

Overview

Apprenticeship Levy: In August 2016 the government released further details concerning the specifics of the Apprenticeship Levy. This includes a 90% apprenticeship training co-investment from government for non-levy paying businesses; and the introduction of 15 funding bands that will cap the maximum price government will co-invest towards the cost of each apprenticeship.

Further Education Provision: The findings from a panel chaired by Lord Sainsbury into the 'over-complex' technical and professional qualification environment have been released, alongside a series of recommendations which have been accepted by the government. The Post-16 skills plan sets out a streamlined technical education system where students will be able to choose from up to 15 distinct technical education routes, with the first routes being made available from 2019. In addition, the QAA have announced that they are developing a new characteristics statement for Degree Apprenticeships. Currently there are 13 Degree Apprenticeships on offer and this move will ensure that they are formally recognised within the higher education system.

Farmer Review: This month, a report on the state of the skills crisis within the construction sector has been published, detailing 10 critical areas where the construction industry is showing signs of failure. The review notes how an ageing workforce and surging costs driven by a shortage of skilled workers have stalled investment. Among the recommendations set out in the report, several refer to the need for skills and training to better reflect the needs of a future modernised industry, including the use of OpenData to address the construction skills gap, specifically mentioning SkillsPlanner.

Neighbourhood Planning Bill: A series of new amendments have been made to the Neighbourhood Planning Bill which are now due to be considered by a Public Bill Committee. The Bill seeks to simplify how plans can be revised as local circumstances change and measures will support more housebuilding and provide more local say over developments.

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 second intelligence briefing, published in May 2016, provided an overview of four core areas of discussion: the Apprenticeship Levy, reforms to Further Education (FE) provision; the Transport Infrastructure Skills Strategy; and the Government Construction Strategy. This document, the third such briefing, provides an update on policy developments, and considers the 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 Farmer Review of skills in the construction industry; and the Neighbourhood Planning Bill amendments.

Apprenticeship Levy

Key Details

As outlined in previous Intelligence Briefings, from April 2017 large employers will be required to make an investment in apprenticeships by contributing to a new Apprenticeship Levy. For employers with a payroll of £3 million or more, the levy will be set at 0.5%, and the money raised will be drawn down as digital vouchers via the Digital Apprenticeship Service (DAS). Further details on how the Levy will work were released by the government in August and confirmed in October 2016. Key details include:

- Non-levy paying businesses will co-invest in apprenticeship training; with government funding 90% of the costs of a given apprenticeship and employers paying the remaining 10%.
- All apprenticeships will be allocated to one of 15 proposed funding bands; the upper limit of each band will cap the maximum price that government will co-invest towards the cost of an apprenticeship.
- From 2018, employers will be able to transfer their digital funds to other employers in their supply chains, sector or to apprenticeship training agencies.

- Employers who already pay into an existing industry levy scheme (e.g. CITB Levy) will still be required to pay the apprenticeship levy.

Non-Levy Paying Businesses

The direct impact of the Apprenticeship Levy on the construction sector 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, approximately 700 businesses in total. Guidance documents published by the government note that employers who don't pay the levy:

- Will not need to use the digital apprenticeship service to pay for apprenticeship training and assessment until 2018 at the earliest.
- Will be able to use the registers available on the digital apprenticeship service from May 2017 in order to choose the type of training apprentices will receive; approved training providers, and assessment organisations.
- Will make a contribution to the cost of the training with government funding the remainder, up to the maximum amount of government funding available for an apprenticeship within each particular 'funding band'. Government will fund 90% towards the cost of training and assessment, and employers will pay the remaining 10%. Further details on the proposed apprenticeship funding bands can be found below.

Funding Bands

Every individual apprenticeship framework and standard will be allocated to one of 15 proposed funding bands. The upper limit of each funding band will cap the maximum price that government will 'co-invest' towards the cost of an apprenticeship, and the upper limit of the proposed bands range from £1,500 to £27,000. Employers will be able to agree a payment schedule with their provider and spread their payments over the life time of the apprenticeship. For example, the maximum price that government will co-invest in a band 9 apprenticeship is £9,000. If an employer chooses an apprenticeship in band 9 and negotiates a price of £8,500 with their provider, the government will co-invest 90% (£7,650), and the remaining 10% (£850) will be invested by the employer. The employer and provider can agree to

spread this payment over monthly instalments, such as 10 instalments of £85.

If employers negotiate a price with a provider that is more than the maximum allowed by the funding band, then government will not support the additional costs and the employer must pay the difference between the band maximum and the agreed price. For example, if an employer chooses a band 9 apprenticeship but the training provider they have chosen charges £9,200 for the training, the additional £200 over the maximum price must be paid for in full by the employer themselves.

Transferring Digital Funds

It has been confirmed that in the first year of the levy, employers' funds in their digital accounts may only be used to pay for apprenticeship training and assessment for their own employees. However, the government has recognised that some employers will want to use funds in their digital account to pay for apprenticeship training of other employer's apprentices, for example, a business in their supply chain. Therefore the government has committed to introducing the ability for employers to transfer digital funds to other employers in their supply chains, sector or to apprenticeship training agencies in 2018. A new employer group will help government develop this system and will include the Confederation of British Industry, Federation of Small Businesses, British Chambers of Commerce, Charity Finance Group and EEF.

CITB Levy

The previous Intelligence Briefing noted that it was unclear how the Apprenticeship Levy would affect the existing Construction Industry Training Board (CITB) Levy, which applies to businesses with a turnover exceeding £80,000. It has now been confirmed that employers who already pay into an existing industry levy scheme will still be required to pay the apprenticeship levy.

Following the publication of the Apprenticeship Levy guidance documents, CITB have reported that the proposed funding bands may cut funding for construction apprenticeships by between 20% and 30%. Steve Hearty, Head of Apprenticeships at CITB, said "We are concerned that training providers could stop training or they could ask employers to make up the shortfall in cost, which might deter firms from taking apprentices on". In October 2016 it was announced that Paul Morrell OBE, the former government construction advisor, will lead a review of the CITB. A key element of the review will

explore whether a separate levy and grant system is needed for the construction industry and if so, how it can work alongside the Apprenticeship Levy.

Further, the CITB announced in September 2016 that their Grant Scheme will be undergoing a period of review. The scheme provides funding for CITB-registered employers to train, upskill, and qualify their staff, helping to ensure that the right skills are available to maintain standards and help the industry grow. CITB are looking to update the scheme to ensure grant funding is targeted to areas which employers consider are key competencies, and where they have evidence of a skills shortage. In a recent blog post Geeta Nathan, Head of Economic Analysis at CITB, stated that the CITB are considering splitting the grant scheme into two funds: the first would fund training leading to a recognised qualification and the second would focus on funding industry-wide competencies or sector-specific skills. The CITB will be running a series of workshops and pilots to test their proposals and the findings will be used to further develop their plans. There are no immediate plans for the current grant support to stop, and any new arrangements will be phased in gradually.

Implications

The Apprenticeship Levy guidance documents released by the government are in proposal form and have not yet been formally confirmed. Nevertheless, with additional details now published it is possible to comment on some of the potential implications and the views of industry on the impact the levy may have for the construction industry.

Of particular note is the uncertainty from industry as to how effective the levy will be at raising the level and quality of apprenticeships. A survey of large businesses by the Chartered Institute of Professional Development (CIPD) found that under one-third (30%) of organisations believe the levy will encourage them to develop an apprenticeship programme to help build key skills, and almost a third of organisations think the levy will cause them to reduce their investment in other areas of workforce training and development. Subsequently, there is the potential for the levy to be regarded as a new tax from government, rather than as a tool for driving quality in apprenticeship training. Secondly, there remains uncertainty about how the

apprenticeship levy will interact in practice with other levies and grant schemes, with the potential to cause additional complexity and administrative burden for industry. Finally, there are implications for the SME sector, where the majority of apprenticeships are situated, on the impact of the levy. Given that 99.9% of construction companies are SMEs, the future and livelihood of their apprentices could be under threat if larger companies resent contributing towards this new levy, and decide that they do not wish to transfer up to 10% of their levy funds to employers within their supply chain.

Further Education Provision

Qualification Reform

As reported in the previous Intelligence Briefing, a review into the 'over-complex' technical and professional qualification environment was being undertaken by an independent panel, chaired by Lord Sainsbury. The findings from the panel have now been released, alongside a series of recommendations which have been accepted by the government. The panel found that currently, young people considering a technical education must choose between more than 20,000 courses provided by 160 different organisations, with no clear understanding of which course will give them the best career prospects. In response, Skills Minister Nick Boles has published the Post-16 skills plan, setting out a streamlined technical education system with moderation and set standards of excellence.

The skills plan proposes a new system where students who have finished their GCSEs will be able to choose from up to 15 distinct technical education routes providing a clear path to skilled employment. The content for each route and the accompanying standards will be set by an employer-led body, and will take place either through apprenticeships or at college with a work placement element. The skills plan shows that construction is one of the most critical routes to employment, employing over 1.6 million people, and the plan will devise high-quality, two-year, college-based programmes, suitable for both 16-18 year olds and adults. The first routes will be made available from 2019.

Degree Apprenticeships

The Degree Apprenticeship is a relatively new education route, combining university study and workplace learning to enable apprentices to gain a full bachelor's or master's qualification. There are currently 13 Degree Apprenticeships on offer: Chartered Surveying; Electronic

Systems Engineering; Aerospace Engineering; Aerospace Software Development; Defence Systems Engineering; Laboratory Science; Nuclear; Power Systems; Public Relations; Digital; Automotive Engineering; Banking Relationship Manager; and Construction.

During a keynote address at the 'Delivering Excellence in Higher Education' conference in July, it was announced that QAA is developing a new characteristics statement for Degree Apprenticeships. Douglas Blackstock, Chief Executive of QAA, said that, "we have been working closely with Universities UK and the University Vocational Awards Council on the development of a sector-led approach to the quality assurance of new Degree Apprenticeships". QAA aim to develop a statement that will set out the distinctive features of Degree Apprenticeships, which will sit alongside the existing statements for foundation, master's and doctoral degrees.

In addition, in a report published during National Apprenticeship Week 2016, universities, government and employers have been encouraged to develop more Degree Apprenticeships. Universities UK commissioned CFE Research to review the development of Degree Apprenticeships to date, and the report details several recommendations to help ensure the successful future growth of Degree Apprenticeships. For employers, these recommendations include:

- Understanding what the apprenticeship levy will mean for your business and the potential collaboration opportunities with local universities it could provide;
- Working with other employers to develop sector-wide standards; as well as with universities to develop tailored apprenticeship provision;
- Integrating Degree Apprenticeships into your wider organisational recruitment and talent development strategies.

Implications

The Post-16 skills plan aims to make technical education as attractive to learners as the traditional A-Level route, enabling students to receive a worthwhile qualification and the sector to acquire individuals with quality skills highly sought by

industry employers. The plan could present opportunities to address the skills issues in construction and is widely welcomed by the engineering and construction industry. There remains a long-documented and ongoing need to cultivate a home-grown, high-quality, technically skilled workforce. This is particularly pertinent following the UK's decision to leave the European Union, which might affect free movement of labour, and illustrates the need to develop a locally sourced skills supply.

The rise of Degree Apprenticeships will provide opportunities for higher education institutions to collaborate with employers in the delivery of these programmes. Employers and industry experts are uniquely positioned to play a key role in the design of these programmes; ensuring that students receive a quality education and employers receive students trained to a high standard and with the necessary skills employers are looking for.

The Farmer Review

Key Details

This month, a report on the state of the skills crisis within the construction sector has been published by Mark Farmer, chief executive and founder of Cast Consultancy. Commissioned by the government through the Construction Leadership Council, the Farmer Review sought to look at the labour model in the construction industry and to investigate the factors, such as skills pressures, that limit housebuilding and infrastructure development in the UK. The report details 10 critical areas where the construction industry is showing signs of failure and poor performance. These cover: low productivity; low predictability; structural fragmentation; leadership fragmentation; low margins, adversarial pricing models and financial fragility; dysfunctional training funding and delivery model; workforce size and demographics; lack of collaboration and improvement culture; lack of R&I and investment in innovation; and poor industry image.

The report notes how an ageing workforce and surging costs driven by a shortage of skilled workers have stalled various construction schemes that have become too expensive to build. The author estimates that over the next 10 years the UK could experience a 25% decline in available workforce if no action is taken, resulting in the industry being incapable of delivering the necessary infrastructure and housing to sustain the country.

Among the recommendations set out in the Farmer Review, several relate explicitly to the issue of skills development in the construction industry, namely that:

- CITB might benefit from reorganising its grant funding model for skills and training to better reflect the needs of a future modernised industry;
- Industry bodies and professional institutions should take a more active role in producing talent that is appropriate for a digitally-enabled world;
- Tax incentives set by government could encourage industry clients to evidence their contributions to bettering the industry, particularly around skills and innovation.
- More collaboration and joined up thinking is needed for the construction industry to thrive. SkillsPlanner has been cited as a case study exemplar illustrating how open networked data can be used to align skills and demand.

The review is being shared with government departments and industry stakeholders for review. For example, James Wates CBE, Chairman of CITB, said "The problems facing the construction industry have been well known for quite some time, but Mark Farmer's review makes very clear the scale of the challenge we face. Driving improved collaboration across the entire built environment value chain – including clients – and investing in the up-skilling of the workforce are crucial to ensure construction is fit for purpose. A reformed, empowered, equally fit for purpose CITB will be central to delivering that".

Implications

The release of the Farmer Review is likely to have far reaching implications for the construction industry over the coming years. Although there has yet to be any direct response from government on how they will act on the recommendations set out in the review, it is clear that the timing of its release, alongside the other developments outlined in this briefing, heralds a potential step change in the way the industry operates and innovates to meet the challenges it faces in the coming years. However, the recommended modernisation of construction practices and technologies will play especially well to those industry players that have invested in

innovative training, technology and construction methods. Notwithstanding this, questions still remain as to how the recommendations within the review could be implemented. In particular, the Construction Industry Council (CIC), that commissioned the review on behalf of the government, question "whether a judgement has been made as to whether private sector clients are already contributing to innovation; and with regards to the client charge, why should clients pay to sort out the construction industry, bearing in mind that a 0.5% "charge" on a £20m project is £100,000. It is also not clear as to implications for applying such a charge on overseas investment in a post Brexit climate?" Clearly, whatever government actions are decided against the recommendations in the review, it is likely they will have far reaching implications for the construction industry.

Neighbourhood Planning Bill

Key Details

In September 2016 it was announced that a series of new amendments have been made to the Neighbourhood Planning Bill. The new Bill will simplify how plans can be revised as local circumstances change, ensuring that plans come into force sooner once approved by local people. There will also be a simplification of the compulsory purchase order process to make it clearer, fairer and faster. Further measures will ensure that planning conditions which require developers to take action before work starts are only used where strictly necessary, enabling a developer to start building as soon as planning permission has been granted.

Housing and Planning Minister Gavin Barwell said that the measures will support more house building and provide more local say over developments, "...this Bill will help speed up delivery of the new homes our country needs. We're going further than ever before to speed up neighbourhood planning which puts power in the hands of local people to decide where development gets built". The proposals were debated in the House of Commons in October and having passed a Second Reading without a division, the Bill will now be considered by a Public Bill committee by 1st November 2016.

Implications

Reforms to the Neighbourhood Planning Bill are likely to have significant implications for the construction industry and the planning sphere in a number of ways. The provisions of the Bill relating to conditions and compulsory purchase are likely to have the most impact. For planning conditions, the Bill would prevent the

imposition of pre-commencement conditions unless they are first agreed with the applicant, and give the Secretary of State power to make regulations about what conditions can be imposed generally. Additional reforms proposed in relation to compulsory purchase introduce a general power to obtain temporary possession of land, and a new joint power for either the GLA or TfL to promote a Compulsory Purchase Order for both authorities on a combined transport and regeneration or housing scheme. On the whole these changes have been welcomed for the clarity they bring for applicants and decision makers but questions remain if they are likely to make any fundamental contribution to the government's commitment to deliver one million new homes in this Parliament.

Timescales for Future Developments

- **October 2016:** Confirmation of final levels of apprenticeship funding for apprentices starting in April 2017, including payments for 16 to 18 year olds in 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.
- **November 2016:** The Neighbourhood Planning Bill amendments will be considered by a Public Bill committee.
- **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.
- **September 2019:** First routes in the Post-16 Skills Plan to be launched.

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Specific Implications for SkillsPlanner

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:

As per the May 2016 intelligence briefing, 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 the clarification of the fact that employers will still be expected to contribute to a reformed CITB levy is likely to raise these concerns. 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.

Further Education Provision:

The reform of further education provision via the Post-16 skills plan and Degree Apprenticeships represent a simplification and streamlining of the routes to technical training. This represents a potential opportunity for SkillsPlanner both in terms of reducing the burden of complex skills datasets and promoting SkillsPlanner as a route for colleges and universities to employers.

The Farmer Review:

The Farmer review is a positive outcome for SkillsPlanner, as the review highlights the need for innovation within the construction sector, with the increased use of OpenData cited as a one of the recommendations and SkillsPlanner named within the review. This high profile review has the potential to be used to help raise awareness of SkillsPlanner within Industry and represents an opportunity to leverage increased engagement with potential commercial partners.

Neighbourhood Planning Bill:

The reform of the Neighbourhood Planning Bill is likely to have a limited direct effect on SkillsPlanner. However, in-directly the proposed liberalisation of the planning system is likely to have a positive impact for potential clients of SkillsPlanner. Therefore, the reforms represent an opportunity for SkillsPlanner when it reaches commercialisation stage, in widening the potential client base for which it could provide services.