

Build UK Response to Apprenticeship Funding Consultation

Introduction

1. Build UK brings together 25 of the construction industry's largest Main Contractors and 42 leading Trade Associations representing over 11,500 Specialist Contractors, providing a strong collective voice for the contracting supply chain in construction.
2. Build UK members, and the wider sector, have both a desire and need to increase the number of high quality apprenticeships in construction. Skills shortages remain a potential brake on the industry's ability to deliver projects and CITB has estimated that the sector will need to fill almost a quarter of a million (230,000) jobs by 2020. Brexit has provided further impetus for employers in the sector to train new staff as almost 7% of the construction workforce are currently EU nationals.
3. Employers in construction recognise their responsibility to contribute to the cost of industry training through both the CITB Levy and the new Apprenticeship Levy. The Apprenticeship Levy and proposed changes to apprenticeship funding represent a significant change that will impact the delivery of training within the sector.
4. At present, the timescales for introducing the levy and funding arrangements are tight. If the funding reforms are introduced too quickly and without taking the time to address problems within the system, they could have a detrimental impact on apprenticeship numbers. Furthermore, the funding reforms are being introduced at a time when the wider apprenticeship landscape is undergoing a radical shift through trailblazers, and Government need to ensure the different pieces of the jigsaw fit together.
5. Therefore, Build UK has issued a statement (*See Appendix 1*) supporting the CBI in calling for a delay in the introduction of the Apprenticeship Levy to give employers enough time to prepare, and to enable Government to work with business representatives, such as Build UK, to ensure the system works effectively from the outset. This paper proposes that a delay would allow time for:
 - Clearer communications of the levy and funding changes to employers
 - Further consultation on the proposed system of funding bands with employers so that they reflect the higher costs of delivering construction apprenticeships
 - A clearer picture on how apprenticeship funding would operate across all parts of the UK

Clearly communicating funding reform

6. With the Apprenticeship Levy and funding reforms taking effect from April 2017 there is only a small window available to communicate the changes and get employers up to the required level of knowledge. The reform proposals were only published in August after a delay, and the final HMRC guidance on how to calculate and pay the Apprenticeship Levy will not be published until December. This leaves just 3 months before the new system begins.
7. At this stage while many larger employers in construction who are eligible to pay the Apprenticeship Levy will be aware of its forthcoming introduction, awareness across the sector about how the new levy and funding system will operate is low. This will particularly be the case for smaller firms who, while not paying the levy, will need to engage with a new system of apprenticeship funding. If firms do not understand the changes the danger is that they will disengage.

8. An employer wanting to take on apprentices in 2017 needs to fully understand the practical and financial implications of the changes for their business. The format of the information currently published would be impenetrable for many employers and needs to be more clearly explained. The operation of the new system needs to be set-out in more practical terms that maps the steps an employer would take if they wanted to take-on an apprentice.
9. Build UK would be happy to work with Government to help develop a communications campaign to raise awareness levels and explain the proposed changes in a way that resonates with employers.

Getting the funding bands right

10. Build UK supports the Government's desire to simplify the system of apprenticeship funding and provide greater transparency on the funding allocated to providers for apprenticeship delivery. The proposals for additional funding for 16-18 year-old apprentices, and the funding uplift for STEM frameworks including construction are also welcome.
11. However, there are significant concerns over the proposed allocation of individual construction apprenticeship programmes to the new funding bands, as in many cases – despite the STEM uplift - the costs appear to have been underestimated.
12. The allocation for frameworks in particular have been based on the current rate paid to providers for adult apprentices even though the adult rate does not cover the full costs of delivery. CITB has estimated that under the proposed funding caps, provider funding for construction apprenticeships would be cut by between 20-30%.
13. There are also cases of individual frameworks where the funding caps appear very low – for example, a steeplejack apprenticeship has been allocated a funding cap of £6,000 (under accessing and rigging), while the specialist trade association ATLAS estimate the provider costs to be closer to £20,000.
14. If the funding bands for apprenticeship programmes are too low it could lead to either providers or employers being unable to deliver much needed programmes. The potential scenarios would be:
 - The funding band makes it uneconomical for a provider to continue delivering that apprenticeship programme. This would be particularly detrimental for specialist construction sectors with lower numbers of learners who depend on a small number of niche providers.
 - Employers have to agree a price above the agreed funding cap, meaning they would be liable for all the extra cost. In this situation the employer would either have to absorb what would be unexpected additional costs, or they could decide the costs were too expensive and it was not viable to deliver that apprenticeship.
15. Further consultation is required with industry on the methodology for allocating programmes to funding bands, and Government need to properly evaluate the evidence from construction and other sectors so that the funding bands properly reflect the costs of delivering individual apprenticeship programmes.

A joined-up picture on the devolved nations

16. The Apprenticeship Levy will be a UK-wide levy, though the funding proposals published by the Department for Education relate to England only. There is still no final announcements on how apprenticeship funding will be allocated in Scotland, Wales or Northern Ireland. Construction employers need a clear joined-up picture as they will often have employees located across the UK.
17. Furthermore, the test for whether an apprentice will be funded through the English system is whether an apprentice's 'main place of employment is England'. It is currently unclear how this would relate to construction where employees will regularly move between different projects and so clear guidance must be provided.

Further Information

18. Build UK would be pleased to discuss any of the issues raised in this response. For further information, please contact:

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Appendix 1: Apprenticeship Levy - Build UK Statement

Build UK and its members support the Government's ambition to grow apprenticeships, and are stepping-up to play their role in tackling skills shortages within construction. The Government has shown a strong commitment to investing in construction and infrastructure projects and it is vital the sector has the skilled workforce required to deliver them.

The Apprenticeship Levy will have a significant impact on the funding of training and apprenticeships across the construction sector. Whilst the information published by the Department for Education on the operation of the Apprenticeship Levy and the wider funding system is welcome, particularly the support for those employing 16-18 year olds, many questions remain unanswered.

More time and clarity is needed to ensure that the new levy effectively supports apprenticeships, and to enable employers to fully understand the implications of the changes for their business. The system of funding caps also needs to reflect the higher costs of delivering construction apprenticeships. The proposed allocation of construction programmes to the new bands is concerning, as in many cases the costs have been underestimated. This could deter employers from offering much-needed programmes.

Therefore, Build UK is supporting the CBI in calling for a delay in the introduction of the Apprenticeship Levy to provide employers with enough time to prepare, and to enable Government to work with business representatives, such as Build UK, to ensure the system works effectively from the outset.

Appendix 2: Build UK Members

Contractor Members

Balfour Beatty
BAM Construct UK Ltd
Bouygues UK
Carillion Construction Ltd
Clugston Construction
Galliford Try plc
Interserve Construction Limited
ISG plc
J. Murphy & Sons Limited
Keepmoat
Kier Group plc
Lendlease
M + W Group
Mace Group
Morgan Sindall Group plc
Multiplex
Osborne
Seddon Solutions Ltd
Sir Robert McAlpine
Skanska
Vinci plc
VolkerWessels UK
Wates Group
William Hare
Willmott Dixon Holdings Ltd

Trade Association Members

Asbestos Removal Contractors Association
Asbestos Control and Abatement Division
Association for Specialist Fire Protection
Association of Concrete Industrial Flooring Contractors
Association of Ductwork Contractors and Allied Services
Association of Lorry Loader Manufacturers and Importers
Association of Sealant Applicators Ltd
Association of Specialist Underpinning Contractors
Association of Technical Lightning & Access Specialists
British Blind & Shutter Association
British Constructional Steelwork Association
British Drilling Association
British Geomembrane Association
British Woodworking Federation
Building Engineering Services Association
Catering Equipment Distributors Association
Concrete Repair Association
CONSTRUCT Concrete Structures Group
Construction Employer's Federation
Contract Flooring Association
Door & Hardware Federation

CONSULTATION RESPONSE



Drilling and Sawing Association
Electrical Contractors' Association
European Fencing Industry Association
Federation of Piling Specialists
Finishes & Interiors Sector
Glass and Glazing Federation
Insulated Render & Cladding Association
International Powered Access Federation
National Access & Scaffolding Confederation
National Federation of Demolition Contractors
National Federation of Roofing Contractors Ltd
Painting and Decorating Association
Perimeter Security Suppliers Association
Resin Flooring Association
Rural and Industrial Design and Building Association
Road Safety Markings Association
Single Ply Roofing Association
Specialist Access Engineering and Maintenance Association
Structural Timber Association
The Tile Association
Thermal Insulation Contractors Association