

# **Impact Assessment of The Industrial Training Levy (Construction Industry Training Board) Order 2022**

**November 2021**

# Contents

<a href="#">Table of figures</a>	3
Problem under consideration	4
<a href="#">Background</a>	4
<a href="#">Challenges</a>	4
<a href="#">Rationale for intervention</a>	6
<a href="#">Policy objective</a>	7
<a href="#">Description of options considered</a>	8
<a href="#">Option 1 - approve the levy proposals</a>	8
<a href="#">Option 2 - reject the levy proposals</a>	10
Monetised and non-monetised costs and benefits of each option	12
Costs	12
Benefits	15
Direct costs and benefits to business calculations	21
Wider impacts	21
<a href="#">Equalities</a>	21
<a href="#">Small Businesses</a>	21
<a href="#">Appendix A: Development of the 2022-24 Levy Proposal</a>	22
<a href="#">Appendix B: Evidence of Industry Support for the Levy and Grant System</a>	28

## Table of figures

<a href="#">Table 1:</a> Difference between the 2018, 2019 and 2020 levy arrangements and the Levy Proposals for 2022, 2023 and 2024.....	10
<a href="#">Table 2:</a> Forecast amounts to be raised from the 2022 Levy Proposals.....	12
<a href="#">Table 3:</a> Estimated CITB Levy payable by employer size (2018 v 2022).....	13
<a href="#">Figure 4:</a> Estimated CITB Levy payable by employer size (2018 v 2022).....	13
<a href="#">Figure 5:</a> Estimated CITB Levy payable by employers in England, Scotland and Wales (2018 v 2022).....	14
<a href="#">Figure 6:</a> Estimated CITB Levy by construction activity (2018 v 2022) .....	14
<a href="#">Table 7:</a> Grant payments made by size of employer (2018/19 to 2020/21 ) .....	16
<a href="#">Table 8:</a> Priority based intervention funding allocated between 2022/23 and 2024/25..	18
<a href="#">Table 9:</a> Estimated funding for CITB’s Other Support between 2022/23 and 2024/25. ....	18
<a href="#">Table 10:</a> Estimated CITB funding to support industry between 2022-23 and 2024-25.....	19
<a href="#">Table 11:</a> Monetary impact of achieving vocational qualifications, 10-year period .....	20
<a href="#">Table 12:</a> Effect of achieving vocational qualifications on earnings compared to the next highest achievement, by construction sector .....	20
<a href="#">Table 13:</a> List of main options considered by the Levy Strategy Committee to change the current Levy arrangements.....	23
<a href="#">Table 14:</a> Summary of main options considered by the Levy Strategy Committee against the principles.....	24
<a href="#">Table 15:</a> RAG rating of main options against the principles .....	25
<a href="#">Table 16:</a> Small Business Exemption Threshold 1971-2020 compared to average sector salary.....	25
<a href="#">Figure 17:</a> Yes / No Employer responses regarding agreement with the Levy Proposals..	26
<a href="#">Table 18:</a> Summary of engagement with the 14 Prescribed Organisations.....	27
<a href="#">Table 19:</a> Survey of non-represented employers by Volume (% of respondents) .....	27
<a href="#">Table 20:</a> Survey of non-represented employers by Value (% of respondents).....	28
<a href="#">Figure 21:</a> CITB survey of employers on the importance of the levy/grant system.....	28
<a href="#">Figure 22:</a> CITB survey of employers on what would happen without the CITB .....	29
<a href="#">Figure 23:</a> CITB survey of employers on whether the Levy, grant and funding system should continue .....	29

# Problem under consideration

## Background

1. The Construction Industry Training Board (CITB) is the non-departmental public body of the Department for Education which is currently authorised by Parliament (pursuant to the [Industrial Training Act 1982](#)) to impose a statutory levy on employers in the construction industry to fund its operations. CITB does not routinely receive grant-in-aid funding from Government. Section 11 of the Industrial Training Act 1982 enables CITB to submit proposals to the Secretary of State for the raising and collection of a levy on employers in the construction industry over a period of up to three years. If certain conditions are met, the Secretary of State may give effect to the Levy Proposals by way of a Levy Order.
2. The Industrial Training Act 1982 in conjunction with a Levy Order empowers CITB to collect the Levy from employers in the construction industry and then distribute training grants and other support to those employers that undertake training considered eligible by CITB to receive support. CITB is dedicated to ensuring the construction workforce has the right skills for now and the future based on three strategic priorities – Careers, Standards and Qualifications, and Training and Development. The construction industry has had a levy and grant arrangement for 58 years. CITB is authorised to impose a levy on employers that are ‘wholly or mainly’ engaged in construction activities throughout England, Scotland, and Wales. [The Industrial Training \(Construction Board\) Order 1964 \(Amendment\) Order 1992](#) (“the Scope Order”) defines what is classed as a construction activity.
3. CITB is currently funded by the Levy raised under [The Industrial Training Levy \(Construction Industry Training Board\) Order 2021 \(legislation.gov.uk\)](#) (“the 2021 Order”). Ordinarily a Levy Order has a duration of three years, however during the Pandemic a one-year Levy Order was approved (“the 2021 Order”). In order for CITB to raise a Levy for subsequent Levy Periods, CITB is required to make proposals to industry and ultimately government on the rate and exemption arrangements that apply to the Levy they propose to raise. Levy Proposals are subject to Ministerial and Parliamentary approval. This Impact Assessment is concerned with the Levy arrangements for a three-year levy Order in 2022, 2023 and 2024.

## Challenges

4. COVID-19 has had an enormous impact on employees and businesses in the construction industry. CITB, with industry and Government responded quickly to these challenges, ensuring employers had the support to get back on site safely and retain their workers and apprentices. The Coronavirus Job Retention Scheme helped ensure catastrophic job losses were minimised in the sector. Almost three quarters of a million construction workers were furloughed during the first lock-down in 2020 and up to 42% of employers in the industry utilised the CJRS scheme<sup>5</sup>. The CITB levy, apprenticeship incentive payments, and additional flexibilities for employers, have enabled thousands of learners to start and complete construction

apprenticeships over the course of the pandemic that they would not have been able to do otherwise.

5. Construction will continue to be crucial in recovery, employing around 3.1 million people (including contracting, associated manufacturing and professional services). The Construction Leadership Council's "Roadmap to Recovery"<sup>1</sup>, that CITB is a key partner in, provides a clear path to address the skills issues that need to be overcome to help industry realise its potential in recovery. This includes addressing critical challenges, such as recruiting the future workforce, helping industry adapt to change, building a more professional industry, embedding high standards of site safety, and improving occupational and mental health.

6. There will be big challenges for an industry that faces numerous long-term systemic issues in training a skilled workforce. As evidenced by, and in addition to Mark Farmer's 2016 report "Modernise or Die"<sup>2</sup> and the 2017 "Review of the Industry Training Boards"<sup>3</sup> for the UK Government, the industry has a reduced incentive to train due to:

- The complex and fragmented nature of construction and the large proportion of small and micro-businesses (over 98% of all CITB registered businesses) and long supply chains within it;
- Heavy reliance on subcontracting and self-employment (around 70% of labour is not directly employed), reflecting the project-based nature of much of the work;
- The cyclical nature of the industry, with drops in output and employment during an economic downturn and skills-lags in an upturn;

7. As the industry continues to recover from the pandemic, it will additionally have to deal with a range of other complex challenges that include:

- a) The impact of the UK's departure from the European Union and an end to the free movement of labour which has created labour shortages and therefore a greater need for investment in skills for the domestic workforce (40% of the construction workforce in London was born overseas<sup>4</sup>);
- b) An ageing workforce, with over 37% of the construction contracting population (16-64) aged 50 years or above.<sup>4</sup>

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1. CLC's Roadmap to Recovery (2020) Skills Challenges <http://www.constructionleadershipcouncil.co.uk/wp-content/uploads/2020/06/CLC-Roadmap-to-Recovery-01.06.20.pdf>

2. Farmer Review (2016), <https://www.constructionleadershipcouncil.co.uk/wp-content/uploads/2016/10/Farmer-Review.pdf>

3. Review of the Industry Training Boards (2017). [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/657350/Building\\_Support-the\\_review\\_of\\_the\\_Industry\\_Training-Boards.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/657350/Building_Support-the_review_of_the_Industry_Training-Boards.pdf)

4. ONS document on migrant workers, age etc. release date: 23rd August 2018 <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/articles/migrantlabourforcewithinthetheconstructionindustry/august2018>

5. HMRC (CJRS) Statistics: December 2020\_Times Series – Number of employments on furlough per day by sector [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1006366/CJRS\\_Statistics\\_December\\_2020\\_-\\_data\\_tables.xlsx](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1006366/CJRS_Statistics_December_2020_-_data_tables.xlsx).

- c) Changing skills needs arising from greater modernisation in the industry including advancements in On-line Learning, Digitisation, Environmental and Sustainable Construction, Covid-19 related Health and Safety and increasing diversity within the Sector;
- d) Ambitious plans to increase homebuilding (300,000 new homes p/a in England<sup>6</sup>) and infrastructure developments such as HS2, Crossrail and Tideway;
- e) Putting the skills in place to help industry unlock the Net Zero challenge by 2050 (45% of carbon emissions come from the built environment<sup>7</sup>) this will give rise to an estimated 350,000 new roles by 2028 to meet demand;
- f) Weak investment and productivity levels, further impacted by the pandemic;
- g) Better utilising those parts of the workforce who currently lack basic qualifications;
- h) A shortage of many Construction materials compounded by significantly increased materials costs that is anticipated to continue well into 2022;

## Rationale for intervention

8. There remains a serious and distinct market failure in the development and maintenance of skills in the construction industry: the trading conditions, incentives and culture do not lead to a sufficient level of investment in skills by employers. The evidence for this was set out in the Farmer Review<sup>2</sup> and Government’s own review of Industry Training Boards<sup>3</sup>: employers will often be reluctant to invest in skills (including apprenticeships), because they cannot be confident that they will get a return on that investment over the long term. Skilled workers are often not directly employed, and even where they are, there is a risk that they will be poached by a competitor who is not investing in skills (what economists call the “free-riding” problem), or that they will have to be laid off during an economic downturn. Training is often left to small employers and individuals, who can find it hard to fund and access training locally. The pandemic has also exacerbated long-term structural skills issues and increased skills challenges. As industry gets fully up to speed, it is essential that employers have access to the support needed to upskill existing workers and adequately attract and train new talent.

9. Fundamentally the UK construction industry will need to attract more new entrants to replace its ageing workforce as it recovers from the pandemic and seeks to reinvent itself as an attractive sector with a commitment to sustainability. This will need to be through a mixed approach of growing apprenticeship numbers, increasing the number of people entering the industry from Further Education, and retraining and upskilling people through their working careers. It’s also important that the new points-based migration system is responsive to industry’s skills needs. Employers will need to be properly incentivised to recruit and train the next generation of workers, to provide more work-placement and training opportunities.

6. Planning for the Future Doc. August 2020 – MHCLG – ambition for 300k new homes p/a pg.14  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/907647/MHCLG-Planning-Consultation.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/907647/MHCLG-Planning-Consultation.pdf)

7. Carbon and the Built Environment - Gov.UK  
[randd.defra.gov.uk/Document.aspx?Document=GA0403\\_9268\\_FRP.pdf](http://randd.defra.gov.uk/Document.aspx?Document=GA0403_9268_FRP.pdf)

10. There is a strong public interest in a high-performing, efficient and safe construction industry. The construction contracting sector in the UK, accounts for an annual output of £147.4bn<sup>8</sup>, with GVA of £125.4bn<sup>9</sup> and employs around 3.1 million people (including contracting, associated manufacturing and professional services). The country's economic success and social progress rely on building more homes and delivering key infrastructure. There is a further economic benefit from the large number and wide range of employment opportunities that these industries provide, many of them well-paid, highly skilled and offering good progression opportunities.

## Policy objective

11. The objective of the CITB Levy is to raise sufficient funds to meet CITB's expenditure on training the workforce across the construction industry to secure an adequate supply of skilled labour. CITB provides a wide range of services and training initiatives including: setting occupational standards; promoting career opportunities and supporting routes into those opportunities, funding strategic industry initiatives; and paying direct grants to employers who carry out training to approved standards.

12. Only employers wholly or mainly engaged in construction industry activities (as defined by the Scope Order), with a wage bill that is £120,000 or more per annum, are required to pay a Levy. This was increased from £80,000 as a result of Industry consultation in 2020 and ratified by the 2021 Levy Order. Consequently, around 62% of the smallest businesses registered with CITB in 2020 are not required to pay the Levy, and this increase has removed a further 5,000 micro sized employers. Where an employer's annual wage bill is above this exemption threshold but falls below £400,000, CITB operates a small business levy reduction band meaning approximately 14% of small businesses currently benefit from a 50% discount off standard Levy assessments. The remaining 14% of employers with an annual wage bill of £400,000 or more pay standard Levy assessments based on standard Levy rates. Approximately 10% of employers have estimated assessments as a result of not completing a Levy declaration.

13. All employers registered with CITB, regardless of whether they are liable to pay Levy, can claim grants towards training, subject to the conditions of the relevant Grants Scheme Terms & Conditions being met. In general, large employers pay more of the Levy, but medium and smaller businesses receive the majority of the funding because they train more of the industry's workforce, particularly new entrant trainees. The Grants Scheme and the Skills and Training Fund supports and incentivises investment in training, particularly for smaller businesses which generally have greater constraints in their financial and organisational capacity to invest. A detailed breakdown of the number and value of grants claimed by employers between 2018/19 and 2020/21, the three most recent years available for comparison, can be found in [Table 7](#).

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8. ONS, Output in the Construction Sector, 2020, seasonally adjusted volume, 2018 price basis

<https://www.ons.gov.uk/businessindustryandtrade/constructionindustry/datasets/outputintheconstructionindustry>

9. ONS, Regional gross value added (balanced) by industry, 2019, chained volume 2018 money value

<https://www.ons.gov.uk/economy/grossvalueaddedgva/datasets/nominalandrealregionalgrossvalueaddedbalancebyindustry>

14. Employers in the construction industry have consistently supported the statutory underpinning of their training arrangements. This is evidenced by consistent majority support from the industry for previous CITB proposals for Levy Orders to meet one of the requirements in the Industrial Training Act 1982. The CITB successfully achieved Consensus every year until 2008 (when the levy duration changed to 3 years), and every three years since with the exception of 2020 (the 2021 Levy Order) when Consensus was postponed due to the Pandemic and a one-year Order was provided instead. CITB needs to demonstrate that the Levy Proposals have support from employers and/or organisations representing employers who are likely to be liable for Levy payments. Industry has argued that without collectively funded training, paid for by a statutory Levy applied to all but employers with the smallest number of employees, there is a serious risk that insufficient training will be carried out.

## Description of options considered

15. Following the extraordinary one-year 2021 Levy Order that was raised as a result of Covid-19, without the normal Consensus process, CITB in 2021 has returned to the normal process to deliver a new three-year Levy Order in 2022. CITB consulted with industry across England, Scotland and Wales over Levy Proposals that have been developed to fund its activities in 2022, 2023 and 2024.

16. [Appendix A](#) provides details of the different options considered before deciding on the final 2022 Levy Proposals and the steps CITB took to engage with industry prior to approval by the CITB Board in May 2021.

17. CITB submitted Levy Proposals to the Secretary of State in September 2021 for Levy to be collected in 2022, 2023 and 2024.

18. This Impact Assessment considers the cost and benefits of approving the 2022, 2023 and 2024 Levy Proposals against a counterfactual baseline of rejecting the Levy Proposals and CITB having no Levy assessed in 2022-2024. Two policy options are therefore examined:

- Option 1 - approve the Levy Proposals
- Option 2 - reject the Levy Proposals (no CITB Levy raised in 2022-2024)

## Option 1 - approve the Levy Proposals

19. It is for CITB to develop Levy Proposals for how the statutory Levy should operate to finance their activities. In 2020, CITB established a Levy Strategy Committee (LSC), a small group of industry representatives, to examine the current Levy arrangements (put in place by the 2018 and 2021 Levy Orders). The LSC replaced the previous Levy Working Party (LWP) in November 2020. The remit of the LSC is similar to the LWP and its initial primary purpose was to deliver the Levy Proposals for the three-year 2022 Levy Order aligned to the anticipated cost of the Strategic Plan. [https://www.citb.co.uk/documents/strategic\\_plan/citb\\_strategic\\_plan\\_2021-25.pdf](https://www.citb.co.uk/documents/strategic_plan/citb_strategic_plan_2021-25.pdf)



LSC members were recruited based on experience and their ability to provide industry's views, whilst taking into account the external environment and the evolving needs of industry.

20. With the LSC's guidance, CITB scoped out a range of possible options before agreeing on the draft Levy Proposals which were consulted on during the spring of 2021. There was a far lower response rate than expected due to the ongoing Covid-19 restrictions and working from home guidance, with just 281 responses received from employers registered with CITB (approximately 0.4% of employers registered with CITB). However, 60% of employers who did respond were in favour of the option to retain the increased small business exemption threshold at £120,000 (implemented by the 2021 Levy Order) and maintain all other rates and thresholds implemented by the 2018 Levy Order.

21. After considering feedback from industry, the CITB Board, supported by the LSC agreed that these proposals reflected the prevailing economic conditions and skills needs of the industry for the following three years to 2024.

22. CITB then took the reasonable steps to ascertain the views of employers who are likely to be liable to Levy payments under the 2022 -2024 Levy Proposals. The Industrial Training Act 1982 sets out at S11(6)(a) that the Secretary of State may give effect to Levy Proposals if, after consulting with industry in this way, CITB can demonstrate that employers representing more than half the employers who are likely to be liable for Levy payments and employers who together are likely to pay more than half the total amount of Levy payable consider the proposals are necessary to encourage adequate training in the industry. The Secretary of State must also consider that the Levy periods are appropriate in the circumstances and that employers who ought to be exempted in view of their small numbers of employees are exempted from Levy payments.

23. The 2022 Levy Proposals proposed that the Levy arrangements set out in the 2018 Levy Order remain the same, with the exception of the small business Levy exemption threshold which should remain at the increased level of £120,000 that was included within the 2021 Levy Order. Under the 2018 Levy Order CITB Levy is calculated on the wage bill of in-scope employers which includes payments made to directly paid employees (PAYE) and payments made to indirectly employed sub-contractors who are Net paid under the HMRC Construction Industry Scheme (CIS). Under the 2018 Levy Order, the PAYE element was charged at 0.35% and the liability for indirect employment at a rate of 1.25%. The 2021 Levy Order included a straight 50% reduction in the rate of PAYE and Net CIS. [Table 1](#) compares the rates and thresholds between the 2018 Levy Order, the 2021 Levy Order and the Levy proposals for the 2022 Levy Order.

	2018-2020 Levy Arrangements	2021 Levy Arrangements	2022-2024 Levy Proposals	Difference 2018- 20 & 2022-24
Pay-As-You-Earn (PAYE) rate	0.35%	0.175%	0.35%	No change
Net CIS sub- contract rate	1.25%	0.625%	1.25%	No change

Small Business Levy Exemption	Below £80,000 (38k employers)	Below £120,000 (43k employers)	Below £120,000 (43k employers)	+£40,000 increase (+5,000 employers)
Small Business Levy Reduction	Between £80,000 - £399,000 (15k employers)	Between £120,000 - £399,000 (10k employers)	Between £120,000 - £399,000 (10k employers)	-£40,000 decrease (-5,000 employers)
Standard Levy Rates	Over £399,999 (10k employers)	Over £399,999 (10k employers)	Over £399,999 (10k employers)	No change
Estimated Levy (likely to be below the Exemption threshold *)	Variable – Approx. 7k employers	Variable – Approx. 7k employers	Variable - Approx. 7k employers	No change

\*Employers are issued with estimated Levy assessments when Levy Declarations are not returned. Whilst some estimates are paid, many are corrected when a Levy Declaration is received and then fall below the Small Business Levy Exemption.

**Table 1: Difference between the 2018, 2019 and 2020 levy arrangements and the Levy Proposals for 2022, 2023 and 2024**

24. Under the 2021 Levy Order, all in-scope employers were required to complete an annual Levy Return, but only those with a wage bill of £120,000 or more per annum were required to pay the Levy. Prior to 2021 this threshold exempted around 54% of in-scope employers and the increase from £80,000 to £120,000 has increased this to 62%. This equates to around an additional 5,000 of the smallest employers now being exempt from paying Levy. Employers with a wage bill of £120,000 or more, but below £400,000 continue to receive a 50% reduction in their Levy Assessment. The 2022 Levy Proposals effectively include no change compared to the 2018 Levy arrangements, except for the increase to the Small Business Levy Exemption which was implemented in 2021. The rationale for this increase is explained in [Appendix A \(para.63\)](#).

## Option 2 - reject the Levy Proposals

25. The 2022 Levy Proposals for 2022, 2023 and 2024 are expected to raise around £502.2m from the construction industry for CITB to invest in training and skills. Rejecting the 2022 Levy Proposals and not seeking revised proposals, would mean CITB would have no Levy income to invest after March 2022. If the Levy were to cease, employers would need to determine their own training needs without support, make their own arrangements regarding training and qualification standards, procure their own training directly and, would need to cover the full cost of training which is currently subsidised through CITB grants. Small and micro-businesses (circa 97% of all registered businesses) carry out a disproportionate amount of apprenticeship and other training and would be particularly affected by having no CITB grant support. Without the Grants Scheme and other funding, it is expected that many small businesses would not be able to afford to train their workforce. CITB is also a participating employer in the ITB Pension Fund which was predominately operated through a defined benefit scheme until 31 December 2016.

Any pension obligations pertaining to this scheme would potentially need to be funded by either industry or by HM Treasury.

26. Due to the particular structure and culture of the UK construction industry, it is difficult to forecast how construction employers would react to not having a Levy in comparison to other industries or other countries' construction sectors. However, in 2021, 73% of employers surveyed felt that the Levy, grant and funding system was important in maintaining the level and quality of training across the construction industry as detailed in [Appendix B](#). It is therefore expected that rejecting the 2022 Levy Proposals would lead to a significant reduction in the volume of training carried out, including the number of apprentices employed in the industry (see para.41) although it is difficult to quantify by how much.

27. Maintaining employer investment in skills is essential in order to produce a pipeline of domestically trained construction workers who can deliver key national infrastructure and build many more homes. This is a crucial period for industry which is responding to an ageing workforce, new skills needs from the modernisation of the industry, the impact of the UK's departure from the European Union, and the Government's plans for a substantial increase in home-building and infrastructure, as well as the significant impact of the Covid-19 pandemic.

28. The Industry Training Board Review<sup>3</sup> published in November 2017, which is still very relevant in the current climate, considered the need for the CITB Levy in addressing the market failure in the industry following the introduction of the Apprenticeship Levy in April 2017. It determined that any removal of the CITB Levy would mean less funding was available overall, at a time when levels of training are needed to increase, because relatively few employers in the construction industry pay the Apprenticeship Levy. More significantly, the CITB Levy has consistently served to support the wider construction sector through funding non-apprenticeship training, as well as high quality apprenticeships. Contrary to the Apprenticeship Levy, the CITB Levy further supports employers with the costs of having an apprentice through subsidising costs for travel, wages and mentoring etc.

29. The CITB Levy plays a vital role in promoting long-term careers within construction, through encouraging investment in construction skills, as well as through the development of occupational standards and qualifications. The CITB Levy further focuses funding on wide-ranging research programmes to address and understand challenges within the industry. The role of the CITB Levy, in conjunction with the Apprenticeship Levy, continues to be essential in the development of key skills and the stability of the sector.

30. The Industry Training Board Review<sup>3</sup> supported the CITB Levy being retained but recommended that CITB work with employers to make sure the Levy provides value for money. In response to this review CITB has amongst other things:

- streamlined the organisation by outsourcing products and services and centralising operations within a new Head Office;
- reformed governance structures by expanding the board to be more representative of small employers, along with the introduction of 3 Nation Councils;

- built stronger and closer links with CLC and is planning together to support the skills agenda;
- working more closely with stakeholder groups such as the 14 Prescribed Organisations; and
- Implemented clearly defined funding channels that are specifically targeted to industry needs;

The CITB Levy also supports the distinct policies and systems in Scotland and Wales.

## Monetised and non-monetised costs and benefits of each option

### Costs

31. The total costs to industry of the 2022 Levy Proposals are both the direct costs arising from the amount levied and indirect administration costs associated with complying with the levy assessment arrangements. In terms of direct costs, [Table 2](#) shows the amount CITB expect to raise from 2022 to 2024 as a result of the 2022 Levy Proposals.

Levy Period	Option 1: Approve 2022 Levy Proposals	Option 2: Reject 2022 Levy Proposals
2022	£147.6m	£0m
2023	£166.9m	£0m
2024	£187.7m	£0m
<b>Total</b>	<b>£502.2m</b>	<b>£0m</b>

**Table 2: Forecast amounts to be raised from the 2022 Levy Proposals**

32. The Levy Period represents the year that the Levy assessment becomes due and is based on an employer's wage bill for Levy Years 2021 to 2023. This forecast formed part of the basis for the planned allocation of funds set out in CITB's 2021-25 strategic plan.

[https://www.citb.co.uk/media/ot4j5lc0/citb\\_strategic\\_plan\\_2021-25.pdf](https://www.citb.co.uk/media/ot4j5lc0/citb_strategic_plan_2021-25.pdf)

33. [Table 3](#) provides an estimate of the amount the 2022 to 2024 Levy Proposals will raise from employers of different sizes and compares this with the projected amounts set out by the 2018 Levy Proposals. These figures are indicative, based on average projections across in-scope construction employers. The average annual decrease across all employer size groups is the result of differences between Levy payable forecasts, as opposed to changes to the Levy rates. The forecast Levy payable for 2018-2020 was £567.9m (£189.3m p/a) but for 2022-24 the forecast was downgraded to £502.2m (£167.4m p/a) due to the economic impact of Covid-19.

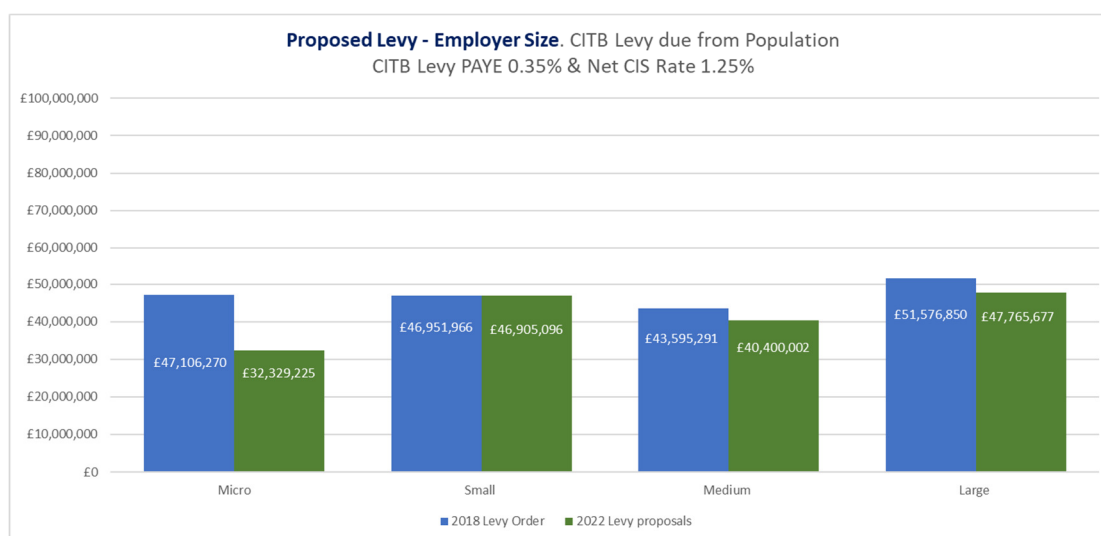
Size of employer	Number of Assessed employers of each size - 2020 Levy Returns	Estimated Average Levy payable p/a under 2018-2020 Levy arrangements	Estimated Average Levy payable p/a under 2022-2024 Levy Proposals	Average annual decrease of Levy payable per employer under 2022 Levy Proposals
Micro (0-9 employees)	60,517 (estimated 43,607 to be exempt from paying Levy)	£47.1m	£32.3m	-£737
Small (10-49 employees)	8,071	£47m	£46.9m	-£59
Medium (50-249 employees)	1,497	£43.6m	£40.4m	-£1,974
Large (250+ employees)	249	£51.6m	£47.8m	-£12,583
Total	70,334	£189.3m.	£167.4m	

**Table 3: Estimated CITB levy payable by employer size**

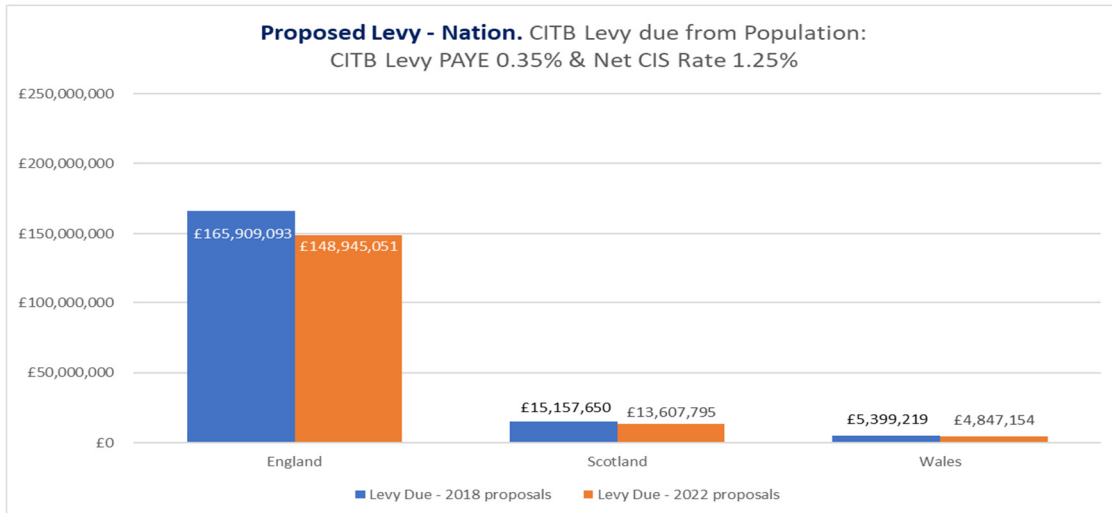
34. Under the 2022 Levy Proposals, CITB expects around 62% of in-scope employers will be exempt from paying Levy due to being below the £120,000 Small Business Exemption threshold. In comparison 54% of in-scope employers were exempt from paying Levy in 2019.

35. CITB estimates that around 948 out of the 19,080 (excluding estimated assessments) CITB Levy paying employers will pay both the CITB Levy and Apprenticeship Levy. The Apprenticeship Levy is only paid by those businesses with wage bills of over £3 million a year. However, this is very much an estimate as it is not possible to be confident about the number of connected companies that would be captured by the Apprenticeship Levy.

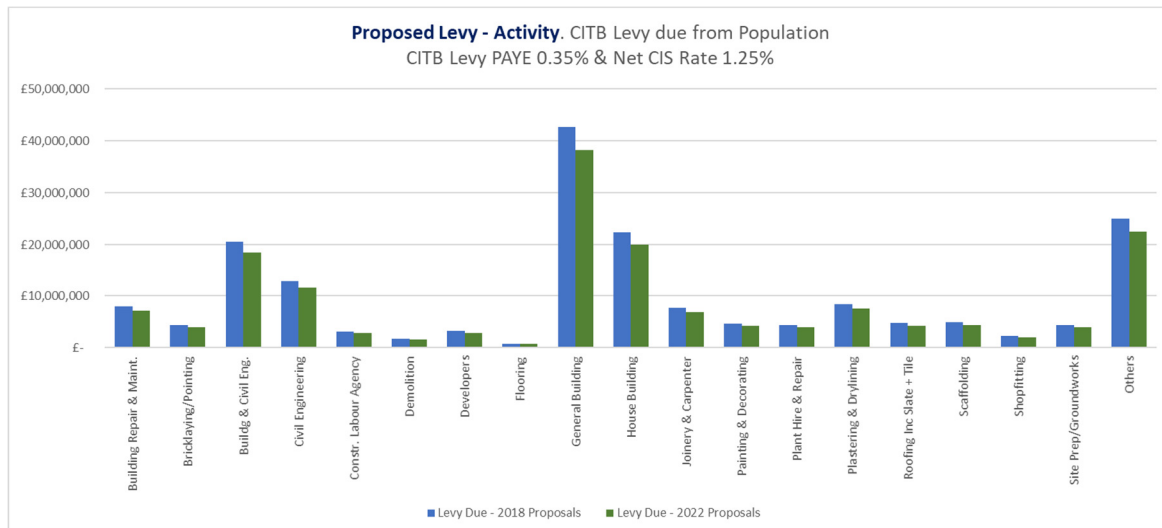
36. Figures 4, 5 and 6 demonstrate CITB's estimate of the Levy payable under the 2018-2020 rates and thresholds, compared to the 2022 Levy Proposals (based on 2020 Levy Returns). These comparatives illustrate in-scope employers of different size, location and construction activity. The differences are the result of Levy income forecasts being lower for 2022-24 compared to 2018-20.



**Figure 4: Estimated CITB Levy payable by employer size (2018 v 2022)**



**Figure 5: Estimated CITB Levy payable by employers in England, Scotland and Wales (2018 v 2022)**



**Figure 6: Estimated CITB Levy by construction activity (2018 v 2022)**

37. Indirect costs from the 2022 Levy Proposals include the cost of employers completing their annual Levy Returns, providing details of the number of employees on their payroll and the size of their wage bill. It is a requirement of all in-scope construction employers to allow CITB to calculate their Levy bill. The compliance costs relate to staff time or using third parties (e.g. accountants) in completing the Levy Return. Compliance costs depend upon the size of an employer's payroll and their use of subcontractors.

38. All employers who are registered with CITB, both Levy payers and small firms exempt from paying Levy, can claim grants subject to Grants Scheme terms and conditions. Until 2018 grants could only be claimed via completion of physical grant application forms. CITB has introduced an automated grant system designed to eventually remove this administrative burden.

39. The monetised direct and indirect administration costs of rejecting the Levy Proposals (option 2) would be zero as no Levy regime would be in place for 2022, 2023 or 2024. This, however, needs to be weighed against the benefits of the Levy described below and the serious risk that insufficient training would be carried out in the absence of the Levy.

## Benefits

40. The money raised by the Levy is used to fund CITB's activity to support the construction industry to make sure it has the skilled workforce it requires. CITB's core function is currently to provide direct grants and funding to employers to train new staff or develop the skills of their existing workforce. CITB also delivers a range of other functions, such as funding for skills initiatives, industry-wide work on research, developing standards and qualifications, highlighting career opportunities and creating and supporting routes to achieve them.

41. The Levy and Grant system supports employers of all sizes to train their workforce. This is especially crucial for smaller businesses and for longer term commitment training. For example, many of the apprentices employed in the industry are taken on by small and micro businesses. Many of these businesses have said that without the CITB apprenticeship Grants they would not be able to take on the trainees. For larger employers, it impacts the number of apprentices they may take on. This also applies to the scale of longer-term qualifications such as HND and degrees that employers are willing to support.

42. In October 2020 CITB commissioned Pye Tait to undertake a survey of construction employers to understand their awareness, perceptions and use of the Grants Scheme. Pye Tait interviewed 615 UK construction employers sampled from CITB's Levy database. The results of this survey showed that:

- Smaller companies are reliant on grants for training apprentices. 68% of micros and half of small companies who trained apprentices with a grant would have reduced or not done any apprenticeship training if it wasn't for grant funding.
- 56% of grant users say that the grants have enabled them to address skills gaps in their organisation and that they wouldn't have been able to do that without the grant system.
- 1 in 5 grant users have stated that the grant they received helped them prevent skilled staff from leaving the industry.
- 45% of micro companies who have claimed a CITB grant in the last 12 months thought that the grant has enabled them to undertake training which would not otherwise have been affordable.

43. The monetised benefits of the Levy can be described in terms of how CITB plans to invest the Levy income to support the construction industry and in terms of the estimated economic benefits of the additional quality and quantity of training which occurs as a result of the investment by CITB in relation to higher

earnings for learners and higher profits for employers, as a consequence of the impact of training on workers' productivity.

44. CITB's Grants Scheme provides employers with grants for a wide range of training courses and qualifications. Between April 2018 and March 2021, around 55% of all grants were provided to support employers with the additional costs of employing an apprentice in construction. Government funding generally covers apprenticeship training costs with CITB's grants supporting employers with the costs of having an apprentice such as wages, travel and tools. The Grants Scheme therefore incentivises employers to take on apprentices in a sector that has inherent disincentives for doing so and as [Table 7](#) shows is heavily on small and micro firms to deliver them. Grants are also provided for a range of Vocational Qualifications (VQs) at Levels 2 and above and for the achievement of plant tests (e.g. theory and practical tests required to work safely with plant). By the end of 2022 all CITB Grants Scheme eligible courses will be backed by a standard to ensure that the industry is investing in quality, transferable learning.

45. Between 2018/19 and 2020/21, the CITB Grants Scheme supported the creation of 43,973 apprentices. CITB Apprenticeships directly supported the creation of 4,528 new apprenticeships and provided support for 15,844 apprentices with an investment of £35.3m, part funded via ESFA, Welsh Government and Skills Development Scotland. The Grants Scheme also supported 43,146 worker qualifications, 398,859 upskilled workers through short duration accredited courses, 45,020 VQ achievements, and 55,225 plant tests. The total number of employers in receipt of grant between 2018/19 and 2020/21 was 22,681 (2017/2018 - 2019/20: 24,608). Further information on the economic benefits of apprenticeships and other vocational qualifications can be found in the Further Education: measuring the net present value in England report - [Measuring the net present value of further education in England 2018 to 2019 - GOV.UK \(www.gov.uk\)](#).

46. Looking at the distribution of grants across different employer groups, [Table 7](#) provides details of the number and value of grants claimed by employers between 2018/19 and 2020/21. It demonstrates that micro, small and medium employers received around 67% of grants support. Large employers also received grants for training, but the balance of grants paid reflects the nature of the construction industry: that smaller employers carry out a substantial amount of training and train more apprentices than Large employers.

<b>Employer Size</b>	<b>Average Number of employers receiving Grants p/a</b>	<b>Value of Grants by employer group</b>	<b>Number of Grant supported Apprentices</b>
Micro (0-9 employees)	13,739	£56.5m	14,480
Small (10-49 employees)	6,557	£58.8m	11,230
Medium (50-249 employees)	1,555	£65.6m	8,368
Large (250+ employees)	289	£90.2m	10,056
Other (unspecified/new registrations)	541	£3.1m	1,450



<b>Total</b>	<b>22,681</b>	<b>£274.2m</b>	<b>43,973 *</b>
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**Table 7: Grant payments made by size of employer (2018/19 - 2020/21)**

\*The total does not correlate to the individual size totals as some apprentices move between employers during their apprenticeship and have been counted against each size group. The total reflects the distinct count of apprentices.

47. On behalf of DfE, CITB managed the Construction Skills Fund (CSF) which included a total £25.5m investment and since the fund's inception circa 20,000 site-ready workers have been delivered (exceeding the original 17,000 target by 3,000 workers). In addition, CITB invested £826k in the CSF programme.

Between 2018/19 and 2020/21, CITB also supported:

- 4,629 small and micro firms through the Skills and Training Fund, totalling a £19.9m investment;

Further Funds were created in the 2020/21 financial year which have supported

- 90 medium firms through the newly introduced Medium Fund, totalling an investment of £1.4m
- 26 large firms began leadership and management projects through the Leadership & Management Fund, totalling an investment of £1.8m throughout the length of these projects.
- The Go Construct website engaged over 200,000 prospective entrants to explore construction career opportunities.

The main objective of the Skills & Training and Medium Funds is to help smaller firms improve performance, however, along with other funding changes, they have also helped to raise the share of funding received by SMEs to slightly above the share of levy paid by SMEs where previously they were below it.

In terms of CITB's wider offer, almost £28m was also allocated between 2018 and 2021 across other Funded Activities, details of which can be found at the following link: [Funded project results - CITB](#)

Some examples of outcomes from the 68 projects funded over this period are:

- £6.4m was allocated across 18 different projects connected with Digital and new technology. One of these projects was 'Project CONVERT (Immersive Learning) and has developed and delivered Virtual Reality (VR) and Augmented Reality (AR) modules to more than 2,000 learners via 6 training hubs across Britain. <https://www.cs-ic.org/innovationcentre/future-skills/convert-immersive-learning/>
- Since 2018 CITB allocated over £1m to fund and train 288 Mental Health first aid practitioners to tackle the mental health crisis in the sector. Partnering with trade associations, trade unions and regulators the Building Mental Health (BMH) framework has thus far delivered 284 trained instructors, over 5,000 Mental Health First Aiders and has achieved an estimated £5.5m in Social Value. [https://spra.co.uk/wp-content/uploads/2021/05/Building-Mental-Health-Report\\_FINAL.pdf](https://spra.co.uk/wp-content/uploads/2021/05/Building-Mental-Health-Report_FINAL.pdf)

48. Looking forwards, [Table 8](#) provides details of Company Specific Funds and Funded Programmes currently planned from 2022/23 to 2024/25 totalling £136.2m. This is funding that is available for all Levy registered employers along with other eligible construction stakeholder groups to apply for. Only projects that meet CITB's priorities for skills and training and demonstrate value for money will receive this funding, ensuring all projects deliver the best economic returns for the construction industry.

Fund Type	Fund Objective	22/23	23/24	24/25	Total
		£m	£m	£m	£m
S&T Fund for Small and Micro Employers	Providing opportunities for SMEs to get the training they need to build resilience and continue to develop	8.0	8.0	8.0	24.0
S&T Fund for Medium Sized Employer Fund	As above, the supply chain is in danger during the recovery period, so this addresses the need to support skills retention and development	3.5	3.5	3.5	10.5
L&M Fund for Large Employers	Recognising this need as structural changes are likely and large firms will have to consolidate and/or change how they work	3.0	3.0	3.0	9.0
Funded Activity	Related to programmes that address industry wide issues such as providing work experience and improving productivity through digitalisation	21.4	18.7	19.6	59.7
Unallocated funds available for investment	Funding that has yet to be allocated	1.0	16.0	16.0	33.0
Total Allocation		36.9	49.2	50.1	136.2

**Table 8 – Priority based intervention funding allocated between 2022/23 and 2024/25**

Source 2021/22 figures: CITB Strategic Plan

[https://www.citb.co.uk/documents/strategic\\_plan/citb\\_strategic\\_plan\\_2021-25.pdf](https://www.citb.co.uk/documents/strategic_plan/citb_strategic_plan_2021-25.pdf)

49. CITB also provides a variety of areas of other indirect support which are not necessarily attributable to an individual employer but provide a wider benefit to industry. A description of these and the areas are set out in [Table 9](#). Just over £60.3m has been allocated by CITB which is linked to the 2022 Levy Proposals for this purpose.

Indirect Support	Support Objective	22/23	23/24	24/25	Total
		£m	£m	£m	£m
Apprenticeships	Activity to support employers deliver apprenticeships	11.2	8.1	7	26.3
Standards, Qualifications and Verification	Provision of support for construction specific standards and qualifications including apprenticeship frameworks and new T-level qualifications	2.5	2.5	2.6	7.6
Employer Support Services - Engagement	Provision of a field-based network of advisers working with employers to provide information, advice and guidance and devolved administrations, local government, Local Authorities and Local Enterprise Partnerships to support the	6.4	6.5	6.6	19.5

	construction skills agenda and needs				
Skills & Employment Policy and Research	Activity to support the understanding of skills and labour needs in the construction industry providing the evidence base for target interventions	2.2	2.3	2.4	6.9
	Total Allocation	22.3	19.4	18.6	60.3

**Table 9 – Estimated funding for CITB’s Other Support 2022/23 - 2024/25**

Source 2022/25 figures: CITB Strategic Plan

[https://www.citb.co.uk/documents/strategic\\_plan/citb\\_strategic\\_plan\\_2021-25.pdf](https://www.citb.co.uk/documents/strategic_plan/citb_strategic_plan_2021-25.pdf)

50. Most of the ‘Other Support’ detailed in [Table 9](#) encourages recruitment into the industry and helps it set industry standards and deliver training and therefore the direct impact of these interventions cannot be calculated in isolation. In addition to ‘Employer Funding’ and ‘Other Support’ CITB plans to invest £299m in direct employer support via payments that will be made through CITB’s Grants Scheme between 2022/23 and 2024/25.

51. CITB’s planned expenditure to directly support industry from 2022/23 to 2024/25 is set out in [Table 10](#) along with the forecast funds expected to be raised by the 2022 Levy Proposals.

	2022/23 - 2024/25
<b>Direct Support to Industry</b>	£m
<b>Employer Funding</b>	136.2
<b>Grants Scheme</b>	299.0
<b>Other Support</b>	60.3
<b>Total</b>	<u>495.5</u>
<b>Forecast Levy Income from Levy Proposals</b>	<u>502.2</u>
<b>Forecast Levy income c/f from 2021/22</b>	32.0
<b>Forecast Available Income</b>	<u>534.2</u>
<b>Percentage of return on Forecast Levy</b>	<b>93%</b>

**Table 10: Estimated CITB funding to support industry between 2022/23 to 2024/25**

52. [Table 11](#) shows the economic benefits of apprenticeships and other vocational qualifications at Levels 2, 3 and 4 or above. The estimated monetary value of vocational qualifications in the sector ranges from £36,500 (level 2) to £68,400 (level 4 and above) over a ten-year period. The monetary value of the qualification generally increases as the level of the qualification increases. Employers receive the largest proportion of the benefit of the qualification through increased output. The value of the qualification to individuals comes from increased wages and an increased probability of being employed.

53. [Table 11](#) also gives a sense of the benefits which additional training, in the construction and built environment, funded by the CITB Levy is likely to generate in the form of additional taxation linked to these wage increases. It is not possible for the CITB to calculate **total** benefits as there is no way to ascertain, upfront, exactly how many additional workers will do which types of training as a result of the levy. The Further education: measuring the net present value in England report, provided by BIS, clearly demonstrates the strong economic benefits from apprenticeships and other vocational qualifications.

Since 2018 the Grants Scheme has narrowed its focus to training that is specific to the construction industry and that which meets industry agreed standards. For apprenticeships and qualifications, these standards were already in place, but for many of the short duration training courses there were no industry agreed standards. Leading up to 2018, and on-going now, CITB has worked with the industry to identify areas of training specific to construction where standards don't exist and to develop them. Once Standards are in place, training courses are then only eligible for CITB Grants if they meet these standards.

	Wages (£)	Employment (£)	Tax (£)	Unemployment (£)	Employer Benefit (£)	Total (£)
<b>Level 4 or above</b>	23000	4500	6300	600	33900	68400
<b>Level 3</b>	12000	3300	3400	700	18700	38100
<b>Level 2</b>	13700	900	3500	200	18200	36500
<b>Trade Apprenticeship</b>	11000	3900	3300	700	18200	37100

**Table 11: Monetary impact of achieving vocational qualifications, 10-year period**

Source: <https://www.citb.co.uk/media/edtn013c/value-of-vq-report-citb-template-2.pdf>

54. [Table 12](#) shows an average percentage increase in worker earnings who achieved a given qualification level compared to workers with the next highest level of qualification. There are increases in marginal returns for all qualification levels, within all subsectors and the achievement of a level 2 qualification in the civil engineering subsector stands out as being particularly beneficial.

	Level 4+	Level 3	Level 2
Construction Sector Overall	14%*	9%*	12%
Construction of Buildings	14%	12%*	9%*
Civil Engineering	19%*	10%*	55%*
Specialist Construction Activities	9%*	10%*	17%*

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**Table 12: Increased earnings by construction subsector at Level 2, 3 and 4+**

*Source: ONS LFS data; ICF regression analysis. Note: \* $p < 0.1$ . The percentages in this table were obtained through exponential transformation of the original regression coefficients. They can be interpreted as an average percentage increase in earnings of a worker who achieved a given qualification compared to a worker with the next highest qualification.*

Source: <https://www.citb.co.uk/media/edtn013c/value-of-vq-report-citb-template-2.pdf>

## Direct costs and benefits to business calculations

55. Taxes, levies and other charges on businesses do not count as regulatory provisions and are therefore not subject to the regulatory framework<sup>10</sup>. The proposed Industrial Training Levy (Construction Industry Training Board) Order 2022 is therefore out of scope of the regulatory framework. As this Impact Assessment is out of scope, an Equivalent Annual Net Direct Cost to Business (EANDCB) has not been calculated for this Order. In addition, a NPV (the difference between the Present Value of a stream of costs and a stream of benefits) has not been calculated for this Impact Assessment.

## Wider impacts

### Equalities

56 We have reviewed the equalities implications of the 2022 Levy Proposals and have provided the required PSED Assessment. We do not believe that the CITB Levy Order 2022 will disadvantage some people or groups more than others either through direct and indirect discrimination, discrimination arising from disability and need to make reasonable adjustments, victimisation and harassment or any other forms of discrimination. No forms of discrimination are considered to arise. The 2022, 2023 and 2024 levy is payable by industry employers mainly engaged in construction work which fall within the scope of the CITB. It is not a levy on individuals.

57. The CITB is, however, very conscious of the issues around diversity and inclusion within the industry and that there are some significant equality issues generally in this sector now - the most visible issues being the under-representation of women and people from BAME backgrounds in the industry. Analysis of Office for National Statistics (ONS) data suggests the percentage of BAME representation in UK construction is just 6.4%. ONS data also shows that, with only a 16% female workforce, UK construction has materially worse gender diversity along with mining (17%) than other UK industries. The UK construction's 16% female workforce compares with 23% in transportation and 25% in water supply and manufacturing – the other worst sectors.

58. These issues are not directly attributable or related to the Levy Proposals, however the CITB is aware of the important role it must play to address

these equality issues. The CITB has historically played a key role in addressing the equality issues in the industry and have confirmed, to the department, its intention to continue to support and fund several equality and diversity initiatives.

## Small Businesses

59. The Levy Proposals provide a full exemption for any employer whose

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10 - [Better Regulation Executive \(BRE\) - GOV.UK \(www.gov.uk\)](#)

labour costs are less than £120,000 (62% of total in-scope employers, up from 54% in 2019). Small businesses are, however, eligible to claim grants towards the cost of training their workforce. Employers with labour costs of £120,000, but below £400,000, receive a 50% reduction in their Levy assessment. Circa 10,000 small businesses out of the 70,000 assessable employers will benefit from this Levy reduction.

## Appendix A: Development of the 2021 Levy Proposals

60. The industry-led Levy Strategy Committee (LSC) and CITB initially developed the 2022 – 2024 Levy Proposals over a 3-month period from November 2020 to January 2021. CITB provided the LSC with an impact analysis model that estimated the economic impact of any changes to the current Levy rates and thresholds on different construction sub-sectors, geographies and employer sizes. The LSC used the impact model to assess each of the options against nine guiding principles:

- 1) The option meets the requirements for Levy Proposals set out in the Industrial Training Act (ITA)
- 2) The option should be underpinned by a strong evidence base
- 3) The option is responsive to industry needs as a result of the Covid-19 crisis
- 4) The option should deliver the required Levy to support the Strategic Plan: over the duration of the Levy Order (within a range of +/- 5%)
- 5) The Levy payable by any employer size group does not alter by more than 10% as a direct result of the changes to Levy
- 6) Limited change to Levy distribution between contributing groups (Micro, SME & Large) as a direct result of changes to Levy
- 7) The option should not incur more than minimal costs to update CITB systems
- 8) The option enables a slow rebuilding of CITB reserves to ensure CITB can continue to support necessary training
- 9) The option does not hinder modernisation and future improvements to Levy and at its best supports future changes

61. The LSC initially considered options which included: reducing the differential between PAYE and Net CIS Levy rates, increasing this differential and adopting a single levy rate. These options were not shortlisted because they would

have contravened guiding principle number 5. The support measures that CITB took during the early months of the pandemic had significantly depleted its reserves. The LSC wanted to explore options that would enable a slow rebuilding of these reserves (see principle 8). A summary and assessment of each of the shortlisted options against the nine principles is described in [Table 13](#) and [Table 14](#).

Description of options considered	LSC Assessment of each option
No change to the 2018 Levy arrangements except for maintaining the Small Business Exception Threshold at £120,000 implemented in 2021	
No Change (PAYE 0.35%, Net CIS 1.25%)	This option offered simplicity and continuity for employers and would mean that no employer would be adversely impacted by the proposals. There would also be no change to the way Levy is distributed between contributing groups. The option did however limit CITB's ability to rebuild its reserves.
Adopt staggered variable Levy rates in order to raise £185m per annum in 2022-24	
Year 1 (PAYE 0.45%, Net CIS 1.4%) Year 2 (PAYE 0.4%, Net CIS 1.3%) Year 3 back to 2018 rates (PAYE 0.35%, Net CIS 1.25%)	The forecast amounts to be raised by the 2018 Levy Order was £598.1m spread relatively evenly across 2018, 2019 and 2020. This option would seek to smooth Levy income across 2022-24 by increasing Levy rates in Years 1 and 2 to account for the forecast impact of Covid-19. The option aimed to raise £555m across the three years of the Levy Order. These were the years where industry would be in full recovery and employers would have additional training needs, but Levy income was forecast to be at its lowest based on 2018 Levy rates.
Adopt staggered variable Levy rates in order to raise £190m per annum in 2022-24	
Year 1 (PAYE 0.5%, Net CIS 1.4%) Year 2 (PAYE 0.4%, Net CIS 1.35%) Year 3 (PAYE 0.35%, Net CIS 1.25%)	The forecast amounts to be raised by the 2018 Levy Order was £598.1m spread relatively evenly across 2018, 2019 and 2020. This option would also seek to smooth Levy income across 2022-24 by increasing Levy rates in Years 1 and 2 to account for the forecast impact of Covid-19. The option aimed to raise £570m across the three years of the Levy Order. These were the years where industry would be in full recovery and employers would have additional training needs, but Levy income was forecast to be at its lowest based on 2018 rates.
Increase the Levy rate in 2024 to reflect the estimated impact of IR35 on how the Construction Industry employs its workers	
Year 1 (PAYE 0.35%, Net CIS 1.25%) Year 2 (PAYE 0.35%, Net CIS 1.25%) Year 3 (PAYE <b>0.37%</b> , Net CIS 1.25%)	CITB's initial research suggested that changes to the IR35 rules will create a movement from certain types of 'off payroll working' (paid via Net CIS) towards traditional employment (PAYE). Due to the time-lag between leviable activity and industry paying any Levy due on that activity, the impact of IR35 will not take full effect until 2024. This option would seek to reverse the estimated impact of IR35 by raising additional Levy in 2024 through an increase to the PAYE rate for that year only.

**Table 13 – List of main options considered by the LSC to change the current Levy arrangements**

<b>Option Impact on Levy Paying Employers</b>	<b>No Change to the 2018 Levy Arrangement, maintain £120k Threshold</b>	<b>Adopt Variable Levy rates to raise £185k p/a (2022-24) Average Impact Across 3 Years</b>	<b>Adopt Variable Levy rates to raise £190k p/a (2022-24) Average Impact Across 3 Years</b>	<b>Increase Levy rate in 2024 to reflect impact of IR35</b>
<b>% Levy Payers with Increase &gt;£500 p/a</b>	0%	21%	24%	2%
<b>% Levy Payers with Decrease &gt;£500 p/a</b>	0%	0%	0%	0%
<b>Number of Levy Payers with annual increase &gt;£10k</b>	0	253	297	8
<b>Number of Levy Payers with annual increase &gt;£100k</b>	0	12	14	0
<b>Largest annual increase for a single Levy Payer</b>	0	£364k	£473k	£75k
<b>Largest annual decrease for a single Levy Payer</b>	£0	£0	£0	£0
<b>% of Levy income impacted by Option</b>	0%	9%	10%	2%
<b>% Levy distribution change by employer size category</b>	Micro -0.0% Small -0.0% Medium +0.0% Large +0.0%	Micro -0.3% Small -0.2% Medium +0.1% Large +0.5%	Micro -0.6% Small -0.3% Medium +0.1% Large +0.8%	Micro -0.2% Small -0.1% Medium +0.0% Large +0.3%

**Table 14 – Summary of the main options considered by the LSC against the principles**

62. From the start of their deliberations, there was a general feeling from the LSC that they felt the need for a period of stability and continuity with regards Levy for the next three years. This was reflected in the principles they came up with which included minimising any redistribution of who paid Levy, for example between employer size groups and that individual employers should not be impacted by any



change, more than 10% ([principle 5](#)). The LSC was also conscious that whilst the period covered by the 2022 Levy Order should be beyond the pandemic and the forecasts were for recovery and growth in the industry, this would not mean that Levy payers would be fully recovered back to pre-pandemic levels. Members were especially conscious of the on-going impact on smaller businesses and the negative impact increasing rates could have financially on them and reputationally for CITB. The committee sought to balance up the need to replenish reserves and be able to support a recovering industry against what if felt would be an affordable and acceptable level of investment from Levy payers. The LSC used the nine principles that had previously been established and the options short-listed were RAG rated against these principles. The RAG rating of each option can be found in [Table 15](#).

Principle	Standard Rates	Variable Levy - £185m	Variable Levy - £190m	IR35 impact 2024/25
The option meets the requirements for levy proposals set out in the ITA	Green	Green	Green	Green
The option should be underpinned by a strong evidence base	Green	Amber	Amber	Red
The option is responsive to industry needs as a result of the Covid-19 crisis	Green	Green	Green	Green
The option should deliver the required Levy to support the Strategic Plan over the duration of the Levy Order (within a range of +/- 5%)	Green	Red	Red	Green
The Levy payable by any employer size group does not alter by more than 10% as a direct result of changes to Levy	Green	Green	Red	Green
Limited change to Levy distribution between contributing groups (Micro, SME & Large) as a direct result of changes to Levy	Green	Green	Green	Green
The option should not incur more than minimal costs to update CITB systems	Green	Green	Green	Green
The option enables a slow rebuilding of CITB reserves to ensure CITB can continue to support necessary training	Green	Green	Green	Green
The option does not hinder modernisation and future improvements to Levy and at its best supports future changes	Green	Green	Green	Red
Points Green=2, Amber = 1, Red = 0	18	15	13	14
Rating Position	1	2	4	3

**Table 15 – RAG rating of the main options against the principles**

63. Consideration was also given to the movement in Construction salaries since 1970, as detailed in [Table 16](#) and the assumption that micro employers were likely to be the group of employers most impacted by Covid-19. Based on their desire to make minimal changes, but to also support smaller businesses throughout the Pandemic, and the overwhelming result of the 2020 consultation, the LSC recommended to the CITB Board that the SBET increase should be retained at £120,000 along with the pre-covid Levy rates included in the 2018 Levy Order.

Threshold increase year	Threshold value	Avg salary*	x2 employees	x2.5 employees	x3 employees
1971	6,000	3,300	6,600	8,250	9,900
1974	8,000	4,200	8,400	10,500	12,600
1975	15,000	4,900	9,800	12,250	14,700
1990	45,000	18,700	37,400	46,750	56,100
1993	61,000	22,500	45,000	56,250	67,500
2004	64,000	27,100	54,200	67,750	81,600
2005	69,000	27,500	55,000	68,750	82,500
2006	73,000	28,000	56,000	70,000	84,000
2007	76,000	28,600	57,200	71,500	85,800
2008	80,000	29,300	58,600	73,250	87,900
2019	80,000	39,000	78,000	97,500	117,000
2020	120,000	40,000	80,000	100,000	120,000

\* icalculator.info - Salary inflation calculator based on 2019 avg salary of £39,000

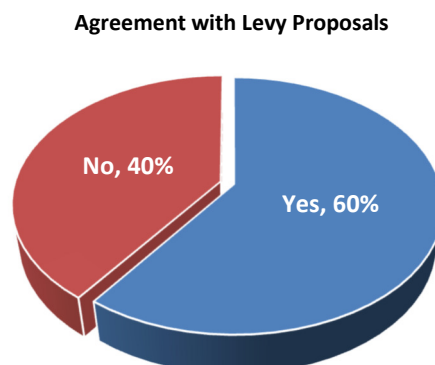
**Table 16 - Small Business Exemption Threshold 1971-2020 compared to average sector salary**

64. This process identified that only one option met all of the LSC’s principles, and this was put to the CITB Board in February 2021. The following option was approved by the CITB Board and put forward for consultation:

Return to pre-Covid Levy rates & retention of the current Levy Exemption and Reduction Thresholds.

- 0.35% on PAYE staff
- 1.25% on NET paid (Taxable) CIS sub-contractors
- Wage bill: £0-£119,999. Employer exempt from paying Levy.
- Wage bill: £120,000 - £399,999. Employer receives a 50% reduction on their Levy assessment.

65. An online Consultation channel was promoted by way of a letter to all registered employers, virtual events and social media and was open between 1<sup>st</sup> March and 11<sup>th</sup> April 2021. With 281 participating employers, there was a far lower response rate than originally anticipated. Employers were asked “Do you agree with these Levy Proposals for 2022-25?” 60% selected Yes and 40% selected No as illustrated in [Figure 17](#).



**Figure 17 – Yes/No Employer responses regarding agreement with the Levy Proposals**

66. In April 2021 the LSC reconvened and considered the results from the Consultation process which was later published in the 2021 Consultation Report

[levy-proposals-consultation-2021-results-final.pdf \(citb.co.uk\)](#)<sup>10</sup>. The LSC considered the fact that this was the second time in two years that Levy Proposals had been consulted on and in 2020 85% of the 268 participating employers had supported a proposals to retain the 2018 rates and increase the Small Business Exemption Threshold.

67. Consensus consultation with employers likely to pay Levy under the Levy Proposals for 2022 – 2025 takes two paths. Firstly, collating the views of 14 Prescribed Organisations (POs) that speak on behalf of their Levy paying members and, secondly, a representative independent survey of employers that are not members of a PO.

68. Breakdown of results by Prescribed Organisation: 11 POs agreed (79%) with the Proposals and 3 disagreed (21%). See [Table 18 \(page 27\)](#).

Prescribed organisation	Agreement with the Levy Proposals
British Woodworking Federation (BWF)	Y
Build UK	Y
Civil Engineering Contractors Association (CECA)	Y
Construction Plant-hire Association (CPA)	Y
Finishes and Interiors Sector (FIS)	N
Federation of Master Builders (FMB)	Y
Hire Association of Europe (HAE)	N
Home Builders Federation (HBF)	N
National Association of Shopfitters (NAS)	Y
National Federation of Builders (NFB)	Y
National Federation of Demolition Contractors (NFDC)	Y
Scottish Building Federation (SBF)	Y
Scottish Decorators Federation (SDF)	Y
Scottish Plant Owners Association (SPOA)	Y
British Woodworking Federation (BWF)	Y

**Table 18 – Summary of agreement with the Levy proposals for the 14 Prescribed Organisations**

69. An independent telephone survey of 4,001 Levy liable non-represented employers took place between June and August 2021. Employers were asked about support for the 2022-2025 Levy Proposals (Consensus), with 58% of employers liable to pay Levy showing support. [Table 19](#) provides the detailed results from non-represented employers who were asked the question: “Do you agree that the Levy proposals are necessary to encourage adequate training in the construction industry?”

	Yes	No	Don't know
<b>Overall</b>	58.2	39.5	2.3
<b>Large &amp; Medium</b>	68.9	28.2	2.8
<b>Small</b>	64.5	33.3	2.2
<b>Micro</b>	54.8	42.8	2.4
<b>England</b>	56.0	41.7	2.3
<b>Scotland</b>	72.9	25.5	1.6

Wales	68.4	28.3	3.3
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**Table 19 – Survey of non-represented employers by Volume (% of respondents)**

70. To achieve Consensus CITB also needed to demonstrate that more than 50% of Levy payable is paid by employers that are supportive of the proposals. By this measure 55% of Levy payable is paid by employers showing support by way of this survey. [Table 20](#) provides the detailed results from non-represented employers who were asked the question: “Do you agree that the Levy proposals are necessary to encourage adequate training in the construction industry?”

11. Consultation Report (2021) [levy-proposals-consultation-2021-results-final.pdf](https://www.citb.co.uk/levy-proposals-consultation-2021-results-final.pdf) ([citb.co.uk](https://www.citb.co.uk))

	Yes	No	Don't know
<b>Overall</b>	55.4	42.6	2.0
<b>Large &amp; Medium</b>	63.8	34.3	1.8
<b>Small</b>	64.6	33.4	2.0
<b>Micro</b>	45.8	51.8	2.4
<b>England</b>	52.9	44.9	2.2
<b>Scotland</b>	75.6	24.1	0.2
<b>Wales</b>	78.8	20.2	1.0

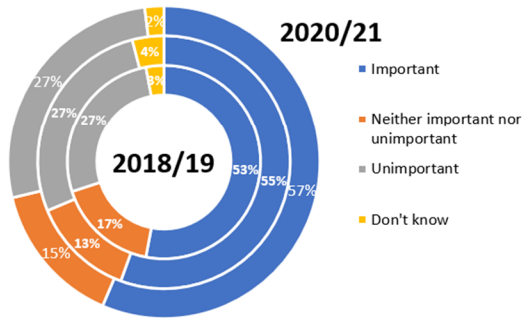
**Table 20 – Survey of non-represented employers by Value (% of respondents)**

73. Results from the POs and the survey of non-represented employers are weighted to ensure all employers are represented equally. Overall results; Two out of three (66.5%) of likely Levy payers agreed with the proposals while one out of three (33.5%) disagreed. Results also must be measured in terms of how much Levy payable is paid by supportive employers and this was 63.2% in favour.

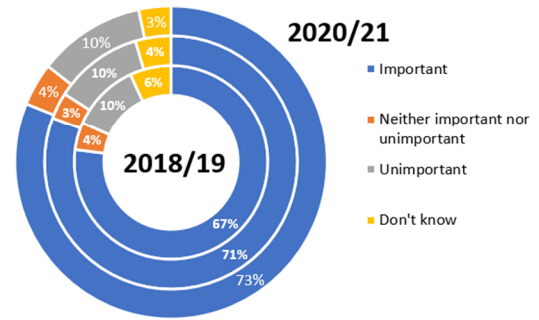
## Appendix B – Evidence of Industry Support for the Levy, Grant and Funding System

74. CITB’s annual survey of Levy registered employers shows the importance of the Levy, grant and funding system to the industry. These surveys show that this continues to be strongly supported by employers in the construction industry, who recognise its value. The result of a survey CITB conducted in 2020/21, showed that 73% of employers felt the Levy and grant system was important to maintaining training within the industry, and 57% of employers felt that the system was important to their own firm as shown in [Figure 21](#). [Figure 21](#) also demonstrates a year-on-year improvement for both measures since 2018/19.

Importance of the Levy, grant and funding system in maintaining the level and quality of training within your own firm



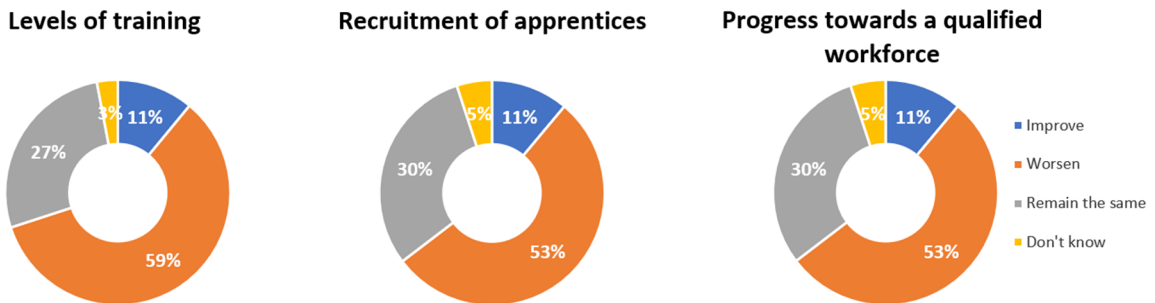
Importance of the Levy, grant and funding system in maintaining the level and quality of training across the industry as a whole



**Figure 21: CITB survey of employers on the importance of the Levy, grant and funding system** ESR research; responses from 1,504 companies, and a representative sample of the Levy register. Results from all respondents are reported at a 95% confidence level and a confidence interval of +/- 2.5%

Source: CITB Employers and Stakeholder Survey 2020/21 (Corporate Performance)

75. CITB’s annual survey of Levy registered employers also provides self-reported evidence of what would happen without CITB. In 2020/21, 1,504 Levy registered employers were surveyed about what would happen, if there was no CITB, to levels of training, apprentice recruitment and progress towards a qualified workforce; the largest response from Levy registered employers in each case is that the situation would worsen as illustrated in [Figure 22](#).

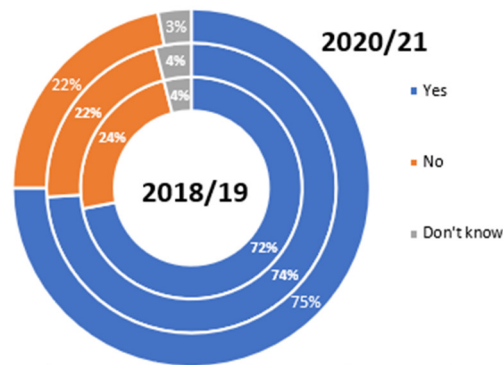


**Figure 22: CITB survey of employers on what would happen without CITB** ESR research; responses from 1,504 companies, and a representative sample of the Levy register. Results from all respondents are reported at a 95% confidence level and a confidence interval of +/- 2.5%

Source: CITB Employers and Stakeholder Survey 2020/21 (Corporate Performance)

76. This annual survey also provides self-reported evidence on responses to the question ‘Do you think the statutory Levy, grant and funding system should continue’. In 2020/21, 1,504 Levy registered employers were surveyed and consistent with the previous 2 years, the majority of surveyed employers answered yes as shown in [Figure 23](#).

Do you think the statutory Levy, grant and funding system should continue?



**Figure 23: CITB survey of employers on whether the Levy, grant and funding system should continue**

*ESR research; responses from 1,504 companies, and a representative sample of the Levy register. Results from all respondents are reported at a 95% confidence level and a confidence interval of +/- 2.5%*

Source: CITB Employers and Stakeholder Survey 2020/21 (Corporate Performance)