

Apprenticeship Levy – Developing the Build UK Position

Background

The Government has set a target of three million apprenticeship starts during the course of this Parliament (i.e. by 2020). Funding this ambition will be challenging and Ministers are expecting employers to make a much greater financial contribution than previously.

The Department for Business, Innovation & Skills (BIS) has recently published a consultation on the introduction of an Apprenticeship Levy and further details on the new system will be announced in the Autumn Spending Review. This paper sets out the information currently available and seeks the views of Build UK members.

Build UK is working with other industry bodies to respond to the consultation by the deadline of 2 October 2015.

Details of the Apprenticeship Levy

The Chancellor announced in his July Budget plans for ‘a levy on large UK employers’ to fund apprenticeships. The levy would support all post-16 apprenticeships, with employers in England able to access funding via a proposed voucher system. Devolved administrations in Scotland, Wales and Northern Ireland would decide how their levy funds are distributed.

Large employers would pay the Apprenticeship Levy and be issued with vouchers (dependent on their levy contribution) to purchase apprenticeship training. The vouchers could then be redeemed with providers to cover the costs of an apprentice’s training, including English and maths, assessment and certification. Employers who do not spend their voucher allocation in a given time period could see the money re-distributed to those employers who want to train additional apprentices.

Small employers would use the same voucher system to purchase apprenticeship training but would not pay the Apprenticeship Levy. Government nevertheless ‘remains committed’ to ensuring small employers make cash contributions towards the cost of apprenticeship training.

The size of employer that would pay the levy would be determined by ‘the total number of employees’ although no figure is suggested in the consultation.

The levy rate will be announced in the Spending Review but the Government intends ‘for the levy to be calculated on the basis of employee earnings and for employers to pay the levy through their PAYE return to HMRC’.

Principles of Build UK Position

The initial Build UK position is based on three key principles:

- Employers should only pay **one levy** to support apprenticeships
- Any levy must support the outcome of increasing the number of **high quality and relevant apprenticeships** that lead to long term employment
- There should be proper **consultation with employers** on the development and implementation of the proposals.

The consultation states that all sectors, including construction, would be covered by the Apprenticeship Levy. Whilst we need to consider how the Apprenticeship Levy and voucher system would operate and the impact that this would have on employers, the priority issue for Build UK is:

How would any Apprenticeship Levy interact with the current CITB Levy and Grants Scheme?

Impact on CITB Levy and Grants Scheme

There are three options for Build UK to consider:

- a. **Accept the Apprenticeship Levy in place of the CITB Levy** – the consultation recognises that this would have a wider impact on training in the sector and consideration would need to be given to alternative means of delivering and funding other training and qualifications in construction
- b. **Accept the Apprenticeship Levy to complement the CITB Levy** – consideration would need to be given to how a dual levy system could work to deliver and fund apprenticeships, training and qualifications in construction
- c. **Retain and reform the CITB Levy in place of the Apprenticeship Levy** – this would be on the basis that the CITB Levy has the potential to meet the Government’s ambitions on apprenticeships as well as deliver and fund other training and qualifications in construction.

The Business Case

Initial views from Build UK members would suggest that, as all large employers would be required to pay a levy, those that are in scope to CITB would prefer to retain and reform the industry Levy which supports apprenticeships, training and qualifications.

The consultation does not provide sufficient information on the operation of the Apprenticeship Levy for a detailed analysis to be undertaken; however, our initial thoughts are that an effective CITB Levy and Grants scheme along with a restructuring of the apprenticeship delivery model would enable in-scope employers to contribute to the Government’s target for apprenticeships.

Lobbying for construction to be exempt from the Apprenticeship Levy goes against the tide of Ministerial thinking; however, if a majority of members wish to retain the CITB Levy and Grants Scheme for employers in-scope to CITB, Build UK could present a strong business case based on the following:

- **Retaining and reforming the CITB Levy and Grants scheme would meet the needs of both Government and the sector** particularly if a specific target for the number of apprenticeship starts is agreed by in-scope employers
- **The CITB Levy and Grants Scheme supports more than just apprenticeships** and provides the foundation and framework for the majority of the training and qualifications delivered within the sector for businesses of all sizes
- **A large number of construction apprenticeships are delivered by SMEs** and smaller businesses are supported under the current CITB system
- **It provides an opportunity to reform the CITB Levy and Grants Scheme** in order to better deliver employer needs. Part of the case to Government would be that employers would take a lead in shaping a reformed system
- **A collective approach from the sector** which would enable construction employers that pay the CITB Levy to take responsibility for meeting its skills needs as it would have a set target and could be held accountable.

Questions for Build UK Members

Build UK will work closely with members and other industry bodies to present a collective industry response to Government on this issue. To enable Build UK to finalise its response, the key questions for members are:

1. Do you support the following principles of the Build UK position?

- Employers should only pay one levy to support apprenticeships
- Any levy must support the outcome of increasing the number of high quality and relevant apprenticeships that lead to long term employment

- There should be proper consultation with employers on the development and implementation of the proposals
2. **In terms of the current Apprenticeship Levy proposals, which of the following three options would be your preferred solution?**
 - a. Accept the Apprenticeship Levy in place of the CITB Levy and consider alternative means of delivering and funding other training and qualifications in construction
 - b. Accept the Apprenticeship Levy to complement the CITB Levy and consider how a dual levy system could work to deliver and fund apprenticeships, training and qualifications in construction
 - c. Retain and reform the CITB Levy in place of the Apprenticeship Levy on the basis that it has the potential to meet the Government's ambitions on apprenticeships as well as deliver and fund other training and qualifications in construction
 3. **If a majority of members support retaining and reforming the CITB Levy in place of the Apprenticeship Levy, would you support Build UK taking this position even though it goes against the tide of Government thinking?**
 4. **Would you suggest any alternative proposals for consideration?**
 5. **Could you provide up to three short statements on the impact that the introduction of the Apprenticeship Levy and/or the loss of the CITB Levy and Grants Scheme would have on the apprenticeships delivered within your business or the businesses that you represent?**

(Any statements used within the Build UK response will not be attributable unless specifically agreed by your organisation.)

6. **Do you have any further comments on the proposed Apprenticeship Levy?**

Please submit comments to Build UK using the [short online survey](#) by **Monday 14 September**. A draft response will be circulated to all Build UK members for comment by Wednesday 23 September.