

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

INSTITUTE FOR APPRENTICESHIPS AND TECHNICAL EDUCATION (TRANSFER OF FUNCTIONS ETC) BILL [*LORDS*]

Third Sitting

Thursday 20 March 2025

(Morning)

CONTENTS

CLAUSES 11 AND 12 agreed to, with amendments.
New clauses considered.
Adjourned till this day at Two o'clock.

No proofs can be supplied. Corrections that Members suggest for the final version of the report should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor’s Room, House of Commons,

not later than

Monday 24 March 2025

© Parliamentary Copyright House of Commons 2025

This publication may be reproduced under the terms of the Open Parliament licence, which is published at www.parliament.uk/site-information/copyright/.

The Committee consisted of the following Members:*Chairs:* SIR CHRISTOPHER CHOPE, † GILL FURNISS

Brewer, Alex (*North East Hampshire*) (LD)
 † Cox, Pam (*Colchester*) (Lab)
 † Daby, Janet (*Parliamentary Under-Secretary of State
for Education*)
 † Dean, Josh (*Hertford and Stortford*) (Lab)
 † Edwards, Lauren (*Rochester and Strood*) (Lab)
 † Foxcroft, Vicky (*Lord Commissioner of His
Majesty's Treasury*)
 † Gelderd, Anna (*South East Cornwall*) (Lab)
 † Hinds, Damian (*East Hampshire*) (Con)
 † Ingham, Leigh (*Stafford*) (Lab)
 † O'Brien, Neil (*Harborough, Oadby and Wigston*)
(Con)
 † Onn, Melanie (*Great Grimsby and Cleethorpes*)
(Lab)

† Paul, Rebecca (*Reigate*) (Con)
 † Sollom, Ian (*St Neots and Mid Cambridgeshire*)
(LD)
 Spencer, Patrick (*Central Suffolk and North Ipswich*)
(Con)
 † Strickland, Alan (*Newton Aycliffe and Spennymoor*)
(Lab)
 † Swallow, Peter (*Bracknell*) (Lab)
 † Turner, Laurence (*Birmingham Northfield*) (Lab)

Aaron Kulakiewicz, Chris Watson, Adam Evans,
Committee Clerks

† **attended the Committee**

Public Bill Committee

Thursday 20 March 2025

(Morning)

[GILL FURNISS *in the Chair*]

Institute for Apprenticeships and Technical Education (Transfer of Functions etc) Bill [Lords]

11.45 am

Clause 11

Extent

Question proposed, That the clause stand part of the Bill.

The Chair: With this it will be convenient to discuss the following:

- Government amendment 1.
- Clause 12 stand part.
- Government amendment 2.
- Clause 14 stand part.

The Parliamentary Under-Secretary of State for Education (Janet Daby): Government amendment 1 lets the Secretary of State make regulations that determine the date, or dates, when clauses 1 to 8 and schedules 1 to 3 come into force. The other provisions of the Bill in clauses 9 to 14 come into force on the day on which the Bill is passed.

This amendment seeks to overturn the amendment passed in the other place that places a 12-month delay between the creation of Skills England and commencement of key parts of the Bill, including the clauses that transfer functions from the Institute for Apprenticeships and Technical Education to be exercised by Skills England. It was hugely disappointing that, despite broad support for the urgent need for reform, peers in the other place voted for that delay. Reform is exactly what the Bill and Skills England will deliver. After 14 long years of complacency and neglect, this Government are driving high standards, and we have a plan for change. A delay will benefit no one.

Skills England is already operating in shadow form and, once the Bill is passed, it stands ready to become a fully operational arm's length body. The leadership is already in place, with the chair, the vice-chair, the chief executive officer, the deputy CEO and a full team of senior civil servants already working as one. The work is well under way; Skills England reported on skill gaps in September last year. It is connecting decision making across regional and national Government, as well as working closely with training providers, trade unions and employers. It is collaborating with businesses to develop sector plans for the forthcoming industrial strategy.

Skills England is working with closely with the Migration Advisory Committee to access skills needs to identify shortages in occupations. That will help to identify and grow our domestic skills pipeline over time, which will reduce our reliance on overseas workers. We need to build our own skilled workforce, and Skills England is moving ahead. The Bill gives it some of its key tools, but there is no case for delay, and I commend Government amendment 1 to the Committee.

Government amendment 2 would remove clause 14(2) of the Bill. It is normal procedure for Bills originating in the House of Lords to require the insertion of a standard privilege amendment such as subsection (2). This formally recognises the privilege of this House to control charges on people and public funds. Therefore, in accordance with normal procedure, we now remove the privilege amendment so that any such charge is imposed by this House, rather than the House of Lords. I commend Government amendment 2 to the Committee.

Clause 11 sets out the territorial extent of the provisions contained within the Bill. This is a standard clause for all legislation. Clauses 1 to 7, clause 9 and schedule 2 extend to England and Wales. Clause 8 extends to England, Wales and Northern Ireland. Clauses 10 to 14 and schedules 1 and 3 extend to England and Wales, Scotland and Northern Ireland.

I have already touched upon clause 12 as part of Government amendment 1, which states when the provisions of the Bill will come into effect. Clause 12 should stand part of the Bill, as amended by Government amendment 1. Furthermore, as is standard practice, clause 14 gives the Bill a short title by which it may be known once it becomes an Act. The short title given is the

“Institute for Apprenticeships and Technical Education (Transfer of Functions etc) Act 2025.”

I commend clauses 11, 12 and 14 to the Committee.

Neil O'Brien (Harborough, Oadby and Wigston) (Con): Clause 11 talks about the geographical extent of the Bill, which it says is England and Wales. This is a very small point, but it is worth noting that the Bill and decisions under it will actually affect other parts of the UK as well, not least because they affect degree apprenticeships and higher education. For example, the University of Strathclyde is a leading provider of graduate apprenticeships and degree apprenticeships across Scotland and England; I will return to that overlap later on.

On a more substantive note, Government amendment 1 seeks to overturn the one-year pause inserted in the House of Lords. Why did peers insert that? Why was there so much debate, and such wariness about this Bill? First, because there were good reasons that standard setting was put at arm's length and closer to employers. We heard from all parts of the House of Lords that this Bill is a centralisation and, alongside other changes the Government are making, it will risk directly damaging the status of these qualifications.

Secondly, the Government are doing several things that will make it less likely that businesses will take on apprenticeships, starting with the Budget. Rather than fixing those problems, the Government are reorganising. Skills England will be the 13th skills body in 50 years.

It is abolishing IfATE, which was created only seven years ago—yet more reorganisation, rather than a focus on the real issues.

Thirdly, peers had—and we have—real concerns that the reorganisation of the machinery of Government will lead to harmful delays in addressing some of the most important strategic issues we face. Those concerns are borne out by the Government’s impact assessment, which states that there may be a drop in apprenticeship starts while IfATE’s functions are transferred to the Secretary of State. It says:

“The transfer of function from IfATE to the DfE could potentially cause a temporary slowdown in the growth rate of new apprenticeships and technical education courses due to potential delays in the approvals process resulting from the Bill... This may disproportionately impact disadvantaged learners, who rely more heavily on these pathways for career advancement.”

Fourthly, peers inserted the delay because of concerns about what will happen as DfE tries to absorb all the staff of IfATE. Lord Blunkett, who was one of the most interesting speakers in the Lords, said:

“My fear... is that given the number of people currently transferable from IfATE, full- and part-time, which nudges 200... there is a real danger that IfATE will swamp Skills England at birth.

When two years ago I led on the learning and skills document that was a precursor to Skills England... we never envisaged that an agency inside government would have to take on the assurance and accreditation of the relevant sector standards.”

He continued:

“A Skills England that has no legislative backing and no parliamentary references but is down merely to the changing face of ministerial and departmental appointments is in danger of losing its birthright before it has got off the ground.”—[*Official Report, House of Lords*, 21 November 2024; Vol. 841, c. GC98.]

That argument is somewhat different from the others. His argument, as somebody sympathetic to the creation of a body like Skills England, albeit outside the Department, is that it needs time to establish its own culture and balance, and to grow and develop some roots, before the IfATE elephant steps into the Skills England rowing boat.

Since we last met as a Committee, we have received further written evidence from the Skills Federation, which brings together 18 employer-led sector skills bodies, representing more than 150,000 employers. They add their voices to the concerns. The organisation warns:

“Transfer of IfATE functions risks disruption and a focus on operational rather than strategic priorities... The movement of functions and the people that carry them out will always be challenging. It is important that the transfer is planned effectively, and the time taken to think through the implications for IfATE staff, but also the impact on the system. Compromises will no doubt have to be made to balance the need for pace with the requirement to retain operational continuity.

However, there is a key risk that transfer of functions from IfATE will become the key focus for the set-up of Skills England and less attention (and potentially resources) placed on achieving the overarching aims.”

That is a direct reinforcement of the argument that Lord Blunkett made in the Lords. It is very sensible advice to take our time.

In contrast to employers’ groups, Ministers say there is no time to wait. In truth, there is no great obstacle to the Department doing all the things it might want to do, and establishing Skills England a little bit more before that big transfer of staff, but Ministers want to take this one-year pause out of the Bill with their Government

amendment 1. They would be wiser to listen to the grey-haired people in their own party, such as Lord Blunkett, but it seems they are not minded to do that.

This group also includes Government amendment 2 to remove the Lords’ privilege amendment. For the benefit of those following the proceedings, as the Minister said, the Lords automatically insert these amendments when there is legislation starting in the Lords that involves levies and taxpayers’ money, to avoid formal infringement of the Commons’ privileges over those things.

There is nothing unusual about that, but the privilege amendment is put in as a deliberate reminder that the Bill has a significant impact on spending of both levy and taxpayers’ money. The sums involved here are non-trivial—it is billions of pounds of spending, governed by IfATE today and by the Department for Education in future. The ongoing chronic uncertainty about the Government’s plans to allow employers to take money out of apprenticeships is not just damaging for business—it is damaging on a significant scale.

In the last Bill Committee sitting, the Minister promised to write to me to set out the Government’s position on the 50% flexibility. I hope she will tell me today when that letter is likely to appear, because businesses are starting to raise the alarm ever louder.

Since the Committee last met, even more businesses have come out with criticisms. Jane Gratton, the deputy director of public policy at the British Chambers of Commerce has said that the lack of clarity about the future of the growth and skills levy was creating “fresh uncertainty among businesses.” She said that some employers had told the BCC that they had put training plans on hold until they heard what alternatives would be funded in future. She called on the Government to lay out a clear timeline for reform and said that threats to cut the levy before it had even been established are “worrying and destabilising”.

Likewise, Simon Ashworth, the deputy chief executive and director of policy at the Association of Employment and Learning Providers, said:

“there’s little room for manoeuvre—scrapping level 7 apprenticeships won’t yield savings for years... Until the programme budget more closely matches the levy take, it’s imperative funding priorities are aimed at maintaining the sustainability of apprenticeship standards, rather than introducing further non-apprenticeship flexibilities.”

That is a very important warning.

This is all happening against a backdrop where other types of technical education covered by IfATE are shrinking too. I am old enough to remember when Labour MPs spent years saying that adult skills spending was not generous enough—yet yesterday we learned that the DfE is to cut adult skills budgets by 6%. Amazingly, that came out at the same time as the welfare reform Green Paper, which overshadowed it and mentioned training 18 times. In the Chamber the other day, the Secretary of State for Work and Pensions made an argument—a good argument—that it is better to get people into training rather than parking them on benefits; yet elsewhere, at the very same moment, DfE Ministers were cutting the training budget.

Skills England was supposed to bring a joined-up approach to policymaking. There is not much sign of that here. Instead, it will reinforce the concerns of those who want technical education to be more independent and employer-led.

[Neil O'Brien]

I ask the Minister a specific question on the funding that IfATE regulates. Yesterday, we got an announcement on schools funding. The Association of School and College Leaders and the Confederation of School Trusts are warning that the funding only covers part of the costs of the national insurance increase and is leaving schools with a funding gap ranging from 10% to 35%—but at least schools are getting the funding announcement before the start of the financial year, albeit only days before.

Technical education is not so lucky. Colleges and 16-19 institutions will have to wait. They will be told their allocations this May and will be paid in September, even though they will have to start making the increased tax payments from the start of the new financial year in just a few days' time. As James Kewin, deputy chief executive of the Sixth Form Colleges' Association points out:

"16 to 19 funding is uncertain at the best of times, but this year colleges are also waiting for their post-16 budget grant allocations (scheduled for May) and a decision on the 10 per cent T-level uplift... This is all very late in the day".

He is right. Once again, technical education is being treated as the poor relation.

We already know that independent training providers and specialist colleges will not get any compensation, and it is unclear how much of next month's national insurance rise will be covered by the grant. Can the Minister stand up and reassure the sector today that all the additional costs, including those for indirectly employed staff, will be covered by the grant? Or will they, like schools, find that they have been short-changed?

I will not labour the point, but many people, including employer groups and very experienced people on the Labour side, have warned about the rush to bring these powers and functions into the Department and the effect that that will have on the Government's own plans for Skills England. Ministers would be sensible to listen.

12 noon

Damian Hinds (East Hampshire) (Con): It is good to see you in the Chair, Ms Furniss, for these proceedings today. I rise to speak against Government amendment 1 and, by extension, in defence of clause 12 as it came out of the other place.

To be clear, we want Skills England to succeed, and clause 12 as drafted will help Skills England to succeed. It is a breathing space clause, allowing Skills England to operate for a year before it has to absorb IfATE's functions. The Minister just described it as disappointing that this clause was inserted by the other place. I do not think it is disappointing at all. It is a very good thing. It is not anti-Skills England. It is a pro-Skills England clause to give the new body its best chance of success.

My hon. Friend the Member for Harborough, Oadby and Wigston and I did not confer in preparing our notes for this morning, but I, like him, was very struck by what another former Sheffield MP, the noble Lord Blunkett, said in the other place. He noted that with the transfer of functions, close to 200 people would transfer from IfATE over to Skills England and, in his words,

"there is a real danger that IfATE will swamp Skills England at birth."—[*Official Report, House of Lords*, 21 November 2024; Vol. 841, c. GC98.]

Skills England has a really important function to perform. Were it to be hampered in that because of operational complexities and difficulties, that would be deeply regrettable. To understand why this is significant, it is important to note that Skills England and IfATE have different shapes—as an analogy, think about different depths and breadths. Skills England will, at least initially, prioritise 10 sectors: the eight sectors identified as growth-driving sectors in the industrial strategy. Added to those we have construction and health and care, which are also essential to some of the Government's other missions—so eight plus two makes 10. It will develop skills needs assessments for each of those 10 priority sectors to feed into the industrial strategy planning process.

In the noble Baroness Smith's very helpful letter to peers on 18 March, she says that work is under way on the eight growth-driving sectors identified in the industrial strategy. That begs the question: what about the other two? They are also identified as being crucial to Government missions. Another question: what about the other volume sectors of employment in the economy? I worked in hospitality for almost 20 years before coming to this place. Hospitality is a fundamental part of our economy; hospitality and retail along with care form the biggest employers in our country. There is sometimes a danger with being mission-led that, if something falls slightly outside the scope of the mission, it gets slightly overlooked. I know that many in those sectors would be keen to hear more about that.

On top of the three big volume sectors of hospitality, retail and care, we could also add admin and support—four sectors that collectively historically have accounted for about a quarter of gross value added in this country, but account for about three quarters of the people in the country who are low paid. For many social justice and equality reasons, those sectors need to have proper focus.

That is what Skills England is currently planning to do. IfATE does something rather different and is on a different scale. That goes back to what I was saying about the difference between depth and breadth. IfATE creates and maintains over 600 occupational standards for apprenticeships, T-levels and higher technical qualifications. It works with employers to develop, approve and review occupational standards. It creates and maintains the occupational maps, which group together occupations into 15 routes. It approves, reviews and ensures the quality of approved technical qualifications and their alignment with the occupational standards, and it develops, reviews and approves apprenticeship standards.

Skills England is initially looking at a narrower set of sectors, but with a much broader remit for those sectors; that is what I mean about the difference between breadth and depth. It does more than IfATE, and each of the additional things will, in its own right, take a lot of work to properly establish. That is why I say that clause 12 as currently drafted is a pro-Skills England clause: it seeks to give Skills England the best opportunity to achieve those ends.

Each of the three elements of Skills England's remit is big. It will, first, identify where skills gaps exist and, secondly, work with the Industrial Strategy Council and the Migration Advisory Committee to address them.

Those are the two bodies that have typically been mentioned in the Government documentation, although recently Ministers have also started mentioning, importantly—it should not be overlooked—the Labour Market Advisory Board, which the noble Baroness Smith spoke about in the House of Lords recently. Thirdly, Skills England is to identify the training that is accessible via the growth and skills levy. Each of those is a very large undertaking that will take time to establish.

Let us take them in turn. First, Skills England will identify skills gaps. On the face of it, that might sound straightforward, but it is not. The first question is: what constitutes a skills gap, and what level of detail are we talking about? Are these individual job roles, groups of job roles or industries? It is also necessary to distinguish between skills that need to be provided systemically, in our education and training system, and skills that firms themselves should be able to train for.

We all know that filling vacancies can be difficult. In my constituency, which has had very low levels of unemployment over the past 10 years or so, it is the No. 1 thing that businesses talk about. It is obviously related to skills gaps, but it is not necessarily the same thing as skills being absent. The Minister talked about the need to home-grow our labour, but a key question for firms that are importing labour—this is relevant to some of the sectors I mentioned—is whether they can be persuaded to make the investment and take on, in some cases, the risks involved in not bringing in labour from abroad. That is a question for individual firms. It is also a question for some whole sectors or sub-sectors.

A real example is social care. Most people would say that it is perfectly possible to train people up to work in social care, but for a potentially complex set of reasons—I do not intend to go into it today, and we do not have time for it—people do not want to go into social care. When business leaders complain to us about the lack of skills, they are typically not talking about the sorts of things that can be certificated. They do not say, “Not enough people have grade C or above GCSE maths,” and they do not say that not enough people have a BTec in such and such or an apprenticeship in something else. They mostly talk about soft skills, or what are called soft skills—some soft skills really are soft skills, but some of them are what in business terms are more properly called behaviours: self-discipline, turning up to work on time and so on. It is not clear to me how that set of soft skills—in my experience, the No. 1 thing that businesses talk about—relates to the work of Skills England.

To come back to the specific questions about the skills required for particular sectors or individual job roles, there is also the question of how far into the future Skills England is looking. Is it talking about how we fill the skills gaps we have today, or about the future effect of artificial intelligence on the labour market, and what we should be planning for 10 or 15 years hence?

There is also a question about the level of ambition. There is a certain set of skills required—craft skills and so on—to fill the vacancies we have today, as jobs exist today. But it is also true that this country has a productivity gap against the United States, Germany, France and others. By the way, that has been true every year since I have been alive—I think I said that last Thursday as well. I am 55 today—I do not mean it is my birthday today, but I am 55 now—so that is quite a long time. If we were being really ambitious, we would not ask

what skills we need to fill the jobs that we have today, but what we need to do to make up that skills gap, and what skills are needed to fulfil that.

In identifying where skills gaps exist, Skills England will also have to deal with localities, because jobs exist in certain places. It will have to work with devolved Administrations and with mayors, and mayors will have their own views about the skills gaps in their areas. Will there be a hierarchy of analysis? At what level is Skills England going to identify gaps, and to what extent will that fall to the local area? I will come back to that later. It is also true—I have experienced this myself when talking about the adult education budget, for example, with mayors and local authorities—that, quite rightly and understandably, local governance structures and leaders often want more power to be devolved to their local area. Skills England will have to find its place in what can be a tense area.

There is also the question of LSIPs—local skills improvement plans and local skills improvement partnerships. In the debate on this subject in the other place, Lord Lucas said:

“The word I hear is that LSIPs have been a real success, as they are effective and flexible. It takes a couple of years for the DfE to evolve a qualification but LSIPs can do it in weeks, because they are so focused on the actual local employer need and work closely with a provider.”—[*Official Report, House of Lords*, 21 November 2024; Vol. 841, c. GC125.]

The Liberal Democrat, Baroness Garden, said:

“I think it is important that the Secretary of State must set the priorities for LSIPs and review them regularly to ensure that their priorities are reflected in national strategies for the creation of standards”.—[*Official Report, House of Lords*, 21 November 2024; Vol. 841, c. GC106.]

The Minister herself, Baroness Smith, said:

“LSIPs and the employer representative bodies that develop them will also provide important intelligence to Skills England to inform its assessment of national and regional skills, both now and in future. They will work with Skills England to resolve skills gaps.”—[*Official Report, House of Lords*, 21 November 2024; Vol. 841, c. GC128.]

However, in her letter to peers two days ago, she wrote that Skills England is now—already—responsible for oversight of LSIPs and relationship management for all 38 of the designated employer representative bodies, but also that LSIPs will be a joint responsibility between mayoral authorities and those employer representative bodies.

Devolution is increasing, so the other part of the background is the English Devolution White Paper. At the same time as we are creating Skills England to be the uber skills authority in the land, the foreword to the White Paper, in the hand of none other than the Deputy Prime Minister herself, says:

“We will give Mayors strong new powers over...skills, employment support and more”.

The White Paper states:

“The majority of the Adult Skills Fund is devolved...but we need to go further”,

continuing:

“Strategic Authorities will take on joint ownership of the Local Skills Improvement Plan model, alongside Employer Representative Bodies, which set out the strategic direction for skills provision in an area.”

[Damian Hinds]

The question for Skills England, therefore, is how that will work in practice. Clearly, it will take a lot of time and work to make the new structures operational, at a time when the structures themselves are changing in so many areas, with the devolution White Paper being implemented. This is complicated architecture anyway, but potentially something is still missing: ultimately, how we match up demand and supply.

12.15 pm

It is relatively straightforward to say, “We have a skills gap in this sector, industry or particular job role, so we will create, accelerate or revise a qualification to fulfil that need.” That does not make a single young person—or older person—decide, “Yes, that is what I am going to study. That is how I am going to train to go into that line of work.” LSIPs do sort of do that: at a local level, they liaise between colleges and employers to make sure that what is on offer is relevant for the local economy, for the vacancies and the job needs that people going through that college will face when they leave. They do so in a fairly soft way, however. There is no hard lever to say, “Only x number of positions will be available”—in hairdressing, care or whatever it might be—“because there will only be that number of jobs.”

Some countries take a much harder approach. When I was at the DFE, we visited the Netherlands—it was on the same trip that we visited Germany, but the Netherlands visit was more to talk about college-based technical and vocational education and training—where it was explained that the legislative framework in effect requires the number of training or studying places in a college to be in proportion to that which is needed in the economy.

Some difficult questions get attached to that. At the end of the day, yes, of course we want the numbers of people studying x to link to the jobs that are available, but we also want someone between the ages of 16 and 18 doing something, and there may be a mismatch between those numbers, so that we need a different or moderated approach. The question for the Minister and for Skills England—a difficult question for them to address in the 12 months envisaged under clause 12—is whether Skills England will ultimately be setting bounds around the numbers of people training in different skills areas, including in 16-to-18 colleges.

The second thing that Skills England is to do is to work with the Industrial Strategy Council and the Migration Advisory Committee to address these matters. Working across Government is a non-trivial task; there are many different parts of Government and many Departments with an interest or a role in the labour market, and different accountabilities attach to different Departments. For example, the Treasury has great interest, for obvious reasons, in the employment percentage, and so does the Department for Work and Pensions. The Minister’s own Department, the DFE, is held accountable for the number of people doing apprenticeships. The Government Equalities Office looks at the gender pay gap. Multiple Departments seek to reduce the ethnic minority and disability employment gaps. The Home Office ultimately has control over immigration and visas.

Furthermore, different Departments have responsibility for different sectors. For example, the Department for Culture, Media and Sport has a particular responsibility for tourism, which is a big employer, as well as the creative industries, which are a big engine of growth. The Department of Health and Social Care clearly has responsibility for health and social care, and the Department for Environment, Food and Rural Affairs has responsibility for agriculture, with its particular labour needs, including seasonal labour. Overall, all Departments, but particularly the Treasury—and, indeed, No. 10—have accountability and responsibility for living standards.

However, the levers are not necessarily in the same Departments as the ultimate responsibility. Colleges and training provision come under the DFE, although, as this Minister will know, it is not a direct control relationship. The out-of-work regime is controlled by the DWP. Corporate practice and regulation come under the business Departments. Developing or helping people to develop their careers when already in work historically came more under the Treasury because of tax credits; then, as universal credit was developed, it shifted to the DWP. Mental and physical health of course come under the Health Department.

Childcare comes under three different Departments for the three major programmes: DFE has the main free-hours programme, but the Treasury has had tax-free childcare and DWP has the reimbursement under universal credit for childcare. Then, of course, there is the whole area of local government, which in central Government comes under the Ministry of Housing, Communities and Local Government—but in reality, again, that is not a direct controlling relationship.

The Chair: Order. The right hon. Gentleman is slightly out of scope. I would be very grateful if he would just stick to the different clauses that we are debating today.

Damian Hinds: I am very grateful for your guidance, Ms Furniss, and of course I will ensure I do. In my defence—obviously I am not arguing with your judgment—I am trying to illustrate the large number of things that this new body will have to figure out. As Lord Blunkett said, if, at the same time, it is taking on the enormous existing role of the Institute for Apprenticeships and Technical Education, with 200 people coming on board, that makes it harder to figure all these things out, with which I think we all wish the new body and its leadership the very best. But of course I take your judgment.

The Chair: Order. I am sure the right hon. Member wishes to hear the Minister fairly soon in response to his comments.

Damian Hinds: Of course I do, Ms Furniss. The different parts of Government that the new body will deal with include the Migration Advisory Committee, which is a well-established part of the machinery of Government but takes its commissions from the Home Secretary. This is a quote from gov.uk:

“The MAC bases all recommendations on what it sees as being in the interests of the resident population, taking account that migration has different effects on different groups.”

There will be conflicts between that aim and the aims of Skills England, and who will resolve those conflicts?

The new body will also work with the Industrial Strategy Advisory Council, which is an expert committee reporting to the Business Secretary and the Chancellor of the Exchequer; it is made up of experts, as the name suggests. Interestingly—we will perhaps come on to this in relation to some of the new clauses—the Government will legislate to establish that body

“in statute when Parliamentary time allows”,

which raises the question of why they will do so for that one and not Skills England. It suggests that there is perhaps a hierarchy of these bodies.

There is also the Labour Market Advisory Board. It reports to the DWP’s Secretary of State and its aim is to support the DWP

“to better understand the current state of the labour market, to help design policies and strategies to address key challenges”.

I will not go through all the things that it is supposed to do—*[Interruption.]* The Government Whip encourages me, but I would not risk your wrath, Ms Furniss, despite her best efforts.

Suffice it to say that there is again a cut-across, because of course, in terms of getting people back into work, which the DWP is focused on, there is some tension. Will Skills England be able to ask, for example, for changes in the conditionality regime operated by the DWP and the jobcentre network, to improve skill matching? Will there be better join-up between DWP work coaches and the National Careers Service?

Finally, the third thing the new body is to be responsible for is potentially the biggest and most controversial of all. In the rubric that the Government put forward, they said the new body would “identify the training” that is accessible via the growth and skills levy. I do not think they actually mean “identify”; I think they mean it will specify what is available to be paid for through the growth and skills levy. I will not go through all the arguments about the levy, but the new body will have to, and the 12 months envisaged under clause 12 would be a good time to do that. It will have to think about the levy’s real purpose and the distinction between firm-specific skills and training, sector-specific skills and training, and generic transferable skills and training. The levy’s purpose was to increase the total amount of investment in human capital in this country, to help our productivity gap and fill job vacancies, and the new body will need carry on with that purpose.

I hope I have given us a flavour—there is more—of the enormous strategic challenges and the enormous job of work for these very good people. There are some very encouraging signs in the appointments the Secretary of State has made, but what these people have to take on is enormous, and we want and need them to succeed in this endeavour. It would be far better to stage the approach, so that Skills England is established first, then takes on the great strategic roles working across Government and throughout the economy, and then, 12 months later, subsumes IfATE.

Janet Daby: The right hon. Member speaks of the enormous challenges; might I point out that the enormous challenges were left by the previous Government, which he was part of? The right hon. Gentleman and the hon. Member for Harborough, Oadby and Wigston were both previously in the Government, so it is only right

that I set the context of the failings of the previous Government before I attempt to respond to the many, many points, views, opinions and ideas that were offered.

To put it into context, the previous Government had 14 years to deal with the skills problems and the crisis we are facing today. UK employers reported that more than a third of UK vacancies in 2022 were due to skills shortages. Would Members from the previous Government like to respond?

Damian Hinds: That is not really the way we do it in Parliament. You respond for the Government.

Neil O’Brien: We ask you a bunch of questions. I do not know whether you have noticed, but you are the Minister.

Janet Daby: I did not expect the Members opposite to respond anyway.

Damian Hinds: I am very happy to—

The Chair: Order. Calm down. Sit down, please.

Janet Daby: Across the UK, almost one in 10 of more than 2.5 million roles in critical demand—

Neil O’Brien: Will the Minister give way?

Janet Daby: I am going to make some progress first, then I will give way.

Neil O’Brien: She was asking us to intervene.

Janet Daby: More than 90% of those roles require periods of work-related training or education.

Neil O’Brien: Will the Minister take an intervention?

Janet Daby: The point I am making is that the last Government did not solve the skills shortages. The last Government held back growth and opportunity. This Government are moving forward. We want to boost skills through Skills England. The last Government prolonged uncertainty.

Neil O’Brien: The Minister encouraged us to intervene. One of the things Labour complained about a lot in opposition was what happened to the adult skills budget. Can the Minister confirm that the Government have just announced a 6% cut in the adult skills budget? Can she explain how that fits with the Government’s constant rhetoric—as in the welfare cuts debate just the other day—about getting people out of unemployment and into training? How will a 6% cut help to move people from welfare into training?

Janet Daby: Ms Furniss, I fear we are straying far away from the purpose of the Bill and what needs to be achieved.

Neil O’Brien: Will you answer the question? You invited the question.

The Chair: Order.

Janet Daby: I will continue to respond. Skills will power this mission-driven Government.

Neil O'Brien: Will you answer the question?

The Chair: Order. Please speak through the Chair.

Janet Daby: This mission-driven Government have a plan for change. The need to boost Britain's skill is crucial. We need skills to drive growth, to build homes, to deliver energy security and to build an NHS fit for the future. We want to move forward and make sure—

Damian Hinds: The question is how.

Janet Daby: Oh, there is how.

Damian Hinds: Go on then.

The Chair: Order. Please do not have a conversation across the room.

12.30 pm

Janet Daby: I am sorry, Ms Furniss. This is very flustering.

As I said, we have had 14 years of complacency and neglect from the previous Government. Following the reforms they introduced, including the apprenticeship levy, apprenticeship starts have fallen by more than 30%. It is concerning that fewer young people are benefiting from apprenticeships. Apprenticeship starts for those under 25 are down by almost 40%. That is why, since the Prime Minister announced it in July 2024, Skills England has been operating in shadow form in preparation for full establishment.

The teams responsible for Skills England's broader strategic functions are already operational and are establishing links with their counterparts in IfATE. By combining the analytical and regional functions, it is already delivering in shadow form. Detailed transitional planning has taken place to ensure that the functions moving to Skills England from IfATE will transition smoothly with no break in service. The planned continuity in staffing and team structures will ensure that occupational standards, apprenticeships and wider technical qualifications will continue to be approved, and T-level contracts will continue to be delivered, supported and monitored.

This approach will also ensure that Skills England maintains the vital links with employers and other partners that IfATE teams have previously established. The Minister for Skills in the other place recently met many peers and went through many of the processes and functions under the Bill. He has outlined that in a letter that is available for the Committee.

The Government are focused on establishing a coherent skills system with more flexible training options to support employers to fill skills gaps while driving growth and spreading opportunity. Businesses are backing the Government's mission to grow the economy by breaking down barriers to opportunity for young people through our planned reforms.

Neil O'Brien: Speaking of gaps, I wonder whether the Minister will answer my question. Will she stand up and reassure the sector that all the additional costs, including those for indirectly employed staff, will be covered by the forthcoming national insurance contributions grant?

Janet Daby: I ask the hon. Gentleman to allow me to proceed further, because there is so much to say.

We have announced £300 million of additional revenue for further education, with £50 million available to sixth-form and further education colleges from April, to help to respond to priorities including workforce, recruitment and retention. We are offering up to £6,000 annually through the targeted retention incentive to attract and retain new teachers in critical subjects. We continue to support recruitment and retention through teacher training bursaries worth up to £31,000, tax free, in certain key subject areas. We are providing support for industry professionals to enter the FE teaching workforce through our Taking Teaching Further programme.

On Skills England's relationship with the devolved Governments in the UK, its territorial scope is England only. The devolved authorities will be essential partners for it to ensure that our skill systems meet the skills needs of the whole UK labour market. It will be vital for us to work together openly and collaboratively. The Department for Education and shadow Skills England have engaged with the devolved Governments and the territorial offices, and there will be regular meetings.

In devolved areas, strategic authorities will play a stronger role in local skills improvement plans, working with a designated employer representative body. We are currently in the process of reviewing the geographies of LSIPs to ensure that, where possible, they align with the boundaries of devolved areas.

Damian Hinds: The Minister may be about to come to this, but what will be the relationship between LSIPs, and whatever strategies they draw up, and Skills England?

Janet Daby: As I have already said, the devolved areas will work on LSIPs with ERBs and maintain a close and strong relationship with Skills England.

LSIPs provide ongoing mechanisms through which local employers, strategic authorities, providers and other stakeholders come together to identify and address skills needs and issues. This supports Skills England's aim to have the skilled workforce the economy needs at a national, regional and local level.

In response to the question about the impact of national insurance costs on skills and education, the Government have agreed that public sector employers will receive support in recognition of the increase in their national insurance contributions from April 2025. We are also providing £155 million for post-16 schools, academies and further education colleges. That is an increase of over £1 billion in the financial year 2025-26 for the education sector.

Neil O'Brien: Will the Minister promise to publish the methodology of how the figure of £155 million was arrived at? Can she reassure the sector that that sum is enough to cover all the costs of the national insurance increase, including the costs for indirectly employed staff?

Janet Daby: I hear what the shadow Minister is saying and will endeavour to get more information to him on those points. He asked about the flexibility of apprenticeships and levies. I wrote to the Chairs of the Committee yesterday addressing his question, but I understand that that was only yesterday.

Neil O'Brien: It has not arrived.

The Chair: Please, show some respect.

Janet Daby: Government amendment 1 is crucial to ensure that Skills England is not unnecessarily held back. Transformation is under way—businesses and employers cannot afford to wait. Government amendment 2 is a normal procedure for Bills originating in the House of Lords. I urge the Committee to support the Government amendments and clauses 11, 12 and 14.

Neil O'Brien: I meant no disrespect, Ms Furniss, but the Minister promised in the previous sitting that she would write to me. She may say that the letter has been sent, but it has not arrived. It is telling that the things we are debating will be written into law and I have still not—

The Chair: Order. My point was that you were talking from a sedentary position. You had sat down and should have asked to intervene again.

Neil O'Brien: I take your point, Ms Furniss. We are keen to move on to a vote on Government amendment 1, which we think is a big mistake. We have already explained why—I will not recapitulate that.

Question put and agreed to.

Clause 11 accordingly ordered to stand part of the Bill.

Clause 12

COMMENCEMENT

Amendment proposed: 1, in clause 12, page 5, line 6, leave out from “force” to end of line 7 and insert “on such day as the Secretary of State may by regulations appoint”.—(*Janet Daby.*)

This amendment provides for the substantive provisions of the Bill to be brought into force by regulations made by the Secretary of State.

The Committee divided: Ayes 11, Noes 4.

Division No. 6]

AYES

Cox, Pam	Ingham, Leigh
Daby, Janet	Onn, Melanie
Dean, Josh	Strickland, Alan
Edwards, Lauren	Swallow, Peter
Foxcroft, Vicky	Turner, Laurence
Gelder, Anna	

NOES

Hinds, rh Damian	Paul, Rebecca
O'Brien, Neil	Sollom, Ian

Question accordingly agreed to.

Clause 12, as amended, ordered to stand part of the Bill.

Clause 13

TRANSITIONAL AND SAVING PROVISION

Question proposed, That the clause stand part of the Bill.

Janet Daby: Clause 13 contains provisions to ensure continuity and consistency of functions that are transferred from IfATE to the Secretary of State. This will allow functions already performed by IfATE to be treated as

having been done by the Secretary of State. It includes a provision enabling the Secretary of State to continue things that are in the process of being done in relation to IfATE, immediately before the function was transferred. These will also ensure smooth commencement of the new legislation and transition from existing legislation. These functions may only become clear closer to when the functions are transferred.

Therefore, clause 13 includes a power to address this by way of regulations. Without this clause, there will be no statutory way of ensuring the smooth transition of the functions carried out by IfATE under the current legislation, to the Secretary of State under the new legislation.

Neil O'Brien: This clause is just a reminder that we are trying to make major changes to the engine of our skills system, while the engine is still running. I have already quoted from the Government impact assessment, pointing out that the impact of transition will be to slow down apprenticeship approval numbers—I will not recapitulate that. I will come back later to the challenges these changes to the engine while the engine is still running will cause.

Question put and agreed to.

Clause 13 accordingly ordered to stand part of the Bill.

Clause 14

SHORT TITLE

Amendment made: 2, in clause 14, page 6, line 4, leave out subsection (2).—(*Janet Daby.*)

This amendment removes the Lords' privilege amendment.

Clause 14 ordered to stand part of the Bill.

New Clause 1

DRAFT PROPOSALS FOR ESTABLISHING NEW EXECUTIVE AGENCY

“(1) Within six months of the passing of this Act, the Secretary of State must produce a report containing draft proposals for the establishment of a new executive agency, to be known as “Skills England”, responsible for the powers transferred under this Act.

(2) A copy of this Report must be laid before both Houses of Parliament.

(3) Within forty days of a Report under subsection (1) being laid, the Secretary of State must ensure resolutions are tabled, and moved, in both Houses of Parliament to approve the Government's draft proposals.

(4) If the draft proposals are rejected by either House of Parliament, the Secretary of State must, within a period of six months, lay a report containing revised proposals before Parliament, and, within a period of forty days after laying the revised proposals, table a motion before each House of Parliament to approve the revised proposals.

(5) The Secretary of State may not establish an executive agency to carry out the functions transferred under this Act until it has secured, through a motion under subsection (3) or (4), the consent of both Houses of Parliament.

(6) If a motion under subsection (3) or (4) is approved by both Houses of Parliament, the Secretary of State must make an annual statement in each House of Parliament on the work of the agency.

(7) Within twelve months of a motion under subsection (3) or (4) being passed, the Secretary of State must lay before Parliament a report evaluating the effectiveness of the “Skills England” governance structure in delivering on the organisation's aims and objectives.”—(*Ian Sollom.*)

This new clause requires the Secretary of State to bring forward proposals for the executive agency, to be known as Skills England, subject to the approval of both Houses of Parliament.

Brought up, and read the First time.

12.45 pm

Ian Sollom (St Neots and Mid Cambridgeshire) (LD): I beg to move, That the clause be read a Second time.

It is a pleasure to serve under you in the Chair, Ms Furniss. I rise to move new clause 1, which addresses fundamental concerns about the governance and accountability of Skills England. While the Bill as amended in the Lords does now make reference to Skills England, which the original Bill presented to the Lords did not, it still does not establish it properly as an organisation, define its powers, or provide robust mechanisms for parliamentary scrutiny of its work.

The Bill, as we know, simply abolishes the Institute for Apprenticeships and Technical Education and transfers its functions directly to the Secretary of State, with only limited reporting requirements. The most recent evidence provided to the Committee reinforces those concerns, particularly the evidence from the Skills Federation, as was highlighted by the shadow Minister.

New clause 1 remedies that by requiring comprehensive proposals for Skills England to be laid before Parliament for proper scrutiny and approval. It would ensure that both Houses have a meaningful say in how the organisation is structured and operates. It would establish ongoing accountability through annual statements to Parliament and formal evaluation of its governance structure within the first year.

The Government have positioned Skills England as transformative, and the Minister's letter to peers, which was also shared with the Committee early this week, outlines hugely impressive ambitions for Skills England. I welcome those, as I think we all do. But the governance framework described in that letter is largely discretionary. The framework document that the Minister references in that letter, which has still not formally been published, will be finalised by agreement between the Department and Skills England, with no formal parliamentary input at all.

We are being asked to approve a fundamental restructuring of the skills system without proper guarantees about how the body will operate or be held accountable. The skills system is simply too critical to proceed just on faith. I think Members on the Government Benches would be making the same arguments if they were in our position. I want to stress that the new clause is not about preventing the creation of Skills England; it is about ensuring it is established with the proper scrutiny and accountability that an organisation of such importance deserves. If the Government truly believe in Skills England as the vehicle to address our skills challenges, they should welcome the provisions for proper accountability in new clause 1.

Neil O'Brien: I rise only to support the hon. Member for St Neots and Mid Cambridgeshire. I shall speak to new clauses 2 and 3 later, but I do not want the hon. Member to feel that that is because I do not support new clause 1. I absolutely do. I think it is entirely sensible, and if the Government had sense then they would listen to him and include the new clause in the Bill.

Janet Daby: I thank the hon. Member for St Neots and Mid Cambridgeshire for tabling new clause 1, which would require the Secretary of State to lay draft proposals for a new executive agency, to be known as Skills England, before Parliament within six months of the Bill gaining Royal Assent.

Complexity and fragmentation within the skills systems are contributing to critical skill gaps in our economy. We need to urgently reform the delivery of skills and technical education without delay—I cannot stress that enough. After 14 years of inaction, we really need to get on with the job and build back the foundations. We plan to establish Skills England as an executive agency requiring a robust and rigorous process. That process applies across Government for all executive agencies. As with all new executive agencies, the approval of the creation of Skills England will be announced to Parliament in a written ministerial statement to both Houses. In line with other executive agencies, Skills England will be required to have robust governance arrangements and clear lines of accountability, including to Parliament. Ministers, the principal accounting officer and the chief executive will all be accountable to Parliament, and could appear before Select Committees if invited.

The broader governance and accountability framework in which Skills England will operate will be set out in the framework document. All arm's length bodies have such a core constitutional document, which must be approved by the Treasury. The framework document will detail how Skills England will regularly report on its functions and performance, including by publishing a corporate plan and annual report.

There is a high level of interest among Skills England's stakeholders, such as the Association of Colleges, which has expressed strong support for the plans to establish Skills England, recognising the critical role it will play in the Government's broader post-16 education and skills agenda. We have listened to and acted on the contributions of peers in the other place, which is why we have provided even greater transparency about what Skills England will do. The Bill already requires the Secretary of State to report within six months of IfATE's closure. The report will detail which functions are being exercised by Skills England and the impact on apprenticeships and technical education in England. The new clause is therefore not necessary.

We need to address the urgent skills challenges in our economy. There is already a robust approach to establishing and running an executive agency, and the Government have included in the Bill a legislative commitment to a report on Skills England's functions. On that basis, I ask the hon. Member for St Neots and Mid Cambridgeshire to reconsider.

Ian Sollom: I thank the Minister for her response. In the interests of time—and lunch—I will not go into detail. I wish to press the new clause to a vote.

Question put, That the clause be read a Second time.

The Committee divided: Ayes 4, Noes 11.

Division No. 7]

AYES

Hinds, rh Damian
O'Brien, Neil
Paul, Rebecca

Sollom, Ian

NOES

Cox, Pam
Daby, Janet
Dean, Josh
Edwards, Lauren
Foxcroft, Vicky
Gelder, Anna

Ingham, Leigh
Onn, Melanie
Strickland, Alan
Swallow, Peter
Turner, Laurence

Question accordingly negatived.

Ordered, That further consideration be now adjourned.
—(Vicky Foxcroft.)

12.54 pm

Adjourned till this day at Two o'clock.

