

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Second Delegated Legislation Committee

DRAFT INDUSTRIAL TRAINING LEVY (CONSTRUCTION INDUSTRY TRAINING BOARD) ORDER 2025

Tuesday 11 March 2025

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The Committee consisted of the following Members:

Chair: DR ROSENA ALLIN-KHAN

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|---|---|
| † Atkinson, Lewis (<i>Sunderland Central</i>) (Lab) | † O'Brien, Neil (<i>Harborough, Oadby and Wigston</i>) (Con) |
| † Buckley, Julia (<i>Shrewsbury</i>) (Lab) | † Quigley, Mr Richard (<i>Isle of Wight West</i>) (Lab) |
| † Daby, Janet (<i>Parliamentary Under-Secretary of State for Education</i>) | † Roca, Tim (<i>Macclesfield</i>) (Lab) |
| † Dickson, Jim (<i>Dartford</i>) (Lab) | † Sollom, Ian (<i>St Neots and Mid Cambridgeshire</i>) (LD) |
| † Foster, Mr Paul (<i>South Ribble</i>) (Lab) | † Spencer, Patrick (<i>Central Suffolk and North Ipswich</i>) (Con) |
| † Foxcroft, Vicky (<i>Lord Commissioner of His Majesty's Treasury</i>) | † Strickland, Alan (<i>Newton Aycliffe and Spennymoor</i>) (Lab) |
| Goldman, Marie (<i>Chelmsford</i>) (LD) | |
| † Holden, Mr Richard (<i>Basildon and Billericay</i>) (Con) | Chris Watson, <i>Committee Clerk</i> |
| † Irons, Natasha (<i>Croydon East</i>) (Lab) | |
| † Johnson, Kim (<i>Liverpool Riverside</i>) (Lab) | |
| † Lamont, John (<i>Berwickshire, Roxburgh and Selkirk</i>) (Con) | † attended the Committee |

Second Delegated Legislation Committee

Tuesday 11 March 2025

[DR ROSENA ALLIN-KHAN *in the Chair*]

Draft Industrial Training Levy (Construction Industry Training Board) Order 2025

2.30 pm

The Parliamentary Under-Secretary of State for Education (Janet Daby): I beg to move,

That the Committee has considered the draft Industrial Training Levy (Construction Industry Training Board) Order 2025.

This draft order was laid before the House on 5 February. It is a pleasure to see you in the Chair, Dr Allin-Khan.

The scale and urgency of the skills challenge, which my noble Friend the Minister for Skills and I have been debating with Members in this House and the other place over recent weeks, are clear. It is also clear that the solution lies not just with the Government, but in working in partnership with everyone who can scale up the necessary skilled workforce to deliver the growth, opportunity and homes needed by all.

The Construction Industry Training Board is one of those essential partners. I say “essential” because Mark Farmer’s recently published independent review of both remaining industry training boards reinforces the need to continue with the levy-funded model of construction skills provision. The levy remains important to a fragmented industry that is characterised by high levels of self-employment, contracting and project work, which often create a disincentive for employers to train and develop their workforce.

If approved, the draft order will generate almost £224 million in 2025-26, which will be ringfenced for construction training and will support an estimated 67,000 assessable employers. Established in 1964 with a remit across England, Scotland and Wales, the CITB is energised by our ambition to build 1.5 million homes, provide up to 5 million home upgrades and provide a skills system that provides opportunity for all.

I thank the Joint Committee on Statutory Instruments for its detailed review of the draft order. Little has been amended in the previous 2022-23 year order: levy assessment rates, which were heavily consulted on, remain the same. Companies that directly employ workers will continue to pay 0.35% of those employee earnings. It is right that companies that contract workers, and so do not bear associated staffing costs, pay a greater share towards the pool of trained individuals. Their levy rate remains at 1.25% of the contract payments paid to indirectly employed workers.

What have changed are the thresholds that ensure that smaller organisations that employ fewer people are exempt from the levy or given a 50% reduction in levy fees. The increases in exemptions and reductions in thresholds are designed to avoid penalising companies

whose staff wages have increased since the previous order in 2022. Employers with an annual wage bill below £135,000—the CITB estimates that this is 69% of in-scope employers—are exempt from paying any levy at all. A further 15% of employers will be eligible to pay just half of their levy rate, and this applies to companies with a wage bill between £135,000 and £449,999.

A laudable feature of the CITB levy is that exempt employers, or those that pay reduced levy rates, are still eligible to claim full CITB support. The few larger construction companies support the many sole traders and small and medium-sized enterprises that make up the majority of the sector. Put simply, 84% of in-scope employers are either exempt from paying the levy or will pay just half of the levy, but they can still benefit from the full training support available.

I know hon. Members will be keen to understand how those in scope of these payments feel about the additional levy that the law puts upon them. Last year’s general election delayed the publication of the much-anticipated Mark Farmer review, which I have mentioned. The CITB felt it was unreasonable to complete its usual engagement with the industry through its in-depth and lengthy consensus process while the outcome of the review was still unknown. Instead, the CITB sought views on the one-year proposal from its 14 prescribed organisations, sector federations representing around 30% of all levy-paying employers and the nation councils for England, Scotland and Wales. The vast majority were supportive, and neither the CITB nor my Department has encountered opposition since that targeted engagement. With the ITB review and the CITB’s “Strategic Plan 2025-29” now published, the industry is in a much stronger position to reach a consensus on the 2026 proposals and make informed decisions.

John Lamont (Berwickshire, Roxburgh and Selkirk) (Con): The draft order’s preamble mentions that the Government have consulted Scottish Ministers. Can the Minister say whether the Scottish Government support these proposals? Did they make any contrary suggestions?

Janet Daby: I can confirm that both the Scottish Government and the Welsh Government were consulted, and neither objected.

This draft order will enable the CITB to continue raising extra revenue from those in the construction sector who benefit most from its growth. This will be reinvested into our skilled construction workforce to support the sector to build Britain’s future.

2.36 pm

Neil O’Brien (Harborough, Oadby and Wigston) (Con): It is a pleasure to serve under your chairmanship, Dr Allin-Khan. This statutory instrument effectively kicks the can down the road for a year while the Government come to a decision on the CITB’s future. That is obviously not ideal from the sector’s point of view, but I can see that it gives the Government time to think.

The Opposition thank Mark Farmer for his thorough and very frank review, and for his analysis of the big challenges facing the sector in building a proper skills pipeline. His recommendations for a “fundamental reset” were very clear, including merging the two remaining

ITBs into a single workforce planning and development body for both construction and engineering, supported by a statutory levy. The Department for Education has already said in response that it will not merge the two ITBs.

I have some questions I would like answered today. I appreciate that it can be difficult for Ministers to answer everything in these short debates, but I would be very grateful if the Minister undertook to write on some of these issues if there is no time to answer today.

In its briefing for this debate, the CITB explained that £143 million, or more than 12% of all the funds raised from the levy over the lifetime of this Parliament, will be spent on

“running the business, including grant and levy administration”.

That equates to about £28 million a year. Does the Minister think that kind of share—£1 in every £8—is appropriate? If not, what share would be appropriate?

My second question is about the Government’s emerging thinking on the CITB. The Farmer review noted that the CITB had delivered useful training, but

“it is not delivering the level of strategic forward thinking, scale and pace of influence or tangible bottom line impact that the industry now requires”.

Specifically, the review said that the CITB had too little focus on upskilling the existing workforce, did not police well enough how levy funds were used, and needed a clear, modular, unitised system of qualifications. Can the Minister say anything about her emerging thinking on the future of the CITB?

A third question is about the growth and skills levy. The Government have said that they will allow employers to take funds out of the current apprenticeship levy to spend on things that are not apprenticeships. The Secretary of State for Education has recently talked about allowing 50% of funds to be spent in that way.

Other things equal, of course, we will end up with fewer apprenticeships if we take a lot of money out of apprenticeships. What is the Government’s assessment of the impact of allowing employers to take 50% out of their levy funds to spend on non-apprenticeships in, for example, construction? What will that do to the number of apprenticeship starts and participation? There is an overlap between the apprenticeship levy and the CITB levy for firms in this industry. If, for example, it turns out that employers are allowed to take out 50%, what would that do to the number of apprenticeships in construction? I ask not least because the CITB has identified apprenticeships as a key route into the sector.

Fourthly, what assessment has the Minister made of the extraordinary joint appeal by the Royal Town Planning Institute, the Royal Institute of British Architects, the Chartered Institute of Building and the Royal Institution of Chartered Surveyors for level 7 apprenticeships in the built environment to be exempt from the Government’s plans to cut level 7 apprenticeships? Those organisations say that they are “deeply concerned” by the Government’s plans and that cutting level 7 apprenticeships in this sector will be bad for upskilling existing workers and will be particularly bad for access to the profession for less well-off people.

Will the Minister heed those warnings from a sector that is very worried about the Government’s plans by protecting level 7 construction apprenticeships from the planned cull so that less well-off people can get top-level jobs in these very important professions? I hope the Minister can answer some of these questions today, but if not, I hope she will write to us.

2.41 pm

Janet Daby: I will endeavour to answer those four questions. As the shadow Minister has suggested, if there are any questions I am unable to answer, he is welcome to write to me, or I can write to him.

This mission-led Government are kick-starting economic growth, delivering on net zero commitments and breaking down barriers to opportunity. The Government have committed to building 1.5 million homes in England during this Parliament for the growth mission, delivering the biggest boost to social and affordable housing in a generation.

In 2023, as the shadow Minister is aware, Mark Farmer was commissioned to carry out an independent review of the two remaining industry training boards, the engineering construction ITB and the construction ITB. That was part of the standard cycle of Cabinet Office reviews of public bodies. As I have said, the review’s publication was delayed until 30 January 2025 due to a lengthy fact-checking process and the need to consider our response in the light of our missions following the general election. A headline finding was that the construction and engineering construction sectors face common strategic workforce challenges. The review recommended merging the ITBs to focus on improving workforce resilience across both sectors.

As we press ahead with delivering 1.5 million homes, now would be the wrong time to distract the construction sector by consulting on changes to legislation. What the sector needs now is continued investment in skills and training to create a larger and more effective workforce. We are driving that through increased voluntary collaboration between ITBs, initially focused on the commonality of purpose in infrastructure, as demonstrated by the recent signing of the skills charter by both ITBs and Sizewell C. There is no immediate plan to legislate to merge the ITBs.

The CITB levy is specific to the construction industry. It has a wider remit on the types of training that can be funded, such as providing grants to deliver training to existing staff to meet any construction-related training needs, as well as setting sector occupational standards to assure the quality of qualifications.

The CITB has also used its levy funding to address barriers specific to the construction industry, including the creation of a new entrant support team. This mainly supports smaller businesses to identify appropriate training, and it provides mentoring and other support for learners. In less than a year, NEST has supported 2,506 distinct employers and 5,230 apprentices. Of those apprentices, 96.6% remain on their training or have achieved their apprenticeship, which is an excellent result. The ITBs are working with the Department for Education as the growth and skills offer is further defined, to ensure that ITB levy-funded training complements that provision. As I have already said, there are no immediate plans to legislate to merge the ITBs.

[Janet Daby]

The CITB's running costs are currently at 15% and include the cost of administering the levy, grants and funding schemes for employers. Its underlying corporate costs—including human resources, finance and other back office services—are at 10%. The 2023 ITB review recommended that there should be more transparency on the ITBs' funding costs, that their corporate service costs should be benchmarked against suitable comparators, and that both ITBs should look to make 5% efficiency savings. In 2023-24, the CITB made efficiency savings of 11.3%. The Government agree with those recommendations, and a steering group will be convened to monitor their implementation.

The Department for Education's response to the ITB review is on the Government website. We have accepted the majority of the review's recommendations. Where the Department has partially accepted the recommendations, or accepted them in principle, it is because the recommendations are complex and are likely to require additional scoping of form and function. In some cases, consultation with the industry is likely to be required.

We must see a step change in construction skills delivery to achieve many of the Government's infrastructure and housing ambitions. Over the next 12 months, we will work with ITBs and other Government Departments through a cross-departmental steering group to scope the different ways of implementing the more complex

recommendations. All that work will need to be carried out before final policy decisions can be made on whether to fully accept and implement the recommendations. I am happy to write to the shadow Minister on his other financial points.

This draft order is designed to enable the CITB to concentrate on its job at hand, which is turning the dial on the provision of a growing and skilled construction workforce, alongside everything else this Government and industry will also bring to the table. The CITB levy ensures that the construction industry invests in training and skills. It provides businesses of all sizes with access to ringfenced funding estimated at almost £224 million over the next financial year. Hon. Members will know that we cannot afford to turn down such investment, given our ambition for growth and our ambition to build 1.5 million homes during this Parliament.

Neil O'Brien: I think the hon. Lady has already covered this, but is she happy to write to me about the level 7 apprenticeships?

Janet Daby: I thank the hon. Member for raising that again—I had it in my notes. Further information on the level 7 apprenticeships will shortly be made available to the House.

Question put and agreed to.

2.48 pm

Committee rose.