

APPRENTICESHIP REFORMS AND FUTURE WORKFORCE DEVELOPMENT

A HIT Training Ltd. White Paper



Divisions of HIT Training Ltd.



APPRENTICESHIP REFORMS AND FUTURE WORKFORCE DEVELOPMENT

Executive Summary by Jill Whittaker OBE



The UK's apprenticeship and skills system is undergoing major reforms that will reshape workforce training for businesses of all sizes. However, uncertainty surrounding key policies – particularly the Growth and Skills Levy – has led to employer frustration, making workforce planning increasingly difficult. Large businesses are delaying investment in apprenticeships, while SMEs struggle with reduced opportunities via levy transfers. At the same time, the Treasury unfairly retains a significant portion of unspent levy funds placing financial pressures on the apprenticeship budget.

IN SHORT...

Functional Skills Reforms: Enhancing Accessibility Without Compromising Core Skills

The removal of mandatory Functional Skills exams for apprentices over 19 will reduce barriers to apprentices finishing their programmes, but literacy and numeracy remain critical for career progression. HIT is committed to ensuring every apprentice receives the level of literacy and numeracy support required for their role, with additional learning opportunities available for those who wish to develop these skills further.

Shorter Apprenticeships: Meeting Workforce Needs While Retaining Quality

Reducing the minimum apprenticeship duration from 12 to 8 months (August 2025) will provide greater flexibility, particularly for entry-level roles. However, funding must remain proportionate, and off-the-job training requirements should be adjusted accordingly to maintain meaningful learning experiences.

Foundation Apprenticeships: A Practical Entry Route for Young Learners

Launching in August 2025, Foundation Apprenticeships aim to increase participation among young learners. To be effective, they must be concise (no more than four months), job-focused, and deliver transferable skills. If tied to an 8-month minimum duration, they risk losing employer engagement.



End-Point Assessment Reform: A Balanced Approach to Measuring Competency

The government is considering a shift from high-stakes final assessments to a more continuous approach. HIT supports a balanced model that maintains rigour while improving apprentice confidence and retention.

Growth and Skills Levy: Reinvestment and Flexibility Are Essential

Delays in confirming levy reforms are discouraging employer investment. For the Growth and Skills Levy to be effective, all levy contributions must be fully reinvested into training, and employers should have access to a flexible model that aligns with the current apprenticeship to simplify the allocation of funds. A modular approach—allowing employers to select individual training components from current apprenticeship standards—would better meet workforce needs.

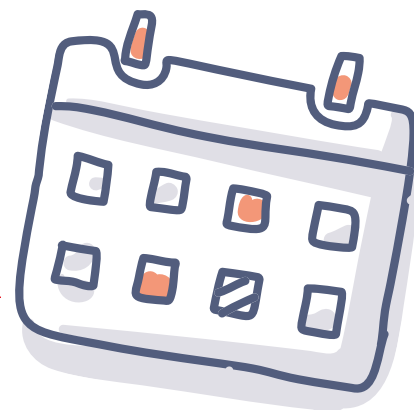
Simplifying the Apprenticeship Service (formerly DAS) and allowing training providers to administer it on behalf of employers would reduce administrative burdens, particularly for SMEs.

Devolution of Adult Skills Funding: Engaging Locally to Shape Workforce Development

As more funding is devolved to mayoral combined authorities, local engagement is crucial to ensure training aligns with business needs. HIT is actively working with regional bodies to ensure Local Skills Improvement Plans (LSIPs) reflect real employer demands.

Impact of National Insurance Contributions Increase: Supporting Employers Through Apprenticeships

The increase in employer National Insurance Contributions (NICs) from 13.8% to 15% (April 2025) along with the reduction in the NICs earning threshold will place financial strain on businesses. Expanding NIC exemptions beyond under-25 apprentices could incentivise apprenticeship uptake while mitigating rising employment costs.



Conclusion

Over the next 12 months, the government will confirm key apprenticeship and skills reforms that will shape workforce development for years to come. While policy delays and funding constraints present challenges, new initiatives – including shorter apprenticeships, Foundation Apprenticeships, and modular funding models – offer an opportunity to build a more agile, employer-led skills system.

HIT Training Ltd. remains committed to working with employers, policymakers, and sector bodies to ensure apprenticeships and skills training remain relevant, accessible, and valuable to UK businesses and the wider economy.



Introduction

The government's planned reforms to the apprenticeship and skills system are set to reshape workforce training across the UK. However, delays in confirming details – particularly around the Growth and Skills Levy – have led to widespread employer frustration. Large businesses are holding back on apprenticeship investment, uncertain whether they will soon be able to use levy funds for alternative training routes, while the reduction in levy transfers is limiting opportunities for SMEs to take on apprentices. Planning workforce development has become increasingly difficult as businesses lack clear guidance on what training models will be introduced and supported in the long term.

At the same time, financial pressures on the apprenticeship budget are intensifying. The Department for Education (DfE) has spent 99% of the £2.525 billion apprenticeship budget in 2023-24, leaving little flexibility for expansion. However, DfE does not budget for the full levy to be spent which means that the Treasury is retaining over £800 million of levy funds rather than reinvesting them into the UK skills system. In response, the government has already announced the withdrawal of levy funding for Level 7 apprenticeships, a move expected to save £240 million annually, and there is speculation that Level 6 apprenticeships could follow. While these changes reflect a prioritisation

of funding towards lower-level apprenticeships, they risk limiting access to higher-level technical training at a time when employers are struggling to fill skilled vacancies.

HIT Training Ltd. (HIT) welcomes reform that makes the apprenticeship system more relevant, efficient, sustainable, and accessible. However, the success of these changes depends on how well they align with the needs of employers. Our position is clear: apprenticeship reform must maintain quality, reduce bureaucracy, and ensure that all levy contributions, not just those budgeted by the DfE, are reinvested in workforce development.

This paper outlines the key changes ahead and our recommendations for creating a skills system that works for businesses of all sizes.



Functional Skills:

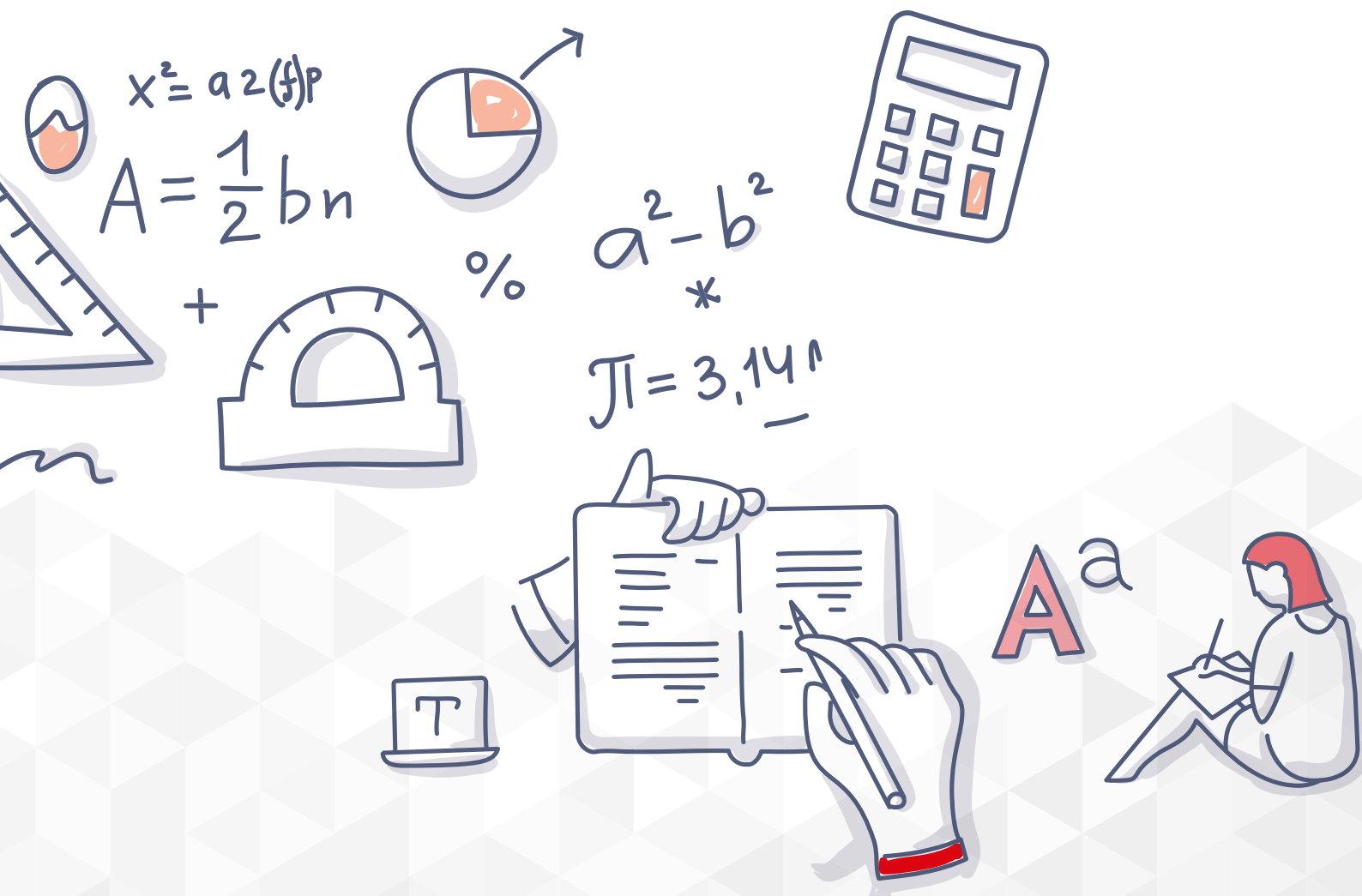
A Step Towards Flexibility, But Literacy and Numeracy Remain Critical

Before February 2025, apprenticeships were the only adult study programmes that required passing exams in both English and maths (known as Functional Skills) to complete their apprenticeship, which discouraged many potential apprentices. The reforms introduced on 11 February 2025 mean that apprentices who start on or after their 19th birthday no longer need to pass Functional Skills qualifications at the level specified in their apprenticeship standard to complete their programme or to undertake their final assessments.

This change is aimed at removing barriers to success and making apprenticeships more accessible. However, some literacy and numeracy skills remain essential for career progression and workplace success. The requirements for 16- to 18-year-olds to study and pass Functional Skills remain unchanged, ensuring that young apprentices continue to develop these core skills.

While increased flexibility is welcome, HIT remains committed to ensuring that all apprentices have access to the skills they need to do a great job

and get on in life, including literacy and numeracy. We want our apprentices to succeed, so we have looked at each apprenticeship to determine the minimum level of numeracy and literacy the person needs to be successful in that role. If they and their employer want to aim higher, we are here to support them. Every employer we work with wants the best for their staff, and we will continue to engage directly with apprentices and employers to assess individual needs, ensuring no apprentice is left without the core skills required for future success.



Shorter Apprenticeships: A Step Towards Flexibility, But Literacy and Numeracy Remain Critical

Currently, by law, apprenticeships must be a minimum of 12 months in duration. This requirement has resulted in some entry-level apprenticeships being artificially stretched to fit the 12-month minimum, rather than aligning with the natural pace of learning. The 12-month rule also restricts apprentices who work at a faster pace or who already possess some of the knowledge, skills, and behaviours required for their apprenticeship.

From August 2025, the government will reduce the minimum duration of apprenticeships from 12 months to 8 months to not only address urgent skills shortages but also allow for faster workforce entry and progression without diluting the quality already ingrained within apprenticeship standards. We support shorter apprenticeships where

appropriate, provided that funding remains. Off-the-job training (currently a minimum of 6 hours per week over a 12-month programme) should be proportionally reduced, ensuring that apprentices still receive meaningful learning experiences without adding an additional burden to them and their employer.

Foundation Apprenticeships: A Necessary Stepping Stone for Young Learners

Launching in August 2025, Foundation Apprenticeships are designed to reverse the 40% drop in under-25 apprenticeship starts since 2015-16 by providing a simplified entry route into employment and further training for young people who aren't quite ready for an apprenticeship. Funded through the apprenticeship levy, these programmes will be targeted at younger learners (exact age group yet to be defined), helping them develop core workplace skills before progressing to full apprenticeships.

To be effective, Foundation Apprenticeships must be concise and practical – **lasting no more than four months** – allowing learners to become job-ready without unnecessary delays. They should also contain transferable skills, recognising that many young people change career paths. If designed correctly, Foundation Apprenticeships could provide an accessible first step into the workforce, ensuring that more individuals gain early exposure to structured workplace training.

However, there is concern that by calling them Foundation Apprenticeships, the government may require them by law to follow the same minimum

duration rules as other apprenticeships, meaning they would have to last at least eight months. If this happens, they could lose their appeal to employers who need short, targeted training programmes of no more than four months to quickly equip employees with essential workplace skills.



Future Changes to End-Point Assessment:

Reducing Stress, Maintaining Rigour

Currently, an apprentices competency is only assessed at the end of the programme through an independent End-Point Assessment (EPA). The government has indicated that changes are forthcoming to simplify the process, introducing continuous assessment to reduce reliance on high-stakes final tests.

A shift towards ongoing competency assessment is welcomed, provided it maintains integrity. A more balanced assessment model could improve apprentice confidence, reduce drop-out rates, and ensure that learners demonstrate skills

progressively throughout their programme. HIT will monitor developments closely over the coming months and contribute to discussions on how best to implement these reforms.



Growth and Skills Levy:

Reform is Needed, but Employer Confidence Must Be Restored

The proposed Growth and Skills Levy aims to give employers greater control over how they use levy funds, allowing a percentage of contributions to be spent on training beyond traditional apprenticeships. However, delays in confirming these reforms have created uncertainty, with many large employers hesitant to invest in apprenticeships while waiting for clarity on levy spending rules.

Additionally, the reduction in levy transfers from large employers to SMEs is having a tangible impact on small businesses, making it harder for them to offer apprenticeship opportunities.

For the Growth and Skills Levy to be effective, all funds paid into the levy must be reinvested into training, rather than a significant portion being retained by the Treasury. The system must also be simpler and more flexible. Many employers, lacking a government-funded alternative, have had to convert existing training schemes into apprenticeships to use their levy budgets. While this works in some cases, it often results in staff not completing their programmes because the apprenticeship structure does not align with their specific training needs.

Apprenticeships encompass all skills, knowledge, and behaviours required for a role. Therefore, modularising the programme – allowing employers to choose the components their staff need – makes sense for those who do not require an entire apprenticeship. Modules could be individually certificated and, if needed, could eventually build into a full apprenticeship. This simple flexibility would significantly help employers upskill their workforce quickly.

Furthermore, the Apprenticeship Service (formerly the Digital Apprenticeship Service, or DAS) is cumbersome and inflexible, requiring employers to register and approve apprenticeship starts through a centralised system. This additional administrative burden is generally

unwelcome – especially by SMEs. Allowing training providers to manage the system on behalf of employers – if desired by the employer – could streamline the process and encourage more employer engagement.

A modular, employer and employee-friendly system would make apprenticeships more accessible, practical, and responsive to modern business needs, increasing engagement, upskilling, and retention.



Impact of Devolution on Adult Skills Funding and the Importance of Local Engagement

The devolution of Adult Skills Funding (ASF) is transforming how education and training are administered locally across England. Currently, approximately 60% of the Adult Skills Fund is devolved to nine mayoral combined authorities like the Greater Manchester Combined Authority and the Greater London Authority, enabling these regions to tailor adult education and skills to local needs.

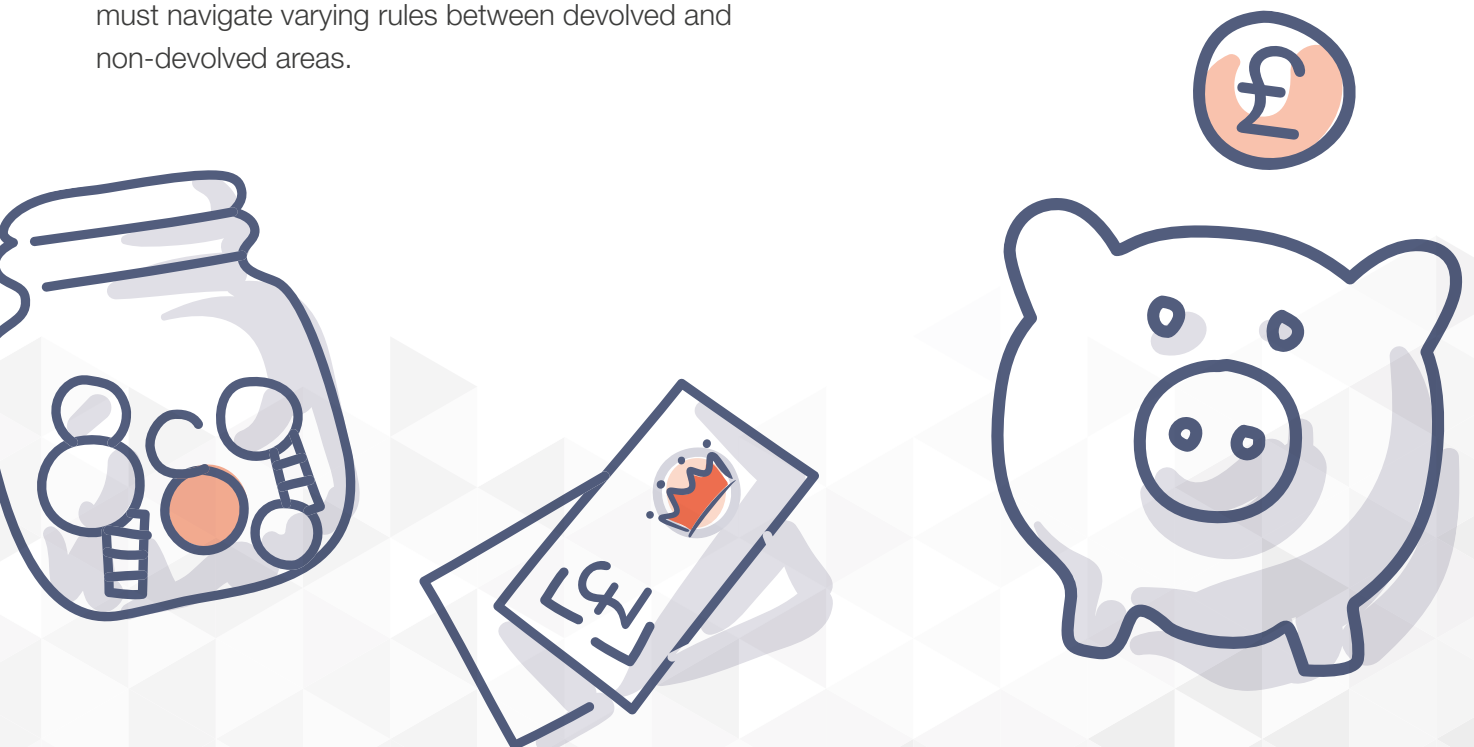
To accelerate devolution, the government's Devolution Priority Programme will establish six additional mayoral combined authorities, with elections scheduled by May 2026. The proposed areas are:

- ▶ **Cumbria**
- ▶ **Cheshire and Warrington**
- ▶ **Norfolk and Suffolk**
- ▶ **Greater Essex**
- ▶ **Sussex and Brighton**
- ▶ **Hampshire and the Solent**

Devolution allows these authorities to shape adult education and skills in their area to support local needs, including addressing specific skills gaps and priorities. However, it also introduces complexity, as education and training providers and employers must navigate varying rules between devolved and non-devolved areas.

HIT Training Ltd. is proactively engaging with local authorities across these existing and proposed devolved areas. Our goal is to represent the interests of both small and large employers in our sectors, ensuring that Local Skills Improvement Plans (LSIPs) reflect the real needs of businesses. By collaborating closely with local authorities, we aim to contribute to the development of responsive training programmes that address specific regional skills shortages and support economic growth.

As devolution progresses, HIT is committed to adapting our strategies to meet the unique requirements of each region, ensuring that our apprenticeship and training offerings align with local priorities and contribute effectively to workforce development nationwide.



Impending National Insurance Contributions Increase:

Implications for Businesses and the Role of Apprenticeships

In the October 2024 Budget, Chancellor Rachel Reeves announced significant changes to employer National Insurance Contributions (NICs), effective from April 2025. The employer NIC rate will increase from 13.8% to 15%, and the earnings threshold at which employers begin paying NICs will decrease from £9,100 to £5,000.

The increase in NICs is expected to substantially affect businesses, particularly small and medium-sized enterprises (SMEs). Higher employment costs may lead companies to adjust their operational strategies, including hiring freezes or staff reductions, wage and benefit adjustments and increased product and service pricing.

Apprenticeships as a Mitigation Strategy

Despite these challenges, employers can leverage existing NIC exemptions to mitigate increased costs. Since April 2016, employers have been exempt from paying Class 1 NICs for apprentices

under 25 years old, earning less than £967 per week (£50,270 annually), who are on an approved UK government apprenticeship standard or framework.

To further incentivise investment in apprenticeships and alleviate the financial burden of increased NICs, the government should consider removing the age limit for NIC exemptions on apprentices. Extending this exemption to all apprentices, regardless of age.



To Conclude

Over the coming 12 months the Government is expected to confirm significant apprenticeship and skills reforms, many of which will shape workforce development for years to come. While funding constraints and levy reform delays create challenges, the potential for shorter apprenticeships, Foundation Apprenticeships and flexible funding approaches presents an opportunity to build a more agile, employer-led skills system.

HIT Training Ltd. remains committed to working with employers, policymakers, and sector bodies to ensure that apprenticeships and skills training remain relevant, accessible, and valuable to UK businesses and the wider economy. Foundation and Shorter Apprenticeships and flexible funding approaches presents an opportunity to build a more agile, employer-led skills system.

