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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date: 13 November 2012</b>
<b>Report By:</b>	<b>Corporate Director Environment, Regeneration &amp; Resources</b>	<b>Report No: RMcG/LA/928/12</b>
<b>Contact Officer:</b>	<b>Rona McGhee</b>	<b>Contact No: 01475 712113</b>
<b>Subject:</b>	<b>Community Benefits from Procurement - Remit from Environment &amp; Regeneration Committee</b>	

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## **1.0 PURPOSE**

- 1.1 The purpose of this report is to request the Committee to consider a remit from the Environment & Regeneration Committee.

## **2.0 SUMMARY**

- 2.1 The Environment & Regeneration Committee at the meeting held on 25 October 2012 considered the attached report by the Corporate Director Environment, Regeneration & Resources apprising Members of the current position regarding the development of the Inverclyde Community Benefits programme and future opportunities.

APPENDIX

- 2.2 The Committee decided:-

- (1) that the update on Inverclyde Construction Plus and the Community Benefits activity be noted;
- (2) that authority be given to the further delivery of the Community Benefits programme, embedded in all appropriate contracts being issued by Inverclyde Council and renewed as formal Inverclyde Council policy; and
- (3) that the Policy & Resources Committee be requested to approve the continued use of Community Benefits clauses and enhance the process with a 5% weighting being incorporated within upcoming construction contracts, to be reviewed after 6 months with a view to increasing the weighting to 10% if appropriate.

## **3.0 RECOMMENDATION**

- 3.1 The Committee is asked to consider the remit from the Environment & Regeneration Committee.

**Rona McGhee**  
**Legal & Democratic Services**

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<b>Report To:</b>	<b>Environment &amp; Regeneration Committee</b>	<b>Date:</b>	<b>25<sup>th</sup> October 2012</b>
<b>Report By:</b>	<b>Corporate Director – Environment, Regeneration and Resources</b>	<b>Report No:</b>	<b>E+R/12/10/02/SJ/SL</b>
<b>Contact Officer:</b>	<b>Stuart Jamieson</b>	<b>Contact No:</b>	<b>01475 715555</b>
<b>Subject:</b>	<b>Community Benefits from Procurement</b>		

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## 1.0 PURPOSE

- 1.1 The purpose of this report is to apprise members in regard to the current position regarding the development of the Inverclyde Community Benefits programme and future opportunities.

## 2.0 SUMMARY

- 2.1 Following successful pilot activity of a community benefits from construction programme, Inverclyde Council has played a lead role in establishing the local Construction Plus Partnership to secure employment and training opportunities for the community arising from large scale construction projects.
- 2.2 Between April 2009 and July 2012, the significant public sector construction contracts have generated 585 jobs for local residents. Sixty per cent of those employed lived in areas of Inverclyde and 38% of those employed were aged 16-25. Discussions are also taking place on improving the community benefits clauses in order to have a more direct impact on the local companies who may be able to benefit from sub contracting opportunities.
- 2.3 During the same period a total of 43 new construction apprenticeships were created for local young people, this figure would have been greater had it not been for the impact of the recession on construction companies across the UK.
- 2.4 Community Benefits requirements have been a key inclusion in several Inverclyde Council construction projects, including the schools programme and leisure sites. River Clyde Homes have incorporated community benefits in new build housing at Port Glasgow, Greenock East and Greenock South West. Riverside Inverclyde have secured similar benefits through activity at Clyde View Business Centre and Town Centre improvements. Finally, other construction jobs have arisen through work with smaller Housing Associations and within private developments.
- 2.5 Inverclyde Community Development Trust, as the Single Point of Contact and with funding from Inverclyde Council, have supported the process and worked with other training providers to ensure trainees and skilled workers are available. Employers surveyed within a review of the community benefits programme, have identified that the single point of contact has been a significant strength in Inverclyde and made it easier for them to recruit from within the local labour market.
- 2.6 The achievement of community benefits from procurement is a key indicator used in assessment by Scotland Excel and contributes to the Procurement Capability Assessment – in Inverclyde the 2011 assessment showed marked improvement on previous years and it is understood that the community benefits activity was a key element.

### **3.0 RECOMMENDATIONS**

- 3.1 The Committee is recommended to note the update on Inverclyde Construction Plus and the Community Benefits activity.
- 3.2 The Committee is recommended to authorise further delivery of the community benefits programme, embedded in all appropriate contracts being issued by Inverclyde Council and renewed as formal Inverclyde Council policy.
- 3.3 That a report be remitted to the Policy and Resources Committee in which Committee approve the continued use of community benefits clauses and enhance the process with a 5% weighting being incorporated within upcoming construction contracts. This will be reviewed after 6 months with a view to increasing the weighting to 10%, if that is appropriate.

**Aubrey Fawcett**

**Corporate Director – Environment Regeneration and Resources**

## 4.0 BACKGROUND

- 4.1 Inverclyde Council participated in the Scottish Government pilot activity around Community Benefits from Construction, with targeted training and recruitment being a key requirement in two construction projects at Pottery Street in Greenock and Robert Street in Port Glasgow.
- 4.2 Following on from this Inverclyde Council identified the Community Benefits activity as a key objective and in June 2009 the Construction Partnership was formally signed up to by all partners including Inverclyde Council, River Clyde Homes, Riverside Inverclyde, Inverclyde Community Development Trust, James Watt College, Skills Development Scotland, Jobcentre Plus and Action for Children.
- 4.3 Since its inception in 2009, the Partnership has overseen the development of 585 posts in construction activity across Inverclyde with opportunities for local residents. The posts created have been a combination of new trainee/apprenticeships allied to other opportunities for skilled and unskilled workers.
- 4.4 The first project commenced when Inverclyde Council appointed the Miller Group/E4i Consortium to build two primary and two secondary schools which completed in 2011. In total, 90 local residents obtained employment, either short or longer term, generating a total of almost 2000 person weeks on site.
- 4.5 Inverclyde Council further obtained community benefits through the development of the strategic leisure sites, with opportunities created at the following:-
  - Ravenscraig Sports Centre
  - Parklea
  - Gourock Outdoor Pool
- 4.6 River Clyde Homes have also implemented community benefits requirements in a number of new build construction projects, including the following:-
  - Port Glasgow
  - Greenock East
  - Greenock South West
- 4.7 Riverside Inverclyde have implemented community benefits requirements in the following:-
  - Clyde View Business Centre
  - James Watt Dock – Public Realm
  - Town Centre Initiatives
  - Clyde View Business Centre 2
  - Gourock – Public Realm (currently being tendered)
  - Customs House – (currently awaiting start date)
- 4.8 Inverclyde Council has sought to work with partners and extend the programme, accordingly, there are currently 4 Apprentices working on the Arts Guild site and discussions have been held with the Scottish Prison Service in advance of any planned new prison.
- 4.9 Inverclyde Community Development Trust was appointed as the single point of contact for both employers and unemployed residents. Employers have highlighted this as a key aspect in the successful delivery of the programme, with the Trust maintaining a database of skilled and new entrant workers that enables a clear job matching process.
- 4.10 The programme has been reviewed by Richard Macfarlane who has experience of community benefits and procurement across Scotland and the UK (Appendix 1). Richard has highlighted the strong points of the Inverclyde programme and additional areas we can continue to improve.
- 4.11 In 2012, the Scottish Government announced the “Developing Markets for the Third Sector” programme, to be delivered by a national consortium. Participation in this activity will enable

Inverclyde Council to develop the Community Benefits programme and secure additional expertise via the appointed consultants – the Ready for Work Group.

## 5.0 IMPLICATIONS

### 5.1 Financial Implications – One off Costs

<b>Cost Centre</b>	<b>Budget Heading</b>	<b>Budget Year</b>	<b>Proposed Spend this Report</b>	<b>Virement From</b>	<b>Other Comments</b>
n/a	n/a	n/a	n/a	n/a	n/a

### Financial Implications – Annually Recurring Costs/ (Savings)

<b>Cost Centre</b>	<b>Budget Heading</b>	<b>With Effect from</b>	<b>Annual Net Impact</b>	<b>Virement From (If Applicable)</b>	<b>Other Comments</b>
n/a	n/a	n/a	n/a	n/a	None

## 6.0 CONSULTATIONS

### 6.1 Consultations regarding the Inverclyde Construction Plus partnership and this report have included

Inverclyde Council – Legal  
 Inverclyde Council – Procurement and Central Purchasing  
 Inverclyde Council – Education and Social Work/CHCP  
 Riverside Inverclyde  
 River Clyde Homes  
 Partner Agencies

**INVERCLYDE COUNCIL AND RIVER CLYDE HOMES**

# Targeted Recruitment & Training (TR&T) Construction Initiative

## Case Study

by Richard Macfarlane

Third Draft

## Summary of Outcomes

- The four construction contracts on which this case study is based have generated 180 jobs for Inverclyde residents: 88% for skilled/experienced workers and 22% for apprentices and other trainees.
- When other contracts are included over 300 local jobs have been obtained: Inverclyde Council, River Clyde Homes and Riverside Inverclyde (an urban regeneration company) have adopted the TR&T approach for construction related to school building and refurbishment, leisure and arts facilities, new housing, and commercial developments.
- 60% of the people employed lived in areas of Inverclyde with high levels of unemployment.
- 38% of the people employed were aged 16-25, but 68% of apprentices and trainees were from this age-group
- The inclusion of TR&T requirements in the contracts has been successful and provides a basis for now seeking improved outcomes from construction contracts and broadening the use to services contracts.
- Inverclyde Construction Plus was created as a multi-agency partnership to oversee the TR&T activity.
- Inverclyde Community Development Trust was contracted to help employers recruit from the target communities and provide monitoring information: a Hanlon Management Information System was introduced to provide client tracking and job-matching, and detailed output data.
- The work of the Trust was seen by contractors as a key element of success.

## Good Practice – The Headlines

- Use an established model when developing the TR&T specification.<sup>1</sup> Introduce this material to the procurement team and legal advisers.
- Only include TR&T requirements that can be verified and monitored. Who will do this and with what resources?
- Ensure that a 'single point of contact' (for trainees and employees and/or local suppliers) is established before the first contract starts to recruit. This is essential to ensure 'level playing field' for non-local contractors and to maximise outcomes for local people and suppliers.
- Formally appoint the 'single point of contact' as the TR&T agent for the client to give them authority to ensure that the contract processes and outcomes are delivered. Tell the TR&T agent what the requirements for each contract are and make clear that variations from these need to be agreed with the client and formally documented.
- Notwithstanding the appointment of a TR&T agent the client officer for the contract should convene progress review meetings with the TR&T agent and the contractor and agree any changes to the contract terms.
- The TR&T agent (i.e. the single point of contact) should initiate weekly telephone contact with the employers on the site to identify forthcoming opportunities, induct new staff into the TR&T requirements, and generally keep a focus on the TR&T elements of the contract.
- The TR&T agent should have a database system capable of :
  - registering the personal data of all new entrant trainees and other local beneficiaries;
  - providing monthly reports on outcomes against the target for the client and each main contractor;
  - providing quarterly profiles of the people employed for the client review meetings so that targeting can be changed if necessary.

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<sup>1</sup> See for example *Community Benefits in Public Procurement*. Scottish Government. 2008 or [www.rmacfarlane.co.uk](http://www.rmacfarlane.co.uk)

# 1. Introduction

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Inverclyde covers three towns and a number of villages on the southern bank of the Clyde Estuary in the West of Scotland. The main urban areas are Port Glasgow, Greenock and Gourock: port areas with a long tradition of ship building, engineering and associated port operations, and a more recent history as the home of IBM in Scotland. Like many old industrial areas Inverclyde has struggled with above-average levels of unemployment, exacerbated by a degree of isolation at the western end of the M8 motorway. The Council area currently has 'claimant count' unemployment of 5.2% overall (compared with a Scottish average of 4.1%) placing it in the top 10 areas for unemployment, but unemployment amongst the 16-19 year olds stands at 40.4% which is the third highest in Scotland.

From 2004 -2007 the Council participated in a 'community benefits in procurement pilot project' run by the Scottish Government's Procurement Directorate. At this stage there was little construction being procured by the Council and the outcomes were limited. However, the pilots established the principal that there is a legally-sound way of the Council incorporating employment and training requirements in its contracts. Because of this it was possible to incorporate 'targeted recruitment and training requirements' in the major school-building contracts let by the Council from 2008 to 2011, and to provide a methodology that could be used by River Clyde Homes for its new-build housing investments from 2009 onwards.

River Clyde Homes (RCH) was established as a not-for-profit social landlord in order to take over the Council's housing stock and deliver a programme of new investment that includes demolition and new building as well as refurbishment and maintenance.

Both the Council and RCH have a policy basis for adopting a TR&T approach. The Council's Economic Development Strategy at the time set out a 'sustainable development' approach that aimed to tackle social and economic exclusion:

*For Inverclyde to achieve sustainable economic progress it is vital that residents and communities are connected to economic opportunities and feel able to contribute and benefit from them.<sup>2</sup>*

For RCH the commitment to use its procurement to achieve local employment and economic development formed a part of its Business Plan:

*River Clyde Homes will seek to secure local employment and opportunities for trades apprentices within partnering agreements.<sup>3</sup>*

Riverside Inverclyde, the urban regeneration company for Inverclyde, has incorporated TR&T requirements in some construction contracts but was not involved in the review that has produced this case study.

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2 Inverclyde Council Economic Development Strategy Page 14.

3 River Clyde Homes Business Plan Page 47.



## 2. The Procurement Process

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The starting point for both the Council and RCH was a draft 'community benefits in procurement' toolkit provided through the Scottish Government pilot programme. However, the way the requirements were placed on the contractor were then varied in response to the context of the contract and the advice obtained from legal advisers.

The more conventional approach was taken by RCH. Here the TR&T requirements were included in the procurement process and as contract conditions in a framework contract<sup>4</sup>. The approach of Inverclyde Council was influenced by the context of the first contract, a schools public/private partnership (PPP) contract<sup>5</sup> using fairly a rigid and complex Scottish Government standard form of contract. To avoid having to amend this the Council required the contractor to enter into a parallel agreement (termed a Direct Agreement) on the TR&T elements. This approach has continued to be used with other, more conventional, forms of contract.

The PPP contract was procured through a 'competitive dialogue' process that required potential contractors to set out their approach to each element of the contract – including the TR&T element - at various stages, prior to a formal tendering stage.

A summary of the two approaches is set out in Table 1.

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4 A framework contract is where a number of contractors are selected through an open tendering process and the work allocated between them in accordance with a policy or through a further competition. Firms are not usually guaranteed any work.

5 In effect a public sector hire-purchase agreement where the contractor builds and maintains the facility at their own cost and the public sector pays a guaranteed rent for a fixed period (typically 25-30 years) after which ownership transfers to the public body.

The approach taken by Inverclyde Council and RCH demonstrates that they regarded the TR&T requirements as a core part of what they were purchasing – part of the subject of the contract – and therefore a matter that could be taken into account in the selection of the contractor.

Both approaches have produced contractors that were aware of the clients' requirements in relation to TR&T. In part this may be because all of the contractors now expect such requirements: they are widely used by local authorities and social housing providers in the West of Scotland. Several contractors pointed to the difficulties they face where each client requires local recruitment, especially for apprentices where contractors should be making a commitment to the individual that outlasts any particular contract.

On the small sample of contracts examined for the case study there was no difference in outcomes between the RCH contracts where the TR&T elements had a significant weighting at both PQQ and award stages, and the Council contracts where there was no significant weighting. However, over a larger range of contracts it is likely that the Council would start to encounter contractors that won contracts but had little experience or commitment to TR&T. These may well be contractors from outside the West of Scotland, and they could include those basing their competitive price on bringing labour from Ireland or other EU countries with a lower- waged economy.

**Table 1 Inclusion of TR&T in the Procurement and Contracting Process**

	<b>Inverclyde Council</b>	<b>River Clyde Homes</b>
Notice in the Official Journal of the European Union (OJEU)	Section III.1.3 of the Notice states “ the successful contractor will be required to enter into a targeted recruitment and training agreement”.	The procurement code for recruitment is included in the Notice.
Question in the Pre-qualification Questionnaire (PQQ)	“Please provide details of the understanding and experience of the Company in relation to supporting local labour market and training initiatives”.	A questionnaire on previous experience of delivering ‘community benefits’ is included.
Scoring of the PQQ	Scored but given a weighting of less than 1%	Scored with a 10% weighting
Specification	Clause in the Preliminaries/General Conditions section referring to the need to enter into a separate TR&T agreement as set out in Appendix J	Appendix 9 sets out the TR&T requirements.
Evaluation of Tenders	Contracts are awarded on the basis of price alone on the assumption that each firm on the tender list is capable of delivering all aspects of the contract to the required quality.	The scoring matrix for the award of the contract includes “the organisation’s approach to community benefits” which has a 15% weighting. The scoring is based on a TR&T Method Statement submitted with the Tender.
Contract	The TR&T requirements are included in a Direct Agreement that is parallel to the construction contract but separate to it.	The TR&T requirements are included as contract conditions.
Enforcement	The Direct Agreement includes payment of a deposit sum prior to commencement. This is £65 per ‘new entrant trainee’ week to be delivered and is repaid with interest quarterly in arrears on the basis of outcomes.	Through quarterly performance statements and discussions with the contractor.

### 3. The TR&T Requirements

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As indicated above, in each example the TR&T requirements were detailed in an appendix to the specification (the Invitation to Tender or similar). In each case the bidder was required to submit a pro-forma TR&T Method Statement with their Tender setting out what they would achieve and how this would be achieved. The pro-forma approach meant that each contractor has to address the same questions, which makes the documents easy to compare.

The TR&T Method Statement provides a base-line of information against which the client can compare subsequent performance.

Table 2 provides a summary of key requirements in the Council and the RCH contracts.

**Table 2 Key Contract Requirements on TR&T**

	<b>Inverclyde Council</b>	<b>River Clyde Homes</b>
TR&T Method Statement	Pro-forma method statement to be submitted as a part of the Tender submission.	Part A (general approach) to be submitted with the tender, and Part B (outcomes from a specific volume of work) to be submitted later.
Opportunities for New Entrant Trainees	7.5% of the person-weeks <sup>6</sup> required to deliver the contract. An estimated actual target is stated, and this is used for the calculation of the deposit-sum.	10% of the labour time (estimated as 8 person-weeks per unit of housing) to be provided to new entrants (half of whom should be apprentices) recruited via Inverclyde Construction Plus (ICP).
Targeted Recruitment	All vacancies to be notified to a named single point of contact (ICP) and candidates put forward to have an equal opportunity of recruitment	All vacancies to be notified to ICP and people put forward by them to have an equal opportunity of recruitment
Work experience	A stated number of person-weeks of unwaged work experience to be made available if requested.	The equivalent of 1.5 person-weeks per unit of housing to be made available as unwaged work experience.
Training Plans	(No training plans required)	Contractors to indicate the types of training to be available to new entrant trainees.
Monitoring	Quarterly TR&T Performance Statement that includes weeks delivered by new entrant trainees and vacancies notified to the named agencies, and vacancies filled by people with local post-codes.	Quarterly TR&T Performance Statement that includes weeks delivered by new entrant trainees and vacancies notified to ICP.
Verification Data	Each 'new entrant trainee' to be registered with the Council or their agent using a pro-forma that collects personal information and previous employment status.	Each 'new entrant trainee' to be registered with RCH and ICP using a pro-forma that collects personal information and previous employment status.
Insurance	(no specific requirement)	Contractor to have site insurance for people aged 16 and over.
Disclaimer	Statement that any action taken by the client or their agents to help contractors deliver the TR&T requirements did not amount to a promise to provide trainees/workers or the quality of the latter. Also made clear that the inclusion of the TR&T requirements does not override the quality requirements of the contract.	Statement that any action taken by the client or their agents to help contractors deliver the TR&T requirements did not amount to any promise to provide trainees/workers or the quality of the latter.
Information	Bidders referred to the Council's Economic Development Team for information on training and job-matching resources and services that they could potentially access.	Bidders referred to Inverclyde Construction Plus and the Council for information on training and job-matching resources and services that they could potentially access.
Deposit Sum	A schedule of the training deposit sum(s) that must be paid to the Council and the terms for repayment.	(Not applicable)

<sup>6</sup> A person week is the equivalent of one person working for 5 days. As a means of setting a target it is preferred to 'jobs' because the latter can be of indeterminate length.

A critical issue in each specification is the inclusion of definitions so that there is a shared understanding and a clear statement that contractors can be held to. The definitions used by the Council and RCH were very similar:

a new entrant trainee is “*a school or college leaver, or an adult that has not been employed in the construction industry during the previous 6 months (other than as a new entrant trainee with another contractor known to the client) and who is undertaking training towards a construction industry qualification*” A new entrant trainee could be an apprentice that can be counted for up to 104 weeks or an ‘other trainee’ that can be counted for up to 39 weeks (RCH version) or 52 weeks (Inverclyde Council version).

So essentially a new entrant trainee position was intended as a means of ensuring that people that were new to the construction sector could obtain the work experience, training and mentoring they need if they are going to obtain further work in the sector. Some early versions of the definitions were not so explicit about permitting ‘new entrants’ that had been in work but not completed the ‘allowed time’ to be placed into new opportunities. With the downturn in the construction sector over the time that these pilot contracts were on site the issue of ‘displaced apprentices and trainees’ has become more pressing.

## 4. Setting New Entrant Trainee Targets

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There has been a degree of ambiguity in the target for ‘new entrant trainees’ (see Table 2 above). In effect two targets were set by each client:

- a % of the total person-weeks used to deliver the contracts;
- an estimated number of person-weeks to be delivered (the Council) or a standard number of person-weeks for each unit of new housing built (RCH).

When it came to enforcement what was the contractual target? The base line is probably the % target, but this is dependent on information that cannot easily be checked by the client i.e. the total labour time used to deliver the contract.

The client’s did hold another piece of relevant information: the new entrant trainee weeks ‘offered’ in the TR&T Method Statement (see Table 3 below). Where an indicative or estimated target is set in the specification then the client should ensure that the total of ‘apprentice’ and ‘other trainee’ weeks in the Method Statement is at least equal to the target. If a % target is used then the client should check that this is reasonable. This could be by:

- comparing the totals between different contractors;
- calculating the total person-weeks to be used in the contract and consider whether this looks reasonable.

The concern here is that a contractor can reduce their TR&T commitment (if this is set as a %) by minimising the projected total labour usage on which the target is set.

Comparing the new entrant trainee outcomes with the weeks ‘offered’ in the method statements has revealed two issues:

- the clients have not been routinely checking the TR&T Method Statements, so for example some were incomplete (which subsequently became important);
- contractors have argued that the Method Statement offer was not binding because they actually delivered the job with less labour overall: in one case this reduction was 33%.

The lesson from this is that the TR&T targets should be set as absolute numbers, ideally by the procurement team setting this in the specification or by making the total offered in the TR&T Method Statement the binding target.

### Person-weeks to be delivered by new entrant trainees (excluding work placements)

\*Apprentice

Evidence from other contracts suggests that outputs can vary significantly between contractors carrying out the same type of work.<sup>7</sup> This implies that the % set for new entrant trainees is not 'highly sensitive': if the target is set at an absolute number of person weeks calculated on 10% of total labour usage this should not be impossible for the contractor to deliver even if total labour usage falls.

## 5. The Treatment of Costs

RCH has taken a different approach to costs to that of Inverclyde Council. The latter requires the TR&T requirements to be delivered “without cost to the Council” and includes a schedule in the TR&T Method Statement where the contractor demonstrates how they will achieve this (see Table 4 below). RCH does not include this schedule and does not provide an opportunity for a contractor to specifically price the TR&T item.

The background to this is a conventional wisdom that any item in a contract will attract a cost to deliver. However, with TR&T these costs can be off-set by:

- utilising company training resources that the client is in effect paying for (through the overall management charges) e.g. a training manager and HR team services;
- obtaining industry grants e.g. ConstructionSkills<sup>8</sup> grants that are funded by a levy on all companies and grants from Government;
- maximising the use of free local resources e.g. training provided by colleges; job-matching services provided by local organisations; wage subsidies provided for Youthbuild trainees<sup>9</sup> and government programmes;
- maximising the productivity of the apprentices and other trainees;
- obtaining a `corporate social responsibility` contribution from the core budget of the company.

So the aim is to maximise the effort that the contractor puts into obtaining these external and internal resources.

**Table 4 – Example of Cost Schedule – Inverclyde Council TR&T Method Statement**

**Summary of Targeted Recruitment & Training Resources**

Cost Item	£	Basis of calculation
Management and administration		
Training costs		
Additional site costs		
Mentoring and support activities		
Total cost		
Sources of Funding and other Resources		
Construction Skills grants		
Existing company staff/overheads		
Trainee productivity		
Services from other external agencies		
Total of additional resources		
Net Cost		Difference between Total cost and Total of additional resources.

8 [www.cskills.org](http://www.cskills.org)

9 [www.YBUK.org](http://www.YBUK.org)

## 6. Other Contract Requirements

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The specifications included an number of TR&T requirements that were not effectively applied. These included:

- provision of training plans for each contract (RCH only) with the intention of ensuring that appropriate training is available;
- monitoring information on the numbers of personnel starting on site in each Quarter, and the number of vacancies notified to the single point of contract;
- the residential post-codes of all people engaged on the site;
- a requirement to participate in Client initiatives to identify and nurture local sub-contractors and suppliers, and then to provide a list of any such firms invited to price for work;
- a list of the names and addresses of all sub-contractors and suppliers and the value of contracts awarded to each.

These requirements reflect four legitimate concerns of the Council and RCH. First, that new entrant trainees did receive training in their initial employment period: this is in fact part of the definition of a new entrant. Secondly, that all vacancies were in fact being notified to the single point of contact and local applicants had a genuine opportunity to be considered for the job. Thirdly, that local companies be given the chance to obtain sub-contract and supply opportunities. And finally an interest in the proportion of spend that finds its way into the local economy through a local supply-chain.

However, to properly enforce these requirements requires more time, either from the client or from an external `champion`. If this time is not available then the requirements should not be included in the specification.

In the context where `new entrant trainees` are supposed to receive training it might be legitimate to amend the specification to require the employer to agree a Training Plan with Construction Plus for each new entrant trainee. But is this something that Inverclyde Construction Plus want to see their resources applied to?

The other issue that both Inverclyde Council and RCH want to address through their contracts is local supply-chain opportunities. This can be done but there needs to be a considered approach that:

- is capable of being delivered equally by both local and non-local contractors;
- incorporates an appropriate requirement in the specification and contract;
- has an organisation that is willing to facilitate, monitor and progress-chase this element in the way that the single point of contact does for local employment and training.

## 7. The Single Point of Contact

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A key element in the Inverclyde approach to TR&T has been the creation of a single point of contact for construction employers seeking to recruit `new entrant trainees` and locally-based skilled and experienced workers. This has two principle aims:

- to create a level playing field between local and non-local firms as required by EC Procurement frameworks: all have to recruit from the same source which removes the potential advantage of a local contractor that may already have knowledge and contacts in the local labour market;
- to maximise the opportunities for local people: while the named agency should operate an equal opportunities policy it can take action to maximise the number of local residents that are registered, including people from the areas with the most intense levels of unemployment and deprivation.

In the Council specifications the words *or a suitable alternative agreed by the client* are added to the requirement to recruit from the named single point of contact. This allows a contractor that has their own training organisation or a contract with an existing labour supply agency to seek agreement to use this



alternative provision, and in considering whether to permit this the Council could, after the award of the contract, discuss how the alternative agency would work with local communities. This approach is in line with that agreed by the Scottish Procurement Directorate in the CBIP Pilot Project.

Funding for the single point of contract was obtained by the Council from the Fairer Scotland Fund and a procurement exercise was launched for an agency to deliver the service on behalf of an Inverclyde Construction Plus partnership consisting of Inverclyde Council, RCH, Riverside Inverclyde (the URC); Job Centre Plus, James Watt College, and Action for Children that runs a local Youthbuild programme. The contract was won by Inverclyde Community Development Trust (ICDT)<sup>10</sup>.

*ICDT has almost a quarter of a century of experience in providing a wide range of services and support to the people of Inverclyde. Our mission statement is straight forward – “Create jobs. Remove Barriers. Provide services.”*

*The Trust primarily provides employability programmes across a number of venues in Inverclyde and is able to help local unemployed people access training and support. In 2010 over 700 Inverclyde people were directly assisted into work.*

The objectives of Inverclyde Construction Plus (ICP) include:

- secure the maximum number of job and training opportunities from construction underway in the district, especially for people that are disadvantaged in the labour market;
- create additional training opportunities at all levels, from general building operatives to modern apprentices;
- increase a local skills pool for construction activity;
- provide a recruitment mechanism for construction companies;
- co-ordinate existing provision;
- develop a strategic framework for community benefits from procurement.

The delivery of a `single point of contact` service in the pilot projects has typically worked in the following way. After the award of the contract the client organises a meeting with the Inverclyde Council economic development team, Construction Plus and the main contractor to discuss the contractors recruitment needs and the recruitment process. When a vacancy/trainee opportunity becomes available the contractor contacts the Construction Plus team and they develop a job and person specification with the employer, and then pre-select some suitable candidates for the contractor to interview and appoint from.

When a candidate starts work as a `new entrant trainee` the contractor is required to register this with Inverclyde Construction Plus: if the selected person was not recruited through Construction Plus (so they are not on the data-base) a pro-forma that provides personal information has to be completed and signed by the trainee to allow the personal data to be provided. This is to comply with the Data Protection Act.

The termination date for new entrant trainees also has to be notified.

Where the employer is a sub-contractor than one of two approaches may be adopted by the main contractor:

- the sub-contractor is required to get in touch with ICP in relation to recruiting a number of `new entrant trainees` and filling other vacancies;
- the sub-contractor is required to inform the main contractor when they want to recruit a new entrant trainee or have an other vacancy, and the main contractor then contacts ICP and lets them have the contact for the sub-contractor.

The transmission of TR&T obligations to sub-contractors is a critical element of the success or otherwise of the contractual approach.

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10 [www.the-trust.org.uk](http://www.the-trust.org.uk)

Part way through the `pilot programme` in Inverclyde ICP purchased a licence to use some dedicated software for client registration, job-matching and reporting outcomes. After this date the organisation began to produce outcome schedules for each contract that listed the local people recruited to each site and the total person-weeks provided. In two of the four pilots this was used as the basis for their outcome reports by contractors. The other contractors used their own staff (or consultants) for this.

Contractors reported that the single point of contact was a significant benefit that Inverclyde had over other areas where they were required to recruit trainees and other local residents. Furthermore, the quality of the service and the quality of the candidates provided was considered high.

## 8. Outcomes

An analysis of the characteristics of the beneficiaries has been provided by Inverclyde Construction Plus using information from the 113 people that they have registrations for.<sup>11</sup> This is summarised in the Tables 5 - 8.

The data shows that:

- 22% of the positions were taken by `new entrant trainees`;
- almost all beneficiaries were men;
- 38 % of all beneficiaries were aged under 25, but 68% of new entrant trainees were aged under 25;
- 60% of all beneficiaries were residents of target recruitment areas.

Key lessons from this are that an increased focus on new entrant trainees will help younger people get into the labour market, and more work needs to be done to increase opportunities for young people that are residents of the key target areas in Inverclyde. The gender imbalance also needs to be considered.

**Table 5 – Status of Beneficiaries**

	<b>No.</b>	<b>%</b>
New Entrant Trainees	25	22
Skilled/Experienced	88	78
Total	113	100

**Table 6 Gender of Beneficiaries**

	<b>All Beneficiaries</b>		<b>New Entrant Trainees</b>	
	<b>No.</b>	<b>%</b>	<b>No</b>	<b>%</b>
Male	111	98	23	92
Female	2	2	2	8

**Table 7 Age Range of Beneficiaries**

	<b>All Beneficiaries</b>		<b>New Entrant Trainees</b>	
	<b>No.</b>	<b>%</b>	<b>No</b>	<b>%</b>
16-18	9	8	5	20
19-24	23	20	12	48
25-39	37	33	6	24
40 +	44	39	2	8

<sup>11</sup> This represents 63% of all the beneficiaries from the Council and RCH contracts. Other beneficiaries pre-dated the current Trust data-base system.

**Table 8 Home Area of Beneficiaries**

	All Beneficiaries		New Entrant Trainees	
	No.	%	No	%
Greenock East	25	22	4	16
Greenock West	14	12	4	16
Port Glasgow	22	19	3	12
Other SIMD <sup>13</sup>	8	7	2	8
Other Inverclyde	44	40	12	48

The analysis shows that 36% of all beneficiaries were employed for less than 13 weeks, 44% were employed for between 13 and 52 weeks, and 20% were employed for more than a year. This pattern reflects the short-term and specialist nature of most construction employment.

## 9. Issues

### 9.1 The Concept

It should be noted that none of the contractors had any issues with the right of the client to include TR&T requirements in their contracts. As indicated above, they viewed this as commonplace.

### 9.2 Apprentices and Other Trainees

Two of the contractors viewed the new entrant trainee requirements as potentially conflicting with their company culture which was to deliver the works mainly with a directly employed staff that they trained and retained. Being required to recruit apprentices from Inverclyde, alongside those recruited in other areas, could mean that they couldn't fulfil this commitment to their staff, and especially to the apprentices. Since both contractors are based in Glasgow the engagement of Inverclyde apprentices was especially difficult because it would be challenging for these to travel to sites to the north, south and east of Glasgow.

This was seen as less of a problem where the contracts were mainly delivered by sub-contractors, and they recruited the apprentices and trainees. However, with the sub-contractors there may be little commitment to retaining the new entrant trainees at the end of the Inverclyde contract. This is a particular problem for apprentices that require three to four years to complete their apprenticeship. To accommodate this Inverclyde Construction Plus is being encouraged to offer displaced apprentices and trainees to new employers on construction sites as a part of their new entrant trainee cohort.

A second issue with apprentices has been the single date for entry to College for construction training courses, in September each year. Contract timetables may not align with this and an employer may therefore 'lose' a significant number of 'apprenticeship outcomes' while waiting for September to come around. This may be addressed by encouraging employers to recruit displaced trainees since they will be part-way through a training course.

However, in part this problem for contractors arose because they didn't use the potential of engaging 'other new entrant trainees' in general operative or more administrative roles. These require less training to become productive and are generally trained on site, and therefore require less of a long-term obligation from their employer. Longer-term employment is desirable, but after six to nine months work trainees are more able to get the next job even if this is not in construction. So better the limited-term opportunity than no opportunity, which is the likely alternative.

### 9.3 Responding the downturn in the construction market

The contractors with a directly employed workforce faced some difficulties in meeting their TR&T obligations if they were at the same time laying off existing workers, some of whom had many years working with the

company. This is a difficult human relations situation, but it can be overstated on the basis that:

- the only TR&T requirements that affect this are the 7.5%-10% of working time that should be utilised by `new entrant trainees from Inverclyde: the other 90% of jobs are available for existing staff;
- since the TR&T requirements are a contract condition the contractor would not have been awarded the contract without being willing to fulfil this condition, and they would then have had less work to offer the existing personnel;
- the impact will mainly be on staff from other contracts – mostly away from Inverclyde – that might otherwise be transferred into the Inverclyde contract.

However, the increasing numbers of skilled and experienced construction workers from Inverclyde that registered with the Job Centre did lead to an informal agreement within Inverclyde Construction Plus that these recently unemployed local residents should have opportunities for employment on the pilot sites. They did in fact have this already through the requirement to notify all vacancies to the `single point of contract`, but the change was interpreted as a freedom to allow the contractors to engage skilled/experienced workers in place of new entrant trainees. Most contractors used this freedom although it was never reflected in a formal change of contract terms, and they therefore significantly under-achieved in relation to the TR&T contract conditions.

In part this problem arose because of a change in Construction Plus systems and staff. The people setting up the new systems were unaware of the definitions and requirements in the construction contracts. They were used to working through an `employer engagement` approach where the task is to deliver what the employer asks for. Unfortunately, the employers were no longer asking for `new entrant trainees` and they were very happy to be offered skilled and experienced local people.

Arrangements are now in place to ensure that on current and future contracts `new entrant trainee` positions are offered to people that meet the definition of a new entrant trainee. So people that are the most disadvantaged in the labour market do get these opportunities.

#### 9.4 The role of sub-contractors

All of the main contractors used a number of subcontractors to undertake a larger or smaller part of the works. All had a means of transferring TR&T obligations to the sub-contractors, with a typical approach incorporating:

- advising sub-contractors that TR&T requirements were a part of the contract when asking them to price the work;
- discussing what will be required of the sub-contractor (in relation to TR&T) at pre-contract discussions with the latter;
- include the TR&T requirements in the sub-contract order / contract;
- set up arrangements so that sub-contractors advise the main contractor of vacancies and who has been appointed to the vacancy, with Construction Plus being introduced to the sub-contractor by the main contractor.

However, the review of outcomes suggests that this system may suffer significant breakdown over time. Sub-contractors don't advise on vacancies and may start to use other recruitment sources – including local advertising and the local job centre – rather than working with the single point of contract. One reason for this can be changes in the site staff of the main contractor or the sub-contractors, so existing ways of working and established relationships get fractured. Also, new staff may be less familiar with the contract requirements and assume the commitment is to recruit `local labour` and/or apprentices. So the nuances of the contract requirements get lost.

One contractor that had paid a Deposit Sum (see Table 2 above) to the Council in relation to its TR&T obligations argued that the outcomes would have been better if they had apportioned this between their contractors, so each had a financial stake in fulfilling the obligations. This would have helped to maintain their focus.

## 10. Contract management

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From the above it can be seen that significant benefits have been achieved for local communities through the pilot contracts. However, there could have been additional opportunities and increased targeting at the most disadvantaged communities if there had been better communication between the public sector clients and 'the single point of contact', and more sustained use of the contract management procedures to keep a focus on the TR&T elements of the works.

It is proposed that for future contracts the Inverclyde Community Development Trust will be formally appointed as agent of the client in relation to the TR&T requirements. Their role will include progress-chasing the quarterly monitoring information and ensuring that this is discussed at the clients' site meeting with the contractor at least once per quarter. Essentially, the contract management arrangements need to be used for TR&T as they are for other elements of the contract.

## 11. Moving Forwards

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The four pilot contracts of Inverclyde Council and RCH were intended to be a learning exercise. The period of the pilots has been challenging for the construction industry, but rising unemployment in Inverclyde, especially amongst young people, makes the implementation of the TR&T requirements all the more important as a way of ensuring that the local people that are most distant from the labour market do not have to wait in line behind the existing skilled/experienced workers before they get the chance of a job. In the current economic climate that could be a long wait.

The four 'pilot contracts' generated 180 jobs for Inverclyde residents - roughly 33 person-weeks of local work per £1m in contract value. This is far better than what would have been achieved without the contract requirements since most of the labour flooded into Inverclyde along the motorway from the 'home base' of the contractors and sub-contractors in the nearby Glasgow conurbation. However, the Council and RCH want to see this increased by at least 33% to bring the outcomes in line with their original aspirations

It is felt that increased outputs and improved targeting can easily be achieved for future contracts by:

- clarifying and strengthening the role of the single point of contract;
- strengthening and then using the formal contract review procedures for TR&T;
- amending the way that Inverclyde Construction Plus, as the single point of contact, works with contractors and sub-contractors;
- keeping a focus on the creation of opportunities for school and college leavers and long-term unemployed people that want to enter the labour market through construction work.

## 12. Acknowledgements

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The author would like to thank the following people for their input into this case study.

Shaun Lundy, Brendan Hurrell, Eddie Montgomery and Andrew Gerrard (Inverclyde Council)

Angela Spence (River Clyde Homes)

Kevin Millar and Robert Barr (Inverclyde Community Development Trust)

Stuart Fleming (Miller Construction)

John McHugh (John Graham Construction)

John Hugh Cairns ( Lovell Partnerships)

Gary McGregor and Lynn Stodart (CCG Ltd.)

Dave Brown (Streets UK)

Gayle Monk and Mark Cook (Anthony Collins Solicitors)