**UK Metals Council position paper on Apprenticeship Schemes and learning for the UK Metals Sector.**

The UK Metals Council (UKMC)[Appendix 1] wish to make the following statements about the current UK training strategy for the metals sector:

There are 3 main areas of concern

## 1. Apprenticeship Levy

1.1 Some organisations have embraced the levy. [Appendix 2]However, there is a lack of understanding of how the system operates causing a significant failure to increase the numbers of relevant apprenticeships. Payment to HMRC is being considered by many as simply a tax on business. [Appendix 3]

1.2 There are additional costs to Employers – including a contribution up to £2,700, Apprentices over 19 carry a 10% surcharge which will influence the choice of candidates. The increased cost factor is having a negative effect on the stated objective of increasing apprenticeships.

1.3 The reducing number of Apprentices being recruited [Appendix 4]is likely to result in scheme failures and reports of the scheme not working. This will bring it into disrepute.

## 2. Standards Production

2.1 Funding issues for courses. There does not appear to be a matrix to determine funding based on key activities covered, reports of funding allocated not being sufficient for a provider to run a course. [Appendix 5]

2.2 Standards being held up due to end-point assessment issues. [Appendix 6] There appear to be many standards which have not yet been finished and delivered due to end point assessment not being resolved.

2.3 Universities not interested in Trailblazer Degree Course due to not wanting to set the curriculum. [Appendix 7]

## 3. Other training

3.1 Institutes of Technology (IOT) and T levels. These are being developed with no consultation or involvement of industry. The Department for Education is reluctant to consult on the justified concerns that industry has. This is critical to ensuring that when launched these important initiatives will use resources effectively and be successful. It is a serious concern. UK Metals Council is a key representative of the metals industry and uniquely qualified to accurately inform and advise the DoE in the process of creating a strategy that is effective and not lacking in relevance or appropriate targeting. Separately we will shortly be meeting with key representatives of the FE sector to discuss our joint concerns.[Appendix 8]

## 4. Request

UKMC absolutely agrees with government intentions to support the national priority that is clearly evident in the need to substantially raise the volume and quality of skills that are appropriate to a world leading engineering and manufacturing economy. It wishes to work with the IfA to support and help resolve the above issues of concern. As a direct representative of the Trade Associations that are most closely associated with the sector, UKMC is uniquely qualified to advise IfA on the relevance and appropriateness of standards, potentially making the process more effective and speeding up the rate of introduction of new and targeted apprenticeship opportunities.

**Giles Willson**
**Manager**
**UK Metals Council**

**15 August 2018**

## Appendix 1

## UK Metals Council

The UK Metals Council represents the metal industry sector within the United Kingdom. This group of senior industry representatives meet with the Department for Business, Energy and Industrial Strategy (BEIS).

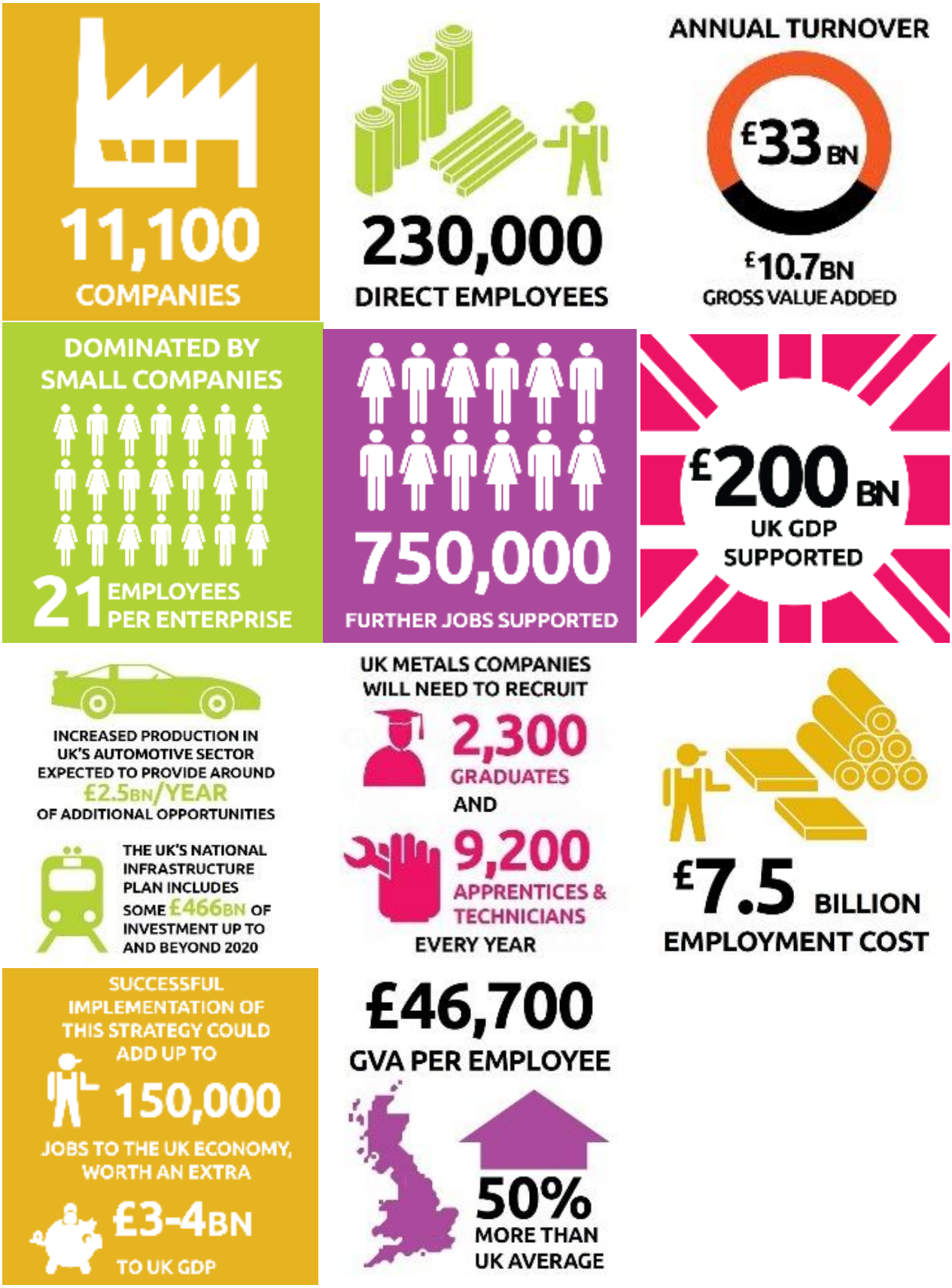
It has representation from the 10 Trade Associations working within the sector.

Aluminium Federation (ALFED)
British Constructional Steelwork Association (BCSA)
British Stainless Steel Association (BSSA)
Confederation of British Metalforming (CBM)
Cast Metal Federation (CMF)
Galvanizers Association (GA)
Metal Packaging Manufacturers Association (MPMA)
National Association of Steel Stockholders (NASS)
UK Steel
The Welding Institute

The Council has 6 workstreams covering Supply Chain, Skills and Training, Sustainability, Energy and the Circular Economy, R&D and Innovation and Communications

In addition, there are Affiliate members who are involved with the supply chain however, not specifically for the metals sector.

**Metal Sector Statistics**




The data came from the 2013 Office of National Statistics industrial production numbers from their Annual Business Survey, the figures used in Vision 2030 document published October 2015.

## Appendix 2

## Case study of an organisation which has embraced the Apprenticeship Levy.

Since the introduction of the Levy in April 2017, we have entered into contract with the ESFA and pay into and utilise our Levy across apprenticeship programmes that support multiple business areas; including but not limited to Finance, Engineering, Business Improvements and Business.

Currently we draw down funding on 4 apprenticeship programmes with 4 training providers to support 12 learners and we expect this number to increase as we move forward into 2018/19. We do not intend to lose money from our account (in relation to the 24 month rule) but equally, we are trying to be as strategic as possible in how we spend this funding to ensure that we invest in the right areas, with the right people and where the business are truly able to meet our obligations such as 20% off the job learning, as this puts additional strains on capacity and resources (especially when up skilling employees).

We feel that the Levy and its mechanisms has overall been effective in that systems and processes between the ESFA , Training provider and the Employer have worked as intended and we have clarity on the programme content, delivery, expectations and verification methods.

A poignant challenge for ourselves has been the development timescales of programmes that may be useful to our business and the policy changes (enforced through the IFA) which has affected the potential output of the programmes.

As a business, we take part in a number of trailblazers and believe that the basic principles of the Levy can work for us as a business and can add value to our wider training offering, but we have also been exposed to the challenges employers are facing in creating apprenticeship programmes that truly meet the needs of businesses and support us in resolving knowledge/ skills gaps in our workforce.

The evolution of the IFA and the standardisation of apprenticeships has caused a number of challenges for the engineering industry as we try and align our requirement to comply with the Standards and the IFA processes.

As a business we feel that the Apprenticeship Levy offering could be enhanced for employers if we could utilise the funding to support wider training requirements than that of just Apprenticeships, as it would fundamentally resolve some of the conflicts that we are facing & Trailblazers could continue to develop programmes that genuinely meet our training requirements as a business.

Equally, some relaxation of the 20% "off-the-job" training rule could further assist; as although we fully believe that learners must be given the time and support to put their learning into practice, the nature of 20% "off-the-job" training can put constraints on business capacity and resource and act as a deterrent to managers and supervisors up skilling their teams.

In summary, under the current funding rules and payment schedules, we feel confident that we are utilising our levy, and funding is being spent to support the development of skills that we require in the business. We do have concerns over our ability to influence the

programme content that we require and what will be eligible for funding under new funding rules and therefore we are conscious of whether there will be the right programmes available for us to use in the future, but as long as the levy remains a system that is based on employer training needs, which is designed and managed by employers; then we feel confident that our business will fully utilise our Levy and furthermore add long term value to the business.

## Appendix 3

## Case Study where a levy payer is not claiming back their levy

A medium sized steelwork fabrication company is now paying £50,000 per year in the Levy.

To train Apprentices in structural Steelwork fabrication the Levy allows funding of up to £9,000 per person for the apprenticeship (for the 2 years)

To make any impact on the £50,000 the employer will need circa 5 apprentices, but this £9,000 is for two years training and the employer will be paying the levy each year so it will be contributing £100,000 for the training period.

The cost to employ the apprentice to the employer over the two years could be £27,000 if paying apprentice rates only but most pay above this and at least the minimum rate so the cost could be £29,000

To spend £45,000 of their own levy on training they will need to spend at least 5 x £27,000 = £135,000 to employ the apprentices during the training.

This will also result in an increased number of employees by 5 every year regardless of whether or not the workload is increasing. Prior to the Levy employers would take on apprentices based on their predicted workloads.

On average the hourly rate for a fabricator is £10/hour and could cost the employer £30,000 per year to employ. This is an additional £150,000 a year progressively each year for the employer to find new work to maintain profitability.

The employer has decided it will make more commercial sense to just take the apprentice levy for what it is – another business tax and stop employing apprentices.

**Appendix 4**

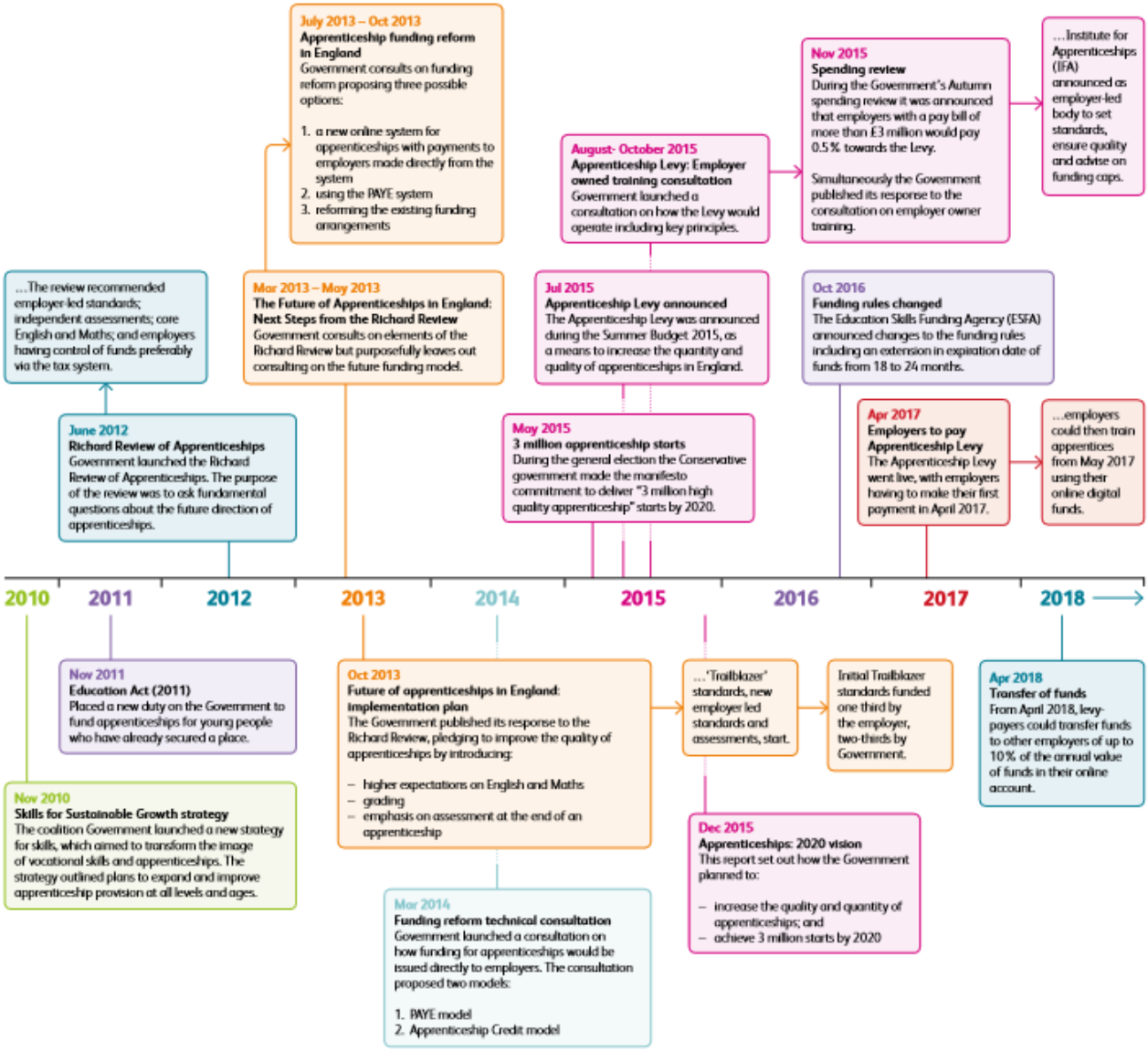
**EEF Report on Apprenticeship Levy published 30 April 2018.**

## A Levy Price to Pay? The Apprenticeship Levy One Year On

Everyone shares the ambition of creating high quality apprenticeships which are essential if industry is going to access the skills it will need in the future, especially in a post Brexit world where fewer skilled workers will come to the UK.
But whilst the Apprenticeship Levy had laudable aims what should have been a win-win situation has turned into a lose-lose including for those sectors such as manufacturing and engineering who have been true champions of high quality apprenticeships for decades.
Our report published today *A Levy Price to Pay?* makes the case for unravelling and addressing the alarming drop in starts and then looking at positive solutions which are on the table to make the Levy work for employers and learners in the long term.

## Recap: How the Apprenticeship Levy came into fruition

The Apprenticeship Levy came into force in April 2017, having been first announced a mere two years earlier at the 2015 Summer Budget. But taking a tax stick approach (taxing employers 0.5% of their pay bill) to apprenticeships wasn't what the Government had initially planned. As shown below, what was first mooted was in fact a tax carrot approach (giving employers a tax incentive e.g. reduction in NICs).




Consultations came and went and those of us in the skills policy world from 2012 saw numerous models mooted; using the PAYE system, reforming (but keeping) the status quo, the PAYE model, the Apprenticeship Credit Model and the digital voucher model (not to be confused with what we have now).

Fast-forward to today and employers are facing the Apprenticeship Levy. A tax of 0.5% of their pay bill with a £15,000 allowance. Simple? The tax, bit is. The other stuff (to follow) not so much.

## Learning lessons on the Levy

# LEARNING ABOUT THE LEVY: THE KEY FACTS

**SINCE APRIL 2017**
EMPLOYERS HAVE HAD TO PAY
**0.5%** OF THEIR PAY BILL TOWARDS A NEW APPRENTICESHIP LEVY

**PAYBILL** NI
IS BASED ON TOTAL EMPLOYEE EARNINGS SUBJECT TO CLASS 1 SECONDARY NICs

EMPLOYERS HAVE AN ALLOWANCE OF
**£15,000** PER YEAR
WHICH MEANS SINGLE EMPLOYERS WITH A PAY BILL OF OVER £3M PAY THE LEVY

EMPLOYERS HAVE BEEN RECEIVING FUNDS IN THEIR **NEW DIGITAL ACCOUNTS** SINCE MAY 2017

**EMPLOYERS HAVE 24 MONTHS** TO SPEND THEIR LEVY FUNDS. AFTER THEN, **FUNDS WILL EXPIRE**

**EMPLOYERS ONLY RECEIVE ££ FUNDS** FOR THE PROPORTION OF THEIR PAY BILL THAT EQUATES TO EMPLOYEES WITH AN **ENGLISH HOME POSTCODE**

**£** THESE DIGITAL FUNDS CAN BE USED TO BUY **APPRENTICESHIP TRAINING**

LEVY PAYING EMPLOYERS **RECEIVE A 10% TOP-UP** ON THEIR DIGITAL FUNDS

THE FUNDS CAN ONLY BE SPENT ON TRAINING FOR AN **APPROVED** APPRENTICESHIP STANDARD OR FRAMEWORK WITH AN APPROVED TRAINING PROVIDER

THE FUNDS CAN ONLY BE SPENT ON AN APPRENTICE WHOSE MAIN PLACE OF WORK IS IN **ENGLAND**

ANY APPRENTICESHIP THAT STARTED ON OR AFTER **1ST MAY 2017** HAS BEEN FUNDED UNDER THE LEVY

**THERE IS A MAXIMUM PRICE** AN EMPLOYER CAN SPEND ON AN APPRENTICESHIP FROM THE LEVY. THIS RANGES FROM **£1,500 TO £27,000**

**20% OF FUNDS** ARE HELD BACK UNTIL THE **APPRENTICESHIP HAS BEEN COMPLETED**

**PAYMENTS FOR TRAINING LEAVE DIGITAL ACCOUNTS ON A MONTHLY BASIS**

**NON-LEVY PAYERS ARE REQUIRED TO CO-INVEST 10% TOWARDS THE COST OF TRAINING**

THERE ARE **INCENTIVE PAYMENTS** TO ENCOURAGE EMPLOYERS TO **RECRUIT YOUNGER APPRENTICES** £

## Broken promises? Manufacturers kept up their end of the bargain but has Government?

Before the Apprenticeship Levy started hitting the headlines, there was a time when manufacturers could see the benefits of the Levy (if we discount the third of manufacturers who from the start saw no benefits to the Levy).

- 29% of manufacturers thought the Levy could give them greater purchasing power to buy the training provision they need
- 26% of manufacturers said the Levy could lead to increase in responsiveness from providers to deliver relevant training
- 29% of manufacturers said the Levy could lead to their business increasing the number of apprentices

And why wouldn't they when the Government promised them a system that would: allow employers to get back more than they put it, would give employers control, would be fair and would be simple.

In reality, however, this hasn't happened:

**Manufacturers can't afford to stop training, but the Levy has not created more apprenticeships and in some cases plans have been scaled back.**


of manufacturers have started an engineering apprenticeship for a new employee since the Levy was introduced


of manufacturers have started an apprenticeship in other parts of the business since the Levy was introduced


of manufacturers have started an engineering apprenticeship for an existing employee since the Levy was introduced

Chart 4: Manufacturers reporting whether they have started, not started, or delayed apprenticeships because of the Levy

## When the Levy breaks: the challenges

Only 7% of manufacturers say they have faced no challenges with the Apprenticeship Levy. The majority have faced challenges each step of the way…

**1) Determining whether an employer is a Apprenticeship Levy payer**

**1 in 5** manufacturers found it difficult determining whether they were a Levy paying firm because of the connected companies rule.

*"(Our challenge was) multiple 'pots' of Levy funding across multiple payrolls within the same organisation."*

*"(There is a need to) improve the accessibility of the DAS platform, specifically the financials."*

**2) Registering on the Digital Account Service (DAS)**

**20%** of manufacturers said signing the employer agreement ahead of registering for the DAS was a challenge.

**1 in 5** manufacturers said they struggled to add multiple PAYE schemes onto their online digital accounts.

**3) Finding an apprenticeship funded through the new Levy**

Finding an apprenticeship standard that met the needs of their business was a challenge for **43%** of manufacturers.

*"Training Providers are refusing to deliver apprenticeships to small numbers of apprentices (3 or less)"*

*"The system does not support skills training for businesses that employ smaller numbers of employees in niche sectors"*

**41%** said colleges / providers were not willing to deliver the apprenticeship standard they wanted.

**4) Negotiating price and delivery**

**34%** of manufacturers said negotiating the cost of an apprenticeship with a college / provider was a challenge.

Getting colleges / providers to deliver high cost apprenticeship because of the way payments are taken was a challenge for **12%** of firms.

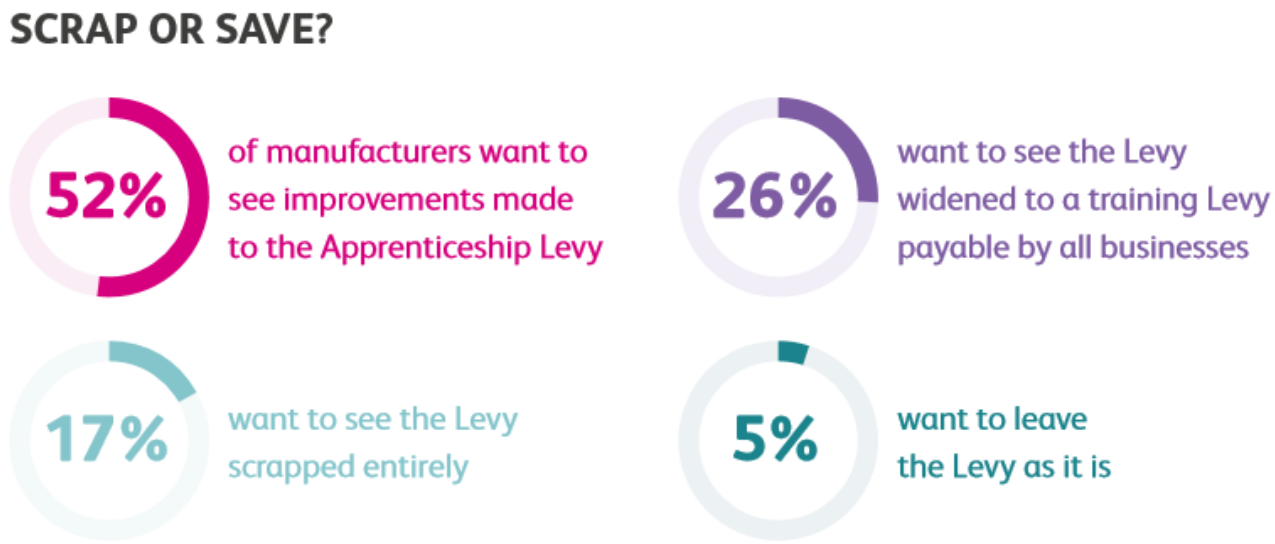
**54%** of manufacturers said the apprenticeship standard was not ready for delivery.

*"Local providers are presenting the costs of the Apprenticeship as being 'set by Government' and always using the highest point on the relevant band…there is no negotiations entered into even when challenged about their stance/ approach."*

*"Level 3 Mechatronics Apprenticeship costs more to deliver than the funding cap (£27k), was only able to get the college to deliver the apprenticeship because of the large number we would put through - otherwise it wouldn't have been viable."*

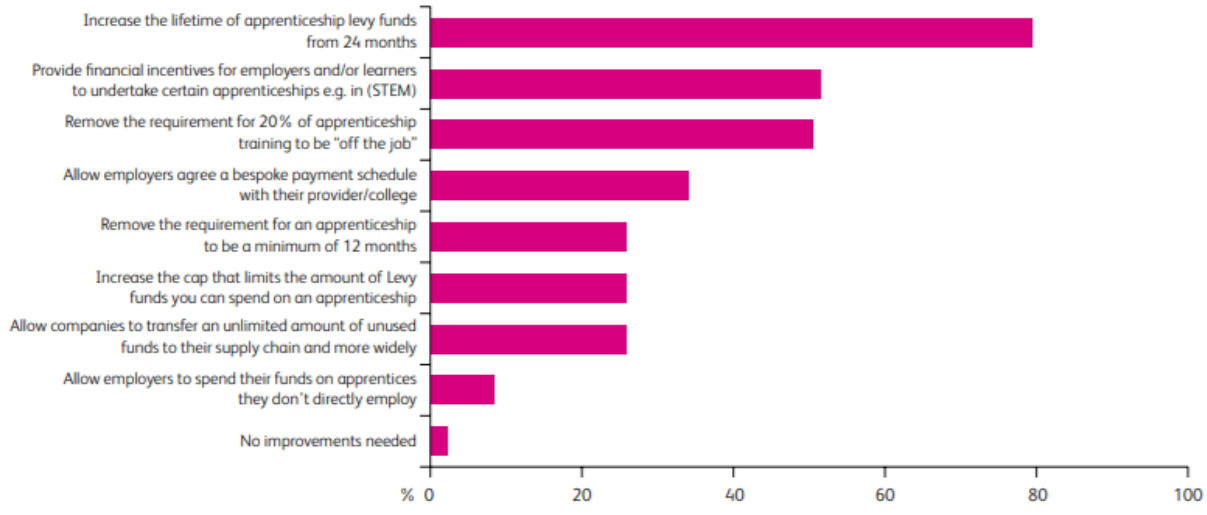
## So do manufacturers want to scrap or save the Levy?

Only 5% of companies want to leave the Levy as it is. That leaves an overwhelming majority wanting some form of change....




For now, the verdict from manufacturers is to save not scrap the Apprenticeship Levy. But they want to see improvements made. Whilst they have battled through the Levy this has not been easy and has led to frustration, confusion and questions around whether the reforms have been worth it. If employers are facing the same challenges as before the Levy was introduced it invites the question – what was the point? The Government can turn it around and add value to the system and manufacturers are clear where improvements need to be made.

Chart 5: Manufacturers want to see improvements made to the Apprenticeship Levy




*Source: EEF, Apprenticeship Levy Survey, 2018*

## To the rescue: how we can save the Levy and get it back on track

It is time to get the Levy back on track and Government must act urgently to make this happen. As a sector that has been committed to training apprentices for decades, the Levy has caused great frustrations. Manufacturers are willing to throw Government a lifeline and turn things back around but they aren't willing to take a wait and see approach.

If the Government, alongside manufacturers, wants the Levy to create *more* quality apprenticeships, it must take forward the recommendations we set out in our report and on previous blogs.

# Appendix 5

The CBM L6 degree course Tool Process Design Engineer was only offered £9k per year, this needs to be £27k per. (STEM related). Copy of letter from Trailblazer Chair to Institute of Apprenticeships.

Re: Initial Funding Band-Tool Process Design Engineer Ref ST0641

Following the initial funding allocation letter dated 19 March 2018 from Jayne McCann Deputy Director-Funding and policy, we have shared the contents with our Trailblazer Group including University Partners.

The initial allocation of E9000 has caused great concern with both our employer and university members as we feel that this is completely inadequate. For the group to put further time and financial resources into going any further down this journey, we need assurances we are not going to be wasting all of our time developing a qualification that won't be funded at a level it could realistically be delivered at.

Whilst I understand that this is an initial allocation, the value has raised questions around feasibility and return on investment.

As the new Chair of the group, I am seeking re-assurance from the Institute that our standard which is greatly valued by our employers, will be funded at a realistic rate in line with comparable apprenticeships in the STEM sectors (f27,000, see table attached).

I would like to report to the Group by the end of the month so a favourable response from yourselves before this point would be much appreciated.

Kind regards

Paula Taylor
Trailblazer Chair
Stadco

## Appendix 6

To Create a Degree Trailblazer Standard for the sheet metal sector

## TOOL PROCESS DESIGN ENGINEER

The Journey

Step 1

- You need a group of a minimum of 10 companies (UK wide) who do similar processes or same.
  With a mix of 1st & 2nd tier supplier's large companies + 200 employees and SME's
- The group needs to determine were specific job training is needed within their organisations to maintain longevity and continuity.
- The Group will need to be a sub set to a Full sector Trailblazer Group whether Automotive, construction, aerospace etc etc
- Once the specific Trailblazer apprenticeship is identified the Group needs to be formalised with a chairman and a specific industry expert (IE) and an expert Commissioned Writer (CW)in the group to start putting together the initial;
  - Expression of Interest (EOI)
  - Standard
- This needs to be presented back to the group for critique and tweaking.
- At this point all group members need to put an official company letter to the Chairman supporting the application and indicating how many candidates they would train in this type of apprenticeship.
- If a degree course need support from 2 university's.
- Present the package to Full sector trailblazer group for their blessing.
- To this point from experience group time 5 hrs x 10 companies
- CBM Group Industry expert (IE) 50 hrs.
- CBM Expert Commissioned Writer (CW) 10 hrs.

Step 2

- If all OK link to a;
  - Relationship Manager (RM) at the Institute for Apprentices.
  - Email Draft OEI & Standard to RM
  - Critiquing starts.
  - From experience it took Between 26th September & 29th November 6 iterations to get approval to allow submission to the IfA.
- Estimated time for step 2
- CBM Group Industry expert (IE) 16 hrs.
- CBM Expert Commissioned Writer (CW) 10 hrs.

Issues & questions highlight by RM

- Our sub group had to check with other Trailblazer Groups, aerospace, composite, rail, HS2 & Nuclear if any cross over in the standard.

- Different opinions with Knowledge & Skills statements.
- Increase occupational profile
- Asked to expand on what the job is.
- More detail needed on off the job training.
- Explain what Tool Process Design Engineer (TPDE) Does in the sheet metal sector.
- Quote in the document conversations we have had with other groups on crossover.
- Restate what a TPDE does?
- Highlight detail Management responsibilities?
- Need to understand school GCSE gradings?
- Not allowed to mention PROGRESSION moving from one standard to another if apprentice shows ability for higher level.
- What makes the proposed standard unique?
- What is tooling?
- Asked if we could combine sheet metal press tooling with plastic mould making, composite tooling & die cast tooling?
- We provided IfA a full explanation of all the above different processes.
- We provide video links showing you tube videos covering tooling processes on different materials.

Quote from IfA email in response.

- **Colleagues were really unclear about what 'tooling' actual is and where it fits in within a manufacturing process route and couldn't get a feel for what the apprentice will be making. Can you give a description of the tooling process and how it works here as well as some examples of the products that Tool Process Design Engineers will be working on?**

This is a great concern that the staff have no manufacturing experience at all and are acting as gatekeepers prior to releasing to the IfA panel for approval.

Have the panel got the experience to make judgement?

These guys are questioning and making decisions on a UK sheet metal sector that is is worth £33B a year employing at least 150000 persons

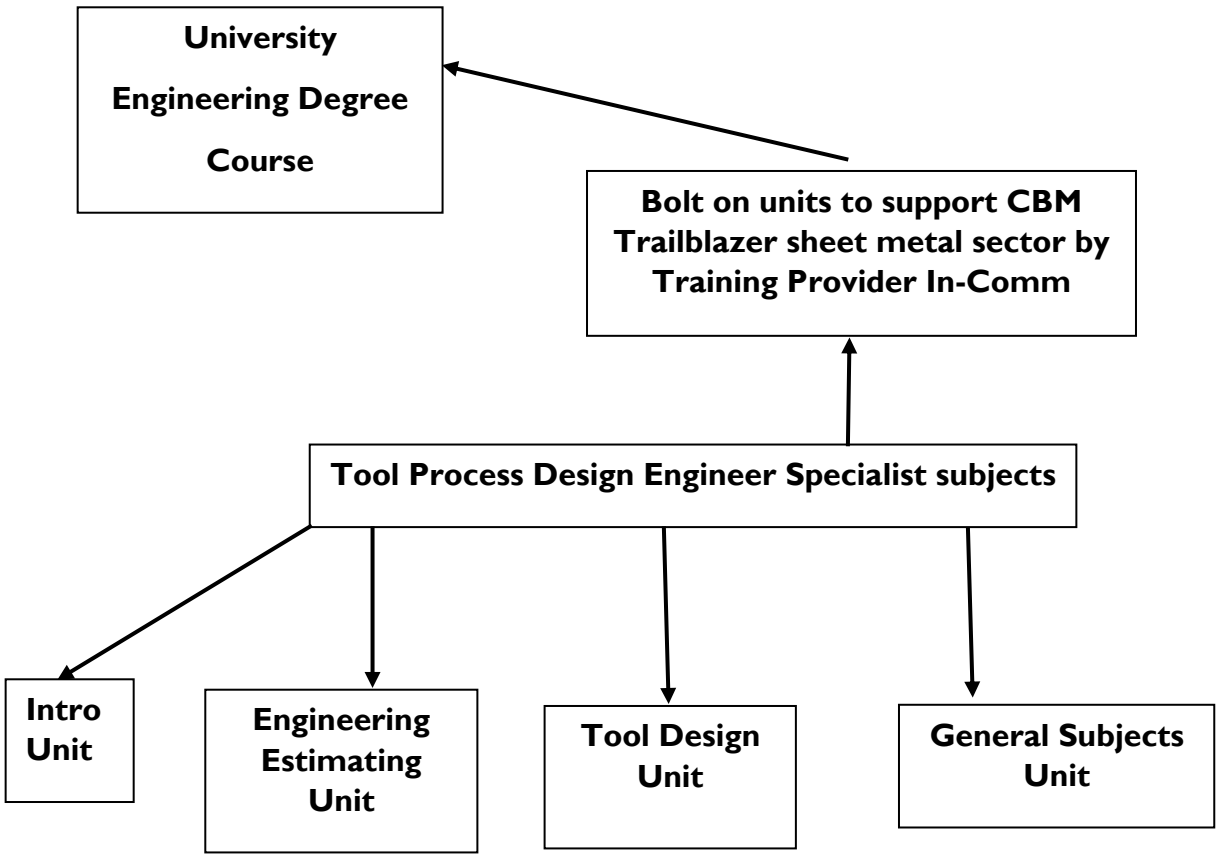
Fingers crossed that approval is given.

The trailblazer programme is employer led but, if the CBM did not give full backing, administer and drive the above application the TOOL PROCESS DESIGN ENGINEER L6 degree Apprenticeship would not have got off the ground.

## Appendix 7

### Trailblazer Standard Tool Process Design Engineer Level 6 Apprenticeship

The CBM Trailblazer group are having great difficulty engaging a university to progress our new standard. We have contacted 4 universities, but we continue talking to only one of them even though all see very reluctant to get out of their current engineering degree courses comfort zone especially into sheet metal forming related subjects. However, the CBM group have suggested that with an experienced training provider (see below) we create bolt on units that the standard needs to feed into a current near suitable engineering degree course. We continue to pursue.



## Appendix 8

## Discussions with the Department for Education with the UK Metal Industry.

The UK Metals Council made numerous attempts to meet with the Department for Education from December 2016 regarding apprenticeships and working with Industry, when the work was transferred from BEIS. UKMC tried to meet Kate Cornish, Elisabeth Cuthbertson, and Valerie Kenton (letters dispatched 20 December 2016).

Giles Willson eventually met Mark Jones Head of Strategy, for the Skills Strategy and Adult Education Division, within the Professional and Technical Education Group in the Department for Education on 4 April 2017. At this meeting it was explained that the Department does not have a clear position on sector engagement. They want to engage with the market and probably saw sector deals as the mechanism to do this. Information on how organisations paying the levy in England but, wanted to train staff in the devolved regions was requested, unfortunately this was never provided.

The Education, Skills and Training workstream were concerned about the development of the Institutes of Technology and the T levels, in particular the amount of work experience required to complete the course. It was agreed that UKMC should raise these concerns at the Department for Education to see how we could work together to resolve the issues.

BEIS provided contact details on 21 February, the Secretariat made contact with DfE on 14 March 2018 to request a meeting. UKMC had to resend this enquiry on 12 April and 23 April due to no response. On the 30 April UKMC received an E mail from "Ben" from the Dept. for Education acknowledging receipt of our E mails and will arrange a meeting. However, on the 8th May the Secretariat received the following E mail from the Department for Education:

*From an IoT perspective, it would not be appropriate to meet whilst the competition to establish IoTs is still open. We are planning to launch Stage Two of the IoT competition over the Summer and we will add you to our database to ensure you are notified when further information is released regarding IoTs*

This lack of interest in engaging with industry is seriously increasing the risk that IOTs and T levels will not work effectively in the national interest. It fails to recognise the government's stated intention that business will lead in the process of developing skills appropriate to a successful and world class engineering and manufacturing economy. Urgent attention is required to rectify this important concern.