EXPLANATORY MEMORANDUM TO

THE INDUSTRIAL TRAINING LEVY (ENGINEERING CONSTRUCTION INDUSTRY TRAINING BOARD) ORDER 2008

2008 No. 535

1. This explanatory memorandum has been prepared by The Department for Innovation, Universities and Skills and is laid before Parliament by Command of Her Majesty.

2. Description

2.1 This Order will enable the Engineering Construction Industry Training Board (ECITB) to raise and impose a levy on employers in the engineering construction industry. This Order sets the rates of and exemptions from that levy.

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None

4. Legislative Background

4.1 Section 11 of the Industrial Training Act 1982 (ITA) enables an industrial training board to submit, to the Secretary of State, proposals for the raising and collection of a levy to be imposed for the purpose of meeting the board's expenses. That levy is to be imposed in accordance with an order made by the Secretary of State. This Order will give effect to levy proposals submitted to the Secretary of State by the ECITB.

5. Extent

5.1 This instrument applies to Great Britain

6. European Convention on Human Rights

The Parliamentary Under Secretary of State for Skills has made the following statement regarding Human Rights:

In my view the provisions of the Industrial Training Levy (Engineering Construction Industry Training Board) Order 2008 are compatible with the Convention rights

7. Policy background

7.1 The purpose of Industrial Training Boards

Industrial Training Boards (ITBs) are set up under the ITA to ensure that the quantity and quality of training are adequate to meet the needs of the industries for which they are established.

There are currently ITBs covering the construction and the engineering construction sectors and both are Non-Departmental Public Bodies. They provide a wide range of services and training initiatives, including setting occupational standards and developing vocational qualifications, delivering apprenticeships and paying direct grants to employers who carry out training to approved standards. An order to establish an ITB covering the film industry came into force on 7 December 2007.

Employers in the construction and engineering construction sectors have consistently supported statutory underpinning for their training arrangements. They argue that the nature of their industries mean that individual employers are unable or unwilling to accept the responsibility of training their own employees. They believe that a national pool of labour, collectively funded by all employers, is the only way the industries' skill needs can be met.

Levy Arrangements

The ITA contains provision for a levy to be imposed on employers to finance an ITB's activities. It is for the ITB to make proposals for the rate of levy for the industry it covers and for the Secretary of State to make an order giving effect to the proposals.

This Order gives effect to proposals submitted by the ECITB for a levy to be collected by them in 2009. Levy rates are determined by the employer members of the ITB and are fixed in light of the Board's general policy and plans. They must cover the cost of the Board's plans for the year in question. The levy rates are set out in article 4 of this instrument. There is no ceiling to the amount of levy paid by an employer, which is calculated by reference to the emoluments paid by them to their workers. The proposals are expected to raise around £15 million in the year ended 31 December 2009 (this industrial sector is substantially smaller than the construction industry). Unlike the CITB, the ECITB has, for a number of years, submitted levy proposals a year in advance. As a consequence, the periods referred to in the ECITB levy order are later than those referred to in the CITB levy order.

Levy orders in respect of the engineering construction industry have been made on an annual basis for many years. This order follows a similar order, the Industrial Training Levy (Engineering Construction Industry Training Board) Order 2007.

Articles 3 and 4 set out the employers on whom the levy can be imposed. Subject to the exemptions set out below, this includes every employer whose main activity is included in the definition of the engineering construction industry as set out in Schedule 1 to the Industrial Training (Engineering Board) Order 1964, as amended by S.I. 1991/1305.

The ECITB's levy proposals involve a levy greater than 0.2% of an employer's relevant emoluments with no provision for the issuing of exemption certificates under the ITA. Section 11(8) of the ITA defines "relevant emoluments". Consequently, to make this Order, the Secretary of State had to be satisfied that the proposals are necessary to encourage adequate training in the industry and that one of three conditions is satisfied.

The conditions are:-

(a) that organisations representing more than half the persons appearing to him to be likely to pay the levy and organisations representing persons who together are likely to pay more than half the aggregate amount of the levy consider, after taking reasonable steps to consult their members, that the proposals are necessary to encourage adequate training in the industry;

(b) that the Order will be made less than two years after the making of a levy Order giving effect to proposals in respect of which condition (a) was satisfied and certain conditions regarding the issuing of exemption certificates by the Board are satisfied;

(c) that neither condition (a) or (b) applies, but the proposals are considered by the Secretary of State to be appropriate in the circumstances.

The ECITB consulted formally on the levy proposals in the summer of 2007 and they were supported by the industry's main employer organisations, who represent over 50% of employers

who the Secretary of State considers are likely to be liable to make levy payments in consequence of the proposals. Those employers are together likely to pay 86.5% of the total levy. Condition (a) above is therefore satisfied.

The Secretary of State has estimated that the amount of levy payable by an employer will exceed 1% of the relevant emoluments and he considers this amount of levy to be appropriate in the circumstances. Accordingly, as required by section 12(6) of the ITA, a draft of this Order has been laid before each House of Parliament for approval.

In autumn 2007, the Secretary of State sent the ECITB a draft of this order. The ECITB has confirmed it is content that this is suitable for its purposes.

Guidance will be issued to employers by the ECITB to explain the new levy arrangements. Guidance is also available on-line from the ECITB website (www.ecitb.org.uk). The levy assessment is issued in January and payment is collected as a single payment.

Exemptions

The ITA requires that levy proposals include proposals for exempting from the levy employers who on account of their small number of employees ought, in the Board's opinion, to be exempted from the levy. Article 5 of this Order reflects the exemptions proposed by the Board. The first relates to those with small numbers of site employees and the second to those with small numbers of off-site employees.

Whether an exemption applies is determined by reference to the emoluments and payments made by the employer in respect of the relevant type of employees. This is because the numbers employed in any year by an employer in this industry, which largely operates on a short-term contract basis with significant usage of labour–only subcontractors, can be difficult to calculate or audit.

In addition, article 5(3) makes provision for certain employers who are charities to be exempt from the levy.

8. Impact

8.1 An Impact Assessment is attached to this memorandum.

9. Contact

Tim Down at the Department for Innovation, Universities and Skills Tel: 0114-259-3235 or e-mail: tim.down@dius.gsi.gov.uk can answer any queries regarding the instrument.

Summary: Intervention & Options

Department /Agency:	Title:	
Department for Innovation, Universities and Skills	Impact Assessment of the Industrial Training Levy (Engineering Construction Board) Order 2008	
Stage: **Final**	Version: **1**	Date: **22 October 2007**
Related Publications: **The Industrial Training levy (Engineering Construction Industry Training Board) Order 2008**		

Available to view or download at:

http://www.

Contact for enquiries: **Freda Green** Telephone: **0114 2594291**

The ECITB has submitted proposals to the Secretary of State for Innovation, Universities and Skills to raise a levy in 2009 from employers as provided under the Industrial Training Act 1982. The engineering construction industry argues that, without collectively-funded training, paid for by a statuatory levy on all employers there is a serious risk that insufficient training will be carried out to meet the industry's needs. This could result in skills shortages, wage inflation and a less competitive construction industry. The smallest employers are exempted from the levy.

To enable ECITB to impose a levy in order to:

- share the cost of training between firms
- secure an adequate supply of properly trained workers at all levels in the industry
- meet the administrative expenses of the Board

What policy options have been considered? Please justify any preferred option.

Option 1 - reject the levy proposals. This would mean that the ECITB would have no levy income for the financial year ended December 2009 and the only money available for operating purposes would be its reserves, which would soon be exhausted.

Option2 - approve the levy propoosals and enable the ECITB to raise the income it requires to continue to provide incentives by the way of grants for employers who train and to deliver the training services required by the industry.

The next quinquennial review of ECITB is due in 2008 but, due to anticipated changes to the Industrial Training Act which should come into force in 2008, the review will be held over until 2009.



Summary: Analysis & Evidence

Policy Option: 2	Description: Impose a levy

COSTS

ANNUAL COSTS	Description and scale of **key monetised costs** by 'main affected groups'	
One-off (Transition) **Yrs**	Completion of assessment returns	£63.0k
£ 0	Processing of levy bill	£12.0k
Average Annual Cost (excluding one-off)	Levy Payment	£15.0m
£ 15,098908	**Total Cost** (PV)	**£ 15,098,900**

Other **key non-monetised costs** by 'main affected groups'

BENEFITS

ANNUAL BENEFITS	Description and scale of **key monetised benefits** by 'main affected groups'	
One-off **Yrs**	Recruiting and developing new entrants	£13.379m
£ 0	Re-skilling and Qual Workforce	£3.697m
Average Annual Benefit (excluding one-off)	Ledership and Management Training	£2.387m
£ 23,869,000	**Total Benefit** (PV)	**£ 23,869,000**

Other **key non-monetised benefits** by 'main affected groups'

The ability of the industry to recruit from a pool of skilled workers reduces recruitment and labour costs.

Price Base Year 2007	Time Period Years 1	**Net Benefit Range** (NPV) **£**	**NET BENEFIT** (NPV Best estimate) **£ 8,770,019**

			Great Britain	
			1 Jan 2009	
			ECITB	
What is the total annual cost of enforcement for these organisations?			£ 57,000	
			Yes	
			N/A	
What is the value of the proposed offsetting measure per year?			£ N/A	
What is the value of changes in greenhouse gas emissions?			£ negligble	
			No	
Annual cost (£-£) per organisation (excluding one-off)	Micro	Small	Medium	Large
	Yes	Yes		

Key: **Annual costs and benefits: Constant Prices** **(Net) Present Value**

Evidence Base (for summary sheets)

[Use this space (with a recommended maximum of 30 pages) to set out the evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Ensure that the information is organised in such a way as to explain clearly the summary information on the preceding pages of this form.]

ECITB – Note on template figures

Costs and Benefits Analysis

The costs and benefits shown on the summary page are calculated on the following bases.

- The Levy proposed is for one year therefore in the absence of evidence of the value of benefits in future years an NPV calculation is inappropriate. There are no costs beyond the first year.
- There are estimated to be 420 employers in scope to the industry
- The cost to the industry of completion of levy returns is based on
    - All firms complete an assessment return in order that their levy liability can be calculated. It is estimated that this is a small direct cost amounting to no more than an hour for a small firm up to 8 hours for the largest,
    - Payment of the Levy Bill will take 1 hr
    - Firms eligible to claim grants are required to complete claim forms and it is estimated that this cost amounts to 0.5% per £1000 claimed.
    - The completion of the form is carried out by a professional costing £50 per hour
- The Enforcement costs of £57,000 this year are exceptional as they include the legal fees for a major appeal which is still ongoing and highly unrepresentative of a “normal” year.
- The support given by the Board to each of its key areas of support rises in line with the increase in levy income.
- The support given by the Board to each of its key areas of support rises in line with the increase in levy income.

THE INDUSTRIAL TRAINING LEVY (ENGINEERING CONSTRUCTION BOARD) ORDER 2008

The Issue and Objective

1. The measure gives effect to one of the provisions of the Industrial Training Act 1982, which empowers the Secretary of State to set up industrial training boards (ITBs) to ensure that the quantity and quality of training are adequate to meet the needs of the industry for which they are established. It enables the Engineering Construction Industry Training Board (ECITB) to impose a levy on employers, other than the smallest, whose activities fall within its scope (as defined in the Industrial Training (Engineering Board)) Order 1964 (amended by the Industrial Training (Engineering Construction Board) Order 1991).

2. The context of this legislation is unusual in that it is to all intents and purposes self-imposed, and this should be taken into account in any judgement of the way in which it impacts on employers in the engineering construction industry. Against the tide of what was then Government policy of transforming ITBs from statutory to non-statutory organisations, two industries, of which this is one have, through their representative organisations, persuaded the government to retain their statutory basis, including the power to impose a levy. This is to address particular industry characteristics which are outlined in paragraph 4. In practice this means that each year the engineering construction industry, after a process of consultation (as required by the Industrial Training Act), submits, through the ECITB, its proposals for the following year's levy arrangements. The industry has had a levy/grant arrangement for over 35 years.

3. The Industrial Training Act 1982 also empowers ITBs to make grants to those employers whose training courses are approved by the Board. An employer who provides no training will have to pay a levy but will get no grant from the Board; an employer who does approved training will pay the levy but may receive grants towards the cost of training. In this way an employer will have an incentive to see that employees receive training and in particular to see that the quality of training is of a standard approved by the Board.

4. In addition to the payment of direct grants, the ECITB funds and manages a range of training programmes, including an apprenticeship scheme; up-skilling training for new entrant and existing adult employees in craft, technician and supervisory management skills. Engineering construction is an industry with considerable movement of labour between employers and projects and a high degree of labour-only subcontracting. These programmes are designed to benefit the industry collectively by providing a pool of skilled labour from which all employers benefit. The Board also provides a free training consultancy service to the industry and develops standards of competence and associated national vocational qualifications and training specifications. It also awards qualifications, often in partnership with other organisations.

5. It is for the Board to make proposals for the particular levy arrangements and rates for the industry. Levy proposals are submitted annually by the ECITB and are subject to Ministerial and Parliamentary approval. This RIA concerns the levy arrangements for 2009.

6. The measure is designed to:

- share the cost of training between firms

- secure an adequate supply of properly trained workers at all levels in the industry

- meet the administrative expenses of the Board

Risk Assessment

(i) The problem and harm

7. The statutory Industrial Training Boards (ITBs) which had been set up by the Industrial Training Act 1964 were progressively wound-up between 1981 and 1992 and replaced by new employer-led organisations without a statutory framework.

8. However, employers in the engineering construction industry have consistently put forward a strong case for the continuation of statutory training arrangements for their sector.

9. Ministers have acknowledged that to insist on non-statutory arrangements is unrealistic and have agreed to retain a statutory ITB, subject to regular review. The ITB is governed by the Industrial Training Act 1982, which includes the power to raise a levy. The levy is imposed by an Order which gives effect to proposals which are submitted annually by the Board and require the approval of both Houses. The smallest employers are exempted from the levy.

(ii) The risk

10. The industry argues that without collectively funded training, paid for by a statutory levy on all employers and administered by the ITB, there is a serious risk that insufficient training will be carried out to meet the industry's skill needs. With a significant movement of labour between employers and projects there is a danger that an individual employer would have little incentive to train their workforce as they will not reap the full benefits of the training and any training they do provide confers external benefits on other employers (from subsequently employing a trained worker).

11. Without a compulsory levy, companies may seek a competitive tendering advantage by declining to train employees and thereby avoiding the associated costs which would be reflected in tender prices. Over time, this would result in a decline in the skills level within the industry, skills shortages and wage inflation with a subsequent impact on business performance leading to a less competitive engineering construction industry. Paragraphs 34-49 below demonstrate how the compulsory levy is alleviating the risks and ensuring the industry has the training it needs to sustain current and future business.

Issues of Equity and Fairness

12. The context of this legislation is unusual in that it is to all extents and purposes self-imposed by the employers in the engineering construction industry.

13. It runs contrary to the current position of non-statutory training arrangements in most industry sectors but is nevertheless employer-led and employer-funded in accordance with employers' wishes.

Small Firms Exemption

14. In accordance with the Industrial Training Act 1982 Section 11 (3), levy proposals must include proposals for exempting from the levy any employer who, in view of the small number of his employees, ought in the opinion of the Board to be exempted. In consultation with the industry, provision has been made for the exemption of small firms from payment of the levy as follows:

Site establishments whose combined payroll / labour-only payments are £275,000 or less are not liable to pay the levy.

- Off Site establishments whose combined payroll / labour-only payments are £1 million or less are not liable to pay the levy.

Around 188 (44%) establishments are expected to fall below the exclusion thresholds and thus will not be liable to pay the respective levy. The establishments exempt from paying levy are divided equally between site and off-site establishments.

Options

15. There are two options:

Option 1 - reject the proposals. This would mean that the Board would have no levy income for the financial year ended December 2009 and the only money available for operating purposes would be its reserves, which would soon be exhausted.

Option 2 - approve the proposals and enable the Board to raise the income it requires to continue to provide incentives by way of grants for employers who train. Also to deliver the training services required by the industry.

Identify the Benefits

16. The options have the following benefits:

Option 1 - employers would not have to pay the training levy but, according to the industry, the particular employment patterns in the sector i.e. the itinerant nature of the workforce and use of labour-only subcontractors, mean that employers individually might not be prepared or might be unable to undertake adequate (either qualitative or quantitative) training.

Option 2 - with its operating income secured the Board would be able to continue to organise, manage and fund the range of training services that have been developed on the industry's behalf. The cost would be shared between firms.

Quantifying and Valuing the Benefits and Costs

17. The monetary benefits for each option are:

Option 1 – Do nothing

Benefits

No levy costs for employers
No administration costs for employers

Option 2 – Impose the levy

Benefits

The value to the industry of ECITB's services was recently calculated to be £2.22 (2.19 in 2006) returned to industry for each £1 paid in levy (provided through the payments of grants and training programmes). In addition, the Board provides other services e.g. training consultancy, research & development of training standards, qualifications and materials. There is also the availability of a skilled pool of labour from which all employers benefit.

18. The costs of the options are:

Option 1 – Do nothing

It is very difficult to provide meaningful costs but the industry argues that the impact, over time would include:

Costs

- Industry estimates a significant reduction in the volume of training carried out.
- This will result in greater skill shortages leading in turn to pressure on wages, project over runs on both cost and time.
- Some of this demand will be met by migrant workers from Eastern Europe in the short term however as the economies of Eastern Europe expand it is likely that many of the migrant workers will return to their home countries potentially resulting in greater skills shortages in the future.

- Additionally, the shortage of qualified craftspeople will inevitably result in more unqualified people entering the sector as part of the "Black Economy" with resulting issues of health and safety and quality of finished product.

Option 2 – Impose the levy

An estimated £15m would be raised in levy from the industry in 2009.

Business Sectors Affected

19. Employers in the engineering construction industry as defined in the Industrial Training (Engineering Board) Order 1964 (amended by the Industrial Training (Engineering Construction Board) Order 1991).

20. Estimated number of employers in sector - 420 (estimated total employees - 71,000 of which 16,500 are employed under labour-only agreements). Employers are not required to register with the ECITB; rather it is for the ECITB to identify those that fall within its scope. Around 180 (43%) establishments are expected to fall below the exclusion thresholds and thus will not be liable to pay the respective levy. The establishments exempt from paying levy are divided equally between site and off-site establishments.

Compliance Costs for a "Typical" Business

21. The compliance cost for business is:

- the cost of training not previously carried out but which has been encouraged by the imposition of the levy (see note below).

- the cost of completion of the annual levy assessment return

- the amount of the individual levy assessment

- the cost of processing the levy bill

- the cost of completion of grant claims

Less

- the benefits of training grants and programmes and other Board services

Note: The purpose of the Industrial Training Act 1982 is to encourage adequate training in any given industry. The imposition of a levy/grant mechanism means additional training costs are incurred in the short term. The cost of training is made up of training fees paid and productivity loss of the trainees attending the course. This cost is difficult to calculate exactly but is estimated to be more than offset by the future productivity and capability gains of the employees. There is little scope to demonstrate the impact of the levy in isolation since there are no direct industry comparators who are not covered by the levy legislation.

22. All firms are required to complete an assessment return in order that their levy liability can be calculated. It is estimated that this is a small direct cost amounting to no more than an hour for a small firm up to 8 hours for the largest, at £50 per hour. Firms eligible to claim grants are required to complete claim forms and it is estimated that this cost amounts to 0.5% per £1000 claimed.

23. Compliance costs vary from company to company, dependent on its payroll and use of labour-only workers. For the purpose of the costing examples that follow, we have assumed that it takes an hour on average at £50 p/h to complete the forms.

24. The costing examples on the following two pages include costs and benefits of training services provided and grants awarded.

Example 1: A large engineering construction contractor. The company has over 1,300 site employees and over 450 off-site staff. The levy payment was 0.6% of total payroll.

The company gets most value from the learners it has on site placements and the work that they do. The company gets £3,000 in grants for training employees.

	£	£
Completion of assessment returns	350	
Processing of levy bill	50	
Levy Payment	269,621	
Cost of claiming grants	15	
Less		
Grants		3,000
Apprentices Productivity		740,000
Apprentices - learners recruited		100,000
Free Training		54,000
Net Cost/ (Benefit)		(632,964)

Example 2: A contractor in the steel erection industry. Have just over 120 employees on-site. The levy payment was 1.3% of total payroll.

The company in this example pays a levy of over £65,000 in return it claims nothing in grants and receives no training.

	£	£
Completion of assessment returns	150	
Processing of levy bill	50	
Levy Payment	65,819	
Cost of claiming grants	0	
Less		
Grants		
Apprentices Productivity		
Apprentices recruited		
Free Training		
Net Cost/ (Benefit)		66,019

Example 3: A process contractor. The company has around 275 employees, mostly working on-site. The levy payment was 1.2% of total payroll.

	£	£
Completion of assessment returns	250	
Processing of levy bill	50	
Levy Payment	58,170	
Cost of claiming grants	105	

	Less	
Grants		20,900
Apprentices Productivity		6,084
Apprentices recruited		
Free Training		1,180
Net Cost/ (Benefit)		30,411

Example 4: A small specialist pipework contractor. This company has around 70 employees and did not use any ECITB services. The levy payment was 0.3% of total payroll.

	£	£
Completion of assessment returns	50	
Processing of levy bill	50	
Levy Payment	3,891	
Cost of claiming grants	0	
	Less	
Grants		0
Apprentices Productivity		0
Apprentices recruited		0
Free Training		0
Net Cost/ (Benefit)		3,991

Total Compliance Costs

25. The Engineering Construction Industry costs and benefits as a whole is shown below. The anticipated activities in 2009 will result in the following:

	£	£
Completion of assessment returns	63,000	
Processing of levy bill (240 @ £50)	12,000	
Levy Payment	15,000,000	
Cost of claiming grants	23,900	
Total	15,098,900	
Less		
Adult Learning Grants		2,672,000
Apprentices' Output Value to employers		18,480,000
Apprentices Programmes & Grants		4,520,000
Management & Leadership Programmes		1,234,000
Certification and Quality Assurance		575,000
Career Attraction		157,000
Tax Relief		4,290,000

Total	31,928,000
Net Cost/ (Benefit)	-16,529,100

N.B. These figures are indicative and are based on best predictions for activity in 2009. The calculation above does not include the benefit of companies being able to recruit from a skilled labour pool.

Other Costs

26. No other costs have been identified. Neither option has a cost for the Department or the Government.

Results of Consultation

27. The estimates are based wherever possible on statistical information published by the ECITB. Where this was not available assumptions have been obtained from the Board.

28. The ECITB and its statutory levy system have been retained at the express wish of employers in the sector and their representative organisations. The levy provisions contained within this Order were proposed by the Board and have the support of the industry as required by the Industrial Training Act 1982. Evidence of that support has been obtained from the representative employer organisations and the ECITB Customer Satisfaction Survey 2006. All companies that do not disclose they are members of an employer body have been invited to consultations in ECITB Regional Forums.

Summary and Recommendations

29. On the basis of expected costs and benefits, option 2 is the preferred option.

30. The conclusion is also sensitive to the belief that employers are best-placed to decide which training arrangements best suit their needs. As required by the governing legislation for Industrial Training Boards, they have been consulted on and support the levy proposals in question.

Enforcement, Sanctions, Monitoring and Review

31. As a Non-Departmental Public Body the ECITB is subject to a periodic review (at least every five years) of its performance and the continuing need for its existence. The next review is scheduled to take place in 2009.

32. An ITB's levy proposals are normally submitted to Ministers on an annual basis. This Order gives effect solely to the Board's proposals for a levy in 2009

How the Government satisfies itself that ECITB represents good value for money

33. There are a number of mechanisms in place:

- Quinquennial Review – the most recent was completed 2003 and augmented by an independent strategic review by the ECITB. The next quinquennial review of ECITB is due in 2008 but, due to anticipated changes to the Industrial Training Act which should come into force in 2008, the review will be held over until 2009.
- ECITB regional fora are made up of industry and trade union representatives and other stakeholders – see below.
- Customer Satisfaction Survey – see below.
- The ECITB sets and awards qualifications approved by the QCA and SQA.
- Government observers attend ECITB Board meetings.
- ECITB Annual Report and Accounts are subject to annual scrutiny by the National Audit Office

Demonstrating the value added by the levy/grant system

a. Identifying and meeting skills needs

34. The Levy/Grant system is an integral part of ECITBs' plans for delivering against the priorities agreed with industry and other key stakeholders, both in funding terms and in providing grant incentives in support of these priorities. In 2003, following the recommendations from the Government's Quinquennial Review and the Board's own strategic review of its services and performance, ECITB has developed a regional service delivery structure. This enables ECITB to deliver its services to match industry requirements in each region. The Board had organised its regional structure into nine ECITB 'regions'. This ensures that the varying requirements of the industry across the UK are represented in both the formulation of policy and the delivery of services. The nine 'regions' either represent geographical areas where there are high levels of engineering construction activity, or specific and significant industry sectors, which have particular requirements. The regions are:

Scotland
North East England
North West England
Yorkshire & Humberside
Wales & South West England
The Midlands
South East & East England
The Offshore Industry
The Offsite Industry

35. Each region has a Forum comprising industry employers. The Forum's normally meet three times a year, under the chairmanship of a Main Board member (the Regional Chair). Through this structure ECITB concentrates on identifying and meeting regional skills requirements, and is able to address particular recruitment and training needs. ECITB also works closely with other key regional stakeholders, such as industry clients, Regional Development Agencies, local government agencies, funding bodies, local authorities, training providers, trades unions and the workforce.

36. Each region, through its Regional Forum and Chair, has the authority and responsibility to devise its own objectives and plan within the overall ECITB strategic framework in terms of training outcomes on an annual basis. The regional plan will include training targets, mix and methods required to meet its needs together with leveraged funding arrangements. Such targets and objectives may vary between regions. Furthermore, each regional plan will determine the training providers and partners engaged to deliver regional outcomes, subject to satisfying relevant procurement requirements.

37. An annual regional plan and budget is submitted to the Main Board (via the Management Board) for approval. Once approved, ECITB staff are responsible for the delivery of the regional plan within the agreed budget, and the operational manner in which this occurs.

38. ECITB group their products and services into four main areas: Apprenticeships (Attracting New Entrants to the Industry); Up-skilling (of Existing Workforce); Technical, Supervisory and Management Programmes and Competence Assurance.

b. Apprenticeships

39. The ECITB manages a modern / advanced apprenticeship scheme covering 17 skill areas, including craft and technician roles, engineering design and supervision. It also accredits and supports training providers and employers who train apprentices for the industry. Completion rates average more than 65%, delivering highly skilled new entrants to the industry each year.

40. In 2007 the ECITB successfully introduced a new way of delivering apprenticeships that has increased employer engagement and will result in around 700 starters, 60% up on 2006 intake, giving a total apprenticeship population of over 2,000, almost 10% of the workforce.

41. It has been calculated that for private contractors it would cost up to £60 - 80,000 to put a learner through the 3-4 year Modern Apprenticeship. The ECITB can do it for around half this cost due to the benefits of economies of scale and the payment of an allowance rather than wages. The new model

gives a four way partnership between the employer, apprentice, ECITB and accredited provider. This improves efficiency and will develop the supply chain to meet employer needs, in line with current Government policy.

c. Upskilling

42. In 2006 ECITB introduced the TECSkills (Training in Engineering Construction Skills) programme to replace the long-standing National Skills Development Scheme (NSDS) and also to widen the discipline mix available.

43. Registrations on the NSDS ceased after 31st August 2006, and all learners have until 31st December 2008 to complete their training under the scheme. In 2006 there was an increase in the number of NSDS completion grants claimed, as learners completed their programmes prior to the closure of the scheme.

44. The interest in TECSkills has exceeded expectations. As a competency and training framework it is absolutely up to date, and is based on the latest occupational standards as the platform for development. It has been taken up by industry learners throughout the UK, but in particular in the Offshore industry where a large cohort of ex-servicemen has been re-trained, and in the Midlands where Doosan Babcock adopted the TECSkills programme for training a large number of new entrants to the industry. In total over 200 learners registered on TECSkills programmes in 2006 and over 50 VQs were completed.

d. Technical, Supervisory and Management Programmes

45. In 2006, the ECITB's Technical, Supervisory and Management Programmes were reorganised and brought together under the control of one programme manager. In total, ECITB delivered 63 different programmes in 2006 to over 900 learners. ECITB also launched a new version of the Supervisory, Management and Technical Development (SMTD) programme, together with an on-line version of this programme specifically developed for the offshore industry.

e. Competence Assurance

46. The ECITB provides Awarding Body services for the assessment, verification and certification of over 2,000 National and Scottish Vocational Qualifications per year through its network of over 50 approved centres. ECITB also supports the Client Contractor National Safety Group (CCNSG) in delivering one of the country's leading safety passport schemes through the provision of management and administration services. The ECITB also manages and administers the ACE initiative on behalf of the industry. This initiative validates and recognises the competence of the onsite onshore craft and technical workforce.

Quality Assurance

47. The ECITB was re-accredited against the ISO9001 standard, a mark first achieved in 2005. Investors in People re-accreditation was given in November and the Awarding Body was re-recognised by QCA in the summer, following a rigorous audit of its operations and approved centres. ECITB also received a National Training Award.

48. ECITB received a full inspection by the Adult Learning Inspectorate (ALI) of the apprenticeship programme in 2006. A week long inspection, including visits to many training providers, companies and sites, resulted in satisfactory gradings in all areas. This represents a significant improvement over the findings from the last audit in 2002, when the ECITB was criticised in a number of areas. The inspectors acknowledged this improvement and highlighted and reported on a number of areas of good practice. ECITB also received successful annual audits by Scottish Qualifications Authority (SQA), Scottish Executive (SE), and the Learning and Skills Council (LSC).

Customer Satisfaction

49. The 2006 survey showed satisfaction had improved to 57% and highlighted areas of improvement. Employers were particularly satisfied with the range and quality of specialist training courses, the careers advice and support activity, recruiting apprentices and health & safety training.

Areas for improvement were reducing bureaucracy and getting stronger links between education and the industry.

Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

	Yes	No
	Yes	No
	No	No
	No	No
	No	No
	No	No
	No	No
	No	No
	No	No
	No	No
	No	No
	Yes	No

Annexes