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|  | Construction Industry Training Board |
|  | A response from London Councils |

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|  | London Councils represents London’s 32 borough councils and the City of London. It is a cross-party organisation that works on behalf of all of its member authorities to make the case for powers, freedoms and resources to best serve the needs of London’s residents and businesses. London Councils welcomes the opportunity to comment on the review of the Construction Industry Training Board. |  |
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**Introduction**

London Councils welcomes the opportunity to contribute to the review of the Construction Industry Training Board. The construction sector plays a key role in the capital’s economy, accounting for 5% of total jobs in London[[1]](#footnote-2). Ensuring the capital has a skilled construction workforce to fill these jobs is essential if London is to continue to grow.

Construction output in the capital grew by 45% between 2010 and 2015. Estimates suggest that output will increase by a further 3% per year between 2015 and 2019. Due to this rapid rebound in our construction sector, the number of jobs in construction in London has grown by more than 30%[[2]](#footnote-3).

Employment in construction trades in London will need to increase by a further 13% by 2019 to meet forecast demand, equivalent to 2,000 new workers annually. However, more than 80% of employers already report skills shortages as a chronic problem[[3]](#footnote-4). 59% of construction firms believe that the sector’s workforce will not have the required skills to cater for the industry’s future needs and developments[[4]](#footnote-5).

The challenges London’s construction sector will face in the coming years include:

* **Skills shortage vacancies** - The Employer Skills Survey 2015 shows employers are struggling to fill one in three construction vacancies, up from one in four in 2013.
* **Brexit** – London has a cosmopolitan workforce and leaving the European Union may exacerbate the skills gap already evident in the construction industry. 25% of London’s construction jobs are held by someone born elsewhere in the EEA.
* **Ageing workforce** – 38,500 (12%) of London construction workers are set to retire in the next 5-10 years.
* **Construction has an image problem** – CITB data shows that the overall appeal of the construction industry as a career option for young people is low, scoring 4.2 out of 10 among 14-19 year olds[[5]](#footnote-6), while a YouGov[[6]](#footnote-7) poll for Construction United found that 67% of British Adults would never consider a career in the construction industry.
* **Lack of women in the construction workforce** - Women account for only 11% of construction workers and 7% of chartered engineers. It is estimated that 99% of workers on building sites are men.
* **Lack of local employment in the labour force** – despite the increase in construction activity, the employment of local people in the labour force remains low (0% on some key sites) and many key skills necessary to undertake modern construction jobs are not delivered within the London area – including offsite construction (which accounts for around 12% of construction activity).
* **Growing population leading to greater demand for housing** - London’s population is growing by 100,000 people per year, yet we deliver only half of the London Plan-assessed housing completions needed.

Action is being taken by London government to try to address these challenges, including the development of “Homes for Londoners”, bringing the Mayor together with local councils, housing associations and developers. Part of the remit of this group is to explore and promote innovative construction methods and work with the sector to develop the skilled workforce needed to build thousands of new homes. Separately, the ESF Modern Construction Skills programme, delivered via the boroughs is designed to upskill and support unemployed and economically inactive Londoners into construction jobs that require “modern” construction skills. Some London boroughs are also working with partners to develop skills centres on key developments, such as the £100m Nine Elms Skills Centre, to create new apprenticeships, jobs and work placements on large-scale construction projects.

It is in this context that we believe there is a role that a reformed CITB Levy can play to supplement and expand upon this work.

**Is a Levy and Grant system still needed?**

London Councils believes that the principle of a levy and grant system is a sound one. We agree with the conclusions of the Farmer Review that the issue is not whether there should be a levy, but instead how it can be reformed to become more efficient, maximise return and encourage more investment in skills and training.

This broad position is supported by the construction industry, with the most recent Triennial Review of the CITB Levy finding agreement with the need for the functions that CITB performs, but a desire to see it improve its effectiveness and the level of support offered to SMEs.

The introduction of the apprenticeship levy means that there will be substantial additional funds available to invest in training and development. It is therefore important that the CITB Levy is reformed to reflect the changing landscape of skills provision and funding and does not duplicate what will be delivered through the apprenticeship levy but enhances it.

**What are the problems with the current system?**

CITB needs to adapt to meet the future challenges of the construction industry, to take advantage of the opportunities presented by the apprenticeship levy and to address some of the deficiencies that have been highlighted in the way it currently operates by the Farmer Review.

The CITB has not been strategic enough in its approach to investment in skills and training. Although it plays an important role in providing specialist training, particularly in more niche areas, this is often delivered in a fragmented way. In addition, some areas of skills training that are becoming increasingly important in the construction sector have not always been well supported, such as modern construction skills.

The fragmented approach to skills delivery has been exacerbated by the extent of the “in scope” levy payers, which do not provide comprehensive representation of the whole construction industry. As pointed out in the Farmer Review, building engineering services trades represent over 10% of annual construction output, yet are not levy payers.

There is also a question about the relationship of the CITB to the development of infrastructure more widely, since not all of the bodies involved in this area fall under the scope of the levy, such as utility companies, and there are clearly areas where there would be transferable skills. We agree with the Farmer Review recommendation that the CITB should examine whether its membership can be reconfigured to develop a more inclusive organisation across the whole industry. Due to the nature of the construction industry, with the large number of SMEs, it is quite fragmented and not always sufficiently collaborative. The CITB needs to push past this fragmentation to develop a more strategic overview of the construction industry as a whole that enables it to become a more efficient organisation and avoids silo-working.

The Farmer Review also concluded that the CITB did not currently appear to speak for industry collectively and that this undermined confidence in the organisation. The Review suggested that the CITB should develop a new focus on longer-term strategy, explicitly linked to the needs of clients and government, as well as those of industry, and to a new and integrated leadership agenda. We agree with this and believe there is a key role for the CITB to play in nurturing innovation and developing new ways of working with business. The CITB should develop a skills strategy and action plan to identify the challenges for the sector and set out its funding priorities in a more strategic way.

Another area that the CITB need to address is the issue of support to small business. The CITB’s own figures for 2015 showed that small employers recovered only 61% of grant relative to Levy paid, and micro employers recovered just 52%. The CITB clearly needs to do more to help SMEs to access funding and support, particularly given they are the least likely to have the resources in place to spend the time necessary to recoup their share of the Levy in the current system. Processes should be simplified as much as possible to facilitate this.

The CITB also needs to do more to support industry innovation and modernisation. The Farmer Review highlighted that the CITB is restricted somewhat by its terms of reference when it comes to properly enabling funding of innovation and technology. The CITB should therefore be given a wider remit to allow it to support modernisation and to nurture innovation in the industry. CITB should also take a more strategic approach to ensure that its financial support is deployed in a way that creates more long-term benefits for the construction industry.

**How can the CITB Levy be reformed and what challenges should it address?**

The CITB needs to operate more strategically, identifying a number of key priorities to focus on that reflect the skills needs of the industry, both through a skills strategy and in its own structure and how it operates. The scope of employers covered by the CITB needs to widen to ensure it represents the whole industry. The CITB Levy should be reformed to ensure it is complementary to the apprenticeship levy and does not duplicate it. The CITB needs to take on a larger role in developing a positive image of the industry and promoting construction as a career. It needs to be given a wider remit to encourage innovation and modernisation and it needs to improve access to its grants and support services for SMEs.

There are some aspects of what the CITB deliver that work well. The CITB has been consistently good in collecting and disseminating data on the construction sector, for example. To enhance this further, the CITB should consider adopting a more regional approach to make better use of local intelligence, which can be provided by local government. This would also enable a more accurate and bespoke picture to be developed of the sector’s skills needs in each region – which may differ from the national picture – and can help to inform policy decisions more effectively, crucial in any devolved skills system.

While the apprenticeship levy offers significant opportunities, it is also much more restrictive than the CITB Levy. Funds can only be used on apprenticeship training and assessment up to the funding band maximum for the specific qualification. Apprenticeship levy funds cannot be spent on things like travel costs, statutory licenses to practice, traineeships, costs of setting up an apprenticeship programme or any professional qualifications that are not already incorporated into an apprenticeship standard or framework. There is also limited flexibility to redirect funds from one employer’s digital account to another. No transfers are allowed in 2017, and then only 10% of funds can be transferred from 2018 onwards. For an industry like construction, where there is a long-standing model of small sub-contractors undertaking work for larger companies, this will prove problematic in boosting apprenticeship numbers.

The advantage of the CITB Levy is that it is more flexible, and there is an obvious role it can play complementing the apprenticeship levy to help employers in the construction sector get the most out of the new system. This support could take a number of different forms, and as part of the greater strategic role we are suggesting the CITB plays, it should work on behalf of the industry to identify gaps in qualifications and develop new apprenticeship standards via the trailblazer process.

Not all skills development and training can or will be delivered through apprenticeships, so there is also a role for the levy and grant system to play in providing funds for other skills development and training, including continuing to support more specialist areas, as at present. However, CITB needs to develop this as part of a more strategic, all-industry approach.

As part of the new apprenticeship funding system, SMEs will get 90% of the training costs for an apprentice paid for them by government so long as they co-invest the remaining 10%. The CITB could offer grants to cover this cost for SMEs to encourage them to access the funding. They could also use some of the proceeds of the levy to play a convening and coordinating role, providing support to help SMEs navigate the apprenticeship funding system and find courses and providers.

Through the existing Levy, the CITB has funded the “Shared Apprenticeship Scheme”, where the payroll burden for apprentices is held by regional employment vehicles. As the Farmer Review suggested, this exemplar may offer an opportunity for a centralised labour force to be developed, trained and then held post-qualification. Payroll burden would be taken off the SME sector and a direct workforce would be able to be flexibly deployed.

All of these options should be considered by the CITB as part of a revised offer to SMEs to address the problems in the current system around their access to funding and to enable them to get the most out of the apprenticeship levy.

As stated in the introduction, construction continues to have an image problem, with two-thirds of adults indicating they would never consider a career in the construction industry. It also remains an overwhelmingly male dominated profession. The CITB has undertaken some work in this area, but as the Farmer Review identified, there is much more that can be done to promote construction as a career option and improve the industry’s image.

The CITB should be tasked with developing a more powerful public-facing narrative and image for the whole “built environment”, not just focused on “construction”. It should build on its Go Construct initiative and the development of the 15 technical education career pathways announced in the government’s Post-16 Skills Plan. It should include an outreach programme to schools, a plan to increase the number of women entering and staying in the construction industry, avoid the use of stereotypes in how the industry is presented and offer a compelling vision for the future of the industry.

**Conclusion**

It is clear from the Farmer Review and industry feedback that although there are some valued services provided by the CITB, it is in need of reform. A business as usual approach or incremental change is not enough to enable the CITB to develop the strategic oversight of the construction industry that is needed or to leverage in the funding and support to tackle the skills challenges the industry faces in the coming years.

In summary, we believe that CITB should adopt a more strategic approach and change and improve the services it provides to align with the developing landscape of skills funding and provision. These changes should include:

* Developing a skills strategy and action plan for the sector and CITBs funding priorities;
* Reconfiguring its membership to develop a more inclusive organisation across the whole industry;
* Simplifying its processes to make it easier for small businesses to recoup their share of the levy;
* Taking a larger role in developing a positive image of the industry and promoting construction as a career, including an outreach programme in schools and a plan to encourage and retain women in the construction workforce;
* Developing a more powerful public-facing narrative and image for the whole built environment that offers a compelling vision of the industry’s future;
* Being given a wider remit to encourage innovation and modernisation;
* Developing a more regional approach to its activities including with data provision;
* Using the CITB Levy’s greater flexibility to develop a package of support to help employers in the construction industry secure maximum benefit from the apprenticeship levy, including co-investment grants, support services to find courses and providers, leading on the development of standards and expanding the Shared Apprenticeship Scheme.
* Providing specialist training where appropriate and support for qualifications that fall outside of the scope of the Apprenticeship Levy.

**Response submitted by:**

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1. IPPR | Jobs and skills in London: Building a more responsive skills system in the capital (April 2016) [↑](#footnote-ref-2)
2. IPPR | Jobs and skills in London: Building a more responsive skills system in the capital (April 2016) [↑](#footnote-ref-3)
3. CIOB report: Skills in the UK Construction industry, April 2013 [↑](#footnote-ref-4)
4. CIOB report: Skills in the UK Construction industry, April 2013 [↑](#footnote-ref-5)
5. <https://www.designingbuildings.co.uk/wiki/Tackling_the_construction_skills_shortage> [↑](#footnote-ref-6)
6. <http://www.heatingandventilating.net/careers-in-construction-dont-appeal-survey-finds> [↑](#footnote-ref-7)