

Continuation of the CITB Levy – June 2017

Introduction

In September 2017 Build UK, as a named Construction Industry Training Board (CITB) Consensus Organisation, is required to respond on behalf of its members to the proposed CITB Levy rates and thresholds between 2018 and 2020. The full CITB proposal is as follows:

CITB regularly measures the level of support from employers on how the Levy is calculated and this question is about the proposed rates and thresholds for how this will be done in 2018, 2019 and 2020.

The amount of CITB Levy you pay is based on the amount you pay your workers in a year. This includes employees paid through Pay As You Earn (PAYE) and also Construction Industry Scheme (CIS) subcontractors who you deduct your CIS tax from. It is not applied to CIS subcontractors who you don't deduct CIS tax from.

The current rates are:

- PAYE contribution of 0.5%
- Net CIS contribution of 1.25%.

The payment thresholds are:

- Employers with a wage bill of less than £80,000 per annum are exempt
- Employers with a wage bill of between £80,000 and £399,000 receive a 50% deduction on the levy assessment
- Employers only pay the full assessment if their wage bill is £400,000 or above.

For 2018 – 2020, the proposal is that for all levy payers:

- The PAYE contribution will reduce to 0.35% (was 0.5%)
- Net CIS contributions will remain the same (1.25%)
- Payment thresholds will remain the same.

Members will be asked to confirm to Build UK via a survey, whether they support this proposal by 4 September.

Build UK Member Views

Over the last six months, Build UK has worked with its members to understand their views on CITB and its role in developing and delivering the needs of the construction industry.

Members have raised concerns over:

- The capability of CITB to reform based on its performance over the last 10 years
- Governance and transparency
- Speed of delivery
- Its ability to collaborate with industry
- The introduction of the Government's Apprenticeship Levy and the perceived 'value' larger construction employers will receive when liable to pay two levies.

Build UK Actions

Since it formed in 2015, and brought together of the contracting supply chain, Build UK has taken clear, decisive and collective action on CITB resulting in:

- Confirmation that employers require a central skills body and are prepared to pay a levy
- Support for the principles of Recruiting, Training and Retaining the workforce
- A focus on **Levy In Skills Out**
- Recognition that the CITB was no longer fit for purpose
- Agreement across the industry on the role of CITB
- Clarity on the industry's expectations from CITB
- A change in CITB's leadership in December 2016
- A comprehensive response to the Department for Education (DfE), Department for Communities and Local Government (DCLG) and Department for Business, Energy & Industrial Strategy (BEIS) Review of Industrial Training Boards
- Coherent and deliverable CITB priorities and proposed timeline which responds to industry's expectations and if delivered, will support employers in meeting their skills needs including:
 - A reduction in the levy paid on PAYE
 - A more efficient grant scheme
 - Three central strategic priorities:
 - Promoting Careers
 - Ensuring Standards and Qualifications and
 - Supporting Training & Development.

On the wider skills agenda, Build UK has demonstrated its influence by:

- Agreeing the minimum standard of qualification required across the industry, which has been endorsed by the Construction Leadership Council (CLC)
- Simplifying the industry's card scheme system which has been endorsed by the CLC
- Implementing a consistent Training Standard which is recognised and accepted across the industry
- Delivering an industry wide Schools Engagement Campaign which will be launched in September 2017
- Piloting a Bridge into Construction course, the first year of a 'T-Level' qualification, with Further Education (FE) colleges from September 2017
- Streamlining industry leadership and management training to improve competence and reduce duplication across the industry.

Supplementary Information

The Farmer Review of the UK Construction Labour Model: *Modernise or Die*

In October 2016 Mark Farmer published *Modernise or Die* which recommended:

1. The CITB should be comprehensively reviewed and a reform programme instituted (Recommendation 2)
2. A reformed CITB should look to reorganise its grant funding model for skills and training aligned to what a future modernised industry will need. Industry bodies and professional institutions should also take a more active role in ensuring that training courses are producing talent which is appropriate for a digitally enabled world, making sure the right business models are evolved with appropriate contractual frameworks. (Recommendation 5)
3. A reformed CITB or stand-alone body should be challenged and empowered to deliver a more powerful facing public story and image for the holistic 'built environment' process, of which construction forms part. This responsibility should include an outreach programme to schools and should draw on existing industry exemplars and the vision for the industry's future state rather than just 'business as usual'. (Recommendation 6)

DfE, DCLG and BEIS Ministerial Review of Industry Training Boards

In October 2016 BEIS & DfE Ministers commissioned a review of the two construction-related Industry Training Boards, the CITB and the Engineering Construction Industry Training Board (ECITB), with former Chief Construction Adviser Paul Morrell appointed as adviser to the review.

As a result of the General Election it is unlikely that the outcome of this review will be published before Autumn 2017, but we are able to share the direction of travel of Paul Morrell's advice. Please note that this is still work in progress and all decisions about the future of the Training Boards are a matter for Ministers.

A summary of that advice, in relation to CITB in particular, is:

1. The Training Boards meet the first test of a necessary institution: that if they did not already exist, then the industry would (and should) look to create something similar.
2. There is certainly a need for change, but it will be better achieved by retaining and reforming the existing Industry Training Boards (ITBs) rather than by scrapping them and starting again.
3. Reform programmes should focus on making good areas of clear market failure (which certainly exist, and which are the justification for a statutory levy), and on activities where the ITBs are best placed to maximise the efficiencies of addressing skills and training collectively.
4. Much of this reform is already planned or in progress, and for the CITB reforms include:
 - (1) Proposing a grant scheme that will fund the skills required by the industry, on the basis of strategic review and analysis, rather than the objective being to seek a direct return of levy: not "Levy In Grant Out", but "Levy In Skills Out".
 - (2) Streamlining interactions between the CITB and employers through smarter use of IT, particularly the process of applying for grant.
 - (3) Accrediting Training Providers, rather than providing training directly, retaining the role of trainer of last resort only in instances of market failure.

- (4) Becoming the recognised body for developing and agreeing industry training standards.
 - (5) Withdrawing from non-core activity, such as operating skills card schemes or acting as an Awarding Body.
 - (6) Developing Go Construct as the central resource for “first contact” careers and skills information.
5. Government support for retention of the ITBs should therefore be conditional upon measured progress against an agreed programme of reform, and upon the ITBs demonstrating that they are able to manage the process of change.
 6. Support should also depend, as does the success of a reformed Training Board, upon the industry demonstrating leadership in more directly taking collective responsibility for its training needs and in informing and “owning” the strategic priorities and delivery programme of the Training Boards. This requires an effective partnership (and much improved communications) between employers, the trade bodies that represent those employers, the CITB and its Board, training providers and Government.
 7. There is a role for the Construction Leadership Council in ensuring that skills needs are properly considered within the context of a vision and future strategy for the whole industry.
 8. Concerns expressed about the effectiveness of the CITB are fully recognised, including that its processes are unnecessarily bureaucratic; that it has strayed too far from its original purpose; that training delivered directly by the CITB is sometimes of insufficient relevance or quality; that direct training distorts the market for the provision that other providers are equally or more able to provide.
 9. However, to the extent that the concerns are well-founded, both the CITB and employers should share responsibility. The attitudes that “employers know best”, that training should be left to employers, that a company’s own training needs are greater than the rest of industry’s or, above all, that training is somebody else’s problem do not recognise the realities of how the industry is structured and the market in which it operates. The answer lies in a better relationship between the CITB and the industry it serves, a shared vision as to what current and future skills needs are, and in improved communications.
 10. The issue of affordability is also understood. However, the proposition that “one levy is enough” does not conclude the argument. It is widely recognised that the industry needs to continue to invest in skills to meet the many challenges ahead, and that’s what the levies do, in their different ways. So the right question is, what are the needs of the industry and employers and how are those needs met by each of the levies in a way that avoids duplication and delivers value for money?
 11. Finally, the current process of seeking consensus every three years is not helpful. A triennial existential question is a major distraction from the real business of the Training Boards, and encourages tactical (rather than strategic) direction of funds in order to retain support. It should be considered whether the essential accountability of the Training Boards to employers and to Government would be better served by a running review of how well they are delivering an agreed programme in a way that both meets need and delivers value. Even if the statutory changes necessary to change the consensus process do not find space in the legislative programme for some time, no such changes are necessary to implement more performance-related reviews.

In view of all of the above, and subject to Ministerial decisions, Paul Morrell’s advice to the cross-Government review group (and, through them, to Ministers), is expected to result in a recommendation that they continue to support both Training Boards and the continuation of the Levy.

Construction Leadership Council (CLC) Position

The Construction Leadership Council will include **Skills** as a key element of the Construction Sector Deal, the industry's collective response to the Government's Industrial Strategy.

We anticipate it will welcome and support the outcome of the DfE, DCLG and BEIS Ministerial review and agree that CITB and the continuation of the Levy is the system the industry should use to deliver and meet its skills needs of the future.

However, it is also likely to propose that employers:

- a) Take the lead in setting out and agreeing the role of CITB and the services it provides
- b) Meet their responsibilities to train and qualify the workforce
- c) Support a grant scheme that delivers the recognised and transferable skills the industry needs
- d) Hold CITB to account for the delivery of the strategy presented to industry.

Further Information

Build UK would be pleased to discuss any of the issues raised in this response. For further information, please contact:

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