



**Aberdeen &  
Grampian  
Chamber of  
Commerce**

Apprenticeship and Employer Incentives Team  
Scottish Government  
6th floor  
5 Atlantic Quay  
150 Broomielaw  
Glasgow  
G2 8LU

—  
The Hub  
Exploration Drive  
Aberdeen Energy Park  
Bridge of Don  
Aberdeen  
AB23 8GX

—  
**T** 01224 343900  
**E** info@agcc.co.uk  
**www.agcc.co.uk**

## **Consultation on the Scottish Government Response to the UK Apprenticeship Levy Response from the Aberdeen & Grampian Chamber of Commerce**

The Aberdeen & Grampian Chamber of Commerce (AGCC) is North-east Scotland's leading private sector, member-focused, business organisation. It represents more than 1,300 businesses with almost 130,000 employees in the region.

The Apprenticeship Levy has been a key issue in the Chamber's policy work for the past few months. The introduction of the Levy, and the differences between the information provided in Scotland and the UK, has caused challenges and uncertainty for employers.

The Scottish Government must move quickly and the Chamber hopes that our response, drafted through collaboration with organisations like OPITO and Oil & Gas UK, will help provide some insight into the views of North-east businesses and inform the formulation of the Levy.

### **Background**

In order to share information and formulate our position, the AGCC invited 20 representatives from 15 member organisations to a discussion on the Apprenticeship Levy on 27 May 2016 with the following aims:

- To identify North-east businesses' gaps in knowledge
- To discuss our members' preferences and suggestions, in order to accurately represent their views to the UK and Scottish Governments

The feedback received during that discussion, and from further engagement with members and partners, was used to develop this response to the Scottish Government's consultation.

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

Scotland is on track to meet its apprenticeships targets for 2020, having delivered more than 25,000 apprenticeships in 2014/2015, and we can acknowledge the good work being done by employers as a result of the existing programmes.

The Scottish Government's current commitment was created using funding estimates which will be exceeded once the Apprenticeship Levy is in place. Since the purpose of the Levy is to introduce new, additional funding, it makes sense to be even more ambitious and increase the overall targets. It is important that the target continues to be counted as a total across all sectors without setting specific targets for individual sectors, since recruitment can be affected unexpectedly by economic circumstances.

The additional money from the Levy will ensure an increase in demand, and businesses will expect to see a demonstrable benefit in return. Chamber members stated that it is vital that training providers are committed to supplying the necessary spaces to cover this demand. If there is insufficient supply, the Scottish Government may need to re-evaluate the caps currently set on providers or add new spending opportunities not limited to modern apprenticeships to the targets.

Obviously any change should be determined based on the actual end use of the levy, i.e. the overall number of apprentices may be even further increased if Graduate Apprenticeships are eligible.

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

**a) Yes or b) No**

The Chamber members who attended our discussion considered that there was currently little funding available for apprentices over 25 years old, compared to employer demand. While it is positive that the Scottish Government is working towards the Wood Commission's aims of developing Scotland's young workforce, there is also a substantial demand among employers for programmes which improve the skills of employees in older age groups.

Scottish workers who missed out on opportunities to enter higher education in their youth may still aspire to career paths which require a graduate degree and to more highly skilled roles within their organisation. Late-life career changes are also increasingly common – in the North-east, the oil and gas downturn has forced skilled Scottish employees of all ages to be nimble and take re-skilling opportunities in order to avoid or overcome unemployment.

Apprenticeship funding opportunities in Scotland should be broader in order to counteract skills shortages at all levels. Graduate Level Apprenticeships GLAs present two benefits in this regard:

First, they do not have age limitations.

Secondly, GLAs are part-funded by employers and it would be positive if they led to collaboration between them and education institutions to create a tailored graduate programme. This in turn would help Scottish higher education institutions to update their knowledge on employers' practical requirements for graduates.

Third, and most importantly, GLAs would allow employers to support the development of their own workforce and fill high-level skills gaps. Our members are keen to see GLAs made available in time with the introduction of the Levy. However, the Scottish Government should also consider increasing funding for over-25s in programmes like Modern Apprenticeships for the purpose of the Levy.

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

#### **a) Yes or b) No**

Our members agree that the Apprenticeship Levy spending should prioritise apprenticeships, but they would also want it to be available for “quality assured training” which meets businesses’ growth plans.

However, they agreed that employers should not be allowed to use Levy funds to pay trainees’ salaries or for miscellaneous costs such as travel expenses. It may be advisable to make an exception on the salaries limitation for micro businesses, who find it more difficult to recruit additional staff, so long as these employees are also on a training programme.

The participants in our discussion agreed on the following criteria for the selection of appropriate providers:

- A proven track record
- Quality
- Capacity
- Appropriate facilities
- Accreditation

Attendees said they would be reluctant to change their current providers. Although their greatest priorities are quality and delivery, they added that they would find accreditation more important if the Scottish and UK Governments made the accreditation of one same provider equivalent across borders. Currently Scotland and England are disconnected in terms of accreditation. Making skills frameworks more coordinated and making providers’ accreditations transferrable across borders would give much-needed clarity and consistency to companies who operate in different UK regions.

In Scotland employers have to apply for funding in the autumn, which clashes with their yearly planning. The current accreditation process in Scotland is working against its objectives, because some employers pay for apprenticeships themselves when they find that SDS’ offering doesn’t fit with their planning schedules. The Scottish Government should examine the timelines used by SDS and synchronise them to fit more closely with employers’ needs.

These adjustments would simplify the use of Levy funds for wider workforce development, which is supported by the Chamber.

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

#### **a) Yes or b) No**

The Chamber supports the development of Foundation Apprenticeships. However, there is still little awareness about them among some employers. During our discussion, attendees stressed that

Foundation Apprenticeships should be made available as soon as possible in order to begin trialling them. However, the Chamber would suggest that the Scottish Government waits until FAs are rolled out and have produced proven benefits before committing to consideration of expanding them with the Levy funds.

The principle of the levy is that it is a hypothecated tax for businesses. In that respect Foundation Apprenticeships are immediately not as beneficial for businesses, as they are not fully ‘in work’ training. It would be useful for the Scottish Government to ensure that detailed information is available on all the apprenticeship models in time for the introduction of the Levy.

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

### **a) Yes or b) No**

The aim of the Apprenticeship Levy is to ensure that employers develop their workforce in line with Scottish Government objectives. In order to achieve buy-in for the Levy the use of the funds must be employer-led and used for in-work training.

The Scottish Government already has various support mechanisms in place for unemployed people. AGCC members broadly support the Levy itself, and they are willing to allow for flexibility in terms of the types of training that can be accessed and the opportunities given to micro and small businesses. However, they will adamantly need a guarantee that their payments will be used for the purpose of improving the skills of the workforce and that they will not be lost to business for other public uses.

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

The Chamber urges the Scottish Government to exceed the UK Government’s commitment that employers will be able to transfer up to 10% of their levy funds to another employer. Our members have suggested that employers in Scotland should be allowed to transfer *the totality* (i.e. up to 100%) of their funds to other companies, such as those within their supply chain, for apprenticeships and training of their workforce.

This will decrease discrepancies between payroll totals and skills needs, by enabling employers who have already topped their demand for apprenticeship programmes or accredited training to develop their own “supply chain programme”. By giving employers this choice, the funds’ benefits will be transferred to other businesses and locations across Scotland which have a greater need for them, and the likelihood of meeting apprenticeship targets will be increased.

For many large companies that operate across borders, there is a discrepancy between the home address and workplace of their employees. We strongly suggest that the Scottish Government also consider allowing employers to use their funds and access government support for training employees whose main workplace is Scotland. As this is being currently consulted by the UK Government, our members would hope that this arrangement be mutual, so that cross-border operations be made as simple as possible.

In the interest of cost-recovery, it is also important that the timing of the funds remains flexible. We would encourage the Scottish Government to *at least match* the UK Government’s statement that employers’ funds will only expire after 18 months, taking care that the payments also work on a first-in first-out basis.

**Please help us improve our consultations by answering the questions below. (Responses to the evaluation will not be published.)**

**How satisfied were you with this consultation?**

***Very dissatisfied***

Considering that the Apprenticeship Levy is scheduled to start in April 2017, the AGCC believes this consultation was announced far too late. Employers have been giving their views to the UK and Scottish Governments for some time, and have reported that they are already working on their training plans for the year ahead. What they need now is not a protracted period of indirect consultation, but solutions.

There are important gaps in information which extend beyond the scope of this consultation, including the complexity of applying the Levy across national borders and the system which employers will use in Scotland to view and use their Levy contributions. The answers can only be worked out between employers and government through collaboration and direct engagement, not through an extended consultation on the basic aims of the Levy.

We urge the government to publish a comprehensive proposal on the practicalities of the Levy promptly after this consultation closes. Employers and their representative trade associations should then be engaged directly to create a well-structured and effective framework for the Apprenticeship Levy.

**To summarise, AGCC supports the following:**

- The Scottish Government must pick up its pace on providing guidance on the Apprenticeship Levy.
- The money provided by the UK Government to Scotland must be fully ring-fenced for skills.
- The money shall be available in totality for businesses to draw from.
- The focus for the fund should be for in-work training, ruling out its use for unemployed individuals.
- Businesses should be supported in using the new funds to improve skills across all age groups through apprenticeships or quality-assured training.
- Businesses should be allowed to transfer up to 100% of their levy funds to other businesses, and the funds should expire in no less than 18 months.
- Employers operating across borders should be allowed to use their funds and access government support for training employees whose main workplace is Scotland.

**On behalf of their members the AGCC, OGUK and OPITO urge the Scottish Government to do the following:**

Influence the UK Government to postpone the date in which the Apprenticeship Levy comes into effect.

If this cannot be accomplished, return the Scottish funds to employers in the form of credit, once the UK Government delivers them through the block grant. This would ensure that Levy-payers are no worse off until the details of the Levy are finalised and communicated.