Education & Training Sector – Key External Drivers

The Education and Training sector has experienced significant external changes in recent periods, driven by increased government funding, enhanced regulation, widening skills shortages and a UK General Election on the horizon, all of which are leading Education & Training providers to evaluate their strategic options and market positioning to capitalise on the sector's strong forecasted growth in 2024.

Against this backdrop we outline below key external drivers in the sector and discuss how training providers can benefit and prosper, by demonstrating agility in responding to these opportunities whilst being aware of potential threats.

01 Government Funding

- The UK Government has **continuously backed the advancement of technical and vocational education** through additional funding, the **Apprenticeship Levy and the formation of new T-Level qualifications,** which the government has backed with **£500m of funding awarded through the T-Level Capital Fund to date.**
- Despite **UK Government intervention in the Education & Training and Apprenticeship market** since the launch of the Apprenticeship Levy in 2017, **apprenticeship starts declined by 3.5% from 2021/22 – 2022/23 academic years.**
- The reduction in apprenticeship starts in the 2022/23 academic year will likely **drive increased public sector funding in the Education & Training and Apprenticeship markets,** particularly given the **widening skills gap and the government's reskilling agenda.**

£48m

Allocated by the UK Government to boost the rollout of Higher Technical Qualifications through Skills Injection Fund from June 2023

£2.7b

Of funding committed to support apprenticeships by the Department for Education in the 2024/25 academic year

02 Demand for Higher Education

42%

Of individuals in the UK have a degree level qualification or above

2.4%

Reduction in higher education entry rates among 18-year-olds in the UK from 2021 – 2023

- **Education & Training companies are experiencing increased competition** as UK universities continue to broaden their course provisions to encompass **more vocational qualifications.**
- Although universities can pose a significant threat to the Education & Training sector, **several key partnerships have been formed recently between universities and Education & Training providers** to deliver remote and eLearning alternatives to traditional in-person course delivery methods.
- Education & Training companies that can appeal to younger demographics via **gamified course provisions and increased learner flexibility through online learning and remote course delivery will continue to act as an alternative to university,** driving strong demand and enhanced growth.

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03 Regulatory Environment

- Given that the rollout of T-Level qualifications and the potential merger with A-levels is not due to be completed until September 2025, **the result of the upcoming 2024 General Election is likely to be pivotal for the sector.**
- The UK Government's announcement in December 2023 to **increase the minimum salary for skilled worker visa sponsorships by 47.7%** will likely drive demand for Education & Training companies servicing highly technical sectors in 2024, as skill shortages continue to prevail throughout the UK.
- An upcoming General Election predicted for H224 and the subsequent **potential increase in Capital Gains Tax** is prompting Education & Training sector business owners to consider their exit options to **capitalise on the current regime.**

200

Btecs scrapped in October 2023 in an effort to boost T-Levels

95%

Of apprenticeship training costs covered by the government for small employers

04 Labour Market

41%

Of Employers had 'hard to fill' vacancies, citing skill shortages

24th

UK ranking out of 33 countries for intermediate technical skills

- As **skill shortages continue to mount pressure on the UK labour market**, large corporates are beginning to ramp up their **investment in upskilling their new and existing staff** in an attempt to bridge the gap.
- Generalist Education & Training companies should seek to **diversify their service provision to encompass qualifications centred around sectors experiencing skill shortages**, such as healthcare and technology & IT in 2024.
- Education & Training companies offering a **comprehensive suite of specialist training courses and a technology enabled service provision** will continue to experience **strong growth and acquiror appetite** throughout 2024.

Gambit is an independent corporate finance advisory firm specialising in advising private and public companies on mid-market transactions in the UK and overseas. With offices in London and Cardiff, Gambit is widely recognised as a market leader in the provision of corporate finance advice to the Education & Training sector, having built up detailed industry knowledge and an enviable track record in deal origination and execution.

Gambit's dedicated Education & Training team has deep relationships with investors, vendors and acquirers and we understand the key issues and trends that drive M&A activity in the sector and how our clients' businesses are affected.

If you would like to arrange a call to discuss the current M&A market and opportunities facing the Education & Training sector in 2024 and how these relate to your business, please contact a member of our team.

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