



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
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What is your name?

Claire Donovan

What is your e-mail address?

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What is your job title?

Head of Engineering the Future

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?

Education for Engineering

	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
X	Professional body
	Awarding organisation
	<p>Other (please describe)</p> <p>Education for Engineering is the body through which the engineering profession offers coordinated advice on education and skills policy to UK Government and the devolved Assemblies. It deals with all aspects of learning that underpin engineering.</p> <p>It is hosted by The Royal Academy of Engineering with membership drawn from the professional engineering community including all 35 Professional Engineering Institutions, Engineering Council and EngineeringUK.</p>

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:

We do not think that there should be a set proportion of the funding set aside for this – decisions should be made on a sector basis, considering the proportion of small firms in the sector, the apprenticeship need of the sector as a whole, and the cost of apprenticeship delivery in the sector.

If funding is to be assigned to smaller companies, priority should be given to those in the supply chains of levy-paying companies, and the large companies should be afforded some control over the process to safeguard compliance with their requirements and as professional development in the supply chain will also be a pipeline of higher level competences into the primes.

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

Yes No

Comments:

We are not confident that the IT project which will be required to link the HMRC IT system to the as yet undersigned employer system will be deliverable by 2017.

We are concerned that any gains to the apprenticeship budget by raising funds through a levy might be adversely affected by a costly IT procurement project.

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

Comments:

It is important that there is a balance between size of workforce and size of payroll. We do not want those companies who employ a particular number of individuals at a high salary to be overly liable, compared to a company of the same size which pays most employees at the minimum wage. The size of the workforce should be calculated on a full-time equivalent basis, to ensure those companies which use zero and low hours contracts to avoid National Insurance payments will not evade their levy obligations.

Some employers, have large employee numbers but are likely to have relatively few job roles that make use of apprenticeship funding. Such employers may be discouraged from best practice in contracting and remuneration to try to reduce their liability for the apprenticeship levy. Similarly, threshold employers may shed PAYE staff to fall below the levy requirement. It is not clear if the levy will support all apprenticeships or only those approved under the Trailblazer initiative, however, labour market intelligence could be used to identify apprenticeship need and levy payment requirements to establish the employers that pay the levy. Such data would identify those employers that should be making use of apprenticeships and, therefore, responsible for paying the levy, and the employer size would be established in relation to the size of the market and the number of employees within it. The transparency of these data would, not only, establish the basis for the levy but, over time, would illustrate its effectiveness.

We would also strongly suggest that universities and higher education institutions (HEIs) be considered entirely separately in terms of calculating the levy. HEIs can benefit greatly from apprenticeships in some roles, but the demand is quite limited. HEIs are potentially facing a high levy, due to their large workforces and pay bills, but have only a limited need for apprentice-level training for staff.

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

Yes **No**

Comments:

At various times in the past, large engineering companies have 'trained for stock'. In other words, they have overtrained in terms of numbers, on the understanding that they are able to attract more high quality candidates than small firms in their supply chain, and that they benefit from having apprentices trained in their processes in their supply chain. The large company would recruit and train, and agree with the apprentices and supply chain companies how the cohort would disperse throughout the chain on completion. This approach was popular and successful among both companies and apprentices.

Developing competent individuals beyond existing specific company employment requirements will be essential to satisfy skills gaps in shortage occupations. However, it is essential that an apprentice is provided with the necessary access to work and work-based learning, in an actual work environment. The specific employment status of the apprentice is not the issue, it is the satisfaction of the work-based aspects of the apprenticeship and the expectation of gainful employment after satisfactory completion.

It would therefore be welcome if such flexibility was available under the new arrangements.

We support this, with the caveat that complexity in the IT and audit/inspection arrangements are kept to a minimum.

Employers operating across the UK**4. How should the England operations of employers operating across the UK be identified?**

Comments:

We are unclear about how this can be achieved and how the relationship with Scotland, Wales and Northern Ireland in general will work.

For example, construction is a highly mobile industry and employees will work across UK boundaries in any given year. We are unable to envisage a process that is other than burdensome.

Many technicians are in mobile occupations, often delivering contract operations on multiple client sites. It seems unlikely that movement of employees into England to make use of English apprenticeship levy funding, and movement of Technicians out of England following completion of programmes funded by the English levy can be controlled. Labour Market Intelligence may be able to identify labour movement post-apprenticeship, ie the population of Technicians compared to the number of apprenticeship completions. This may require an 'adjustment' over time of the flow of levy money via the Barnett Formula.

Furthermore, as HMRC is UK wide, levy monies will presumably be distributed back to Northern Ireland, Wales and Scotland via the Barnett Formula, with no guarantee that this money will be spent on apprenticeships and that our UK wide employers will be able to access training for their activity in the rest of the UK.

Existing levies such as CITB's, however, operate across the UK and are administered accordingly. This enables UK wide companies to access training across the UK. Furthermore a critical issue for both the engineering and construction industry is substantive upskilling of the existing workforce. Existing CITB levy money can be spent on this type of training. While apprenticeships remain eligible to employees of all ages, training can be delivered within the parameters set by apprenticeship frameworks.

Allowing employers to get back more than they put in**5. How long should employers have to use their levy funding before it expires?**

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

Comments:

High quality apprenticeships can last for two or three years or longer, and companies will not necessarily have an annual requirement, nor because of the vagaries of procurement will it always be possible to identify training requirements within a twelve month period.

We have concerns that a one year period will incentivise employers in sectors such as retail and care to offer low quality, cheap, one year roll on roll off contracts that do not result in employment, but that meet the targets set for volume.

This in itself will devalue the Apprenticeship Brand. Apprenticeships should be high quality and be treated by employers as real jobs from the outset. As such, we would suggest that levy funding should be available to companies for at least three years.

In addition, some sub-sectors of engineering and construction, such as aerospace, infrastructure building, and energy, have very long time horizons (up to 5 years). For those companies, the ability to 'stock up' their levy funding to meet known future need would enable them to plan and bid for work more effectively.

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

Comments:

We appreciate that the government is committed to 3 million apprentices during this parliament, and that it is keen to secure quality in those apprenticeships. However, even if all apprenticeships were of the same high quality, there are some sectors and frameworks which contribute more to productivity and economic strength than others. Apprenticeships in engineering, construction, computing, technology, and science are longer than those in some other sectors, and arguably more rigorous. Previous reports have identified the difference in 'payback' rates for various frameworks. We therefore suggest that the 'redirection of unused funding' mentioned in the consultation should focus on supporting those which contribute directly and most effectively to UK productivity. These sectors include the Eight Great Technologies, and those whose past performance have demonstrated their value:

- big data and energy-efficient computing
- satellites and commercial applications of space
- robotics and autonomous systems
- synthetic biology and the wider life sciences
- regenerative medicine
- agri-science and agricultural technology
- advanced materials and nanotechnology
- energy and its storage, including nuclear, offshore wind, oil and gas
- aerospace
- automotive
- construction
- information economy
- international education
- professional and business services

If this means that levy income from other sectors is distributed to these sectors, we feel this is an acceptable solution. The long-term goal of apprenticeships is to raise the level of competence and the number of employees at Technician level in sectors and skills which contribute to the UK's productivity, not simply to have a larger population of apprentices.

We would also suggest setting thresholds for apprenticeship conversion into permanent employment with the employer or designated supply chain employer.. This might be at a level commensurate with current apprenticeship framework completion rates in the first instance. Where companies fail to employ apprentices on completion, access to the levy funding should be capped at a lower level commensurate with progression into permanent employment.

7. 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:

As above, we are concerned that unlimited top-ups will incentivise low-quality roll on roll off schemes for those sectors with predictable demands for cheaper labour, repeating the experience of the YTS schemes of the 1980s.

However, we don't think a blanket limit on tops ups would be fair for those companies that can provide sufficient high-quality schemes with permanent employment at the end. In principle the option of unlimited top ups should remain open in case they can be used on quality schemes, but those firms that cannot demonstrate adequate progression into employment should have their levy funding (including/as well as top-ups) capped or withdrawn – see out answer to question 10.

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

Comments:

Top-ups should only be payable under two conditions: either apprenticeship progression to a higher level, or subject to an employers' progression to employment rate being at an acceptable level.

9. 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:

The levy is fair

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

Comments:

For the engineering sector, we judge quality in apprenticeship provision through the approval of frameworks through the Engineering Council. In providing the appropriate foundation for progression to professional status (EngTech or higher), we know these frameworks are preparing young people for a career in engineering. Therefore, the levy for engineering provision should only be spent on frameworks which meet the Engineering Council's criteria and have 'approved apprenticeship' status.

Outside of engineering and construction, to ensure apprenticeships are fit for purpose, ideally all apprenticeships should be real jobs and should be for a minimum of two years rather than one.

The devising of the apprenticeship standards sets the overall standard and parameters. Purchasing training is the next stage, but training has to be work-based as well as delivered by a training provider. While employers have purchasing power, they also must be fully engaged in the work-based elements. A holistic view of a quality apprenticeship would imply the completing apprentice gets a permanent contract of employment.

If progression into employment cannot be demonstrated at a rate commensurate (in the first instance) with completions on current frameworks, levy funding should be capped. There should be monitoring of apprentice outcomes to ensure that post-apprenticeship employees are not dismissed and replaced with other apprentices as subsidised employees. Monitoring of apprenticeship completions and levels of achievement, and labour market intelligence will illustrate the benefits of apprenticeships. Control of access to levy funding based on benefit as well as volumes is necessary to manage the quality of provision.

This will also incentivise employers to use their purchasing power effectively, and provide better internal quality control of the process than any inspection regime that might be devised.

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

Comments:

We note that governance models for apprenticeships have yet to be devised. We would envisage a consultation and evidence gathering process between sectors/bodies responsible for the standards and BIS and the SFA.

At this stage, we would recommend that monitoring of apprenticeship completions and levels of achievement, and labour market intelligence will illustrate the benefits of apprenticeships. The top-up cap should be proportional to a measure based on the number of apprenticeship completions, and Technicians retained for, for example, two years post-apprenticeship.

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

Comments:

Employers' opinions will depend largely on how much the levy is. Large employers will be reluctant to contribute the £millions that may be required. Employers are likely to view the levy as making them less profitable or less competitive as a result of having to increase prices to fund the levy. There is concern about the amount of bureaucracy that may be thrust upon employers to administer the scheme, and this must be addressed in the engagement process. Employers are likely to want more control over what the levy money is spent on, perhaps even with latitude to spend the funding on other types of training, training trainers, training equipment, etc.

Engineering used to have a levy, which was abolished in the 1980s. The reasons for this were complex, but included:

- Complexity and bureaucracy of the system
- 'Gaming' of the system
- Increasing exemptions which led to the majority of employees not being included in levy calculation figures
- Employers being unconvinced that they were getting back what they were putting in

To successfully engage employers in this proposed levy will require assurance and evidence that these issues will not be a factor.

Professional Engineering Institutions and sectoral bodies such as CECA (The Civil Engineering Contractors Association), ACE (Association of Consulting Engineers) and Semta for the engineering sector are excellent mechanisms to engage employers. PEIs have thousands of practising engineers in membership, and can gather data and opinion on the practicalities of many aspects of apprenticeship provision. Organisations such as Group Training Associations have a long history of engagement with small firms on training, and can also provide insight into SME apprenticeship provision. A forum such as that run by BIS and the SFA for devising Trailblazers would be useful and would build on established relationships.

Giving employers real control

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

Yes No

Comments:

Subject to the IT project being able to deliver the system, access to funding in England should be simple. Employers will be concerned about arrangements in the rest of the UK, where access to funding is not a given.

14. 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:

Many large engineering employers are highly experienced in the delivery of excellent apprenticeship programmes. Those who wish should have the option to take the lead role.

15. 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:

There should clearly be some sort of audit/inspectorate process, but we are not confident that Ofsted, as currently resourced and organised, is a suitable body for this. Using a new body or distinct section of Ofsted, akin to the old Adult Learning Inspectorate might be better way to look at this. The ALI was staffed by people experienced in inspection of work-based learning provision, and largely had the confidence of learning providers.

If proposals to restrict and monitor access to the levy on the basis of completions and progression into full time employment were to be adopted, then the process could be light-touch, with full monitoring only triggered by underperformance.

16. 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:

Approval in the engineering sector should be via professional engineering institution approval arrangements under licence from the Engineering Council, and an assessment by the SFA/BIS of an organisations financial viability. Across all sectors, an approval arrangement should be a matter for the (to be decided) governance arrangements and bodies, but all existing forms of 'approval' should be recognised for apprenticeship funding, including training providers delivering courses under UKAS-accredited personnel certification schemes in accordance with ISO/IEC 17024.

For inspection, see above.

17. 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:

As above:

We would suggest setting thresholds for apprenticeship conversion into permanent employment with the employer or designated supply chain employer. This might be at a level commensurate with current apprenticeship framework completion rates in the first instance. Where companies fail to employ apprentices, access to the levy funding should be capped at a lower level commensurate with progression into permanent employment, and reviewed. In extreme cases there should be sanctions to prevent employers and providers from taking on apprentices.

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

Comments:

In terms of the programmes funded, the industry relevance of the programme, including compliance with European and International standards, is an essential feature in gaining maximum value for money out of an apprenticeship and ensuring that the Technician is 'work-ready'. Professional Registration is an essential apprenticeship outcome for Technicians, to establish their level of attainment and support their continuing professional development, eg EngTech for engineering technicians.

We also recommend that the minimum period for an apprenticeship should be two years; apprenticeships should be real jobs. Without this, with employers drawing down funding and passing it to training providers, it would be relatively simple for a training provider, perhaps with employer collusion, to draw down first instalments and then effectively disappear.

The levy is simple

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

Comments:

The system should ensure that only apprenticeships that are real jobs should be supported. While salary levels are also important to attract sufficient numbers of quality apprentices, especially in competitive markets., employers will get out what they put in. If apprentices/employees feel valued with a decent salary (and other company benefits) that reflects what apprentices are worth to the business even if they are still in training, rather than being paid by default the minimum level firms can pay to remain legally compliant, employees, as a consequence, will likely be happier and more productive and remain within the company for longer.

20. 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:

Employers are likely to want more control over what the levy money is spent on, perhaps even with latitude to spend the funding on other types of training, training trainers, training equipment, etc. If labour market intelligence identifies new apprenticeship requirements, it should indicate the need to extend the levy to additional employers or to adjust the employee number threshold. This additional funding should be used to support the development of the new apprenticeships.

An equally pressing problem in Construction and Engineering is upskilling the existing workforce and redeploying employees to areas of the business that require formal vocational training. An example of this might be an employee with technical aptitude who pursues a level 4 Built Environment Design course, which would be recognised for professional membership but need not be part of an apprenticeship. Employers should be able to bid for monies to support such provision, provided that it is accredited, approved or recognised by the relevant professional bodies. This would ensure that such training is substantive and would be likely to benefit the employee. It would prevent delivery of short training programmes, which employers should deliver from their own resources.

21. 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:

As above. Employers should be able to control what the levy money is spent on, including other types of training, etc, as well as paying for the development of new apprenticeships where Labour Market Intelligence indicates a need.

Audit should ensure that employees benefitting have moved to new roles, or gained professional qualifications and expertise that enables them to practise in a new area.

22. 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:

The implications for service delivery when a large public sector employer pays the levy. Would raising a levy from the NHS payroll, where many staff are already qualified to levels above those delivered through apprenticeships, in order to pay for sub-standard retail and customer service apprenticeships be a good use of money? Similarly, employers such as HEIs and high-tech engineering firms may find their levy liability much higher than their need for technician level skills.

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:

There is concern that the financial pressures on employers will lead to a desire to deliver apprenticeships 'on the cheap'. It is feared that the levy burden may not drive best behaviours amongst all employers and there may be a 'dash to the bottom' in apprenticeship quality.

In addition, even if it works well, the apprenticeship levy is not a solution to short term skills problems. It may take 8-10 years to train a suitably experienced chartered engineer. The arguments for a levy are persuasive but an apprenticeship is a first step rather than an end-product in terms of skills shortage.

With regard to the CITB and ECITB levies, we would not support option described in paragraph 28. It is not for government to direct how employers fund employer devised apprenticeship standards. It might be that employers would prefer to contract with a training provider to deliver an apprenticeship standard without recourse to public funds.

UK wide employers might also wish to deliver the same apprenticeship across the UK. How will the Department initiate talks to explore this option?

As regards the option described in paragraph 29, the immediate impact would be to constrain the ability of companies to upskill and retrain existing employees. Paradoxically, this is likely to lead to skill shortages.

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