

CBI response to Further Education (FE) Inquiry

The CBI speaks on behalf of 170,000 businesses of all sizes and sectors, across every region and nation of the UK, with strong representation from the Further Education (FE) sector. We therefore welcome the opportunity to respond to the Education Committee's call for evidence to support their inquiry *Making FE Fit for the Future*.

FE providers are responsible for training millions of learners every year, and every pound spent by the Department on FE provision yields a return upwards of £35 to the economy.¹ However, sectoral challenges, from recruitment and retention to shortfalls in funding, remain a serious risk to FE and its ability to meaningfully contribute to the growth agenda by delivering quality training that is responsive to employers' skills needs. Building on the momentum from announcements made in the Autumn Budget, providers are keen to work with policymakers to identify short and longer-term solutions which can help ensure the sector is a competitive asset to the UK economy.

The following submission was developed in collaboration with CBI members and outlines the key challenges confronting FE provision, as well as recommended suggestions for how the sector can be supported moving forward.

The overarching message coming through member conversations was that a comprehensive and collaborative policy approach is essential to the effective functioning of the FE system and has been lacking in several areas. This can be distilled into three key points:

- Supporting progression demands a different approach to curriculum and assessment.
- Co-designing a sustainable funding strategy for Further Education (FE) must be a priority.
- Skills England can play a transformative and positive role in the skills system if implemented correctly.

¹ Department for Education, The Net Present Value of further education in England, Analytical report, February 2025.

1. Supporting progression demands a different approach to curriculum and assessment

Member intelligence on curriculum and assessment highlighted the clear need for innovative and flexible educational practices to ensure students' continuous development. In terms of what this means and how it can be achieved, insight broadly fell into three key areas:

Transferrable skills are of critical and cross-economy importance, but providers have limited bandwidth to teach this and prescribed syllabuses

Providers recognised that transferrable skills are highly valued by employers and are even displacing factors such as final attainment and subjects studied as priority considerations in recruitment processes for school leavers and graduates.² Many providers are allocating time to support students' transferrable skills development, but approaches showed some degree of variation. For example, while some providers are exploring opportunities to advance skills through a change in pedagogical approach (such as opting for a mix of group of written and verbal, group-based assessment methods), others noted engaging students on an ongoing, one-to-one basis to feedback on their transferrable skills performance. One provider had even developed a micro-credential to help students to demonstrate these skills to prospective employers and Higher Education (HE) providers.

On balance, many providers are making good progress in helping young people to develop their skills in areas such as communication and critical-thinking, but providers are limited in how much time they can dedicate exclusively to transferrable skills due to the immediate priority of teaching prescribed syllabuses. It was agreed that employers have a key role to play in developing these skills by working with providers to highlight their skills requirements and providing a forum for young people to practice their skills in a workplace environment.

Raising awareness of support available to employers looking to offer work experience opportunities and trialling new ways for businesses to support young people's workplace development was widely welcomed by members, particularly smaller employers who reported limited bandwidth as a key barrier to engaging with traditional work experience models, such as summer internships and two-week work experience placements.

Members support parity of esteem, but are unconvinced that T Levels will be the key to achieving it

Members responded positively to the government's recognition of parity of esteem's importance but had reservations about the policy approach being used to achieve it. There was particular concern raised in relation to the envisioned role of T Levels becoming the 'gold standard' technical qualification. The provider members we engaged with explained that T Levels had embedded well in certain areas³ but noted they were proving more challenging to integrate in areas with an established apprenticeship and A Level offer. Providers also commented that T Levels were not a viable pathway for many lower and middle-attaining students due to the highly academic content underpinning the qualification. This was explained to be one reason why maintaining training alternatives such as Applied General Qualifications (AGQs) is vitally important.

Moreover, conversations revealed that providers are in a uniquely challenging position of being encouraged to deliver T Levels while also incurring a disproportionate share of the risks and costs when they fail to properly embed. For example, one provider explained that their turnover shrank by £1 million when most of their 300 T level cohort dropped out after misreading the Advanced British Standard (ABS) as a policy decision to drop the qualification. While they were able to recover some

² See CBI, Education & Skills Survey, 2022.

³ Examples of areas where T Levels have reportedly worked well include childcare, digital and construction leading to profession roles.

students by clarifying that T Levels would remain but re-packaged under the new qualification, many students still chose other programmes. Another provider noted that they had made significant investments to expand their T Level offer into a new pathway which had to be suspended due to low uptake.

Overall, members agreed that more targeted support and information – particularly to SMEs – could help T Levels to embed more effectively, but their highly academic nature and the existence of quality training alternatives means they should not be pushed as the training pathway for every student considering a technical or vocational occupation. Members encouraged the government to take stock of the lessons that can be learned from T Levels and recognise the importance of co-designing training programmes with providers and employers. There was also a general call to explore opportunities to make the education and training system more engaging and inclusive for learners. Members were particularly keen to explore opportunities to integrate lower stakes testing models and harness the productive potential of automation and technology to help centres to provide ongoing, quality student feedback as part of this conversation.

Distinguishing between ‘functional’ and ‘academic’ skills can help remove unnecessary academic barriers to further study and work

Members widely supported the principle of maintaining standards and supporting individuals to achieve qualifications that have a progression benefit. However, several providers commented that the English and maths re-sit policy is a discouraging experience for many students and incurs huge costs which many providers struggle to absorb.

If the government’s policy objective is to ensure individuals can develop and demonstrate core skills to access further study and work opportunities, providers agreed that there were alternatives to the re-sit policy worth considering. It was noted that the current pass policy framework was often above the bar of functional competency demanded by employers, and the Functional Skills specification had become more focused on the highly academic skills assessed in GCSEs. In turn, this has made it difficult for many employers to ascertain whether individuals without a Level 2 qualification in English and/or maths still possess competent literacy and numeracy skills required for work.

Helping firms to easily identify learners’ functional competencies through more detailed guidance and changes to Functional Skills specifications were provided as examples of how students who struggle to meet the Level 2 ‘pass’ benchmark could be supported onto a positive destination, albeit in further education or employment. There was also some appetite for the introduction of literacy and numeracy transcripts to accompany Level 2 qualifications, which would translate final attainment into real-life examples of the skills and competencies that individuals have demonstrated and could be expected to perform in the workplace.

2. **Co-designing a sustainable funding strategy for Further Education (FE) must be a priority**

Members broadly welcomed the government's decision to allocate £300 million to FE colleges as a much-needed recognition of the financial challenges confronting the sector and the critical role it will play in delivering the wider growth mission. But there was also concern raised with regards to how the problem of historic under-funding is being approached:

Continued uncertainty around new funding allocations risks reversing any intended benefits...

When asked how they intend to use their new funding allocations, provider members noted that the additional funding their centre will receive – and whether there are any conditions attached to how the funding can be spent – remains unknown. Most providers are therefore approaching their annual budgets as if no new money is being allocated. Some members also questioned whether the allocation would create net additional funding for providers, or if it would instead be used to subsidise the National Insurance Contribution (NICs) exemption, student uplifts and the recent fall in Adult Education funding. It was widely noted that continued uncertainty around new funding allocations would reverse any anticipated benefits they were intended to achieve, and members urged the government to clarify how much money providers should expect to receive and when, so they can tailor their provision accordingly.

... And will not address the underlying challenges confronting FE provision

While providers widely acknowledged the challenges attached to making longer-term funding commitments, they were explicit that failure to engage with the implications of long-term under-investment in the sector and the growing problem of recruitment and retention would have big policy implications. This includes businesses having to scale-down their services to adjust to financial and capacity constraints and even closing in worse-case scenarios.

To minimise these risks and ensure providers can maintain and deliver quality services, members were supportive of a forward-looking strategy acknowledging the problems confronting the sector, and a vision for how policymakers, employers and providers can work collaboratively to address these challenges in the medium to short-term.

Suggested examples of actions that the government could take now to support providers included re-allocating the Education and Skills Funding Agency's unspent allocation of the Adult Skills Fund to devolved authorities reporting an overspend as well as extending VAT exemption to FE colleges, which would cost £210 million per year for the whole sector.⁴ There was also appetite for the government to work with providers to help minimise auditing and compliance costs from crowding out capital which could otherwise be spent on training, and removing red tape attached to private loan applications for capital projects.

The implications of reclassification back into the public sector for private borrowing was noted to be a particular point of frustration for college members, and it was observed that making it more challenging for colleges to access capital at the same time government's capacity to lend has fallen was erroneous and hugely problematic for the many providers looking to update their sites and facilities.

⁴ Association of Colleges, Autumn Budget Response, October 2024.

3. Skills England can play a transformative and positive role in the skills system if implemented correctly

Businesses across membership emphasised Skills England's potential to create a long-lasting and positive impact on the skills system and underscored the importance of a collaborative approach extending to design *and* delivery. Sentiment on Skills England fell into four buckets:

Businesses are supportive of Skills England's objectives, but remain unclear on how they can meaningfully contribute to them

On average, members responded positively to Skills England's introduction and welcomed evidence that it has been engaging with stakeholders on a regular basis. However, there was some concern expressed with regards to Skills England's direction of travel, and how this would impact its ability to unify the skills landscape and train the workforce needed to power economic growth. For example, it was widely noted that there was no formal mechanism for engaging employers, raising questions as to whether business input would be discretionary and become less frequent over time. Questions were also raised in relation to its level of independence and capacity to influence skills policymaking, given that the Institute for Apprenticeships and Transfer Bill (IfATE) Bill assigns most decision-making powers to the Secretary of State.

As Skills England transitions to operating as a formal arms-length body, members were keen to explore how businesses and providers could be more actively and formally engaged in discussions about priorities and challenges confronting the skills and training system. Working groups, sub-committees and expert panels were provided as examples of preferred stakeholder engagement mechanisms.

IfATE's responsibilities must be assigned during the transitional period to avoid adding to skills-related challenges

Members recognised that time was needed to formally transfer functions formerly covered by IfATE to Skills England but noted concern that a power vacuum could ensue between the time of IfATE disbanding disbands and Skills England's roles being filled and appointees adjusting to their respective roles. These concerns were arguably well-founded, and one provider explained that they are at risk of being removed from the Apprenticeship Provider and Assessment Register (APAR) because there could be a six-month gap between their last and next apprenticeship cohort, and the only way to be kept on the list was by delivering a standard that had no starts. They noted that this seems counterintuitive to the policy ambition of creating more apprenticeship opportunities and confirmed that they are struggling to rectify the problem due to IfATE no longer managing the APAR.

As such, members were keen to understand who is responsible for key IfATE responsibilities during the transitional period and for action to be taken to identify where gaps in provision had inadvertently been created and for responsibilities to be delegated to interim parties. Members agreed that the Department for Education would be well-placed to oversee these responsibilities across the period, given their prior closeness to IfATE and current role in steering the set-up of Skills England.

The set-up of Skills England should not be used as an excuse to delay further apprenticeship reforms...

There was widespread support from across membership for the Department for Education to build on announcements made during National Apprenticeship Week, and for the introduction of Skills England not to be used as an excuse to delay further necessary changes to the apprenticeship system.

Overall, increasing funding bands in line with annual inflation and reviewing eligible costs so funding more accurately reflects the true costs of assessment and delivery emerged as a top priority across provider and employer members. The failure of apprenticeship funding bands to keep pace with inflation and the inadequacy of funding was described as being a widespread problem affecting most

firms' ability to access quality training. For example, one provider noted that the maximum funding band allocation had been downgraded from £27,000 down to £22,000, despite the initial allocation being wholly inadequate. Another employer noted that the number of standards that have been retired because they are financially non-viable for providers to deliver is significant, amounting to 52 standards in Engineering and Manufacturing alone.

There was also considerable appetite for the list of eligible costs funded through the levy to be broadened out to cover accommodation and travel. Members stressed that the rise in National Insurance Contributions (NICs) combined with the high costs of engaging large cohorts of apprentices from across the country means that firms are struggling to absorb the additional expenses of training into other areas of the businesses, and many firms have had to reduce the number of apprenticeship opportunities as a result. It was also noted that excluding these costs was particularly detrimental to the government's ambition to reduce youth inactivity and business's efforts to increase uptake of training opportunities across younger people, given this age group tends to face significant pay-related barriers to training.

Thirdly, members supported the development of employer incentives to promote employer engagement in apprenticeships, but also education and training more broadly. It was noted that this should build on the effectiveness of previous incentives (such as the £3,000 incentive for 16–18-year-old apprentices) and engage business voices during the development of incentives to help ensure they are properly targeted and address the barrier(s) confronting firms. However, it was stressed that incentives should not be considered in isolation and must instead be part of a broader policy conversation on how employers can be supported to engage with the skills system.

... Or discussion on the Growth and Skills Levy

Members widely agreed that meaningful reform of the Growth and Skills levy would significantly impact their ability to invest in training to address their skills needs. Many businesses were therefore pleased to see its delivery had been formally assigned to Skills England, albeit slightly concerned as to when consultation for non-apprenticeship course flexibility would officially begin. There was also appetite for further details about how the skills 'Quad' would operate,⁵ and a general caution to not exclude employers who fall outside of the 'priority' sectors due to skills-related challenges extending across UK industries.

Overall, while some members expressed concern that the call for greater flexibility could impede SME's access to provision, all members agreed that the design of the levy makes it purposefully difficult for businesses to use their full levy pot because underspend is used to support SME provision, and the policy priority must be increasing the total amount of funding for skills and training. Members were also overwhelmingly in favour of total receipts raised through the levy being allocated to the apprenticeship budget,⁶ and for this to help support the extension of funding to non-apprenticeship training. Relatedly, members were widely in favour of greater transparency around how levy receipts were allocated to help stakeholders identify the available headroom for immediate flexibility.

Furthermore, there was strong concern raised in relation to the decision to defund Level 7 training opportunities, and the precedent this sets for funding other degree-level standards which have a strong economic return and support many young people onto skilled roles. There was also sizeable anxiety around the knock-on impact defunding will have on transferrable skills gaps in the workforce, given the role that apprenticeships such as the Level 7 Senior Leader standard have played in addressing them.

⁵ The 'Quad' comprises Skills England, Industrial Strategy Council, Migration Advisory Committee and Department for Work and Pensions.

⁶ And after subtracting for the funding allocated to the Devolved Nations via the Barnett consequentials.

Examples of training members would like to see made eligible for funding through the Growth and Skills levy were varied and suggests creating a prescribed list of non-apprenticeship training options that meet all of industry's skills needs will be difficult. Many members were keen to see funding extended to cover modules as well as full qualifications, and for the list of training to be broad enough while also meeting the government's concern of preserving funding for 'quality' training. It was agreed that ringfencing funding for accredited training could help meet both objectives, but that this should be introduced alongside greater employer-based support to accredit in-house training programmes.