



Department for Business, Innovation & Skills

Apprenticeships Levy Consultation response form

The department may, in accordance with the Code of Practice on Access to Government Information, make available, on public request, individual responses.

The closing date for this consultation is 2 October 2015.

You can also reply to this consultation online at:

<https://bisgovuk.citizenspace.com/ve/apprenticeshipslevy>

Please return completed forms to:

apprenticeshipslevyconsultation@bis.gsi.gov.uk

or:

Apprenticeships Levy Consultation
Department for Business, Innovation and Skills
Spur 2 Level 2
1 Victoria Street
London
SW1H 0ET

What is your name?

Raeleen Duthoit

What is your e-mail address?

raeleen@btconnect.com

What is your job title?

Support and Development Manager

When responding please state whether you are responding as an individual or representing the views of an organisation.

I am responding as an individual

I am responding on behalf of an organisation

If you are responding on behalf of an organisation, please make it clear who the organisation represents by selecting the appropriate interest group on the consultation form and, where applicable, how the views of members were assembled.

What is the name of your organisation?

Lancashire Work Based Learning Executive Forum

	Business representative organisation/trade body
	Central government
	Charity or social enterprise
	Individual
	Employer (over 250 staff)
	Employer (50 to 250 staff)
	Employer (10 to 49 staff)
	Employer (up to 9 staff)
	Legal representative
	Local Government
	Trade union or staff association
	Further Education college
	Private training provider
	University
	Professional body
	Awarding organisation
x	Other (please describe) Network of Training providers and Colleges

Where are you based?

England Wales Scotland Northern Ireland

UK wide

If you are responding as an employer, which sector of the economy are you in?

	Agriculture, forestry & fishing
	Energy & water
	Manufacturing
	Construction
	Distribution, hotels & restaurants
	Transport & communication
	Banking, finance & insurance etc
	Public admin, education & health
	Other services

Consultation questions

Paying the levy

1. **Should a proportion of the apprenticeship funding raised from larger companies be used to support apprenticeship training by smaller companies that have not paid the levy?**

Yes **No**

Comments:

Apprenticeship funding raised from larger companies should be used to support Apprenticeship training of smaller companies that have not paid the levy. As part of this consultation process we would seek clarity on the definition of a “larger employer”. We also seek clarification on whether the levy money would be used to replace existing Government funding or support an employer contribution (or both).

We would welcome levy funding to be used to support the employer contribution for SMEs and in particular if this formed part of their “mandatory cash contribution”.

Employers make a significant contribution to the costs of training through their management time, the provision of resources and the use of training facilities. This should all be taken into account. The employer meets the vast majority of the cost of the programme already through salaries and other training costs, so the government should set out the rate at which it is prepared to subsidise the full cost of Apprenticeships by age and standard and make that investment in the programme to support small businesses and apprentices.

Tracking how levy funds are spent through a supply chain would introduce an unnecessary level of bureaucracy and open up a number of routes where the funds would not be spent on genuine Apprenticeship programme.

We are assuming that the government will still have to set out the rules against which employers will claim their subsidy and recommend that the government should set a fixed contribution for each apprentice (possibly dependent on age and standard in line with a simple matrix). It will be fairer, easier to manage and much clearer for employers rather than allowing employers to draw down funding in line with an agreed price with the individual provider. Employers would be able to select their chosen provider who would be able to draw down the funds on their behalf in line with the voucher system.

2. Do you have any comments on the proposed mechanism for collecting the levy via PAYE?

Yes **No**

Comments: It is our view that, from the current options available, PAYE represents an effective route for administering a levy.

We seek further clarification on the scope of the levy and the categories of workers that would be included in the calculation. e.g. would it be calculated using financial volumes of PAYE payments, or simply by FTE staff numbers? How would it account for contracted / freelance workers, which is a major issue for several key industries?

There needs to be a simple method of calculating the levy and basing this figure on payroll costs appears to be the most straightforward approach. This will mean that there will be some anomalies where a company employs people through self-employment or subcontracted routes but this is inevitable with any simple system. We do not believe it will encourage employers to change employment practices just to avoid the levy.

3. In your opinion, how should the size of firm paying the levy be calculated?

Comments:

In our opinion, the size of firm should be calculated by headcount and include those companies who have more than 1,000 employees paying UK tax contributions.

4. Should employers be able to spend their apprenticeship funding on training for apprentices that are not their employees?

Yes No

Comments: Any employer of any size should have access to funding under arrangements proposed by Government.

It is our view that each employer should make an individual commitment to training. The proposal that employers could spend part of their Apprenticeship funding on training other employers' Apprentices suggests a removal of this responsibility. We believe that employers should only be allowed to spend levy generated funds on their own Apprenticeship programmes i.e. on apprentices that they employ themselves. Allowing employers to spend their allocations on programmes for other employers opens up too many opportunities to lose the funding from the Apprenticeship programme and for large employers to apply financial pressures on their supply chains.

We fully support the activity of large employers training employee's in SMEs within their supply chain. However, this should be an optional activity and Government should guard against policy which moves this activity closer to being part of an approved supplier scheme. A system where each employer accesses their own funding and makes necessary contributions helps to retain the independence and commitment of all employers.

Employers operating across the UK

5. How should the England operations of employers operating across the UK be identified?

Comments:

We believe that this should be linked to HMRC locations – where the company makes PAYE payments and employees' tax is routed.

Allowing employers to get back more than they put in

6. How long should employers have to use their levy funding before it expires?

1 year 2 years Other (please state in comments below)

Comments:

We believe that expiry should be within 1 year. However, we also propose that employers should be able to secure funds for future years – in particular where Apprenticeship programmes run over a duration of 3 or 4 years. We suggest the introduction of a tool available on the operational system to identify projected expenditure.

7. Do you have any other view on how this part of the system should work?

Comments:

The system should be sufficiently flexible to manage fluctuations in business activity. For example, what approach might be taken for an employer who has underspend on levy contributions in Year 1 but who needs additional funds in Year 2? The consultation may wish to consider an approach where levy can be retained for longer once a percentage (50% for example) has been used.

We also seek confirmation from Treasury of their intention to top up any shortfall in the levy fund if demand is high.

8. Do you agree that there should be a limit on the amount that individual employer's voucher accounts can be topped up?

Yes No

Comments:

We believe that there should be a limit on the amount that individual employer's vouchers can be topped up and that this would help to ensure that the system is not abused. We believe that large employers should be directed to use their own funds for training beyond the levy amount. These measures will allow underspend to be directed at SME Apprenticeship growth.

9. How do you think this limit should be calculated?

Comments:

If a top up arrangement is introduced, we believe that this should be driven by success data and data demonstrating sustained employment and Apprenticeship progression.

10. What should we do to support employers who want to take on more apprentices than their levy funding plus any top ups will pay for?

Comments:

Please refer to our response to Question 8. We believe that in general, large employers in this position should pay cash contributions. Exceptions could be made for specific categories of Apprenticeship recruitment – for example, where the Apprentice has previously been unemployed for a period of six months or longer

The levy is fair

11. How can we be sure that the levy supports the development of high-quality apprenticeship provision?

Comments:

Please refer to our response to Question 9. We believe that linking aspects of the levy system to success rates data will support the development of high-quality apprenticeship provision.

Employers who are doing internal training but which does not meet the standards required of an Apprenticeship programme may be tempted to re-badge their own provision to get their funding back. Many employers will not understand that the payment for the training is only a small part of the commitment to apprentices. The focus will all be on this element of the cost i.e. the cost of the levy and how to get that money back into the company, and it will be more important than ever to manage the quality of the programme.

We need to retain a number of ways of assuring the quality of the delivery.

- Restricting spend to the use of registered training providers. The benchmark for the current register may need to be raised.
- Use of the 'lead provider' approach albeit with a clear and transparent process for becoming a lead provider.
- Independent quality assurance process managed by an organisation such as Ofsted although this must be more closely managed by employers and stakeholders rather than government. This must be based on a 'basket of performance measures' approach.
- Quality assurance process based on self-assessment and linked to the quality assurance provided by on-going and end assessment.

With these controls in place the quality of the programme can be maintained.

12. How should these ceilings be set, and reviewed over time?

Comments:

We believe that ceilings should be set and reviewed in line with the banding arrangement already established for new Apprenticeship Standards.

13. How best can we engage employers in the creation and wider operation of the apprenticeship levy?

Comments:

Use existing mechanisms that the Government has set up already for the Apprenticeship system. We propose that support is directed through the Training Provider Networks - which exist and operate nationally - to translate the overarching government policies into local priorities.

Training providers have a role to play in working with employers to get them engaged. This is particularly true of SME's who do not have the time or resources to get engaged in the process and they will feel it does not affect them. However the levy does change the nature of the Apprenticeship programme and SME's will be affected. It may also apply to them in the future. Training providers can help to engage both large and small employers.

Giving employers real control

14. Does the potential model enable employers to easily and simply access their funding for apprenticeship training?

Yes No

Comments:

There are very few details of exactly how the system will operate but as we have set out we believe that hypothecating funding to a specific employer will make this system complex. We also believe that allowing employers to negotiate funding and payment schedules could make the system complicated with a different funding rate for every employer and every apprentice and make it very difficult to monitor the quality of the programme.

We do not believe that the potential model enables employers to easily and simply access their funding for Apprenticeship training. In particular we believe that this will be the case for SMEs. We anticipate that initial users of the levy system will come from the largest employers, who already have well established training teams in place who are conversant with funding. Employers will be divided between those who have systems and the mechanisms to work it all out and those who have not. In turn, this will not support Apprenticeship growth from the many small and medium sized employers.

We therefore propose that the system is piloted with sufficient development time to adapt to the needs of employers of all sizes – those who contribute to the levy and those who may benefit from residual funds.

15. Should we maintain the arrangement of having lead providers or should employers have the option to work directly with multiple providers and take this lead role themselves if they choose to do so?

Yes **No**

Comments: –

It is our view that small employers won't work with the bureaucracy associated with a multiple provider arrangement. In the interests of the learner, Government funding should be the responsibility of a lead provider who is accountable for the successful progression of that learner.

If this were adopted for large employers, we would seek clarification on the planned inspection arrangements.

16. If employers take on the lead role themselves what checks should we build in to the system to give other contributing employers assurance that the levy is being used to deliver high quality legitimate apprenticeship training?

Comments:

The best provision is normally found where there is a committed employer and an experienced skilled provider. We believe that the system should not push employers towards becoming providers just so that they can draw down the funding. Employers using external training providers already have control of the funding as they employ the apprentice and can determine the content of the training. If they are not satisfied with the provision then they can change providers very easily. This facility must be retained in the new process. If an employer chooses to be their own training provider then they must meet all the requirements of any training provider including the control of funds and meeting any external quality assurance process.

17. Should training providers that can receive levy funding have to be registered and/or be subject to some form of approval or inspection?

Yes No

Comments:

As we have said above at present the quality of the Apprenticeship programme is managed through contracts with the SFA and the requirement to be externally inspected by Ofsted. With a levy, there may be an incentive for employers to want to deliver the training 'in house'. Currently the funding to do this is managed by the government through a supplier management quality control system and through contracted training providers who are subject to Ofsted inspection. It will be very important to maintain strong controls over this contracting process whilst giving employers control over the decision of who the employer uses to deliver the training.

18. If providers aren't subject to approval and inspection, what checks should we build in to the system to give contributing employers assurance that the levy is being used to deliver high quality legitimate apprenticeship training?

Comments:

It is our view that providers should be subject to approval and inspection and that it is these established processes that will assure contributing employers. The sector works hard to maintain a high quality of delivery that is valued by employers. It is our view that any change to the Apprenticeship system should have quality at its core.

Also see comments above.

19. What other factors should we take into account in order to maximise value for money and prevent abuse?

Comments:

The current Apprenticeship system depends on employers making a significant contribution to the cost of the programme. They contribute to the cost of recruitment, induction, on the job training, providing facilities for training, training materials as well as the salary and on costs. The current government contribution is a fraction of the full cost of employing and training an apprentice. There is a real danger that once employers have to pay a levy charge, they will question whether they are able to afford these other contributions which are often not tracked internally, creating a levy charge will mean that the finance directors of large employers will take a much closer interest in the cost of the programmes. This could be seen as a positive step forward but there will certainly be questions over employers contributing these essential non cash contributions.

Many organisations will also be driven by 'getting their money back' or getting maximum value for their contribution. This may result in organisations re-badging internal training or even taking on apprentices when they have no real intention of giving them a job. This is a positive step forward but reinforces the need to be careful about encouraging them to be their own provider until they have established a high quality Apprenticeship programme and until they understand the inbuilt quality assurance within the system.

The levy is simple

20. How should the new system best support the interests of 16-18 year olds and their employers?

Comments:

Government should ensure that the programme is fully funded for 16 – 19 year olds and any apprentice recruited directly from unemployment whatever their age. This would mean that government should continue to invest funds into the Apprenticeship funding system. There should be no cap on any employer to take 16 – 19 year olds and the government should allow more money to be drawn down for the funding of these apprentices. If the government sets a single rate for apprentices of any age then there should be an additional incentive paid to take 16 – 19 year olds. Additional funds should also be provided for English and Maths and any additional support for specific individuals.

21. Do you agree that apprenticeship levy funding should only be used to pay for the direct costs of apprenticeship training and assessment?

Yes No

Comments:

We believe that this would be the simplest approach but it should include recruitment, initial assessment and other associated costs of delivery. The costs of delivery can vary widely which is why we believe government should set an average rate of contribution.

22. If not, what else would you want vouchers to be able to be used for and how would spending be controlled or audited to ensure the overall system remains fair?

Comments:

We think the voucher system should be kept very simple and should not be used for recruitment and or selection of providers. The voucher system should focus on the levy and funding.

23. Are there any other issues we should consider for the design and implementation of the levy that haven't been covered by the consultation questions we have asked you?

Yes No

Comments:

We are keen to understand how the system would support those employers who are in scope for paying the CITB or EITB levy.

The current levy was set up for a different purpose and also covers all employers (with some exemptions). The current levy also covers other training as well as Apprenticeships. This will make a merger of the programmes complex. We do believe that these sectors should be exempt from the apprenticeship levy and that part of the scheme should be common. It will be important to consult both employers and training providers in those sectors to review how that transition can be made most effectively without losing the commitment to Apprenticeships and training.

Do you have any other comments that might aid the consultation process as a whole?

Please use this space for any general comments that you may have, comments on the layout of this consultation would also be welcomed.

Comments:

Whilst we welcome this consultation as an opportunity to support Apprenticeship Growth, we are concerned that sufficient time should be allowed for implementation and to take best practice examples from other levy systems inside and outside of the UK. We believe that the definition of large employer is central to the success of the proposed system. Within Lancashire, we work with employers who often fall in the middle ground between "large" and "SME" and that new systems should support their activities.

We accept that the levy will be a source of additional investment and will engage more larger employers. However we do have to be cautious about the impact on the smaller employers in the programme and how the levy will focus the attention of employers on the financial aspects of delivery rather than the quality of delivery.

Thank you for taking the time to let us have your views. We do not intend to acknowledge receipt of individual responses unless you tick the box below.

Please acknowledge this reply

At BIS we carry out our research on many different topics and consultations. As your views are valuable to us, would it be okay if we were to contact you again from time to time either for research or to send through consultation documents?

Yes

No