Leveraging the Levy

Recommendations for improving the performance of the Apprenticeship Levy for apprenticeship, skills and training delivery

A policy paper by the Major Contractors Group (MCG) of the National Federation of Builders (NFB)

February 2023

OPEN REPORT

The National Federation of Builders (NFB) is the leading trade association in England and Wales representing real construction and building contractors. The NFB boasts over 600 members representing 1300 construction companies with a combined annual turnover of £6.6bn and 21,000 employees.

The NFB provides expert advice, training, representation and business services for members so that they can comply with industry standards, excel in delivery, and grow successful businesses.

Members must observe the NFB's Code of Conduct which commits them to business integrity, good practice and high standards of service.

About the Major Contractors Group

The Major Contractors Group (MCG) is the division of the National Federation of Builders (NFB) representing main contractors with an annual turnover of £40m and above. Currently, the group has a membership of over 30 contractors.

The group was established in 2019 and aims to share intelligence and improve governmental understanding of larger construction businesses. The MCG is a dynamic forum of major contractors across the UK working collectively to challenge many of the sector's misconceptions and to be a focus for best practice and future-proofing the sector.

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Foreword by Herman Kok, Lindum Group

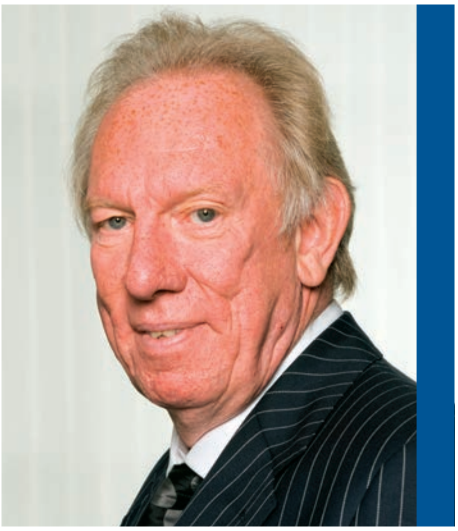
In my time as deputy chair of the Lincolnshire LEP and Chair of the local Employment and Skills Board, there was one issue which unified the 'big players' across all sectors; the fact that the Apprentice Levy system is not fit for purpose.

Across all industries and in particular in our (construction) industry there is a general recognition that new entrants (apprentices) and training for new skills are of the utmost importance. Most companies are willing to invest in training of their workforce, after all; a well-trained workforce leads to efficient delivery of goods and services and often a competitive advantage, locally, nationally and internationally.

On the face of it, the Apprenticeship Levy is aimed at increasing the number of apprentice employees and as such a number of apprenticeships are detailed and 'priced up' for companies to use. However, frequently the apprenticeships listed are not supported by local delivery agents and the cost of travel when using training organisations in other regions is prohibitive.

The use of Apprenticeship Levy can be 'fudged' by re-classifying an existing employee as an apprentice when gaining a new skill – resulting in a number of middle-aged middle-management 'apprentices' enrolling as under-graduates in order to gain a (further) degree at one of our universities. Not what the Apprenticeship Levy system was meant for! Furthermore, the benefit for the employer is dubious, often limited to 'having used up' their Apprenticeship Levy fund.

Finally, there is the absurdity of the system as operated by training providers; an example is a local FE college providing an AAT course with choice of day-release or evening classes for £860. A similar course booked via the Apprenticeship Levy system, offered with day-release only, delivered by the same college is charged out at £6,000. When challenged, it was pointed out that this was the only way to access one's Apprenticeship Levy fund for the course.



The construction industry already has the problem of having to deal with a dysfunctional CITB levy (which can only be used for a narrow range of training). A not-fit-for-purpose Apprentice Levy hurts in an industry which operates on the narrowest of margins as it is. I urge the Government to take note of and implement the comprehensive recommendations contained in our report, in order to make the Apprentice Levy a training tool we can all be proud to use. The construction industry (and other industries) are more than willing to invest in new employees, new technologies and new skills – please give us access to our own money to do so.

Finally, I would like to express my sincere thanks to members of our MCG working group for their contribution to this paper – and a special 'thank you' to James Butcher, NFB Director of Policy who did most of the 'heavy lifting'.

Herman Kok
Lindum Group Ltd.

Chair of the NFB Apprenticeship
Levy Policy Working Group
February 2023

Introduction

This paper is an evidence and experienced-based assessment of the current function of the Apprenticeship Levy. It explains the challenges faced by construction employers in making the Apprenticeship Levy work for their businesses. It recommends a number of positive and forward-thinking reforms, aimed at improving the vocational training of employees and significantly reducing the amount of unspent Levy funds which, while originally intended to improve training and education, in reality end up being returned to the Treasury for general expenditure.

In compiling this paper, the mission of the NFB has been to research and propose what reforms to the Apprenticeship Levy would help to ensure:

- Greater use of company's own Apprenticeship Levy funds
- Greater use of Apprenticeship Levy funds by others in the sector
- An increase in apprenticeships in construction
- A reduction in 'lost' funding returned to the Exchequer
- Greater business investment in learning, skills and training overall

The recommendations in this paper relate only to the Apprenticeship Levy itself, rather than the wider question of apprenticeship delivery but a number of issues with the delivery are raised throughout. While this paper focuses on the Levy, the NFB is committed to seeing both an effective Levy and effective delivery provision for future skills delivery.

Summary of Recommendations

1. WIDEN THE LEVY'S SCOPE

1.1 That the Apprenticeship Levy is reformed to become a wider apprenticeship, skills and learning levy, allowing employers more scope to use funds to train both new and existing staff.

2. REFORMING FUNDING RULES

2.1 That the Apprenticeship Levy funding rules are reformed to allow more flexibility in spending funds on other types of training and learning for the apprentice (e.g. coaching, mentoring, soft skills and other learning not covered by apprenticeship)

2.2 That the Apprenticeship Levy funding rules are reformed to allow more flexibility in spending to support the ancillary costs of apprentices such as the apprentice's travel and accommodation, PPE, tools and equipment costs

2.3 That the Apprenticeship Levy funding rules are reformed to allow a contribution to the apprentice's non-salary employment costs.

3. LEVEL OF LEVY

3.1 That the level of the Apprenticeship Levy is changed to reflect the ability of businesses to adequately supervise the number of apprentices they employ and the availability of training provision, which cannot currently meet employer needs.

4. IMPROVING LEVY TRANSFER

4.1 That Government undertakes a significant business engagement campaign, encouraging and incentivising employers to pledge their unspent Apprenticeship Levy funds

4.2 That Government pilots automatically reserving unspent funds after 24 months, allowing any other company in the same sector to apply for the funds

4.3 That the Government monitors the take-up of the Apprenticeship Levy transfer facility (either as current policy or as proposed in recommendation 4.2) and commits to a formal root and branch review after 18 months if no significant improvement is recorded

4.4 That all residual unspent Apprenticeship Levy funds are ringfenced by the Government and reinvested into Government-sponsored skills, training and apprenticeship delivery or employer-incentives to increase skills, training and apprenticeship uptake.

5. ADDRESSING DOUBLE PAY

5.1 That Apprenticeship Levy contributions are either exempted for employers who qualify to pay both the Apprenticeship Levy and the CITB Levy (or vice versa) or that a credit, discount or offset amount are applied to construction companies for either levy, recognising the double levy, double pay phenomenon and similarity of purposes.

The Prime Minister's Challenge

On the 23rd March 2022, the then Chancellor of the Exchequer, now Prime Minister, The Rt Hon. Rishi Sunak MP said in his Spring Statement, to the House of Commons:

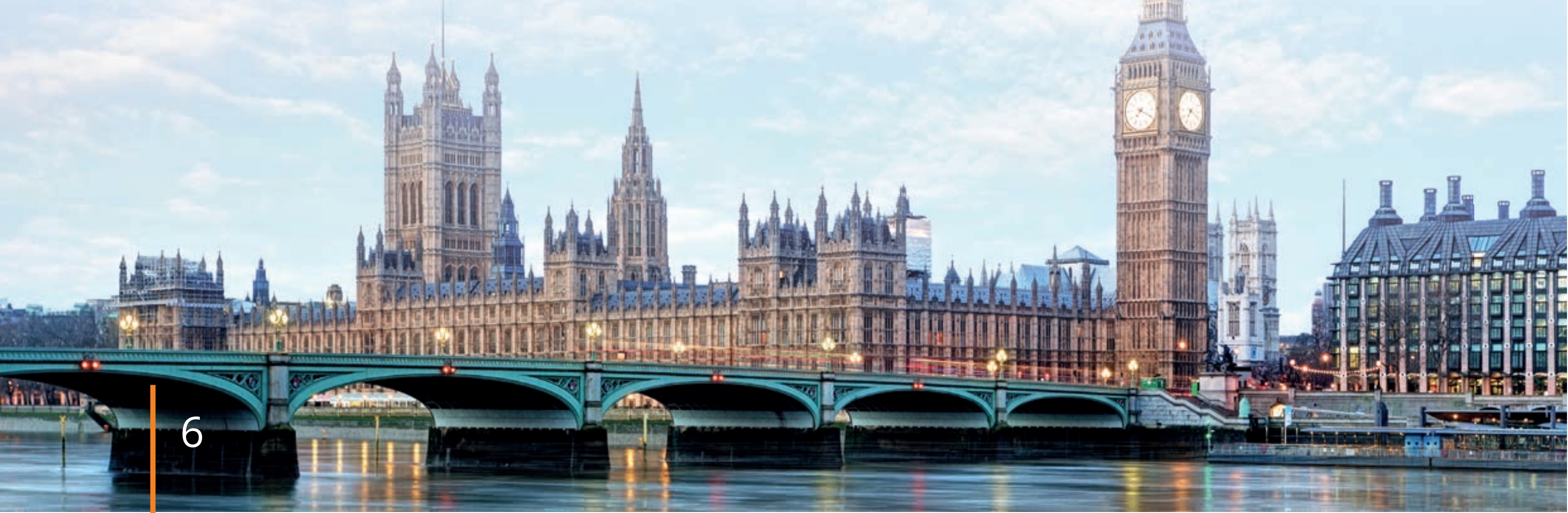
> ***'We lag international peers in adult technical skills: Just 18% of 25-64 year olds' hold vocational qualifications, a third lower than the OECD average. And UK employers spend just half the European average on training their employees. So, we will consider whether the current tax system, including the operation of the Apprenticeship Levy is doing enough to incentivise businesses to invest in the right kinds of training."***

Before any such comprehensive review of business taxes or the Apprenticeship Levy could be commissioned and completed, the UK Government underwent a period of change – first electing a new government under The Rt Hon. Liz Truss MP then another new government under Rishi Sunak.

By the end of 2022 and the Autumn Statement, the new Chancellor of the Exchequer, The Rt Hon. Jeremy Hunt MP, promised the nation public expenditure restraint, which would be needed to ensure the country's economic performance met two new fiscal rules: *"the first is that underlying debt must fall as a percentage of GDP by the fifth year of a rolling five-year period. The second, that public sector borrowing, over the same period, must be below 3% of GDP."*. The Statement signalled that the Government would be much less likely, in the near future at least, to consider policy decisions costing significant levels of investment.

By the time of his New Year's speech in January 2023, the Prime Minister re-committed the Government to improving adult technical skill levels, saying he wanted to see *"more technical education, lifelong learning, and apprenticeships."*.

In the context of tight-public spending, and the PM's challenge to improve the nation's technical skill levels, the National Federation of Builders believe it is time to look to leverage the Apprenticeship Levy, ensuring the maximum use of funds, incentivising more training and delivering improved skills outcomes. By recalibrating the Apprenticeship Levy's purpose, funding rules and application, the NFB believes the Levy can deliver much improved skills investment and higher levels of technical education.



The Challenges: Unspent Funds, Plateauing Starts and Falling Completions

The Apprenticeship Levy was introduced to ensure a ringfencing of funds specifically for the use of apprenticeships, by taking monies off of employers and then offering it back to them, plus 10% for the sole use of apprenticeship training.

However, the policy's operation in practice has not met the design intent of the original idea. Employers are given 24 months to draw down the funds in their account and spend them but this is systematically not happening. By July 2022, the amount of money unspent by employers surpassed £3.3bn. This situation is set to worsen, as the number of apprenticeships is not noticeably increasing, so unspent funds continue to accumulate.

This unspent money is essentially a tax, because unlike reserved funds, it is no longer available for apprenticeship funding and instead goes back to the exchequer for general expenditure.

The answer to this issue would appear at first glance to be that employers should simply employ more apprentices, but reviewing the trend data shows that this has not happened – apprenticeship starts since the introduction of the Apprenticeship Levy have remained largely stable. There was a very welcome improvement in 2021/22 but this may be explained by the Government's incentive payments for taking on apprentices, introduced in August 2020 (detailed in the table below), which were claimed against 51% of all construction apprenticeships. Emerging data from the first quarter of the 2022/23 academic year shows a fall compared to 2021/22, which may be caused by the removal in the incentive payment.

Perhaps more worryingly, the statistics for apprenticeship completions appear to be trending downwards, with the latest data showing that less than 60% of apprentices completed their course.

While in the early years of the Apprenticeship Levy introduction, the number of apprentices supported by the Apprenticeship Levy did increase, in the last three academic years, the % of those supported by the Levy appears to have plateaued around 64-65%, which may indicate the saturation point of the Levy's ability to support through the current system design.

The reasons for why NFB employers say they are not recruiting more apprentices are explored in the next section of this paper.

The Apprentice Levy and Apprentice Delivery in Statistics

Number of Apprenticeship Starts in England by Academic Year

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Total	494,880	375,760	393,380	322,530	321,440	349,190
Construction	**21,210**	**22,660**	**22,530**	**21,920**	**19,960**	**26,060**
Intermediate	15,840	14,770	12,970	11,280	10,810	14,020
Advanced	4860	5740	6270	6380	5780	7490
Higher	510	2150	4260	4260	3370	4550

Source: https://explore-education-statistics.service.gov.uk/find-statistics/apprenticeships-and-traineeships/2021-22#explore-data-and-files [Accessed 31.03.2023]

Note: Emerging 2022 data shows that for the fi rst quarter of 2022/23 academic year, apprenticeship starts are down 6.1% compared to 2021/22.

Number of Apprenticeship incentives claims by Academic Year*

	2020/21	2021/22	TOTAL
Total	107,750	87,840	195,590
Construction	**N/A**	**N/A**	**23,340**
Total as % of starts	33.5%	25.2%	29.2%
Construction as % of starts	N/A	N/A	51%

Source: https://explore-education-statistics.service.gov.uk/find-statistics/apprenticeships-and-traineeships/2021-22#explore-data-and-files [Accessed 31.03.2023] *Data shown is from August 2020 to July 2022, covering the incentive payment period for new employees recruited between 01 October 2021 and 31 January 2022.

Apprenticeship Completions

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Total	–	–	65.1%	57.5%	57.7%	–
Construction	**–**	**–**	**65%**	**63.1%**	**58.5%**	**–**

Source: https://explore-education-statistics.service.gov.uk/data-tables/permalink/c56a8623-0a23-4ff5-2d2f-08dafaf734a0 [Accessed 31.01.2023].

Apprenticeship Starts vs Apprentices Supported by Levy

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Total	494,880	375,760	393,380	322,530	321,440	349,190
Supported by Levy	21,120	186,040	223,910	209,280	205,330	225,590
%	4.3%	49.5%	56.9%	64.9%	63.9%	64.6%

Source: https://explore-education-statistics.service.gov.uk/find-statistics/apprenticeships-and-traineeships/2021-22#explore-data-and-files [Accessed 31.03.2023].

The Barriers to Success Insights from the NFB

This section explores the issues that prevent NFB members from spending their funds, as well as the issues that limit them from recruiting more apprentices. Through a mixture of focus groups and surveys, Apprenticeship Levy-paying members of the NFB reported that in line with the national picture, they were overwhelmingly unable to use all of their funds.

The following are the issues which were raised as being the key factors preventing progress:

Training provision – access and quality

One of the biggest issues raised by NFB members was their ability to access apprenticeship training generally and to access the high-quality training that meets the business needs, in a location accessible to them.

Members felt strongly that the quality of provision varied too wildly, there were too many changes in which courses would or would not attract Levy funding and many could not access the courses that they wanted, either at all, in their area or within a reasonable distance. In the extreme, it was reported there were no providers for some specific courses within the entire region the companies were operating in. It was widely considered that there are simply not enough providers to allow members to employ enough of the apprentices they would need to spend their Levy funds or meet business needs, and of those courses that do exist, there was much criticism that their offering was not fit for purpose.

It was also reported that there is a general lack of End Point Assessment Organisations and that they are geographically sparse, that tutors were in shortage and quality of teaching was not consistent.

There was also criticism that too many courses had gone virtual rather than in person, and that was affecting the apprentices' progress and development. Communication with providers was also rated as poor with numerous complaints about the provider's knowledge and competence on the DAS Account leading the business to spend too much time chasing-up or fixing issues as well as providers failing to complete necessary paperwork and missing important deadlines.

It was generally agreed that provision was simply not in a fit state to enable businesses to utilise all of their Apprenticeship Levy funds, even though they wanted to.

Alternative training options more attractive

Every single one of the NFB members spoken to reported that they felt the apprenticeship route is often sub-optimal compared with alternative training options or qualifications but is used because of the need to make use of funds. Alternative but equivalent qualifications were reported as often being much more competitive, quicker and easier for the business to support, with similar or preferable outcomes in terms of the employee and business needs.

The duration of apprenticeships, especially for higher level apprenticeships, was seen as very unattractive both to the employer and the employee, especially when compared to professional qualifications, for example. Members also reported that employees typically prefer to follow a professional qualification rather than a higher-level apprenticeship as it is seen as more desirable to them.

Costs of apprentices

NFB members said they would like to see more flexibility in the apprenticeship funding rules for expenditure on or for apprentices, and a third said that doing so would make them more likely to employ additional apprentices. NFB members would like to be able to utilise funds to provide coaching, mentoring, soft skills and other training not provided for by an apprenticeship. Members also reported that they would like to see the ability to use apprenticeship funds for the ancillary costs associated with apprentices to cover things like PPE, equipment and tools, travel and accommodation. There was also widespread support for allowing some of the funds to be used on non-salary employment costs.

Desire to see funding more widely available for skills and training

Recognising these barriers, all NFB members consulted expressed a desire to see a much wider remit for the Apprenticeship Levy – looking at broader skills, training and learning for a wider range of employees within the business to upskill, reskill or to access training for new entrants that was seen as a preferable alternative to an apprenticeship. At the higher level, for example, members specifically wanted to see ILMs, HNCs, HNDs and Degrees supported.

Capacity of supervisors

Some NFB members reported that even though they wanted to take on additional apprentices to spend their remaining funds, the time commitment, training and oversight required to do so exceed their business's supervisory capacity. They felt it was not within their business's current resource to be able to fulfil the management related-needs of employing additional apprentices and that the level of the Levy was unrealistic compared to what is practically unachievable in terms of the number of apprentices needed to access all of the funds.

In order to tackle these barriers, the NFB proposes the following recommendations:

RECOMMENDATIONS

1. WIDEN THE LEVY'S SCOPE

1.1 That the Apprenticeship Levy is reformed to become a wider apprenticeship, skills and learning levy, allowing employers more scope to use funds to train both new and existing staff.

2. REFORMING FUNDING RULES

2.1 That the Apprenticeship Levy funding rules are reformed to allow more flexibility in spending funds on other types of training and learning for the apprentice (e.g. coaching, mentoring, soft skills and other learning not covered by apprenticeship)

2.2 That the Apprenticeship Levy funding rules are reformed to allow more flexibility in spending to support the ancillary costs of apprentices such as the apprentice's travel and accommodation, PPE, tools and equipment costs

2.3 That the Apprenticeship Levy funding rules are reformed to allow a contribution to the apprentice's non-salary employment costs.

3. LEVEL OF LEVY

3.1 That the level of the Apprenticeship Levy is changed to reflect the ability of businesses to adequately supervise the number of apprentices they employ and the availability of training provision, which cannot currently meet employer needs.

Transferring Levy Funds

To try and reduce the amount of unspent money, and increase the number of apprenticeships being taken up, the Government extended the amount of unspent Levy funds available to be transferred to other organisations, both in the amount that was available to transfer (from 10% to 25%) and the number of organisations transfer could be made to (from 1 to unlimited).

Pledged transfers can only be used for training and assessment costs, which is the same for the originating organisation. In September 2021, the Government launched an online pledge service, allowing much greater visibility and access to transferred funds which previously were only completed directly between businesses. The originating organisation can choose the specific sector (as well as location, apprenticeship level, job type etc.) they want to transfer to and can accept or reject applications by those wishing to access the pledges.

Currently, there are only 164 companies or organisations publicly pledging funds for transfer (in total) [correct of 31.01.2023] of which 95 are available for construction and of those only 11 are business relating to the construction, built environment or building merchant sectors. The rest are organisations willing to support construction apprentices but are not construction companies themselves.

All expect one NFB member surveyed said that they had not transferred or pledged their unspent funds, but felt it was a shame to see the funds go to waste.

RECOMMENDATIONS

4. IMPROVING LEVY TRANSFER

4.1 That Government undertakes a significant business engagement campaign, encouraging and incentivising employers to pledge their unspent Apprenticeship Levy funds.

4.2 That Government pilots automatically reserving unspent funds after 24 months, allowing any other company in the same sector to apply for the funds.

4.3 That the Government monitors the take-up of the Apprenticeship Levy transfer facility (either as current policy or as proposed in recommendation 4.2) and commits to a formal root and branch review after 18 months if no significant improvement is recorded.

4.4 That all residual unspent Apprenticeship Levy funds are ringfenced by the Government and reinvested into Government-sponsored skills, training and apprenticeship delivery or employer-incentives to increase skills, training and apprenticeship uptake.

The Double Levy, Double Pay Phenomenon

While the Apprenticeship Levy is paid by all industries, irrespective of need, the construction sector is the only sector whereby employers pay two levies, which arguably exist for a very similar purpose. The Construction Industry Training Board (CITB) and the Engineering Construction Industry Training Board (ECITB) are the only two remaining Industry Training Boards (ITBs) that raise a statutory levy on the employers within their scope.

While the two levies are different, there is a significant amount of overlap in that support is provided for the employment of apprentices. For example, in the 2021-2022 financial year, CITB reported that CITB levied funds had supported almost 20,000 apprentices, amounting to £51.3m of apprenticeship grants from a levy income of £108.3m – almost half of all monies levied that year.

For the National Federation of Builders, the amount of funding supporting apprentices constitutes the majority of all grant funds given to NFB members at 65% of all grant funding.

	October 2021-22	
	Application value of CITB registered employers affiliated with NFB	Percentage of all applications
Apprenticeships	£1,454,450	65.0%
Qualifications	£275,334	12.3%
Short courses	£508,215	22.7%
Total	**£2,238,623**	

Source: CITB data, October 2022.

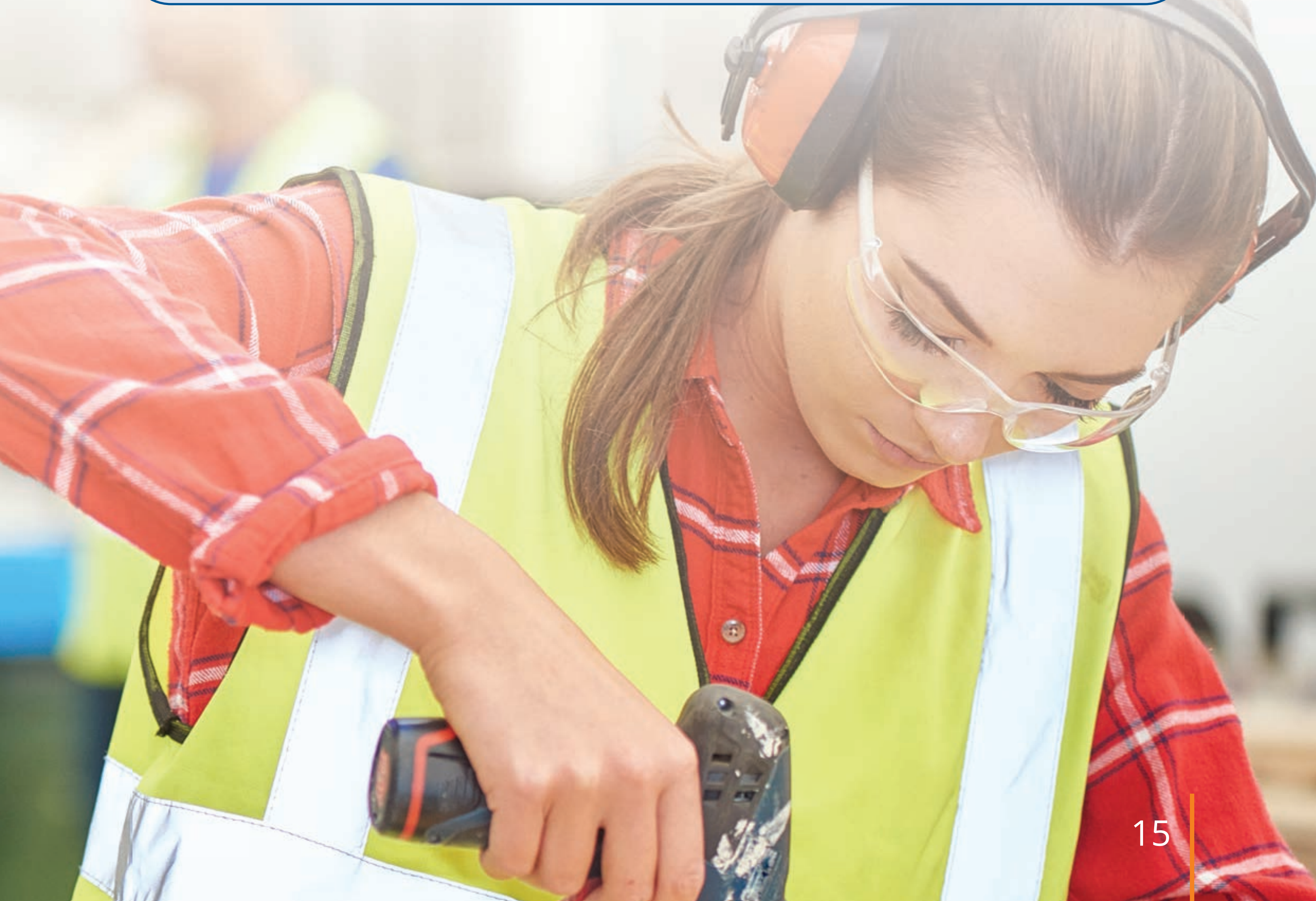
Recognising the challenges associated with provision, cost and supervision outlined in the previous section, the NFB's position is that it is practically very difficult to access and spend both Apprenticeship Levy and CITB Levy under current rules and accordingly recommends the following:

RECOMMENDATIONS

5. ADDRESSING DOUBLE PAY

5.1 That Apprenticeship Levy contributions are either exempted for employers who qualify to pay both the Apprenticeship Levy and the CITB Levy (or vice versa) or that a credit, discount or offset amount are applied to construction companies for either levy, recognising the double levy, double pay phenomenon and similarity of purposes.

Note: This recommendation is only thought to affect around 750 companies or 1% of CITB registered employers, as reported by CITB at Apprenticeship Levy implementation. For the avoidance of doubt, the NFB supports CITB's grant support of apprentices, but does not believe that qualifying employers should pay both levies, or at least the full amount of both levies.



A Consensus for Change

The National Federation of Builders is not the only trade association or organisation calling for reform to the Apprenticeship Levy. Many other organisations from different sectors and industries have put forward proposals which all follow a similar vein – that the current Apprenticeship Levy design does not allow the flexibility or the provision to enable effective use of funds. In this section, the NFB has highlighted some of the organisations who have called for reform and summaries of their recommendations.

The British Retail Consortium (BRC)

The BRC calls on the Government to:

- Make the Levy more flexible to allow the use of Levy funds to support more young people in high quality pre-employment and pre-apprenticeship programmes
- Allow the Levy to support other training and shorter courses (currently have to be a minimum of one year)
- Allow Levy funds to be used to cover a portion of apprenticeship costs outside of training e.g., transport costs.

The Chartered Institute of Personnel and Development (CIPD)

"A more flexible skills levy would mean employers could use it to develop existing staff through other forms of accredited training and skills development which are cheaper and usually much more suitable for employees aged 25 and over, leaving more money to invest in apprenticeships for young people who most need them.

Levy flexibility would also help employers fund their employees through training in further education colleges as many technical and vocational courses are not apprenticeships. This key change would provide a big boost to meeting the ambition of the Government Skills for Jobs white paper and boost employer engagement with their local colleges."

The Chartered Management Institute (CMI) and British Chambers of Commerce

"The complex and restrictive Apprenticeship Levy rules that 'make it feel more like a tax than an incentive to invest in skills', should be relaxed. For access to quality training, funding bands must reflect the true cost of provision. For many employers, the Levy has displaced budgets for other essential forms of skills development, risking future growth and productivity, so other accredited quality training should be included in the scope of the funds. Focus for employers must be placed on return on investment. Reforming the Levy now will re-engage employers and help boost skills development across sectors and local communities."

The Rt Hon. Chris Skidmore MP / Mission Zero: Independent Review of Net Zero

"Increasing the flexibility of the Apprenticeship Levy, and assessing whether the Levy aligns with Government net zero and growth priorities, and whether shorter, more intensive courses should be available alongside exploring the role of T levels."

The Confederation of British Industry (CBI)

The CBI is calling on the Government to...

- Help firms better understand how the Levy is working, what is being funded by the Government and how their contributions are being spent
- Engage smaller firms with practical, online support and local-led 'matching services' which allow more large firms to pass on unused funds
- Introduce a £100m annual government top-up fund which allows firms of all sizes to continue using the scheme to spend on apprentices of all ages and skill levels
- Broadening the Apprenticeship Levy into a 'Flexible Skills Levy', which would cover a wider range of high-quality, relevant training.

Federation of Small Builders (FSB)

"Small businesses find it challenging to navigate the current apprenticeship system. Funding change has made it difficult for training providers to serve the small business community. Transferring levy funds from local authorities – often the largest employers in the area – to small businesses is one way to boost social value and have a big impact on their communities"

The 5% Club

"The 5% Club calls for greater transparency, ease of access and efficiency in the Apprenticeship Levy System. In particular, it seeks an assurance that all funding created by the Levy is used to best effect in the Apprenticeship System, and that underspent funding – some £600 Million a year and rising – is protected, independently managed and not "returned to the Treasury". Outside of these reforms, The 5% Club also believes that the minimum wage for Apprentices should be removed and that they should be protected with the same living wage legislation as all other workers; this removing the practice and any notion of encouraged wage suppression."

The Labour Party

"Turn the Apprenticeships Levy into a 'Growth and Skills Levy' enabling firms to spend up to 50% of their levy contributions, including current underspend, on non-apprenticeship training – including modular courses and functional skills courses to tackle key skills gaps. By reserving 50% of the Growth and Skills Levy for apprenticeships, we will protect existing apprenticeship provision".

Local Government Association (LGA)

"We can help increase apprenticeships and social mobility locally if the Government reformed the Apprenticeship Levy."

Key Asks:

- More strategic local planning
- Extend the two-year limit where standards have not been approved
- Co-design unspent Levy and non-Levy funding
- Allow Employers to Pool Levy Transfer contributions
- More flexible use of the Levy.

London Councils

London Councils, the Greater London Authority, London Chamber of Commerce and Industry, London First, West London Alliance, Central London Forward, South London Partnership, and Local London.

The paper calls on central government to introduce greater flexibilities to the Apprenticeship Levy. These include:

- Temporarily extending the amount of time employers have to spend their levy from two years to three years.
- Extending the availability of the current employer incentives and increasing them to reflect the higher cost of living, working and training in London.
- Providing additional government support to small businesses looking to take on apprentices.
- Allowing some levy funding to be used for pre-employment training to get people ready for an apprenticeship.
- Allowing levy-paying employers to use some of their levy to contribute towards the wage costs of new apprentices from priority groups.

The Recruitment and Employment Federation and the UK's leading employer bodies

The Recruitment & Employment Confederation, the Chartered Institute of Personnel and Development, the Freight Transport Association, the Chartered Institute of Management Accountants, ScreenSkills, the Association of Accounting Technicians and the Association of Independent Professionals and the Self-Employed.

"As representatives of tens of thousands of businesses, representing millions of workers from every corner of the UK, across all sectors and sizes of firm, we urge you to broaden the apprenticeship levy so that funds can be spent on other forms of accredited, quality training. We believe this approach would benefit workers, employers and the wider economy."

Tesco

"What we're asking for is simply the flexibility to use the apprenticeship levy to its full potential and give young people the valuable skills, training and experience that will translate into better opportunities in their careers."

Tesco is proposing three reforms:

- Allow up to 10% of apprenticeship levy funds to be used to support high quality pre-employment and pre-apprenticeship programmes
- Allow funds to be spent on shorter courses
- Allow 10% of levy funds to cover a portion of apprenticeship costs outside of training, allowing smaller employers to significantly expand the amount of apprenticeships they offer.

Conclusion

The National Federation of Builders and its members support the Government's aim to increase technical education and vocational training for adults across the UK. In the context of the economic climate, it is prudent to look to leverage the performance of existing policies to achieve this. The Apprenticeship Levy has been in operation long enough to make a sensible and informed assessment of its performance, and it is currently underperforming. Too much money is going unspent and not enough invested in training and skills.

There are a number of adjustments that can be made, as outlined in this paper, that would help to ensure that more money is available for much wider investment learning, skills and training. By widening the scope of the Apprenticeship Levy, the Government can ensure that the right training, at the right level, for the right people is delivered across businesses. By reviewing the Levy level, the Government can better match the Levy with the provision and ability of the business to spend it. By amending the funding rules, the Government can help businesses to invest more in their existing apprentices and make it more attractive to hire additional ones. By educating and incentivising the Government can help businesses transfer more of the money they cannot spend and by ringfencing funds, Government can help more businesses access funding before it is whisked away, as well as ensuring that which really cannot be spent is reinvested back into skills and training delivery. Finally, by taking a reasonable approach to the double Levy problem, the Government can ensure businesses are fairly treated and able to draw down and spend what they pay in.

> The National Federation of Builders hopes that the Government will consider these proposals, alongside the numerous representations from various sectors, to make sure that the nation increases its international standing in technical and vocational education and in turn improves its productivity for the benefit of the UK economy.

National Federation of Builders

Appendices

Appendix 1. How the Apprenticeship Levy works

The Apprenticeship Levy is a tax paid via PAYE equating to 0.5% of a company's Annual Pay bill, where the pay bill is over £3m. Employers receive a £15,000 allowance and then pay the above % on everything over that. The Levy is supposed to be used by the employer for apprenticeship training, it is reserved for use for 2 years and a portion of it can also be transferred to other, smaller employers if it cannot be spent and the paying company choses to do so.

Appendix 2. Timeline of Apprenticeship Levy Implementation

2015 – Apprenticeship Levy Policy announced by Chancellor George Obsorne

2016 – Policy passed into law

2017 – Came into effect in the 2017/18 financial year (starting 6 April) & up to 10% Levy transfer to one other employer

2018 – Policy change to allow funding transfers to as many other businesses as desired (still up to 10%)

2019 – Policy change to allow Levy transfers up to 25% to other businesses (starting April 2019)

2021 – In September, the Government launches new online service to make pledge transfer easier and more transparent

2022 – Chancellor Rishi Sunak announces review of Apprenticeship Levy

2022 – Two major changes in Government

2022 – Chancellor Jeremy Hunt appoints Sir Michael Barber to advise on skills reforms

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