



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?

Darren English

What is your e-mail address?

denglish@rac.co.uk

What is your job title?

Employee Relations 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?

RAC Motoring Services

| | |
|----------|---|
| | Business representative organisation/trade body |
| | Central government |
| | Charity or social enterprise |
| | Individual |
| X | 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 |
| X | Other services |

ABOUT THE RAC

With more than eight million members, the RAC is the oldest and one of the UK's most progressive motoring organisations, providing services for both private and business motorists. As such, it is committed to making driving easier, safer, more affordable and more enjoyable for all road users.

The RAC, which employs more than 1,500 patrols, provides roadside assistance across the entire UK road network and as a result has significant insight into how the country's road networks are managed and maintained.

The RAC is separate from the RAC Foundation which is a transport policy and research organisation which explores the economic, mobility, safety and environmental issues relating to roads and their users.

The RAC website can be found at www.rac.co.uk

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:

It will be important to find a solution to how organisations who do not contribute to the levy will be funded for their Apprenticeships in order to meet the target of 3 million apprenticeships by 2020. The RAC's view is that any underspend from the apprenticeship levy funding should be made available to fund digital vouchers for apprenticeships in such organisations.

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

☒ **Yes** ☐ **No**

Comments:

Although the intention is to collect the levy via PAYE and distribute it via a voucher system is clear, the rate and scope of the levy is not detailed, 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 in some industries?

There needs to be a simple method of calculating the levy taking into account circumstances such as where a company employs people through self-employment or subcontracted routes.

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

Comments:

The RAC believes it needs to be a simple system based on numbers of employees. We might consider a dual measure i.e. either a minimum number of employees such as 250 and or a minimum turnover. The numbers of employees should not include franchisees, etc., as this would complicate the calculations but it should include subsidiaries.

For the purpose of simplicity and to avoid confusion for businesses the definition should be consistent with the EU definition of a large employer – 250 employees or more.

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

☐ Yes ☒ No

Comments:

Although the RAC appreciates some large employers work with smaller companies in their supply chains we believe the calculation, collection and spend of the levy should be kept as simple as possible. The RAC 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.

Employers operating across the UK

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

Comments:

The driver should be simplicity rather than strict accuracy. There should be an open and transparent process for employers to review any allocations made by HMRC.

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:

The RAC believes that organisations that have contributed through the apprenticeship levy should be given a reasonable opportunity to use the benefits of their digital vouchers before expiry. If this was restricted to 1 year it may be difficult to recruit sufficient numbers of apprentices to use their whole allocation. Businesses should be given a reasonable opportunity to use their digital vouchers before they expire, therefore they should have a minimum of 2 years.

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

Comments:

If the levy charge goes into a central fund which all employers are entitled to draw down unless there is a first come first served approach, there would have to be a commitment from Treasury to 'top up' this fund if the demand is high. If the Treasury needs a safety net where the demand for Apprenticeships outstrips the funding then there could be a cap on growth over and above the levy levels for any employer. However it is likely that more funds will be collected than will be spent by employers.

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:

The value and level of this top up will be dependent on the contribution rates used.

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

Comments:

The Government should adopt a simple capping system where the Treasury would make the commitment to meeting the funding and the adjustments in levy would be made if demand outstripped the funds.

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 Government could adopt a sliding scale such that employers would have to make an additional contribution over and above their levy charge if they exceeded their spend on Apprenticeships.

The levy is fair

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

Comments:

The RAC recommends the 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 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 ongoing 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:

The RAC believes that the trailblazer groups that have been established to develop new apprenticeship frameworks should be tasked with monitoring, evaluating and developing these frameworks to ensure they continue to be relevant to their sector, and therefore setting appropriate ceilings that reflect the costs of developments in training needs.

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

Comments:

Employers and stakeholders must be given more control of the overall governance of the Apprenticeship programme. This began with the creation of the Apprenticeship Stakeholder Board which involves government, employers, providers and other stakeholders. They should take ownership of the content and structure of Apprenticeships, the quality assurance processes and funding. This should include employers of all sizes and from all sectors with a governance structure that reflects the complexity of the English economy. This group should take ownership of the issues around the levy. This group would oversee the consultation process which must include a wide range of employer and stakeholder groups.

Training providers have a role to play in working with employers to get them engaged.

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. 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.

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 important to increase the effectiveness of allocating funding. Giving employers greater choice of providers is the right direction but this needs to be balanced with the need to manage the funds effectively. The RAC's view is that using the lead provider system in the early stages of the new funding would be sensible but that would have to be done with a clear and transparent process for other providers to become lead providers. This would ensure that employers were able to exercise the choice of provider and to ensure that the fees charged by lead providers was fair and reflected the real added value of their role.

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. The RAC believes 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:

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:

See 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. Creating a levy charge will mean that organisations will take a much closer interest in the cost of the programmes.

The levy is simple

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

Comments:

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:

The RAC believes that this would be the simplest approach. 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:

The RAC's view is that the voucher system should be kept very simple and should not be used for recruitment and or selection of providers.

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:

It will be important to consult with the sectors (such as construction) that already have a levy. The current levy also covers other training as well as Apprenticeships. This will make a merger of the programmes complex. 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:

The Government has not announced when it wants to start the levy but we believe 2017 would be very early considering many of the key details are not yet known. We are already involved in moving from frameworks to standards and this process is taking much longer than planned. The change to a levy is both a major system change and more importantly a significant cultural shift. The process of change needs to be managed effectively over a longer, more defined period of time.

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