

<b>MEETING BETWEEN MINISTER FOR EMPLOYABILITY AND TRAINING AND A GROUP OF EMPLOYERS AND EMPLOYER REPRESENTATIVE ORGANISATIONS ORGANISED BY THE CBI</b>	
<b>MACLAY MURRAY &amp; SPENS LLP OFFICES, QUARTERMILE ONE, 15 LAURISTON PLACE, EDINBURGH EH3 9EP</b>	
<b>TIMING</b>	<p>Tuesday 17 January 2017: 2.30 pm – 3.30 pm</p> <p><b>Minister to attend 2.30 pm – 3.30 pm</b></p>
<b>ATTENDEES</b>	<p>Official(s) in attendance: [Redacted]</p>
<b>AGENDA</b>	<p>This is the Third in a series of CBI organised Employer roundtables</p> <p>The Minister has agreed to attend for an hour of the meeting to discuss the consultation on the Scottish Government's response to the introduction of the UK Apprenticeship Levy.</p> <p>The full agenda for the meeting includes:</p> <p>2.30 pm Welcome and round of introductions, Chair Neil Carberry/Host</p> <p>2.35 pm Initial remarks by the Minister, Jamie Hepburn MSP</p> <p>2.40 pm Roundtable discussion, chaired by Neil Carberry</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Role of business in skills system following new levy</li> <li><input type="checkbox"/> Flexibility in training and clarity on funding</li> </ul> <p>3.25 pm Sum-up and close, Chair Neil Carberry</p>
<b>ADDITIONAL BRIEFING</b>	<p>Annex A – List of Attendees</p> <p>Annex B – Additional Q&amp;A material</p> <p>Annex C – The Scottish Governments response to the Apprenticeship Levy</p> <p>Annex D – Bio – chair</p>

<b>ITEM 1</b>	<b>Welcome</b>
<b>BACKGROUND</b>	<p>This is the third in a series of CBI organised Employer roundtables</p> <p>This roundtable meeting was initiated by CBI Scotland to follow up on engagement between business and government around the implementation of the UK Apprenticeship Levy in Scotland. Following Scottish Government the announcement of next steps for implementation, this meeting will provide both government and business with an opportunity to discuss how our planned respond to the immediate and longer term ambitions to strengthen skills for the country's existing and future workforce.</p> <p>A list of attendees is attached at Annex A.</p>

<b>ITEM 2</b>	<b>Apprenticeship Levy</b>
<b>BACKGROUND</b>	<p>This session has been arranged to allow the Minister to have a discussion with employers and employer bodies on the Scottish Government Response to the UK Government Apprenticeship Levy.</p> <p>The Minister may find it useful to outline the key elements of our response (suggested speaking points are included below) and ask attendees for their views on the overall ambition and the specific measures included.</p> <p>In direct response to the views of employers in Scotland, and reflecting on the Apprenticeship Levy consultation responses we received, the Scottish Government will deliver a range of interventions that further support skills, training and employment in Scotland. In particular we will:</p> <ul style="list-style-type: none"> <li>• continue to expand the number of Modern Apprenticeship opportunities as part of our planned growth to 30,000 new starts each year by 2020 alongside an increase in the number of Graduate Level and Foundation Apprenticeships during 2017-18;</li> <li>• support measures to tackle structural unemployment issues and challenge inequalities and under-representation in the labour market by supporting people who face barriers to education, training or employment, in partnership with employers, local authorities and the third sector;</li> <li>• continue with the implementation of the Youth Employment Strategy: ‘Developing the Young Workforce’ specifically including the development of the network of Developing the Young Workforce Regional Groups and the delivery of employment-focused college provision for young people; and</li> <li>• respond to the immediate skills needs of employers, through: <ul style="list-style-type: none"> <li>○ the establishment of a new Flexible Workforce Development Fund; and</li> <li>○ on-going and sector-specific skills support for priority sectors in the economy such as digital, care and early years.</li> </ul> </li> </ul>
<b>SUGGESTED Speaking points</b>	[Redacted]

<b>ANNEX A</b>	<b>Attendees</b>
	<b>From CBI</b> <b>Neil Carberry, Director People and Skills, CBI (Chair)</b> <b>Gregor Scotland, Senior Policy Executive, CBI Scotland</b>
	<b>From Business – CBI Members</b>
	[Redacted]

**Our response to the UK Government Apprenticeship Levy, published on 16 December sets out how we will use the money to support skills and training and employment in Scotland**

- In direct response to the views of employers in Scotland, and reflecting on the Apprenticeship Levy consultation responses we received, this report set out a range of interventions that further support skills, training and employment in Scotland. In particular we will:
  - continue to expand the number of Modern Apprenticeship opportunities as part of our planned growth to 30,000 new starts each year by 2020 alongside an increase in the number of Graduate Level and Foundation Apprenticeships during 2017-18;
  - support measures to tackle structural unemployment issues and challenge inequalities and under-representation in the labour market by supporting people who face barriers to education, training or employment, in partnership with employers, local authorities and the third sector;
  - continue with the implementation of the Youth Employment Strategy: 'Developing the Young Workforce' specifically including the development of the network of Developing the Young Workforce Regional Groups and the delivery of employment-focused college provision for young people; and
  - respond to the immediate skills needs of employers, through:
    - the establishment of a new Flexible Workforce Development Fund for employers; and
    - ongoing and sector-specific skills support for priority sectors in the economy such as digital, care and early years.

**Employers in Scotland are set to benefit from a new £10 million skills fund, announced as part of the Scottish Government's response to the UK Government Apprenticeship Levy.**

- The fund will be delivered through the college sector bringing it together with industry to better support in-work training through up-skilling or re-skilling of existing employees.
- The new fund will be developed with the input of employers including the industry-led Scottish Apprenticeship Advisory Board and shaped by College Scotland, the Scottish Funding Council and Skills Development Scotland.
- The fund will be introduced in the Autumn 2017 and we will bring forward further details in the New Year.

**There is not £221m of additional money coming to Scotland through the Apprenticeship Levy.**

- While the Apprenticeship Levy will be a **new tax on employers, its proceeds will largely be replacing existing apprenticeship funding** in England of which Scotland will receive a proportionate share.
- This is a new way of the UK Government raising funds direct from business, a **policy they announced in 2015 without consultation with the Scottish Government or employers.** We estimate that the **cost to the public sector in Scotland will be around £73 million p.a.**

- We have already set out plans to deliver on our ambitious commitment to supporting 30,000 Modern Apprenticeships starts by 2020. That plan has the support of industry who have also backed our plans to expand Foundation and Graduate Level apprenticeships.

**Minister for Employability and Training announced changes to Modern Apprenticeships on 8 December providing more flexibility for employers, including those in the public sector, while also widening access for rural communities, people with disabilities and experience of care.**

- Following consultation with employers, providers and stakeholders, the following changes will come into effect for providers delivering Modern Apprenticeships in 2017-18:
  - A new Rural Supplement for training providers in recognition of the additional costs for delivering in rural areas
  - The removal of public sector eligibility restrictions, meaning from April 2017, public sector employers will have the same access to Modern Apprenticeship funding as those in the private and third sector
  - An increase in the number of Modern Apprenticeships Frameworks that can be supported for apprentices aged over 25
  - Enhanced contribution rates for disabled people and those with experience of care up to the age of 29.

**The 2015/16 target of 25,500 new MA opportunities has been exceeded with 25,818 starts delivered last year.**

- This is the first year in the expansion of the MA programme as we move towards our commitment to fund 30,000 starts by 2020.
- The new target for 2016-17 of 26,000 Modern Apprenticeships was announced on 29 February. There were 12,588 MA starts at the end of Q2 2016/17. This equates to 48% of the 26,000 annual starts target. This is similar to progress made towards the annual target (49%) at the same point last year
- The Scottish Government 2016/17 Budget supported the continued expansion of Modern Apprenticeships.
- Since the introduction of the 25,000 target in 2011-12, **SDS has exceeded the required number of starts each year**, even during the economic downturn. **We delivered over 128,000** new opportunities in the last parliamentary term.
- Since this Government came into office in 2007 nearly 200,000 MA starts have been delivered.

**We are aware that we need to do more to tackle under-representation on the MA programme**

- Through DYW we have set out how we will tackle gender imbalances and promote equality of access in relation to subject and career choices, through the Modern Apprenticeship Equality Action Plan and Scottish Funding Council Gender Action Plan for colleges and universities.

- Improving the balance of participants from under-represented groups on the MA programme is not a change that will happen overnight.

**To widen and enhance the Modern Apprenticeship, further programmes are being introduced**

- Skills Development Scotland (SDS) is working with partners to **deliver Foundation Apprenticeship (FA) pathfinders**. These combine the benefits of school, college and work-based education for senior phase pupils.
- We are also working to develop the **Graduate Level Apprenticeships**. These apprenticeships will support the in- work development of graduates with initial activity focused on Engineering, Civil Engineering and Digital sectors with 125 places next year.

## Introduction

In July 2015 the UK Government announced its plans to introduce a UK wide Apprenticeship Levy from April 2017. Employers will pay 0.5% of their annual pay bill in excess of £3m through the PAYE system. Those with an annual paybill of £3m or less will be exempt. The Levy will apply to employers in the public, private and third sectors.

The UK Government took this decision to introduce the levy without any prior consultation with the Scottish Government or indeed employers. While training levies and their collection are a matter reserved to the UK Government - skills policy including responsibility for apprenticeships is a fully devolved matter.

The UK Government will use the funding generated through the Levy to support its commitment to deliver apprenticeships in England during the lifetime of the current UK Parliament in addition to allocating a share of the Levy to each of the Devolved Administrations.

On 14 November 2016 the UK Government announced the Scottish Government's settlement from the UK Apprenticeship Levy. This is set out below.

	2017-18	2018-19	2019-20
Population share of levy funding (£m)	221	230	239

What the UK Government announcement did not make clear was that this is not £221 million of additional money for Scotland, but largely replaces what the Scottish Government would have previously received as a traditional share existing UK Departmental apprenticeship spend.

As in previous years the Scottish Government will use this funding, as part of the overall Scottish Budget, to support our extensive skills, training and employment provision, including our Modern Apprenticeship programme.

In direct response to the views of employers in Scotland, and reflecting on the Apprenticeship Levy consultation responses we received, the Scottish Government will deliver a range of interventions that further support skills, training and employment in Scotland. In particular we will:

- continue to expand the number of Modern Apprenticeship opportunities as part of our planned growth to 30,000 new starts each year by 2020 alongside an increase in the number of Graduate Level and Foundation Apprenticeships during 2017-18;
- support measures to tackle structural unemployment issues and challenge inequalities and under-representation in the labour market by supporting

people who face barriers to education, training or employment, in partnership with employers, local authorities and the third sector;

- continue with the implementation of the Youth Employment Strategy: 'Developing the Young Workforce' specifically including the development of the network of Developing the Young Workforce Regional Groups and the delivery of employment-focused college provision for young people; and
- respond to the immediate skills needs of employers, through:
  - the establishment of a new Flexible Workforce Development Fund; and
  - on-going and sector-specific skills support for priority sectors in the economy such as digital, care and early years.

## Future of Modern Apprenticeships

As set out in our Youth Employment Strategy: *Developing the Young Workforce* the Scottish Government is committed to growing, widening and enhancing Scotland's Modern Apprenticeship programme.

In the recent consultation we sought views on whether we should maintain or increase our commitment to delivery of 30,000 new Modern Apprenticeship opportunities each year by 2020.

In the responses to the consultation there was strong employer support for maintaining the target at its current level. As a result we have agreed to maintain this commitment, continuing to focus on higher level apprenticeships, particularly in Science, Technology, Engineering and Mathematics Frameworks.

To provide stability for employers and training providers we will not introduce any fundamental shift in the mechanisms for apprenticeship delivery in Scotland. In 2017/18 we will retain the current delivery model which allows a flexible approach to delivery by private and third sector training providers; colleges; industry groups and employers. Skills Development Scotland has begun the contracting for the delivery of places in 2017-18 as the next step in our expansion plans.

Advice for employers looking to offer Modern Apprenticeship opportunities will continue to be available on our dedicated Apprenticeship website at [www.apprenticeship.scot](http://www.apprenticeship.scot).

There are however always improvements that can be made. In direct response to the views of employers, providers and wider partners across Scotland from April 2017 we will introduce a number of measures to ensure the programme better meets the needs of the Scottish economy. These include:

- A new Rural Supplement of between £250 and £1,000 for training providers in recognition of the additional costs for delivering in rural areas;
- The removal of public sector eligibility restrictions, meaning from April 2017, public sector employers will have the same access to Modern Apprenticeship funding as those in the private and third sector
- An increase in the number of Modern Apprenticeships Frameworks that can be supported for apprentices aged over 25.
- Enhanced contribution rates providing young disabled people and those with experience of care with the highest level of Modern Apprenticeship funding for their chosen Frameworks until the age of 30.

We will continue to support Skills Development Scotland to ensure that apprenticeship opportunities are open to all and to take forward the measures set out in the Equality Action Plan (EAP) for Modern Apprenticeships, published in December 2015.

Businesses across the UK see National Occupation Standards as a valuable mechanism for ensuring that vocational and technical education, training and qualifications, equip the workforce with the skills business and the economy needs.

Following the decision by the UK Government to move away from using National Occupational Standards and the closure of UK Commission for Employment and Skills, the Scottish and Welsh Governments and Northern Ireland Executive are individually and collectively committed to maintaining NOS for the public good of learners, employers and users across the United Kingdom. We will continue to support Skills Development Scotland in 2017-18 to work with the 3 nations to help them deliver the long-term aspirations for National Occupational Standards to retain quality and transferability within our apprenticeship offers.

As we deliver our apprenticeship offer next year we will continue to reflect on the impact that the Apprenticeship Levy is having on Scotland, working with the industry led Scottish Apprenticeship Advisory Board and wider partners to ensure this continues to support our ambitions through our Youth Employment, Labour Market, and Scottish Economic Strategies.

## **Widening the Apprenticeship Offers**

The Scottish Youth Employment Strategy: *Developing the Young Workforce* is focussed on providing a wider range of vocational education opportunities starting in school with enhanced employer involvement.

### **Foundation Apprenticeships**

Our recent consultation therefore explored whether Levy funding should be used to support the expansion of Foundation Apprenticeships. Foundation Apprenticeships are designed to help young people gain valuable, real-world work experience and access work-based learning while they are still at school.

The responses indicated strong support for levy funding being used to expand Foundation Apprenticeships, both for the benefit of individuals and the benefit of employers. The views from the consultation highlighted the value that Foundation Apprenticeships can bring in helping young people prepare for work, increasing relevant skills while in a work-based setting. This helps enhance their employment prospects in addition to improving confidence and self-esteem, and in many cases providing the first step for progression into a Modern Apprenticeship pathway once they leave school.

The consultation also provided employer endorsement around the benefits that they can gain from Foundation Apprenticeships. In particular there was recognition that Foundation Apprenticeships will help employers engage with, recruit and retain young people. The new offer also presents the opportunity to help address skills gaps and shortages in addition to helping to promote equality and inclusion, addressing under-representation and improving workforce diversity.

In response, the Scottish Government has committed to support the further expansion of Foundation Apprenticeships in Scotland during 2017-18. We will provide Skills Development Scotland with support to deliver 3,000 new Foundation Apprenticeship starts in the next academic year, providing more young people and employers with the opportunity to benefit from these exciting new opportunities.

### **Graduate Level Apprenticeship**

The consultation also asked if Levy funding should be used to support growth in the number of Graduate Level Apprenticeships.

Graduate Level Apprenticeships provide an opportunity to develop a new way into degree-level study for individuals who are currently employed, or who want to go straight into work. Apprentices can progress to the highest level of professional qualifications with a range of entry and exit points from a Higher National Diploma (Scottish Credit and Qualifications Framework level 8) to a Master's degree (Scottish Credit and Qualifications Framework level 11).

The responses to the consultation showed resounding support for this, as a measure that would meet the needs of employers allowing them to develop skills in their own

workforce, or increase the range of higher or technical skills available to them as an employer.

The growth in Graduate Level Apprenticeships will help match individuals and their skills to actual business requirements, enabling employers to grow their own highly skilled talent internally, with the potential benefit of improving staff recruitment and retention. In addition to providing an alternative route for young people to work towards rewarding high skilled employment, Graduate Level Apprenticeships have the potential improve innovation and productivity.

In 2017-18 we will continue to expand the Graduate Level Apprenticeship offer in Scotland. Skills Development Scotland is currently finalising its tender exercise for the development and delivery of at least 125 new Graduate Level Apprenticeship starts in the coming year in partnership with industry and a range of Higher Education Institutions across Scotland.

Advice on how to get involved in Foundation or Graduate Level Apprenticeships is available on our dedicated Apprenticeship website at [www.apprenticeship.scot](http://www.apprenticeship.scot).

## **Workforce Development – Addressing Industry Skills Needs**

Early engagement with employers highlighted that, while they see great value in Modern Apprenticeships, they do not see them as the only way to meet their skills needs. It was clear that employers welcomed a much broader, more flexible offer in response to the apprenticeship levy than was being proposed in England. In particular they were looking for support that would allow them to address skills gaps and the training needs of older workers where a full apprenticeship might not be appropriate.

In the consultation we asked if the Levy funding should be used to establish a flexible skills fund to support wider workforce development. The responses to the consultation highlighted clear support for the introduction of such a fund, recognising that this would help develop a workforce to meet future needs, supporting overall economic growth in an ever changing environment.

### Flexible Workforce Development Fund

In response to the views of employers to our recent consultation on the Apprenticeship Levy, the Scottish Government will establish a new Flexible Workforce Development Fund to be introduced in Autumn 2017. This will be developed with the input of employers through the industry-led Scottish Apprenticeship Advisory Board and shaped by Colleges Scotland and the Scottish Funding Council. It will be delivered through the further education sector. This new fund will provide employers with support towards the flexible workforce development training needed to support inclusive economic growth through the up-skilling or re-skilling of their employees. Further details of the new fund will be worked up this year

### Wider Workforce Development Support

In addition to the new Flexible Workforce Development Fund we will also continue to support a range of other measures to address industry skills needs and support inclusive economic growth.

In many parts of Scotland, public bodies are among the largest employers and as such, they can play an important role in offering sustainable employment and in developing their staff. They undertake a range of skills and training-related activities for which they already receive funding from the Scottish Government through their respective budget allocations. In line with our Youth Employment, Labour Market and Scottish Economic Strategies we continue to work with public sector employers across Scotland to consider how they can make a difference to the recruitment and development of their staff through all of their activities.

We will provide support to help employers recruit disadvantaged young people to access and sustain employment through our Employment and Training Support Initiative.

We will also continue to support recruitment and training within specific sectors of the Scottish economy including:

- Digital Economy Skills and Business Support
- Energy, through our Transition Training Fund
- Social Care, through the Voluntary Sector Development Fund
- Early years recruitment and training
- Teacher Training, through the Into Headship provision and the Scottish College for Educational Leadership

In line with our Youth Employment Strategy, we will continue to strengthen employer links with schools through the development of our network of Developing the Young Workforce Regional Groups.

We will also continue to provide funding for Individual Learning Accounts supporting the upskilling of those on low incomes to enhance their employability or career progression.

## **Pre-employment Support**

The final area explored in the consultation was whether the Apprenticeship Levy should be used to help unemployed people move into employment, and to help meet the workforce needs of employers.

Meeting the recruitment needs of Scotland's employers means doing all we can to help unemployed Scots into work. It means working to remove barriers for groups who face particular challenges finding jobs, and enabling people to fully participate in the labour market.

The responses to the consultation also showed support for this area particularly in aligning the support available to help people into employment with the needs of employers. Respondents also noted the opportunities for wider economic and societal benefits from helping those furthest from the labour market into sustainable employment.

As a result the Scottish Government will use the Apprenticeship Levy funding to deliver a package of employment and training measures to support a resilient and inclusive labour market.

From 1 April 2017 we will deliver transitional Scottish employment support services for some of the most vulnerable people in society, including disabled people and those with long-term health conditions, ahead of delivering full employment services in April 2018.

We will also continue to deliver support through the Employability Fund – our all-age pre-employment programme which supports unemployed people to gain the skills and experience they need to move towards and into work.

In addition we will also support the role of Scotland's Further Education colleges in the employment focussed courses that they provide for learners, alongside college engagement with local employers to deliver the skills required to support sustainable employment and economic growth.

## Scottish Government Consultation

The Scottish Government consulted on options for the use of its share of UK Apprenticeship Levy funding being transferred to the Scottish Government. The consultation ran from 13 July to 26 August 2016. The consultation document can be found here: <https://consult.scotland.gov.uk/employability-and-training/apprenticeship-levy/>

The questions in the consultation are set out below.

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?

The finding of an analysis of responses to the consultation of the Scottish Government's response to the introduction of the UK Apprenticeship Levy can be found at: <http://www.gov.scot/Publications/2016/11/7593>

## MEASURES SUPPORTED BY THE APPRENTICESHIP LEVY

Activity	Estimated Expenditure in 2017-18 £m
<b>MODERN APPRENTICESHIPS</b>	
Our continued commitment to deliver 30,000 new Modern Apprenticeship starts each year by 2020.	81.5
National Occupation Standards	0.5
Sub-total	82.0
<b>GRADUATE LEVEL APPRENTICESHIPS</b>	
Graduate Level Apprenticeships	4.7
Sub-total	4.7
<b>FOUNDATION APPRENTICESHIPS</b>	
Foundation Apprenticeships	6.8
Sub-total	6.8
<b>WORKFORCE DEVELOPMENT</b>	
Support to employers to help disadvantaged young people to access and sustain employment	9.3
Developing the Young Workforce Regional Groups	4.1
Flexible Workforce Development Fund	10.0
Digital Economy Skills & Business Support	1.9
Care Sector Skills - Voluntary Sector Development Fund	0.9
Early Years Recruitment & Training	25.0
Energy Sector – Transition Training Fund	6.0
Teacher Training	2.5
Individual Learning Accounts	3.9
Sub-total	63.6
<b>PRE-EMPLOYMENT SUPPORT</b>	
Employability Programmes	25.0
Employment focussed college provision for young people	36.3
Inspiring Scotland	3.0
Sub-total	64.3
<b>Total</b>	<b>221.4</b>

**Chair's biography**

**Neil Carberry, CBI Director People and Skills**

**His team campaigns on behalf of CBI members on labour market and skills issues, including employment law, employee relations, equality and diversity, pay, pensions, education, skills and in-work learning, immigration, health and safety, and human rights.**

**Neil is a member of the council of ACAS and of the Low Pay Commission, which makes recommendations about the level of the National Minimum Wage. He is a Chartered Fellow of the CIPD.**

**Before becoming director, Neil spent four years as Head of Employment and Pensions Policy and he has previously worked in the CBI's public services team as Head of Public Procurement.**

**Neil joined the CBI in 2004, after completing a postgraduate degree at the London School of Economics in industrial relations. Before this, he worked as an HR consultant for a number of major financial institutions.**