

Board of Management

Date of Meeting	Wednesday 31 August 2016
Paper No.	BoM1-G
Agenda Item	11
Subject of Paper	Consultation on the Scottish Government Response to the introduction of the UK Apprenticeship Levy
FOISA Status	Disclosable
Primary Contact	Paul Little Principal and Chief Executive Julia Henderson Director of Corporate Support
Date of production	24 August 2016
Action	For noting

1. Recommendations

To note this report and the associated consultation response for information.

2. Purpose of report

This consultation seeks views on options for the use of the Scottish Government's share of UK Apprenticeship Levy funding which will be transferred to them from UK Government.

3. Context

The questions in this consultation paper are deliberately framed in a way that allows employers and other interested parties to express their views on options for the use of their share of UK Apprenticeship Levy funding. The Government will consider this as part of the forthcoming Spending review exercise.

Though the consultation itself is about the use of funds derived from the Apprenticeship Levy it is helpful to note the process as it applies to employers, which was confirmed in UK Government Guidance issued on 6 August 2016.

All employers in any sector, with a pay bill of more than £3 million each year will require to pay the levy. The levy will be charged at a rate of 0.5% of the annual pay bill, with a levy allowance of £15,000 per year to offset against the levy due. The levy will be paid to HM Revenue and Customs (HMRC) through the Pay as You Earn (PAYE) process.

The position in England, as per the Guidance, is that once the levy has been declared to HMRC employers will be able to access funding for apprenticeships through a new digital apprenticeship service account. This can be used to pay for training and assessment for apprentices in England. Separate arrangements will be in place in Scotland, Wales and Northern Ireland and this is basis of the Scottish Government's consultation.

4. Impact and implications

Our estimated Apprenticeship Levy annual cost is £170,000 which is a real additional cost to the College budget.

We anticipate that we may be able to train around 15/20 apprenticeships using funds claimed against our levy, depending upon the detailed guidance and eligibility criteria, which are yet to be confirmed. Current guidance states that these funds cannot pay for wages, travel or subsidiary costs, managerial costs, work placements, traineeships, or the costs of setting up an apprenticeship programme.

We hope that we may also be able to use set off funds for training and upskilling existing staff such as those in support areas without formal qualifications.

We will advise the Board of the outcome of the Scottish Government's consultation exercise and the ongoing implications for the College.

Appendix: Consultation Response on the Scottish Government response to the UK Apprenticeship Levy

CONSULTATION ON THE SCOTTISH GOVERNMENT RESPONSE TO THE UK APPRENTICESHIP LEVY

CONSULTATION QUESTIONS

Q1. Should the Government's commitment to 30,000 Modern Apprenticeships starts a year by 2020

- a) be maintained?**
- b) be increased?**

Time should be taken to ensure that we get this right and to take account of the experiences, concerns and ideas of those employers and apprentices who engaged in implementation of the commitment. More detailed account needs to be taken of demographic changes and regional skills assessments to ensure that both local and national needs are taken into account.

We have concerns that apprenticeship targets may not be realised unless age group bands are widened and contribution rates are more equitable.

We would suggest that that priority frameworks identified in the Consultation should be expanded beyond STEM to include, for example, hospitality, care and business related areas e.g. procurement.

We agree that the target should be maintained, however, we do not think the target should be increased without detailed and evidenced analysis and consultation with employers and others to understand the impact of the current commitment.

Q2. Should Apprenticeship Levy funding support growth in the number of Graduate Level Apprenticeships in Scotland?

- a) yes**
- b) no**

City of Glasgow College, formed from the city's original specialist colleges, has the provenance, track record and expertise to offer more degree programmes that meet employer needs, are accredited by professional bodies and offer new alternatives and opportunities to prospective students. At the heart of Scotland's largest city and with our state of the art twin campus we are ideally placed to act as a centre of excellence hub for Graduate Level Apprenticeships.

We would also make the following observations:

One of the challenges in the promotion of Apprenticeships is that they are seen as less attractive than academic qualifications. City of Glasgow College is seeing direct evidence of this with poor recruitment numbers for Foundation Apprenticeships on the basis that Highers are seen as a more prestigious level of qualification to achieve. If a full Apprenticeship pathway through to Graduate Level is available then this may make the Apprenticeship/work based route more appealing to students and to providers.

We would support the use of funding to grow the number of Graduate Level Apprenticeships.

Q3. Should Apprenticeship Levy funding be used to establish a flexible skills fund to support wider workforce development?

a) yes

b) no

We firmly believe that there is a huge opportunity for funding of WorldSkills activities which are currently only part funded through a grant from the UK Government and also through commercial income. We believe that given the strong participation of apprentices in skills competitions and the inherent learning benefits that come from them, the Apprenticeship Levy funding should be channelled to safeguard the continued success of Scottish apprentices in WorldSkills competitions.

Taking part in skills competitions allows young apprentices to test themselves against their peers, regionally, nationally and internationally. Through a series of intensive time-based, independently assessed activities they provide the opportunity for competitors to demonstrate the achievement of world-class standards, reinforcing the premium currency of Scottish Apprenticeships. Scotland, under the leadership of Skills Champion Principal Paul Little, is currently leading the way within the UK. City of Glasgow College was the overall top-performing institution in the UK at last year's national finals with its students winning an unprecedented 4 gold medals and 8 medals overall. In addition in the 2015 WorldSkills International finals, Scotland had 3 Medallion of Excellence winners in the UK's most successful team ever at WorldSkills Sao Paulo – the premier global skills competition. The majority of this team were apprentices and helped secure a seventh place ranking ahead of major established European rivals such as France and Germany.

WorldSkills Scotland is championing a bid to host the European Skills competition, EuroSkills 2022, in Glasgow and formal support from Apprentice Levy funding would boost their chances of success. It may also be possible for Glasgow to host the UK Skills competition that year too.

We stand ready to work with the Scottish Government to explore what might be possible.

We think that there should be more flexibility as suggested and that the levy is currently too narrowly defined. There is a risk that other forms of training are cut back with quantity prioritised over quality.

Q4. Should Apprenticeship Levy funding be used to support the expansion of Foundation Apprenticeships?

a) yes

b) no

Yes - Colleges do not currently receive funding for the delivery of the qualification and the expectation is that this is delivered from core funding. This funding is due to be withdrawn over 5 years or perhaps now 2 years as a consequence of BREXIT.

Again we would reiterate the following:

We think that there should be more flexibility as suggested and that the levy is currently too narrowly defined. There is a risk that other forms of training are cut back with quantity prioritised over quality.

We have more specific observations on the funding mechanisms for Foundation Apprenticeships (FA):

By way of example Colleges can draw down funding for Modern Apprenticeships (MA) for the delivery of the full MA. However, if students have completed the first year through a FA then providers can only draw down funding for the second year of the MA. Some employers, for example, deliver the MA in Business Administration over a condensed period 12 - 18 months and draw down the full funding for the MA. It is not therefore viable for the employer to take on an FA as there is only funding for the remaining 50% covered by the MA. Additionally this would create funding problems for the college having funded 50% of the FA qualification from our own core funding then only receiving 50% of the funding for any remaining MA that we are contracted to deliver.

We have also experienced problems identifying and convincing employers to take on an FA for work experience if they already have contracts to deliver the full MA, which is the more financially prudent option.

To widen access to FAs (currently offered to pupils in 5th year) the Apprenticeship Levy could be used to support preparatory programmes for S4 pupils to develop the underpinning knowledge and skills to support entry to an FA where this would be the more appropriate route for the student rather than a Higher qualification route by default.

Q5. Should Apprenticeship Levy funding be used to help unemployed people move into employment, and to help meet the workforce needs of employers?

- a) yes
- b) no

Colleges are at the forefront of targeting inequality and social mobility as evidenced in the recent Sutton Trust Report – Scotland's Access Challenge "*Colleges have displayed an enormous dedication to improving the education of poorer students.*"

Yes, Levy funding should be used to help unemployed people though we acknowledge that the Employability Fund administered through SDS currently supports this work.

Our experience shows that engagement with smaller businesses has been the challenge as they lack the staff and financial resource to support an Apprenticeship. Levy funding could therefore also be targeted at financially supporting

smaller businesses and organisations and in the recruitment of Apprentices who are currently underrepresented as highlighted on page 10 (paragraph 29) of the consultation document.

Q6. Are there any additional suggestions on how Apprenticeship Levy funding might be used?

We would support maximisation of eligibility to draw down the apprenticeship levy for direct investment in developing a workforce to enable Scotland to become a high-skilled, high productivity economy. City of Glasgow College stands ready to work with Government to deliver for our own staff and critically for Scotland's workforce of the future. We would welcome the opportunity to meet with senior officials at the earliest opportunity and would be delighted to host Ministers and Senior Officials at our new Super Campus.