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Survey Questions

1 What is your name?

Name:

Victor Farlie

2 What is your email address?

Email:

vicfarlie@mac.com

3 What is your job title?

Job Title:

Executive Chair

4 Are you responding as an individual or representing the views of an organisation?

I am responding on behalf of an organisation

5 What is the name of your organisation?

Organisation:

London Work Based Learning Alliance (LWBLA)

6 What type is your organisation?

Please select the type of organisation you are responding on behalf of:

Business representative organisation/trade body

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

Please select the sector of the economy you operate in:

8 Where are you based?

England

9 Should your response to this consultation be treated as confidential?

No

If you have answered yes it would be helpful if you could explain to us why you regard the information you have provided as confidential:

10 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?

No

Please provide any additional comments that will help us to understand how you have answered the question.:

The LWBLA believes that the defining principle in establishing the levy is to support and encourage the individual levy paying employer to recruit and train its own employed apprentices.

The LWBLA believes it is important that levy paying employers are not undermining their competitive position relative to other individual non levy paying employers by providing an indirect subsidy to competitor businesses.

The Levy should be simple to use, accurate, transparent and above all encouraging of the Levy paying employer to employ apprentices.

The LWBLA believes that the Government should ensure that the levy fully conforms and complies with EU competition law and state aid regulations.

It would be a false prospectus to business if in fact the Government were to actively use funds raised by the levy as a substitute for other Government supported activity, or replace Departmental budgets intended to support non levy paying smaller employers.

The key point is that any notion of a Government policy designed to 'rob Peter to pay Paul' or a backdoor public expenditure cuts policy would discredit the aims and objectives of the levy in the eyes of business thereby making it indistinguishable from general taxation. In these circumstances the levy would be regarded as

a direct tax on employment indiscriminately impacting on large employers irrespective of their overall profitability.

The Government should aim to avoid creating a levy system that requires an entirely new administrative structure and the red tape that would follow.

Unfortunately the history of levies in the UK has required establishing detailed administrative structures that in turn generates comprehensive regulation with complexity and additional cost ultimately losing the confidence of employers.

The key risk to Government is that it creates a system so comprehensive that it requires complex management and regulation, all of which is counter intuitive to securing employer commitment and culture change to employing more apprentices.

In addition the Government should manage the fund directly and in doing so fulfil the following obligations to employers:

- Government should be legally required to underwrite all transactions and payments into and out of the levy.
- The Government should design and operate a system that offers each large employer a real time detailed statement of account linked to use of the E-voucher ensuring there is no risk of under/over payment.

The Government should be clear and unambiguous when using the term 'fully funded'. For example all apprentices aged 16-18 (without exception) should be fully funded by the Government and take the form of a nil cost/100% cash rebate from Government into the employers levy account.

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

Yes

Please provide any additional comments that will help us to understand how you have answered the question.:

The key principles that the LWBLA would commend to Government to adopt in testing the validity of PAYE for collecting the levy are:

1. Is the calculation simple to make with minimal 'red tape',
2. Will it be accurate in defining the levy contribution, and
3. Does it have a low cost for the taxpayer to administer with a low risk of non collection for Government.

Our key suggestion is that the Government examines the following approach:

That the employer contribution to the levy is paid on the previous financial years total employer national insurance. The Government levies a % on the total.

As this figure is agreed and settled at the year end (end of March /April) when the Government makes its autumn statement (the following November/December) the total levy forecast and % charge would be based on an agreed and accurate figure with minimal administrative cost for the employer.

The issue of concern with the proposed levy is that using PAYE is a 'blunt' instrument that does not reflect the cash-flow/profitability of the employer, firm location or the relative competitive position of the industry/sector. London employers will be subsidising the rest of the UK when they face the highest costs of delivery.

The LWBLA supports the view that the levy should be rigorously analysed and confirmed by the Office of Budget responsibility (OBR) as part of the Government's annual PES/Budget process.

Each large employer paying the levy should have a 'real time' statement of account provided by Government showing amounts raised, spent and the volume of apprentices.

The LWBLA advocates the Government taking great care in system cost, design, testing and ongoing management.

The LWBLA supports the Government's ambition to achieve 3 million apprentice starts in the current Parliament, but believes the development timetable for the safe and efficient introduction of the levy should require a cautious approach to 2017 onwards.

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

Free text comments box:

The LWBLA believes all employers including public services with a directly employed headcount over 249 employees should be charged the levy.

The LWBLA believes that the setting of the size of the firm should be a key part of the Government's annual consultation with business directly linked to the % charge on head count so businesses know across the UK what the Government's overall cash target and rate of spend via the levy. A key policy question with the establishment of the levy is the % use of all levy funds.

The Government should set a target for the annual % take up/ utilisation on no less than 90% of the annual sum collected and be judged and be held accountable on that measure. Once this has been consistently achieved over the course of a parliament then the Government should review the size of employer headcount and % intervention rate to drive up the number of apprenticeships in the UK.

The Government should consider phasing in the levy starting with employers employing more than 5000 employees to ensure the system and methodology is accurate and efficient in its operation.

The LWBLA would commend the Government if it choose to publish a timetable for the extension of the levy to employers with 249 employees over a three year period. This would allow for effective planning, transition and maximise the prospect of success in promoting the levy to business/employers.

What the Government is doing by introducing a mandatory levy on large employers is indirectly creating a two tier employer led system for employing apprentices; those mandated employers paying the levy in effect fund 100% of the cost of training the apprentice, whilst those smaller employers who do not pay into the levy fund choose on a voluntary basis to pay either 50% currently (frameworks) or in future 66% (standards) of the cost. The anomaly in the different funding % of what the employer and tax payer contribute and pay for fundamentally divides the business community and exposes the strategic risk of creating two very different operating models in the UK.

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

No

Please provide any additional comments that will help us to understand how you have answered the question.:

The key principles the LWBLA advocates in the use of levy raised funds are transparency, accountability and high performance outcomes. In allowing employers to spend levy funds on other employers apprentices opens up the prospect of variable standards, lack of accountability for performance or in a 'worse case' environment: fraud. In effect to safeguard both the public and shareholder this is likely to require an audit and oversight function that would give rise to a perception of 'excessive red tape' and lack of trust by business.

A key question raised by our members is who would be held accountable for the use of levy on other employers apprentices if say the outcomes were poor? This raises complex performance and legal compliance issues that the LWBLA would prefer the Government not to be indirectly responsible for in defining how the levy should function/operate.

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

Comments:

All employers should have an individual levy account that details core information including location by nation, headcount and NIC/payroll data. Employers should have the choice as to whether they wish to spend the levy fund monies in each of the four nations.

Government should ensure that it should make no difference across the UK where the employer is located or how the levy operates.

If the Government allows up to four different systems to operate with the risk of variable levels of complexity, confusion and compliance for employers runs a significant risk of failure to recruit apprentices. Employers will simply see the administrative time, cost and headaches as entirely unreasonable and of the Governments making. The LWBLA views this issue as the key strategic risk or political/legislative 'banana skin' for the Government.

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

Other (please state in comments below)

Please provide any additional comments that will help us to understand how you have answered the question.:

It is not obvious from the consultation document what the Government means by 'top ups' and how this would work. it would help us to understand this point if the Government could clarify its meaning and intentions at a later date.

In the LWBLA's view the concept/principle of an 'expiry date' should be linked to the use/utilisation of the funds raised by the levy from the employer. Employers should be given a choice: either exercise the option not to use the levy in which case the employer expires the fund immediately for that financial year, or allow employers up to three years before it expires.

Why: because employers do not recruit all staff/apprentices uniformly on day one of a new financial year. Indeed those businesses operating with high turnover rates/continuous recruitment should not be penalised as a consequence of a strict financial year. Also not all large employers have a financial year-end at the end of March.

The Government should analyse whether a levy paying employer who has used levy funds to employ an apprentice should be able to make a 'provision' within the Levy account for the continuing forward commitment to employ all apprentices in the future year. Any such provision should be deducted from any sum that would otherwise be caught up in the 'expiry' of funds. This way employers know they are only paying once for an apprentice. This is a key point of principle otherwise employers are in effect continuing to have to commit funding each year that otherwise could have been used to recruit more apprentices.

In summary the LWBLA believes the Government should consider the following:

- That all unused levy funds should expire by default at the end of three years or earlier if an employer exercises that choice.

Furthermore the LWBLA would welcome the Government assessing the validity of the following approach:

- That all unused/expired funds raised through the levy are redistributed by Government as an apprentice 'dividend' to all new small firms employing an apprentice as a single year end payment via the E-voucher thus ensuring 100% utilisation of the levy for the purpose of training apprentices. This would reward new small businesses for the acknowledged risk and cost of employing apprentices for the first time.

The Governments approach should be to encourage employers to employ apprentices and not use 'expiry dates' as a trigger/mechanism for a Government Department to secure windfall income.

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

Comments:

As with the earlier question it would help the LWBLA to understand what the Governments approach and definition of a 'top up' is, and how an employer would

'get more than it puts in'.

The LWBLA does not support the principle that one employers unused levy fund is transferred to another levy paying employer.

The levy rate and regulations should be set annually as part of the Government's Budget /PES settlement. The rate and the definition of a mandatory large employer should be set at the same time.

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

No

Please provide any additional comments that will help us to understand how you have answered the question.:

The concept that an employer can get more out of the levy appears to be attractive in principle but may prove to be complex in practise.

In principle the LWBLA believes that there should be no limit for the employer to 'top up' funds over and above the %/total of funds raised by the levy to be spent on training/assessing its own employee apprentices.

The Government may wish to consider a pilot rewarding outcomes as a measure of performance not just utilisation of the levy fund as the justification and trigger for any tax payer top ups.

18 How do you think this limit should be calculated?

Comments:

The LWBLA would wish the Government to consider incentivising 'top ups' as an NI rebate so that the employer can see a direct cash sum greater than the funds raised through the levy.

19 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 should either consider and evaluate the principal that an employer can bring forward future years levy funds for use in the current year, or that the Government will provide a direct financial contribution as per the funding ratio for non levy paying employers.

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

Comments:

The LWBLA advocates the following:

1. That the Government publishes a simple to use code of practise for all levy paying employers defining the requirements, standards and benchmarks to be adopted the development of high quality apprenticeship provision.
2. That the Government supports all approved training providers with a new publicly backed investment fund to maintain standards and professionalise assessment and teaching practitioners.
3. The Government consults with business and the general public on designing a new regulatory structure to reflect the fundamental shift in purchasing power away from the state and into the market.

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

Comments:

The LWBLA believes the proposed new banding of apprenticeship standards with a maximum Government cap/contribution is not fit for purpose. The Government is trying to second guess the market and make arbitrary judgements on costings and contributions/ceilings.

The key principle is that an employer should be free to decide how much they wish to pay. It is the Government that should set a cap on what its own contribution is, not restricting what an employer can do in setting the price of training.

What the Government could consider is setting a minimum amount that should be spent on securing a high quality apprenticeship. The LWBLA recommends an annual minimum figure of £4,500 for all apprenticeships. For non levy paying employers this would be comprised of a minimum £3,000 contribution from the tax payer and £1,500 of employer funds.

The LWBLA would welcome industries and sectors either through sector skills councils or professional bodies setting benchmarks for the cost of delivering an apprenticeship standard. These benchmarks should be considered by

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

Comments:

The Government must present a compelling justification for imposing the levy on employers who see this as a tax on employment. At present this is lacking and the reaction from employers is profoundly negative. This requires a collective effort by all parties and stakeholders to effect long term culture change in employer attitudes. The Government should consider the following:

1. publish a national marketing strategy with a promotional campaign, and
2. Establish an online 'one stop shop' for all levy paying employers.

It is important to recognise that the National Apprenticeship Service has largely failed in its mission and should be closed. The NAS offers only limited professional support to employers and is unable to stimulate the take up of apprenticeships on any significant level. It is a much diminished organisation with a very limited capacity to strategically influence employers and the wider general public. Its administrative systems, account management and online capability is generally regarded as profoundly inadequate. In summary despite the occasional innovative project the NAS is fundamentally a barrier to professional employer engagement.

The key organisations that work with employers to stimulate the employment of apprenticeships and in turn make the training successful are the training providers. The LWBLA estimates that over 90% of all employer contact, promotion, industry expertise and marketing to the employer is driven by training providers.

Training providers should be recognised by Government as having the pivotal role in driving both employer engagement and the achievement of high quality outcomes. The Government should ensure that training providers are fully represented on the new Apprenticeship Delivery Board and have direct representation onto the main board of all LEPs in England. The Government should establish a new more significant relationship with approved training providers and establish a national partnership.

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

Yes

Please provide any additional comments that will help us to understand how you have answered the question.:

In theory yes, but it all depends on how easily and efficiently the E-Voucher will work in practise across the four nations. The lack of detail currently makes any detailed assessment impossible.

The Government unfortunately has a very mixed track record in delivering new IT systems on time, to budget and fully functioning. Given the Government's current ambition to move from the drawing board to design, commission, build and launch a new system capable of efficiently and effectively raising and then spending over £1 billion in less than two years, the LWBLA would request clear independent oversight.

The LWBLA urges the government to publish an operating plan and establish an expert external project management group including substantial practitioner, employer and technology.

24 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

Please provide any additional comments that will help us to understand how you have answered the question.:

Developing employer choice and the freedom for employers to decide who they contract with for the delivery of apprenticeship assessment and training is a fundamental principle for driving up the quality and quantity of apprenticeship volume/outcomes.

If an employer wants to be a lead provider this should be supported and the regulatory compliance requirements clearly set out by Government and consistently applied to ensure transparency and accountability of behaviour and outcomes.

Maintaining the concept of the lead provider is equally valid and important. Lead providers are important for all employers not just levy payers for ensuring high quality performance but are also highly significant in supporting new provision and models of delivery to come to market. The lead provider manages all risk on behalf of the Government and mediates between suppliers and employers.

The key issue strategically is that the Government should open up and expand the opportunity for more organisations to become lead providers across the UK. This will drive competition and stimulate more effective employer engagement. The SFA in recent years have used lead providers as a means of reducing the number of contracts they directly manage. This situation appears to have allowed be the 'worst of both worlds' to dominate performance: despite the scale of Government funds available to support apprenticeships the restriction of contracts and movement of funds prevents the take up of apprenticeship volume. This is the opposite of what the Government seeks/wants.

If the Government wants to drive up the volume of apprenticeships and engage with more employers (across the UK) then the current administrative arrangement and contracting strategies of the SFA should be reviewed. Currently the regulatory and compliance requirements of the SFA are wholly inadequate and require fundamental review. Fundamentally The SFA's operating procedures are a brake on performance preventing innovation a

25 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:**

This is a key judgement for Government: either the Government trusts employers or they don't.

The LWBLA view is that all organisations - employers and providers who deliver apprenticeship training should each be treated equally under the law.

The LWBLA is an advocate for introducing an entirely new system of regulation fit for this purpose of supporting employers and training providers in a competitive marketplace. The current arrangements are state dominated reflecting the dominance of tax payer funding with excessive and over prescriptive regulation. This in turn stifles innovation and new approaches. The role of Ofsted should be restricted to childcare, schools and colleges.

As with many industries privatised over the past 25 years the key to ensuring open and fair competition is the establishment of an independent regulator. The LWBLA would recommend to Government they evaluate and introduce in law an apprenticeship regulator independent of Government with a strong customer - both employer and learner led influence with investigatory powers.

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

Yes

Please provide any additional comments that will help us to understand how you have answered the question.:

All organisations delivering apprenticeship training should be registered either by the Government or preferably by a new regulator. The current ROTO for registering approved organisations is a profoundly inadequate system and should be replaced with a more market sensitive approach. Ofsted should not apply where levy funding is used to employ apprentices.

27 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:

The Government should offer a standard framework for both the employer and training provider sign up to.

The LWBLA advocates retention of the ILR system for transparency and accountability in the learners interest linked to the E-Voucher.

The E-voucher system would then secure for the Government that the interests and expectations of the employer and training provider are aligned.

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

Comments:

The levy should have clear regulation, rules of operation and as with other legal compliance requirements for employers. Where in a court of law there is fault a simple system of fining employers should be introduced consistent with other employment and commercial practises.

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

Comments:

The Government should state unequivocally whether all 16- 18 year old apprentices are either fully funded or not.

If the Government supports 'fully funding' 16-8 year olds then this should mean that there is no direct charge on the levy. In effect for a levy paying employer the cost of recruiting and training a 16-18 year old is free with a 100% rebate to the training provider via the Government .

This exposes the fundamental problem in the new standards funding model/ methodology as it does not properly reflect that a 16-18 year old is 'fully funded', as it requires non levy paying businesses to make a funding contribution on the 1:2 ratio. The Government needs to have a consistent approach with all businesses in the UK and avoid inadvertently creating a two tier apprenticeship model.

if there is confusion between Government, employers and training providers the outcome is most likely to result in fewer 16-8 year old apprentices.

The LWBLA is an advocate for retaining annually funded contracts with the EFA/SFA for all 16-18 year old apprentices. This ensures all apprentices within this age group are fully funded and at nil cost to the employer.

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

Yes

Please provide any additional comments that will help us to understand how you have answered the question.:

Yes - restricting use to pay for assessment and training is the simplest and most effective way to ensure transparency and accountability in the use of the levy funds. In turn this keeps 'red tape' to a minimum and avoids 'pet project' syndrome by Government and its sponsor agencies.

This should be consistently applied across the UK otherwise this will risk devaluing the levy funds and there intended purpose.

31 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:

See the answer for the question above.

32 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

Comments:

The LWBLA would like to draw to the Government's attention progress in the change/switch from frameworks to standards. Although this is not directly connected to the introduction of the levy, indirectly it is a key issue facing employers and training providers alike. At present very few apprentices have been recruited onto a standard based apprenticeship, there are no outcomes and no technical understanding of the end test and marking. The Government has indicated that it wishes to complete the switch from frameworks to standards by August 2017. Neither employers nor providers have sufficient knowledge and capacity to know how to successfully deliver the new standards. The timeline for this switch closely follows the planned introduction of the levy in April 2017. The LWBLA is sufficiently concerned that major reform to both funding and curriculum will overload the industry - employers and training providers.

Our recommendation to Government is that the key priority is the safe & effective introduction of the levy and that up to 2020 both apprentice frameworks and standard will operate. This would entirely de-risk the changes without adding to cost or complexity of successfully achieving the 3,000,000 starts target.

The other key issue focuses on how the introduction of a levy will impact on non levy paying employers who recruit apprentices. The LWBLA recommends retaining annually funded contracts with Government as the simplest and most transparent model for ensuring accountability of performance and outcomes. As over 60% of all apprentices in the UK are employed in SME's and likely to be outside of the levy paying system this would de-risk the Government's 3,000,000 target and stabilise the training providers as they manage the transition from a state controlled sector into a competitive market driven customer led industry.

33 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 the consultation would also be welcomed.:

The LWBLA would have wished to see a technical evaluation of the levy with worked examples and an assessment of risk, headline critical path and outline legislative milestones. The lack of basic information has exposed the risk of misunderstanding the Government's intentions and hampered wider consultation and public discussion in such a short time frame.

There were too many questions on this consultation and not focused sufficiently on the issues of principle such as do you support the introduction of a levy and what is the aggregate total value of the fund and its relationship to public expenditure/tax payers contribution.