The department may, in accordance with the Code of Practice on Access to Government Information, make available, on public request, individual responses.

The closing date for this consultation is 2 October 2015.

You can also reply to this consultation online at:
https://bisgovuk.citizenspace.com/ve/apprenticeshipslevy

Please return completed forms to:
apprenticeshipslevyconsultation@bis.gsi.gov.uk

or:

Apprenticeships Levy Consultation
Department for Business, Innovation and Skills
Spur 2 Level 2
1 Victoria Street
London
SW1H 0ET
What is your name?
Graeme Trudgill

What is your e-mail address?
trudgillg@biba.org.uk

What is your job title?
Executive Director

When responding please state whether you are responding as an individual or representing the views of an organisation.

I am responding as an individual ☐

I am responding on behalf of an organisation ☑

If you are responding on behalf of an organisation, please make it clear who the organisation represents by selecting the appropriate interest group on the consultation form and, where applicable, how the views of members were assembled.
What is the name of your organisation?

British Insurance Brokers’ Association

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<th>Business representative organisation/trade body</th>
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Where are you based?

England ✔   Wales ☐   Scotland ☐   Northern Ireland ☐

UK wide ☐
If you are responding as an employer, which sector of the economy are you in?

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<td>Energy &amp; water</td>
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<td>Distribution, hotels &amp; restaurants</td>
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<td>Transport &amp; communication</td>
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| Banking, finance & insurance etc            | ✓
| Public admin, education & health            |
| Other services                              |
About the British Insurance Brokers’ Association:

The British Insurance Brokers’ Association (BIBA) is the UK’s leading general insurance intermediary organisation representing the interests of insurance brokers, intermediaries and their customers.

BIBA membership includes just under 2,000 regulated firms, who employ more than 100,000 staff. General insurance brokers contribute 1% of GDP to the UK economy, they arrange 54% of all general insurance and 79% of all commercial insurance business. Insurance brokers put the client’s interests first, providing advice, access to suitable insurance protection and risk management.
Consultation questions

Paying the levy

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?

☐ Yes  ✔ No

Comments:
Withdrawal of Government support for large firms’ apprentice schemes places a greater burden upon them. A cross-subsidy from large to small firms would add to this burden and would be unfair on those larger firms.

Also, smaller firms may be more inclined to engage in shorter apprentice schemes that finish earlier, meaning more apprentices can be put through, which would allow the Government to increase the number, but would do very little to deal with labour market shortages or help businesses to grow a skilled and competent workforce.

Our strong view is that the Government should focus on quality and relevance of apprentices to particular sectors and not on arbitrary large numbers of apprentices.

We are also concerned that the Civil Service would get out far more than they put in making it unfair on private firms. We strongly suggest a public/private firewall be put in place.

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

✔ Yes  □ No

Comments:
Firms have recently had to implement changes to do with real-time PAYE reporting as well as pension auto-enrolment within a short period of time. A further change so recent after the last two increases the burden upon firms.

Our strong preference is NOT to include this in PAYE as it looks like something that is nothing more than a forced payroll tax.
3. In your opinion, how should the size of firm paying the levy be calculated?

Comments:

We would like to make clear that we are not in support of such a levy as we do not think that it will address the current issues faced by the labour market and has too many unintended consequences.

However, if a levy is to be introduced, it should be calculated on numbers of staff rather than turnover, as this relates to a firm’s ability to take on/train staff in-line with their contribution. If the levy is proportionate to the number of apprentices a firm can take on, then it will have a greater chance of success.

We believe a measure would be 300 members of full time staff or greater is an accurate and realistic measure of what a large firm looks like.

Furthermore, to incentivise firms to take on apprentices and to reward those that have already been engaged in providing apprenticeships, we propose that that apprentices or those that have previously been apprentices should be discounted from the count for the purposes of the levy.

The levy should be stepped in terms of the relative size of firm to avoid the unintended consequence of disincentivising medium sized firms from to growing in to large firms – as they would be then required to pay a levy.

The levy should also be introduced gradually with a suggest 50% of levy payable in the first year, 75% in the second and 100% in the third so as to avoid a shock of a large and un-budgeted cost burden upon employers.
4. Should employers be able to spend their apprenticeship funding on training for apprentices that are not their employees?

☑ Yes  ☐ No

Comments:
Whilst this may be preferable for some firms, this funding should only be allowed to be drawn down for training within the firm’s own sector. This will help to avoid firms from gaming the system and drawing down funding that it doesn’t need only to get out more than they put in.

Employers operating across the UK

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

Comments:
Workers who state their England address as their home address to their employer should be those that are counted. This must be as simple as possible but employers encouraged to make a statement of truth so as to deter fraud.
Allowing employers to get back more than they put in

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

☐ 1 year  ☐ 2 years  ✔ Other (please state in comments below)

Comments:

Currently, when a firm takes on an apprentice, they do not have to fund all of this upfront; it is paid for during the course of the scheme.

Research also shows that apprentices are a net drain on employers for the first two thirds of their employment.

The costs of training an apprentice are considerably higher than is sometimes appreciated. Formal training might be in the region of £1,500 - £1,900 per programme, but there are extraneous costs in terms of line management, informal training and other time related investment which is difficult to quantify but might mean a further £3,000 per apprentice, to which the apprentice’s actual salary needs to be added. It is therefore unlikely that the proposed levy would result in the employer getting more than he has invested.

During difficult trading periods, employers may wish to defer taking on a number of apprenticeships so when trading conditions improve – they can do so in a more considered fashion. This would safeguard existing jobs and would be more beneficial to the apprentice – allowing them to train in an environment where they are both wanted and needed.

Therefore the levy funding should be available for the equivalent of the duration of the longest apprenticeship programme, five years, before expiring.
7. Do you have any other view on how this part of the system should work?

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<tr>
<td>There is considerable concern within our industry that due to the nature, complexity and length of apprenticeships in the insurance sector, it will be difficult to achieve the notion of 'getting out more than you put in' to the scheme.</td>
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<tr>
<td>One way to achieve this would be for segmentation of the funding pots based on skill level, so those training level two apprentices cannot make a call on the level three or level four funding pots.</td>
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<tr>
<td>Another way to segment this could be through sector, for example those in the insurance sector contributing to our own funding pot to be drawn down upon, incentivising addressing skills gaps in our particular industry, rather than chasing an arbitrary target.</td>
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<tr>
<td>This segmentation would help to prevent the unintended consequence of incentivising the low skill, low-cost, high volume apprenticeships over the higher skilled level three and level four our industry needs. Furthermore, if level six apprenticeships are to truly be recognised as equal to a degree, funding segmentation is essential for delivering this.</td>
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<tr>
<td>There should also be no limit to how much can be spent per apprenticeship so as to avoid incentivising the lower-cost, lower skilled schemes.</td>
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<tr>
<td>The information provided by Government with regards to this has been partial at best, and as such, difficult to comment on. However, the mooted 0.5% of payroll figure would be excessive in terms of level and should be subject to an individual cap per firm. This cap could be calculated based upon how FTE staff a firm has which better reflects how many apprentices they can actually take on.</td>
</tr>
<tr>
<td>Finally with regards to the levy, if there is any underspend, this must be ring-fenced within the apprenticeship skills arena and not enter general taxation. This should not be used as a revenue generation scheme by the Government if it is to work.</td>
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8. Do you agree that there should be a limit on the amount that individual employer’s voucher accounts can be topped up?

✔ Yes ☐ No

Comments:

We agree there should be a limit to how much a firm can claim from the funding pot. This would help to ensure that firms could not ‘game’ the system by playing a numbers game or converting existing courses into apprenticeships to receive more funding.

Government should also consider paying for the education element of the funding as proposed by Baroness Wolf in her paper this idea is based upon.

The system should also draw upon the experiences of other countries who have apprenticeship levies by pledging Government funding for ‘allowable expenses’. The cost of training an apprentice is only one small part of the cost a firm faces, with management, supervision, desk space etc taking up a large proportion. This is particularly true for the first two thirds of an apprenticeship where the apprentice is a net-drain on the company. If Government were to contribute to this, more firms would see the levy as an equitable way to fund apprenticeships in general.

The levy should also be available to be used to fund other areas other than core modules of an apprenticeship, such as soft skills, mentoring and wages/bonus payments to apprentices as these make up a more significant proportion of the cost of taking on an apprentice than training does.

9. How do you think this limit should be calculated?

Comments:

This should be decided independently of Government by an independent commission. This commission could, independently decide what an appropriate levy is, an appropriate cap on how much levy a firm is required to pay – equitable to a firm’s ability to take on apprentices and how much a firm can claim over the amount they have contributed to a levy. It should also take in to account how much that firm has contributed.

It is very important that BIS consult further with more detail around the levy, including cost-benefit analysis and impact assessment and proposed cap for firms as this consultation contains too few details to be able to do so effectively.
10. 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:

If an employer wants to take on more apprentices than the levy would pay for, they should be able to top this up themselves rather than drawing down more funding from the funding pot.

The levy is fair

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

Comments:

As we have pointed out, without segmentation across apprentice level (e.g. level two, level three, level four etc) or by business sector, the driver could be towards low quality, low-skilled, high-volume apprenticeships which can help the Government attain its target rather than deliver good quality apprentices that our industry actually needs. As such, the levy could be a net drain on large insurance firms.

Therefore the segmenting of levels as suggested in our answer to question 6 would resolve this.

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

Comments:

We believe a review period by an independent commission would be the most appropriate way to review this.
13. How best can we engage employers in the creation and wider operation of the apprenticeship levy?

Comments:

We believe engaging with trade bodies and professional bodies is an effective way to reach out to many employers. Our experience of trailblazers has also been drawn out, with a very slow decision making process, and so a more responsive sign-off from BIS on standards would make the process less painful, inspire confidence and enable us to communicate to our industries on using the scheme.

We also call upon BIS to progress without delay the outstanding Insurance Level Three Trailblazers framework – currently awaiting Departmental signoff.

Giving employers real control

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

☐ Yes  ✔ No

Comments:

Experience of Government systems and requirements of firms has not been wholly positive, nor without bureaucracy. Our suggestion is to develop solutions in close consultation with firms so that they better meet the operational needs and logistics that firms have. Some BIBA members have concerns in this regard with how the voucher system will operate.

Any new system must be simple to operate.
15. 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 ☑ No

Comments:

Firms should have the option to use multiple providers, but also to conduct relevant training themselves and be eligible to offset the cost of this training from their levy. It is unfair to penalise firms that have an internal training or graduate intake training scheme and we strongly urge the Minister to apply a levy off set in these situations.

16. 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:

The employer should make a declaration that the vouchers claimed are purely used for apprenticeships.

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

☑ Yes ☐ No

Comments:

Providers should be registered and demonstrate fit registration criteria, however any regulation would need to be proportionate and balanced to avoid introducing unnecessary costs in to the system.
18. 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:**

Third party providers must be subject to approval.

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

**Comments:**

As per previous questions, segment by skill level or business sector.
The levy is simple

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

Comments:

Apprenticeships aren’t for every young person or for every employer. Some firms like to deliver their own training outside of apprenticeship frameworks; others choose to take on graduates and train them. Any large firm who does this should be able to discount the cost of delivering this from the levy they would otherwise be expected to pay. This is an extremely important point to ensure that we have the right mix of backgrounds and retain a route in to employment for graduates, many of whom will leave university with considerable debt.

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

☐ Yes  ✔ No

Comments:

The government should continue to fund the general education element of the apprenticeship as suggested by Baroness Wolf, as well as make provisions for ‘allowable expenses’ as seen as features of apprentice levies in other countries.

The fund should also be able to be used to pay for other elements of taking on an apprentice, such as supervision, desk space, wages etc – which form a greater proportion of the total cost to business.

22. 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:

As above.
23. 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  ☐ No

Comments:

Over 1,000 insurance broker firms are part of a number of wider ‘networks’. We would like clarity that a network be excluded from the levy as they consist of many small individual firms that form under the umbrella of a network to gain an economy of scale for wider contract negotiations and buying products etc.

We would also seek clarification that franchises would not be subject to this levy.

If the levy is based on a percentage of total payroll, then the final costs will be punitive for some employers, resulting in their reducing funding in other areas, such as graduate training. They might also reduce staff numbers to bring them below the “larger employer” number, through redundancy or relocation.
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 this consultation would also be welcomed.

Comments:

We would like to make clear that we are not in support of such a levy as we do not think that it will address the current issues faced by the labour market and has too many unintended consequences. However, if a levy is to be introduced, the points we have made in this consultation, summarised below, would give the scheme the greatest chance of success.

Our key issues are:

1. To deduct from the levy non-apprentice training costs incurred by firms e.g. training of graduates
2. The levy should be calculated on the number of full-time staff – not payroll and should exclude from the count apprentices or those who trained as an apprentice.
3. The vouchers should be available for five years and be spent on non-core training such as soft skills and wages
4. The funding should be segmented by apprenticeship level or business sector
5. A firewall between public/private sector levy
6. No limit on the amount per apprenticeship that can be spent
7. Third party providers should be registered
8. A system of self-declaration should keep red tape and cost to a minimum
9. A cap based on headcount on how much one individual firm would have to pay towards the levy, ensuring that the contribution is equitable to a firm’s ability to take on apprentices.
10. Focus must be on relevance and quality NOT quantity of apprenticeships.

At BIS we carry out our research on many different topics and consultations. As your views are valuable to us, would it be okay if we were to contact you again from time to time either for research or to send through consultation documents?

☑ Yes     ☐ No