



Briefing 16/33 August 2016

Scottish Government Apprenticeship Levy consultation

To: All Chief Executives, Main Contacts and APSE Contacts in Scotland

For information only to England, Wales and Northern Ireland

Key Issues:

The purpose of this briefing is to advise our members of the release of a consultation on **the Scottish Government's response to the UK wide Apprenticeship Levy which will be introduced from April 2017**. The consultation will run until 26 August 2016.

Link to the consultation:

<https://consult.scotland.gov.uk/employability-and-training/apprenticeship-levy>

Consultation report:

<http://www.gov.scot/Resource/0050/00503049.pdf>

1.0 Background on the levy and how it will work in England

The apprenticeship levy was announced in 25 November 2015 by George Osborne as part of **the Chancellor's Autumn Statement**. The UK Government published [a policy paper](#) on the Apprenticeship Levy on 4 February 2016, then followed this up with a [guidance document](#) entitled '**Apprenticeship Levy: How it will work**'. Below is a short overview of commonly asked questions about the apprenticeship levy.

How much will I pay?	0.5% of your annual pay bill with a £15,000 per year levy allowance. The levy is only payable on pay bills over £3 million.
Where does the money go?	The levy is paid to HMRC through the PAYE process.
How do I access the money?	The money will be paid into a new digital apprenticeship service account which can be used to pay for training and assessments in England. The levy allowance will operate on a monthly basis and will accumulate throughout the year.

We already have a levy system in place, does this apply to me?	Yes. If you already contribute to an existing levy or collective training agreement, you will still be required to pay the levy.
Are there any benefits to this system?	The UK Government will apply a 10% top-up to funds in the digital apprenticeship service account (meaning £1 for training becomes £1.10).

According to the UK Government, further information was expected to be available in June, although this has been delayed and is expected to be delayed further with [the resignation](#) of Skills Minister Nick Boles. Further information is also expected in October and December 2016 ([click here for an overview of the expected information](#)).

2.0 The Scottish Government consultation

This consultation has been launched to inform the Scottish Government response to the UK wide Apprenticeship Levy, which was announced without any prior consultation with the UK's devolved administrations (despite apprenticeship policy being a fully devolved matter). The [UK Government guidance](#) does make reference to the devolved status of education and training and notes that "we know some employers have cross-border operations and training activity. We are working with the devolved administrations to make this work for you."

The consultation will run until 26th August 2016, and can be accessed by clicking here:

<https://consult.scotland.gov.uk/employability-and-training/apprenticeship-levy>

The questions asked in the consultation are listed below:

Consultation questions	
Q1	Should the Government's commitment to 30,000 Modern Apprenticeships starts a year by 2020: a) be maintained or b) be increased
Q2	Should Apprenticeship Levy funding support growth in the number of Graduate Level Apprenticeships in Scotland?
Q3	Should Apprenticeship Levy funding be used to establish a flexible skills fund to support wider workforce development?

Q4	Should Apprenticeship Levy funding be used to support the expansion of Foundation Apprenticeships?
Q5	Should Apprenticeship Levy funding be used to help unemployed people move into employment, and to help meet the workforce needs of employers?
Q6	Are there any additional suggestions on how Apprenticeship Levy funding might be used?

As part of the consultation, the Scottish Government have put together several proposals to determine how best to introduce an Apprenticeship Levy in Scotland, and whether (and if so, how much) this should support flexible workforce development training, graduate level apprenticeships, foundation apprenticeships and apprenticeship funding targeted towards unemployed people. Since employment support services powers will transfer to Scotland on 1 April 2017, the Apprenticeship Levy is seen as an opportunity to both enhance support and align the programme with the needs of employers.

The consultation is part of a wider consultation called [the Enterprise and Skills Review](#), which was announced on 25th May as an “end-to-end review to ensure that all of our public agencies are delivering the joined-up support that our young people, universities, colleges, training providers, **business and the workforce need.**”

3.0 APSE Comment

APSE and its members have a long history of supporting apprenticeships in their many forms, with annual apprentice awards ceremonies at many of our events, and best practice presentations on the delivery of apprenticeships featured in our seminars and advisory groups. As well as updating our membership on any developments within this important area through our briefing service (see briefings [14-18](#) and [15-03](#)).

APSE has some concerns in relation to the way the Apprenticeship Levy is to be implemented:

- The Scottish Government consultation **highlights that “levy paying employers** comprise no more than 2 per cent of all employers in Scotland [meaning] the majority of employers who currently recruit apprentices fall below the Levy **threshold**”; APSE would welcome more clarity on how the remaining 98% (many of which will be local government suppliers and contractors) will be encouraged to develop and support apprenticeship programmes.
- It is (so far) unclear how an additional layer of bureaucracy is going to drive up the quality of apprenticeships, even with the additional 10% in funding supplied by the UK Government. APSE believes that this, along with the potential lack of flexibility afforded by a monthly levy allowance and the expiry of funds after 18 months, might have the unintended consequence of negatively affecting apprenticeship programmes and hope that the further information promised by the UK

Government in October and December 2016 will better communicate the benefits for local authorities of this new approach.

- APSE also has concerns that the additional information that was promised in June 2016 has not yet been released, and with the recent departure of the Minister responsible, that this may be delayed even further. Without any indication of the implementation date also being moved, the UK Government must ensure that local authorities have both the time and information necessary to properly introduce the Apprenticeship Levy, **and not allow it to affect next year's** incoming apprentices.

As a supporter of local authorities APSE understands the expertise built up by councils both at the level of managing the whole apprenticeship process through to the day to day mentoring that contributes to producing skilled apprentices in many local **authorities'** year after year. Therefore, APSE encourages our membership to respond to the consultation **above, and make sure that local government's concerns are addressed and thoughts are taken on board** when developing the distinctly Scottish approach to the Apprenticeship Levy.

4.0 Response Details

If you wish your comments to be included in an APSE response to this consultation paper, please send them to Louise Melville at lmelville@apse.org.uk. They should reach her by 24 August 2016. Alternatively, you can submit your response online directly by [clicking here](#). The closing date for responses to this consultation is Friday 26 August 2016.

Garry Lee
Research and Coordination Officer

Louise Melville
Principal Advisor (Scotland)