



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](mailto:apprenticeshipslevyconsultation@bis.gsi.gov.uk)

or:

Apprenticeships Levy Consultation  
Department for Business, Innovation and Skills  
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What is your name?

Paul Bogle

What is your e-mail address?

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What is your job title?

Head of policy and research

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?

National Federation of Builders

<input checked="" type="checkbox"/>	Business representative organisation/trade body
<input type="checkbox"/>	Central government
<input type="checkbox"/>	Charity or social enterprise
<input type="checkbox"/>	Individual
<input type="checkbox"/>	Employer (over 250 staff)
<input type="checkbox"/>	Employer (50 to 250 staff)
<input type="checkbox"/>	Employer (10 to 49 staff)
<input type="checkbox"/>	Employer (up to 9 staff)
<input type="checkbox"/>	Legal representative
<input type="checkbox"/>	Local Government
<input type="checkbox"/>	Trade union or staff association
<input type="checkbox"/>	Further Education college
<input type="checkbox"/>	Private training provider
<input type="checkbox"/>	University
<input type="checkbox"/>	Professional body
<input type="checkbox"/>	Awarding organisation
<input type="checkbox"/>	Other (please describe)

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:**

The construction industry already has a levy system in place, managed by the industry training board CITB. The CITB funds employer apprenticeship support and the development of qualifications in addition to apprenticeship training. This funding is available to companies of all sizes. Micro and SME firms conduct half of all training, so any levy funds raised should support training by smaller companies. Additionally, those companies should be able to apply for that funding independently rather than have it controlled by a large company further up its supply chain that has contributed to the levy fund.

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

Yes     No

**Comments:**

The last time the Government consulted on apprenticeship funding through PAYE, the proposed system was unnecessarily complex and many employers did not understand it to a point where they were able to express an opinion on whether it was a good or bad system. Any proposed system has to be easy to understand, easy to run and easy to track.

The proposal indicates that the levy will be collected by HMRC through PAYE. There must be an assurance that money collected for the provision of training is ring-fenced and used for the provision of apprenticeship training.

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

**Comments:**

If the Government wants to impose a levy on large companies, then the number of employees is not a particularly reliable measure. There are different employment models used in the construction industry. Some companies have a large directly employed workforce while others make extensive use of subcontracting to deliver their projects. A more equitable measure could be to use company turnover.

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

Yes    No

**Comments:**

Some companies have very good, collaborative working arrangements. They could be part of the same supply chain, they could also be part of a consortium or joint venture. Companies may find it easier to share resources, in this case apprentices, to ensure a steady stream of work and learning opportunities for apprentices. In these cases, they should also be able to share funding.

**Employers operating across the UK****5. How should the England operations of employers operating across the UK be identified?****Comments:**

This is currently a source of confusion. While all UK companies in scope of the levy will have to pay into the fund, there is still no clarity on how devolved governments will handle distribution of levy funds. The NFB believes a claim for funding should be made according to the registered home location of the potential apprentice.

**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:**

Three-four years is a reasonable amount of time to be able to use the vouchers and allow for better planning of training. Construction in particular is a cyclical industry and training levels are linked to the availability of work. For many SMEs 'long-term' means six to nine months. Having vouchers available to a reasonable period of time will enable better medium to long-term planning around training needs.

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

If training has been identified and costed, there should not be a limit on the amount that individual employer's accounts can be topped up. There is a disparity from industry to industry in the amount that apprenticeships cost. For example, a four-year technical apprenticeship in manufacturing can cost up to £90,000. There needs to be a mechanism whereby companies can draw on further funds if the training requirement demands it. It also highlights that a one-size-fits-all approach to setting a value that can be accessed using vouchers will not work if one system is to be apply across all industries. The amount of money said to be available for the three million apprenticeship starts averages out at £2,567 per apprentice start. This is why there needs to be a body that can identify where skills are needed and, if top ups are being requested, ensure they are directed to the sector or region where the skills are most in demand.

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

**Comments:**

The limit should be based on what training for that sector costs. Apprenticeship training simply costs more in some sectors than in others. Employers in sectors where higher costs are incurred, such as construction, should not be penalised.

**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:**

**The levy is fair**

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

**Comments:**

The levy rate needs to be set at proportionate levels. There is a risk that workplace-based training will suffer if funds are being diverted to fund apprentices through a levy.

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

**Comments:**

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

**Comments:**

### **Giving employers real control**

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

Yes    No

**Comments:**

It is difficult to fully understand how the potential system would operate. There is no indication how the system for claiming vouchers would work for companies of any size, whether large, SME or micro.

**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:**

Employers should have the flexibility to go through a training provider, which has been subject to approval, or to take the lead role. Companies have varying degrees of expertise with regard to the procurement of training. The system should be flexible enough to allow for varying expertise and allow those companies which want to take more control to do so.

**Comments:**

**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:**

Training providers that can receive levy funding should be registered and be subject to inspection to ensure they are delivering apprentices that confirm to an agreed definition.

**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:**

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

**Comments:**

## The levy is simple

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

**Comments:**

**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:**

**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:**

**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:**

## 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:

While the NFB appreciates the need to increase the number of apprentices, the consultation appears to take a position that only an increase in apprenticeships is of value. The introduction of an apprenticeship levy risks diverting company funds away from valuable workplace and on the job training in order to fund this levy.

The NFB sees an increasing demand for organisational development training which, in cases such as building information modelling, have been developed to enable companies to meet other government targets. This increased capability is being embraced by firms which want to improve their productivity. Again, the levy system must be simple to understand and administer otherwise we will see case of companies improving productivity on one hand while bureaucracy cancels out those efforts on the other.

With regards to CITB, the construction industry's training board, there is support for a reformed CITB that would support training-related activity and provide support that is not covered by the apprenticeship levy. There is, however, no appetite for paying more than one training-related levy. It might be possible to those companies in scope to pay the apprenticeship levy and for those not in scope to pay the CITB levy to continue to receive training and development support.

The apprenticeship levy for further and higher education training will work well if the industry is one that is easy to understand or is traditionally aspirations, such as medicine. The provision of construction training from colleges has been inconsistent, the willingness or careers advisors to recommend careers in construction almost non-existent and the offers from companies to promote the industry often refused. With the closed loop of levy, colleges and approved training providers, there needs to be a mechanism that allows the construction industry to promote itself to school-age children and provide training support that goes wider than further education training and benefits the industry as a whole.

While NFB members have been disappointed at the rate of change in CITB, they recognise that a reformed CITB has a model that is more likely to succeed at identifying which skills are needed, where and when and provide appropriate funding to companies of all sizes than the proposed apprenticeship levy. It is also worth bearing in mind that CITB continues to function because the construction industry has voted for its continued existence.