



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

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

### **BSA response to the Scottish Government Consultation on the UK Apprenticeship Levy**

**August 2016**

The BSA welcomes the opportunity to provide evidence to the Scottish Government on the implementation of the UK Apprenticeship Levy in Scotland.

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. In Scotland, the business services sector accounts for over 9.5 per cent of gross value added to the economy with an annual turnover of around £21 billion. It employs over 270,000 people, or 10.5 per cent of the Scottish workforce.<sup>1</sup>

BSA full members employ over 17,000 apprentices across the UK and provide 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. Alongside Modern Apprenticeships, our members also offer SVQs, support Foundation Apprenticeships and provide graduate level schemes in Scotland.

The apprenticeship levy provides clarity for employers as they work to improve, grow and deliver high-quality vocational training. However, its success is dependent on effective and timely implementation across the UK. The Scottish Government has made a leading commitment to vocational routes, investing effectively in Modern Apprenticeships, creating Foundation Apprenticeships to transform young people's routes to employment and working with Sector Skills Councils to ensure workforce development is aligned with employer needs.

To ensure these successful initiatives can be supported and enhanced by the introduction of the apprenticeship levy, the BSA has called on the UK Government to establish a better flow of information to, and engagement with, the devolved governments. We continue to urge Whitehall to consider devolved affairs as it develops the levy and to make all efforts to join-up policy successfully.

Across the UK, urgent questions remain regarding the introduction of the levy. In Scotland, an implementation timetable is key: employers will start paying the levy from April 2017 and each month they are not able to access levy funds means they are unable to begin investment. Clarity is also needed on how the system will be administered in Scotland: whether through a digital system as in England, or separately. Finally, employers must know how they will be able to engage with the Scottish training provider network to spend levy funds and how the Government will support and enable this.

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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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In addition, for BSA members who have mobile or offshore workers spanning UK national borders, final information on the distribution of levy funds and the eligibility of cross-border workers is necessary to ensure that, for example, English residents working in Scotland or English-based employees who commute to Wales are able to benefit from increased apprenticeship opportunities.

Overall, the focus must remain on increasing skills in the labour market to reflect those needed by employers. We therefore urge the Scottish Government to use this consultation to work closely with levy-paying organisations to provide information and surety on their plans and to identify areas in which consistency and cooperation across borders would produce better outcomes for apprentices and employers.

**1. Should the Government's commitment to 30,000 Modern Apprenticeships starts a year by 2020 be maintained or be increased?**

The Scottish Government's commitment to Modern Apprenticeships has stimulated investment in workforce development across Scottish businesses and successfully engaged a wide range of SMEs in skills and training. The expansion of Modern Apprenticeships is therefore positive for industry and raising the target to reflect the additional funding received from the levy would be welcomed. However, clarity and detail on the funding and eligibility criteria is crucial and a review of how the system interacts with employers is needed.

Employers support the Scottish Government's skills development policies and are keen to increase engagement with the Modern Apprenticeships programme. However, to ensure employers can upscale their training programmes to the extent which they would like, it is important that the system is not overly-complex and disconnected from employer needs. In light of the considerable additional funds which will be allocated to Scotland through the levy, paid for by the largest employers, the system must be clearly communicated and allow organisations to access Modern Apprenticeships, wider skills funding and plan effectively for their future workforce.

Alongside this, the Scottish Government should look to strengthen their apprenticeships drive by expanding either the range of programmes available through the Modern Apprenticeships scheme, or by allowing the use of levy funds on alternative apprenticeship frameworks. There is a need for qualifications tailored to Scotland's distinct need and the Sector Skills Councils have produced effective and valued apprenticeships that reflect different labour markets. Skills gaps specific to the Scottish workforce, for example in construction or of trained chefs, should continue to be identified and policies implemented to support those employers addressing these gaps.

Many employers paying the levy operate across the UK and while they embrace the current SVQs and apprenticeships available for their Scottish employees, would also welcome greater consistency in standards and frameworks across borders, particularly in areas where there are gaps in availability. This will ensure apprentices are able to receive high-quality training matched to the needs of the labour market, equipping them more effectively for sustainable employment.

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For example, there are employer-developed Trailblazer standards for team leaders in the hospitality sector available in England for which there is not an equivalent in Scotland. Where there are proven, valued standards available, these could be adapted into a Modern Apprenticeships framework or made accessible for funding and delivery in Scotland, to avoid duplication of effort. BSA members would be keen to engage with the Scottish Government to identify gaps in the market and to support this work where necessary.

**2. Should Apprenticeship Levy funding support growth in the number of Graduate Level Apprenticeships in Scotland?**

Graduate level apprenticeships offer a valuable alternative to academic routes and support employers investing in long-term skills development and we welcome the Scottish Government's initial work in this area. High level apprenticeships have the potential to improve productivity in the sector and address skills shortages, such as in STEM subjects or in the technical and professional disciplines in the construction industry. Growth in graduate level apprenticeships could also support key sectors in the economy in the same way that Modern Apprenticeships have targeted recruitment for the energy and low-carbon sectors.

BSA members therefore endorse the use of levy funds to grow graduate level apprenticeships. The Scottish Government should work with businesses to identify where spending can be targeted at skills gaps or at sectors of strategic importance.

**3. Should Apprenticeship Levy funding be used to establish a flexible skills fund to support wider workforce development?**

In line with the Scottish Government's commitment to improving skills in the workforce, apprenticeship levy funding should first and foremost provide high-quality training using the frameworks developed by industry. This should include, where relevant, apprenticeship standards shared or adapted from across the UK to address gaps in the market. However, apprenticeships cannot be seen as a one-size fits-all solution and therefore flexibility to ensure that funding can also be used constructively for a range of employees would be welcomed.

For those aged 25 and over, greater access to Modern Apprenticeships places would enable organisations to hire workers re-entering the workforce or who require reskilling for a new role. Broader funding could also be used to upskill existing employees, improving productivity and ensuring they have the knowledge to continue to progress in their roles. There should therefore be an expansion of Modern Apprenticeships available to 25 and overs and additional funding for that age group that enables development and training.

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It is also vital that a lack of funding support does not limit employers who are engaging with those who are long-term unemployed, disabled, or from disadvantaged groups. Incentive payments from a flexible skills fund could support employers working with these groups.

**4. Should Apprenticeship Levy funding be used to support the expansion of Foundation Apprenticeships?**

The Scottish Government has pioneered the joining-up of education and work-ready skills and through Foundation Apprenticeships and we are pleased to see this approach being adopted by the UK Government in their Post-16 Skills Plan. Employers have found that Foundation Apprenticeships have been successful in creating routes to apprenticeships and preparing young people for employment. They are an important way in which businesses can engage with the young workforce and offer valuable opportunities in less high-profile sectors.

Expansion of this programme, in both its current state and beyond 2018, would be welcomed by the BSA. Apprenticeship levy funds could be used most productively to focus expansion in areas with high youth unemployment levels or in sectors where a skills pipeline would help meet shortages.

**5. Should Apprenticeship Levy funding be used to help unemployed people move into employment, and to help meet the workforce needs of employers?**

The BSA welcomes the Scottish Government's proposals to reform and align employment and skills services. Employer-led apprenticeships enable unemployed people to learn skills and gain qualifications that employers need within their workforce and can be an excellent pathway into sustainable employment for those further from the labour market. This should be reflected in the redesign of employment support services to enable employment support providers and employers to offer this route.

Levy funds could be put towards joined-up services but should be directly linked to apprenticeships or other employer-led training routes, in-keeping with the levy's rationale. Where apprenticeships are targeted at those retraining or re-entering the workforce, funding should be accessible for all ages, including those over 25, to support movement into sustainable employment.

Incentive payments (see Question 3) for employers hiring apprentices from disadvantaged groups, those with disabilities or who have been long-term unemployed, could be a way in which levy funding supports wider employment initiatives without diluting the impact on skills training and investment.

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**6. Are there any additional suggestions on how Apprenticeship Levy funding might be used?**

It is important that levy funding takes into account the full costs of an apprentice, including administrative costs such as recruitment, support and related resources, as well as training. This will enable employers who have paid into the levy to maximise their uptake and engage more apprentices.

Additionally, training to support staff that have responsibility for managing, training and developing apprentices would benefit an organisation's whole apprenticeship programme and should be considered as an area for potential levy funding.

Finally, funding for apprenticeship outreach programmes which raise awareness and promote access to schemes would be valuable and could help raise the profile of vocational routes as uptake increases across Scotland.

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