



Business Services Association  
130 Fleet Street,  
London.  
EC4A 2BH

## **BSA - The Business Services Association**

### **Response to the Apprenticeships Levy Consultation**

**September 2015**

The BSA is pleased to have the opportunity to respond to this consultation from the Department for Business, Innovation & Skills on the proposed apprenticeships levy which aims to stimulate employer owned apprenticeships training.

The BSA - the Business Services Association - is a policy and research organisation. It brings together all those who are interested in delivering efficient, flexible and cost-effective service and infrastructure projects across the private and public sectors. The business services sector accounts for over 9.3 per cent of economy-wide gross value added to the economy with an annual turnover of around £263 billion, and employs 3.3 million people, or 10 per cent of the UK workforce.<sup>1</sup>

As of April 2014, BSA full members employed 11,500 apprentices and provided around 845,000 days of training each year. The business services sector considers apprentices to be a key part of their workforce and provides schemes across a wide range of services and skills areas, from engineering, construction and security to facilities management, cleaning and food services; from customer service, ICT and business development to finance, human resources and administration. Many BSA members have been involved in the government's apprenticeship trailblazer schemes and work with apprenticeships in SMEs through their large and diverse supply chains.

The BSA therefore supports the government's policy to increase the number of apprenticeships being offered by businesses, to protect the term "apprenticeship", and to empower employers to develop apprenticeship standards which reflect their commercial needs and skills shortages in the market. The BSA has responded to previous consultations as the government has sought to find a sustainable model for funding apprenticeships as costs and numbers increase. The recent announcement in the Summer Budget to introduce an apprenticeship levy to be paid by large employers which will part fund apprenticeships across industry provides policy direction where it has been lacking. However, much detail and clarity is required from government before the full extent of the policy can be assessed and businesses can more meaningfully contribute to the implementation of the proposals.

There are a number of key concerns of the business services industry which the BSA aims to highlight in the response to this consultation.

First and foremost, more information is needed from government on the proposals. Many of the questions raised in the consultation raise further questions to which there is currently no answer. Businesses are keen to work with government on the apprenticeship agenda, however, without greater levels of consistent engagement throughout the policy process, it is difficult to achieve shared goals.

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<sup>1</sup> Oxford Economics - The UK market for business services, The national, regional and constituency picture in 2013 – January 2015



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Linked to this is the need for cross-party dialogue and support on the apprenticeships policy. Businesses require stability and continuity as they are asked to invest heavily in the levy and restructure their systems to align with the government's plans. It is therefore important that as proposals are developed businesses are given assurances that this system has broad agreement from other parties and they too are engaged in the changes.

It is also crucial that the levy paid by large employers translates directly into a proportionate level of training and funding for their apprenticeships. The apprenticeship levy is intended to ensure that apprenticeships receive long-term, sustainable funding while rewarding those who invest in and support apprenticeships within their organisation. Therefore to channel significant funds from the levy to non-core apprenticeship activities or to non-contributing employers would undermine the purpose of the levy and diminish the role of large employers, constituting instead of an investment in skills a burdensome and unfair additional tax.

Additionally, the government has pledged to reduce regulatory red tape over the course of this parliament and therefore the implementation of the apprenticeship levy needs to take into account the further obligations it puts upon large employers and ensure that unnecessary complexity and burdens are avoided. New bureaucracy and costs regarding the calculation, payment and monitoring of the system should be discussed and shared between government and businesses rather than offloaded upon large companies who have had little say in its development.

Finally, a key tenet of the government's apprenticeship policy is to put employers in control of shaping apprenticeship provision. The BSA welcomes this aim as it will help align the needs of the sector with skills provision and funding. To ensure that employers, apprentices and government are truly able to attain the benefits of this policy, it is vital that structures around funding, commissioning and providing apprenticeships are worked on collaboratively with business and include the flexibility and practicality which foster innovation and successful delivery.

We have structured our response to look at the most relevant questions raised in the consultation.

**1. 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?**

A key component of the apprenticeship levy is the greater control and responsibility it offers large employers who will be paying into the levy fund. Therefore, it is important that those contributing are able to receive a proportionate level of apprenticeship training which reflects the additional costs to their business. Any contributions made to smaller companies who have not paid the levy must therefore be targeted at very small businesses who require support for their growth and must not undermine the ability of the account to provide training to those companies who funded it.

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**2. Do you have any comments on the proposed mechanism for collecting the levy via PAYE?**

More detail is required from government as to how collecting the levy via PAYE would work in practice. In particular, for large businesses, the issues around numerous payrolls and PAYE references add complexity to the suggestion, as does the timing of PAYE in relation to the awarding of apprenticeship vouchers and the allocation of any top-up funding. Although PAYE may appear to be an appealing existing system through which to collect the levy, much clarification is required and it is likely that any solution involving PAYE would require significant systems reform which could create unnecessary burdens upon the businesses paying the levy.

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

In calculating the size of firms which will pay the levy, the government must consider the distribution of current apprenticeship provision across small, medium and large companies and where measures to encourage the uptake of apprenticeship provision would be most effective. The Holt Review on apprenticeships in 2012 found that establishments with under 200 employees employ nearly 80% of apprentices in England.<sup>2</sup> This suggests that the EU threshold for a large company, one with over 250 employees would not encompass the majority of those companies providing apprenticeship opportunities. Additionally, the UKCES Employer Perspectives Survey 2014 found that 49% of employers with over 100 employees offered formal Apprenticeships, compared to the UK average of 15% of employers.<sup>3</sup> The smaller the company size, the less likely employers are to offer apprenticeship training and the less likely they are to be considering doing so.<sup>4</sup> Therefore to stimulate overall apprenticeship provision, measures to encourage smaller employers to contribute would be most effective. To ensure this is not unnecessarily burdensome on small businesses, a sliding scale of payments could be considered. The threshold for the apprenticeship levy should therefore take into account the spread of apprenticeship provision, the proportion of apprenticeships being offered by different sized businesses, and the ability of businesses to contribute.

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<sup>2</sup> Making Apprenticeships More Accessible to Small and Medium-Sized Enterprises, Jason Holt, May 2012  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/34731/12-891-making-apprenticeships-more-accessible-to-smes-holt-review.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/34731/12-891-making-apprenticeships-more-accessible-to-smes-holt-review.pdf)

<sup>3</sup> Employer Perspectives Survey, UK Commission for Employment and Skills, November 2014  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/373769/14.11.11\\_EPS\\_2014\\_-\\_Main\\_Report\\_full\\_V2.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/373769/14.11.11_EPS_2014_-_Main_Report_full_V2.pdf)

<sup>4</sup> Making Apprenticeships More Accessible to Small and Medium-Sized Enterprises, Jason Holt, May 2012  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/34731/12-891-making-apprenticeships-more-accessible-to-smes-holt-review.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/34731/12-891-making-apprenticeships-more-accessible-to-smes-holt-review.pdf)

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

Allowing employers greater freedom and flexibility over their apprenticeship funding would enable innovative approaches to supporting supply chains and increasing opportunities for smaller businesses. In line with the government's aim to give employers control over their apprenticeship planning, those paying the levy should have the option to spend it how and where they wish whether that be on their own employees, or on apprentices who are not their employees.

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

There is no simple solution to appropriately identifying England operations of employers, particularly for the largest employers for whom this levy will have the greatest impact. Cross-border agreement is needed from the government and the devolved nations to ensure the system is as simple and fair as possible, putting no unnecessary burden on employers while enabling the benefits intended.

**6. How long should employers have to use their levy funding before it expires?**

The length of time that employers have to use their funding should reflect the cycles of procurement and demand and should take into account the length of time an apprentice may take to complete a course. For service industries such as cleaning and catering, demand can be expected to remain fairly stable meaning vouchers can be used soon after they have been allocated, however for those involved in infrastructure or construction, the variable nature of work presents difficulties in guaranteeing skills training. In order to treat all sectors fairly and ensure apprenticeships can be used to fill genuine skills gaps as the market requires, employers should therefore have up to three years to use their levy funding before it expires.

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

Any limits set on the amount that an individual employer's voucher accounts can be topped up should be set proportionate to the cost of the apprenticeships being provided. Where the cost of an apprenticeship is higher than normal, employers should be able to receive top ups which reflect the additional investment. The apprenticeship standards which are ready for delivery already have an allocated funding cap set by the Skills Funding Agency. These assessments, following review with industry, could be carried through to ensure employers

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providing more expensive apprenticeships are not unfairly penalised and that any limit on an individual employer's account is proportionate to their spend on apprenticeships.

**8. 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?**

Employers should be able to apply to government for additional funding for apprenticeships whose costs are not covered by the levy funding and top ups. This should be available to all employers regardless of size and contribution to the levy. Government funds set aside for skills training can therefore be allocated by merit, with companies not receiving additional funding able to make a commercial decision as to whether they will fund the apprenticeship themselves.

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

The broad digital system suggested by government to manage the voucher scheme should have information on all potential organisations available to employers including details of experience, employer feedback, and apprentice feedback. Thus the provision of apprenticeship training should operate in a competitive and responsive manner which allows employers to choose providers best suited to their commercial needs and to feedback to providers where training can be improved.

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

Ceilings to the cost of each apprenticeship standard should be set by agreement between those in industry who developed the apprenticeship standard and the Skills Funding Agency. There should then be a regular review process into which providers, employers and the Skills Funding Agency can submit feedback on potential changes to that ceiling.

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

Employers should be able to submit comments and feedback to government through annual surveys or focus groups. UKCES already carries out Employer Skills Surveys and Employer Perspective Surveys. Broad statistical information on the levy and apprenticeships could be included in their remit while qualitative input is gained in smaller groups which are representative of all employers affected.

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

The model for funding access for employers that has been put forward is simple and sensible but lacks the necessary details to make a reasoned judgement on its potential efficacy. The position of employers outside the levy's scope is unclear, as is the position of subcontractors beyond first level providers. The accessibility of the system to all those involved in apprenticeship provision is vital to achieve the policy aim of putting employers in control, as is flexibility in how apprenticeships are delivered. The model for funding and commissioning apprenticeships therefore needs to be developed further with these key points in mind before industry is able to constructively comment on the proposals.

**13. 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?**

In line with the government's policy to give employers greater say over apprenticeships training, there should be the option for employers to take on the lead role themselves, work with existing lead providers, or work with new providers. This will enable flexibility within the system for employers to determine the most effective way to deliver quality apprenticeships and will create a competitive market for providers who wish to work with them.

**14. 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?**

Clarity is needed on what the lead role would entail for any employer who wished to take it on, however, any employer taking on such a role should be subject to the same checks as external providers in the same position. It is apparent that employers seeking to invest in apprenticeship training will aim to deliver high quality experiences to ensure their apprentices are able to contribute effectively to their business and to incentivise employee loyalty, therefore additional checks would unnecessarily burden businesses who had chosen to take on additional responsibilities.

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**15. Should training providers that can receive levy funding have to be registered and/or be subject to some form of approval or inspection?**

Yes, training providers should be registered and inspected by an external body that assesses their provision of apprenticeships. Further guidance is required from government on proposals to improve the current Register of Training Organisations system. Only approved providers should be allowed access to the digital system by which employers access funding.

**16. 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?**

All providers should be subject to approval and inspection in order to guarantee the legitimacy of their training offerings. As the government has legislated that the term apprenticeship be protected in law, those providing approved apprenticeships must be adequately assessed to uphold that standard.

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

The government should continue to run the trailblazer scheme for providers to directly contribute to apprenticeship standards. The external body which will be necessary to register and inspect providers could also include in its remit the assessment of apprenticeship standards, their value, quality, and uptake.

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

There is additional cost and risk associated with employing 16-18 year olds which should be reflected in supplementary funding or through the top ups system. This will support employers who invest in training younger apprentices and so increase opportunities for those under 18.

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

Increasing the scope of the apprenticeship levy to cover costs not directly associated with apprenticeship training and assessment would add significant complexity to the system and could diminish the ability of the fund to encourage and increase apprenticeship provision. However, the government should consider where sectors already have systems in place

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around broader training and skills development and ensure that the levy compliments and supports to existing structures, where they are effective, rather than undermines them.

**20. 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?**

Where relevant, vouchers could be used to fund other relevant qualifications alongside apprenticeships, such as basic English and Maths courses, which enrich the employment opportunities of the apprentice and where they are clearly defined and widely accepted standards.

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### Appendix - List of BSA Members

#### Full Members:

Accenture plc  
AECOM  
Amey plc  
ARAMARK Ltd  
Atos  
Babcock International Group plc  
Balfour Beatty plc  
Bellrock Ltd  
Berendsen plc  
Bouygues Energies and Services Ltd  
British Telecommunications plc  
Capita plc  
Carillion plc  
Cofely UK  
Compass Group plc  
Costain Group plc  
Elior UK Ltd  
G4S plc  
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ISS UK Ltd  
Kier Group plc  
Laing O'Rourke plc  
Maximus UK Ltd  
Mitie Group plc  
MYFM Ltd  
OCS Group UK Ltd  
People Plus  
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Seetec Group Ltd  
Serco Group plc  
Skanska UK plc  
Sodexo Ltd  
SopraSteria Ltd  
TerraQuest Solutions Ltd  
Veolia (UK) Ltd  
Vinci UK Ltd

#### Associate Members:

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Bevan Brittan LLP  
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DWF LLP  
ECI Partners LLP  
Grant Thornton LLP  
KPMG LLP  
Metzger Ltd  
Nabarro LLP  
Navigant Consulting Ltd  
PA Consulting Ltd  
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