

# Response ID ANON-YG9C-ESES-C

Submitted on 2015-10-02 08:14:34.041830

## Survey Questions

### 1 What is your name?

**Name:**

James Stockdale

### 2 What is your email address?

**Email:**

james@theimi.org.uk

### 3 What is your job title?

**Job Title:**

Head of Policy and Standards

### 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:**

The Institute of the Motor Industry (IMI)

### 6 What type is your organisation?

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

Professional 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:**

Transport & communication

### 8 Where are you based?

UK wide

### 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?

Yes

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

Within the automotive retail sector, which the IMI represents as a professional body, nearly 80% of the businesses currently classify as small businesses. For apprenticeships to truly work in the sector we believe that there is a need to assist in with the small employers to be able to be given the opportunity to offer apprenticeships, and with smaller companies where margins are tight, and incentives that can assist this would be welcome.

Of course, the difficulty comes with trying to balance this out for the larger employers who may, rightly, see this as indirectly funding other employers. What is not clear from the consultation, is whether, for the SMEs the funding will support delivery of the apprenticeships and whether this levy would be a top-up on the already existing funding. What is clear is overall some funds should be set aside to assist with SME delivery of apprenticeships, especially where SMEs might not have the HR systems and processes in place to support apprenticeship delivery. Of course, there is also an issue in terms of setting the line to define what a small employer is and what a large employer is.

### 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.:**

Whilst from the consultation, the PAYE system for the collection of the levy seems to make sense we would like to see further details to see how this might work in practice. Currently the PAYE systems crosses the 4 Nations and as the levy will only apply in England at the moment, there will need to be consideration given to where the employees are based. Given the statement in the consultation document that the levy will be calculated on the basis of employee earnings, care really needs to be taken to ensure that this does not have an adverse effect on salary levels overall.

We would also be interested to see whether the collection of the levy via PAYE has any detrimental effect on any business operating Internationally.

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

**Free text comments box:**

The IMI believes that the current definition of 'large' employers is 250 employees plus is certainly a starting point. What should be given consideration is whether these 250 plus employers are all based on England, or whether they might be spread across the 4 home Nations.

As per the comment in the consultation document, consideration needs to be given to franchises arrangements, which often whilst operating under the brand etc, are separate businesses and would actually qualify as small or medium sized enterprises. Operating in the automotive retail sector, where dealerships are in operating which might qualify as separate business 'units', care should be taken to ensure that they are not considered as part of the 'large' employer community and subject to the levy, where they are actually operating as a small business.

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

Yes

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

There have been some good examples where Apprenticeship Training Agencies have employed the apprentices, but sub-contracted out to employers in the sectors, and this has worked well. It has worked well, particularly for smaller business, where there might be risk of redundancy due to volatile financial climates, where employers wanted to engage with apprenticeships but did not want to, or more importantly could not, engage with the processes attached to the apprenticeship and therefore it was easier for an ATA or other agency to take this on.

It would be a shame if this flexibility was removed, where employers could only spend the funding for their own employees.

In addition, as pointed out in the consultation document, for those working in the supply chain companies it is vital that employers have the option of spending their entitled funding on apprentices who might not be directly their employers. What we cannot see is that this would be largely taken up, because, if not mistaken, it would in effect be employers supporting, potentially, competitor apprentices.

For the automotive retails sector many large vehicle manufacturers have training academies that are utilised for the training of apprentices, and we very much support that this model is preserved.

If this is to be written in as something that would be an option, careful consideration needs to be given to how to do this utilising simple systems and processes, especially given that at the front end we are looking at the PAYE systems translating into a digital voucher. How might this work if employers were able to spend their funding on apprentices that are not their employees?

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

**Comments:**

This is really a big issue of implementation of the apprenticeship levy, for which the levy can only spent in England. We believe that it is only fair to identify, within employers, the number of actual employees based in England only and the levy be based on this. As the HMRC system is UK-based, it therefore seems that something needs to be built into the system to enable employers to identify how many employees of theirs actually operate in England with the levy been calculated accordingly.

The balance will be around keeping the system simple, and not placing too much additional burden on the reporting of the employers, especially where they are already seeing an increase to the amount of PAYE contribution they will be making.

**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.:**

The IMI believes that as a minimum this should be 3 years, but potentially going up to 5 years. Many employers move on a cohort basis, and so where apprenticeship programmes have a duration of 3 years, or more, they employers might not recruit new apprentices until that cohort had finished.

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

**Comments:**

The IMI would support a full and extensive pilot that truly looks at the effectiveness of this part of the system. Currently we believe that we really need to see the full detail of this potentially complex system to make a truly informed decision, and this is why we would welcome the opportunity to see a full impartial pilot put into place. There is only limited detail currently and therefore it is a challenge to see where the barriers and complexity of the system might be.

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

Yes

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

It is difficult to answer this question without knowing the rough figures of what we might be talking about, and what the size of the overall levy pot might be - against the size of the funding. We would ask the question as to whether there would be any prioritisation for certain sectors where there may be skills challenges and recruitment difficulties to enable encouragement of employers to offer apprenticeships who may take higher limits of 'top-up'?

In addition, as of yet with the new trailblazer activities in the development of standards, we are unsure what the true costs are against the funding band allocated, and so there may be cases where there is evidence that the accounts should be topped up above any limit, because of the costs to the employer.

On the other side, what needs to be considered, with a limit on the top up, is that these top-ups are applied consistently to employers who offer similar or the same programmes. The mechanisms for this, or indeed how employers qualify for a top-up, need to be looked at.

**18 How do you think this limit should be calculated?**

**Comments:**

Building on the answer to the question above, careful modelling needs to take place to ensure that with the percentage contribution that there is sufficient for a return on investment for all employers involved. Whilst there is a belief that not all employers will engage with apprenticeships and therefore there will be sufficient funds to top up the levy; what if a best case scenario shows that a much larger than expected number of employers engage - what would the effect be on the levy pot. This is where, careful financial modelling needs to take place.

In addition, we also believe that there is also an argument to ensure that priority sectors, such as the automotive retail sector, get the limit that is required to deliver the apprenticeship programme, which may well be over the funding band prescribed, that there needs to be some prioritisation across sectors and occupations to ensure that this is done fairly.

Within this, we also believe that there needs to be a study to ensure that the funding and limits are commensurate with the programme, and there needs to be an independent review to ensure that the assessment methodologies designed and developed by employers return the true return on investment, because there is a fear that the current assessments will be extremely expensive compared to the existing assessment regimes; and this could have a big factor on how the levy is spent by employers, but also where the limit should be pitched.

**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:**

This is an interesting question in that this really needs some modelling done on the finances. The IMI would support the notion that the employers should be able to take on more apprentices than their levy funding plus any top ups - but we also believe that there should be some form of process that should be followed that analyses whether there is firstly, sufficient money in the levy fund to cope with the taking of additional apprenticeships, and funding it; and secondly whether this money needs to be allocated to priority sectors where there is skills shortage.

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

**Comments:**

The IMI believes that there needs to be transparent and ongoing monitoring of the apprenticeship provision which could be conducted by professional bodies on behalf of employers, but that would gather feedback from key stakeholders on the apprenticeship provision; whether the content/assessment was right; whether there were delivery challenges etc. This feedback mechanism is absolutely critical to ensure that employers, providers and assessment bodies have their say on the quality of provision.

In addition, stakeholders such as BIS, SFA, Ofqual and Ofsted should also be involved in these feedback mechanisms to ensure that they are kept in the loop - and can monitor; particularly from a funding and regulation perspective, that the delivery mechanisms deliver high quality apprenticeship provision.

In the back of this, we are not starting from point zero - and that a refinement of the current mechanisms could work equally well, and even better with the new apprenticeship models, and rather than a wholesale review we should look at refining the mechanisms already in place which do the job.

In addition, however, we need to be cautious especially with the new trailblazer apprenticeship programmes that the end-assessment costs are fully analysed over time to truly measure the return on investment comparable with existing mechanisms and costs.

Again, we need to look at consistency and portability of apprenticeship provision - and again the quality needs to be consistent (as far as it can be) across sectors and occupations.

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

**Comments:**

As per the answer above - it feels that there is a two-pronged approach for this. It's the quality of the delivery which needs to be reviewed over time; but also the content which is stipulated in the apprenticeship standard and assessment that also needs to be reviewed consistently as this will influence the delivery. Both aspects need to happen on a regular basis and, presuming that the existing key bodies are still in place, should be reviewed no less than every three years.

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

**Comments:**

As the professional body for the automotive retail sector, the IMI would welcome the opportunity to be part of the communication strategy to disseminate information to the wider employer group, and we suspect that this will be the same for many professional bodies.

And this, we feel, is the key; utilising existing bodies such as professional bodies; awarding organisations etc to engage with employers in the creation, wider operation and almost sign up to the apprenticeship levy - but also apprenticeships. This could be done utilising workshops; promotion etc - but it is key that these bodies are utilised to truly get out to the wider audience.

What will be needed to effectively do this, is further information on the mechanisms that will support the apprenticeship levy, and further detail about the digital voucher and how this will work. As previously mentioned the IMI would also support any piloting that the system and process has from start to finish to ensure that any issues are ironed out before the engagement with the wider group.

The Apprenticeship Delivery Board working closely with the NAS will assist in spreading the word; but this needs to be further underpinned by National campaigns around the changes to the systems - but also promoting the virtues of apprenticeships - and what they bring in ways of a Return on Investment to the employer. The IMI carried out some independently verified studies which measure the return on investment for employer (based on the current apprenticeship frameworks). This extensive research project found that employers see a 300% return on investment from an apprentice; and that also they started to see a return on investment during the first year of an apprenticeship programme. This is the type of message that needs to be taken out to employers whilst also advocating the apprenticeship levy contribution but setting the stall out as to 'what's in it for them'. For further information on these IMI studies please see the following link:

<http://www.theimi.org.uk/imi-return-investment-roi>

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

No

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

To answer this question accurately we really need to see a pilot model in practice. Whilst the limited information given looks simple, we have to be aware that there will be different variants at play, such as different funding bands and different levels of contribution; different ways of calculating the levy for each employer etc (based on amount of PAYE) so this could be extremely problematic and challenging for employers to decipher, thus leading to disengagement.

There is a need to weigh up keeping the system simple, but at the same time hiding the wiring from employers to make the process as streamlined and simple to use as possible. With the limited information and the variables involved (funding bands; actual contribution; multiple different apprenticeship programmes etc), we can not give an accurate response as to whether this model will be easy to use and enable employers to access their funding simply.

Further detailed information is needed.

### **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.:**

We believe that there should be as much flexibility as possible, and therefore employers should have the option of either working directly with a lead provider; multiple providers or if better suits their needs take the lead role on themselves.

What needs to be considered in respect of this is the sub-contracting arrangements and how this is tied down ensuring that this is watertight and that quality is maintained with accountability.

### **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:**

Whether it is the employers leading or a designated training body the same rigorous checks on quality should be applied to ensure value for money. However, care should be taken to respect that employers may not operate in the same way as other organisations, such as training providers of FE bodies, and as was found with Ofsted inspections in the past, care should be taken that these quality checks synergise, as far as possible, with the way that businesses operate.

There is also the thought that we need to be mindful of high volume apprenticeships providers and that the 'sampling' or monitoring might align with the volume thinking to ensure a standardised quality programme.

### **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.:**

We would advocate that the existing systems and processes for ensuring quality should be the basis for the future system, and that any organisation drawing down funding be subject to some form of inspection.

We need to be careful, however to separate that the levy funding is the mechanism for drawing down the funding - and it is the training and assessment that should be the subject of the approval or inspection. The latter will be the job of the awarding organisation/assessment body and we would be interested in learning what the role of Ofsted might be in the new Trailblazer programmes in terms of monitoring the quality.

**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:**

We would wonder why there would be no form of approval and inspection - and why we would not build on the existing systems and processes which look to prevent against delivery of low quality apprenticeship training.

If these systems are removed there needs to be careful thought given to how to protect not only the employer, but also the learner against low quality provision. There needs to be some form of approval process and checks, and this is not central to the levy - but a greater picture that the learner and the employer are getting quality, robust learning which matches the standards employers have set.

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

**Comments:**

As previously mentioned in this response, there should be a review of annual data attached to the apprenticeship programmes to highlight an anomalies. But there should also be the ongoing process and procedure which looks at the return on investment for the employer and average costs associated with the apprenticeship programmes.

This process could be facilitated in partnership with employers and key stakeholders by employer-led bodies such as professional bodies.

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

**Comments:**

The simple solution is to provide incentives to employers to take on apprentices aged 16-18 year olds - such as a larger funding rate/levy applied to this age group, and we would absolutely support this. This should be the case anyway, because often employers report that the younger ages require much more on-on-one support particularly earlier on in the apprenticeships, and also where remedial work is happening around areas such as maths and English.

However, in addition to the support for employers the IMI has had feedback that the numbers at aged 16 and above interested in apprenticeships still are not there. This is down to a variety of factors, but include the lack of impartial careers, advice and guidance available with many being encouraged to stay on at school; and also those coming out of the national curriculum without the necessary grades. More work needs to be done to ensure that learners at age 16 have the knowledge about apprenticeship but are also 'work ready', so we feel it's not just about the employers where effort needs to be made in the encouragement of the 16-18 year olds down the vocational apprenticeship route.

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

No

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

Whilst we support that the levy funding should be primarily aimed at the apprenticeship training and assessment we should not forget that there are associated costs with apprenticeships where this funding might apply such as travel to college; learning books etc and so we would not want to discount these costs.

**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:**

Please see the response to question 30 above. Many of these costs might come under the heading of 'training costs' but in order to be fair we need to spell out exactly what is meant by training costs.

**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:**

As is mentioned through this consultation, the IMI would welcome the opportunity to see further detail on the systems and processes that support the levy system and to be able to feed back on these on behalf of employers in the automotive retail sector. We welcome the opportunity to feed in to the future consultation in the Autumn. What we would question is that whether the levy should just be restricted to apprenticeships, and whether, after the further consultation and detailed modelling, whether there is merit in any unspent funds being opened up to employers for other forms of vocational training, and being a skills levy as articulated by the Chancellor in the Autumn Statement.

We appreciate that any consideration such as this needs to be tackled at a later stage, but it is certainly one where there could be exploration - particularly if there is unspent levy monies.

**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 IMI has concerns over the ambitious timescales for the roll-out of the different programmes relating to apprenticeship programmes. With both this new funding system, and with the implementation of the Doug Richards reform of apprenticeship and trailblazer activities coming in in 2017 (with, as it currently stands, the existing frameworks being switched off from 2017) we think this is tremendous amount of upheaval for employers and sectors in an ambitiously short

period of time that will not enable the robust piloting that major changes like these need.

In addition, with the ambitious target of 3 million apprenticeship starts by 2020, the IMI would feed back that careful consideration is given to the timescales being quoted with these pieces of reform to ensure that full testing and consultation is carried out, to minimise the risk of derailing the apprenticeship programmes for both employers and learners through achievement of Government imposed timescales.

The IMI would seek to work with Government and other stakeholders to ensure the continued success of apprenticeship programmes for the automotive retail sector.