



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
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1 Victoria Street
London
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What is your name?

Richard Mollet

What is your e-mail address?

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What is your job title?

Chief Executive

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?

The Publishers Association

| | |
|---|---|
| * | 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 |
| | 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 preamble to the consultation document says that employers must be “placed in the driving seat”. To be true to that metaphor, Government has to allow companies to determine the direction, speed and purpose of their journey. It is therefore vital that the system being created is inherently flexible.

Whilst we support the government’s view that employees in all companies should be able to benefit from the new apprenticeship programme, we disagree that the levy should be imposed upon all large companies, at least within the system model as currently envisaged.

Apprenticeship programmes are not appropriate vehicles for relevant training within all companies. If companies are to be made to direct a certain amount of their revenues to skills training it is important that they should be permitted to spend it on programmes and models of training which are relevant to their business needs.

It would be a retrograde and damaging step for businesses to be compelled to pay a levy, possibly to the level of hundreds of thousands of pounds a year, diverting resources away from their existing training budgets, in order to fund a scheme which has no direct relevance or suitability to their skills and training needs.

Such a move would represent a wholly new regulatory burden on British business, precisely at a time when Government is – in other measures – seeking to reduce the red tape companies face.

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

Yes **No**

Comments: In terms of simplicity of operation it is likely to be the best option – especially if the government adopts the policy of applying the levy according to the size of payroll.

However, the government also intends the system to be proportionate, but this may lead to a different policy. It may be the case that it is fairer (and more proportionate) to apply the levy to turnover – for example, a company with a small headcount may generate higher sales (and profits) than a company with more staff. It is not clear which is the fairer way to apply the levy.

Again, flexibility here is vital. If a company is able to demonstrate that it has a strong track record of devoting a considerable level of resources to training and skills development it should be possible for this to be offset against the amount which it would be liable to pay through the levy.

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

Comments: As the aim of the levy is to fund workforce development it may be sensible to apply it to payroll, and in particular to the number of full and part time employees. Calculating the size of a firm only on the basis of full-time employees could create a perverse incentive for firms to reduce full-time staff (either through hiring more people on part time or greater use of freelancers) in order to avoid being captured.

However, again a flexible approach is essential. If, as the Government maintains in the consultation document, that employers are to be “at the heart” of the programme, then they should have the ability to determine how they resource the skills training which is relevant to them.

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

Yes No

Comments:

Flexibility not compulsion needs to be the key characteristic of the scheme.

If companies wish to do this – perhaps in order to improve the skills elsewhere in the sector – they should be permitted to do so. This may be particularly pertinent in the creative industries, where often a firm operating in one speciality will be heavily dependent upon the skills of employees in other, adjacent firms to prosper.

Allowing employers to fund training on non-employees also opens the possibility of companies in the same sector acting collaboratively to pool funding for joint schemes.

Employers operating across the UK

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

Comments: England operations could be defined by the physical presence of a staffed office. Relying on a registered address could lead companies to establish a “brass plate” presence in other UK nations if doing so meant they avoided paying the levy.

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: In some sectors, including the creative industries, where there is not currently a high level of apprenticeship provision it may take some time to establish the necessary infrastructure, such as the Apprenticeship Standards. It would be unfair for employers in the sector to find that they were “timed out” of using the levy for reasons beyond their control. At least in the early years of the development of the programme there should be as much flexibility as possible on this point. We would recommend 3 years as an initial expiry point.

Furthermore, employers should be given time to demonstrate that the skills programme that they already have in place are delivering the policy end for which the Government is aiming.

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

Comments: If unused levies are to be recycled into being used by other firms we believe it is important that there be an element of ring-fencing, so that firms of a similar nature working in the same or related sectors see the benefit. In our sector, we recommend that where creative industry firms (as currently defined by the DCMS) do not utilise all or any of their levy funding their vouchers should be distributed only to other companies within the sector.

However, at the same time, it would be important that SMEs in the creative industries sector are not hermetically sealed off from the rest of the economy. SMEs in our – and indeed all sectors – should be able to receive vouchers from large employers both from within and outside the creative industry sector.

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: This is a difficult question to answer before the government has determined the size and scope of the levy. The economic impact assessment which will – presumably – accompany that decision needs to look at this question in particular detail.

On the hand, a limit could be useful to prevent one, or a handful, of well-resourced companies, from dominating the sector and gaining a further advantage in terms of their workforce development.

On the other hand, in a free market companies should not be precluded from investing in whatever areas they wish, and it may be the case that SMEs would benefit from the ability to “top up” to bring their access to apprenticeships up to the same level as larger, better resourced firms.

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

Comments: This should be subject to further detailed economic analysis by Government., but as an initial suggestion a company should not be able to more than double its eligible voucher account.

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: Government should closely monitor the initial operations of the system and determine whether this is a commonly occurring issue. If so, consideration could be given to relaxing the top-up limit.

Government must also support employers who wish – or rather need – to develop their skills base in a way relevant to their business.

The levy is fair

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

Comments: .The Government's proposed model is built upon the provision of high quality Apprenticeship training and education provision that will deliver work-ready apprentices who deliver a return on investment and contribute to productivity in the short term.

To support this they need a robust, industry-led quality assurance programme to kitemark the highest quality training provision, and they need confidence in the certification of individual apprentices. Creative Skillset's Tick already accredits and signposts the best Apprenticeship provision within the Creative Industries. Support can be extended to ensure that Creative Industries employers can also identify and access the highest quality provision for non-creative roles to support the breadth of their business needs.

More generally, we would agree with the government's aim of ensuring that the system is not open to abuse and that costs are controlled – and one way of doing this may be to establish a ceiling on the cost of training as the consultation proposes.

However we would sound a note of caution on this approach. Fixing a price in this way may indeed prevent the cost of training being over-inflated. But such an approach may deter providers of training beyond a certain level, if the amount of revenue they can hope to earn is fixed.

Furthermore, as a matter of principle it would seem difficult to set a price at the outset in what is going to be, in many cases, a wholly new market. This level of central interference in the pricing in a market runs counter to generally successful economic policy.

The best means to guarantee quality would seem to be to allow the market to decide. Employers will be attracted to the best value for money and those providers which consistently prove to deliver the best results. Such providers will earn more money from employers and will be able to go on to develop their programmes even further

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

Comments: As we note in response to question 11 above, we disagree with the notion of establishing a ceiling and fixing prices in the market, especially initially.

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

Comments: The consultation document places great stress on employer choice and this emphasis needs to be consistently maintained in the development of the programme. The logic of employers being in control and at the heart of the system needs to be followed through. Government is unlikely to command widespread support from employers if it seeks to impose a model which does not suit the needs of business. It is not sufficient to propose a blanket scheme which would appear to be suitable just to a majority of employers: to be successful a scheme needs to apply to all employers. The only way to achieve this, we would contend, is to maximise the flexibility within the model.

Different sectors will have different needs, experience and collateral and it is vital these varying conditions are allowed for, with the programme maintaining a flexible approach. This will encourage employers to explore different options, rather than feel they are being put into a strait-jacket system. For example, in those sectors which rely on graduate and non-graduate workforce, thought should be given to allowing “apprentice-degree” programmes to operate alongside the more traditional apprentice schemes.

Engagement will come from a genuinely open and choice-based system.

Giving employers real control

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

Yes No

Comments: From what is described in the consultation, yes; although it must be noted that the model anticipates a very ambitious, countrywide IT platform, which may not be as easily and quickly created as is anticipated.

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: As per our response in question 13 above, the key must be flexibility. Some companies and sectors will prefer – indeed need – to have a lead provider; other more mature or better resourced companies will prefer to take a lead role. The system must be designed to accommodate all options, not corral companies into one or the other. This does not need to entail sacrificing simplicity, provided the rules are clearly stated.

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 government will need to establish a clear, transparent and accountable regulatory regime to monitor the performance of lead providers; those employers who wish to take on the lead role themselves should be subject to the same inspection and accreditation regime.

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: This would appear to be a sine qua non of a successful system. The lessons from the Individual Learning Accounts programme of the late 1990s are clear: without proper approval and inspection, it is far too easy for rogue operators to enter and exploit the system.

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: As above, approval and inspection are essential elements.

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

Comments: The programme should be designed with strong deterrent penalties for providers and/or employers abusing the system. Companies mis-using the system should also face penalties.

Comments: These points are raised in the comments already given but we would like to set them out together in full:

- The Consultation document begins with an encouraging call for employers to be in the driving seat of skills development and to be at the heart of the system of provision. It then goes on to outline a system which in many respects would be deeply unsuitable for some companies. This tension can only be resolved through a far greater level of flexibility in how the programme may be implemented.
- Contributions to the levy from creative industries employers should be invested for the benefit of creative industry companies;
- Levy funding should initially at least be diverted to develop the new standards required for apprenticeship delivery and to create a quality assurance process, and to maintain a strong evidence base of labour market information to inform activity;
- Flexibility is key. Consideration should be given to the creation of “degree apprenticeships” for those companies and sectors looking to develop under-graduates in their workforces.
- Given the challenging costs and timescales for developing the new Apprenticeship Standards, it is a concern that the necessary infrastructure will not be ready in place by April 2017. Consideration needs to be given to having flexible transition arrangements in place, such as a “rolling start” to the programme to allow less well developed sectors time to catch up. This should be covered in a three year pilot period, running until 2020.

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: Please see above. The PA and Creative Skillset would be extremely keen to meet with officials engaged in the development of this model and we hope we can continue to work with you to help design a simple and proportionate model which will boost the uptake and development of apprenticeships in our sector and the wider economy.

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