

2023 Industry Training Board (ITB) review summary report

Transforming the construction workforce

January 2025

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1. Foreword

The construction and engineering construction sectors are both facing unprecedented challenges. In conducting this review, I have therefore looked to ensure my observations, conclusions and recommendations respond directly to these challenges with the aim of future proofing the industry's resilience. Although the concept of the Industry Training Boards and the associated levy grant system dates to the early 1960s and was established to address apparent market failure in over 20 sectors of the economy, it is perhaps of note that construction and engineering construction are the last two remaining sectors still subject to this statutory intervention.

Despite many of the fundamentals of the industry's operational models remaining unchanged over the last 60 years, I am of the opinion, for reasons described in this review, that the wider context within which these two sectors now operate has changed. This means that this review's testing of the relevance of the original legislative mandate and assessment of the way the ITBs are delivering to that mandate is very timely.

The review team has revisited the 2015 review undertaken by the Department for Business, Innovation and Skills and the 2017 review undertaken by DfE following a change in sponsoring department. Both of these reviews suggested reforms and modifications to the ITBs but concluded that their basic model and statutory mandate be retained. I have approached this review from a fresh perspective, informed by the latest data and emerging trends which will define the challenges that lie ahead for the industry.

It is fair to say much has happened in the period since the last ITB review, with a major global pandemic, European conflict and significant domestic and international economic volatility all being thrust upon both sectors. In turn the responses from their ITBs have rightly had to flex from previously set strategies and business plans.

Notwithstanding this, the urgency of addressing some of the longer-term structural workforce issues now facing the sectors has only increased. I have therefore been keen to understand through this review process how the ITBs are building improved resilience in the industry's human capital base.

Although I have ensured that this review has been conducted in accordance with Cabinet Office guidance¹, reporting against pre-defined assessment criteria, I have also sought to widen the nature of the evidence gathering where it serves a useful purpose to contextualise the findings. As part of this I have analysed the nature of the wider labour scarcity and productivity challenges which both sectors are increasingly contending with and what this might mean for the future. Reference is also made to the wider issues which the industry contends with that are beyond ITB influence but which any strategy needs to allow for. This effectively sets the scene for identifying what relative impact has

¹ [Requirements for Reviews of Public Bodies - GOV.UK](#)

been made by interventions to date, whether an ongoing intervention is needed, if so what the model of ongoing intervention might need to be and where should its priorities lie. As a consequence, I set out a future state which is in part different to the current interpretation of the ITBs statutory purpose, powers and functions in the Industrial Training Act and its implementing statutory instruments.

This review's commentary has, of necessity, tended to focus more heavily on the Construction Industry Training Board (CITB) and the construction sector and I make no apologies for that. This is simply a reflection of the relative size, market complexity and number of issues facing that sector relative to engineering construction.

The overarching aim of the review has been to test the level of measurable outcomes linked to the activities of the ITBs. There is no doubt that many people have been fully engaged in a hugely difficult task of trying to effect positive impact in two challenging industries that are behaviourally resistant to change, reinforced by the business models and trading conditions that prevail. Despite this, the question remains as to whether the ITBs have been making sufficient impact and proving the level of additionality which justifies the existence of such a significant, legislation backed market intervention.

As the engineering construction and construction industries are the only remaining examples of such an approach, this in many ways further focuses attention and challenge on why they are still needed some 60 years after the concept of an industry training board was born. This includes the question of whether their existence has put these two industries in a better place than their non ITB served peer group. This question needs to be answered dispassionately and honestly.

As an SME consultancy business founder and owner in the construction sector, I have conducted the review process with the benefit of practitioner knowledge of the construction market. In 2016, I also assessed the operation of the CITB in an independent review of the construction labour model (Farmer Review²). I have however avoided jumping to conclusions, letting the evidence steer the process. I have also tried to distinguish between opinions and demonstrable facts that illustrate whether the ITBs are making a bottom-line difference to industry's biggest challenges.

In shaping recommendations, I have assessed the overall effectiveness and performance of each of the ITBs across a number of fronts. I have not shied away from difficult choices, but I have also looked to ensure recommendations are rooted in reality. There is recognition that in dealing with the issues at hand, terms like 'reform' often constitute warm words only. Achieving real transformational change needs to be firmly founded in a deliverable but challenging plan, able to make a tangible difference with associated accountability for that plan imparted.

² [Construction labour market in the UK: Farmer review \(gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/544442/Construction_labour_market_in_the_UK_Farmer_review.pdf)

Many of the findings and recommendations of this review are ultimately matters of national interest as well as for the industries concerned and their respective workforces. Many also directly impact stakeholders beyond the ITBs, government and industry employers. It is hoped that this review prompts a much wider debate on required changes to the broader construction skills system. That debate should include private and public clients, funders, insurers, training providers, the Higher and Further Education sectors, technical and professional institutions, and trade bodies. I believe this review shines a light on important issues that need to be collectively grappled with now rather than allowing ourselves to slowly sleepwalk into a much bigger future problem.

I have been struck by the large number of people I have met during the process, including from both ITBs, who are genuinely passionate about both construction and engineering construction and in particular the crucial role the workforce plays in delivering the massively important outcomes they are responsible for. There are without doubt great things happening that are good news stories for individuals, businesses, and the wider industry.

However, I have detected an underlying apprehension about what lies ahead. There is a sense that many are persevering to make a difference whilst feeling that they are fighting the tide. I think all of this reinforces my belief that we collectively need to think and act differently if we are going to make all this hard work and effort really count going forward.

The size of the challenge is daunting; an easy option would undoubtedly be to leave the industry to resolve its own skills issues and hope for the best. I do not believe however that would be the responsible course of action. It feels that one last attempt to turbo charge the impact of the current legislation through a wider system transformation is a worthwhile and important endeavour.

It is an important consideration in reading this review that it was undertaken during 2023. Since that time, a year has passed when economic pressures bearing down on the industry and its workforce have been significant and have potentially further damaged the industry's resiliency. Importantly, there has also been a change of government with new policy announcements being made on various issues. In my opinion, the prevailing economic backdrop and the opportunity to reset some areas of policy make the findings of this review even more important than ever. This is perhaps most high profile in relation to new homebuilding targets, with a confirmed desire to achieve 1.5 million new homes in this Parliament. There is also a renewed commitment to transitioning to clean energy and supporting retrofit requirements. Achieving these ambitions will require system wide reforms such as make planning simpler and incentivising investment, but it will also ultimately rely on building sufficient capability and capacity in the workforce to deliver.

It is also worth noting here that the former Apprenticeship Levy referenced throughout this review is now superseded by the Growth & Skills levy. It is pleasing to see the aim of this newly scoped levy being wider than just supporting traditional apprenticeships, and this review, as will become clear, supports the aim of more diverse and flexible career

pathways as well as more focus on reskilling and training the existing workforce. The recent announcement for example by NHBC of a national network of Skills Hubs offering accelerated, site based training for priority parts of the workforce is welcomed in this regard and hopefully it can become an example of a new platform for scalable impact in increasing homebuilding capability and capacity.

Since the review was concluded, the new government has also announced its modern industrial strategy and the introduction of Skills England as a new arms-length body. Although construction is not expressly identified as a growth driving sector in the industrial strategy, a fully functioning and healthy construction workforce will be crucial to delivering economic growth. The transition to this new skills body is seen as an important opportunity to underpin any new industrial strategy with a linked workforce strategy and in the context of this review, support the reset of the ITB model and wider reforms signalled herein.

Finally, I would like to express my gratitude for the support provided by the review team from DfE. They tirelessly provided me during the course of the review with the infrastructure to help diligently build an evidence base, to help analyse that evidence and to guide me as necessary through the machinery of government as part of the process of drawing conclusions and making recommendations for this review. Ultimately the recommendations are mine and I take responsibility for them, but this review was truly a team effort.

Mark Farmer, Lead Reviewer

January 2025

2. Executive summary

The concept of an ITB derives from the Industrial Training Act (1964)³. Designed to collect and utilise a statutory levy to address concerns over skills and training sufficiency in certain parts of a post war United Kingdom still seeking to rebuild its economy. From an initial list of 21 training boards, only two remain – Construction and Engineering Construction, existing as Arm's Length Public Bodies (ALBs).

This review has been tasked with assessing whether these two boards should continue to exist, and if so in what form and performing what function, under what governance and how accountability should be upheld.

The review has concluded that the ITB model requires a bold new vision in order to justify its statutory mandate going forward. This vision should be:

“Transforming the current ITB model into a world class construction workforce planning and development system.

This system should have the aims of enabling a more competent, productive and resilient industry, safeguarding the capacity and capability to deliver our nation's critical national infrastructure and decarbonised economic growth whilst ensuring the highest standards of quality and safety in the built environment.”

This will mean:

- merging the ITBs into a single workforce planning and development body for construction and engineering construction, supported by statutory levy
- a whole of workforce focus on competency to drive up productivity and quality by enhancing, supporting and leveraging the wider skills system
- the development of a digital skills passport to evidence and police competency - linked to a strategic workforce plan for the industry
- greater support for industry transition to the future including green, pre-manufacturing and technology related skills
- increasing attraction and reducing current losses from the skills system by offering meaningful and flexible career pathways including to those from disadvantaged backgrounds and harder to reach parts of society

This review has concluded that a direct intervention into the skills systems of these sectors is still needed. There is a confluence of structural labour force attrition, stubbornly low productivity, and the growing challenges of having to transition to delivery of better quality assured built assets capable of supporting national priorities including clean

³ [Industrial Training Act 1964 \(legislation.gov.uk\)](https://www.legislation.gov.uk)

economic growth. The need for an intervention is further underlined by the unprecedented risk now emerging in relation to declining workforce size and skills misalignment. This is all being driven by demographic, societal, geo-political and technological trends together with rapidly changing end client, funding and regulatory requirements.

Construction's particular exposure to economic cyclicity means there is now evidence of declining structural resiliency with destructive 'hollowing out' of the workforce during downturns. Over the last economic cycle, for the first time in over 50 years, construction employment has failed to recover beyond its previous peak level and is now at its lowest proportion of total UK employment in nearly 100 years. During the same period construction labour cost inflation has surpassed background national wage growth by 40% whilst industry productivity has actually declined. These stark facts are considered by this review to be crucial lead indicators of the industry's future trajectory and represent a direct challenge to the effectiveness of the ITBs over the last 15-20 years.

The growing threat to workforce capacity is ultimately exacerbated by continued reliance on labour intensity. Despite a bleak labour market outlook, there are still too few change initiators or incentives for individual businesses to markedly reduce that reliance through capital deployment or production model reforms. This review believes that wider design and production modernisation, although happening incrementally, will not fundamentally improve productivity in the short to mid-term. This will require the input cost economics and delivery risks of business as usual to force change, which will take time. It is also felt unlikely that any major shift in productivity improving behaviour related to procurement and payment practice will occur by choice outside of regulated requirements. There is therefore a need for a new, parallel, workforce led approach, to help close the capacity gap.

The conclusion of this review is that the current ITB model, whilst enabling worthwhile training is not delivering the level of strategic forward thinking, scale and pace of influence or tangible bottom line impact that the industry now requires to future proof it against the issues highlighted above. The issues are almost entirely common to both ITBs despite differences in respective market size and characteristics. A refocused strategy is required which spans attraction, training, retraining, retention, all ultimately to drive productivity and capacity.

ITB direct activity to date related to new entrant attraction and diversification has not delivered sufficient additionality to offset current and future attrition risks or to step change diversity of the workforce. This review believes there is a real possibility that the industry has a natural or predisposed size and profile of new entrant flow that is difficult to influence significantly through outreach measures or major campaigns. In turn, the industry appears to have an absorption ceiling on taking on new apprentices and other employed learners due to the difficult trading environment it operates in and lack of capacity to mentor and supervise learners.

Notwithstanding this reality, new entrant attraction and retention outcomes need to be improved by more diversified and effective bridging pathways from school or other sectors into sustainable employment. Focus needs to be much more on fundamentally re-articulating career benefits propositions and maximising retention of those who already start in post 16 pathways close to the industry. There is a need to align attraction activity to the largest and highest potential resource pools.

Longer term workforce attraction, retention and maximising total workforce potential need to be addressed through more flexible whole career pathways. These should adopt more modularised and unitised standards, qualifications, credentials and curricula and be accompanied by refreshed training provision for both specialist and generalist content. Improved strategic workforce planning is required to better optimise brokerage of workforce skills supply and demand, identifying future requirements and underpinning investment in training.

There is a need to be much more realistic about future new entrant numbers, employment absorption rates and total workforce quantum. This means quickly identifying a range of high priority interventions across different existing worker cohorts that will improve retention, utilisation and productivity. This review has concluded that there is sufficient evidence to link competency to productivity so competency attainment should be a central theme of future training, retraining and upskilling.

Despite current ITB supported training activity, site-based labourers, tradespersons, supervisors, and managers are likely to remain at the biggest risk of future shortages. This segment is also likely to have less potential for near to mid-term major technological automation or step change productivity improvements. This will largely require a series of 'shallow and wide' practical training, retraining and upskilling interventions to improve rather than revolutionise current practice. These need to be applied across a significant proportion of the workforce.

This contrasts with possible 'narrow and deep' future disruption to certain pockets of site workers and inspectors and more specifically professional, technical and knowledge-based workers. This will be accelerated by the advent of generative AI, robotics, intelligent data analytics, algorithmic processing and other technology applications. These changes could hugely improve project and ultimately industry productivity and reduce certain workforce growth pressures but will also create urgent retraining needs and test workforce planning accuracy.

Against this backdrop, there is a fundamental ITB levy impact and outreach challenge in order to improve workforce capacity and capability at a macro level. This will require a pivot in levy spend with a more forced redistribution for maximum industry impact not simply balancing the books at an employer level for levy out and grant in. The funding to support such a whole of workforce intervention requires a more efficient industry drawdown and mobilisation of both ITB levy and apprenticeship levy with additionality

maximised. There is also a need to better leverage the wider skills system and other funding mechanisms.

This all requires a fundamental reset of the current ITB model with activities, capabilities, leadership, governance and ultimately the core operational model all completely refreshed. This will demand a ruthless focus on addressing the future workforce capacity, capability and resiliency challenges set out in this review.

A future ITB operational model will need to deliver greater efficiency and cost of delivery reductions to ensure value for money. A new strategic plan needs to be agreed between government, industry and any future ITB equivalent body to ensure the right balance of leadership, support, enablement and funding of others, including third party specialists, across different activities. It is likely this will involve some current activities stopping or reducing and new ones starting or ramping up.

Any future ITB model needs to have much more balanced accountability between itself, government and industry employers, focused on achieving outcomes with reciprocal dependencies identified. There should be clear conditions set on required performance linked to tangible workforce planning and development objectives. Poor performance going forward should not have the protection of another full ITB review cycle period and should be subject to early intervention by government and industry.

It is important to note that achieving the vision set out by this review is not just contingent on a reset and transformation of the current ITB model itself. It will require modifications to some aspects of the wider construction and engineering construction skills ecosystem and recommendations have been made in relation to this.

Transformation will ultimately require important decisions to be made by industry and its end clients, funders and insurers on the mandating, procuring and policing of a minimum standards led workforce. This should be evidenced by improved competence to ensure better outcomes in terms of quality and productivity. This will require a step change in the robust validation and policing of whole workforce capability beyond current regulatory requirements. This review has concluded that the current levy grant system used as a financial incentive approach alone is not enough to drive the necessary change and requires the addition of a new compliance dimension.

In setting out such a bold and ambitious plan for the future, this review does not underestimate how difficult this could be to achieve. It is a challenge that needs to be met however in order to safeguard the nationally important role played by construction and engineering construction in delivering critical social and economic infrastructure and UK economic growth.

3. Introduction

3.1 History of Industry Training Boards

The Industrial Training Act (1964) empowered the Minister of Labour (later the Secretary of State for Employment) to establish Industry Training Boards to help make better provision for training in labour and commerce. By the beginning of the 1980s, there were 21 ITBs under the oversight of the Manpower Services Commission.

The Industrial Training Act (1982) replaced the 1964 Act, adding new requirements for the establishment, operation and winding up of the ITBs. Over the course of the decade many of the ITBs were wound up and replaced by voluntary organisations. At the end of that decade the government consulted with the sectors of the remaining seven ITBs with the aim of converting those to voluntary organisations in the same way. However, employers in the construction and engineering construction industries argued for the retention of ITBs in those sectors. In the subsequent Parliamentary debate, the Secretary of State for Employment stated:

“I have accepted the strong arguments of employers that statutory arrangements should continue there for the time being. There are particular problems in those areas concerned with a highly mobile labour force. In those industries there is much labour only sub-contracting, a high level of self-employment and a high use of short-term contract labour”⁴.

The ITBs were established for the statutory purpose of 'making better provision for the training of persons over compulsory school age (in Scotland, school age) for employment in any activities of industry or commerce' (Industrial Training Act 1982 (legislation.gov.uk), Section 1(1)). Section 5 of the ITA sets out the key powers the ITB can exercise for 'the purpose of encouraging adequate training'.

The ITBs for construction and engineering construction were retained with their scope of 'activities' for the relevant industry in relation to which the ITB's functions are exercised (and those activities that are excluded) being redefined in legislation in 1991⁵ (ECITB) and 1992⁶ (CITB), respectively.

The Film Industry Training Board was established in 2007. It was wound up in 2021, having never raised a statutory levy and its functions transferred to ScreenSkills⁷, a voluntarily funded industry skills body.

⁴ [DISSOLUTION OF TRAINING COMMISSION \(Hansard, 8 November 1989\) \(parliament.uk\)](#)

⁵ [The Industrial Training \(Engineering Construction Board\) Order 1991 \(legislation.gov.uk\)](#)

⁶ [The Industrial Training \(Construction Board\) Order 1964 \(Amendment\) Order 1992 \(legislation.gov.uk\)](#)

⁷ [Careers, jobs and skills training in film, TV, VFX, animation and games - ScreenSkills](#)

The Department of Business, Innovation and Skills carried out a review of the three ITBs in 2015 ('Combined Triennial Review of the Industry Training Boards (Construction, Engineering Construction and Film)')⁸. That review concluded that the main case for retaining ITBs as non-departmental public bodies (the specific subset of ALB that they are classified as) depended on whether statutory levies could be administered by central government departments or not. The review assumed that an ALB was needed to administer such levies but recognised that this view could change with the introduction of the apprenticeship levy, to be collected by HMRC. As a result, the 2015 review stated it would be premature to make a recommendation on the future of the ITBs at that stage. Instead, the review made a number of recommendations to improve the ITBs' performance. In 2016, the CLC commissioned Mark Farmer to review the UK's construction labour model⁹. This recommended reform of CITB to address dysfunction in the training system. That same year, the Machinery of Government changes transferred the sponsorship of the ITBs to DfE¹⁰. Following that, DfE appointed Paul Morrell as Lead Reviewer to carry out a review of both CITB and ECITB ('Building support: the review of the industry training boards'¹¹). That review recommended that both ITBs be retained but recommended improvements to their governance structure and accountability.

Since 2017, both ITBs have undertaken changes to incorporate the recommendations of the reviews and feedback from their industries. The government appointed new Chairs in 2018; Peter Lauener (CITB) and Lynda Armstrong (ECITB). The CITB appointed a new Chief Executive (CEO), Tim Balcon in 2021 and ECITB appointed its new CEO, Andrew Hockey earlier this year.

The ITBs differ from most public bodies in not receiving grant-in-aid directly from government: most of their funding comes from their levies. A hypothecated tax on employer payroll in their respective industry. Every 3 years an ITB may make levy proposals for the Secretary of State for Education's approval based on a vote of in-scope employers ('consensus'). A consensus vote must achieve approval from more than 50% of levy paying employers as well as approval from those representing more than 50% of the value of the levy payments.

In 2021, CITB secured approval from 66% of employers liable to pay its levy and those representing 63% of the levy value. This is a significant fall in support since the 2017 consensus which received approval from more than 76% of employers liable to pay its levy and those representing more than 69% of the levy value.

In 2022, ECITB secured approval from 85% of employers liable to pay its levy and those representing 97% of the levy value. This is an improvement in support since the 2019

⁸ [Industry Training Boards: combined triennial review - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/444444/industry_training_boards_combined_triennial_review.pdf)

⁹ [Construction labour market in the UK: Farmer review - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/444444/construction_labour_market_in_the_uk_farmer_review.pdf)

¹⁰ [Machinery of Government Changes - Hansard - UK Parliament](https://hansard.parliament.uk/commons/2016/07/20/160720hg00000001)

¹¹ [Building support: the review of the industry training boards - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/444444/building_support_the_review_of_the_industry_training_boards.pdf)

consensus which received approval from more than 75% of employers liable to pay its levy and those representing more than 87% of the levy value.

3.2 Background to the review

This review was instigated, as part of a wider programme of ALBs, by the government in May 2023. Mark Farmer was appointed as Lead Reviewer by the Minister for Skills, Apprenticeships & Higher Education. The ministerial commencement letter can be found at Annex A of the full report and the Terms of Reference for this review is at Annex B of the full report.

The basic requirements of Cabinet Office guidance for conducting a review of a Public Bodies have been adhered to, whilst judgement has been exercised on the relative focus and priority given to each of the pre-defined areas of analysis in the context of their importance to end decision making.

In summary, the overarching assessment architecture requires analysis against four primary 'quadrant' areas which are:

- efficacy
- efficiency
- governance
- accountability

In relation to efficacy there is also a fundamental preliminary 'pass/fail' question of whether the ITBs still meet at least one of the government's 'three functional tests' for an ALB. This was an initial assessment which the review team took seriously, analysed in depth, and took external advice on before proceeding further with the review process. The findings of this full assessment process under these four themed quadrants are structured and set out in this review and are directly grouped against these four themes for ease of reference and understanding.

Further to specific requests in the review commencement letter and notwithstanding what the core four quadrant analysis requires, the review seeks to address specific questions on:

- the quantifiable additionality of the ITBs in terms of developing and improving the skills of the workforce within their respective industries
- whether the statutory levy is the most appropriate model for the ITBs to meet their objectives; and
- whether there is scope for reform, or merger, of the ITBs

3.3 Methodology

The review team set about a process of evidence gathering in June 2023.

There are three primary sources of evidence which the review team has sought to collect, analyse, correlate and coordinate between and ultimately draw conclusions from to inform final recommendations. These are:

- responses to open call for evidence
- selected industry stakeholder interviews
- documentary evidence including factual data and specialist advice

Each of these is dealt with in more detail below.

3.3.1 Call for evidence

An open call for evidence process went live on 30 June 2023 and closed on 25 August 2023. This constituted a multiple-choice questionnaire survey designed to understand better (beyond binary yes/no responses) the gradation of opinion that exists in relation to a series of statements that cover the efficacy, efficiency, governance, and accountability of the ITBs. In addition to multiple choice answers, free text augmented responses were also allowed for many of these lines of enquiry.

The responses to the call for evidence were collated and separated by ITB. Summaries of the responses can be found at Annex C of the full report and are referred to in the body of this review as necessary to contribute to the identification of emerging themes and specific viewpoints that are considered to deserve further attention.

The call for evidence was responded to by 155 parties spanning levy payers, providers, grant recipients and other industry stakeholders including Prescribed Organisations as defined in the ITB legislation. A breakdown of respondents by organisation type can be found at Annex D of the full report.

The overall level of response to the call for evidence was disappointing. The reason for the relatively low response is unclear.

However, when assessed with the wider evidence set out below, the review team has concluded that the feedback still serves an important purpose in validating certain observations, building a primary source of anecdotes and experiences, and indeed showing the extent of divergence of opinion that exists from different perspectives, even within the same organisation!

The review team has been careful to demarcate between factual and opinion-based evidence that has been shared as part of the call for evidence, but we have actively sought both to create a sense of how the ITBs are perceived as well as identifying measurable outcomes.

3.3.2 Stakeholder interviews

As part of the preparation for the review, a sample-based list of stakeholders across both the construction and engineering construction industries was selected as candidates for

interview to elicit raw opinions, data, experiential evidence and leads that could be further explored. These candidates were selected through a process of ITB and review team proposals. The Lead Reviewer decided the final list based on expected diversity of opinion and alignment to areas of focus. A list of the interviewees for each ITB can be found at Annex E of the full report.

The interviews typically lasted 45 mins – 1 hour and, although not a scripted question and answer format, used a structured conversational approach to draw out key observations within the interviewee's specific domain knowledge / field of experience. These were then recorded for further analysis and thematic grouping as part of the review process.

The interview findings have been crucial in hearing first hand from different angles and perspectives what the experiences are of dealing with or working with both ITBs. Again, as with the call for evidence, the review team has been careful to separate opinion from experiential evidence or factual data as part of this evidence base.

3.3.3 Documentary evidence

The third form of evidence was the largest and took the form of the various sources of documentary reports and data that have relevance to the ITBs either directly or indirectly.

In broad terms, the generic types of documentary evidence constituted:

- industry stakeholder group reports including by Prescribed Organisations
- academic, company/organisation or government commissioned research reports
- independent and government led reviews including previous reviews of the ITBs
- ALB reports & datasets including IfATE, National Audit Office, Office for National Statistics (ONS) and Ofsted
- government department published reports
- Parliamentary Select Committee reports and correspondence.
- ITB produced documentation including business plans, strategies, accounts, research reports
- CLC reports including people & skills workstream documents
- self-assessment by the ITBs
- DfE ITB sponsor team's assessment of the ITBs
- specialist cross department advice including legal and HM Treasury (HMT)

3.3.4 Evidence collation & coordination

Due to the multiple sources and varied nature of the evidence base, a structured approach was adopted to synthesise and extract observations that were routinely grouped within the four review 'quadrants' set out in section 3.2 above. Any gaps were then assessed and addressed where required by additional evidence gathering as necessary.

3.3.5 Challenge panels

To test the emerging conclusions of evidence gathering and to help shape emerging recommendations a formal process of establishing challenge panels for each ITB was initiated and as set out in the Terms of Reference. Challenge panels were established for both industry representatives and cross department government representatives. The challenge panels each met twice. The makeup of the industry panels was decided by the Lead Reviewer with a desire to see critical challenge from a range of voices representing small and large levy payers, industry leaders and from those who have labour market expertise or an understanding of critical national priority sectors such as retrofit or energy security.

3.3.6 Meeting the ITB leadership

The review team met the chair and CEO of both ITBs (in the case of ECITB also including the recent acting CEO) to clearly communicate approach and the overarching aim of the review to assess performance against the four quadrants and to specifically identify the degree to which ITB activity is leading to positive outcomes, all in line with the Terms of Reference. An update with ITB CEOs, albeit without sharing the recommendations of this review, also took place.

3.3.7 Terminology

There are occasions in this review where the term construction is used generically to embrace both construction and engineering construction, including in the title of this review itself and its primary recommendations. Where felt necessary, differentiation has been made to avoid over generalising on certain points. Similarly, this review makes numerous references to the often interchangeably used terms 'competence' and 'skill'. For reasons that will become clear there is an important distinction to be made between these two words. Despite this, in certain instances, mainly linked to accepted terminology, the word 'skills' rather than 'competency' is used in its generic sense, for instance in the term 'skills system'.

4. Conclusions & detailed recommendations

This review has been tasked, as set out in the Terms of Reference, with assessing whether these two boards should continue to exist, and if so in what form and performing what function, under what governance and how accountability should be upheld. The core principle of an ITB is a legislative mandate to intervene in a sector's labour market and to create an outcome where the propensity to train and develop the workforce is greater than it would otherwise be.

The review has concluded that the biggest single issue facing both sectors is the confluence of structural labour force attrition, stubbornly low productivity, and the growing challenges of having to transition to delivery of better quality assured built assets capable of supporting national priorities including clean economic growth.

This review has found that there is now a growing risk that labour supply constraints, skills scarcity and misalignment may create a dangerous cycle of unsustainable wage inflation, static or falling productivity. There is a related risk of increased variability in the quality of the industry's output as it is put under more stress. Clients of the industry, both private and public sector-based face the real prospect of paying more for less. This could undermine private market confidence to invest in capital assets and weaken political confidence in the ability to deliver, within fiscal constraints, infrastructure or other policy led programmes that rely on the engineering construction and construction sectors.

In essence this prognosis requires an urgent plan to enable industry to use its existing and future workforce more effectively and efficiently to meet the new demands being increasingly placed on it (i.e. to build capacity and capability to do more, better and potentially with less). Despite training and workforce development so often being seen as a cost, the issues the industry are now facing represent an overwhelming case for investment in its domestic workforce, a case that the ITBs and the statutory levy was always meant to promote. It has never been more important that it is now made to work.

Although this conclusion will not be a surprise to the industry and certainly not to the ITBs, the review has found that despite some relevant strategic planning and progress towards addressing these growing problems is evident, it is too slow and its impact is of insufficient magnitude. It is now considered that a wholesale change of approach is urgently required to safeguard the continued ability of both sectors to deliver the infrastructure and economic growth needs that are vital to this country's national interests. Any change of approach needs to start with the evaluation of whether the ITB model is fundamentally appropriate in the first instance.

In general terms, it is worth making the point that evidence of functional performance and impact as well as overall level of industry alignment with its levy payers has generally been more positive for ECITB than CITB. However, the review also recognises that the challenge within the much larger and more fragmented construction sector is far greater so like for like comparisons are perhaps unfair. Ultimately, standing back from the hard

work that is going on and the level of emotional and physical investment in making the respective industries better it is clear things need to change.

Any such change to the current arrangements however must also respect the huge complexity and fragmentation of the industry's composition, especially in construction. It must try to work with what it already has as a start point rather than starting again from a blank sheet which ultimately will take too long to generate results. However, the role if any of the ITBs in any refreshed future scenario must be effective, efficient, strategic, and influential. If difficult decisions regarding the ITB model's existence or major alterations to current structure and approach are required to make this happen, they should not be shied away from.

The central conclusions of the review are that:

- an intervention into the labour market to support workforce development is still required and warranted in the engineering construction and construction sectors
- the above finding is heavily influenced by the nationally important role played by these two sectors in delivering housing and critical social and economic infrastructure which in turn is fundamental to underpinning economic growth and improving the nation's productivity
- the need for an intervention is further underlined by the unprecedented risk now emerging in relation to declining workforce size and resiliency. This is being driven by demographics, societal change, technological trends and changing end client and regulatory requirements
- this threat to workforce resiliency and quantum is further exacerbated by a continued reliance on labour intensity combined with poor industry productivity and a low propensity to modernise. This now threatens future long term industry growth potential and risks driving unsustainable wage inflation. Importantly, this would not equate to the government's aim of moving towards a high wage, high skill economy which is fundamentally premised on higher productivity. The current outlook also increases risk of quality and safety issues due to structural capacity shrinking and possible competence dilution as experienced and capable workers retire or exit the industry
- the continued exposure of the two sectors to amplified economic cyclicality is a major risk of further hollowing out as in downturns existing trained workers are let go, new entrants not taken on and self-employed workers are underutilised or also exit the industry. There is a basic workforce utilisation challenge in terms of how to better forecast demand and how to better connect available workforce supply with those often-volatile demands. The current construction downturn means there is a real danger of cyclical erosion happening now and through into 2024/25
- site based labourers, tradespersons, supervisors and managers (i.e. the vast majority of the workforce) are likely to remain the workforce segment with the biggest risk of future shortages. This cohort is also likely to have less potential for

near term major technological automation potential and step change productivity improvements

- this contrasts with what possibly could be significant near-term future impacts on certain professional, technical and knowledge-based workers through the likes of AI and data analytics etc which could hugely improve productivity and reduce certain workforce growth pressures but will also challenge the need for more dynamic future workforce forecasting as well as retraining and versatility of the existing workforce
- current ITB and wider industry activity related to industry image improvement, new entrant attraction and diversification is not showing results at sufficient scale to either offset future attrition risks or to step change diversity of the future workforce
- linked to the above, there is a real possibility that the industry has a natural and predisposed level of new entrant flow that is difficult to influence significantly upwards through school outreach measures or major campaigns. This flow is likely mostly related to pre-16 academic outcomes, societal and cultural trends or family and other personal influences
- in turn, the industry seems to have an absorption ceiling on taking on new apprentices and other employed learners, irrespective of funding support available from ITBs and government due to the difficult trading environment they operate in and sheer capacity to mentor and supervise learners with its related indirect financial impact. Therefore, setting unrealistic or notional targets for step changing the number of new starters may result in diminishing returns for the reasons stated above or lead to the unintended consequences of learners not achieving sustainable long-term employment
- the ITBs are arguably therefore concentrating overly on the attraction and training of new entrants rather than adopting a whole of workforce improvement approach which has more chance of 'moving the dial' at scale on industry wide capacity
- there is a reasonable inference that improved competency results in improved productivity so considering how to influence these two measures across the whole workforce feels central to resolving structural issues in industry capacity and capability

All the above suggests:

- there is a need to be ambitious but realistic in maximising new entrant inflow and its subsequent sustainable absorption into the industry
- new entrants and existing workers (both directly and self-employed) need to be able to attain and maintain minimum competence which can improve quality and productivity as a key required industry outcome
- there is a need to better enable flexible employment/deployment of appropriately trained resources in response to often volatile demands

The skills system needs to speed up achievement of these outcomes and should look at how to address:

- the requirement to reduce new entrant attrition via more diversified and effective bridging pathways from school or other sectors into sustainable employment, including maximising early and more flexible employability via useful competency attainment and productivity
- the need for improved and more flexible whole career pathways via more modularised and unitised standards, curricula, credentials, and qualifications, including provision for both specialist and generalist content. This needs to reflect the industry needs of both now and the near future, maximising common learning modules and better enabling cross-skilling and multi-skilling
- the need for worker capability to be measured more dynamically by competency attainment and maintenance, reflected via micro-credentialisation and lifelong learning not just by initial qualifications or more static measures
- the crucial need to attract and retain the trainers and assessors capable of delivering the training provision to respond to all the above

The need to improve whole of workforce competency is already starting to be addressed in safety critical areas across both engineering construction and construction but further decisions need to be made by industry and its end clients on the mandating, procuring, and policing of minimum proven competence of the wider workforce to ensure better outcomes in terms of quality and productivity

The task of validating worker competence is fundamentally linked to the need to record it. The current fragmentation of what are mostly health & safety originated carding systems and a lack of a unified industry wide true skills/competence register and passport system is seen as a weakness in the ability to adequately police the workforce and measure strategic improvement.

The appropriation of funding to support whole of workforce interventions would require a more efficient combined industry drawdown and mobilisation of both ITB levy and apprenticeship levy with additionality maximised. There is a sense that ITB levy could be better spent on more innovative and diverse pathways and programmes of training and upskilling whilst apprenticeship levy funding drawdown should be maximised for an appropriately widened and prioritised range of construction and engineering apprenticeships. Presently, significant ITB grant support for apprenticeships could be at least partly funded by existing DfE apprenticeship levy funding. There is also a need to think about how levy or other funding support can be more strategically deployed further in advance of orders being placed for major projects.

It is not clear whether current grant support for training currently provided by the ITBs is always aligned to strategic industry workforce needs, priority occupations or areas of biggest net impact. It appears grant is sometimes more focused on responding to individual employers' desire to maximise recovery from their levy payments in the year. There should be more focus on maximising funding from both ITB levy and apprenticeship levy for strategic industry training gaps and priorities not just funding what

employers feel is the best fit for their staff profile, especially when deployed at degree and higher levels

Linked to the above there remains a fundamental levy impact and outreach challenge and a need for large employers to support the SME engine room tail of the industry by accepting a net redistribution position not simply a desire to balance the books on levy out/grant in

So, turning to the efficacy of the role of the ITBs in the light of the above strategic findings, the conclusions are:

- the current ITB model, whilst delivering worthwhile training outcomes is not delivering a scale of impact and outcome that the industries require to future proof them against the issues highlighted above
- the issues being faced are nearly all common to both ITBs despite the market size and characteristic differences between their respective sectors
- there is a need for a fundamental reset with activities, key capabilities, and leadership all 'root and branch' reviewed with a ruthless focus turned purely to addressing the future workforce resiliency and quantum challenge set out in this review
- the role of any future intervention needs to be one of both leading on and enabling progress against a set of new strategic priorities as part of an industry wide workforce plan. This new strategic plan needs to be agreed between government, industry and the ITBs to ensure the right balance of leadership and/or support and funding of others is identified in different activities. It is likely this will involve some current activities stopping or reducing and new ones starting or ramping up
- there is a recognition that weaknesses in the ITBs ability to impact more expansive and tangible outcomes is not just linked to ITB performance and its priorities but also to its limited industry scope, some misalignment with external agencies and the impact of the wider skills ecosystem that does not always work well for the specific characteristics of the construction and engineering construction sectors
- in operational terms, there is evidence that there are likely to be opportunities for the ITB's to deliver efficiency and cost of delivery improvements, improve their governance, all with more balanced accountability towards both government and industry. Much of this is seen to be part of the resultant benefit of a wider reset against a new set of more focused priorities
- any reset needs to be accompanied by very clear conditions on performance linked to tangible, measurable outcomes in workforce development. Poor performance going forward should not have the protection of another full ITB review cycle period but instead should be subject to early intervention by government and industry

In going on to identify recommendations which seek to address the above findings, it has been recognised that a priority must be building off, catalysing, and accelerating the good

and impactful things that are already happening rather than risking day to day ongoing ITB activity being disrupted. This could create an industry hiatus or other unintended consequences through ‘throwing the baby out with the bath water’. Conversely, it also means that low value, unimpactful or uncoordinated activity should be stopped immediately to preserve funds and create better strategic focus.

To help guide the recommendations of this review, a vision of the desired future state of an ITB model and the required impact of any external intervention has been proposed as follows:

“Transforming the current ITB model into a world class construction workforce planning and development system.

This system should have the sole aim of enabling a more competent, productive and resilient industry, safeguarding the capacity and capability to deliver our nation’s critical national infrastructure and decarbonised economic growth whilst ensuring the highest standards of quality and safety in the built environment.”

The review team have continually tested emerging conclusions and direction of travel against this aspiration during the review process. Ultimately, it is felt that this vision needs to be fulfilled to warrant any ongoing legislative intervention into the engineering construction and construction sectors’ markets.

It is also important to note as alluded to above that success in achieving this vision is not just contingent on a reset and transformation of the current ITB model itself, it will require modifications to some aspects of the wider construction and engineering construction skills ecosystem and this review has made recommendations which span both aspects of such transformation.

The review’s detailed recommendations are as follows.

4.1 Strategic recommendations

Recommendation 1

Finding: There remains, on balance, a requirement for an external intervention into the workforce development markets of both sectors in response to an ongoing market failure in propensity to invest in the workforce. Removal of this intervention risks a further deterioration in levels of workforce investment.

Recommendation: The ITB model should be retained in terms of its basic statutory mandate but its strategic priorities, core capabilities and activity require wholesale transformation. This all needs to be ruthlessly focused on addressing the fundamental workforce resilience challenges facing the construction and engineering construction industries.

Progress in implementing this change should be overseen by a cross-GB government and Devolved Administrations steering group convened and chaired by DfE.

Proposals to implement the recommendations set out below should be developed quickly with agreed milestones to be monitored by DfE. If DfE is unsatisfied with progress it should reconsider the viability of the ITB model.

Recommendation 2

Finding: In line with recommendation 1, the overall feeling of this review is that the ITBs are endeavouring to resolve an ongoing market failure in employer propensity to invest in workforce development and it is felt that the core intervention of a redistributive statutory levy grant system should be retained. There is however a need for this to be done in the context of a reset ITB model and pursuant to a new set of objectives with better accountability for tangible outcomes to both industry and to government where in the public interest.

Recommendation: The statutory levy-grant system should be retained but modernised and refocused to ruthlessly drive measurable outcomes linked to the new priority industry challenges identified in recommendation 3 below. SMART KPIs should be developed aimed at maximising outcomes from levy spend with more balanced accountability between industry and government.

Recommendation 3

Finding: The current impact of ITB interventions is observed as insufficient to demonstrate reasonable additionality and on the face of it, justify their existence. This is reflected in the growing risks of future workforce attrition, future skills misalignment and a looming potential inability to meet future industry demand. This suggests a fundamental reset is required across both ITBs to change both direction and effectiveness.

Although there is significant difference between the construction and engineering construction industries there is a common fundamental challenge which both industries face in terms of declining workforce resiliency resulting in growing workforce gaps and skills gaps.

Ultimately, the review has not found any strong reason why a much more strategic and unified approach spanning both industry sectors cannot be adopted that harnesses synergies and efficiencies of delivery with more focused and aligned leadership on those common themes which will have the biggest impact on future workforce capability and capacity.

Recommendation: The CITB and ECITB should be merged into a single rebranded body (the 'new body') tasked with improving workforce resiliency through a single combined strategy. It should take on the role of a workforce development agency, spanning training and improvement of both new and existing workers.

The first step of this process should be to establish an interim body under government and industry oversight to manage the transitional state towards operational merger.

This interim body should look to realise shared efficiencies through an agreed integration plan between the two ITBs but retain ring fenced levy funds in the short term whilst options for levy consolidation are explored.

The new body should have specialist, sub-sector specific implementation teams spanning construction and engineering construction, responding to a common overarching strategy to drive high level thinking whilst avoid losing market context, employer alignment and intelligence.

The new body is to be held accountable to both government and industry on a more balanced basis, measured on defined outcomes as set out in recommendation 2, all related to improving workforce resiliency. There should be clear consequences for inability to evidence improvements and a clear direction of travel within a reasonable time, including accelerated winding up before the expiry of the next ITB review cycle.

Recommendation 4

Finding: The importance of improving worker competency is increasingly acknowledged, especially in a regulated safety context. There is an implicit link between competency attainment and both output quality and process productivity. Therefore, the strategic pursuit of improved competence across the wider workforce, not just the regulated elements of it, is seen as a necessary objective of the new body to lift, at scale, the overall productivity of what might be an increasingly resource constrained workforce and to also improve qualitative outcomes for its end clients.

Alongside this, there is a recognition that the industry's project based, and often erratic pipeline profile dampens ability to offer sustainable employment and to ensure the trained resources in the industry are maximised relative to the opportunities that exist. This leads to further risks of 'hollowing out' in downturns, accelerating workforce attrition. This suggests whole of workforce utilisation of a competent and productive workforce is the holistic required outcome to drive strategic scale impact.

Recommendation: Three new core strategic objectives are established which guide all priorities and a reset strategic plan. These are to:

- Improve industry's workforce competency & the ongoing maintenance of its currency.
- Improve industry's project level productivity & quality assurance in conjunction with other parallel regulatory reforms.
- Improve industry's strategic level workforce retention and utilisation.

These strategic objectives should be shared across both constituent ITB parts of the new body. It is recognised that although there will be differences in relative importance, the

overarching needs are common so a fully integrated approach to arriving a strategic plan must be adopted. The other recommendations in this review are tailored to assist in helping shape a new strategic plan and to set out likely activity.

Recommendation 5

Finding: The impact of improving competency and productivity of the existing workforce is many multiples of that of the relative impact of the same solely for new entrants. ITB activity to date has though been too focused on attracting and training new talent, especially via apprenticeships, with levy funds and activity skewed towards this objective despite an industry wide under recovery in apprenticeship levy. While workforce replenishment is vital, this has left insufficient priority and fund allocation being deployed to implement industry wide strategic programmes of intervention to upskill/reskill the standing workforce and to diversify entry pathways. Where these are currently done, they tend to be lower impact or pilots or trials in response to industry proposals with pepper potted funding that never reach maturity.

Recommendation: A refocused levy-grant system should have a revised strategic balance between individual employer apprenticeship grants and other non-apprenticeship support. It should deploy activity and funds more into programmatic activity and new pathway interventions with both new and existing workers that are scalable and impactful and span both the employed and self-employed workforce.

The new body should also move to a more directive approach to funded interventions, using consultation with government and industry to quickly agree and test and evidence concepts and where appropriate decisively implement a course of action injected into the workforce and rolled out thematically at scale. This is a shift from inviting mostly small-scale grant applications and proposals from industry. This will also require an intelligent interpretation of government procurement rules to ensure this drives positive impact whilst continuing to evidence value for money.

The new body should in turn help maximise industry recovery of apprenticeship levy and other DfE funding sources to ensure the current level of support for individual apprenticeships is maintained whilst more programmatic and structured activity is ramped up. The focus of all funding activity should align to improving average industry competency, productivity, utilisation and retention and prioritising this in line with current and projected future occupational 'pinch points'.

More strategic and in advance workforce investment in creation and retention needs to be supported for major projects where there is a critical workforce or skills gap which cannot be resolved during the project's currency and requires pre-planning.

Recommendation 6

Finding: There is a weakness in the ability of the industry to maintain constant levels of employment. The project-based nature of capex commitment is at the heart of the market

failure that the ITBs are set up to resolve. Attempts to strategically capture at a national, regional level and local level the likely pipeline of work and in turn workforce needs have had mixed accuracy and impact to date.

The review has found that there is a need for a much more strategic demand planning and linked work brokerage function which can enable skills and competency supply to be better matched to demand over time and geography, including potential for transferable skills within industries, including across engineering construction and construction, to be better identified and exploited and for employers to be able to make more informed decision on investing in human capital.

Recommendation: The ITBs and subsequently the new body should be tasked with owning and driving as a primary objective strategic workforce planning. This should have the aim of helping industry maximise employment continuity, average workforce utilisation and high-level industry productivity. This should also identify the need for supported advanced investment on major projects as described in Recommendation 5 above.

As a key tool, the ITBs in their interim state and ahead of the creation of the new body should enable development, with external input as necessary, a fit for purpose, free to use, digitally enabled, dynamic real time strategic workforce planning and jobs brokerage platform, maximising free to use functionality and developing critical scale through a unified ecosystem of data sources.

This platform should link data driven future workforce demand modelling to the current workforce supply side picture via the digital competence register referenced in Recommendation 10 below.

Recommendation 7

Finding: As part of the wider war for talent, the engineering construction and construction industries are struggling to attract new resource in sufficient quantum to offset the impact of an ageing workforce and other sources of leakage. There is a significant question over whether current activity by ITBs is creating sufficient additionality beyond an otherwise defined natural inflow of new entrants due to other circumstances and influences.

There is some progress being made in higher and degree level academic and vocational entrants delivering for the wider built environment professions but there is less progress being made in the biggest challenge - significantly increasing numbers of low and mid-level construction site operative new entrants.

The need for an overhauled approach to appropriately messaging what the industries do and offer as a fulfilling career opportunity is critical to improving new entrant flow and diversity beyond that the industry would naturally attract without any intervention. Current initiatives appear varied in their approach and effectiveness and are at risk of not being strategically coordinated for maximum consistency and impact.

Recommendation: The ITBs and subsequently the new body should, as part of a shift in focus, reduce its direct activity in new talent attraction and diversification whilst retaining its funding responsibility.

Retention is to remain a strategic objective as part of its priorities.

It should pass over control of all related careers and outreach collateral to industry for it to fully own, develop and drive in a way that it decides upon, most probably through a combination of external actors and employers. For construction, it is expected that CLC will provide leadership here whilst the new body provides funding as required.

In guiding any industry activity and indeed funding provided from the new body, attraction, diversity, and inclusion initiatives need to be better coordinated with much more of a single voice approach. Selected ambassadors should have an entirely new toolkit to help convey a compelling message to a more diversified audience creating a higher impact means of outreach. (Note: Training for improved inclusivity and mental health within the existing workforce is deemed to be part of the broader competency led 'behaviour' requirement to be retained by the new body)

It is expected that the separately recommended overhaul to career pathways should inform the evolution of tools such as Go Construct to make the industry's 'shop window' much more user friendly, identifying common pathways and specialisation options. This should be reflective of a more flexible spectrum of career opportunities all sitting within an overall coordinated structure.

Industry leaders need to continue to recognise the role their organisations and role models can play in assisting with this effort as part of their social impact and the wider futureproofing of their own industry.

The need for specialist external media and communications sector support and its levy funding should be identified by industry. Activity in this area is not expected to be a variation on an existing theme if it is to be successful.

Recommendation 8

Finding: The entry pathways into both industries are dominated by a legacy of trade specialist and professional discipline silos with very linear and protracted qualification and progression routes that do not necessarily equate to true competency or reflect maintenance of competency on a whole career basis. There are also some job roles that don't seem to have adequate progression pathway alternatives and end up being career dead ends. This review has found that there is a question as to whether the current career pathway architecture is effective in maximising both the supply and retention of appropriately trained workers into the industry whilst optimising their utilisation and agility against a backdrop of often volatile demand fluctuations and changing technical requirements.

Recommendation: The ITBs and subsequently the new body should in conjunction with government and industry, urgently redefine its role in leading and/or supporting a refresh of existing construction and engineering construction occupational and qualification standards and associated pathways.

A new pathway landscape should build off existing progress and potentially become more modular, unitised and matrix like with common elements and specialisation options. It should be the basis of a revised funding and grant offer from the new body to industry and redefine its relationship with providers.

The matrix should span the entire career journey from worker entry to exit – including better means of validating experience equivalence to formal qualifications and introducing micro-credentialed re-skilling & up-skilling requirements. This should all be linked to competency demonstration and maintenance.

This process needs progressive implementation in conjunction with DfE, Institute for Apprenticeships and Technical Education (IfATE), Ofqual and devolved administrations. It should aim to better align Occupational Standards, National Occupational Standards and allow improved additionality of funding between Apprenticeship Levy and ITB levy. It should result in much greater harmonisation and collaboration with and support for IfATE and seek the alignment of industry specific views on the true need for additional or conflicting roles and standards relative to IfATE's current occupational mapping.

The ITBs and subsequently the new body should also act as lead coordinator to maximise the use of Skills Bootcamps, Local Skills Improvement Partnerships and other DfE funded programmes to assist meeting the new strategic objectives.

For construction, the ITB's and subsequently the new body's interface with the Construction Leadership Council (CLC) should ensure current initiatives regarding competence, pathways and productivity are combined not duplicated, with lead and support roles agreed between relevant bodies based on capability, industry reach and leadership and that important voluntary initiatives are able to access funded resources from the new body as an engine room of implementation.

Activity should also ultimately respect the requirements of regulated competency via the various working groups feeding into the Industry Competence Steering Group (ICSG) and the Industry Competence Committee (ICC).

Aligned effort is also needed to span the wider industry beyond current ITB scope using CLC convening power with of out-of-scope trade bodies and the like.

Recommendation 9

Finding: The policing of providers by the ITBs and in some instances the direct provision by the ITBs of training in response to existing pathways has been found to be of variable effectiveness, especially in relation to CITB, and there is an overarching sense of it requiring improvement. Better levels of innovation and dynamic influence of providers

has been observed happening by ECITB in connection with the geographic clusters of activity their markets better segment into.

Current teaching is further compromised by out-of-date curricula and standards and more importantly lack of currency of teachers relative to workplace expectations and new methods/regulations. This will all be further challenged by any move towards a change in pathways and related learning format with more modular and incremental training needs in a more fluid and flexible matrix system.

Recommendation: The ITBs and subsequently new body should take a leading role in the crucial task of developing and policing a fit for purpose training provider ecosystem which responds to the more flexible and effective pathway system as per Recommendation 8.

Competence and workforce development specialists and experts should be engaged, including from other sectors to ensure this new offer is truly different whilst training for maximum long-term employability.

This provision should be reflective of a more future facing industry, but one also rooted in current industry practice to enable future proofing with immediate employability. The primary linked guiding theme for course development should be accelerating industry wide competency and productivity improvement in a more incremental manner using modules and units within a new pathway matrix as a currency of provision.

It is expected that there will be an increased element of digital tools and online learning techniques employed, appropriately assured, and policed, to allow speed and scale of impact. Similarly, there is an opportunity in this refresh to explore more workplace learning as opposed to remote classroom-based learning provided competence attainment is safeguarded.

A priority activity should be to train the trainers and assessors, ensuring current and near future industry practice alignment and the ITBs and subsequently new body should work with government to identify means of incentivising, adequately funding and ultimately attracting competent industry actors to make a career change and help enable this.

Industry leaders also need to increasingly recognise the role their organisations can play in assisting with this training effort alongside providers as part of their social impact and their own direct workforce development responsibilities.

Recommendation 10

Finding: The use of health and safety card systems in both sectors is widespread and accepted. However, they have historically been fragmented, especially in construction, and are not yet strategically enabled through the setting of unified standards of broader qualifications and linkages to minimum industry recognised competency attainment. It is felt more now needs to be done to translate best practice card systems more towards a

single strategic platform capable of measuring and policing worker occupational competency, beyond basic health and safety matters.

This review is of the opinion that there is a good opportunity for successful existing schemes and collaborations thereof to be further leveraged, integrated, and to become mandated either through regulation or procurement. This would act as a competency-based industry wide barrier to entry and ability to work on a construction site beyond currently regulated scope.

Recommendation: The ITBs and subsequently new body should play a central role in helping facilitate with other agencies an industry wide digital skills passport system. This should span the whole workforce, with accreditations, experience, qualifications, and resultant proven competencies registered and capable of being policed. It should look to maximise inter-operability of existing card schemes, seek validation/refresh of their existing competency requirements and build critical scale through a connected digital eco-system.

This platform should in turn link to the strategic workforce planning and brokerage tool identified in Recommendation 6 above.

This digital skills passport should be used to prove regulatory requirements and to assist what is hoped will be increased instances of client, funder or insurer led procurement and enforcement of requirements for minimum workforce wide competency.

Recommendation 11

Finding: There is currently a missed opportunity presented by public procurement to drive improved skills and training outcomes on behalf of government and to catalyse the changes set out in this review. This is reflective of the crucial wider importance of end client leadership and participation in workforce development, including in the private sector.

The role of procurement generally is also crucial in moving towards mandating minimum whole of workforce competency beyond minimum regulation requirements as a condition of contract. This requires public client bodies, including government departments, IPA, other contracting authorities, and ultimately responsible private sector clients who rely on the industry to demand this in their procurement processes. This move can be enabled and policed through use of a national register of competency.

In terms of indirect workforce impacts via strategic public procurement, government, IPA, and its main capital spending departments should increasingly recognise the damage done to industry productivity and workforce investment through delivering erratic pipelines or reversing spending commitments. There is a crucial need, to use public works spending much more strategically and as a means of putting a counter-cyclical floor under construction and engineering construction minimum workloads to avoid workforce hollowing out.

There is also evidence that the current use of planning obligations under the Town and Country Planning Act are not always effective in driving and tracking outcomes and that there is an ongoing risk of short term 'post-code apprentices' being created without more joined up thinking about regional long term sustainable employment continuity.

Recommendation: Public sector procurement should progressively support a move, in line with the wider construction skills transformation set out in this review, towards a whole of workforce competency mandate. This would require evidencing of minimum worker competency as a condition of individuals being able to work on publicly funded construction projects or be contingent on an upskill plan being implemented during a project to attain this.

Parallel to this, it is hoped that responsible private clients, investors, and end asset owners would emulate this move through discretionary procurement led mandating. The development of the national competence register set out above in Recommendation 10 would be a key enabler of this transition.

In addition, government's Transforming Public Procurement programme and the application of the impending Procurement Act should recognise the wider benefits to the UK's society and economy of workforce wide skills development, training and sustainable, higher quality, more productive employment. Contracting authorities can play a key role in driving the right human capital outcomes from publicly funded construction projects.

In relation to enabling better, more strategic workforce demand planning, government's National Infrastructure Planning portal, hosted by The Planning Inspectorate needs to be integrated with a live version of the National Infrastructure and Construction Pipeline, sharing in one place a consolidated inventory of major projects and central, regional, and local government funded programmes. This all needs to have improved levels of detail and confidence level sensitivity updated in real time to show project status and funding commitment to assist industry in investing in people. This could then be reflected as a major component of the strategic workforce planning tool suggested in recommendation 6 above.

Overhauled model clauses for planning obligations should also be developed in conjunction with the recently updated National Policy Planning Framework (NPPF) to provide local planning authorities with fit for purpose and deliverable guidance on how more sustainable workforce outcomes can be created both locally and regionally which assist the construction industry and the economy.

In both instances above, the key need is to view workforce related social value outcomes in relation to improving the characteristics whole workforce not just mandating minimum numbers of new apprentices, minimum SME participation, local spend or the like.

End client entities, not just employers from both engineering construction and construction should also form a much stronger part of the leadership and governance of the new body.

Recommendation 12

Finding: The historic legacy of ITB scope means there is the potential for the new body to be sub-optimal in delivering against new strategic objectives and risks being insufficiently impactful in new industry wide programmes of activity.

The review team has heard evidence that it would be very difficult, especially in the construction sector, to seek agreement through consultation to bringing some large, currently out of scope industries peripheral to current scope either into scope for the first time or back into ITB oversight where they have previously left. To attempt this process clearly risks becoming a possible distraction in a wider modernisation process being proposed in this review.

It is noted though that the increased focus suggested by this review on a whole of workforce outcome will naturally challenge fairness regarding who is benefiting versus who is contributing via the ITB levy.

Recommendation: DfE should, by exception, carefully explore and consult with industry on a modified legislative scope order, aimed at resolving the most obvious anomalies. These appear to be in new and emerging sectors in engineering construction and potentially in areas related to integrated mass building retrofit. This activity should focus on areas where out of scope sectors appears capable of improvement or realising synergies as opposed to interfering with fit for purpose out of scope skills systems.

Any consultations regarding scope augmentation should trade off potential wider catchment with levy rate reduction linked to a strategic funding and impact plan.

There should also be consideration of a fairness adjustment on future levy liability for those employers who employ people both in and out of current scope but who are charged levy on their entire payroll.

4.2 Tactical/operational recommendations

Recommendation 13

Finding: As the ITB levy is a tax, the ITBs are central government ALBs and required to comply with all the financial control requirements for ALBs of government. There is insufficient evidence of how the ITBs are complying with the Cabinet Office spend controls.

However, it is crucial that the ITBs' compliance with spend controls is not impacted by unreasonable delay in securing necessary approvals from government.

Recommendation: The ITBs and subsequently new body need to ensure and fully evidence that they meet all financial requirements of being ALBs of government. This includes an agreed Framework Document, Delegated Authority Letter, spend controls and functional standards.

The issue regarding whether government has a role in approving the ITBs strategic/business plans should be resolved.

An SLA process should be implemented as part of the requirement for the spend controls to be implemented.

Recommendation 14

Finding: There should be a clearer rationale for particular investment of ITB levy. Employers and government should be able to see a systematic link of strategy to delivery to evaluation back into refined strategy. This should inform the evidence base on delivery to refine future interventions and maximise value for money in ruthless pursuit of the strategic objectives set out in recommendation. Both ITBs have provided the review with encouraging examples of completed lessons learned exercises and have explained how learning from these exercises has been embedded into activity and used to inform future strategies. However, this review would like to see further evidence of how evaluation and lessons learned are used more systematically particularly in developing the overall organisational strategy and business planning.

The CITB's published performance measures have undergone change over recent years which makes it difficult for industry and government to understand if they are being successful. The latest KPIs are mainly focused on transactions or outputs, such as the number of people accessing career support or the number of taster opportunities available, rather than measuring the end impact or value added.

Recommendation: The review recommends that the ITBs and subsequently the new body do more to communicate to industry and government the rationale for investment in particular interventions. It should also set out what impact it expects an intervention to have, how this will be measured (incorporating into KPIs) and report on progress.

The ITBs and subsequently the new body should ensure their KPIs measure direct ITB induced cause and effect.

The ITBs and subsequently the new body, should show more evidence of a systematic approach to using evaluation and lessons learned to refine future delivery to maximise value for money.

Recommendation 15

Finding: There should be more transparency of the amount of funding spent directly on training and that spent on the costs of running the organisation.

It is important that levy in is converted to skills investment at an optimal rate. The CITB's reserves are currently significantly higher than the minimum level.

The CITB also appears to be reliant on external consultants at present.

Recommendation: Although some data is provided in ITB Annual Report and Accounts, the ITBs and subsequently the new body should seek to meet a 5% efficiency saving

target, and the post-review changes should yield savings of at least 5% from operational expenditure, in line with Cabinet Office Guidelines. This should include a rigorous examination of the functional need for current staffing levels and propose ways to make significant savings. The CITB and subsequently the new body should seek to reduce reliance on external consultants.

The ITBs and subsequently the new body should consider publishing clearer evidence of levy spend to show the split between funding spent directly on training and the costs of running the organisation.

The review recommends that:

- a) the CITB and subsequently the new body should benchmark elements of spend, such as issuing grants against other grant issuing or subsidy organisations and produce a comparator with industry averages within 6 months;
- b) the ITBs and subsequently the new body should work together to benchmark common elements of spend; and
- c) government should support the ITBs with benchmarking, including advice on suitable comparators e.g. using CO's public body benchmarking, which has eight grant issuing or subsidy organisations, to benchmark the ITB's corporate service costs.

The ITBs and subsequently the new body should continue to work with the department to agree appropriate levels of reserves that meet the requirements of the Charities Commission and HMT. The ITBs should provide regular reports on actual reserves in comparison to minimal levels of reserves to the department.

Recommendation 16

Finding: The review agrees with CITB's assessment that the time lag between the activity of its levy payers that the levy assessment is based on, and that payment being made is creating an issue, particularly for SMEs.

Recommendation: CITB and subsequently the new body should make proposals to DfE on reducing the levy time lag between levy returns and levy payment as much as the current legislative arrangements allow.

Recommendation 17

Finding: There is an opportunity for government (both in England and the Devolved Administrations) to benefit more from the existence of the ITBs to inform its own strategic planning.

Valuable insights that Devolved Administrations and the ITB sponsor team could share isn't being fully utilised.

Recommendation: The department should involve the ITBs earlier in strategy and policy development.

The ITBs and subsequently the new body should seek to engage more with ministers in Scotland and Wales.

The DfE sponsor team should consider engaging more closely with the Devolved Administrations to maximise opportunities.

The ECITB and subsequently the new body could do more to link its organisational sustainability measures and reporting to the Government Greening Commitments.

The DfE sponsor team should facilitate the ITBs and subsequently the new body to meet their obligations under the Government Greening Commitments.

4.3 Summary

The nature of the above recommendations above, reflects what this review feels is the outcome needed - a transformation of the construction workforce.

To achieve this requires a wholesale reset of the priorities and core role of an ITB model. In addition, the department should continue its work with industry through the Construction Skills Delivery Group to go further and faster to ensure the skills system is fit for purpose.

It is felt likely that to achieve the required level of improved long term workforce resiliency, the full range of recommendations will need to be implemented and cherry picking could render change ineffective. There is a wider system effect of the combined impact of all the proposed changes working together which could mean individual recommendations implemented in isolation have little or no bottom-line impact. It is recognised therefore that there is an 'all or nothing' subtext to this review's recommendations, representing a last throw of the dice to prove a new ITB model can be much more effective.

The full version of what is set out here in this review summary is included in the full review report and includes an overview of wider industry context and a thematic analysis of the evidence base. This illustrates further the basis for the above conclusions and recommendations and can be accessed on gov.uk.

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