

<b>Cabinet</b>  19 December 2017	
<b>Report of:</b> Ann Sutcliffe, Acting Corporate Director, Place	<b>Classification:</b> Unrestricted
<b>Establishment of Group Training Association for Construction Training</b>	

<b>Lead Member</b>	<b>Councillor Joshua Peck, Cabinet Member for Work and Economic Development</b>
<b>Originating Officer(s)</b>	Andy Scott, Divisional Director Growth and Economic Development. Place Directorate Colin Middleton, Construction Development Officer
<b>Wards affected</b>	All wards
<b>Key Decision?</b>	No
<b>Community Plan Theme</b>	<b>A fair and prosperous community</b>

## 1. Executive Summary

- 1.1. In response to feedback from construction employers and the need to facilitate the entry of local residents into the construction sector locally and across London, LBTH Officers have been actively exploring the feasibility of establishing a Group Training Association (GTA) for construction, in partnership with the London Legacy Development Corporation (LLDC) and East London borough partners. These discussions have resulted in the proposals contained within this report, for LBTH to fully engage in the establishment of a GTA for East London, potentially based within the current construction training centre based at Cathall Road in Leyton; combined with a series of hubs for delivery on construction sites across the area.
- 1.2. This report highlights the forecasted demand for the services of the centre, the need for the leadership of the project by employers (supported by Council Officers); the rationale for utilising an out of borough training centre; the financial implications for the borough and the timetable for development and implementation.

## 2. Recommendations

The Mayor in Cabinet is recommended to:

- 2.1. Agree to pursue the formal establishment of an East London Group Training Agency (GTA) in partnership with the London Legacy Development Corporation (LLDC) and other east London Councils.

- 2.2. To receive a further report in the new year to set out recommendations for the adoption of a formal governance structure including legal, financial and procurement implications for the Council; and to seek approval for formal LBTH representation within the recommended governance structure.

### **3. REASONS FOR THE DECISIONS**

- 3.1. Decisions need to be taken to enable the establishment of a Group Training Association in East London with the active involvement of LBTH. Partners developing the proposals include LBTH, the London Legacy Development Corporation, London Borough of Waltham Forest and London Borough of Hackney. This will involve further preliminary work to enlist the support of industry; the establishment of legal and governance structures to support GTA development and delivery, and to enable the leasing of Cathall Road Construction Skills Centre and the commissioning of a training provider to deliver training required.

### **4. ALTERNATIVE OPTIONS**

- 4.1. Do nothing. WorkPath and contractors are finding it increasingly difficult to recruit appropriate local residents to fill local vacancies and to enable the fulfilment of apprenticeship and job commitments outlined in S.106 agreements and council contracts. Without radical intervention such as the GTA this situation is likely to continue for the foreseeable future.
- 4.2. Continue to use existing training providers to deliver apprenticeship and other construction related training. Existing training providers do not have the confidence of industry and are unlikely to take advantage of the training programmes offered. Local residents are therefore less likely to access opportunities.

### **5. FACTORS FOR CONSIDERATION**

#### *Background*

- 5.1. Evidence from inner London boroughs and contractors has made it clear that the lack of supply of suitable local residents in London who wish to enter the construction sector is the biggest single recruitment problem for the sector. The Construction Industry Training Board (CITB) predict that there will be a demand for nearly 440,000 construction workers in London by 2021 (up from 400,000 at present). Currently 210,000 of current construction workers are estimated to come from Eastern Europe. At present, only 5,000 construction workers live in Tower Hamlets. The expectations of the different communities in Tower Hamlets and within London in general, and the demographic changes caused by the increased costs of housing in London are likely to exacerbate this position further. This problem will not be solved overnight and will require new mechanisms and allied processes that are wide-ranging and agile enough to help resolve the situation.

5.2. Discussions with key local contractors, including Ballymore, Canary Wharf Contractors, Morrisroe, MACE, Berkeley Homes and F3, have highlighted the difficulty in recruiting local residents, even with support with job brokerages such as WorkPath. They have also highlighted concerns with the current quality and nature of construction training in London even when they have managed to recruit local people; and have indicated a wish to develop mechanisms to meet the S.106 opportunities and additional prospects arising from the government's new apprenticeship levy. The training currently offered simply does not meet the emerging demands of the sector. The recent Review of the UK Construction Labour Model for the Construction Leadership Council (CLC) strongly suggested that gaps in provision will not be delivered by the current delivery models. This has led some contractors to themselves explore the establishment of training centres to deliver the new types of training required. This also highlights the need for a model for delivery across the whole of this sector, particularly in London, which promotes flexibility and agility based on industry needs. In this context, when talking to contractors, the concept of establishing a Group Training Association (GTA) has proven a seductive one.

#### *The GTA Model*

5.3. The GTA model has been delivering successfully since the 1960s and is traditionally an employer-led mechanism for delivering apprenticeship and vocational training that meets industry needs and requirements. It is run as a charity/not-for-profit company utilising government training funds and contributions from industry<sup>1</sup> to manage delivery; and is normally linked to a self-run physical training centre. To be an effective centre for construction training, the GTA would have to be able to deliver:

- a. Apprenticeships and NVQ training up to Level 5/6;
- b. One-off or regular training programmes funded by employers, boroughs, or individuals;
- c. On-site training and accreditation through On Site Assessment and Training (OSAT)/Experienced Worker Practical Assessment (EWPA)/onsite assessments.

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<sup>1</sup> In this case it is likely that the boroughs will continue to support with existing S106 contributions secured for this purpose, and that discussions will also take place to review the requirements of the boroughs SPDs and the methodology for supporting construction training.

### *Cathall Road Training Centre*

- 5.4. Officers currently consider that a suitable central infrastructure facility exists at the Cathall Road Construction Training Centre in LBWF, although the GTA model and governance arrangements would not be tied to this particular site. This centre, based in Leyton and only 15 minutes from Mile End, was built as part of the London 2012 legacy as one of only two specialised scaffolding centres in the South East, capable of delivering training at NVQ2 or above:
- a. The land is owned by UKPN.
  - b. LBWF is the main leaseholder and is currently reviewing possible future usage.
  - c. The current sub-leaseholder delivering training at the Centre is the National Construction College (NCC).

All consulting partners are keen to utilise this centre for an East London training facility and as part of the development of a GTA “hub and spoke” programme.

- 5.5. Discussions have taken place at a senior level between LBWF and the LLDC. LBWF 's October Cabinet has agreed to the further development of the GTA proposals alongside negotiating a phased exit strategy (from the Cathall Road site) with CiTB and an extension of the original 10 year Planning Agreement for the Cathall Road site.
- 5.6. The timetable for the setup of the GTA, including the legal processes involved in establishing a formal board structure is tight, but CiTB are open to a phased exit from in order to ensure continuous delivery from the site.
- 5.7. In addition to the establishment of the GTA, a training provider will need to be commissioned and; potentially, a bid for LEAP funding could be submitted in January 2018, although the timeframe for the bidding round is not yet known and it may be that delays and processes make a LEAP bid unpractical. LBWF is undertaking an assessment of the possible costs of refurbishment and upgrading, but requirements are likely to focus the need for updated IT equipment and could therefore conceivably be funded from other sources.
- 5.8. It is presently assumed that delivery under the new GTA will commence in the summer of 2018, but with CiTB open to a phased exit from the Cathall Road site there is room for this timeframe to slip without consequence.

### *LLDC Involvement*

- 5.9. The London Legacy Development Corporation (LLDC) previously commissioned a consultant report to review the possibility of establishing a GTA for the Olympic Park. The subsequent report highlighted the benefits of the scheme, but stressed the inability of a scheme purely for the Park to become cost effective and therefore encouraged the LLDC to continue to explore the practicalities of establishing such a GTA across and in partnership with neighbouring/partner boroughs.

- 5.10. The report estimated that a minimum of 200 apprenticeship opportunities would be required to enable a GTA to be financially viable. LBTH Officers had reached the same conclusion, based upon an anticipated number of apprenticeship posts of around 120 a year, i.e. further economies of scale would be required to make a GTA cost effective. It is the opinion of the LLDC, LBTH and neighbouring boroughs that establishing a training centre/provision across East London offers the most cost efficient solution. As a result of this, ongoing discussions are being held between LBTH and LLDC, LBWF and Hackney officers with a view to developing a joint initiative.
- 5.11. Officers believe that the establishment of a GTA should be seen as offering an all-round solution to the problem of skills and apprenticeship training for the construction sector not only in Tower Hamlets, but to East London and potentially for London as a whole. Working closely with WorkPath, the GTA would help establish the growth of a culture of construction employment for LBTH residents within both manual and professional fields. It is anticipated that this would raise the quality and quantity of apprenticeship delivery and employer-led training available, as well as meeting current demand whilst driving new demand.
- 5.12. LLDC has engaged a consultant (CEO Global Education Specialists Ltd) to put forward options and recommendations for the governance structures and procurement process. The timeframe for output delivery is set out below.

#### *Delivery Model/s*

- 5.13. The traditional GTA model looks to run training from a physical training centre. Establishment of such a facility is not feasible in a borough like Tower Hamlets, where land values are such that establishing a large scale physical centre would be financially impossible. This leaves three options:
- a. Deliver all provision remotely on-site or on pop-up premises;
  - b. Look at obtaining a site outside of the borough, most likely with other partners;
  - c. A mixture of both options a. and b.
- 5.14. Option a. is perfectly feasible and facilitates a model which allows for agility of delivery and an ability to utilise training offered by contractors at their training sites (e.g. Morrisroe for formwork). This follows on from the model established by the CITB in their client-led approach/National Skills Academy for Construction (NSAfC), which expressed the requirement to set up physical on-site training facilities on major development sites as part of any NSAfC agreement. This “pop-up” system is a model that does work, but relies heavily on different contractors working together to refer apprentices across sites. On its own, such a joint working relationship is difficult to maintain, but is part of the “modus operandi” for the GTA. However, relying solely on a “pop-up” model leads to a lack of ownership which is inherent with a physical training centre. It also relies on training facilities being available on site as and when required, and this is not always possible. An actual physical centre location

allows for better planning and control of delivery and would be easier for the GTA to manage.

- 5.15. LBTH and LLDC officers agree that to enable a truly flexible, employer-led model capable of delivering a wide range of necessary skills/competencies, particularly to meet the challenges of new methods of construction and technological changes, the GTA would benefit from a mix of physical facility and outsourced “pop up” delivery.

#### *ATA Model*

- 5.16. The GTA model being suggested is not to be confused with the ATA model (Apprenticeship Training Agency). The ATA model is an employment agency for apprentices and under this model, apprentices are directly employed and managed by the ATA, and they undertake their apprenticeship with an approved training provider whilst being hired out to host employers. The ATA model outsources the training activity for the apprenticeship to training providers, whereas the GTA model only offers training for the apprentices as explained above.

- 5.17. One of the incentives for researching alternative delivery models is the difficulty in tracking and retaining apprentices within the construction industry. Modern build methods have meant many apprentices are unable to fulfil all the requirements of their training on one site; it has created difficulties for contractors in fulfilling their S106 obligations attached to particular developments, and for the Council in being able to evidence delivery and establish audit trails to justify discharge of S106 Obligations. It was believed that the establishment of an ATA (Apprenticeship Training Agency) whereby the council employed the apprentice using the S106 funding and essentially used the development sites to provide “placements” would overcome these issues. With these issues in mind GTA’s often establish Apprenticeship Training Agencies (ATAs) to manage continuity of apprentices across different contractors.

- 5.18. Officers are therefore mindful to ensure that whatever structure is put in place at Cathall Road encompasses both training and brokerage.

#### *Development Timeline*

- November 15<sup>th</sup> – draft paper on governance structure models
- November 23<sup>rd</sup> - Steering Group consultation
- November 30<sup>th</sup> – Second report on governance structure models
- December 14<sup>th</sup> – Steering Group consultation
- New Year – boroughs submit their detailed reports and recommendations to internal governance

#### *Legal Implications*

- 5.19. Officers from the partner boroughs will be working closely with the consultant to develop a suitable governance structure which is owned and led by industry,

but supported and influenced by the partner boroughs. However, in establishing the structure consideration needs to be given to the procurement implications for the boroughs and what options may enable boroughs to direct the expenditure of their training budgets through the GTA without additional procurement processes. The consultant will therefore be considering governance structures that enable this whilst still minimising legal and financial liabilities for the boroughs.

#### *Possible scenarios and issues to be considered*

- 5.20. It is currently proposed that the Cathall Road training centre will continue to be sub-leased by LBWF and a training provider and broker formally procured. It is envisaged that this lease will be a full repairing lease, with a Service Level Agreement which will state targets for delivery. The SLA will also require the training organisation/GTA procured to bring with it apprenticeship funding, approval from the CITB to deliver CITB Levy funded training; and a commitment to run full cost recovering courses as necessary, It will also contain agreement to deliver training on pop-up sites across the boroughs established with contractors/developers or via on-site assessment . Management of this will rest with the LBWF.
- 5.21. Whilst it is the intention of officers to securely limit liabilities for LBTH, one of the issues that will require consideration by LBTH Legal and other partners is the use of S106 funds to support the delivery of the construction training. Without a formal legal partnership arrangement in place LBTH is unlikely to be able to secure a waiver to procurement processes and will still have to tender for additional services, as we do currently. It would be beneficial if the governance structure was such that this issue was dealt with as part of its establishment. Having said that, if the GTA essentially becomes self-financing then S106 funding secured to support residents into the sector could be utilised to support niche programmes such as an expansion of the “Women Into Construction” programme.
- 5.22. In the event that partners fail to secure a lease on Cathall Road, the training organisation/GTA can be procured to deliver training solely on pop-up sites or on-site assessment. The risk of not being able to lease the Cathall Road site is minimal.

#### *Financial Implications*

- 5.23. There are no financial costs arising immediately from this report and a further report will be submitted in the new year to set out implications highlighted by the consultant; however:

#### *Development work*

- 5.23.1. Currently there is £150k of S106 funding that was secured through IDSG in 2016. The approved PID securing this project funding is titled, “Increasing Employment Outcomes”, and received final approval on May 24<sup>th</sup> 2016. Funding is available over two years to secure a project development

manager in post since April 2017), on a part time contract, with associated development costs such as procurement advice and internal legal fees.

### *Capital Funding*

- 5.24. An assessment is being undertaken by LBWF to identify potential structural changes within Cathall Road which would be required to enhance the work of the GTA, to make it capable of delivering a range of modern methods of construction. The current physical condition of the centre is very good and the need for significant capital investment is not envisaged. However, there will be a need to upgrade IT equipment significantly for it to deliver CADD and other higher level training.
- 5.25. There is a London Economic Action Partnership (LEAP) capital funding round, originally to be launched in October 2017, but which is now likely to be delayed until after the new year, which the GLA explicitly see being exploited to deliver the GLA “hub and spoke” proposals. Subject to any agreement with the current sub-leaseholders, potentially a joint bid will be submitted, led by LBWF, but is dependent on timeframe and whether or not it is fit for purpose.

### *Revenue Funding*

- 5.26. It is not envisaged that any further revenue funding will be required to support the development phases of the project. As noted above, LBTH legal and procurement advice will be required, but this already accounted for by secured S016 funding.
- 5.26.1. LLDC has to-date covered all costs associated with development of the GTA and any further development costs will continue to be covered by the LLDC.
- 5.27. In relation to the long term financial implications of sustaining the GTA it is fully intended that the industry led model will be self-financing. However for additional delivery, LBTH already has significant S106 funding secured to support construction training for LBTH residents, as well as obligations to provide LBTH apprentice placements during both construction and end user phases of every development, and the ambition going forward is that the newly established east London training centre will be the primary mechanism for delivering the obligations of both the developers and the local authorities. This however, is a key issue for legal and procurement considerations:
- 5.28. Whilst the report has noted the intention to minimise financial liabilities for LBTH the partnership agreement put in place will have to be of a formal nature to enable local authorities to be considered legal partners in the process of procuring a training provider, otherwise the authorities would still have to undertake their own procurement process for commissioning training providers, with no guarantee that the proposed GTA would be the successful tenderer. Initial discussions with LBTH Procurement have put forward two potential options, but these are based on preliminary discussions and other options will be put forward by the consultant.

## Planning Obligations and SPD

5.28.1. Assuming that the governance and procurement issues can be solved to the satisfaction of all, going forward, discussions will take place with partner boroughs to ensure a consistent approach to securing the necessary funding, placement support and supply chain obligations, in line with a commitment currently being developed by the LLDC and taking into account procurement regulations as highlighted above. Support from LBTH Planning Department will also be required and discussions have begun.

## **6. COMMENTS OF THE CHIEF FINANCE OFFICER**

6.1. This report seeks the approval of the Mayor in Cabinet for the Council to engage in the establishment of an East London Group Training Agency (GTA) in partnership with the London Legacy Development Corporation (LLDC) and other east London councils. The GTA will provide apprenticeships and other vocational training for roles in the construction industry. Following development of the proposals, a further report will be submitted to Cabinet to approve the governance structure and to consider the legal, financial and procurement implications for the Council.

6.2. At this stage the Council is not entering into any long term financial commitments but has employed a part-time project development manager and will incur costs in developing the proposals, including the commissioning of procurement and legal advice (paragraph 5.23.1). These costs will be fully financed through Section 106 resources of £150,000 that have previously been approved for projects intended to increase employment outcomes.

6.3. A detailed assessment of the financial implications of any proposals will be included in the future Cabinet report. It is anticipated that the GTA will become self-financing over time, however Section 106 and Apprenticeship Levy funding may initially be required to support revenue costs in the early years. The Council and its partners are expected to submit funding bids to the London Economic Action Partnership (LEAP) to secure resources to finance the required capital investment in IT equipment. These issues will be considered in detail when the operating model and partnership arrangements are more developed.

## **7. LEGAL COMMENTS**

7.1. This report seeks the approval of the Mayor in Cabinet for the Council to engage in the establishment of an East London Group Training Agency (GTA) in partnership with the London Legacy Development Corporation (LLDC) and other east London councils.

7.2. At this stage, there are no legal implications. It is noted however that a further report will be presented in the New Year setting out recommendations for the adoption of a formal governance structure including legal, financial and procurement implications for the Council; and to seek approval for formal LBTH

representation within the recommended governance structure. Any legal implications will be addressed in that report.

## **8. ONE TOWER HAMLETS CONSIDERATIONS**

- 8.1. In line with The Single Equality Framework (SEF), the GTA, with support from WorkPath will seek to put in place best practice guidelines to ensure that the workforce of contractors in the borough better reflect the local community.
- 8.2. The provision of apprenticeship training will ensure continued development of young people. This will be supported through entry level programmes to enable local young people, particularly women, disabled people and from BAME groups to enter into a sector which they are significantly under-represented. This will include the provision of pre-apprenticeship programmes, such as the recent programme developed with Ballymore and funding through S.106 funding. Specific courses for women will continue to be organised through WorkPath to encourage take-up.
- 8.3. It is intended that robust equality targets will be included within the Service Level Agreement which the training provider will be required to sign as a condition of the lease. This will be monitored closely by the Board, Group and Borough Officers.

## **9. BEST VALUE (BV) IMPLICATIONS**

- 9.1. Joint processes will be established with the LLDC and partners to provide value for money. This will be in line with the intentions outlined in the LBTH Best Value Action Plan. In particular, it is envisaged that procurement for the GTA training provider will require tendering through a full OJEU advertising process.
- 9.2. Best Value procurement processes will be put in place to support local businesses (especially SME and alternative providers) and third sector organisations

## **10. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

- 10.1. It is envisaged that the scope of training to be delivered by the GTA will include new green skills (such as an installation of green roofing), which will support the sustainability requirements of the Council. The increased recruitment of local people into construction and the growth and subsequent use of local sub-contractors' developments in east London will lead to a decreased carbon footprint in the borough as the number of commuter/business journeys into the borough fall.

## **11. RISK MANAGEMENT IMPLICATIONS**

- 11.1. Lack of Support from Contractors - Contractors have been actively consulted by LBTH, LLDC and other borough partners over the last 6 months this consultation will continue. It is envisaged that Contractors will be required to

support the use of the GTA via S.106 planning obligations. Failure to secure these obligations via introduction of a Supplementary Planning Document will mean a continuation of the consultation and liaison with contractors through WorkPath to maximise opportunities.

- 11.2. Failure to secure Cathall Road as the training hub - Officers will work closely with contractors in the borough to utilise contractors-led pop-up training centres to deliver bespoke training as and when required. Whilst this will lack the incentive of working through a main “hub”, it will however mean that demand led training can be delivered.
- 11.3. Failure to secure LEAP funding for Cathall Road capital development - Cathall Road is currently able to deliver a wide range of demand-led training without the benefit of additional adaptations. CADD and other higher level training will be delivered via on-line delivery.
- 11.4. LEAP funding for Cathall Road proves inadequate to deliver changes required - Robust project management processes to be established with LBTH Officer who has extensive experience in similar projects.
- 11.5. Failure to secure appropriate training provider - Previous soft-testing by LLDC has indicated significant interest from training providers and current GTAs nationwide and there is already a list of appropriate providers in place.
- 11.6. Failure to maximise use by LBTH residents and businesses - WorkPath to be intrinsically involved in the process to ensure residents and businesses are signposted to opportunities and supported to sustain them in employment/apprenticeship positions.

## **12. CRIME AND DISORDER REDUCTION IMPLICATIONS**

- 12.1. The increase in training of local young people into apprenticeships and employment opportunities in LBTH will decrease the number of NEETs and decrease the likelihood of offending. Additional support provided by WorkPath to enable ex-offenders to take up the training and apprenticeship places offered will decrease the amount of re-offending and lead to a subsequent fall in crime rate.

## **13. SAFEGUARDING IMPLICATIONS**

- 13.1. All staff associated with the training provider will automatically be DBS checked. Safeguarding processes will be put in place (including through the Prevent programme) in line with SFA guidelines.
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## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

- NONE

### **Appendices**

- NONE

### **Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012**

<http://www.constructionleadershipcouncil.co.uk/wp-content/uploads/2016/10/Farmer-Review.pdf>

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