



Department
for Education

Building Support: the review of the Industry Training Boards

November 2017

Contents

Ministerial Foreword	3
Executive Summary	5
Background to the review	7
The decision to keep the Industry Training Boards	8
Proposals	11
Governance and accountability	12
Scope of the ITBs	15
CITB: having a positive impact	16
CITB reform	18
Setting the right context for the CITB	19
Tailored review	21
Equalities	21
Next Steps	21
What the ITBs will do	21
What the Government will do	22
Annex A: July 2017 letters to the ITB Chairs	23
Annex B: summary of responses to the call for evidence	28
Bibliography	32

Ministerial Foreword

1. The Construction and Engineering Construction industries are vital for the development of the economic and social infrastructure on which this country's prosperity depends. This includes building and maintaining the homes that people need and the energy supplies that support everything we do. These industries must be able to attract, retain and develop people with the right skills. As they modernise – to improve productivity and sustainability, build more homes, and respond to our upcoming departure from the European Union – so the skills they need are evolving.
2. This review of the Construction and Engineering Construction Industry Training Boards (ITBs) is evidence of the Government's firm and ongoing commitment to these industries, and our recognition of the role Government has in helping to develop the skills they will need in the future. In doing this review we have worked with the devolved administrations, because the ITBs' remit covers Wales and Scotland as well as England.
3. The first question we asked in this review was whether there was a case for continuing with these two ITBs. As we announced in July, we have concluded that they serve a necessary purpose and that we should keep them. Their resources and capabilities will provide important support as the industries deal with the challenges ahead.
4. We recognise, however, that there is concern in the construction industry about the performance of the Construction Industry Training Board (CITB). Some in the sector suggested that it should be abolished. We disagree. But we share the view of the industry that the CITB must improve and be more accountable to the industry: it must implement wide-ranging reform so that it is more focused, efficient and responsive, including to small employers. We will strengthen its governance and make sure CITB is fully accountable for its performance, including its reform programme. We will make sure the Government works more effectively with the CITB.
5. Alongside this review, we have been discussing with the Construction Leadership Council and others how the industry can come together to provide greater strategic direction to the CITB. The Government, for its part, is making sure that high quality apprenticeships and technical education are developed in England, and there are similar ambitions in Scotland and Wales.
6. The Engineering Construction industry faces some of the same challenges as construction, though responses to this review show that the Engineering Construction Industry Training Board (ECITB) retains the confidence of its industry. As with the CITB, we will strengthen governance and accountability, and keep under review with the sector whether the ECITB continues to be relevant and effective.
7. This review, though, is not just about governance and accountability processes, important though those are. It is also about the practical impact that the ITBs can have: making sure that enough people in the industry, as well as those yet to enter it, are developing the skills and knowledge they and the industry need now and in the future. That is how the ITBs should be judged, and that is how they will build and retain the confidence of their industries. It is not for Government to tell the ITBs how to do that: they must work with industry to develop solutions that go with the grain of the industry's developing needs. But Government has a critical interest in the ITBs succeeding, and we will do what we can to help them to do so.

8. Finally, we would like to record our thanks to all those who have contributed to this review, in particular to Paul Morrell, whose advice and expertise has been invaluable.

Three handwritten signatures in blue ink are displayed horizontally. The first signature reads 'Anne Milton', the second reads 'Alok', and the third reads 'Henley'.

Anne Milton MP, Alok Sharma MP, Lord Henley

Executive Summary

9. The effectiveness of the ITBs should be judged by whether employers in their industry can attract, retain and develop people with the skills and knowledge they need now and in the future, taking account of technological developments and the need to improve productivity. They will need to work with others to achieve this. We want them to have the confidence of their sectors, and to be outcome-focused, accountable, strategic, creative, inclusive and evidence-based.

10. This review alone cannot achieve this vision. It needs employers to take a lead and the ITBs to respond. For the construction industry, that will happen particularly through the CITB's reform programme and the work of the Construction Leadership Council's Construction 2025 strategy¹ as it develops.

11. Therefore, many of the proposals in this review are recommendations to the ITBs themselves, and we expect them to respond positively. Some of the proposals are recommendations to the wider industry. We are also making some Government commitments, recognising the role we have in helping the ITBs to succeed. We will report on progress with implementing the proposals in this review within two years.

12. The first set of proposals in this review relate to the governance and accountability of the two ITBs:

- a. We want the ITBs to adopt a set of principles for how they work, focusing on market failure and areas where there is a need for collective action, being open and transparent in their decision-making, ensuring value for money, and supporting all types of employer, particularly small and micro-businesses;
- b. They should publish and report against business plans, with clear success measures that take account of industry, Government and devolved administration priorities;
- c. We will make the CITB Board more representative of the small businesses that make up the vast majority of employers in the sector;
- d. We will improve Departmental sponsorship arrangements, recognising the active role Government and the devolved administrations need to play to help the ITBs to succeed, and the importance of cross-Departmental working;
- e. We set out a process that industry and the ITBs can use if they need to amend the scope of the ITBs, so they can keep abreast of developments in their industry; and
- f. We plan no immediate changes to the primary legislation covering the ITBs, but we will reconsider this following the next CITB consensus round.

¹ HM Government (2013)

13. The second set of proposals relates to the impact that the CITB can have on skills in the construction industry:

- a. Government remains committed to working with the construction industry to deliver the objectives of Construction 2025, which we expect the CITB to have an important role in delivering. We need an industry that improves productivity through investing in modernisation;
- b. CITB should:
 - i) help to monitor and drive improvements to the quality and quantity of skills, and support our ambitions for high quality work placements;
 - ii) help to attract people into the industry;
 - iii) develop standards and clear progression routes;
 - iv) review the industry's apprenticeship needs, and how employers can make the most of the apprenticeship system, including the levy;
 - v) support in-work training; and
 - vi) help small and micro-businesses to navigate the skills landscape;
- c. CITB needs to implement far-reaching reform, so it is able to support the industry in this way. We endorse the direction of its reform programme, about which it will be saying more in the coming weeks;
- d. The CITB's success depends on the industry showing leadership, setting direction, and providing support and challenge to the CITB. The trade associations have a key role, representing as they do different parts of the industry. In England, the Construction Leadership Council (CLC)² also has an important role, and the links between CLC and the CITB are being strengthened;
- e. We want CITB to play a lead role in helping the industry to respond to the Government's ambitions for housing. In particular, it should strengthen its links with housing associations, which have the potential to play a greater role in training construction workers;
- f. The Government itself will:
 - i) set clear expectations for the CITB and work with the industry to hold it accountable for delivering on its published plans;
 - ii) encourage other public bodies to work constructively with it;
 - iii) work with the devolved administrations on issues of common

² <http://www.constructionleadershipcouncil.co.uk/>

- interest;
- iv) provide a stable environment with no further Government reviews during the next levy order period; and
 - v) seek and take account of the expert advice of CITB.

Background to the review

14. The ITBs were established by the Industrial Training Act 1964, which gave them the power to impose levies on employers in their industries and to pay grants for training. Over the next few years, 27 ITBs were established across most sectors, covering 15 million workers.

15. Most of the ITBs lasted, with some modifications, until the late 1980s. Beyond that, the only two that survived with a statutory levy were the Construction and Engineering Construction ITBs, where employers argued for the continuation of a sector levy because of the particular characteristics of these industries.

16. The ITBs differ from most public bodies in not receiving grant-in-aid directly from Government: most of their funding comes from their levies. Every three years, each ITB seeks the agreement of the industry to its proposed levy rate. The ECITB's levy proposals for 2017-19 were agreed by the industry last year. The CITB has recently announced that the construction industry has agreed its levy proposals for 2018-20, and we are now going through the usual process of considering whether the legislative requirements have been met.

17. A triennial review of the two ITBs, plus the more recently-established Film Industry Training Board (which does not have a statutory levy), was published in December 2015³. This recommended, in particular, substantial improvements to the way CITB delivered many of its functions. This led CITB to develop the reform programme that it is now implementing.

18. The challenges faced by the construction industry are discussed in the Review published last year by Mark Farmer for the CLC, *Modernise or Die*⁴, to which the Government responded earlier this year⁵. In summary:

- The industry is fragmented, with large numbers of small and micro-businesses (over 99% of all businesses) and long supply chains;
- It relies heavily on sub-contracting and self-employment (up to 70% of labour is not directly employed), reflecting the project-based nature of much of the work;
- It is very cyclical, with drops in output and employment when there is an economic

³ BIS (2015).

⁴ Farmer (2016)

⁵ <https://www.gov.uk/government/publications/construction-labour-market-in-the-uk-farmer-review-government-response>

downturn; and

- Investment and productivity levels are weak.

19. Over the next few years, construction faces a particular skills challenge:
- a. An ageing workforce (30% of construction workers are aged over 50⁶);
 - b. The potential impact of the UK's upcoming departure from the European Union (a large proportion of the construction workforce in London was born overseas⁷);
 - c. Ambitious plans to increase homebuilding and infrastructure development; and
 - d. Changing skills needs from modernisation.

20. The smaller Engineering Construction industry, which is responsible for the plant infrastructure that supports (among others) the energy, chemicals and food and drink industries, faces some similar challenges, though it has very few micro-businesses.

21. This review of the ITBs was announced last year in the Post-16 Skills Plan⁸, recognising the need to consider the implications of the apprenticeship levy, and how to increase domestic construction skills and improve productivity. The review needs to be seen in the context of our reforms to apprenticeships and technical education, in particular the priority they attach to employer needs, which the ITBs are well-placed to support.

22. Paul Morrell, who was the Government's Chief Construction Adviser from 2009-12, has provided expert input and advice to the review. We issued a call for evidence in early 2017, the responses to which are summarised at Annex B: we took account of respondents' views in developing the proposals in this review. We talked to a wide range of stakeholders about the ITBs. We also discussed the work and direction of the review with colleagues in Wales and Scotland, since the ITBs' remit covers all of Great Britain⁹.

The decision to keep the Industry Training Boards

23. In July 2017, Ministers announced the initial conclusions of the review: they had decided that the two ITBs and their levies would be retained (see Annex A). This section explains that decision in more detail.

24. Ministers decided to bring forward the announcement about the future of the ITBs because of the construction industry vote about the CITB's levy proposals, which had to

⁶ Figures from Nomis quoted in the Farmer Review (2016), figure 13

⁷ NIESR (2016), figure 13; Labour Force Survey data

(<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/datasets/internationalimmigrationandthelabourmarketukregionaldata>), table 4

⁸ DfE (2016)

⁹ Northern Ireland has a separate CITB.

take place in summer 2017. The timing of the June 2017 General Election meant that it was not possible to complete the full review before this vote started, as had been originally planned, but Ministers decided that it was important for the industry to know the Government's broad intentions before it voted.

25. Like all arm's length body reviews, this review has considered whether there is a need for the ITBs to continue to exist. It has also considered the related but separate question of whether the industry levies should continue. While many across both industries are supportive of the ITBs and the levies, some in the construction sector have expressed concerns about the performance of the CITB, and doubted whether it can help the industry to meet the upcoming skills challenges. Many of the responses to the call for evidence argued against the construction levy (see Annex B).

26. In summary, there is a clear case for intervention in these sectors, because of the public interest in them and because they show significant and distinct market failures in the development of skills. There is a good case for that intervention to be a levy, and no alternatives that we could be confident would be effective given the nature of these sectors. A sector levy needs an expert, accountable body to make sure it is spent well.

27. Developing this argument, there is a strong public interest in high-performing, efficient Construction and Engineering Construction industries. The construction contracting sector in the UK accounts for between 8 and 10% of GDP, with an output of £237 billion in 2015¹⁰, and employs around 2.3 million people¹¹. The country's economic success and social progress rely on building more homes and delivering key infrastructure, including for the energy sector. There is a further economic benefit from the large number and wide range of employment opportunities that these industries provide, many of them well-paid, highly-skilled and offering good progression opportunities.

28. There also remains a serious and distinct market failure in the development of skills in these industries: the trading conditions, incentives and culture do not lead to a sufficient level of investment in skills by employers. The evidence for this in relation to the construction industry is set out in the Farmer Review: employers will often be reluctant to invest in skills (including apprenticeships), because they cannot be confident that they will get a return on that investment over the long term. Skilled workers are often not directly employed, and even where they are, there is a risk that they will be poached by a competitor who is not investing in skills (what economists call the "free-riding" problem), or that they will have to be laid off if there is an economic downturn. Training is often left to small employers and individuals, who can find it hard to fund and access training.

29. The market failure in the much-smaller Engineering Construction industry is similar: employment is linked to the project lifecycle, which means there are high numbers of temporary workers and a lot of movement between employers. The need for high level skills means that training costs are high, and many of the core engineering skills are transferrable to other industries.

30. These features are not unique to these sectors, but they come together

¹⁰ ONS (2017), Figure 10

¹¹ ONS (2017a), Table 6

particularly acutely here. This explains the decision taken in the late 1980s to retain these two ITBs when the other remaining ones were abolished.

31. The next question is what that intervention should be. There is a good case in principle for sector levies¹²: they allow employers to share the risks and costs of training, reduce the free-riding risk (a competitor may not be training, but at least it is contributing to the costs of others' training), and they can fund activity for the good of the industry as a whole. If there is a sector levy, there is a good case for a sector-focused ITB to make sure it is spent well, and to be accountable to the industry for the impact of that spending.

32. Some of the critics of the CITB, including some respondents to our call for evidence, have argued that the levy on the construction industry does not work, and that the industry would maintain investment in skills without it. It is difficult to test this argument. Because of the particular structure and culture of the UK construction industry, we cannot assume that construction employers would react to not having a levy in the same way as other industries or other countries' construction sectors. One thing we can do, though, is to look at levels of investment by the construction industry in research & development (R&D), where there is no levy, which might give a broad indication of the propensity of the construction industry to invest. Levels of R&D investment¹³ in construction are, in fact, lower than in other comparable sectors. So, while we have no firm evidence either way about what might happen to investment in skills in the construction sector in the absence of a levy, the market failure described above and the levels of investment in R&D provide reasons to think that the industry would not maintain spending on skills.

33. We have looked at whether there are alternative interventions that might help to manage the market failure. Some respondents to the call for evidence (see Annex B) suggested tax breaks, but this would add increasing complexity to the tax system. Some other sectors have voluntary levies (in particular, the film industry), sector bodies that are membership organisations, or professional bodies. While these models work for other sectors, we judge that they would not effectively tackle the particular market failures in Engineering Construction and Construction. The context, structure and culture of a sector has a major bearing on the interventions that are likely to work¹⁴.

34. We have considered the argument that some people have made, that the new apprenticeship levy could manage the market failure. This would, though, mean less funding was available overall, at a time when levels of training need to increase, because relatively few employers in the construction sector pay the apprenticeship levy (which is only paid by those with pay bills of over £3 million a year). More significantly, the apprenticeship levy could not fund non-apprenticeship training, nor could it fund sector-wide work on research, standard-setting or attracting people to work in the industry.

¹² There is a discussion of sector levies, including the history of ITBs and international experience of industry levies, in UKCES (2012).

¹³ See

<https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/researchanddevelopmentexpenditure/datasets/ukbusinessenterpriseanddevelopment>

¹⁴ See, for example BIS (2013), which includes a discussion of the issues and options with levy systems, comparisons with alternative funding systems, and summaries of different approaches taken internationally.

Given the concerns about having two levies, there is both an opportunity and a need for the ITBs to work with employers to make sure that the levies complement each other and collectively provide value for money. They should help employers that pay the apprenticeship levy to understand how it interacts with the sector levies and how to make good use of both. Both ITBs' most recent levy proposals reduced levy rates, in part reflecting the introduction of the apprenticeship levy.

35. Our conclusion was therefore that ITBs with levy-raising powers remain the right model for these industries. Given the concerns in the construction industry about the performance of the CITB, we considered whether the current body should be abolished and replaced with a new one. However, we judged that the financial and other costs of this, at a time when the construction industry faces other big challenges, would outweigh any benefits. We will therefore put in place arrangements to ensure a sharp and ongoing focus on reforming and improving the CITB. That is what the proposals in this report aim to achieve.

Proposals

36. Having confirmed the decision to retain the ITBs, the rest of this report sets out how the ITBs will need to develop and improve. The effectiveness of the ITBs should be judged by whether employers in the industry can attract, retain and develop people with the skills and knowledge they need now and in the future, taking account of technological developments and the need to improve productivity. The ITBs need to build the credibility to influence and advise others to support this objective. They will need to look at all aspects of skills, from the development of standards to the supply of training in different regions.

37. The ITBs will need to have the confidence of their industries: their work should be valued and their judgements and expertise trusted. To achieve this, the ITBs will need:

- a. To be outcome-focused: their focus should constantly be on what they are supporting their industry to achieve;
- b. To be accountable: they should consult and report on their work (including but not only in their annual reports), make decisions transparently, communicate effectively and be open to challenge about their priorities. It is clear from the responses to the call for evidence that there is not currently enough understanding in the industry about what CITB is doing;
- c. To be strategic: the ITBs should be assessing long-term trends and developments, and making informed judgements about how industry training should be developed in response. That may mean challenging traditional assumptions and ways of doing things: the ITBs need to build the confidence of their industries so they can do this where they need to;
- d. To be creative: as well as using the levy and grant arrangements to shape the behaviour of employers in the industry, they should look to use a range of other ways to achieve their objectives, such as convening, brokering, influencing, advising and working with a range of partners;
- e. To be inclusive: the construction industry in particular is large and complex, but many of the skills needed are common across different parts of the industry. There will be circumstances where the ITBs will need to focus on

issues that relate to particular parts of the industry, but they should make sure all of their work has a wider benefit. They should assess the impact of their work on all parts of the construction workforce, and all groups within it; and

- f. To be evidence-based and data-driven: they should be the authoritative source of information about the size and nature of the workforce, current trends and future skills needs.

38. We have split our proposals into two parts:

- a. Those that aim to strengthen the governance and accountability of the ITBs; and
- b. Those that aim to improve the impact that the CITB has on construction skills.

39. We will report on progress with implementing these proposals within two years.

40. We do not propose changes to primary legislation in the short term: we believe that significant improvements can be made within the current legislative framework. However, we will consider this again following the next CITB consensus round.

Governance and accountability

41. At the core of the ITBs' identity and purpose is that they are led and funded by industry. Responding to the needs of industry is not always an easy task: different parts of each industry have different priorities that have to be reconciled, without losing sight of the strategic needs of the industry as a whole. Construction in particular has always found it difficult to develop and communicate a settled, coherent view of the sector's strategic priorities.

42. We propose some principles to guide the work of the ITBs, to build confidence that they are focused on meeting the needs of their industry. Each ITB should:

- a. Focus on areas where there is market failure or a need for collective action. In particular, ITBs should not distort the market for training or other services;
- b. Be transparent in its decision-making, so that the industry can have confidence that priorities and funding allocations are decided properly and in the light of evidence, and that they have secured value for money;
- c. Support all types of employer in their industry, particularly small and micro-businesses; and
- d. Satisfy themselves and others that, over time, their interventions fairly reflect the needs and interests of different parts of the industry, and that the distribution of funds is based on need, without favouring any particular companies on the basis of their types or sizes.

43. We want the ITBs to develop and publish annual rolling business plans, setting out their objectives and priorities for the next year and how they plan to measure success,

and indicating broad priorities for future years. They should include their priorities and plans for Scotland and Wales. They should say what they need the industry and others to do, so that the plans both reflect employers' needs and can be delivered.

44. In developing their business plans, the ITBs should analyse data on existing and future skills needs. They should listen to the views of different parts of the industry and different types of employers and their trade associations. The ITBs should also consider how to take account of the views of their industry's clients, and of students and apprentices who are hoping to join the industry.

45. Because of the size and diversity of the construction industry, and the number of small businesses, the CITB has a particularly challenging task engaging with all parts of its industry and prioritising its work fairly and transparently. Choosing between competing interests should be on the basis of strategic need and market failure.

46. Government has a responsibility to represent the public interest in the work of the ITBs, and also has an interest in public investment in skills, as a client of the industries, and in environmental sustainability. We are developing new approaches to construction skills, housing, and the transformation of the construction industry, and the work of the CITB should support these. So Government needs be able to influence the ITBs' priorities. This must be done transparently, so industry can see how the ITBs are balancing the industry's priorities with the wider public and policy interest. We will therefore send an annual priorities letter to inform each ITBs' planning process, setting out the broad policy context within which it is working, and any areas of particular Government interest or concern. The letter will be published.

47. The ITBs will need to understand and respond to the distinct skills policies and systems in Scotland and Wales. Scottish and Welsh Ministers, like those in England, may want to send priorities letters. The three administrations will discuss what their priorities collectively mean for the ITBs.

48. If the ITBs decide to sell services to the industry, they should demonstrate that these services would not be provided at all, or would not be provided efficiently and effectively, if they were left to the market. They should make sure they do not undermine their relationships with training providers and others, and do not create conflicts of interest. ITBs should explain how they will make sure that any commercial activity, including overseas activity, will not distract from their core business, and not create undue risk to levy-payers' funds.

49. As part of their business plans, the ITBs should set out success measures, both short-term and longer-term. These should include both input measures, which are broadly within the ITB's control, and output and outcome measures, which will normally depend on contributions from others to achieve (such as more apprenticeships, better progression from college into the industry, or higher rates of retention of skilled workers). The ITBs should set out how their success measures will be assessed and over what time period. Before finalising their success measures, the ITBs should give others an opportunity to consider whether they are appropriate.

50. The ITBs' success measures should include metrics on the diversity of the current

and future workforce. The industries must do more to address the gender gap¹⁵, and to attract and retain workers from Black, Asian and Minority Ethnic (BAME) backgrounds and those with disabilities. The ITBs should also have success measures about organisational efficiency, including benchmarking their operations against comparable organisations.

51. The ITBs should produce an annual report to the industry setting out progress against their business plans and whether they have achieved their success measures. They should, in particular, set out what they have done for small and micro-businesses. They should report in ways that engage all employers in the industry and help them to hold the ITB to account – for example, by holding regional meetings where the industry can question the ITB about its performance and plans, and giving trade associations an opportunity to discuss the report with them. The industry, in turn, needs to invest time in holding the ITBs to account. We would encourage relevant Parliamentary select committees to consider whether they wish to engage with the ITBs.

52. In order for the ITBs to develop and deliver business plans that reflect the range of interests and issues in their industries, they need effective, transparent governance:

- a strategic Board with a range of skills and experience to support the executive in leading the organisation, including some members from outside the industry; and
- a Council (or Councils) to provide strategic oversight and represent stakeholders from all key parts of the industry and from across the country. The Councils should have a clear relationship with the Board, and should aim to develop the influence, breadth and stature to shape the organisation's priorities and build industry confidence.

53. CITB's Chair, James Wates, has decided to step down when his term of office finishes next March. We will shortly start the process of recruiting a new Chair.

54. One of the concerns expressed about the CITB Board is that it is dominated by people with backgrounds in large employers. This contributes to the feeling among small and micro-businesses – which are a vital part of the industry – that the CITB does not understand or represent them. So we will shortly start the process of appointing a new CITB Board member with a small or micro-business background. In the longer term, as we work with the new Chair to appoint new Board members when existing members' terms of office come to an end, we will actively encourage people with experience of or representing smaller employers to apply, with the aim of increasing further the number of Board members with a small business background. We want the Councils to be similarly representative. CITB should consider how to make it as easy as possible for people from small businesses to find the time to serve as Board and Council members.

55. The Government is currently recruiting a new Chair for the ECITB. Once the new Chair is appointed, they will be able to finalise the details of the new, more streamlined governance structure that ECITB has proposed, and play a key role in appointing the new Board.

¹⁵ See, for example, CITB (2017b)

56. The ITBs should check regularly that their Boards and Councils reflect their industry, including small and micro-businesses, and are sufficiently diverse. They should find opportunities to share experience and good practice between them.

57. We recognise that the Government's sponsorship of the ITBs has not always been sufficiently clear and strategic. We will therefore agree with each of the ITBs how we will work with it and what they can expect of Government. Government has formal sponsorship responsibilities because the ITBs are public bodies, including making Board appointments, making sure that the ITBs are meeting the expectations that Government has of all arm's length bodies, and making legislation, such as levy orders. Government will set out its policy priorities for the ITBs, working across Departments and other bodies, and we will work with the ITBs both strategically and on individual policy areas. We will also engage with industry as it holds the ITBs to account for their performance, and make sure that the ITBs are retaining the confidence of their industries. We will continue to work with the administrations in Scotland and Wales, since the ITBs need to work with the devolved skills systems.

Scope of the ITBs

58. It is important that both ITBs are able to keep up with developments in their industries and to help them to modernise and improve productivity. That may mean that the scope of the ITBs (which defines which employers are liable to pay the levies and may claim grant) needs to evolve: as new technologies and processes are developed, the employers that provide them may be outside the traditional scope of the industry. For example, we can expect manufacturing to become increasingly important in some areas of construction in the coming years, yet employers that are focused on manufacturing techniques are currently out of scope of the CITB. Some more established trades (such as structural steelwork and engineering services in buildings) are also out of scope of CITB as a result of historical decisions. Some newer approaches to Engineering Construction, such as offsite construction, are similarly out of scope of the ECITB, as are offshore wind farms more than twelve nautical miles from the mainland.

59. We have decided not to propose specific changes to the scope of the ITBs in this review, because such decisions are technical, and are best made through discussion within the industry. We propose instead a mechanism to keep the scope under regular review.

60. Following each consensus vote, we propose that each industry, convened by the ITB, should decide whether to do a review of its scope. Any such review should be led by an independent industry figure, to give confidence in its objectivity. The review should consider whether any innovations are emerging outside the current scope which risk distorting the market or preventing the ITB from supporting emerging technologies, and whether there are any anomalies or uncertainties in the current scope. It should seek the views of any employers likely to be brought into scope by such a change.

61. Parts of the industry that are currently out of scope may decide that they wish to use the review process to come into scope, to benefit from the grant system and the ITB's strategic oversight of skills provision. The ITBs should aim to be able to demonstrate the value of them doing so.

62. If the scope review concludes that there is justification for a scope change, the ITB should consider whether to propose such a change to Government.

63. Before deciding whether to consult on the change and, subject to that consultation, take the necessary secondary legislation to Parliament, Ministers would assess the ITB's case against three criteria:

- a. The evidence of market failure in the provision of training in areas that it is proposed are added to scope;
- b. The evidence that the current scope distorts or creates confusion across the industry, or is anomalous; and
- c. The wider economic benefits of the change, such as the potential for improvements to productivity.

64. This approach will allow the ITBs' scope to evolve in a way that is responsive, transparent and evidence-based.

65. The ITBs will need to engage with segments of the industry that remain outside their scope, to discuss issues of common interest, particularly around construction modernisation and integration.

CITB: having a positive impact

66. We are confident that the governance and accountability proposals set out in the previous section will improve the effectiveness and responsiveness of the CITB. But the scale of the challenges that the construction industry faces means that this is not enough. In this section, we set out what needs to happen for the CITB to help the construction industry to get the skills it needs. There are six broad areas where we want the CITB to support the industry as it develops its business plans.

67. First, it should help to monitor and drive progress in improving the quality and quantity of construction skills. CITB should analyse and report on current and future skills supply and demand, including locally and regionally, and then find ways to shape and influence demand for and supply of training. It should help the industry to be an "intelligent customer" for the publicly funded skills sector, challenging and holding colleges and others to account if they are not providing the training that the industry needs.

68. CITB should also be able to advise and lead on emerging needs: for example, the implications for construction skills of the Government's ambitions for housing or the Independent Review of Building Regulations and Fire Safety¹⁶, established in the wake of the Grenfell Tower disaster.

69. A key policy priority in England is the quality of college training in construction: we want to make sure that the new construction T levels allow students to progress into the industry. Work placements will be key to this, given the emphasis that construction employers place on new entrants' site experience, but we know that it will be challenging

¹⁶ <https://www.gov.uk/government/publications/independent-review-of-building-regulations-and-fire-safety-terms-of-reference>

to find enough high quality placements in construction, including for unemployed adults. We therefore want CITB to work with us to identify the barriers and find ways to overcome them, including for small employers, and to consider good practice in making sure that students get the most out of their placements.

70. Second, CITB should co-ordinate industry action to attract people into construction, taking account of the Government's forthcoming careers strategy. The CITB runs the Go-Construct website¹⁷, which provides careers advice, and jointly runs the "Inspiring Construction" campaign. There is work to be done: for example, recent research published by CITB¹⁸ shows that nearly a third of construction students in further education do not enter the construction industry or further study when they leave college. Women and those from BAME backgrounds are significantly less likely to find construction jobs. CITB should find ways to assess the views and needs of construction students and those who have entered the industry, to build a rounded picture of how the industry is perceived and how it might improve, to help improve progression and retention.

71. Third, CITB should help the industry to develop the standards and progression routes it needs now and will need in the future, including standards for apprenticeships and T levels (and equivalents in Scotland and Wales). This means identifying the range of roles needed, the skills and knowledge that each role will require including the areas they have in common, and how people can be helped to progress in their careers through the industry.

72. Construction training is quite traditional, with the core trades much as they were decades ago - the majority of current apprentices are studying carpentry and bricklaying. While such skills will remain important, people who are trained only in traditional skills may find it increasingly difficult to adapt as the industry modernises. So the industry needs to plan how the skills that will be needed in the future – reflecting digitalisation, modern methods of construction, the use of new materials, and a greater focus on sustainability and whole-life performance – will be developed alongside existing ones, and what that means for training programmes and job design. In doing this, the industry will need to consider transferability of skills, and avoid roles becoming narrower and more specialised, which would limit flexibility. The CITB has recently published proposals for meeting the skills implications of a move to offsite construction¹⁹, and it now needs to get industry ownership of those plans and to support them being put into practice, as recommended in the Farmer Review.

73. Fourth, the number of apprentices in the construction sector needs to be increased. Over the coming years, the industry will have to respond to an ageing workforce, new skills needs from the modernisation of the industry, the impact of the UK's upcoming departure from the European Union, and the Government's plans for a substantial increase in home-building. Apprenticeships are a good option for the construction industry, because they provide on-site experience combined with the development of specific knowledge and skills and a direct route into employment. But the construction industry is not currently investing sufficiently in apprenticeships: it is

¹⁷ <https://www.goconstruct.org/>

¹⁸ CITB (2017b).

¹⁹ CITB (2017)

employing fewer apprentices than a decade ago, and is not taking advantage of the opportunities provided by the apprenticeship levy.

74. Many in the industry agree with this view. We therefore propose that CITB should set in hand a piece of work, working with the industry and the Institute for Apprenticeships, to review progress on apprenticeships in the light of the ambitions in Construction 2025 and subsequent developments, including the Government's homebuilding targets. It should report to Ministers and the CLC by next spring on what action needs to be taken so that apprenticeships meet the future needs of the industry. This work should consider the standards that will be needed to reflect industry modernisation, whether targets should be set for apprentice numbers over the coming years, and if so how those targets should be incentivised and monitored. As part of this, we want to see a step change in the diversity of recruitment into the sector, which is unacceptably poor: for example, women made up just over 2% of construction apprentice starts in 2015-16²⁰. We will discuss with the administrations in Scotland and Wales whether they would like parallel work to be done there.

75. CITB should also help construction employers to navigate the apprenticeship system and, for those who pay it, make full use of the apprenticeship levy. It should provide additional support where necessary, using funding from the construction levy, so that the two levies complement each other. It should look to help the industry to find ways for larger employers to place apprentices in their supply chains, which the Government has a Manifesto commitment to support. It should also consider helping to develop and expand programmes for small employers to share the costs and risks of employing apprentices.

76. Fifth, CITB should support in-work training: it is important that the industry provides ongoing opportunities for development of knowledge and skills, both to support retention of experienced staff and to allow the industry to modernise and improve productivity. There are many barriers to in-work training, particularly the fragmented nature of the industry and the extent of self-employment. The CITB should use its grant arrangements to incentivise and support in-work training, and help make sure that the right training opportunities are available.

77. Through all its work, CITB should help small and micro-businesses to navigate their way through the skills landscape, and locate and access the training and support that they need. It should consider the particular barriers that small employers face in accessing training and employing apprentices, and how it can help to remove them.

CITB reform

78. In order to achieve these things, and build credibility with the industry, the CITB must deliver its reform programme, which we have discussed with the organisation. CITB will increasingly concentrate on enabling and supporting others to provide high quality services, and it will stop delivering services itself unless there is evidence of market failure or that intervention is needed to secure the quality and efficiency of services. For

²⁰ Source: DfE data published at <https://www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships>. Fewer than 500 out of nearly 21,000 people starting apprenticeships in Construction, Planning and the Built Environment in 2015-16, the most recent figures available, were women.

example, it sold its awarding organisation earlier this year²¹.

79. We support these reforms, which we believe will lead to an organisation that is leaner, more focused, more accountable, and aligned with the principles and priorities set out above. The CITB's decisions about which activities to retain, which to reform and which to end, will be based on sound, consistent principles, in line with the approach set out in this review. It should work with the Government Property Unit to consider opportunities to maximise efficient use of its estate.

80. The CITB has developed three broad goals for its work in the coming years, which we support:

- a. to enable the sector to present itself to potential entrants as an inclusive, dynamic industry that provides opportunity and challenging careers;
- b. to ensure the sector has high quality, consistent and assured standards for training and assessment; and
- c. to ensure that employers in the sector can access the sustainable, high quality training provision they need to train their workforce in current and emerging skills.

81. One area that needs particular attention as part of the reform programme is the operation of the grant system. The purpose of this system is to address the market failure, and to make sure that employers, including small ones, are supported and incentivised to invest in valuable training. The new IT system that CITB is currently investing in to support grant payments is intended to allow employers to claim grant more simply and efficiently than currently, and we want this to be implemented as quickly as possible.

82. Too often, though, the grant system is seen by the industry in transactional terms, with employers aiming to reclaim their levy payments as grant – even if that means that they fund training that has little wider benefit, and therefore does not address the market failure. Instead, employers should be aiming to get out of the system the skills that they need, whether directly or indirectly, and holding CITB to account for that. A culture of 'money in, skills out', rather than 'money in, money out' should underpin the industry's engagement with CITB.

83. In the coming weeks, the CITB will publish more details of its reform programme. We will agree with the CITB how Government and the industry will monitor the reform programme. Ministers will keep a close interest in delivery of the reforms, and will want regular updates on progress: as set out in the July letter (see Annex A), support for the CITB depends on the reform programme being seen through.

Setting the right context for the CITB

84. CITB cannot succeed on its own. It is at the interface between a large, fragmented construction industry and a complex training system. It can help to influence and shape

²¹ <http://www.citb.co.uk/awards/news-updates/news/cskills-joins-nocn/>

each of those, but it needs them to respond. We need CITB to be clear with industry, training providers, the Government and others what it needs from them, and to tell them where they are not responding.

85. The construction industry has not been good enough at engaging with, challenging and supporting the CITB. The CLC has a particular responsibility here, both to help the industry to provide leadership to the CITB and to make sure that the industry takes account of CITB's advice and analysis. We will work with the CLC to strengthen its links with the CITB.

86. The trade associations will also need to decide what relationships they need with a reformed CITB, so that the CITB reflects the needs and perspectives of their members. We want to see strong, effective, outcome-drive partnerships between CITB and the trade associations. CITB already has a partnership with the Home Builders Federation (HBF)²², to ensure that the industry has the skills it needs to build more homes. The Partnership recently announced a skills pledge, and we expect to see that leading to increased training and more apprenticeships. CITB should also consider whether small and medium-sized housing developers have specific skills needs, and if so what support it should provide.

87. We also look to the CITB to strengthen its links with housing associations, which (as set out in the Housing White Paper²³ earlier this year) will play an increasingly important role in developing new housing in England. Although most housing associations do not currently build homes themselves, and therefore do not pay the construction levy, we expect that in time more will start to do so, perhaps using modern construction methods. Whether or not they do the building themselves, housing associations have an interest in making sure that the skills are available to build high-quality homes. By bringing their experience and resources (including apprenticeship levy funding) to train construction workers, they could benefit their employees and tenants as well as the wider construction industry. We want to see CITB working with housing associations to explore how they might do this.

88. The Government recognises that we also have a responsibility to help create an environment in which the CITB can succeed. We will commit to:

- a. Setting clear expectations of the CITB, including transparent sponsorship arrangements as set out above;
- b. Encouraging other public bodies, such as the Institute for Apprenticeships, to work constructively with the CITB, so that each supports and complements the other;
- c. Working with the devolved administrations on issues of common interest around construction;
- d. Providing a stable environment so that the CITB can complete its reform

²² <http://www.hbf.co.uk/media-centre/news/view/citb-and-hbf-major-new-partnership-to-tackle-housing-skill-needs/> and <http://www.hbf.co.uk/policy-activities/home-building-skills-partnership/skillspledge/>

²³ DCLG (2017)

programme. In particular, provided that they perform well, we will not launch another Government review of either ITB until towards the end of the Parliament. At that point we will review how well the ITBs have improved their effectiveness in line with the ambitions set out in this review; and

- e. Seeking and taking account of the expert advice of the CITB, including on current and future skills needs and the impact of policy proposals on construction training.

89. CITB will need to continue to work with the Scottish Government to meet the needs of Scottish employers and of the distinctive Scottish skills systems to support its ambition for inclusive economic growth. Similarly, CITB should continue to work with the Welsh Government to meet the needs of Welsh employers and respond to the economic and skills landscape in Wales.

90. Wider Government actions that are outside the scope of this review could impact on skills needs and CITB's work. These include how Government supports and promotes innovation and technological development, and how procurement of construction services and the planning system can incentivise training. We will continue to discuss these issues with trade associations, professional institutions, the CITB and others.

Tailored review

91. Departments must review their Non-Departmental Public Bodies once every Parliament through the Cabinet Office's tailored review process. Although this review was not initially launched as a tailored review, we have made sure that it covers many of the requirements for a tailored review²⁴. We will work with the Cabinet Office and the ITBs to make sure that the rest of the tailored review criteria are met, reflecting the outcomes of the CITB reform programme. We will complete this work, which will meet the requirement on DfE to do a tailored review of the ITBs this Parliament, by March next year.

Equalities

92. We have reviewed the equalities implications of the proposals in this report, and have concluded that we do not need to do a full equalities impact assessment. The proposals in this report do not directly impact on individuals; they relate to the institutional arrangements by which sector training is overseen and developed. As set out above, there are some significant equalities issues in these sectors at the moment, and the ITBs will have an important role in helping to address them.

Next Steps

What the ITBs will do

- CITB will publish more details of its reform programme (November 2017).

²⁴ Cabinet Office (2016)

- Both ITBs will decide how they are to implement the principles and approach to planning proposed above (February 2018).
- Both ITBs will publish a business plan for 2018-19 (by April 2018).
- CITB will report to Ministers and the Construction Leadership Council on what action needs to be taken so that apprenticeships meet the future needs of the industry (by May 2018).
- The ITBs will consider and discuss with their industries whether they wish to review the ITB's scope in advance of the next consensus rounds (by summer 2018).
- The ITBs will report on their 2018-19 plan and success measures, including progress on CITB's reform programme and what they have done for small employers (summer 2019).

What the Government will do

- Issue a first priorities letter (by January 2018)
- Finalise and set out our new sponsorship relationship with the ITBs, working across Departments (January 2018).
- Appoint a new Chair for the ECITB (by January 2018).
- Complete the work on the tailored review (March 2018).
- Agree with CITB a plan to identify and find ways to overcome the barriers to provision of high quality construction work placements (March 2018).
- Set in hand the appointment of new a Chair for the CITB, and appoint a new CITB Board member with a small business background (March 2018).
- Complete the appointment of the new ECITB Board (by spring 2018).
- Publish an update on delivery of the commitments in this review (October 2019).
- Reconsider the case for amending the primary legislation (autumn 2020).
- Consider how far the ITBs have improved their effectiveness in line with the ambitions in this review (during 2021).

Annex A: July 2017 letters to the ITB Chairs



Rt Hon Anne Milton MP

Minister of State for Apprenticeships and Skills and Minister for Women

Sanctuary Buildings 20 Great Smith Street Westminster London SW1P 3BT

James Wates
Chair, Construction Industry Training Board
Bircham Newton
Kings Lynn
Norfolk
PE31 6RH

10 July 2017

Dear James,

Future of the Construction Industry Training Board

We are writing to update you and industry colleagues on the review of the construction-related Training Boards, including the Construction Industry Training Board, which was set in hand last summer.

The original plan was that the report of the review should be published in the spring, in part so that its findings could be taken into account by the industry when voting on your levy proposals this summer. The timing of the General Election meant that we were unable to do that. We now plan to complete the review in the autumn, and expect to publish the report of the review in October.

However, we know that colleagues in the industry will want to know when they cast their votes whether or not the Government is likely to conclude that CITB should continue with levy-raising powers. We are therefore writing to confirm that, having reviewed the options for making sure that the construction industry has the skills it needs, we have concluded that the CITB should be retained. As Mark Farmer set out starkly in his report last year, the construction industry faces some very significant challenges over the coming years, including improving productivity, increasing house-building, and making sure it develops the workforce with the skills it will need in the coming decades. We support his conclusion that the CITB has an important role to play in supporting the industry to meet those challenges, and also that the industry needs to provide stronger leadership to make sure it gets what it needs from the

CITB, both informing and supporting its plans. We have, to that end, encouraged closer dialogue between the Construction Leadership Council and the CITB.

We also know that some firms have expressed concern about paying the apprenticeship levy as well as the construction levy. We understand that concern, and the issue of affordability. But the purpose of the apprenticeship levy is quite different from the industry training levy: it is specifically to support and incentivise investment in apprenticeships. The CITB may wish to consider whether there is more you can do to help the industry to get the most from the apprenticeship levy, and we will of course continue to discuss with you any particular issues you find as the new apprenticeship arrangements bed down. I hope we can agree that the real test for both levies, though, is whether they provide value for money in delivering the skills the industry and its customers need.

On that subject, we also have to acknowledge, as I am sure you do, that there is concern across the industry about the effectiveness, efficiency and responsiveness of the CITB. I know you and your colleagues at CITB have now started to implement a major reform programme to reduce the size of the organisation and make it more focused on those aspects of the skills agenda where there is clear market failure, or where a collective approach to training can deliver real benefits to employers, including small businesses. We are grateful to you for sharing your plans with officials. We support the direction of these reforms, and we encourage you to continue to develop and refine them in discussion with the industry and Government. Our continued support for the CITB depends on your reform programme being seen through.

Our final review report in the autumn will set out more details of the arrangements we will put in place to make sure that CITB is more clearly accountable to the industry it serves, and the specific expectations we have of it. We will also set out what we think Government and the industry need to do in support of the reform programme and CITB's ongoing delivery of its objectives.

We hope that the CITB's reform programme will be enough to persuade industry colleagues to support the CITB's levy proposals this summer. If the industry decides not to support the levy, CITB may have to close. That would have significant financial costs, and we would have to consider carefully how those costs should be met: we do not think it would be fair for the industry to expect the taxpayer to bear the lion's share. There would, of course, be an ongoing need for skills development and analysis in the construction industry, and we would consider what options there might be for doing that in future and how it should be funded. Whatever happens, the investment being made in skills and training cannot be allowed to fall at a time when there is concern amongst so many in the industry and beyond about how its future skills needs will be met.

Finally, we are aware that your term of office as Chair expires in March 2018, and you have indicated that you do not wish to be considered for a third term as Chair. We are grateful for the leadership that you have provided to CITB over the last few years. We will be setting in hand the process of appointing your successor in the autumn, once the final review report has been published, and look forward to working in partnership with CITB to find your successor.

We look forward to continuing to work with CITB over the coming years.

We are copying this letter to Andrew Wolstenholme, Chair of the Construction Leadership Council, and to Keith Brown MSP in Scotland and Julie James AM in Wales. We are also placing a copy of this letter in the House Libraries.

Three handwritten signatures in blue ink are displayed horizontally. From left to right: the first signature is 'Anne Milton', the second is 'Lord Prior', and the third is 'Alok Sharma'.

Anne Milton MP, Lord Prior, Alok Sharma MP



Rt Hon Anne Milton MP

Minister of State for Apprenticeships and Skills and Minister for Women
Sanctuary Buildings Great Smith Street Westminster London SW1P 3BT
tel: 0370 000 2288 www.education.gov.uk/help/contactus

Shirley Watson
Chair, Engineering Construction Industry Training Board
Blue Court
Church Lane
Kings Langley
Hertfordshire
WD4 8JP

10 July 2017

Dear Shirley,

Future of the Engineering Construction Industry Training Board

I am writing to update you and industry colleagues on the review of the construction-related Training Boards, including the Engineering Construction Industry Training Board, which was set in hand last summer.

The original intention was that the report of the review should be published in the spring, but the timing of the General Election meant that we were unable to do that. We now plan to complete the review in the autumn, and expect to publish the report in October 2017.

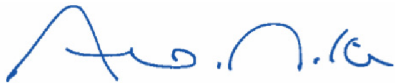
I recognise that the Engineering Construction sector faces challenges in training and retaining skilled workers to deliver and maintain our critical national energy and process plant infrastructure. The project-based nature of the sector's work, and the high-level skills it needs, create a disincentive to invest skills. We have therefore concluded, and have decided to confirm now, that the ECITB should be retained. I am pleased that your three-year strategy demonstrates your commitment to upskill those already working in the industry, as well as to attract new recruits through apprenticeships and training programmes.

The final ITB review will report in the autumn, and will set out more details of the arrangements we will put in place to make sure that the ITBs are more clearly accountable to the industries they serve, and the specific expectations we have of them. I look forward to continuing to work with ECITB over the coming years.

We are aware that your term of office as Chair has been on an interim basis for some time. I would like to thank you for your continued service to and leadership of ECITB. I can confirm that we will now be setting in hand an open competition to appoint a permanent Chair. I would like to give your permanent Chair the opportunity to input into the proposals your Board has developed to reform the governance of the ECITB, and the new Chair will also be able to help with the appointment of the new Board.

I am copying this letter to Keith Brown MSP in Scotland and Julie James AM in Wales.

We are also placing a copy of this letter in the House Libraries.

A handwritten signature in blue ink, appearing to read 'Anne Milton'.

**Rt Hon Anne Milton MP, Minister of State for Apprenticeships and Skills and
Minister for Women**

Annex B: summary of responses to the call for evidence

A call for evidence seeking stakeholder views on the effectiveness of the Construction Industry Training Board (CITB) and the Engineering Construction Industry Training Board (ECITB) was held between 21 February and 21 March 2017. The call for evidence was primarily aimed at in-scope levy-paying employers; however, some others with an interest also submitted responses.

Summary

- 584 responses were received to the call for evidence. 449 responses were from companies within the scope of the CITB levy, 73 from companies within the scope of the ECITB levy and 62 from organisations not in scope of either body (trade bodies, Local Authorities, Local Enterprise Partnerships, training providers and other interested parties).
- The total number of responses was smaller than hoped (around 0.8% of CITB levy paying employers and 25% of ECITB levy paying employers). Therefore, the opinions listed in this document cannot be considered to be fully representative of the two sectors being consulted.
- The majority of CITB Levy payers that responded to the call for evidence did not support the current Levy and Grant system and did not believe that less training would take place if the levy was abolished.
- The majority of ECITB levy payers supported the current Levy and Grant system and believed less training would take place without the Levy and Grant System.
- Trade associations with interests in both ITBs believed less training would take place without the current ITB Levy and Grant systems.
- The majority of respondents believed that ITBs did not adequately support the self-employed and SMEs.

CITB

- **Views of Trade Associations**
 - Responses were received from 12 construction trade associations and employer federations. Eight of these associations strongly supported the Levy and Grant system subject to CITB's reform and held a strong view that training would decline without the levy system.
 - Four associations indicated greater doubts over the need for a levy and felt it was possible the sector would continue to invest in training if the CITB levy was abolished.
 - Some respondents criticised the perceived lack of control that stakeholders have in how the grant was allocated, and expressed concern that the levy could not be accessed for some types of employees or contractors, for example, sales staff.

- Organisations representing smaller businesses and labour agencies of self-employed workers thought that the levy did not support micro businesses or help to fund the self-employed. Some of these organisations felt CITB should close because of this, while others thought a significant reform could solve these issues.
- Some respondents raised concerns about companies avoiding paying the levy due to 51% of their activities being out of scope.
- There was no consensus about CITB's ability to tackle the industry's skills shortfall. Some respondents believed that the current system could already effectively target priority skills, while others felt that the grant process should be simplified to make this more effective.
- Some respondents suggested that CITB needed to better facilitate industry-led solutions, engage more with schools and specifically tailor grant availability to the needs of the sector.
- Some trade associations argued that CITB should not deliver training that could be provided by the private sector and should tailor their support to what employers want, not what it judges to be best for employers.
- There was a general consensus among respondents that CITB should focus on attracting new entrants, providing a framework for qualifications and supporting the sector.
- Most of these respondents did not see CITB's role as producing site-ready new entrants to the sector. It was suggested that, instead, CITB should enable the industry to collaborate on the standards it required to enable industry-led trainers to provide the training needed.

- **Views of Employers**

- The proportion of companies that responded to the call for evidence was low. A number of large companies chose to be represented by the views of their trade association and did not respond directly to the consultation.
- 89% of respondents did not believe that CITB supports the industry.
- The majority of respondents opposed the levy and considered it to be an unfair tax on the sector, which does not address the current skills shortfall. A tax break for businesses was suggested as a more effective incentive to encourage more training and innovation in the sector.
- Those respondents that supported the continuation of the levy believed that sector-wide investment in skills would fall if the levy was abolished.
- Some respondents questioned CITB's ability to target specific skills shortages, and felt that the sector's volatility and highly mobile workforce would make it hard for CITB to tackle skills shortfalls in the sector.
- Many respondents called for the current levy's scope to be clarified.
- Many respondents argued that the system was unfair as large businesses benefit more from the grants available than SMEs or the self-employed.

Additionally, some respondents claimed that too many businesses are allowed to avoid paying the levy, giving them a competitive advantage.

- Those respondents that felt they had benefited from CITB's service most often cited the apprenticeships service and grant funding as valuable services.
 - A significant numbers of respondents felt that CITB should not lead the industry, but should focus on servicing the industry better through uniting the sector, working with colleges to develop training programmes.
 - The majority of these respondents did not feel that CITB produced site-ready entrants; however, this was viewed as being the responsibility of the employer, not CITB.
- **Views of other respondents**
 - Three unions responded to the call for evidence and all were strongly in favour of retaining the levy system. These unions believed that far less would be invested in training if the levy was withdrawn, although they all believed that the relationship with the apprenticeship levy needed to be clarified. The unions were supportive of revisiting the scope of the levy, to include areas without access to grant.
 - The small number of local authorities responding supported the levy and grant system.

ECITB

- **Views of Trade Associations**
 - Three Trade Associations responded to the call for evidence.
 - The Trade Associations supported ECITB's Grant and Levy system and clearly indicated their members would invest less in training if the levy was withdrawn.
 - ECITB's recent grant reforms have been viewed positively. However, the Trade Associations agreed that the scope of the ECITB needed clarifying.
 - There was no consensus on whether ECITB produced site-ready new entrants.
 - There was no consensus on what the ECITB's priorities should be. Some respondents felt that ECITB should offer more support for priority skills, while others stated that the industry should determine priorities.
- **Views of Employers**
 - 89% of respondents felt ECITB supports the sector, 11% did not.
 - A clear majority of respondents supported the continuation of the levy and believed it addressed the skills shortfall in the industry. Furthermore, the majority of respondents believed that the sector would invest less in skills and training without the levy.
 - The ECITB was widely valued. The most valued services included apprenticeships support, training solutions, grant support, qualifications and standards. However, a minority of respondents did not value ECITB.

- Many felt that the ECITB's grants and services were well understood and easy to access. However, a small proportion of respondents from SMEs felt that the grant was not easy to access and commented on significant bureaucracy in the process.
 - The most frequently quoted priorities were new entrant apprenticeships and graduates, attracting talent and providing work experience.
 - Some respondents called for changes in the levy collection method and the strategic prioritisation of the investment, and suggested separate funding for short-term and long-term strategic investments.
 - Some employers called for a greater opportunity to influence ECITB's long-term levy plans.
 - The majority of respondents felt that the scope of the ECITB was well defined. However, a significant minority of respondents did not agree with this for a variety of reasons.
 - A very significant majority of respondents thought ECITB's services provide site-ready entrants, especially through apprenticeships. However, one respondent felt that communication and interpersonal skills needed greater attention when new entrants began work.
- **Views of other respondents**
 - The overwhelming majority of bodies interested in ECITB showed consistent support for the continuation of the Levy and Grant system and believed that ECITB supported the industry, though a small number of respondents raised specific concerns.
 - Seven employers not in scope for the ECITB levy responded to the call for evidence. Nearly all believed that it was the industry's responsibility to determine and support priority skills.

Bibliography

- BIS (2013), International Evidence Review on Co-funding for Training
<https://www.gov.uk/government/publications/co-funding-for-training-international-evidence>
- BIS (2015), Combined Triennial Review of the Industry Training Boards
<https://www.gov.uk/government/publications/industry-training-boards-combined-triennial-review>
- Cabinet Office (2016), Tailored reviews of public bodies: guidance
<https://www.gov.uk/government/publications/tailored-reviews-of-public-bodies-guidance>
- CITB (2017), Faster, Smarter, More Efficient: Building Skills for Offsite Construction
<https://www.citb.co.uk/research/research-reports/offsite-construction-report/>
- CITB (2017a), The Impact of CITB Project Funding <http://www.citb.co.uk/news-events/uk/2017/report-shows-17m-impact-of-citb/>
- CITB (2017b), Achievers and Leavers: Barriers and opportunities for people entering construction <http://www.citb.co.uk/research/research-reports/achievers-and-leavers-barriers-and-opportunities/>
- DCLG (2017), Fixing our broken housing market
<https://www.gov.uk/government/collections/housing-white-paper>
- DfE (2016), Post-16 skills plan <https://www.gov.uk/government/publications/post-16-skills-plan-and-independent-report-on-technical-education>
- Farmer, Mark (2016), *Modernise or Die - The Farmer Review of the UK Construction Labour Model* <https://www.gov.uk/government/publications/construction-labour-market-in-the-uk-farmer-review>
- HM Government (2013), Construction 2025
<https://www.gov.uk/government/publications/construction-2025-strategy>
- NIESR (2016), The impact of free movement on the labour market: case studies of hospitality, food processing and construction
<http://www.niesr.ac.uk/sites/default/files/publications/Free%20movement%20-%20Final%20report.pdf>
- ONS (2017), Annual Business Survey, UK non-financial business economy: 2015 revised results
<https://www.ons.gov.uk/businessindustryandtrade/business/businessservices/bulletins/uknonfinancialbusinesseconomy/2015revisedresults>

ONS (2017a), UK labour market: September 2017

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/september2017>

ONS (2017b), Construction statistics: Number 18, 2017 edition

<https://www.ons.gov.uk/businessindustryandtrade/constructionindustry/articles/constructionstatistics/number182017edition>

UKCES (2012), *Understanding Training Levies – Evidence Report 47*

<https://www.gov.uk/government/organisations/uk-commission-for-employment-and-skills/about/research>



Department
for Education

© Crown copyright 2017

This publication (not including logos) is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

To view this licence:

visit www.nationalarchives.gov.uk/doc/open-government-licence/version/3

email psi@nationalarchives.gsi.gov.uk

write to Information Policy Team, The National Archives, Kew, London, TW9 4DU

About this publication:

enquiries www.education.gov.uk/contactus

download www.gov.uk/government/publications

Reference: DfE-20016-2017



Follow us on Twitter:
[@educationgovuk](https://twitter.com/educationgovuk)



Like us on Facebook:
facebook.com/educationgovuk