

## Overview

**Apprenticeship Levy:** In April 2016 the government released some additional detail concerning the specifics of the Apprenticeship Levy. This includes a deadline for spending funds raised through the levy (18 months) and the ability of 'connected companies' to pool their funds. However a number of details are yet to be released including: precise rules around how and with whom employers can pool funds; and how non-levy paying businesses, which make up the vast majority of construction employers will be funded to deliver Apprenticeships. Based on these emerging details, it is thought that the Apprenticeship fund could be a catalyst for increased levels of collaboration and partnership working between connected companies.

**Further Education Provision:** The London (Central) Area Based Review commenced in January 2016. The Review will examine the Further Education (FE) sector in the area and consider options for rationalising the curriculum and developing greater specialisation, as well as the prospects for any mergers, closures or collaboration. Similarly to the Apprenticeship Levy, the Review could encourage further partnership working and interact with other developments (such as the Sainsbury Review) to help simplify the technical and professional training market.

**Transport Infrastructure Skills Strategy:** The new Transport Infrastructure Skills Strategy (published January 2016) sets an ambition for at least 20% of new entrants to engineering and technical apprenticeships in the transport sector to be women by 2020. More widely, a new Strategic Transport Apprenticeship Taskforce will be set up to address skills challenges within the sector.

**Government Construction Strategy:** The Government Construction Strategy 2016-20 sets out how the government plans to develop its capability as an 'exemplary' construction client. One of the Strategy's key aims is to develop collaborative procurement techniques to build skills capacity, including the delivery of 20,000 apprenticeships by 2020.

## Introduction

As part of the Ethos led Innovate UK SkillsPlanner project, SERIO at Plymouth University is producing a series of quarterly skills briefings on developments within the construction sector. The purpose of these briefings is to make project partners and interested stakeholders aware of new developments and policy announcements related to construction skills.

The first intelligence briefing, published in February 2016, provided an overview of the key issues affecting the demand and supply of skills within the construction sector in London. This document, the second such briefing, provides an outline of key policy developments and considers their implications for both SkillsPlanner, and the sector as a whole. The briefing is structured around four core areas of discussion: the Apprenticeship Levy, reforms to Further Education (FE) provision; the Transport Infrastructure Skills Strategy; and the Government Construction Strategy.

## Apprenticeship Levy

### Key Details

As outlined in the previous Intelligence Briefing, the government has announced that from April 2017 large employers will need to pay an Apprenticeship Levy. The levy will be set at 0.5% of an employer's paybill, although a £15,000 tax allowance means that only employers with a payroll of £3 million or more will be required to contribute. The money raised by the levy will be drawn down as digital vouchers via the Digital Apprenticeship Service (DAS). Employers that are required to make levy payments will receive a 10% government top-up to their monthly contributions to spend on apprenticeship training.

In April 2016 the government released further details regarding how the Apprenticeship Levy will work. Some of the key details include:

- Employers will only be able to use digital vouchers to pay for Apprenticeships delivered with approved training providers.
- Any employer that wishes to deliver apprenticeship training in-house will need to register as an approved provider.
- There will be a deadline of 18 months after which any unspent funds in an employer's digital account will expire.

- The government will provide additional funding via the training provider to meet the costs of employing apprentices aged 16 to 18.
- Connected companies will be able to pool their funds into a single levy through multiple PAYE schemes attached to a single account. However it is unclear whether employers will be able to pay for other employers' (e.g. in their supply chain) apprentices. Further details will be released in June 2016.

### CITB Levy

It is not yet clear how the Apprenticeship Levy will affect the existing Construction Industry Training Board (CITB) Levy which applies to businesses exceeding a much lower payroll threshold of £80,000, and which does not solely apply to apprenticeships. Skills Minister Nick Boles has stated that he sees "no reason" why CITB should not retain its existing levy alongside the new system providing the industry is supportive. CITB is currently working with the Department for Business Innovation and Skills (BIS) on drawing up some alternative proposals for the levy and will be consulting with the industry as to how its levy could work alongside the Apprenticeship Levy, after further details of the apprenticeship funding arrangements become clear.

### Non-Levy Paying Businesses

The direct impact of the Apprenticeship Levy on construction will be limited by the large number of SMEs in the industry - the CITB has estimated that the levy would apply to 1% of its registered employers, about 700 firms in total. According to the Build UK response to the government's Apprenticeship Consultation, the majority of apprenticeships in the sector are delivered by SMEs as part of the contracting supply chain. To this end, Build UK quote CITB data that shows that the majority of apprentices they support (67%) are employed by small firms and almost half (46%) by firms with less than 10 employees.

It is not yet clear exactly how the levy will affect smaller non-levy paying employers, or whether such employers will be able to use any surplus raised through the levy. Smaller employers will continue to be able to receive a core government contribution to apprenticeship provision once they have made the initial payment to the training

provider. The suggestion is that the government support these businesses according to the new funding structure, based on £1 of employer contribution for every £2 from government. However, at the time of writing this had not yet been confirmed. The government is due to release further details of the funding for non-levy paying employers in June 2016.

### Implications

While employers are still awaiting some of the details on how the Apprenticeship Levy will work, and in particular how the CITB levy will be impacted, it is possible to speculate on some of the potential implications for the construction industry.

The levy may have the effect of increasing the demand for apprenticeships amongst larger employers as they look to make full use of their digital vouchers. However, this could lead to a reduction in other forms of provision like traineeships. For example, the Confederation of British Industry (CBI) has warned that existing training spend might be re-badged as apprentice spend simply to make use of the funds raised by the levy. In support of this, their Director General, Carolyn Fairbairn, raised concerns that companies "are having to change the 'spec' of graduate or management training schemes...just to fit apprenticeship standards". Research from the CIPD which explored employers' views on the Apprenticeship Levy and their likely response to it, indicated that it might encourage many employers to increase their investment in lower-level intermediate apprenticeships at the expense of higher-quality advanced and higher-level apprenticeships.

As the digital apprenticeship vouchers will expire after 18 months, there should arguably be more incentive for employers to plan apprenticeships in advance to try to fit them with key developments. It is possible that the need to use vouchers before they expire may encourage more collaboration between employers but this will be contingent on the precise regulations the government will put in place around pooling Apprenticeship Vouchers. There may also be opportunities to encourage more engagement between employers and training providers, although this is likely to depend on the extent to which employers may want to register as providers themselves.

## Further Education Provision

### Area Based Reviews

As noted in the previous briefing, the government has launched a series of area based reviews of post-16

education, focusing in particular on Further Education (FE) and Sixth Form Colleges. The government's professed aim is to move towards a sector with 'fewer, larger, more resilient and efficient providers' with more effective collaboration and greater specialisation. The reviews also aim to develop clear and high quality technical and professional routes to employment, and to ensure that colleges more responsive to employers.

The area review work in London is being overseen by the London Area Review Steering Group chaired by the Mayor. Individual reviews are being undertaken in each of the four sub-regions: Central, East, South and West. Each of these sub-regions has its own steering group which includes representatives from the London Enterprise Panel, Greater London Authority and London councils.

The London (Central) review commenced in January 2016, alongside London (West), while reviews in the East and South began in April 2016. The London (Central) review, which incorporates the local authorities currently involved in Skills Planner, will affect ten FE Colleges and four Sixth Form Colleges. Pan-London recommendations are expected in November 2016.

Components of each Area Based Review include:

- An economic needs analysis of the area's economic priorities, demand for education and training, progression routes, and assessment of the level of public provision.
- An analysis of current post-16 provision including local capacity based on stakeholder engagement.
- An options analysis to consider: rationalisation of curriculum; opportunities for greater specialisation; mergers; looser forms of collaboration; and closures of institutions.

### FE Funding

In March 2016 the Skills Funding Agency announced that the new Adult Education Budget will be kept for the next four years at £1.5bn. This ends the cycle of annual cuts and has been welcomed by stakeholders and representative bodies from the FE sector, including the Association of Colleges, for providing a degree of certainty and stability for providers.

### Qualification Reform

Following on from the 2011 Wolf Review of Vocational Education, the government is continuing to look for ways to 'simplify' what it sees as an 'over-complex' technical and professional qualification environment. In November 2015 the government announced that a new independent panel, led by former Science and Innovation Minister Lord Sainsbury, will advise it on this issue.

The panel will advise on the creation of 20 specific new technical and professional routes which will lead up to employment or degree-level study and will be as easy to understand as academic routes. The panel was due to release its findings in April 2016 although at the time of writing no report had been released in the public domain.

### Implications

Area Based Reviews could present both opportunities and challenges to addressing skills issues in construction.

On the one hand they are likely to encourage increased partnership working and collaboration between colleges. As an example, the pilot review completed in North East Norfolk and North Suffolk resulted in a commitment by three of the institutions concerned to develop a partnership which will protect the individual identity of each college. In London, prior to the commencement of the Central Area Review, two of the colleges affected, City and Islington and Westminster Kingsway, announced plans to merge in August 2016.

Increased collaboration, and a focus on specialisation, may also provide further opportunities for colleges to invest in large-scale capital projects which could make provision for facilities more appropriate to Modern Methods of Construction.

Area Based Reviews may also encourage more widespread collaboration. Given the focus on responding to employer needs and the responsibility local authorities and LEPs will have for funding any changes resulting from the reviews, there may be more engagement between colleges, councils and employers. In addition the focus on reviewing the curriculum may make the identification of the training supply chain simpler.

However, as cited in the previous briefing, there are concerns that the merger of providers might reduce local provision in some areas. Within London this could be particularly problematic given that the limitations on the mobility of many young people. The uncertainty around the future of certain colleges may also discourage engagement in new initiatives, which might be considered potentially risky, such as setting up courses in new areas of construction.

## Transport Infrastructure Skills Strategy

### Key Details

Following on from the publication of the National Infrastructure Plan for Skills (September 2015), the Department for Transport asked Terry Morgan, CEO of Crossrail to produce a Transport Infrastructure Skills Strategy. The resulting strategy, which was published in January 2016, outlines the skills needed to deliver the £61 billion in transport investment planned up to 2020 (much of which will relate to construction and engineering occupations).

Some of the key announcements contained in the strategy include:

- Help for transport employers to come together through the establishment of a Strategic Transport Apprenticeship Taskforce (STAT) which will address skills challenges in a co-ordinated and collaborative way. This will look to inform training provision and encourage young people to enter the transport industry.
- An ambition to ensure that at least 20% of new entrants to engineering and technical apprenticeships in the transport sector are filled by women by 2020 and to achieve gender parity by 2030.
- Support for the government's target for a 20% increase in the number of Black and Minority Ethnic apprentices by 2020.
- New contract requirements: depending on the contract, suppliers will either need to create one apprenticeship for every £3 to £5 million of taxpayers' money or deliver a percentage increase in the number of apprentices employed (equalling up to 2.5% of the workforce).
- The development of a Common Skills Passport to facilitate mobility across the transport sector, which will provide a record of each worker's personal level of skills and competencies.
- Setting contract weightings at a sufficiently high level to encourage change in bidder behaviour and to ensure that competitive DfT funding pots will incentivise local authorities to encourage skills development.

The Strategy also refers to other skills developments which are taking place that could have wider implications. These include a new Jobcentre Plus initiative to raise awareness of

employment based training in schools; and the development of degree apprenticeships, which will allow students to combine academic study with practical experience and wider employment skills.

### Implications

Given the overlap between transport and construction the implications of the Transport Infrastructure Skills Strategy for the construction industry could be considerable. The new apprenticeship targets for women and the increased focus on skills within contract weightings, for example, serve to reinforce the need for skills data amongst both construction employers and councils.

Further, the recommended development of a Common Skills Passport, based on the existing Skills ID and Sentinel systems, could significantly increase the amount of data available on the supply of skills in transport related construction and engineering occupations.

## Government Construction Strategy 2016-20

### Key Details

The Government Construction Strategy (GCS) 2016-20 was published in March 2016 and set out how the government plans to develop its capability as an 'exemplary' construction client. The strategy, which was released the same month as the National Infrastructure Delivery Plan (NIDP) 2016-21, aims to:

- Embed the use of digital technology, including Building Information Modelling (BIM).
- Deploy collaborative procurement techniques to develop skills capacity and capability, including the delivery of 20,000 apprenticeships by 2020.
- Enable and drive whole-life approaches to cost and carbon reduction across the construction, operation and maintenance of public infrastructure.

The strategy action plan includes a number of objectives relating to data. Some of the most notable include:

- Publication of the government construction pipeline.
- Measuring the creation of apprenticeships through central government construction procurement.
- Increasing efficiency of cross government data reporting and sharing and utilising data to identify and establish best practice.

As part of its aim to increase the efficiency of, the government is also looking to develop a web based data collection tool for direct departmental data input.

In terms of skills shortages the Construction Leadership Council (CLC) is developing a guide on what good skills investment should look like aimed at both government procurers and potential tenderers. In addition, as the NIDP notes, the CLC is currently undertaking an investigation into the labour market in construction and will develop an action plan on how to address skills issues and other barriers affecting house building.

### Implications

The GCS's focus on digital skills and low carbon construction is likely to add further urgency to the development of courses which can train construction workers in more advanced construction like Business Information Modelling.

It is not clear exactly what data will be included in the government's proposed data tool and whether this is something which is only available to government departments or may be made publicly available. However the publication of the construction pipeline will provide an additional set of data to consider for initiatives like Skills Planner.

### Timescales for Future Developments

- **June 2016:** Government to release further details about Apprenticeship funding, including the provisional level of funding for non-levy paying employers.
- **June 2016:** Strategic Transport Apprenticeship Taskforce (STAT) to be established.
- **September 2016:** UCAS to start promoting higher and degree apprenticeships and enable applications via its website.
- **October 2016:** Confirmation of final levels of apprenticeship funding for apprentices starting in April 2017, including payments for 16 to 18 year olds and English and maths.
- **October 2016:** Jobcentre Plus to start rolling out its initiative for raising awareness in schools of apprenticeship, traineeships and other local employment opportunities.
- **December 2016:** Employer guidance from HMRC on how to calculate and pay the apprenticeship levy.
- **2016/17:** Biannual publication of the government construction pipeline begins.
- **2017:** Completion of London Area Based reviews and devolution of SFA budgets and administration to London.

- **April 2017:** Apprenticeship Levy launched.

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## Specific Implications for Skills Planner

As noted, each of the four key policy developments outlined through this briefing will have a number of implications for the construction industry. However there are also some more specific implications for the SkillsPlanner project which are outlined separately below:

**Apprenticeship Levy:** The new Levy will, at least initially, add to the costs of larger employers and may discourage some of them from making financial contributions to SkillsPlanner, as the initiative moves toward commercialisation. This has already been raised as an issue by some project partners through the baseline stakeholder interviews and is especially likely if employers are still required to contribute to a reformed CITB levy. It should be noted, however, that employers that make full use of their digital apprenticeship vouchers will be net financial beneficiaries of the Apprenticeship Levy, due to the government top-up. As such, SkillsPlanner could be marketed, in part, as an approach to supporting full utilisation of an employer's digital account.

**FE Funding:** As with the Apprenticeship Levy, Area-based Reviews may initially create greater uncertainty for colleges which may discourage some of them from engaging with SkillsPlanner, particularly with reference to potential financial contribution toward a commercial model. However in the long-run it is possible that the Review process will result in the development of more sustainable colleges who may have more capacity to engage.

**Transport Infrastructure Skills Strategy:** Given the importance of construction to the transport industry, it will be important to follow developments relating to the Infrastructure Skills Strategy in detail. In light of this it may be useful for SkillsPlanner to consider how it could best engage with STAT, once it is established.

**Government Construction Strategy:** The GCS places considerable importance on the production and use of skills data. The Strategy makes explicit reference to the labour market forecasting tool commissioned by the CLC and delivered by CITB and Whole Life Consultancy. In light of this it may be useful to consider how SkillsPlanner could be used to support the utilisation of pipeline data and how its distinctiveness from the labour market forecasting tool can be emphasised.