices.⁹⁸

There are tight restrictions on how the levy funds can be used. They can only be used to fund apprenticeship training and assessment with approved providers. Any funds unspent after two years are essentially given over to the Treasury. Large employers spent on average 55.5% of their levy themselves across the last five years, according to a survey by City and Guilds, and the figure was 65% in 2021/22^{99 100}.

Since its introduction, the levy has raised over £20bn.¹⁰¹ The Treasury is, however, increasingly failing to pass all these funds through to apprenticeship provision. In the early years of the levy, this was not the case. Indeed, in financial year 2017-18, 2019-20 and 2020-21, the apprenticeship budget in England and the devolved nations outstripped the intake from the levy. From 2021-22 onwards, however, the Treasury has kept a significant amount - £202m was kept in 2021-22, £418m in 2022-23 and an estimated £707m in 2023-24. From 2017-18 onwards, that's over £1bn of levy funds not spent on apprenticeships.

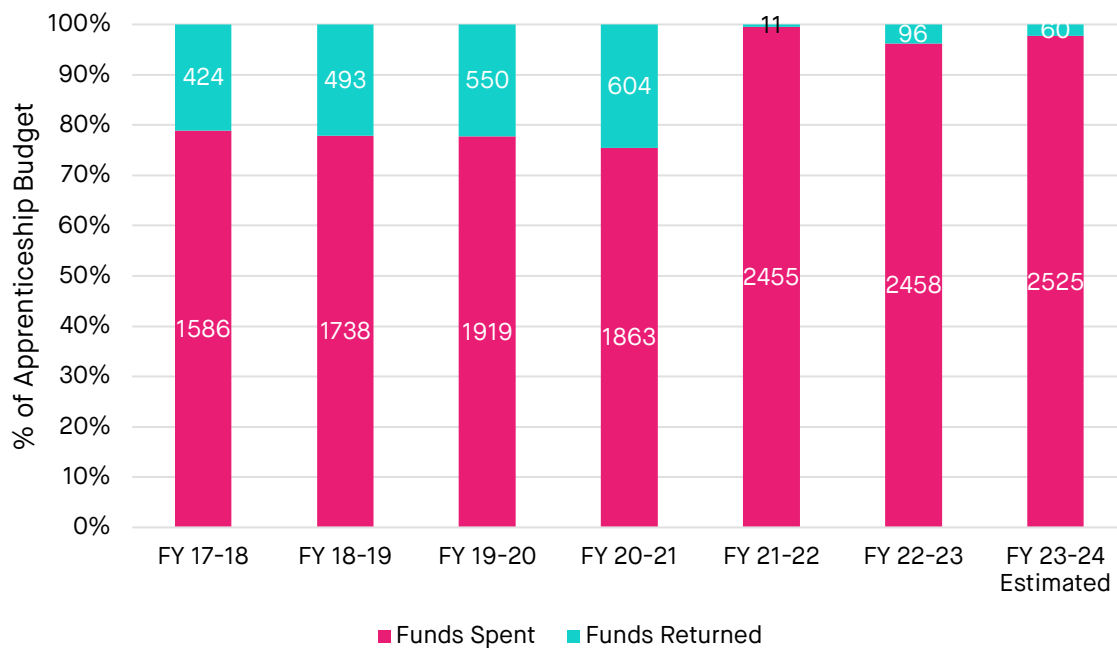
Figure 7. Apprenticeship budget relative to total Apprenticeship Levy, FY 17-18 to FY 23-24 estimated



Source: FE Week

Whilst the Treasury has been limiting growth in the apprenticeship budget, the Department for Education has, since 2021-22, been spending almost all of it. This is a reversal from the earlier years, where hundreds of millions of pounds were being handed back to the Treasury unspent. As Figure 8 shows, around half a billion pounds was passed back to the Treasury in the years from 2017-18 to 2020-21. Since the pandemic however, the proportion unspent has reduced to near zero in 2021-22 and 4% in 2022-23.

Figure 8. Apprenticeship spend, and budget returned to Treasury by year for England.



Source: SMF analysis of DfE spend data¹⁰²

Labour's proposed Growth and Skills Levy will create more flexibility, but comes with risks

The Government is replacing the Apprenticeship Levy with a 'Growth and Skills Levy'. It was billed as providing more flexibility to employers, allowing them to spend up to 50% of their levy funds on non-apprenticeship training for employees. The Government hopes that this will encourage greater take up of short courses and pre-apprenticeship qualifications. SMEs will continue to be exempt from paying the levy and will have most of their apprenticeship costs covered by the state.

Further changes have been announced since, including the almost complete defunding of Level 7 provision. Alongside this, the Government has introduced a new category of "foundation apprenticeships" aimed at supporting young people to take their first steps into training and work. These are intended to be paid, short-form apprenticeships designed to meet immediate skills needs in sectors such as health and social care, construction and hospitality.¹⁰³ The Get Britain Working white paper announced £40 million in funding to support these new shorter apprenticeships in key sectors,¹⁰⁴ with the first set approved and published in May 2025.¹⁰⁵

Foundation apprenticeships appear to be a partial replacement for the former traineeship programme, which was withdrawn in August 2023 due to low takeup. Traineeships were unpaid, work-based education and training programmes for young people aged 16-24 who were not yet ready to start an apprenticeship or a job, providing support with skills, experience and employability. Labour had previously indicated that, if elected, they would bring back traineeship-style routes, proposing to allocate 3% of the Growth and Skills Levy to fund 150,000 opportunities for young people, particularly in sectors such as digital, construction and electrical.¹⁰⁶

The introduction of short-form apprenticeships has sparked debate across the sector, not least because these are at least partly being funded by the removal of funding for longer, higher level skills training such as Level 7 provision. Concerns about the appropriateness of the length have also been raised, particularly in light of international comparisons which show that apprenticeships in England are already very short by global standards.¹⁰⁷ Whilst they could serve as valuable stepping stones into longer training pathways, there is a risk that disadvantaged students may miss out unless explicitly prioritised, and that the shorter length could risk diluting the overall effectiveness and reputation of the apprenticeship system in England.

The move away from some higher-level apprenticeships, and the introduction of shorter and foundation apprenticeships, would act to reduce the average cost of an apprenticeship. This would allow the Government to spend a lower share of the new levy on apprenticeships, whilst maintaining the overall number of apprenticeships, depending on the extent of changes to which non-apprenticeship courses will qualify.

The Growth and Skills Levy proposal sparked debate in the general election campaign over whether this change would necessitate cutting the number of apprenticeships by up to half, if up to 50% of the funding was no longer ringfenced. This concern was

echoed by a number of the education experts that we spoke to. One claimed that the Growth and Skills Levy “has the potential to be a bit of a disaster”, another that the reform would “put degree apprenticeships at risk”, as indeed seems to be the case for a subset of them. University heads cautioned that the greater freedom for employers “may mean returning to really bad practices in investing in short-term training programmes that have no impact on the quality and professionalism of your workforce”, emphasising the importance of Skills England’s quality assurance role. As previously mentioned, there are also concerns that businesses could use the new Levy to fund training they would have otherwise funded themselves any way.¹⁰⁸

The uncertainty about the result of the reforms to the Apprenticeship Levy on apprenticeships themselves gives rise to caution. If the Government wants to steer more of the funds towards those early in their careers, then it should consider putting in some guardrails.

Funding per higher and degree apprenticeship is tight, and has not kept up with inflation

Whilst the future deployment of levy funds raises questions about the overall number of apprenticeships that will be available, the funding associated with each qualification determines whether providers find them viable to deliver at all.

Each apprenticeship standard is allocated to a funding band. The band sets the maximum that government is willing to contribute towards that apprenticeship. This can go as high as £27,000 for some degree apprenticeships, or as low as £1,500 for some lower level, lower cost ones (this is in comparison to £28,605 for an undergraduate degree under the new tuition fee cap, despite both resulting in the same level of qualification).¹⁰⁹

Providers find the level of funding bands increasingly tight, and report that “it’s challenging to deliver anything” within them. This lower level of funding means that “you’re kind of channelling people into the kind of the high volume, high numbers spaces... [that] may not be aligned entirely to the areas of skill shortages” that the Government wants provision to focus on. Providers speak about having to compete on price, rather than quality.

The funding band maximum is not a funding rate and IfATE expected employers to negotiate with training providers and end-point assessment organisations (EPAOs) to agree a price within that band to deliver the necessary training and assessment to “achieve value for money”. Incentivising price negotiation was the key driver behind increasing the number of funding bands from 15 to 30 in August 2018.^{110 111} Employers are able to spend more than the upper limit of the funding band, but they must meet the extra cost themselves and pay the provider directly.

For many apprenticeship standards, the bands have barely increased over the past few years, despite the rise in inflation and incomes pushing up delivery costs. IfATE reviewed apprenticeship standards periodically and when this resulted in apprenticeship content being updated, the funding band may also have been reviewed. In the nine months between April – December 2023, IfATE reviewed 127 apprenticeship standards following a “stretching” target of 100 set by the then

Conservative government.¹¹² However, in June 2023 IfATE conducted an “exceptional funding review” for ten level 2 and 3 standards (originally intended to be a review of twenty standards), which allowed for funding decisions to be made without a full content review.¹¹³ They also operated a “change request process”, including for the funding band only.

Regardless of how the review arises, revised funding bands can increase, decrease, or stay the same. For example, in 2019 the Level 6 chartered manager degree standard had its funding cut from £27,000 to £22,000, whereas in 2024 the Level 6 chartered legal executive (non-degree) standard had its band increased by 125% to the maximum £27,000 (from £12,000).

The minimum and maximum funding band range (£1,500 - £27,000) has not changed since they were introduced in 2017. The funding bands for many higher and degree apprenticeship standards were initially set at £27,000 and have therefore remained static, some for several years, despite the rise in inflation pushing up delivery costs. On the construction and built environment route, the maximum funding for both the Construction site management and Construction quantity surveyor degree apprenticeships is £18,000. On the healthcare and science route, most Level 6 degree apprenticeships do not receive the highest funding band. This includes, Midwife and Registered nurse (both £26,000), Public Health Practitioner (£20,000), Prosthetist and orthotist (£24,000), Sonographer (£24,000), Therapeutic and Diagnostic radiographers (both £24,000) – all the of which are Level 6 standards with integrated degrees. The maximum funding available for the Level 5 nursing associate apprenticeship (£15,000) is £1,000 lower than the Level 3 motor vehicle and maintenance technical (light vehicle) apprenticeship (£16,000).¹¹⁴

In focus groups for this project a university leader reflected that “when the unit of funding is so tight and below the line, you stop taking those risks about whether or not we could grow provision and how long that provision would take to grow”. This was also raised in a recent report by the Edge Foundation, which found a mismatch between delivery costs and funding bands.¹¹⁵ If the government wants to see providers delivering more qualifications of this kind, it needs to make sure that it is worth the upfront and ongoing investment that’s required.

Institutions also feel that “there’s no kind of consistency in terms of recognition of a unit of funding for higher and degree apprenticeships in comparison with the rest of higher education”. Focus group respondents reported that a module in a degree apprenticeship gets a “significantly lower” level of funding that one in a typical degree. They put this down to “some very silly idea, that with apprenticeships, that you’re not really doing as much”. In reality, apprenticeship provision often involves just as or more resource-intensive work – such as regular progress reviews involving the apprentice, employer and provider, and additional administrative and legal requirements for managing employer relationships – all of which fall outside the traditional undergraduate model.

They saw the rollout of the Lifelong Learning Entitlement as an opportunity, given that the LLE has set levels of funding per module, which could be used as a basis to ensure that funding is equitable across more vocational and more academic

programmes. Whist apprenticeships in England are not currently quantified on a 'per-credit' basis, a recent paper from staff at Middlesex University, the Open University and UVAC developed an approach to ascribe credit to apprenticeships that recognise both on-and-off the job learning which, in combination with the LLE, could support a more standardised and coherent approach to funding across different types of training and education provision.¹¹⁶

The terms of degree apprenticeship funding are also a barrier to expansion, being short-termist and challenging for cashflow

Cashflow can be an issue with degree apprenticeships. All apprenticeships, including degree apprenticeships, have an on-programme, gateway and End Point Assessment (EPA) period. The Department for Education withholds 20% of the Total Negotiated Price (TNP) until the apprentice has completed all required training and undertaken the EPA, to incentivise programme quality and completion. All co-investment contributions must be documented on the Individualised Learner Record (ILR) to qualify for the completion payment and the DfE also retains the authority to reclaim funds if these conditions aren't fully met.

Providers understand the aim of ensuring quality and accountability, but "this funding approach does not support the operational needs of rapidly growing [their] business". In focus groups, they warned that "the practice of withholding 20% of the funding until the end of the apprenticeship complicates discussions with our finance department about the feasibility of expanding our apprenticeship programmes."

"The low unit cost is exacerbated by the flow of money through the programme. I can completely understand the logic behind the completion payment, but it doesn't help us in terms of growing the business." -**University Leader**

There is a broader debate about where the burden of costs on higher level apprenticeships should lie

Who should pay for higher level apprenticeships? Should it be the apprentice, who will improve their job prospects and likely their earnings? Should it be the Government, who will garner greater tax revenue over the long term and boost the economy? Or should it be the employer, who gains a new employee, keen to develop, or upskills an existing employee?

Currently, the burden sits mostly with the Government, distributing funding collected from employers through the apprenticeship levy. The apprentice is paid throughout their tutelage, sometimes at below market rates. Employers will contribute management time, day-to-day upskilling and onboarding costs. Providers report that tight funding means that they end up cross-subsidising some courses too, due to the previously discussed additional costs associated with this type of provision.

Jim Knight and David Willets argued in a paper for Engineering UK that degree apprenticeships should instead be funded through the student loans system. This would free up £700m of the apprenticeship budget for lower-level qualifications that are more typically taken by younger people. The risk here is that the strong demand

seen for degree apprenticeships would dissipate, and the benefits of creating a greater ‘parity of esteem’ between vocational and academic education would be lost. It is also unclear what the impact would be on the kinds of people taking degree apprenticeships.

One expert that we spoke to instead made the case that the employer should be expected to make a bigger contribution. Disagreeing with Knight and Willets’ proposal, they argued that as the “employer is the primary customer” of degree apprenticeships, “it doesn’t sit well with the individual paying for their own training”. They felt that if employers made a bigger contribution, would also incentivise employers to better “ensure training...is high quality”. The apprenticeship minimum wage, which lets employers pay staff less than they otherwise could, should also be scrapped, they said.

University providers complained that “there is no jeopardy within the funding rules for employers to deliver—for example, to get apprentices through to endpoint assessment so that we complete our completion payment”.

Our view is that employers should be paying more to cover the living costs of apprentices, by removing the lower apprenticeship minimum wage. The Low Pay Commission has looked at this but found that doing so at a time when the age bands were changed and the levels were increased could have resulted to a hit to young people’s attractiveness to employers. Now that those changes have been made, it should keep this issue under review. Creating more accountability for employers in the apprenticeship system, as discussed in Chapter Three, could also help better align incentives between employers and providers.

CONCLUSION AND POLICY RECOMMENDATIONS

Labour's Opportunity Mission, and the centrality of economic growth to the Government's plans, means that skills are going to be an important part of their policymaking. In this report, we have explored the shape of their proposals to date, with a focus on the implications for higher and degree apprenticeships. Reforms such as Skills England are underway, whilst there is a lack of clarity around other proposals, such as Technical Excellence Colleges.

Recent skills analysis by Skills England highlights the need for more people trained in higher level skills, including at graduate level. But there are major barriers for providers wishing to invest in this provision. Employers are vital for the success of skills programmes, but engagement can drift. Competition rather than collaboration between tertiary education institutions holds back skills provision. Disadvantaged people are not being sufficiently reached by higher and degree apprenticeships. Funding and bureaucracy is complex and uncertain for providers, who also lack incentives to engage more widely in skills provision.

Below, we summarise the recommendations of this report, in the hope that these measures can buttress the Government's plans.

Table 4. Policy Recommendations

Employer engagement	
Create more accountability for employers in apprenticeship system	A condition of using the levy more flexibly should be that employers take on a greater role and greater responsibility for skills training . Skills England should work to ensure that all stakeholders in apprenticeships have equal stake in the process and that accountability measures are in place to ensure that employers are engaging meaningfully.
Collaboration	
Ensure that higher education providers are involved in local skills planning	Universities should be formally integrated into local skills planning systems, including issuing a requirement for higher education providers to be consulted in the development of LSIPs.
Skills England should facilitate and reward collaboration	Skills England to collate and champion models for collaboration and examples of best practice between providers and between employers and providers, and consider whether strong collaboration that leads to filling local skills gaps could be incentivised or rewarded in some way.
Widening access	
Collate richer data on student background	Use the introduction of foundation apprenticeships to start collecting richer data relating to participants' backgrounds , such as secondary school type and whether they were eligible for free school meals. This data would enable better analysis of the social mobility impacts of such qualifications.

<p>Reform careers education advice and guidance throughout the education system</p>	<ul style="list-style-type: none"> • Ensure every school leaver receives a minimum level of personalised careers support by offering an entitlement to three one-to-one sessions. • Add careers provision to part of the new ‘report card’ judgements that Ofsted will be issuing to schools, following the government’s reforms. • Prioritise reducing inconsistency in the level and quality of careers advice and guidance and make it an objective for the Careers and Enterprise Company, for example by including it in their grant agreement with DCMS and giving them the funding to expand their Careers Hubs to all disadvantaged schools.
<p>Funding and bureaucracy</p>	
<p>Ensure all Levy funds spent on skills</p>	<p>The Treasury should stick to the spirit of the apprenticeship levy, and pass through the whole amount to be spent on skills. This would have added over £700m to the apprenticeship budget this year.</p>
<p>Widen Levy taxpayer base</p>	<p>The Treasury can protect the overall quantity of apprenticeship spending by expanding the Levy tax base. They should consider introducing a new, lower apprenticeship levy tier, charging a 0.3% tax on payroll from £1.5-3m of total spend.</p>
<p>Uprate apprenticeship funding bands and tie to inflation</p>	<p>Uprate more funding bands to acknowledge the impact of recent inflation, and commit to revising them annually. This should enable quality, rather than lowest cost of delivery, to be a bigger driver of the market.</p>
<p>Simplify the regulatory system to reduce cost burden</p>	<p>Spare providers from the bureaucracy of managing two (or more) different regulatory systems. Have higher and degree apprenticeships be monitored by the main regulator of that provider – so OfS in universities, and Ofsted for colleges.</p>

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