

The impact of the Apprentice Levy on the furniture industry:

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In addition to England, the Apprentice Levy will be collected as a payroll tax in Scotland, Wales and Northern Ireland, but its deployment will be governed by rules determined by each Nation. In the section Background Information at the end of this paper, some recent comments from the devolved Governments are included. Broadly speaking Scotland, Wales and Northern Ireland are maintaining their current approach to funding apprenticeships.

The following is only applicable to employers with employees working in England.

Introducing the challenge

Changes to the Apprenticeship Funding System coming into effect from 1st May 2017 create two challenges for furniture industry employers:

- 1. Greatly increased level of administration for employers.** The changes to the apprenticeship funding system and the transfer of emphasis from apprenticeship frameworks to standards (Trailblazers) requires the employer to take control. This can only be achieved by the employer or their representative understanding the systems, procedures and monitoring requirements for apprentice training.

In relations to funding, employers are from May 2017 required to;

- Negotiate and contract with training providers
- Negotiate and agree funding values with End-Point Assessors (EPA)
- Administer their digital accounts if they are an Apprentice Levy payer
- Small companies (Below the Apprentice Levy threshold) will have to find a training provider with a direct Skills Funding Agency (SFA) contract, which could be difficult.

- 2. Availability of training.** The range of colleges and training providers available to non-Apprentice Levy paying employers (the significant majority) will be limited to those granted a SFA funding contract. Competition between sectors and employers will be fierce because the contract sums available to providers within funding contracts will be a fraction of the existing budget. It is envisaged that specialist skills will be disproportionately affected, which could have an impact on the furniture industry.

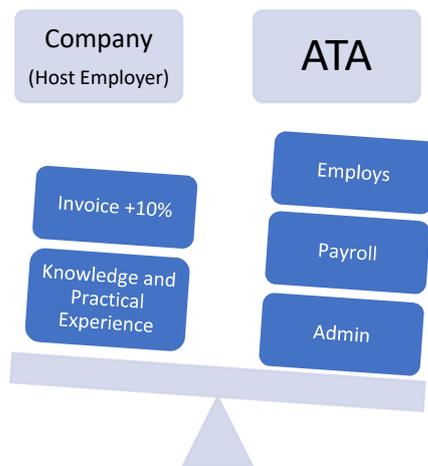
Levy paying employers have the advantage that they can engage with any college or provider that is included on the Register of Apprenticeship Training Providers (RoATP), irrespective of their SFA funded contract status.

Availability of Training - A possible solution:

The Furniture Industry establishes an ATA, which becomes the Levy paying employer, so has access to a wide range of qualifications and funded training, which circumvent the problems associated with the lack of SFA funding available to small companies.

As an independent ATA, this would be difficult to achieve from a standing start, so our proposal is that the furniture industry partners with The Apprenticeship Management Group Limited (AMG), which currently operates a pre-existing ATA which has a payroll in excess of £3 million i.e. the Levy threshold.

What is an Apprenticeship Training Agency (ATA)



An ATA is a Government regulated employment umbrella business that acts as the apprentice's employer, and places them with a host employer.

The host employer pays the ATA a fee for the apprentice's services; this fee being based on the wage agreed with the host employer (at least the national minimum wage for apprentices) plus the ATA management fee.

The ATA has ultimate responsibility for the welfare, health and safety, learning and employment of the apprentice.

Clear systems are put in place to ensure that host employers can give necessary and appropriate

support to the apprentice during their apprenticeship, to ensure they achieve their qualifications and contribute to the employer's business. The ultimate aim is that the apprentice is employed by the host employer when they finish their apprenticeship.

ATAs must comply with all relevant employment law and regulation including those included in the Employment Agency regulations.

In several sectors, ATA's are a tried and trusted approach to apprentice training, which are highly regarded by employers. The national register of ATA's in England can be downloaded from <https://www.gov.uk/government/publications/apprenticeship-training-agencies>. Currently, only sixty-two current ATA's exist and our enquiries indicate that there is no ATA directly embracing the furniture industry, but there might be local initiatives that some furniture industry employers may be accessing.

ATAs can operate with all sizes of employer from the public, private and third sectors. However, the SFA encourages all ATAs to work with and support smaller employers to help them hire and employ apprentices in their businesses.

Proposal – Establish a Furniture Industry ATA

In setting up the Furniture Industry ATA within the Apprenticeship Management Group Limited (AMG), we would be building on a successful model currently operated by the Electrical Distributors Association (EDA) through their ATA - EDA Learning and Development.

Over the past 3 years, EDA Learning and Development (ATA) activity has increased from 161 apprentices in 2014 to 502 in 2016, with the average number of apprentice on-programme at any one time being 130 and 360 respectively.

Initially, the furniture industry could ring-fence a part of a new generic ATA being set-up to make the business model available to a range of industries keen to exploit the benefits of the ATA model. This would enable non-levy paying furniture industry employers to seamlessly access apprenticeships from May 2017 and continue to utilise their preferred training providers so long as they are on the Register of Apprenticeship Training Providers (RoATP), which in most cases will apply to existing furniture sector training providers.

The ATA would:

- Contract with an employer's preferred training provider, and end-point assessment organisation in the case of new standards.

- If required by the employer, advertise, screen, assist with interview, recruit and employ for members under specific but non-binding instruction from the host employer.
- Claim and distribute grants in accordance with funding rules.
- Research and advise on courses for existing employees and engage with providers and Universities for provision from level 2 to level 7.
- Search and use best endeavours to secure alternative employment for apprentices not retained by host employers either during their apprenticeship or when completed. Obviously the intention is for the host employer to employ and retain the apprentice but this does not always occur.

AMG has the skills and considerable experience within the rapidly evolving apprenticeship arena. Providing services to EDA Learning and Development, they currently have a consortium of eight training providers including Didac delivering Trade Business Services qualifications to a wide variety of merchants.

AMG are currently increasing their consortium of training providers to deliver the increasing range of qualifications on offer due to the new funding flexibilities. Subject to satisfactory OFSTED grades, there seems to be little reason why existing furniture industry training providers cannot or would not wish to work with or through AMG.

Cost to the Employer

The contribution to the ATA would be set at 10% per annum of apprentice wage settled in instalments each month. i.e. £180 per week would incur £18 contribution toward costs. Modest recruitment contribution to the ATA if employed directly by member, or small monthly wage contribution if hosted.

Example:

Apprentice Salary per annum = £8,000

Course Costs per annum = £4,500

Host employer pays ATA – per annum

Service Charge = £8,800

10% Co-funded contribution to course cost = £450

TOTAL Cost to host company = £9,250

If the learner is under 19, a grant of £1,000 is given to the employer (£500 at 3 months, £500 at 12 months), which in this example broadly equates to one year's ATA fees

ATA– per annum

Income

From Host Company = £9,250

Outgoings

Salary = £8,000 Salary (No NI required)

Training Contribution = £450

Profit = £800

Commercial Arrangement with AMG

At an operational level, employers will have an agreement with AMG for the provision of services and the placement of an apprentice. Above that, AMG will contract with the training provider and end assessment organisation when applicable, thereby relieving the employer of that task.

At an industry level, the Furniture Industry can adopt a 'soft-start' approach by promoting the existence of AMG, the ATA and why it is a valuable resource for the industry. The industry does not need to contract with AMG nor provide financial support, but it does need to come together in promoting AMG and the service and the new flexibilities of apprenticeship training that will be available after 1st May 2017.

Once the industry is satisfied that the AMG model is fit for purpose and apprentice numbers have increased, the industry could consider splitting off a Furniture Industry ATA with a supervisory board and its own brand, for example. It would, however, be critical to remain within AMG to maintain its payroll above £3 million and to have access to the recruitment and Levy Management aspects of AMG services.

The British Woodworking Federation and the Builders Merchants Federation, who Didac introduced to AMG, are both working towards this goal; and others under the umbrella of Confederation of Timber Industries are likely to follow as their members find it difficult to recruit and receive funding support for apprentices.

What about large Levy paying employers?

Many large employers have already indicated that they want specialist support to help them manage the complexity and value in their digital account. To that end AMG are rolling out an integrated end-to-end information system to support the whole process with a view to avoiding digital account overspends, which could incur additional co-funded training costs.

The existing funding rules for apprenticeships (last registration 30th April 2017) enable large employers to take full advantage of the ATA model. However, from 1st May 2017 they are excluded, but it is anticipated that the Government will be modifying the rules enabling large employers to transfer some of the value of their apprentice levy contributions to the ATA. Initially, an announcement was expected in 2018, but recent contact with Government indicates an announcement might be made earlier in 2017.

I understand that at least two of the largest electrical distributors have signed contracts with AMG to continue using their services on a fee-paying basis because they could not otherwise envisage how they were going to continue developing their pipeline of new employees. Didac views this as an endorsement of the ATA management service to date and the digital account management services being proposed by AMG.

Next Steps

We would encourage large furniture industry employers to talk to AMG to assess their capability in managing digital accounts; and in anticipation that the rule change will bring them back within scope of the ATA enabling large employers to use the value in their digital accounts within the ATA model

We would recommend that AMG is given the opportunity to present their ATA model and business services to a group of industry representatives representing the complete supply chain.

The ATA model is applicable to all sectors of the furniture industry, so representation from each sector would provide valuable insight; and for the first time provide a focal point for delivering a sustainable training strategy for the industry.

Background Information

Recent statements in Scotland, Wales and Northern Ireland

In addition to England, the Apprentice Levy will be collected as a payroll tax in Scotland, Wales and Northern Ireland, but its deployment will be governed by rules determined by each Nation. Recent statements include:

- *“Modern Apprenticeships in Scotland are not currently under reform. They will remain in place as is.” - Skills Development Scotland. October 2016*
- *‘The Welsh Government has no plans to introduce a digital voucher system. We have seen no evidence that a voucher system would improve quality within the system. It would though introduce bureaucracy for employers and uncertainties as to how non levy employers would be supported.’ - DFES-ApprenticeshipUnit@Wales.GSI.Gov.UK August 2016*
- *The Northern Ireland System of Apprenticeships is very much based on a quality model... There is no intention to change the model that exists in Northern Ireland.” - NI Employment and Learning Minister, Dr Stephen Farry. September 2016.*

What is Co-Funded training

1. Non Levy Paying employers – will have to pay 10% of the agreed training cost to the training provider, with the Government paying the balance of 90%, unless they have less than 50 employees, in which case they will pay nothing.
2. Levy Paying employer – When a Levy Paying employer exceeds the amount of money in their digital account, they will have to make a contribution of 10% of the agreed training cost, with the Government paying the balance of 90%

In each case, the co-funded element towards training is 10%

New training opportunities and upskilling.

From May 2017, employer's can access provision of levy funded and co-funded training for existing staff irrespective of age or prior experience across all disciplines or prior levels of learning. Retraining without restriction of existing staff will enable long awaited upskilling and reskilling as an excellent opportunity to reset the skills balance within a business, thus helping to retain and motivate.

Through co-funded training (and remember it is zero for small companies with less than 50 employees), existing training budgets would be capable of repositioning and new investment leveraged by 900%. Hopefully, the furniture industry will seize these opportunities and discuss with existing staff the skills that the business needs, their own career progression and the courses now available to them.

Thereafter, they will hopefully seek out colleges and providers that will enable these outcomes to be achieved. Now and in the future, employers can train any individual to undertake an apprenticeship at a lower, even or higher level than a qualification they already hold.

From May 2017, an individual can be funded to undertake an apprenticeship at the same or lower level to acquire substantive new skills including higher levels and degrees

Employment grants are available to all employers for the engagement of certain categories of apprentice; -

- **Government will pay £1,000 to employers, and a further £1,000 to training providers if they train a 16-18-year-old apprentice.** Such grants used to be available

only in certain regions and were notoriously difficult to claim. They are now available throughout England without restriction.

- **Government will pay £1,000 to employers, and a further £1,000 to training providers if they train 19-24 year olds leaving care or who have a Local Authority Education and Healthcare plan.** It is often a surprise as to how many young people this encompasses and should again be relatively simple to claim.
- **Employers with fewer than 50 employees will have 100% of the training and assessment costs covered when training a 16-18-year-old** (or 19-24-year-old formerly in care or has a Local Authority Education, Health and Care plan).
- **Additional learning support.** Training providers will be paid **up to £150 a month** to support these learners, plus additional costs based on evidenced need. This should encourage the training providers to accept need groups without dilution.
- **English and Maths Training.** To meet minimum standards of English and maths government will **pay training providers £471** for each of these qualifications (Level 1 and 2).

About Didac Limited

Didac was established in Bristol in 1997, initially as a subsidiary of Rye Machinery Limited, as a specialist training provider in the woodworking. The company's co-founders, Jon Gibson and Martin James, who have each spent their working lives within the furniture and woodworking industry, still run the business.

In 2010, they set up the Woodwise Academy in Bristol for off-the-job and specialist training, which was a major personal commitment to the sector.

Supported by a team of 30 staff including 25 trainers and assessors, Didac has expanded its range of services to include health and safety consultancy, vehicle movement and plant equipment training, and professional development training to the merchant trades.

Apprentice training makes up about 45% of Didac's business with the balance being commercial short course training. Last year for example, Didac delivered short course training to approximately 1800 learners in woodworking machine skills.