

# **2020 CONSULTATION REPORT**

## **June 2020**

# Levy Proposal Consultation

## Introduction

The purpose of this consultation was two-fold. As part of the Consensus 2020 process CITB consulted with construction employers on the CITB Levy Proposals 2021-23. The Consultation was open from 16<sup>th</sup> March to 17<sup>th</sup> May 2020. In addition to the Levy Proposals, CITB also looked for views on whether its investment plans for the following three years were targeted in the right areas.

This form of engagement provided industry with the opportunity to consider and provide views on the Levy Proposals before the formal Consensus period, planned to take place during the summer of 2020.

CITB would normally use the information obtained during Consultation to assess whether its proposals were appropriate and adequate; or revised proposals necessary before running Consensus.

All Levy registered employers received a direct invitation to take part via a dedicated online Consultation Channel. CITB's plans and process to engage was robust, however due to the Covid-19 lockdown announced 23 March, all engagement events such as the employer roadshows had to be cancelled and the immediate focus was on taking steps to provide critical skills support to construction employers, along with suspending the Levy Assessment for three months.

Understandably, employers had far more pressing priorities at the onset of the Covid-19 crisis and our decision to not engage in other ways to encourage further participation was based on this.

This report summarises the key findings from the questionnaire being delivered by CITB using the On-line consultation portal and is split into two sections. The results from consulting on the Levy Proposals are provided within Section 1 and the results from seeking views on CITB's investment plans for the following three years are detailed in Section 2.

## Response to the 2020 Consultation

With 420 participating employers, there was a far lower response rate than originally anticipated. In comparison, more than 1,200 responses were received during the previous Consultation in 2017.

With such a low number of responses, the reported outputs should be interpreted with caution as views may not be representative of all employers registered with CITB or statistically significant or reliable. For reference, 420 responses equates to approximately 0.5% of employers registered with CITB.

Chart.1 and Table.1 (pg.3) provide illustrations of responses categorised by region. This shows particularly low levels of responses from employers based in the North East, Wales and Scotland. As an example, there are 5,687 construction businesses registered with CITB in Wales so 11 responses represents less than 0.2% of these businesses.

Chart.1

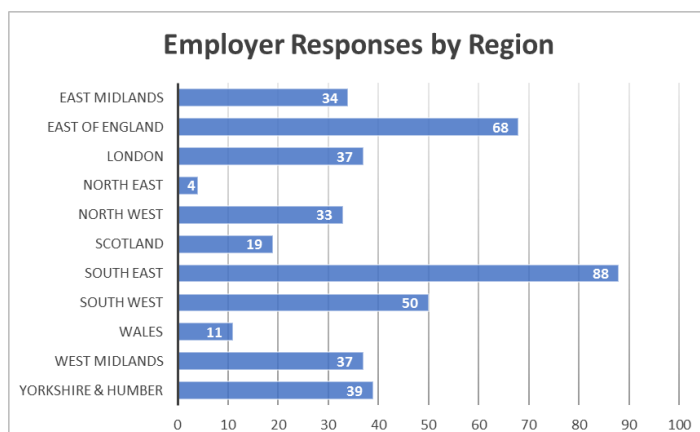


Table.1

Region	Responses
East Midlands	34
East of England	68
London	37
North East	4
North West	33
Scotland	19
South East	88
South West	50
Wales	11
West Midlands	37
Yorkshire & Humber	39
<b>Grand Total</b>	<b>420</b>

Chart.2 and Table.2 shows the response numbers by employer size groups. All groups of employers are under-represented compared to 2017 but micro employers are the most under-represented. There are approximately 67,000 Micro employers registered with CITB across England, Scotland and Wales so 285 responses equates to just over 0.4% of CITB's most numerous group of employers.

Chart.2

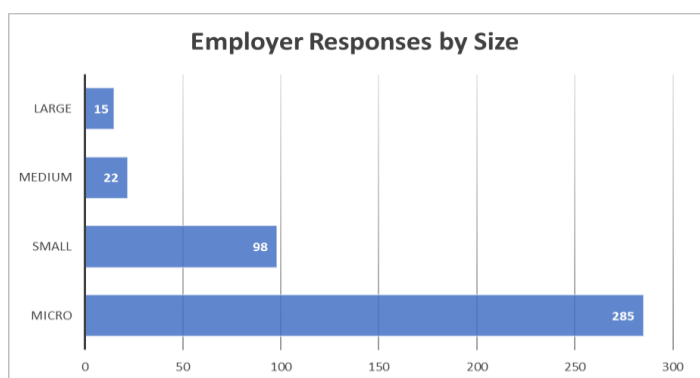


Table.2

Employer Size Group	Responses
Large	15
Medium	22
Small	98
Micro	285
<b>Total</b>	<b>420</b>

## Section 1

### Consulting on the Levy Proposals

The two options approved by the CITB Board that were put forward for consultation were:

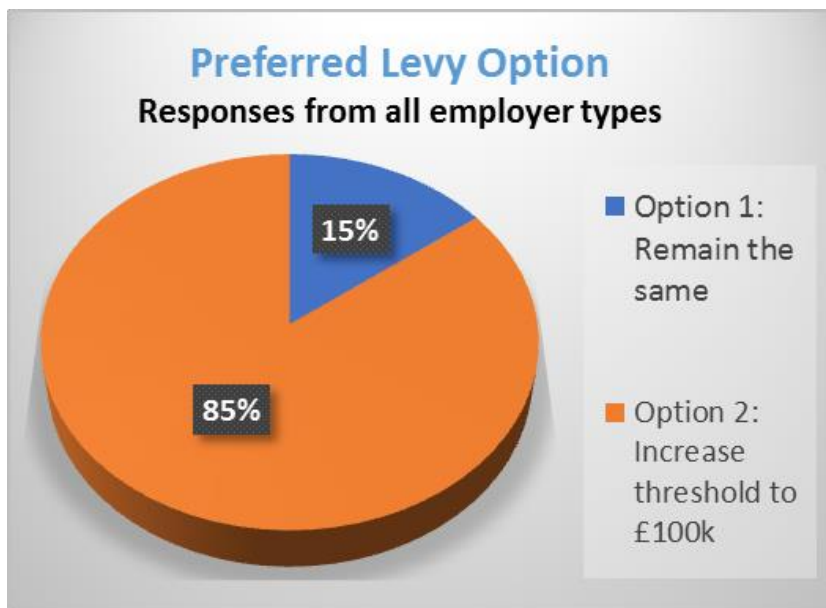
**Option 1:** All Levy rates and thresholds to remain the same

**Option 2:** All Levy rates to remain the same but the small business exemption to increase from £80,000 to £100,000

Employers were asked to select their preference from these:

268 employers participated in this section of the survey and 85% preferred option 2 compared to 15% who selected option 1 as illustrated in Chart.3 (pg.4).

Chart.3



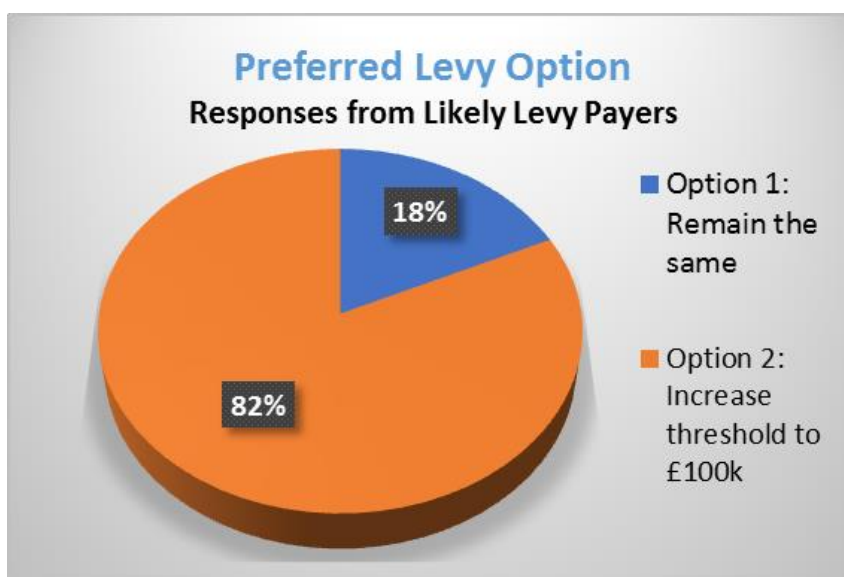
### Likely Levy Payers

Likely Levy paying employers are defined as employers who CITB expects to be liable to pay Levy in the period covered by the resulting Levy Order.

There were 189 likely Levy paying employers who responded to this section of the questionnaire. 34 selected option 1 (18%) and 155 selected option 2 (82%) as illustrated in Chart.4.

This analysis shows that a significant majority of all respondents are supportive of increasing the small business exemption threshold.

Chart.4



## Question 1

The following open-ended question was asked:

- Q1 (*In relation to the proposed Levy options*) - Please let us know about any other relevant information you feel CITB should consider before the Levy Proposals are finalised and go through to the Consensus stage.

In total, 264 comments were captured in response to this question. Four overarching themes were identified from these comments: opinions on options; impact on employers; suggestions; and anything else.

### Opinions on options:

This theme has been used to capture comments expressing an explicit preference, or lack of, for either of the two Levy Proposals. 17 comments were captured under this theme.

*Three expressed explicit support for Option 1 (to retain the rates and thresholds):*

- *"I do not believe that the threshold should be increased to benefit smaller businesses. This is because they have a number of financial advantages over larger businesses, mainly exemption from paying Vat. Larger businesses also generally spend more on Training and Health & Safety than smaller businesses."*

*Ten expressed explicit support for Option 2 (to increase the levy exemption threshold):*

- *"The construction industry wages have increased and therefore if the CITB higher the exemption this will help with the payments due and allow the employer to maintain staff"*
- *"Option 2 would be a more favourable result if the threshold of exemption from £80k to £100k was made, especially as it has a minor impact on Levy income, but would benefit smaller Levy paying employers."*

*Two respondents were not satisfied with either option:*

- *"The options do not go far enough. We are a small business and to find the funds each month to fund the CITB bear a huge impact on our cashflow."*

*Two respondents appeared willing to accept either option:*

- *"The options seem fair and balanced"*

### Impact on employers:

This theme has been used to capture 80 comments regarding the potential impact that the Levy options would have on employers and includes sentiment around Levy in general. Of these, 25 expressed the view that the Levy is a burden and they did not want to pay it; 17 felt that they did not receive good Value for Money from the Levy they pay; 15 felt that Levy payments should be delayed as a response to the impact of Covid-19; 13 responses indicated that their preference would be for the CITB Levy to be scrapped altogether; 9 called for Less Levy to be charged and 1 large employer voiced concerns over having to pay the CITB Levy in addition to the Government Apprentice Levy.

Examples of these comments include:

- *"I think the knock-on effects of COVID-19 should be considered before making any final decisions."*

- *“The Levy affects some businesses a lot more than others. In very difficult operating times with increased costs on insurance, accountants’ fees, professional services the Levy is another huge burden.”*
- *“We feel that the levy should be materially reduced. It is not value for money and clearly CSCS has been sold off and we have to pay additional monies to gain these cards for operatives.”*
- *“Being a small contractor and not getting hardly any benefits from using the CITB, I feel that all payments should be scrapped.”*
- *“As a small business I do not feel the levy helps me in any way at all and simply adds an administrative burden.”*
- *“Scrap the levy altogether for businesses who have under 5 Million turnover.”*

## Suggestions

The suggestions were numerous, and these were separated into 3 different themes: Levy related suggestions, Grant related suggestions and general suggestions.

### Levy Suggestions

The following Table.3 illustrates the number of comments provided under 19 different topic areas associated with Levy:

Table.3

Description of Suggestion	Number of comments per Category
The small business threshold should be increased	7
The Levy System should be overhauled	4
Levy should be made optional	3
CITB should register more in-scope businesses	3
All Construction Businesses should pay Levy on a sliding scale	3
Non-Construction Employees should be excluded from the Levy	2
All Sub-Contractors should be excluded from the Levy	2
The differential between PAYE and Net CIS should be increased	1
The differential between PAYE and Net CIS should be reduced	1
The Levy should be based on annual profits, not employment based	1
The Levy should be based on materials, not employment based	1
Encourage training by offsetting these costs against Levy liabilities	1
Clients should pay the Levy not Employers	1
HMRC should notify CITB when Construction businesses are liable	1
Unspent Levy should be handed directly back to paying employers	1
The PAYE Levy rates should be reduced	1
A new hybrid Levy model is needed for partially in-scope businesses	1
Levy income should be used to subsidise training at source	1
The £399k upper threshold should be increased	1

## Grant Suggestions

The following Table.4 illustrates the number of comments provided under 10 different topic areas associated with training, grants or funding:

Table.4

Description of Suggestion	Number of comments per Category
More training providers and courses should be accepted for grants	10
Comments regarding additional Apprenticeship Support	9
The Grant Scheme should be overhauled	8
Grants should be available for Plumbing and Electrical training	5
CITB to work more closely with Colleges and Training Providers	4
Comments related to the CSCS card scheme	2
CITB need to focus more on Environmental Construction Training	1
CITB need to develop more E-learning capabilities	1
There should be a compulsory competence test for all trades	1
First Aid courses should attract grants	1

## General Suggestions

30 respondents suggested that CITB should direct additional help towards small businesses and 1 respondent felt that the large House Builders need more support.

### Anything else:

This theme has been used to encompass more general comments or feedback about the Levy or CITB and those that were captured are shown in Table.5.

The most common comments here are that CITB only benefit large employers (19 respondents), and that there should be easier access to grants (14 respondents). Examples of these comments include:

- *“I feel that the Levy is still a good idea however since CITB has sold off the running of the grant system it is much harder to manage and is not as smooth and efficient, and many times as an employer we can be left wondering what we have to do to access the funds.”*
- *“The amount of cost and work involved for small businesses in dealing with levy returns. Not only are small businesses having to pay into a scheme that they may not need, use or is even necessary, but there is also an administration cost for dealing with these schemes. The CITB should consider how many staff are employed by a business. It is hard enough for small business to continue to survive, without the extra demands of supporting larger corporate businesses with more 'tax' style 'incentive' schemes.”*
- *“More support on grants for small companies. Better education on how the levy can be beneficial to small companies.”*
- *“We pay a levy and do not get any assistance as no courses in our specialty are provided.”*



Table.5

Description of comment	Number of comments per Category
Employer feels that CITB only benefits Large Employers	19
Comments calling for Easier Access to Grants and Funding	14
Comments regarding courses that don't attract grant	8
Comments related to skills shortages	6
No benefit from CITB because Sub-Contractors are used	4
Comments about a lack of CITB Support	2
Training grants for non-construction staff should be available	1
Comment about an overdue grant payment	1
Employer had a query with the scope of their business	1
CITB not fit for purpose due to poor quality Apprenticeships	1
Comment on the Levy Working Party being underrepresented	1

## **Section 2**

### **Seeking views – three-year investment plan**

The questionnaire also provided employers with an opportunity to view CITB’s pre-Covid 19 investment plan and there were various voting mechanisms available. The results from this section have been summarized and it should be noted that CITB is now reviewing these plans to ensure they are best placed to support the training needs of industry during the recovery phase of the pandemic and beyond.

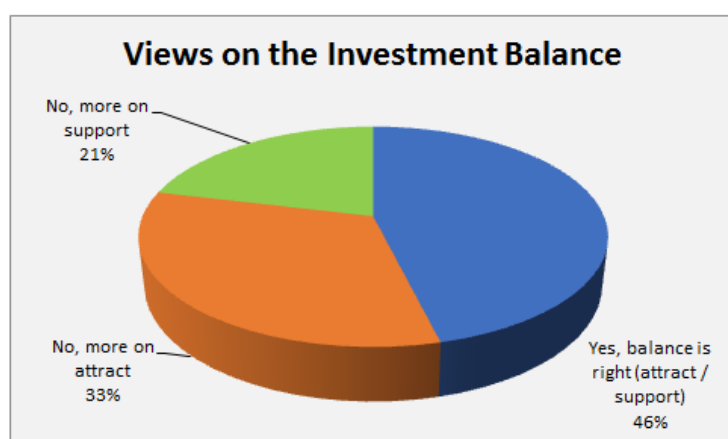
#### **Attract and Support**

CITB planned to broadly split Levy investment into 2 main areas. 16% of the Levy collected would be directed towards activities aimed at attracting more people into the industry and 84% towards activities aimed at supporting people already working in construction.

There were 209 responses to the section and the results illustrated in Chart.5 were as follows:

- Yes, the balance is right between attract and support – 46%
- No, more should be spent on attracting new people – 33%
- No, more should be spent on supporting existing workers – 21%

Chart. 5





## Views on the 10 Areas of Investment

The 10 areas of investment were described along with the amounts of investment planned.

Employers had one of four options to select as follows:

- CITB shouldn't invest in the area
- CITB should do less
- CITB should do as outlined
- CITB should do more

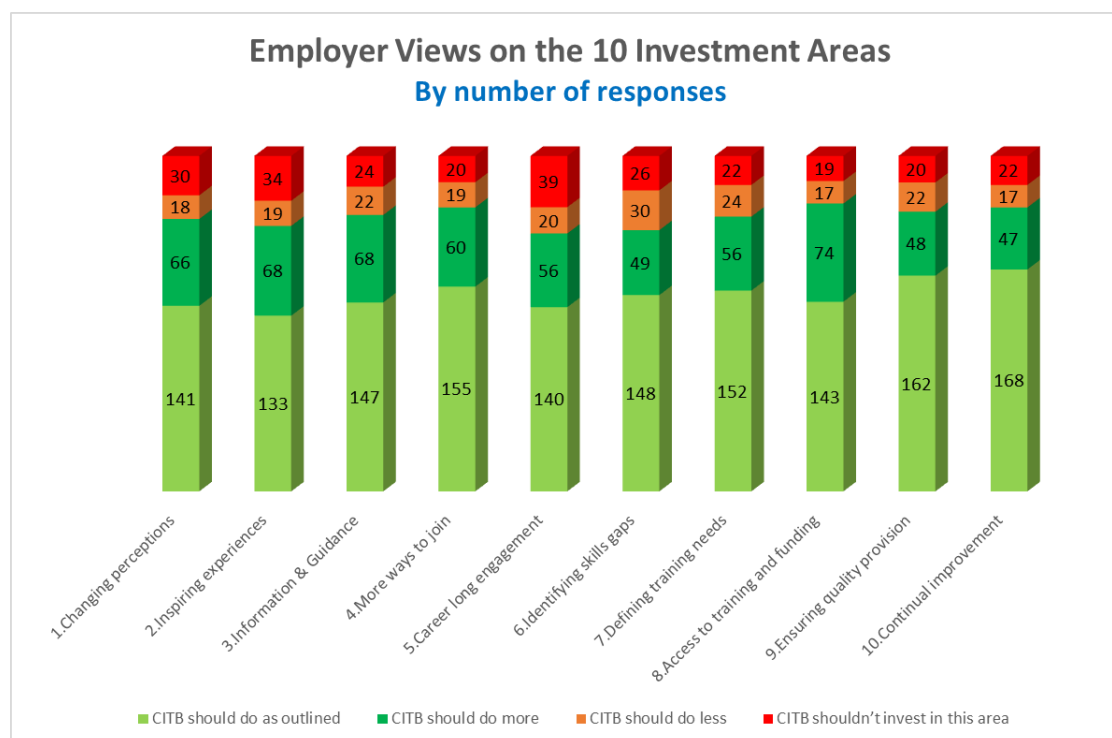
There were 255 employers who participated in this section of the questionnaire and all ten investment categories received majority support to 'do as outlined'. This suggests that our Pre-Covid investment plans were directed towards the right areas.

A summary of the overall results are provided in the following Table.6 and Chart.6:

Table.6

Activities/Views	CITB shouldn't invest in this area	CITB should do less	CITB should do as outlined	CITB should do more
1.Changing perceptions	11%	7%	56%	26%
2.Inspiring experiences	13%	8%	53%	27%
3.Information & Guidance	9%	9%	57%	24%
4.More ways to join	8%	8%	61%	24%
5.Career long engagement	15%	7%	55%	22%
6.Identifying skills gaps	10%	12%	59%	19%
7.Defining training needs	9%	9%	60%	22%
8.Access to training and funding	7%	7%	57%	29%
9.Ensuring quality provision	8%	9%	64%	19%
10.Continual improvement	8%	7%	66%	19%

Chart.6



## Views on Flexing the Levy Rates

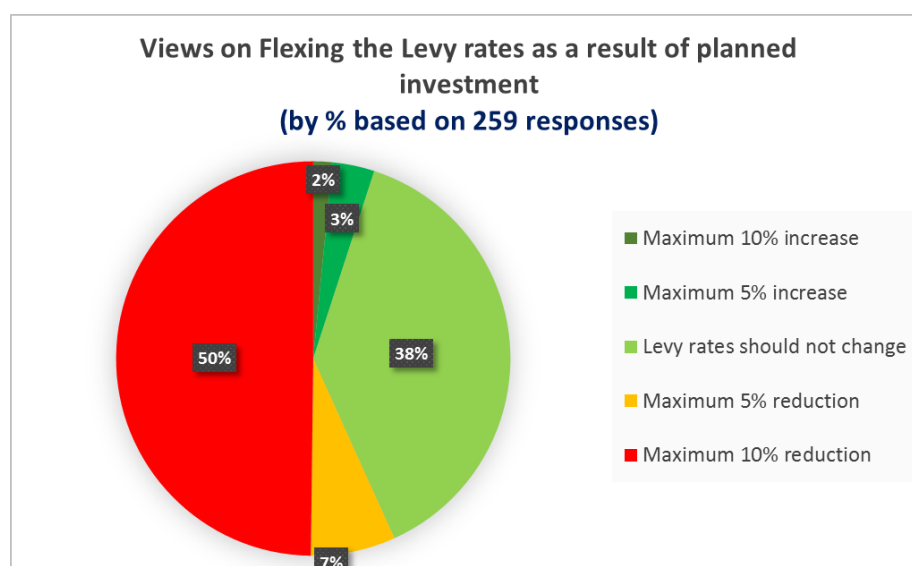
This question provided five options for flexing the Levy Rates between -10% to +10% in order to accommodate increases or decreases in overall investment.

There were 259 responses and the results as a % of response numbers are shown in Chart.7.

The results by numbers of employer votes were as follows:

- Reduce Levy rates by a maximum of 10% - 129 employers - (50%)
- Reduce Levy rates by a maximum of 5% - 18 employers - (7%)
- Levy rates should not change - 99 employers - (38%)
- Increase Levy rates by a maximum of 5% - 9 employers - (3%)
- Increase Levy rates by a maximum of 10% - 4 employers - (2%)

Chart.7



## Opinions on Industry Levy in General

CITB also wanted to understand industry's views on the overall Levy amount needed to support its outlined investment plans.

The wording in the questionnaire was as follows "Thinking about your answers in the 'Three-year investment plan – ten areas' and where you think we should be doing more or less, we want to understand your overall view on the amount of Levy that CITB raises for 2021-23 to work in the ten areas."

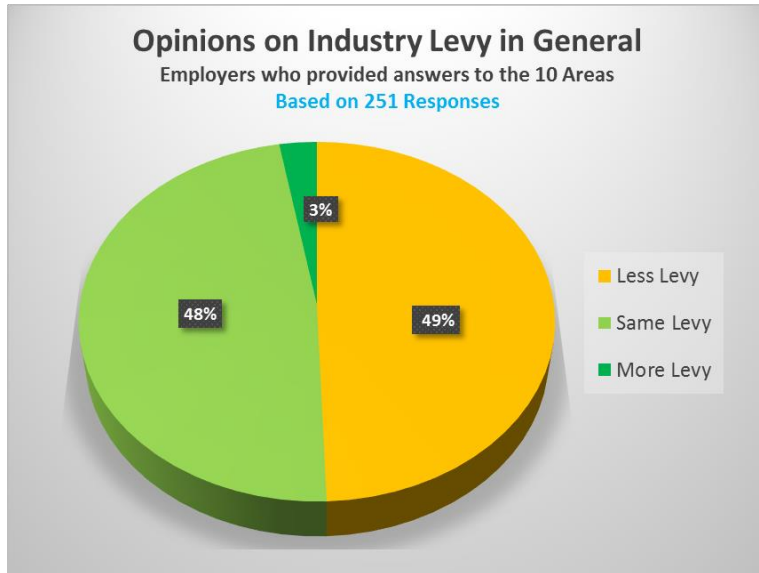
Respondents were able to select one of the following three options: Less Levy; Same Levy or More Levy.

There were 251 respondents who answered the entire section of the 'Three-year investment plan – ten areas' and responses were evenly split between those selecting the 'Same Levy' option and those selecting the 'Less Levy option'.

The results from these 251 responses, illustrated in Chart.9a (pg.11) were:

- Less Levy: 124 responses – 49%
- Same Levy: 120 responses – 48%
- More Levy: 7 responses – 3%

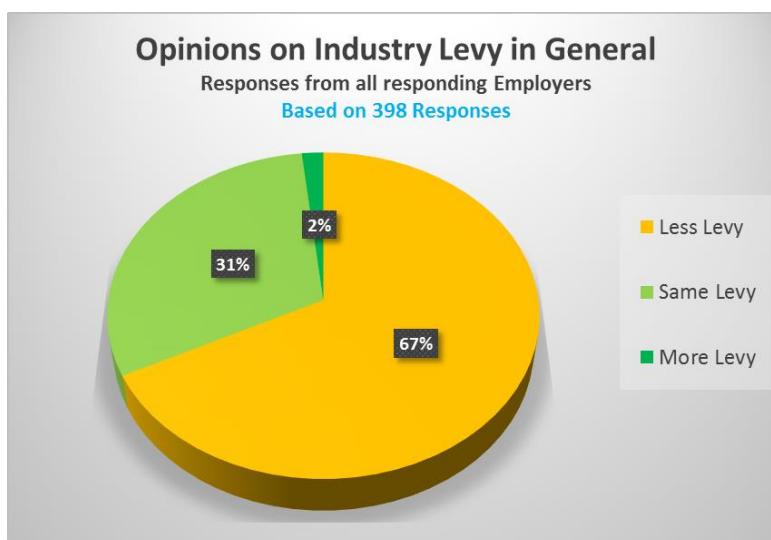
Chart.9a



In addition 147 respondents did not answer the entire section of the 'Three-year Investment Plan – 10 Areas' and 145 of these selected the 'Less Levy' option. The results from all 398 responses illustrated in Chart.9b were:

- Less Levy: 269 responses – 67%
- Same Levy: 122 responses – 31%
- More Levy: 7 responses – 2%

Chart.9b



It was noted that 161 of the 'Less Levy' responses were made in the final 2 weeks of the consultation and the majority were linked to a small number of IP addresses.

## IP Address Anomaly

Between the 30<sup>th</sup> April and 16<sup>th</sup> May numerous submissions were made which called for the CITB Levy to be 'Scrapped'. In total there were 154 comments of this nature and 100 of these were linked to a small number of IP addresses.

Table.7 provides an extract from some of the submissions made from one IP addresses between the 4<sup>th</sup> and 6<sup>th</sup> May.

Table.7

Levy Quest	Comment	Date and Time
Less Levy	The levy and the CITB should be scrapped	04/05/2020 08:43
Less Levy	the levy and the CITB should be scrapped	04/05/2020 12:05
Less Levy	The levy and the CITB should be scrapped	04/05/2020 12:40
Less Levy	I think the CITB is a waste of time and should be scrapped	04/05/2020 15:55
Less Levy	The levy and the CITB should be scrapped	04/05/2020 16:31
Less Levy	The levy and the CITB should be scrapped	05/05/2020 08:44
Less Levy	the levy and the CITB should be scrapped	05/05/2020 11:37
Less Levy	the levy and the CITB should be scrapped	05/05/2020 11:39
Less Levy	the levy and the CITB should be scrapped	05/05/2020 12:01
Less Levy	The levy and the CITB should be scrapped	05/05/2020 12:00
Less Levy	the levy and the CITB should be scrapped	05/05/2020 12:29
Less Levy	the levy and the CITB should be scrapped	05/05/2020 14:15
Less Levy	the levy and the CITB should be scrapped	06/05/2020 08:24
Less Levy	the levy and the CITB should be scrapped	06/05/2020 08:37
Less Levy	the levy and the CITB should be scrapped	06/05/2020 08:41

## Question 2

The second open ended question asked respondents to provide any other relevant information which they feel CITB should consider in relation to the three-year investment plan.

362 comments were captured in response to this question. These were also categorised under four overarching themes: opinions on the 10 areas of proposed levy investment; attracting young people; suggestions; and anything else.

- Q2 (*In relation to the three-year investment plan - 10 areas*) - Please provide any other relevant information you believe CITB should consider.

### 10 areas of proposed levy investment:

80 respondents made comments specific to the 10 areas of proposed levy investment.

Table.8 provides an analysis of the comments and references them to the relevant area of investment which are detailed on page 9 of this report.

Table.8

Description of Comment	Number of Comments	Area of Investment
Comments regarding Apprenticeships (Attracting and Supporting)	32	4, 6 & 8
More training providers and courses should be accepted for grants	9	8
CITB to work more closely with Colleges and Training Providers	9	9
Employer was satisfied with the investment plans	8	All

Access to grants and funding should be made simpler	4	8
Cost of maintaining workplace competence training	4	10
CITB to develop more e-learning and modern training capabilities	4	8
Employer in unable to offer on-site training	4	2
Grants should be available for Plumbing and Electrical training	3	8
CITB should try to attract more women into the industry	1	1
CITB to develop Environmentally responsible courses	1	7
More statistics on success or failure of strategies to be published	1	All

Examples of these comments are as follows:

- *“Large construction firms should have to have a minimum number of trainees. These should be employed directly not through sub-contractors.”*
- *“House building companies should only get planning if apprentice numbers are met.”*
- *“On-site training is not an option to every company.”*
- *“It’s important to get new apprentices in but it is also really important to support employers, so they are able to take the risk of taking on an apprentice in the first place. Access to grant and cheap finance would be a help and front loaded so that the apprentice has chance to get settled but their wages and other costs are covered before they are able to actively contribute to the income of the business.”*
- *“Whilst training and onsite experience should be funded and supported I do not feel that companies who will not benefit at all should have to contribute to this! I think more apprenticeships are more valuable than classroom courses in this field.”*
- *“The maintenance of workforce competence, although it provides a stable competence level, would benefit businesses better financially if we could claim some grants for these renewals.”*
- *“I agree with the suggestions on the 10 areas, it seems it addresses all areas of construction training, starting with decision making (getting involved) through the final trained person, who is to keep up with the current construction knowledge and to be a competence worker. I think the 10 areas addresses all issues.”*

### **Attracting young people:**

8 comments were related to attracting young people into the construction sector, with several feeling that more work is needed in this regard:

- *“CITB needs to do more to attract young people into the sector.”*
- *“We are totally unimpressed with the CITB’s effectiveness in attracting young people into our industry. We employ over 250 staff and have many opportunities, but we have only 3 apprentices.”*
- *“It is so important for the construction industry to get into schools and promote the industry as one where a good living can be made and people can start their own business if they want or work for an employer.”*

2 employers were unable to comment due to a lack of understanding over the suggested investment split between attracting young people and supporting existing workers.

## Suggestions:

57 respondents left suggestions about how training, or the levy more generally, should be implemented as shown in Table.9 (pg.14) The most common suggestions were linked to improving training standards and addressing skills shortages (15 respondents), reducing the levy costs or reviewing the whole system (14 respondents), and considering the economic uncertainty caused by the coronavirus outbreak (8 respondents). Examples of these comments include:

- *“Levy is about right- although given the current Covid-19 situation, it is hard to gauge how things may look in a few months’ time. It’s important to get new apprentices in but it is also really important to support employers so they are able to take the risk of taking on an apprentice in the first place.”*
- *“In our area the CITB have lost the contract with our local college and sadly there seems NO people from CITB on the ground I guess because they realise we will not be sending them out of the area for training.”*
- *“The CITB needs to concentrate on keeping the few who train and not wildly support initiatives that do not increase trained trades people within our industry at the front line of working. Bearing in mind that 47% of our industry will be retiring in eight years’ time, replacement must be the key word so HELP the companies who train with decent financial support.”*
- *“The Levy should be structured differently - at least for smaller businesses, or calculated in a different way as it currently does not take into account any structure of the business or affordability.”*

Table.9

Description of Comment	Number of Comments
CITB should focus on the quality of training and skills shortages	13
Overhaul Levy system and/or reduce Levy costs	10
Consider the economic effects of Covid-19	8
Register more in-scope employers	5
Overhaul the grants and funding system	4
The Levy Exemption limit should be raised	4
First Aid courses should attract grants	3
Format of training should include elements of theory and vocation	1
CITB Grants should cover the full cost of Apprenticeships	1
CITB should Levy out of scope trades	1
More support for training groups is needed	1
Minimum number of Apprentices mandatory for large employers	1
CITB to help with a wider range of problems in the industry	1
CITB should stop constantly changing rates and rules	1
CITB Levy should be made optional	1
CITB Levy should be based on a % of profit	1
CITB levy should be paid by clients not employers	1

## Anything else:

This theme was created to encompass any other feedback or comments left by respondents and 61 responses were captured and shown in Table.10 (pg.15). Recurring comments were



that CITB needs to do more to support SMEs (27 respondents), that the levy system only benefits large employers (15 respondents), employers that do not feel they receive good value for money from the Levy they pay (8 respondents), the system is unfair on subcontractors (5 respondents), that more general support is needed from CITB (5 respondents). Examples of these comments are:

- *“Most Construction companies can do everything the CITB does, the levy is unnecessary and a financial burden on companies. It is very unfair as it is not based on profits but on the wage bill, so if you are just breaking even (during a recessionary period for example), the levy will force you in to a loss situation.”*
- *“CITB is not very present for small and medium companies. The grant process is too complex for ad hoc training in small companies.”*
- *“The way the levy is raised is unfair for subcontractors who do not employ but use self-employed tradesman who want to stay self-employed.”*

Table.10

Description of Comment	Number of Comments
More help with small businesses is needed	27
Employer feels that CITB only benefits Large Employers	15
Employer did not believe the Levy is good value for money	8
No benefit from CITB because Sub-Contractors are used	4
Employer called on CITB for more support	2
Employer stated that some CITB courses are unnecessary	1
Entry to industry is too academic and deters young people	1
More training centers are needed	1
More training providers should be accepted for grants	1
Employer commented on difficulties with work experience	1

## Summary

The Consultation process is an important part of gathering industry views in the run up to Consensus. This year the entire country went into lock down on the 23<sup>rd</sup> March and because of this all types of planned engagement to promote the consultation were cancelled.

Employer responses fell well below the numbers that would be received during a normal Consensus year meaning the results should be viewed with extreme caution.

Even with limited participation, industry provided a strong indication that Levy Proposal 2, to increase the Small Business Threshold was the most appropriate of the two proposals. Equally, the level of investment across the 10 priority areas appears to be set at the right levels. The consultation also demonstrates that there are a proportion of employers who are strongly opposed to the Levy continuing.

The views gathered will be added to the evidence that will be used to progress plans on how the Levy is invested.

CITB is grateful to all employers who have taken their time to provide their views and comments. Alongside other industry engagement, including surveys of employers and discussions with industry trade federations, these will now form part of the body of evidence that will be used in our plans to support industry moving forward.