



**Correspondence address:**

South East England Councils  
Room 215 County Hall  
Penrhyn Road  
Kingston  
Surrey  
KT1 2DN

**t:** 020 8541 7553

**e:** [heatherbolton@secouncils.gov.uk](mailto:heatherbolton@secouncils.gov.uk)

Kat Hanna  
Public Affairs Manager  
London Chamber of Commerce and Industry  
33 Queen Street  
London EC4R 1AP  
[khanna@londonchamber.co.uk](mailto:khanna@londonchamber.co.uk)

3 October 2014

**Construction skills: Addressing South East shortages**

Dear Kat

First of all I would like to thank Silviya and you for taking the time to come and talk to South East England Councils' Executive last week about the LCCI's forthcoming skills report.

As you saw from the debate, South East authorities have a great interest in the skills agenda, including the widely-recognised shortage of construction skills in the South East and London. I therefore thought it would be useful to set out the main points raised in discussion to help shape your thinking as the report develops.

Local authorities strongly support the inter-linked economic and social benefits of increasing construction skills. These include the need to build on the current fragile economic recovery, to deliver much-needed housing and infrastructure projects and to help South East residents into skilled employment, which ultimately will reduce calls on welfare budgets.

**South East context**

Housing demand helps put the South East's short-term skills needs in context. With the UK's largest population at 8.8million, we face significant housing pressures. Over the past three years we have built more homes each year than London (20,700 homes pa in the South East compared to 19,100 pa in London). We are also keen to help improve skills as one way to help developers take forward sites where planning permission has been granted but building has not yet started.

While SEEC members support the London Mayor in his plans to build 49,000 homes a year in the capital for the next 10 years, we are also aware that this has potential to create a skills drain in the South East. It will be important that all public and private sector partners work together to bring forward skills so that we can try to avoid shortages that affect deliverability of housing and other major infrastructure projects.

## Summary of SEEC member views

It is clear that the current system is not delivering the skills required and not doing enough to encourage take up of construction as a career choice. SEEC members highlighted a number of particular concerns and potential solutions, including:

1. There is a lack of clarity about how the Skills Funding Agency and the Construction Industry Training Board (CITB) are addressing recognised shortages. These are priority issues to be addressed. Private sector employers who fund CITB need to take a lead on proposing reforms to ensure it better matches their needs. In the public sector, local authorities believe devolution of skills funding and commissioning to councils would deliver also play a significant role in planning and delivering training to meet employer needs.
2. Proposed use of Section 106 to fund skills raises a number of key points:
  - a. Funding training via S106 would effectively double-charge developers who already pay a levy to the CITB. A top priority must be to improve CITB delivery. Use of S106 money for training is not a fair or effective way to use limited public money when the private sector and Government are already funding CITB.
  - b. S106 is a limited pot of money and allocating funds to training risks challenge from local communities who expect to see S106 funding spent on locally-determined priorities such as affordable housing. There is already insufficient S106 money to meet all local expectations.
  - c. Use of S106 for training is too late in the process of development. Earlier intervention is needed to deliver skills before projects start. The role of Local Enterprise Partnerships in supporting skills development should be explored.
3. LCCI data is likely to underestimate future demand for construction skills:
  - a. Current data shows a peak in demand in January 2015, but demand is likely to increase further after that date when major projects such as HS2 rail, airport expansion and London's plans for 49,000 homes a year are factored in.
  - b. Current data on new build projects does not include significant additional demand for construction skills from businesses who work in the property maintenance sector.
  - c. Excluding Hampshire from the LCCI analysis risks underestimating relevant future skills demand, especially given the County Council's planned £1 billion capital investment programme.

## Role of local authorities

Local authorities are willing partners in improving the supply of relevant skills to meet local employers' needs. They have a good understanding of their local areas – including needs and potential but currently lack many of the levers and funding required to deliver major change.

Devolution of skills funding and commissioning to local authorities would be a significant step forward in helping local authorities respond to the skills needs in their areas. This would allow councils to influence provision of training courses tailored to employer demand rather than courses driven by student preferences.

## Possible mini case studies

Discussions highlighted three areas that would be interesting to follow up with mini case studies in your report as a way of illustrating local authority demand and actions already underway to help address skills shortages:

1. Oxford City Council: A requirement that at least 5% of employees on a large construction project are drawn from a local regeneration area to improve skills and increase employment.

2. Hampshire County Council: Although outside your current South East definition, the council's £1billion capital programme will create significant demand for construction skills and increase competition for skilled workers in the South East and London.
3. University Technical Colleges: You may be aware of the network of UTCs throughout England. There are a number of these 14-19 colleges within the SEEC area, a number which have construction as a specialism. Buckinghamshire UTC (Aylesbury) is now open, and the Medway UTC (Chatham) is in development. The Leigh UTC (Dartford) is open and offers computer science and engineering as specialisms. The UTC Oxfordshire (in development) will offer life sciences, physical sciences and advanced engineering, and the UTC Reading (open) offers computer sciences and engineering. The UTC@harbourside in Newhaven will offer environmental and marine engineering. I am also aware of plans to develop a University Technical College in Surrey to increase the supply of engineering skills.

Please let us know if you need further information on any of these points. SEEC would also be very happy to provide comments on the LCCI report at draft stage if this would be helpful. Please contact Heather Bolton [heatherbolton@secouncils.gov.uk](mailto:heatherbolton@secouncils.gov.uk) in the first instance if we can be of further assistance.

Yours sincerely



**Nicolas Heslop**  
**Secretary & Treasurer**  
**South East England Councils**