

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT

Second Delegated Legislation Committee

## DRAFT INDUSTRIAL TRAINING LEVY (CONSTRUCTION INDUSTRY TRAINING BOARD) ORDER 2018

*Monday 26 February 2018*

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**Friday 2 March 2018**

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**The Committee consisted of the following Members:**

*Chair:* SIR HENRY BELLINGHAM

- |  |   |
|--|---|
| † Bridgen, Andrew ( <i>North West Leicestershire</i> ) (Con)           | † Marsden, Gordon ( <i>Blackpool South</i> ) (Lab)                  |
| Bryant, Chris ( <i>Rhondda</i> ) (Lab)                                 | † Milling, Amanda ( <i>Cannock Chase</i> ) (Con)                    |
| † Chalk, Alex ( <i>Cheltenham</i> ) (Con)                              | † Milton, Anne ( <i>Minister for Apprenticeships and Skills</i> )   |
| † Cooper, Rosie ( <i>West Lancashire</i> ) (Lab)                       | Pollard, Luke ( <i>Plymouth, Sutton and Devonport</i> ) (Lab/Co-op) |
| Eagle, Ms Angela ( <i>Wallasey</i> ) (Lab)                             | Stephens, Chris ( <i>Glasgow South West</i> ) (SNP)                 |
| † Farrelly, Paul ( <i>Newcastle-under-Lyme</i> ) (Lab)                 | † Tredinnick, David ( <i>Bosworth</i> ) (Con)                       |
| † Fletcher, Colleen ( <i>Coventry North East</i> ) (Lab)               |   |
| † Hart, Simon ( <i>Carmarthen West and South Pembrokeshire</i> ) (Con) | Yohanna Sallberg, <i>Committee Clerk</i>                            |
| † Heald, Sir Oliver ( <i>North East Hertfordshire</i> ) (Con)          |   |
| † Keegan, Gillian ( <i>Chichester</i> ) (Con)                          |   |
| † Latham, Mrs Pauline ( <i>Mid Derbyshire</i> ) (Con)                  | † <b>attended the Committee</b>                                     |

## Second Delegated Legislation Committee

Monday 26 February 2018

[SIR HENRY BELLINGHAM *in the Chair*]

### Draft Industrial Training Levy (Construction Industry Training Board) Order 2018

6 pm

**The Minister for Apprenticeships and Skills (Anne Milton):**  
I beg to move,

That the Committee has considered the draft Industrial Training Levy (Construction Industry Training Board) Order 2018.

It is a pleasure to serve under your chairmanship this evening, Sir Henry.

The Construction Industry Training Board plays a central role in training the construction industry workforce. It is led by industry and provides a wide range of services and training initiatives, including by funding strategic industry initiatives and by paying direct grants to employers who carry out training to approved standards. Its core activity, established under the Industrial Training Act 1964, is to invest the money that it receives from the levy in skills training for the construction workforce. It develops the skills of the existing workforce and of new entrants into the industry by providing training grants and implementing strategic initiatives that will benefit industry in the long term and secure a sustainable pipeline of skills.

The construction industry recognises the important role that the CITB will play in helping to achieve its ambitions of increased investment in skills development, a more strategic and co-ordinated approach to recruitment, and equipping workers with the skills they need for the future. The draft order will enable the CITB to raise and collect a levy on employers in the industry. The CITB provides grants that incentivise employers to take on apprentices and that support travel and accommodation costs. In 2016, it helped to support over 8,400 employers and train more than 24,600 apprentices.

The construction sector will be at the forefront of the delivery of T-levels, with three pathways available from September 2021. The investment of £500 million per year for the delivery of T-levels underlines our support for reforming technical education. In the autumn Budget, we also announced a new retraining scheme, including an additional £34 million to help adults to retrain and develop the necessary skills to work in the construction industry. We expect to launch this construction skills fund in the coming months.

The Government also want the construction sector to increase the gender and ethnic diversity of its workforce and to ensure opportunities for all those who wish to pursue construction careers, regardless of their background. The CITB has taken practical steps by developing a cross-industry fairness, inclusion and respect programme, which will invest in activities to make the sector a more attractive place to work for people of all backgrounds. The funding will be used to grow a network of 500 ambassadors, who will promote that fairness,

inclusion and respect. In addition, the CITB's careers hub, "Go Construct", provides online guidance and case studies for prospective employees and employers on a range of diversity topics, including gender and race. We are working with the industry to see how further improvements can be best achieved, which we expect to be driven forward through the sector deal for construction that we announced in our Industrial Strategy White Paper.

Under the draft order, the CITB proposes to continue with the levy assessment method used for the levy period ending 31 March 2015, which was approved by the House in 2015. Recognising the prevailing economic conditions and skills needs of the sector, however, it proposes to decrease the levy arising from emoluments relating to people directly employed by the employer from 0.5% to 0.35%. The liability for levy arising from indirect employment will remain at a rate of 1.25%, and the CITB will continue to use information about net construction industry scheme payments to determine it.

The draft order will give effect to a proposal submitted to us for a levy to be raised by the CITB for the levy periods ending 31 March 2018, 31 March 2019 and 31 March 2020. The order can be made only if the Secretary of State is satisfied that the amount of levy is appropriate in the circumstances, that the proposals are necessary to encourage adequate training in the industry, and that more than half the employers who together are likely to pay the majority of the levy also consider the proposals necessary to encourage adequate training in the industry. The Secretary of State is satisfied that those conditions have been met.

The Industrial Training Act 1982 requires the board to include in its proposals an exemption from the levy for small employers. The order can be made only if the Secretary of State is satisfied that the thresholds set out in the proposals exempt employers who ought to be exempted in view of their small number of employees. The Secretary of State is satisfied that that condition has been met.

As I said earlier, small firms are not required to pay the levy, and therefore employers whose combined payroll and net expenditure on subcontract labour is less than £80,000 will not have to pay. Of all the establishments that are considered leviable by the CITB, it is expected that about 40% will be exempted from paying the levy. In addition, with the support of industry, the CITB has tried to mitigate the impact on employers who are just above the small firm threshold by applying a 50% reduction in the levy payable if an employer's expenditure on payroll and subcontract labour is between £80,000 and £400,000.

In line with the requirements of the 1982 Act, the Secretary of State is also satisfied that the CITB has taken reasonable steps to ascertain the views of employers who are likely to be liable to levy payments in consequence of the proposals. The CITB consulted on its proposals and obtained the support of the majority of employers in their respective industries. Some 76% of companies in scope of paying the levy, who together are likely to pay 69% of its value, are in favour of the CITB proposal.

Over three years, the CITB's proposals are expected to raise about £600 million of levy income. The draft order will enable the CITB to continue to carry out its vital training responsibilities, and I commend it to the Committee.

6.7 pm

**Gordon Marsden** (Blackpool South) (Lab): It is a great pleasure to serve under your chairmanship, Sir Henry.

The Opposition welcome the introduction of the levy. It is probably—I don't know if this is the right term to use—the most venerable of the instruments of its kind, in the sense that it was first introduced in 1964, when we were getting rid of 13 years of Tory misrule and getting in Harold Wilson and the white heat of the technological revolution. Whether it was introduced by the outgoing or the incoming Government I do not know but, most importantly, it has stood the test of time.

Times change, of course, and one reason the construction industry has come to the Government to set the levy at this rate is the introduction of the general apprenticeship levy. That was an important issue for the CITB to communicate to its members, and the Minister has said that it did so effectively. As the CITB's briefing reminds us, 99.7% of the construction industry comprises small and medium-sized enterprises, and they find it more difficult to train than larger employers. The Minister has gone through the details of the small employers who will be exempted. The exemption is not a token one; it is absolutely essential.

I have some questions for the Minister about what she said and its implications. Incidentally, I note that the CITB's briefing mentions the challenges it faces, including productivity, future skills and the implications of Brexit. All I will say about that is that the Minister and I both represent relatively small towns, and it is in relatively small towns across the country that this issue will be a particular challenge, as I am sure she understands.

The levy process was informed by the Government's Farmer review, which made clear the range of challenges—including structural fragmentation, low productivity, workforce size and demographics—that a reformed CITB is critical to addressing. On demographics, the Minister mentioned that money will be put aside for adults retraining in the construction industry. That is welcome, but I must voice a concern that has been raised with me in constituency surgeries and raised by other hon. Members in debates on the levy. Construction industry workers who may be in their 30s or 40s face great difficulties when they want to take on a new project, often with new technologies, only to find that their qualifications are not sufficient. It is not even a question of adding to their existing qualifications, but a question of having to go right back to square one. I raised that point a couple of years ago, although not with this Minister.

I hope the Minister will consider how to future-proof qualifications, which is very important given the process that will be necessary for implementing the standards in the new frameworks. I ask her to say a little more—if she cannot answer this evening, it would be helpful if she wrote to me—about how her Department, and indeed the Institute for Apprenticeships, will use the CITB's strong in-depth knowledge to implement those standards.

Another important point made to me by the CITB about its construction training is that 24% of qualifications are acquired by people from deprived areas. The construction industry is one of the biggest employers of people from deprived and disadvantaged backgrounds. That is welcome, but I remind the Minister of the cuts introduced a couple of years ago by the Government to

16-to-18 funding in disadvantaged areas. Her predecessor, the right hon. Member for Harlow (Robert Halfon), stepped back from and revised some of those figures, but they are still a drag on the area, as my right hon. Friend the Member for Tottenham (Mr Lammy) would tell us if he were here. It would be interesting to know how the Minister will monitor that issue in the context of the CITB.

I have discussed workforce demographics and push/pull factors for people in the construction sector, but I must also ask the Minister about the interface for promoting careers in the industry with the Careers and Enterprise Company, which of course is challenged in that area. Will she also say something about the impact of the levy not just on people who are employed directly, but on the supply chains? As we saw after the recent collapse of Carillion and the excellent work that was done by the industry to reassign apprentices, supply chains are critical in major areas and still need consideration.

Subject to those concerns, the Opposition are content for the draft order to be passed. We hope that it will have the effect that the Minister and the CITB hope for, but we also hope that her officials will keep a watchful eye to ensure that any problems that result from a lower rate of levy are addressed sooner rather than later.

6.15 pm

**Anne Milton:** Although we have strayed slightly from the levy, I will pick up some of those important points. The shadow Minister's point about future-proofing is really important—even more so in industries such as the digital sector, where there is almost constant change. I have had discussions with the Institute for Apprenticeships to ensure that we continually review standards. There needs to be a continual cycle of auditing what is needed in the sector.

In 1964, when the levy was brought in, the world was a very different place. The construction industry has possibly been one of the last to realise what it needs to do—Brexit highlights that to some extent. I assure the shadow Minister that I have already had those conversations with the IFA, and we need to ensure that it continues to operate well. There is a lot of talk about new ways of building houses, for example, and the in-depth knowledge of the CITB and its contacts in the industry will be very important.

The shadow Minister rightly raised the issue of funding for 16 to 18-year-olds, as did several other hon. Members. Apprenticeships offer opportunities. I was at an apprenticeship fair last Friday, and I was massively impressed by people from the construction industry picking up young people who were not sure what career they wanted to go into. We all know that we need to build more homes, so there is a fantastic opportunity in construction for young people and for people who are retraining, possibly because their job is disappearing because of automation.

The shadow Minister also mentioned the critical interface between the industry and the Careers and Enterprise Company. Construction tends to be the last option for somebody who does not know what to do, but we want young people to think of it as the first option, particularly if they want to enter a growing area, because we want more construction to happen around the country.

[Anne Milton]

The shadow Minister rightly praised the CITB for its help with the collapse of Carillion. The CITB has been absolutely brilliant, but I will not go into the details here. I was not sure whether he was referring to the apprenticeship levy or the CITB levy, but obviously some of the big employers will pay the apprenticeship levy. From April, their ability to transfer 10% of their funds into their supply chain and elsewhere will be very important.

I praise the work of organisations such as Women into Construction, which have done a great deal to

ensure that we include people who would otherwise not have thought of going into the construction industry, perhaps because they are from black and minority ethnic backgrounds or because they are women. Those opportunities are really wide open now.

It continues to be the collective view of the majority of employers that training should be funded through a statutory levy. I commend the order to the Committee.

*Question put and agreed to.*

6.19 pm

*Committee rose.*