



Expert Opinion - Edition 2

Small business and the Apprenticeship Levy: 5 steps to success (that won't cost a penny)

One of The 5% Club's aims is to support and spread best practice amongst its members and other employers. In this series, we aim to publicise good examples and challenge conventional thinking and approaches. Each edition features member companies which are leading the way on issues which face employers and the economy, making recommendations to drive improvement.

This edition looks at the Apprenticeship Levy, with a specific focus on Small and Medium sized Enterprises (SMEs).

The 5% Club believes that the Apprenticeship Levy offers a real opportunity to plug the skills gap which exists across the economy. Particularly post-Brexit, companies of all sizes, in all sectors, must invest in developing the skills that this country needs to compete successfully in global markets. However, some small business owners are not aware of the opportunities offered by the Apprenticeship Levy. In many cases, they lack the resources to navigate the system which can seem overly complex and admin-heavy.

In this edition of *Expert Opinion*, we speak to Noel Taylor, Head of Quality and Learning at Horbury Group, which provides construction solutions to developers, building owners and main contractors. The company, based in Rotherham, South Yorkshire, employs around 350 people nationwide.

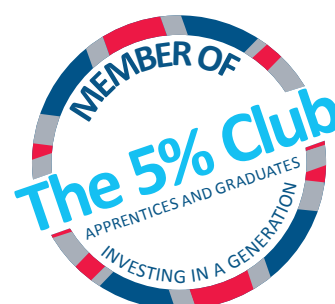
Q. Noel, would you mind giving us a bit of background on your experience in this area?

No one in my organisation really understood the Apprenticeship Levy when I started looking at it. As is the case in many SMEs, managers wear a number of different hats. The Apprenticeship Levy was given to me to lead on even though it wasn't my area and I then had to get to grips with it as quickly as possible. In short, I learned the hard way how to set up successful apprenticeship schemes for SMEs.

In my experience of SMEs, many of them don't have the resources to spend time focusing on something like this. I suspect that many have floundered initially and are now in catch-up mode.

Q. So, your five steps to success are particularly relevant to SMEs, which don't have the budgets to do a lot of the things bigger companies can do - but they are also important for larger companies, is that right?

I think so yes. I'd be surprised if your larger company members don't prepare budgets, publish strategies and reports and I know they see the value in networking at The 5% Club and other events. They have the luxury of resource and expertise. But SMEs can be creative and bridge these gaps in their resources for instance, by involving their local college staff in their schemes.



Q. Is there enough support available for SMEs to make sure they make the most of the Apprenticeship Levy? What more could be done?

No, I don't think there is. There was a big push around 3 years ago in promoting apprenticeships, but that seems to have diminished. Business owners have so many things to juggle that they may not have the bandwidth to consider apprenticeship schemes and are missing out.

Some simplifications from Government would be helpful, as would other steps such as dropping co-investment requirements. I know 5% of a £5,000 funding band fee doesn't sound like a lot, but if a small business owner isn't convinced that an apprentice will become a long-term asset to his or her business, it is enough to deter them from making the investment.

Q. One of the biggest barriers to SMEs taking on apprentices is the admin involved in setting up a scheme. How complex is it and what resources are out there to help?

I'd say it is just complicated enough to deter the uncommitted. Once a business gets to the point where it understands the benefit of having its own scheme, it will push through the admin - although it will undoubtedly make mistakes along the way. Getting them to that point is the hard bit. Anything the Government can do to reduce the administrative burden would help.

Now that apprenticeships are becoming significant sources of income, many Further Education (FE) colleges are providing business development resources aimed at helping SMEs work through the admin and set up schemes.

Q. How onerous is the requirement for a minimum of 20% off-the-job training, for SMEs?

Once a business understands off-the-job training, it isn't actually that onerous. But it is a barrier, because it is a difficult concept for many. But the 20% off-the-job training is important and I've noticed a trend from colleges and other training providers to make it a part of their provision or to facilitate off-the-job training by providing, for example, coaching for apprentices, which I applaud. Anything to make life a little easier for SMEs is welcome.

Q. Presumably, an apprenticeship isn't always the answer for an SME's training needs?

I agree. I've come across a few medium-sized companies which have developed Management Development Programmes around the apprenticeship model. Their start point has been to find a way to spend the Apprenticeship Levy rather than to develop the people they have in their business. In many cases, this has been costly – it's easy to ignore the initial productivity impact of having staff out of the business. It has also led to disengaged staff who couldn't cope with long learning programmes that they never really bought into.

So in some cases, the Apprenticeship Levy has been a red herring. It might be better for the business to spend a little money and a lot less time delivering some targeted interventions that are more relevant and immediately beneficial to the people involved and to the business.

Q. So, you've distilled your learnings into five key pieces of advice to those thinking about setting up their own scheme?

Yes – I hope they're helpful. I'm sure there are many others that might be just as important and I would welcome further contributions from kindred spirits who find themselves in need of creating something from a small resource pool.

Thank you so much to Noel for sharing his insights on this topic. For information on how to set up your own scheme and claim funding, please go to <https://www.gov.uk/take-on-an-apprentice>

For further editions of Expert Opinion please visit our website: www.5percentclub.org.uk

Noel's 5 things you should be doing on apprenticeships that won't cost you a penny

1. Read

Too many people in business do not understand the fundamentals of apprenticeships. There are lots of free resources to help turn this around, for example:

- www.Gov.uk – for generic information and webinars;
- Trade body websites for industry specific information;
- Local college / university websites;
- CIPD articles or trade press articles that are sector relevant;
- The 5% Club website (which almost goes without saying!);

I estimate that if you read 20 pages concerning apprentices you will know more than 99% of managers and business owners!

2. Do the maths

It's important to understand how apprenticeships work financially. To convince a business owner to sponsor a scheme and take it to heart you will need to tell him or her what it will cost. This means that you need to:

- Know what an apprentice will cost (and understand that this will change throughout their apprenticeship);
- Plot the Apprenticeship Levy spend for the organisation and forecast this;
- Check the transactions that go through the Digital Account. Think of this account as if it were your credit card bill. I have seen several errors in Digital Accounts;
- Ensure you track co-investment funds and make your finance team aware of them to avoid nasty surprises.

SMEs are likely to overspend their Apprenticeship Levy once they establish a scheme and this requires them to contribute 5% of the cost of apprenticeships. Some training providers demand this up front, which can be problematic to a small business but some are prepared to spread payments. This is different to many larger organisations that find it difficult to spend their Apprenticeship Levy. I wish more of the latter would share their Apprenticeship Levy down their supply chain but that is maybe for another article.

3. Talk to as many knowledgeable people as possible

There are many organisations that will assist you with developing a scheme. Many run events or are happy to engage with SMEs in more personal ways. The organisations mentioned in point 1 have all been helpful to me and will all engage with all sizes of organisations.

Local training providers will often run breakfast or evening events that a busy manager might be able to find time for. In my experience there can be a language barrier here but persist and ask questions and be prepared to learn some education jargon as it will be worth it once you have tapped into their expertise. Try to rationalise your training providers though, as dealing with a single provider who manages others for you will reduce your resource needs considerably.

Once you have a scheme, meet with the training providers regularly to review the overall performance of the scheme and of individual learners. It should be all about the apprentices themselves.

Get involved with members of The 5% Club too so you can share ideas.

4. Develop your strategy

Don't just employ apprentices – know why you are doing so. Having a vision of what you are aiming for will inform both your direction of travel and the decisions that you make along the way. Commit your strategy to paper. Include:

- Why take on an apprentice or set up a scheme? Is it to address skills shortages or to control costs?
- What programmes or roles will you run or seek to recruit?
- How many?
- Can the business afford to do it? Or afford not to do it?
- What are the costs and benefits envisaged?
- What will be the Key Performance Indicators (KPIs) for the scheme?

Publish this to the business' senior leadership team to ensure alignment and buy-in. Accept that many senior leaders will not grasp the details. Use the strategy to justify some resources if possible as apprentices (and mentors) take a little managing in my experience.

5. Write everything down

You might feel that this is onerous but documenting things will allow you to brief your colleagues, mentors and apprentices more effectively and also to critically evaluate and iteratively improve elements in a controlled manner. You won't be able to keep it all in your head and clarity is important. Some documents you might write include:

- Strategy;
- Scheme overviews (useful to inform stakeholders);
- Programme content;
- Roles and responsibilities;
- Standards and charters (e.g. a behaviour charter that apprentices and mentors sign up to can establish some important ground rules);
- Policies, processes and procedures;
- Periodic Reports – writing down your achievements, learnings and progress will inspire you to better things;
- Good news stories. Case studies. Celebratory notes.

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