**Response to the department for Business, Innovation and Skills consultation on the apprenticeships levy**

**Introduction**

This response is from GuildHE, a representative body for higher education institutions in the UK. Our members reflect the diversity of the higher education (HE) sector: including multi-faculty universities as well as smaller, specialist, vocationally-focused or ethos-led universities and colleges. Our membership includes traditional ‘publicly-funded’ universities and colleges, as well as a number of private HE providers. Some of our members are also large ‘mixed economy’ Further Education Colleges who provide a significant number of apprenticeship programmes. All our members strive to deliver high quality HE and to meet the standards expected of UK HE providers.

In our feedback we do not address specific questions but have considered the overall main areas that BIS have highlighted in their consultation proposal.

**Paying the levy**

Many of the UK’s key industrial sectors operate through small-medium sized enterprises, for example creative arts or land-based businesses, which should be encouraged to get involved with providing apprenticeship training. There is the prospect that some enterprises will not have the capital investment or resources to develop or deliver apprenticeships. If we have a national policy agenda on increasing the number of apprenticeships in the UK and a mandatory levy on all large employers to support this initiative, this could contribute greatly to the productivity of the many sectors and occupations that have a potential skills gap and have not traditionally been associated with apprenticeships.

Under the realm of corporate social responsibility, it should be the duty of larger organisations to design and implement their own apprenticeship programmes and contribute to the levy fund to enable particular businesses, who don’t operate at the scale required to participate independently, to be able to design and implement their own apprenticeship programmes too.

When considering calculating the size of the firm that will be required to pay the levy, it may be useful for BIS to take into account the EU Commission’s (2003) definition of small-medium sized enterprises: “enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, (approx. £40m) and/or an annual balance sheet total not exceeding EUR 43 million (approx. £34m)”, of which make up 90% of all businesses in the EU[[1]](#footnote-1). It seems appropriate that there should be a balance between the size of the employer, their turnover and the profit they make, if any at all.

**Control of apprenticeships**

Universities and further education colleges are naturally well equipped to develop and deliver apprenticeships and train highly-skilled apprentices, being education and training providers already. Under BIS’s new initiative to get more employers owning apprenticeship programmes and increasing their purchasing power, defining where digital vouchers go, it will be critical that the expertise from HEIs is not overlooked, particularly with regards to degree apprenticeships. The arrangement of having employers co-ordinate their apprenticeship delivery through a lead provider should be maintained, as this way it will be easier to assess that the levy is being used to deliver high quality legitimate apprenticeship training.

It is difficult to understand from BIS’s consultation proposal whether education and training providers such as HEIs will be included or excluded from the levy. It would be helpful if BIS provided clarification over the dual role of providers as employers; and the position of employers that have a public mission and are not for profit.

It is important for both the training and the learning components of apprenticeship programmes to be funded on equal grounds, as if the learning part of the apprenticeship programmes goes unfunded, many HEIs, particularly those with a vocational focus may be unable to deliver the appropriate courses. Moreover, HEIs (if they are paying the levy) typically recruit a very high proportion of staff at postgraduate and doctorate level so it will be crucial that a range of apprenticeship frameworks are developed up to these levels or it risks being a financial cost from which they cannot recoup the benefits.

Generally, BIS should think carefully about the possible unintended consequences of the levy. For example, the potential to distort the behaviour of employers who are just above, or just below, the point at which the levy applies.

**Employers and quality regulation**

It is also important to consider the regulatory systems that will be put in place regarding the accountability strategy of employers and providers. To ensure that the levy supports the development of high-quality apprenticeship provision, BIS should link the levy system to the appropriate QA mechanism. Can it fit into the body of existing standards and assessment plans that regulate apprenticeships at the moment for example the developing Trailblazers or QAA HE regulation?

It seems practical for government to provide some time limit on how long employers should have to use their levy funding before it expires. The limit should allow for employers to work out how best to implement their resources, design and set standards for the programme, and for government to straightforwardly assess how the funding is being spent. If institutions have funding vouchers left over, government need to have mechanisms in place within their administrative system that recognises this allocation to employers. It may be cheaper to give funding left over to other suitable apprentices rather than spend it on the expensive bureaucratic process of returning the funding back to government. Top-ups to individual employer’s voucher accounts have the potential to provide some useful funding flexibility where apprenticeships are working successfully and could be monitored on a case by case basis.

However, it is important that BIS do not create a regulatory system that is too burdensome or restrictive for employers, and jeopardises their incentive to participate in offering apprenticeships. It may be necessary to consider an exceptional case process regarding employers use of the levy fund, particularly where enterprises are motivated to get involved but experience problems such as difficulty marketing or recruiting apprentices.

1. What is an SME?, European Commission definition <http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition/index_en.htm> [↑](#footnote-ref-1)