



Centre for Local
Economic Strategies

briefing

Delivering local economic value through Capital Programmes and Apprenticeships

Exploring the cost benefits of the Manchester People into Construction scheme

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Introduction

A string of benefits

Research undertaken by the Centre for Local Economic Strategies (CLES) with Manchester City Council has highlighted the benefits an innovative apprenticeship scheme brings for the City's residents, construction partners, the local economy, and the State. The Manchester People into Construction (MPiC) scheme places predominantly young Manchester residents into apprenticeships for a three year period with construction organisations delivering capital activities and works through the North West Construction Hub (NWCH). A host of qualitative benefits have been derived through the MPiC scheme:

'I now have a technical understanding of construction processes.'

'My attitude has changed to all life situations and the way I look at things since starting the apprenticeship.'

'My behaviour has changed because I know what I want to do with my life now.'

The quantitative benefits derived through a cost benefit analysis study highlight the core monetary values of the MPiC scheme:

- for every £1 spent upon MPiC, an additional £4.74 has been generated in social, economic and environmental value;
- without the MPiC scheme, £5,463,095 of benefits and savings would not have been made for the Manchester economy and the public purse.

As well as the resident and local economic benefits detailed above, the scheme has also highlighted the importance of procurement frameworks to developing benefits beyond service delivery through the supply chain.

A unique model

The benefits derived through the MPiC scheme have come at a time when apprenticeships are increasing in importance on the Government's policy agenda and amongst public service providers and business networks at the local level. The activities undertaken in Manchester through the NWCH and the MPiC scheme effectively pre-empt the Government's commitments to apprenticeships.

Manchester City Council have long recognised the wider local economic and community benefit that both revenue and capital procurement spend can bring for the City through supplier relationships. This is particularly important given the very real social challenges facing Manchester in relation to worklessness, low skills and deprivation; and the efficiency and cost-cutting challenges facing local government finance and procurement teams.

The value of the MPiC scheme to addressing both these challenges is clear; apprenticeships present a route to the labour market for disaffected young people, with a three year scheme providing employment security and the opportunity to gain further qualifications. The scheme also comes at very little financial cost and risk to Manchester City Council which is important given the efficiency drive. Manchester City Council act as enablers; with the administration risk taken by social employment agency ASPIRE, and the delivery risk taken by each construction contractor.

About this briefing

This briefing paper accompanies an event being jointly hosted by CLES and Manchester City Council on Friday 4 November 2011, looking at the local economic value of apprenticeships. This paper contextualises the event by exploring the key findings and policy implications of the research into the benefits of the MPiC scheme; and the role of procurement and the place steward drive of an innovative local authority, to enable these benefits to happen.

The Manchester drive towards local economic value

Manchester City Council's approach to sustainable procurement

Over the last five years, Manchester City Council has been extremely proactive in developing sustainability principles in its procurement policy. It has particularly sought to ensure that its procurement spending reaps maximum local economic, social and environmental benefit for the City's communities. This commitment has come both through its revenue expenditure in the form of social care, children's services and general operational procurement activities; and its capital expenditure upon construction activities and works.

Building upon the National Procurement Strategy 2003, Manchester City Council has recognised the importance of their near £1 billion expenditure on procuring goods and services reaping maximum benefit and impact. The Sustainable Procurement Task Force's 'Flexible Framework' and Manchester City Council's 'Sustainable Procurement Policy Statement' and associated 'Statement of Intent' all promote notions of sustainable procurement practice and, where legally possible, procurement practice which is beneficial for the City of Manchester and its residents.

There are two overarching aims to Manchester City Council's Sustainable Procurement Policy:

- to ensure the balanced consideration of social, environmental and economic impacts are undertaken throughout the procurement process;
- to ensure that Manchester City Council employees, contractors and suppliers are aware of the Council's commitment to long term social, ethical, environmental and economic sustainability.

Manchester City Council's approach to sustainable construction procurement

In relation to construction procurement, the Capital Programmes Team has long recognised the value that effective and sustainably focused procurement practice can bring to the local economy. The construction associated with the 2002 Commonwealth Games is a key determinant of this effectiveness. It laid the early foundations for relationships with construction organisations which are based in Manchester and the wider Greater City Region.

Manchester City Council recognised that the key to delivering local economic value was through partnership arrangements, collaboration with suppliers, and through procurement practices which enable this. The NWCH officially launched in 2009 and provides the mechanism through which this collaborative approach is realised. The NWCH is open to all public bodies in the North West.

Construction organisations which are capable of delivering contracts to the scale required by Capital Programmes, and which have demonstrable evidence of achieving wider economic benefits, sit on one of three frameworks, comprising:

- a regional framework for projects valued at £10,000,000 and over;
- a medium value framework for projects with a value of between £500,000 and £10,000,000;
- a low value framework for project work up to £500,000.

Through being on the framework and through contract delivery, it is anticipated that construction suppliers will deliver a series of benefits for local residents and business. This may come in the form of supporting local businesses to be part of their supply chain, through supporting local residents into employment opportunities, through principles of corporate social responsibility, and through apprenticeships.

The Manchester People into Construction scheme

Apprenticeships have been a core part of the employment support offer of Manchester City Council and partners at Jobcentre Plus and Skills Solutions in recent years. These have largely come through either frontline service provision or special initiatives, such as the Future Jobs Fund. Apprenticeships have been embedded into capital procurement through the MPiC scheme which commenced in 2008.

The MPiC scheme seeks to support people into employment opportunities at organisations that sit on any of the three Construction Frameworks. The residents are referred to the construction partners by Manchester City Council from a range of sources, including Connexions and the Manchester College. The recruitment process is not based upon academic credentials, but competencies such as team working. Once in place at the construction partner, the apprentice undertakes a range of trade related activities and is given the opportunity to attend relevant college and Skills Solution courses on a day release basis. Administration of the apprentices is dealt with by ASPIRE. It is important to note that the apprentice opportunities offered through MPiC are not just trades but in administration and project management roles.

Evidencing local economic benefit

As well as providing the strategy to enable local economic benefits through the Sustainable Procurement Policy and the delivery means through the MPiC scheme, Manchester City Council have also been proactive in seeking to evidence the reality of the benefits to Manchester's residents and the local economy.

Previous research undertaken by CLES explored the local economic, social and environmental benefits of Manchester City Council's procurement expenditure with its top 300 suppliers in financial year 2008/09. The following describes the key findings of this research, which is detailed in the Power of Procurement publication:

- £357,383,215.03 was spent in financial year 2008/09 upon procuring goods and services from the top 300 suppliers;
- £183,967,557.15 or 51.5% of spend was with organisations with a Manchester City Council boundary postcode or with a branch within the local authority boundary;
- organisations in the ward of Ardwick were contracted to deliver £43,164,744.32 of the total spend with the top 300 suppliers in 2008/09;
- of the £183,967,557.15 spent with the top 300 suppliers based in Manchester, some £87,541,509.18 was spent with organisations based in, or with a branch in, the 10% most deprived LSOAs in England;

- 86.5% of all spend with the top 300 suppliers was with organisations with a presence in Greater Manchester;
- £84,960,265.52 was spent with construction organisations with a Manchester City Council boundary postcode or a branch within the local authority boundary;
- 25p in every £1 was re-spent upon Manchester based employees and suppliers of their own, amounting in monetary terms to £89,345,553.76;
- 5,225 jobs were supported for Manchester residents through Manchester City Council's spend upon the top 300 suppliers.

Enhancing local economic benefit

Whilst the above figures are positive, Manchester City Council has been working since the publication of the Power of Procurement to continuously improve its procurement policies and practices; and importantly further maximise the benefit it brings to Manchester in economic, social and environmental terms. Key activities have included:

- the development of a cross-departmental procurement working group which seeks to bring together lead officers from across the Council to action how their priorities can feed into the procurement process;
- the development of a suppliers network which brings together City Council Officers and the supply chain to discuss barriers in the procurement process and how benefit can be maximised;
- the restructuring of tender documentation to include information about key Manchester City Council priorities; this includes information around worklessness and the local environment;
- work with suppliers based in the most deprived neighbourhoods in the City to discuss how they can contribute to issues affecting residents in the labour market and business in terms of sustainability.

What would happen if Manchester City Council did not invest?

All of the analysis undertaken by CLES of spend with suppliers was undertaken with a real focus upon deriving benefits to the local economy, in social terms and to the environment. It also recognised the benefit of having sustainable procurement principles in place and key relationships between the local authority and the supply chain.

However, one key question which remained unanswered was: 'what would happen if Manchester City Council **did not invest** in procurement strategy, construction frameworks and schemes like MPiC? What would be the costs to the locality in economic and social terms? What benefits for Manchester residents and the State would be missed?

CLES was therefore commissioned to answer these key questions focused upon the MPiC scheme. To undertake the research, CLES utilised a methodology called Cost Benefit Analysis (CBA). This methodology involves deriving what the costs and benefits of the scheme have been for apprentices, Manchester City Council, construction partners, the wider community, and the State; quantitative values are then assigned to these benefits to derive an economic value of benefit and, importantly, the benefits that would not have been accrued without the MPiC scheme.

The cost benefits of the Manchester People into Construction scheme

Gathering the evidence

To derive the costs and benefits of the MPiC scheme, CLES utilised a number of primary and secondary research methods:

- we undertook a desk review of documentation to gain an understanding of the scheme and its financial inputs;

- we undertook strategic interviews with the scheme manager and construction partners to identify benefit;
- we undertook focus groups involving nineteen apprentices who were involved in the scheme to explore benefits from their perspective and the extent to which each benefit identified was applicable to them individually.

Utilising this evidence, we undertook two pieces of analysis:

- we thematically summarised the key qualitative benefits of the scheme for apprentices, Manchester City Council and construction partners;
- we sought to place a financial value on the benefits derived through using CBA.

The outputs of the Manchester People into Construction scheme

Since the beginning of the MPiC scheme in 2008, 114 apprenticeship placements have been offered to Manchester residents. At the time of the research in March 2011, 92 apprentices were on placement at a construction partner or with Manchester Working. The apprentices were undertaking activities across trade, administration and project management professions. Apprentices had been referred to the MPiC scheme through three key mechanisms: the Connexions Service (54.8%); Manchester College (19.4%); and Future Jobs Fund (17.7%). The fluid nature of the MPiC scheme means that apprentices can gain experience at more than one contractor over the course of their apprenticeship, with 42 apprentices to date working with two construction partners.

The qualitative benefits of the Manchester People into Construction scheme

The focus groups with apprentices and the strategic interviews with construction partners highlighted a range of benefits for beneficiaries, construction partners and Manchester City Council. These core qualitative benefits are outlined below.

Benefits for beneficiaries

- For many of the beneficiaries, the key benefit of the MPiC scheme is that **it enables them to learn a trade directly** rather than through college:

'I now have a technical understanding of construction processes, both pre and post construction.'

- For many of the beneficiaries, the MPiC scheme has **provided a direction and signpost towards what they want to do in the future, thus improving aspirations**:

'My ambition is to get the most qualifications in my chosen trade.'

- **Improved confidence has been one of the key outcomes** of the MPiC scheme. This has included improved confidence when talking on the telephone for administration apprentices, and improved confidence for project managers when engaging with staff onsite.

- As a result of being on the MPiC scheme, **apprentices have seen greater respect** from their peers, their tutors at college, and their parents and families:

'My attitude has changed to all life situations and the way I look at things since starting the apprenticeship.'

- The MPiC scheme has **changed the attitude and outlook of the young people involved**. Being in the workplace has improved social skills and, for those in trades, improved the banter they have with their peers. Being in paid employment has also led to greater independence for the apprentices, with positives including being able to go on holiday and support their family:

'I have a more positive outlook on career development and achieving goals.'

- For some of the apprentices, particularly in the trades, the MPiC scheme has been used to **turn their life around and provide structure**:

'My behaviour has improved because I know what I want to do with my life now.'

Benefits for construction partners

- For construction partners, the MPiC scheme is a **good mechanism for them to demonstrate their commitment to community benefits** and achieve the wider objectives of Manchester City Council when it comes to procurement strategy.
- Whilst construction partners recognise that other organisations on the Construction Framework are competitors, there is **an opportunity to share practice around the values of the apprenticeship scheme** and, additionally, the challenges around it.
- The fact that Manchester City Council undertake the interviewing of apprentices and ASPIRE deal with administrative and payroll issues means the MPiC scheme is **relatively risk free** for construction partners.
- The MPiC scheme has not only provided the construction partners with reliable employees, it has also **raised the profile of the construction trade, individual organisations and the community benefits they achieve**.
- The scheme has enabled construction partners to **tailor apprenticeships to meet the qualities and interests of the people involved**, thus changing the perception of apprentices.
- The MPiC scheme is viewed as effective by construction partners because it vets **the appropriateness or otherwise of apprentices** before they go on placement. This means that **once the apprentice goes on job placement they are effectively 'job ready'**.

Benefits for Manchester City Council

- The MPiC scheme has **enabled Manchester City Council to meet its core objectives around sustainable procurement**. It is a clear demonstration of decisions being made on the basis of effectiveness as well as efficiencies, and also a demonstration of **snowballing key objectives around economic, social and environmental benefit through the supply chain**.
- The MPiC scheme is a key **mechanism for supporting young people into employment opportunity**, thus addressing challenges around worklessness and NEET.
- The MPiC scheme is a positive mechanism for **raising the profile of the added value Manchester City Council brings beyond service delivery** and through capital investment.
- The MPiC scheme is a **mechanism for continuing engagement with construction partners through contract delivery**. There is a feeling that construction contractors now actively engage with Manchester City Council to take on apprentices rather than it being a constituent part of contract arrangements.

The quantitative benefits of the Manchester People into Construction scheme

Feedback from apprentices and their employers clearly provided a strong message that MPiC was providing valuable opportunities for Manchester residents. These apprenticeship opportunities were considered to be additional to what would have been offered if MPiC did not exist; and sustainable as the scheme guaranteed an apprenticeship until completion, while providing support to find employment once the apprentice became qualified.

The CBA is also underpinned by quantitative analysis and previous research into similar interventions. The values derived below have utilised original research of the Department for Work and Pensions Social Cost Benefit Analysis Framework, which assesses the exchequer benefits of employment schemes that place individuals in work; and the Warwick Institute for Employment Research (IER), which assesses the net benefits to an employer of apprenticeships.

The costs of delivering Manchester People into Construction

Delivering MPiC has cost implications for both Manchester City Council and framework partners who support and train the apprentices. Overall, we have detailed the cost of the scheme to be £2,344,667. The following costs were identified with delivering MPiC:

- **administration and management costs** – a total of £86,000 is spent per year by Manchester City Council on MPiC in order to coordinate and project manage the scheme, to ensure partners' employment and training commitments are met and that apprentices are fully supported during their apprenticeships;
- **additional training costs** – figures provided by Manchester City Council suggest additional training costs are incurred for trainees undertaking a HNC qualification while completing their apprenticeship. Over the course of the scheme, we have detailed training costs to be £36,075;
- **supervisory costs** – MPiC also results in costs for the construction partners, primarily as a result staff time invested in supporting apprentices on the job and being part of MPiC. This may include time invested in terms of tutoring the trainee onsite or providing support in relation to continuous professional development. Over the course of the scheme, we have detailed supervisor costs to be £517,920;
- **wage costs** – wage costs were considered for each apprentice based upon their exact salary and the length of time they were supported by the scheme. Over the course of the scheme, we have detailed wage costs to be £1,320,470.

The benefits generated by Manchester People into Construction

Our research with construction partners and Manchester residents found that a wide range of outcomes were being generated by MPiC. Financial values were only placed upon outcomes that could be evidenced and applied to the number of apprentices experiencing those outcomes, and the length of time apprentices experienced such benefits. Overall, we have detailed the benefits of the scheme to be £5,463,095. The following benefits were being generated by MPiC:

- **Gross Value Added (GVA)** – GVA accounts for the wage benefits and productivity value of the work carried out by the MPiC apprentices. Assumptions from the National Apprenticeship Service were used to assess the productivity of apprentices while they were training. Over the course of the scheme, we have detailed GVA benefits to be £4,743,849;
- **exchequer savings through reduced welfare payments** – moving residents into employment creates a number of financial benefits in terms of reducing exchequer spend in other areas, such as welfare benefit claims. Over the course of the scheme, we have detailed exchequer benefits to be £254,576;
- **health benefits generated through employment** – DWP guidance highlights the link between being in employment and reductions in health spend through declining public healthcare expenditure, such as reduced visits to the GP. Research suggests that a reduction of £508 in NHS costs per annum for each individual moving into work are utilised. Over the course of the scheme, we have detailed health benefits of £16,510;
- **the value of reduced crime** – DWP guidance identifies a need to account for the impact of employment upon crime levels. Five apprentices felt they had benefited from the MPiC scheme due to no longer committing crime and getting into trouble with the police. Over the course of the scheme, we have detailed crime benefits to be £418,909.

In summary, the research found that for every £1 invested in MPiC a total of £4.74 is generated in social and economic value. The scheme is therefore generating £5.4 million of value through providing Manchester residents with opportunities and employment in the construction sector.

Concluding thoughts towards further progression in procurement

Manchester People into Construction scheme of key local economic value

The cost benefit analysis of MPiC clearly shows that the scheme generates considerable results, both in terms of the outcomes for Manchester City Council, construction partners and the scheme's apprentices, and the economic value it is generating (over £5 million of social and economic value). The MPiC scheme therefore clearly demonstrates the value that can be generated through procurement activity and the contribution that framework agreements with suppliers to the public sector can make towards tackling key corporate level objectives, such as Manchester City Council's priority to cut worklessness.

There are clear opportunities to build upon and maximise opportunities to generate further apprenticeships using the model developed by Manchester City Council's Capital Programmes Division. For instance, opportunities to extend the Manchester model across Greater Manchester and the wider North West should be explored by using the North West Construction Hub. However, there is also the opportunity to diversify the range of apprenticeships on offer by promoting the value of this scheme to other council departments and the local business base.

The approach of Manchester City Council to apprenticeships through MPiC is something which the Government should be taking note of in their policy commitments around the value of vocational skills. The scheme fits nicely with the Government's drive towards sector based apprenticeships and, indeed, there are a number of concluding lessons from the MPiC scheme that shape future policy development:

1. ***partnership is crucial*** – the MPiC scheme is based upon a solid foundation of a relationship between buyer and suppliers. Apprenticeships need to be partnership focused, with advice provided by public bodies;
2. ***procurement frameworks can drive community benefit*** – the MPiC scheme is based upon a procurement framework which is embedded in the priorities of the local authority. Apprenticeships need to be embedded in corporate and departmental priorities to be effective;
3. ***framework agreements can facilitate low risk apprenticeship schemes*** – the importance of partnership in the MPiC scheme reduces the risk on all partners: payment and responsibility for placing apprentices sits with a social employment support agency; the responsibility for recruiting apprentices lies with the local authority; and delivery of activities for apprentices lies with the construction partner. Schemes such as MPiC therefore spread the perceived risk of recruiting apprentices across a number of partners. Contractors and young people benefit from this as apprenticeships can be placed with more than one framework supplier to ensure they can complete their qualification. This is vitally important when workloads are unstable, meaning companies often feel the recruiting apprentices outside of a framework carry too much risk;
4. ***apprenticeships continually engage suppliers*** – relationships between buyer and supplier often end once a contract has been issued. The MPiC scheme has been a mechanism by which suppliers can be continuously engaged in local authority policy and delivery;
5. ***mix the practical with the classroom*** – a key outcome of the discussions with apprentices was that they truly valued the opportunity to learn a trade on the job. Policy around vocation needs to be focused on just that: tangible employment with opportunity for further qualifications.

The continued progressive procurement practices of Manchester City Council

In summer 2011, Manchester City Council commissioned CLES to undertake further research exploring the local economic, social and environmental benefits of its procurement spend. The research particularly explored the baseline figures for spend from 2008/09 as detailed in the Power of Procurement, and how spending patterns had changed in financial year 2010/11. We also proffered reasons for the changing nature of spend.

Greater spend with top 300 suppliers

During the 2010/11 financial year, Manchester City Council spent a total of £547,396,305.79 upon buying goods and services from its top 300 suppliers, representing a 53% increase on the equivalent for 2008/09 which was £357,382,215.03. Reasons for change include:

- increased spend upon capital programmes through new physical projects, such as the Town Hall extension and new school building programme;
- introduction of North West Construction Hub, with further funding channelled through Manchester City Council;
- increased agglomeration of supplier spend due to public sector spending cuts.

Greater spend with Manchester based suppliers

Of the £547,396,305.79 spent by Manchester City Council upon goods and services from its top 300 suppliers in financial year 2010/11, £294,836,725.96 is spent with suppliers based in or with a branch in the Manchester City Council boundary, equating to 53.9% of all procurement spend by Manchester City Council with its top 300 suppliers. The equivalent figures for 2008/09 were £183,967,557.15 being spent with Manchester based suppliers or 51.5%. Reasons for change include:

- a focus in procurement strategy on supporting local business to bid for opportunities;
- the work of the area regeneration teams in encouraging and supporting local business to bid for procurement opportunities;
- stronger cross-departmental working on procurement spend and greater recognition of the importance of maximising benefit.

Greater spend in areas of deprivation

£154,770,295.70 of the total spend of £294,836,725.96 with Manchester based suppliers is with organisations based or with a branch in the 10% most deprived LSOAs nationally; £81,420,113.14 is spent with Manchester organisations with a branch in the 1% most deprived LSOAs nationally. For the top 300 suppliers in 2008/09, £87,541,509.18 of spend with Manchester based suppliers was with organisations based in the 10% most deprived LSOAs nationally. Reasons for change include:

- increased spending upon the top 300 suppliers;
- increased and significant spend with one supplier who has a branch in Harpurhey.

Greater spend with Greater Manchester based suppliers

Of the £547,396,305.79 spent by Manchester City Council upon goods and services from its top 300 suppliers in financial year 2010/11, £497,712,492.26 is spent with suppliers based in or with a branch in Greater Manchester, equating to 90.9% of all procurement spend by Manchester City Council with its top 300 suppliers. The equivalent figures for 2008/09 were £309,055,609.74 being spent with Greater Manchester based suppliers or 86.5%. Reasons for change include:

- a focus in procurement strategy on supporting local business to bid for opportunities;
- more focus upon city regional governance mechanisms through Local Enterprise Partnerships.

Greater re-spend in the Manchester economy by suppliers

Suppliers to Manchester City Council re-spent 43p in every pound they received from Manchester City Council upon Manchester resident employees and Manchester based suppliers of their own. The equivalent total re-spend of the top 300 suppliers upon Manchester based employees and suppliers for 2008/09 was 25p in every £1. Reasons for change include:

- influence of engagement with supply chain in previous piece of research;
- greater realisation amongst suppliers as to the benefits they can bring to the Manchester economy;
- work of Manchester City Council and Area Regeneration Teams in engaging with supply chain to maximise benefit of spend;

- better understanding amongst supply chain of challenges facing the City;
- better cross public sector agency working with supply chain.

Through its procurement strategy, commitment to a North West Construction Hub and the MPiC scheme, Manchester City Council has clearly demonstrated that it is a best practice example of enabling community benefit.

About the Centre for Local Economic Strategies (CLES)

The Centre for Local Economic Strategies (CLES) is the leading membership based organisation in the UK dedicated to economic development, regeneration and local governance. Founded in 1986, CLES is a unique thinking and doing organisation with charitable status. In all of CLES' work, the challenge of delivering local economic development, alongside progressive environmental and social benefits, is a common theme. For more information, visit www.cles.org.uk.

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