

**ECONOMY, ENERGY AND FAIR WORK COMMITTEE**

**DRAFT BUDGET 2019-20**

**SUBMISSION FROM HOMES FOR SCOTLAND**

**Draft Budget for 2019-20**

**Employment support and fair work**

*Apprenticeship levy*

- How is Apprenticeship Levy money being used in Scotland?
- Has this UK Government policy led to employers taking on more apprentices?

The points that Homes for Scotland wish to raise in response to these questions are as follows:

- Given that the Apprenticeship levy largely replaced money previously received to Scotland via the Barnett formula, we are led to believe that whilst the levy resulted in a higher allocation of monies to Scotland, this was off-set by Scottish public sector levy contribution which in the end resulted in a reduction in public spending power in Scotland by approximately £30m. This meant that some of the levy money was used to fund 'business as usual' resulting in perception amongst home builders that they were paying more money for the same service.
- Furthermore, given that the levy is payable by employers whose pay-bill is in excess of £3m (at a rate of 0.5%), it is felt by a number of home builders that are at that scale to be a 'double whammy' given the compulsory amount already payable to the Construction Industry Training Board (CITB) and its limited scope which omits core support functions within the home building sector.
- To illustrate this, a medium sized home builder operating in the North East of Scotland who recruit between 20 and 30 apprentices per annum, advised us that they currently pay CITB a levy based on 1% for direct labour force and 1.5% for subcontractors on top of the Westminster Apprenticeship levy, for this particular business they estimate that their apprenticeship training programme costs in the region of £250k to £300k per annum to run (c £11/12k per apprentice per annum) and that £150k/£180k of that cost is unrecoverable from CITB grants and therefore not claimed back. On top of that they pay £60/£70k to Westminster for the Apprenticeship Levy. The total levy paid by that company is nearing £400k, and they see less than half of that returning to them via investment in training.

- In terms of spending as well as the modern apprenticeship system, our members also have access to the pilot flexible workforce development fund, offering a maximum of £10,000 college provision to levy payers to address skills gaps and improve productively. Feedback from our members disappointingly shows that proposals are often rejected as they don't fit with the fund criteria. Recent discussions with colleges have been helpful in demonstrating ideas for access to the fund, but this knowledge does not seem to be widespread and improvements in communications around the opportunities within the fund are required.
- Graduate apprenticeships is an area where we are beginning to see an impact and this is encouraging, particularly given the shortage of professional skills such as Architectural Technologists and Surveyors within our sector. For example, Edinburgh Napier University is currently assessing demand for Graduate Apprenticeship scheme for Architectural Technologists to begin at Edinburgh Napier University next year.
- we would like to see a stronger correlation between funds collected by the home building industry and investment in training for the home building industry. We understand that the Scottish Government is trying to gain access to detail behind the levy scheme to see who, or what sectors, are paying what and we think this would be helpful.
- HFS has no evidence to suggest that more apprenticeships have been recruited as a consequence of the levy and whilst training numbers may have increased, this may be a result of an uplift in activity within the sector rather than through the Levy.
- HFS is engaged alongside other key stakeholders in a Scottish Government short life working group on skills to support the supply of much needed new homes in Scotland. The work of this group may be of interest to the Parliamentary Committee.