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**Review of Procurement and Skills  
Policy**

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# Executive Summary

## Policy Background and Research Objectives

Over the past 18 months and in the context of the challenging economic environment, there has been an increasingly strong focus on the public sector making greater use of procurement to promote wider economic and social policy objectives. Public procurement can be an effective lever to stimulate employer interest and engagement in skills and encourage them to provide additional training and Apprenticeship opportunities to young people and adults.

The Department for Business, Innovation and Skills (BIS) has been leading a cross-Government programme to encourage public sector procurers to consider skills training and Apprenticeships requirements as part of their procurement programmes through: direct engagement with Government Departments and Key Agencies; publishing and promoting guidance jointly with the Office of Government Commerce (OGC); developing a toolkit for detailed sector specific guidance; and working with the Department for Communities and Local Government (CLG) and a range of Local Government stakeholders to encourage wider take-up of the policy.

This research set out to assess: i) general awareness of the procurement and skills policy; ii) the extent to which skills and Apprenticeships are routinely included in public sector procurement; iii) how skills and Apprenticeship considerations built into contracts are being delivered; iv) the impact procurers' decisions have on the behaviour of suppliers and their supply chains and what the costs and benefits have been of these decisions; and v) whether those involved in public procurement have the advice, guidance and support they require.

The research consisted of both quantitative and qualitative fieldwork. Initial depth interviews with stakeholders were carried out to scope the issues for inclusion in the quantitative telephone survey which was conducted with 505 procurement staff in public sector organisations in England. The organisations approached were categorised into five sectors: Local Government, Central Government, Education, Health bodies and Public Protection organisations. Follow-up interviews were conducted with 20 procurers to discuss the issues in more depth. In addition, 20 interviews with suppliers were carried out, focusing on how the implementation of the policy was working further down the chain with the view to providing a more holistic picture of all the parties involved in the policy implementation.

## Key Findings

### Awareness and understanding of the policy

- Overall awareness of the policy is encouragingly high and there is evidence that the recent drive to promote uptake of the policy has had an impact. However, there is more work to do to ensure a detailed understanding of how to implement the policy, as well as to promote the existing guidance which should help increase knowledge of the benefits of the policy.

- The vast majority of procurers working in Central (82%) and Local Government (90%) organisations are aware of the previous Government's objective to increase training and Apprenticeships, and nine in ten (90% and 88% respectively) of these are specifically aware of the potential to do this through procurement. In the rest of the public sector<sup>1</sup>, awareness of the potential to increase training and Apprenticeships is lower though still representing a majority (71%). However, awareness of the specific policy to embed Apprenticeships and other training in public procurement is significantly lower amongst this group (52%).
- Procurers' depth of policy understanding follows a similar pattern. Almost all procurers in Central and Local Government organisations say that they know<sup>2</sup> *something* about how to create skills training and Apprenticeship opportunities through public procurement, with over half claiming to know a lot or a fair amount. In the rest of the public sector only a quarter say they know any details. Linked to this, organisations who procure construction and related activities (predominantly Local Government<sup>3</sup>) are most likely to say they are aware of the policy.

### Government construction procurement

- The construction sector, with its frequent, large scale and long duration contracts is highly suitable for the Apprenticeship model and this sector is where most action has been concentrated. Since 2008, Government Departments have been asked to review contracts on a case by case basis with a view to including specific skills training and Apprenticeship requirements.
- Facilities Management and, to a lesser extent, IT are building their approaches to embedding Apprenticeships and other training but remain in the earlier stages of development. While Apprenticeships and training may not be appropriate in all cases, too high a proportion of procurers do not think it is relevant to any of their activities.

### Role of buyers and procurers' relationship with them

- Discussions with stakeholders highlight that the relationship between procurement staff and the 'buyers' – the internal staff who purchase the goods or services in question – is important. In most organisations the procurement team provide a form of internal consultancy for their buyers – they provide the technical know-how and advice on how buyers can best secure their objectives.

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<sup>1</sup>References to the 'rest of the public sector' include Education, Health bodies, Public Protection and other sectors.

<sup>2</sup> Knowledge is a different measure to awareness; the latter focuses merely on whether or not procurers are aware of the existence of the policy, whereas the former aims to find out how much of the policy detail they know

<sup>3</sup> Procurers working for Local Government are significant more likely than average to procure construction services (85% compared with 43% on average).

- According to procurers, value for money and being able to deliver a signed contract as quickly and efficiently as possible are frequently identified as being the main priorities for buyers and therefore a central concern for procurement staff.
- In many organisations, procurement staff are not involved in contract compliance issues and these are left to the buyers to monitor. This has implications on the extent to which procurement staff have direct knowledge of the post-contract performance of embedding Apprenticeships and skills. Awareness *and* depth of understanding appear to underpin the extent to which internal buyers are supportive of the policy and, therefore, willing to incorporate it into their procurement processes.
- Central and Local Government procurers, who are aware of the policy, report that the majority of their internal buyers know something of the policy. Overall, around three in five Central and three in four Local Government procuring organisations have *both* procurement staff who are aware of the policy and, more importantly, buyers who have some knowledge of the importance of leveraging procurement spend to invest in skills. Awareness in the rest of the public sector is around half that in Central and Local Government.
- Correspondingly, two-thirds of procurers in Central Government and three-quarters in Local Government say that buyers in their organisation are supportive of embedding Apprenticeships and other training in their contracts. In the rest of the public sector, half the procurers say that their buyers are supportive.
- In-depth discussions with procurement staff suggest that those organisations where there has been a strategic decision to use procurement to support skills development and local regeneration, tend to have buyers who are keen to embed Apprenticeships and skills into their procurement. Buyers' lack of awareness and understanding of the policy, a perceived fear of additional costs associated with the policy, and a perceived lack of relevance to the contract are cited as the main reasons for a lack of support amongst buyers.
- These findings illustrate that commitment from internal buyers is key, in addition to senior leadership awareness and buy-in.

### **Embedding Apprenticeships and training into contracts**

- Around two-thirds (68%) of Local Government procurers say that they use, or intend to use procurement to increase take-up of training and Apprenticeships amongst their suppliers on all or all *relevant* contracts, whilst 45% of Central Government procurers say the same.
- The primary difference between Central and Local Government is their perceptions of whether Apprenticeships 'fit' with their activities. In Central Government, 45% of procurement staff feel that Apprenticeships are *not* appropriate to any of their activities, compared with 25% of their counterparts in Local Government. Local Government can and does use its procurement to achieve wider objectives, e.g. community regeneration.

- In the rest of the public sector, just 13% say they use, or plan to use, procurement in this way on relevant contracts with over seven in ten saying that this is not appropriate to any of their activities.

### **Cost implications of the policy**

- Among those implementing the policy, it is most common for the supplier to contribute towards the cost of Apprenticeships within the terms of the contract. However, a minority say that procurers also contribute through securing support from the Train to Gain service or Apprenticeships programme.
- Local Government are more likely to say procurers and mainstream funding contribute, perhaps related to the higher proportion of construction contracts in this sector.
- The qualitative research revealed that procurement staff are divided on who should contribute to the costs and some are concerned about the perceived additional cost. It is imperative, as set out in the procurement policy, that contracts are assessed on value for money so suppliers are not discouraged from bidding for work.
- Indeed, many suppliers who participated in the qualitative research are already involved in workforce development and are Investors in People recognised. A few are at the leading edge of including training and Apprenticeships in procurement contracts.

### **Benefits and impacts**

- Among organisations who are implementing the policy, the majority say it is working well in practice (72%). The most commonly cited benefit is that it encourages training progression and achieving qualifications. Indeed, some specifically mention the opportunities it provides for young people – especially Local Government procurers whose strategic objectives often relate to improving employment opportunity and services for this section of the community.
- In addition to investment in the nation's skill base which is particularly important in the current challenging economic climate, suppliers explain that one of the benefits of the policy is the improved understanding employers will have of Apprenticeships. For example, Apprentices are available across all sectors and relevant to a wide range of industries although as indicated above outdated notions still exist.
- Wider benefits include suppliers becoming more aware of the range of recruitment opportunities available to them from organisations, such as Jobcentre Plus. Some are more open to help from such organisations when it is perceived to help them fulfil contractual obligations.

## Issues for increasing implementation

- Most procurement staff do not feel that they are very familiar with the details of the policy and are keen to see examples of *how* other organisations have successfully implemented like-for-like contracts, particularly from sectors other than construction. There is also a desire to see *evidence* that embedding Apprenticeships and other training in contracts does not adversely affect value for money considerations.
- Contracts which have been selected as being amenable for skills training and Apprenticeships are typically in the construction sector, or service contracts with a term of at least three years. Some procurers have used benchmarks as a starting point to set targets or for discussion with suppliers. Others have asked suppliers to make suggestions in their tender documents. Clearly, dialogue with suppliers is essential.
- There is not yet any reliable data available on the number of Apprenticeships that are supported through government procurement. However, the qualitative research identified that there are some contracts of substantial value with significant Apprenticeship numbers, which have commenced construction.
- The follow-up of contract commitments has been identified by *suppliers* as crucial to reinforce the policy intent and secure outcomes.
- Qualitative feedback from suppliers across all sectors indicates strong support for skills training and Apprenticeships to be included in contracts, as long as it is appropriate to the nature of the contract and applies to all bidders.
- The IT sector faces more challenges in using Apprenticeships. It is looking at using Apprenticeships as a first step to 'grow your own', using work experience to deliver ways of working and world of work learning prior to young people going on to undertake undergraduate studies. However, Apprenticeships are not always the best fit for the IT sector and it may be more appropriate to include other relevant skills training requirements. Some suppliers also highlight that some suppliers recognise that an IT contract could refer to Apprenticeships in non-IT functions, such as customer care or business administration.

## Engaging small and medium-sized enterprises (SMEs)

- Although there are mixed views as to whether SMEs are discouraged from applying for contracts with training requirements, SMEs are currently delivering Apprenticeships. These are typically in the construction sector, either as main contractor or subcontractor.
- SMEs experience particular barriers when taking on new Apprentices including: short duration of contracts; insufficient knowledge of funding and training provision; and extent of paperwork.

- However, a number of approaches are evident which assist SMEs in applying for contracts and delivering employment and skills outputs including: procurers holding Meet the Buyer events at early stages in the process; main contractors holding supply chain events; and use of Host Employer Models to simplify the Apprenticeship process.



# 1. Introduction

## 1.1 Background

Over the past 18 months, there has been an increasingly strong focus in the public sector on making greater use of its procurement to promote wider economic and social policy objectives in a way that is consistent with value for money policy. This focus was largely driven by the previous Government's commitment to routinely consider skills training and Apprenticeships through public procurement. Specific areas of action have included: access to basic literacy and numeracy for anyone working on central Government contracts; increasing Apprenticeship opportunities on construction projects; and, for IT providers to commit to using the Skills for the Information Age framework.

The Department for Business, Innovation and Skills (BIS) has been leading a cross-Government programme, working closely with the Office of Government Commerce (OGC) and the National Apprenticeships Service (NAS), to encourage public sector procurers to consider skills training and Apprenticeship opportunities for both new and existing contracts. BIS has sought to support delivery of these objectives through a number of approaches:

- Partnerships to encourage wider take-up of the policy; and
- BIS is also working with Buying Solutions to embed relevant skills and training requirements in cross-Government procurement framework Engaging bi-laterally with Government Departments and key Agencies and Non-Departmental Public Bodies;
- Publishing and promoting guidance jointly with the Office of Government Commerce (OGC)  
– *Promoting Skills through Public Procurement (April 2009) and Procurement Policy Note –Further Guidance on Embedding Skills training and Apprenticeships in Public Procurement (December 2009)*<sup>4</sup>;
- Developing a toolkit of detailed sector specific guidance, case studies and FAQs which can be accessed at [www.bis.gov.uk/skillsprocurement](http://www.bis.gov.uk/skillsprocurement);
- Working with a wide range of partner organisations, including Sector Skills Councils, National Apprenticeship Service, Local Government Improvement and Development (LGID) and Regional Improvement and Efficiency agreements.

Central and Local Government account for the majority of public procurement expenditure and have been areas of spend where there has been a particular focus. In addition, there has been a focus on the major areas of spend where skills and training issues are likely to be most important in securing successful value for money and public service delivery, particularly construction, information technology and facilities management procurement.

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<sup>4</sup> More recent OGC Procurement Policy publications, such as Policy through Procurement Action Plan can be accessed at [www.ogc.gov.uk/procurement.asp](http://www.ogc.gov.uk/procurement.asp)

All public procurement must be consistent with European directives covering procurement and the UK's value for money framework. There are opportunities to embed skills and Apprenticeships at all stages in the procurement process but that actions must:

- Be relevant to the subject of the contract;
- Be proportionate;
- Deliver value for money; and
- Not unfairly discriminate against any potential suppliers.

## 1.2 Research Aims and Objectives

This research has two primary aims:

- To provide a snapshot of awareness and uptake of the policy by public sector procurers and suppliers; and
- An assessment of the impact on procurers and suppliers and supply chains in terms of benefits and costs to inform future policy development.

A key aspect of this research is to explore the practical knowledge public sector has on *how to implement* the policy in the most cost-effective manner. The following research questions were examined:

- How the potential for embedding Apprenticeships and other training in contracts varies by contract type – the length and value of contracts, one-off versus repeat contracts, the nature of the contracted activity and the relevance of appropriate and accredited training.
- The level of support available to Departments and Agencies on these issues from their Human Resource Development (HRD) Departments, external agencies (including BIS and other stakeholders such as Sector Skills Councils and training providers). What skill/knowledge gaps (if any) remain within procurement teams and how can these best be filled?
- Who organises, oversees and pays for the training – the supplier or purchaser?<sup>5</sup>
- What procedures to monitor the implementation of training and Apprenticeships are being established? What targets are set and what sanctions are in place if the supplier does not deliver on the skills development activity? What performance benchmarks exist and how can these be used to drive further improvement across Central and Local Government and Agencies?
- How do purchasers aim to leave a legacy? To what extent are purchasers and wider stakeholders able to use purchasing as a platform for developing a wider appreciation of the skills agenda within suppliers and supply chain organisations?
- How do we ensure this practice is fully embedded, and remains so for the long-term?

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<sup>5</sup> Mainstream funding for training can be significant but is often targeted at certain areas. Individuals and employers are often expected to contribute to the cost of training. The research examined how the issue of training costs is handled in the procurement process.

- What are the unintended consequences of the policy and potential barriers to implementation?

## 1.3 Methodology

The research comprised of quantitative and qualitative elements:

- An initial round of eight interviews were conducted with stakeholders involved in embedding Apprenticeship and skills in public sector procurement across Central and Local Government, including the National Apprenticeship Service and Sector Skills Councils. In order to gain a broad overview of the progress of the policy to embed Apprenticeships in procurement, issues across Central and Local Government and different sectors were explored to help inform the topics for the quantitative survey of procurement staff;
- A structured telephone survey of a sample of 505 public sector procurers across England<sup>6</sup>. Public sector organisations were divided into the following groups: Local Government, Central Government, Education, Health bodies and Public Protection organisations. Each of these samples was compiled separately, dependent on the size and nature of the population;
- Twenty in-depth interviews with procurers who completed the telephone survey; these respondents were re-contacted to discuss the topic in more depth and explore the answers already given in more detail; and
- Twenty in-depth interviews with suppliers, sourced either through the twenty procurers, some of whom were able to provide contact details for their own suppliers, or through BIS. The discussions with suppliers focused on how the implementation of the policy was working from their perspective, and how this was being reflected further down the supply chain.

### Interpretation of the data

The base sizes for Central and Local Government are small which means that findings from these sectors should be treated with caution. However, all differences referred to in the report are statistically significant.

The early discussions with stakeholders highlighted the variety of procurement procedures across the public sector and, in particular, the importance of the relationship between procurement staff and the 'buyers' – the internal staff who purchase the goods or services in question. In most organisations, the procurement team provide a form of internal consultancy for their buyers – they provide the technical know-how and advice on how buyers can best secure their objectives. In many organisations, procurement staff are not involved in contract compliance issues and these are left to the buyers to monitor.

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<sup>6</sup>For details on the sampling approach please see Appendix.

This had two implications for this research:

- Buyers are a key part of the procurement process and their requirements tend to drive the process – value for money and being able to deliver a signed contract as quickly and efficiently as possible were frequently identified by stakeholders as being buyers' main priorities; and
- In many organisations, procurement staff themselves have limited direct knowledge of the post-contract performance of embedding Apprenticeships and other skills. In such organisations, it is the responsibility of buyers to ensure contract compliance and monitor the performance of the contract.

This report is structured as follows:

- The next section presents the quantitative and qualitative findings on the extent of awareness of the previous Government's policy and the degree to which this has translated into embedding Apprenticeships and other skills into the procurement procedures across different areas of the public sector;
- The following section outlines the costs and benefits of adopting the policy and constraints and barriers to further implementation; and
- The final sections present the conclusions and recommendations.

## **1.4 Acknowledgements**

Ipsos MORI and CPC would like to thank Andrew Price, Peter Nall and Daniel McLaughlin at BIS and Kirsty Austin at CLG for their help and advice in developing this project. Special thanks also go to the respondents who took the time to take part in the research.

### **Publication**

As with all of Ipsos MORI's studies, the results presented here are subject to our Standard Terms & Conditions of Contract. Any press or publication of the findings of this survey requires the advance approval of Ipsos MORI. Such approval will only be refused on the grounds of inaccuracy or misinterpretation of the findings.

## 2. Awareness and Implementation of the Policy

### Summary

- Almost all procurement staff from Central and Local Government organisations are aware of the drive to increase skills training and Apprenticeships through procurement. Awareness is lower across the rest of the public sector.
- Raising internal buyers' understanding of the policy is important to delivering the policy objectives. According to procurers, awareness and support for the policy amongst buyers in Central and Local Government organisations is higher than across the rest of the public sector.
- Around two-fifths of Central and two-thirds of Local Government organisations say that they use, or intend to use, procurement to increase the take-up of training and Apprenticeships amongst suppliers. This is less common in other areas of the public sector.
- The primary difference between Central and Local Government organisations is their perceptions of whether encouraging supplier investment in training and Apprenticeships provides a good 'fit' with their overall mission and strategy. Approaching half the procurement staff in Central Government feel that Apprenticeships are not appropriate to any of their activities – this is around twice as many as their counterparts in Local Government.
- Having construction contracts, more aware internal buyers, strategic objectives to promote skills and a better understanding of the Apprenticeship 'offer' all underpin use and intention to use the policy in contracts.
- Type of activity and contract value are the two main factors in determining whether or not a contract is suitable for inclusion of Apprenticeships and skills requirements.
- Just under half of Local Government organisations say that their suppliers have voluntarily introduced Apprenticeships or other training plans on existing contracts with their organisation. Instances of voluntary introduction are lower across the public sector as a whole.

## 2.1 Awareness and Understanding

### Extent of awareness

The large majority of procurers working in Central and Local Government organisations are aware of the Government drive to increase training and Apprenticeships (82% and 90% respectively), with nine in ten of these specifically aware of the drive to do this through procurement (90% and 88% respectively). Awareness is lower across the rest of the public sector<sup>7</sup> – both in relation to the Government drive to increase training and Apprenticeships (71%) and, specifically, to use public procurement as leverage (52%).

These sector differences reflect BIS' awareness raising, advice and support activities which have focused on Central and Local Government, and the prevalence of construction service contracts in Local Government (85% procure construction services compared with 23% in Central Government and 38% across the rest of the public sector). It should be noted at this point that it was the construction sector that was identified as an early priority to be addressed through public procurement as part of the Pre-Budget Report in 2008. This focus reflected the early signs that Apprenticeships activity was being adversely affected by the economic downturn.

There is a general perception amongst procurers that the construction sector is a 'natural fit' with Apprenticeships. Indeed, it is a sector traditionally associated with offering them, and is more 'geared up' to be able to do so through the large-scale and long duration of many contracts. Organisations which procure construction services<sup>8</sup> are the most likely to say they are aware of both aspects of the policy (81% aware and 67% aware that this is through procurement).

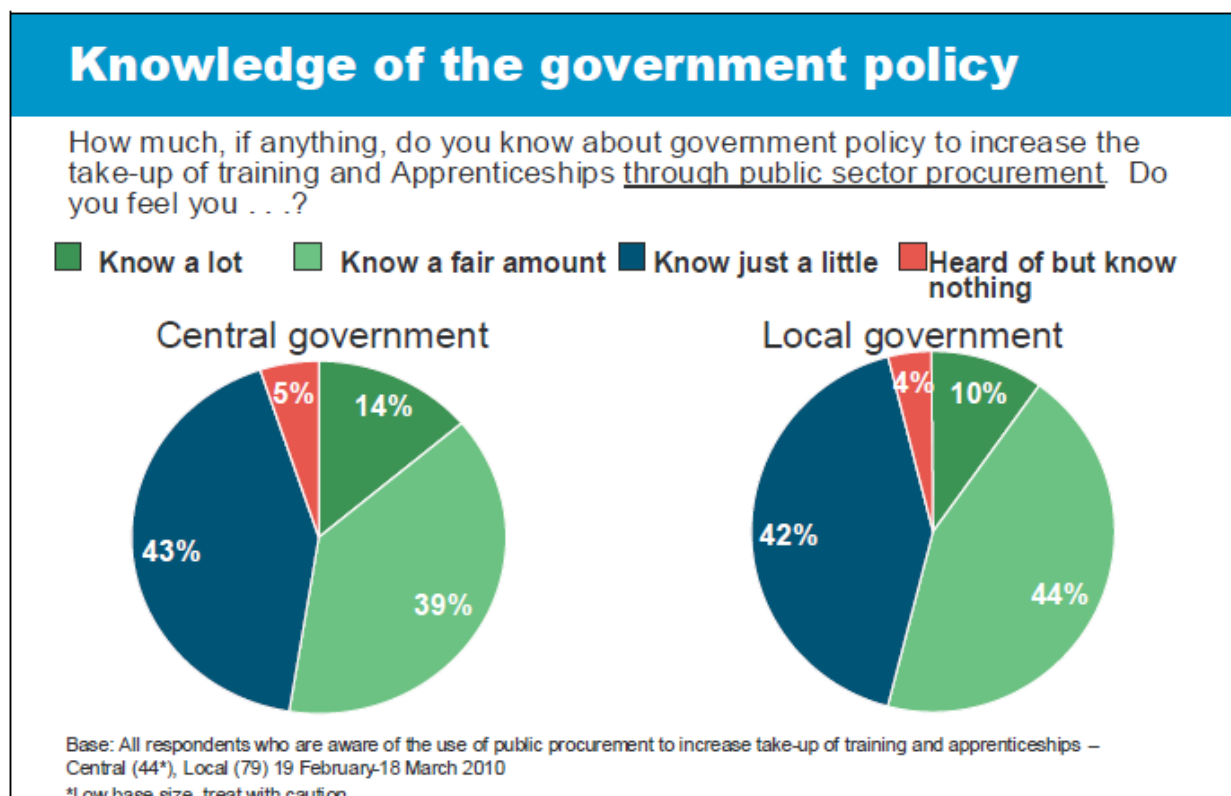
### Familiarity with the policy

A similar pattern emerges in relation to procurers' level of understanding about the policy. Almost all procurers in Central and Local Government organisations say that they know *something* about the policy (95% and 96% respectively), with over half claiming to know a lot or a fair amount (52% and 54% respectively).

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<sup>7</sup> References to 'the rest of the public sector' refer to procurers working in Education, Health, Public Protection and other sectors.

<sup>8</sup>When main areas of goods or services procured are discussed, this does not mean that this is the only service procured. These distinctions simply indicate that the respondent says that this is one of the main areas of procurement in their organisation.



The level of understanding across procurement staff in the rest of the public sector is more limited: 82% know *something* about the policy but just 26% claim to know *a lot or a fair amount* about it.

Procurers in Central and Local Government have also undertaken a range of activities to build up their organisations' understanding of the policy:

- The majority have had internal discussions relating to embedding Apprenticeships and other training into their procurement procedures (60% in Central and 70% in Local Government);
- At least three in ten have drafted guidance for colleagues (30% in Central and 40% in Local Government); and
- At least a quarter have set performance targets (25% in Central and 32% in Local Government).

Raising internal buyers' understanding of the policy was identified by a number of procurers as being critical in delivering the policy objectives through procurement. Indeed, the survey shows that organisations with internal buyers who have a good understanding of the policy are more likely to be supportive of the policy and to be implementing it. Correspondingly, procurers who find their buyers unsupportive most commonly attribute this to the buyer's lack of awareness and understanding of the policy (spontaneously mentioned by 20%), the perception that implementation of the policy will incur additional costs (17%) and that the policy is irrelevant to the contracts (16%). There are too few responses to draw robust conclusions concerning why Central Government buyers are less supportive of the policy – however, findings from the qualitative interviews suggest



that procurement staff and buyers in Central Government organisations are more likely to question the relevance of Apprenticeships to their activities.

The majority of Central and Local Government organisations with procurers who are aware of the policy say their internal buyers know something about the policy (73% and 81% respectively) and are supportive of the idea of embedding Apprenticeships and other training in their contracts (64% and 73% respectively). By contrast, both awareness of, and support for, the policy is significantly lower amongst buyers in the rest of the public sector (54% and 53% respectively). However, there remains significant scope for increasing depth of knowledge of the policy amongst buyers across the public sector as a whole: just 34% of Central and Local Government organisations with procurers who are aware of the policy say their internal buyers know *a lot or a fair amount* about the policy, declining to 18% amongst the rest of the public sector.

In-depth discussions with procurement staff suggest that those organisations where there has been a strategic decision to use public procurement to support skills development and local regeneration tended to have buyers who are keen to embed Apprenticeships and skills into their procurement. In some Local Authorities, there has been a long-standing policy driven by Members and Chief Executives to secure wider economic benefits from public sector procurement; in others, these ideas have gained momentum as the recession began to impact on local youth unemployment in parallel with Government policy announcements on embedding Apprenticeships and other training in procurement.

***“[..] Council has a massive programme of regeneration projects for the next few years. We are looking at new contract models on a case by case basis. The council members drive to support local people and the economy.”***

*Corporate Procurement Manager, Local Authority*

Some organisations - Local Government in particular – indicate that they have extended awareness raising activities to *suppliers*: 43% of Local Government procurers report to have done this, and among these, most use<sup>9</sup> established supplier forums or workshops (32%) or by encouraging suppliers to advertise Apprenticeship vacancies (23%). Awareness raising activities which target suppliers are less common amongst Central Government organisations and across the rest of the public sector (27% and 13% respectively).

There is evidence that these messages are beginning to infiltrate suppliers, with some reporting that clauses are beginning to appear in contracts.

***“In our experience, clients always ask about training and skills in bids. Until recently, this was in a fact finding way, about qualifications, health and safety and so on. The [framework] contracts are the first ones which have required employment and skills to be included in the contract.”***

*Senior Manager, Construction supplier*

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<sup>9</sup> Respondents were provided with a list of potential awareness-raising activities for this question.



## 2.2 Sources of Information

### Familiarity with key guidance

Approaching half (45%) of Central and Local Government procurers say they are familiar with the OGC/BIS guide *Promoting Skills through Public Procurement*, but they are less familiar with the *Procurement Policy Note - Further Guidance on Embedding Skills training and Apprenticeships in Public Procurement* – 35% and 21% respectively are familiar with this guidance. However, the Policy Note was published recently, in December 2009, which may go some way to explaining this lack of familiarity. Familiarity with key guidance decreases across the rest of the public sector, although the OGC/BIS guide *Promoting Skills through Public Procurement* remains the most well known piece of guidance, with 13% of procurers in the rest of the public sector saying that they are familiar with it.

Less than one in ten procurers overall<sup>10</sup> say that they are familiar with the OGC *Procurement Policy Note* or with the *National Skills Academy for Construction Procurement Guidance*, with around seven in ten saying that they have never heard of these.

### Familiarity with BIS website

Just over one in five procurers working in Local Government say they have visited the procurement and skills pages on the BIS website (22%) - the figure is slightly lower (17%) amongst Central Government procurers and significantly lower across the rest of the public sector (6%). Although traffic to these pages appears to be quite low, amongst those who have visited, the vast majority (89%) say that they found them useful, including 13% saying they found them very useful. A minority of one in ten say that they did not find these pages to be a useful resource.

### Filling knowledge gaps

Amongst procurers who have used OGC/Department for BIS guidance and/or the BIS Policy Note, three-quarters find each useful in helping them understand what is feasible in the context of EU procurement rules, and the Government's overall value for money framework. Fewer (three in five) find each useful for providing guidance on how to include the requirement of Apprenticeships and training in tender evaluation procedures, whilst around half feel that each is useful for offering example clauses for inclusion in contracts.

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<sup>10</sup> References to procurers 'overall' refer to all procurers, from all areas of the public sector.

## 2.3 Scale of Implementation To-Date

### Use of Apprenticeships in procurement contracts

Two-thirds (65%) of Local Government procurers say that they use, or intend to use, procurement to increase take-up of training and Apprenticeships amongst their suppliers on *relevant* contracts. The figure is significantly lower for Central Government – 37% – although Central Government procurers are more likely to say they are using or intend to use it on *all* contracts (8% compared with 3% amongst Local Government). Both sectors are considerably more advanced in progress compared with the rest of the public sector where 13% are using or intending to use the policy and 71%<sup>11</sup> say that the policy is not appropriate to *any* of their activities. Although Central and Local Government procurers are less likely to share this sentiment, those that do still represent a significant minority (45% of Central and 25% of Local Government organisations say they would not use procurement to increase the take-up of Apprenticeships and other training because it is not appropriate to any of their activities).

As before, there are clear links between knowledge of the policy and internal buyers' level of support for the policy and implementation. For example, procurers who have a good understanding of the policy are significantly less likely to say it is not appropriate to any of their activities (30% compared with 65% overall). Similarly, organisations with supportive buyers are less likely to say that they do not have any appropriate activities (48% compared with 87% of those with unsupportive buyers).

The differences in progress between Central and Local Government can be attributed to a number of factors. Firstly, although general awareness of the policy is high across Central Government organisations, procurers' depth of knowledge of the policy is lower compared with their Local Government counterparts. Secondly, the qualitative findings suggest that a number of Central Government procurement staff hold outdated perceptions of Apprenticeships which lead them to question the relevance of Apprenticeships to the types of contract that they procure.

***“[What are Apprenticeships?]...this is an interesting issue, and part of the problem. I originally thought that they were for more ‘blue collar’ occupations but [following meetings with BIS] began to appreciate that it could encompass management trainees and possibly even procurement graduate trainees.”***

*Head of Procurement, Central Government Department*

Finally, there is also some anecdotal evidence to suggest that the cost of implementing the policy can restrict the extent to which public sector organisations are willing to take it forward.

***“It’s seen by the board as a bit of an overhead. For me, from a head of function perspective, I can see the benefits of doing it both to us as a business and the***

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<sup>11</sup> The proportion of procurers saying that this is not appropriate to their activities is increased by those who are unaware of the policy, and also by procurers in primary and secondary schools where the policy is less likely to be relevant.

***individuals concerned, the balance has to be struck between the total affordability of being able to do that.”***

*Head of Procurement, Central Government Department*

The overall view amongst Central and Local Government organisations who are *not currently* implementing or planning to implement the policy is that they would consider asking their suppliers to use Apprenticeships or train their staff as part of a contract in the future (76% and 78% respectively). Half of procurers in the rest of the public sector would consider making this request.

### **Note on question bases**

*Although a number of procurers require suppliers to undertake training, or claim to be implementing or intending to implement the policy, many were unable to give answers to the more detailed questions on the survey. For this reason (unless otherwise stated) responses to the quantitative questions covered in the remainder of the report are based on all those who require suppliers to undertake training and/or are implementing or intending to implement the policy, and who give a response to each question (i.e. excluding ‘Don’t know’ responses).*

### **Number of contracts**

According to procurers implementing/intending to implement the policy and/or those with contracts where supplier training is required, half of construction contracts in 2009/10 have some requirements to create Apprenticeship and other skills opportunities, compared with a fifth of Facilities Management contracts and one in ten IT and other contracts. Procurers spontaneously say that the key criteria used to select contracts to include Apprenticeships and other training are the sector of activity such as construction, facilities and IT (33%) and the contract value (26%).

In depth discussions with procurers also support these findings: one Central Government Department has set the following criteria that makes a contract opportunity more amenable to promoting skills and Apprenticeships:

- Contract length: most contracts are for a minimum of three years and shorter contracts are deemed less suitable for Apprenticeships. Other Departments are focusing on all contracts with a duration of at least 12 months. In most cases, the longer the contract the higher the contract value, but a number of procurers stressed that a high value short-term contract would not necessarily be suited to Apprenticeships; and
- Nature of the service provided: many contracts require services that may be less suitable for Apprenticeships but highly appropriate for graduate placements or student sandwich work experience. The IT sector is an example of an industry where Apprenticeships may not be the most appropriate form of skills training.

According to stakeholders, the construction sector has had a head start in the use of procurement to increase uptake of Apprenticeships and other sectors will take time to fully embed the policy into their operations. The facilities sector has only recently had an Apprenticeship framework approved that represents a major shift for the sector. It will still take some time for the policy to become embedded in procurement practice, simply because contract durations in this sector are often very long.

A high proportion of procurers overall (65%) state that none of their contracts have a specific requirement to create Apprenticeships and skills training activities, and this is indicative of the fact that whilst many organisations are planning to implement the policy, they are yet to roll it out in full. This is in line with findings from the in-depth discussions with procurement staff and stakeholders many of whom felt that, although momentum for the policy was building, it did not yet have sufficient purchase on budgets. One stakeholder who had been involved in the development of the policy from the early stages felt that it was still...

***“...very early days. Our procurement procedures tend to be measured in months and years not days and weeks. Contracts in our sector can often run for 10-15 years, and so it is going to take some time to build up.”***

### Value of contracts

Table 1 presents the value of contracts with Apprenticeships and other training requirements by sector of activity<sup>12</sup>. Although the number of contracts involved is small, a clear pattern emerges:

- The construction sector has more large contracts worth £1 million or more (32 out of 42); and
- There is a more even distribution amongst IT and facilities contracts. For example, there is a similar number of facilities contracts valued at under £250,000 (8) and over £5 million (9) with these requirements in place.

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<sup>12</sup> The numbers of contracts involved are small and the findings should, therefore, be treated as indicative.

Table 1: What was the total value of contracts in 2009/10 that required these Apprentices or skills training?

	Construction	IT	Facilities	Education	Medical
	(42)	(11)	(30)	(3)	(1)
	N	N	N	N	N
Under £250k	8	5	8	2	0
£250-499k	0	2	3	0	0
£500-999k	2	0	6	0	0
£1-5m	5	4	4	0	1
Over £5m	27	0	9	1	0
Base: All answering who have some contracts with requirements for training and Apprenticeships					

### Number of Apprentices recruited

Amongst those who have recruited Apprentices through their live contracts, it is usually only 1 to 5 Apprentices, regardless of sector. Those who procure construction and facilities contracts are more likely than average to have greater numbers of Apprentices recruited through their contracts (albeit still a relatively small number) – 7 (out of 76) organisations procuring construction and 4 (out of 132) procuring facilities, have had more than 20 Apprentices recruited through their live contracts in the current year.

Procurers and suppliers are *equally likely* to be involved in agreeing the *scale* of Apprenticeships or additional training to be placed in contracts (50% and 48% respectively) with buyers having a contribution in 27% of cases. Procurers who claim to know a fair amount or a lot about the procurement and skills policy are more likely to involve suppliers in agreeing the scale of Apprenticeships and training in the contract (63%)<sup>13</sup>.

Procurers working in Local Government organisations are more likely to say that their *internal buyers* are involved in the process (36% compared with 27% on average) reflecting the fact that buyers in these organisations also, reportedly, have a higher than average knowledge of the policy.

Discussions with procurement staff have identified a range of criteria for determining the appropriate number of Apprenticeships or other training activity. In all cases, these benchmark values are usually the starting point for discussions with suppliers. In construction and related contracts, many procurement teams are using 5% of the contract value or in some cases 1 Apprentice for every 20 full-time employees. One supplier is using one Apprentice per million cubic sq ft of construction build.

<sup>13</sup> Please treat finding with caution, low base size (71).

***“We start with a target of 5% training and skills within the contract, but the outcome depends on the dialogue. Suppliers, including SMEs, are very receptive to the inclusion of these elements. We have stressed that Apprenticeships are not the traditional trades Apprenticeships. We have modern Apprentices within the Department.”***

*Head of Commercial Strategy, Central Government Department*

Others are testing the market to see what it will bear without compromising the value for money aspects of the procurement process:

***“The ITT is deliberately non specific on the level of training and skills to be provided as part of the contract. We want bidders to set the level which they think is appropriate, rather than adding to the cost by meeting the specification. The intention is that inclusion of training and skills should not add to contract cost.”***

*Head of Strategic Procurement, Metropolitan Borough Council*

Discussions with procurement staff (and internal buyers spoken to as part of a case study) do highlight that this aspect of the process is still very much ‘work in progress’, and that suppliers need to be made more aware of what is possible within the terms of any particular contract.

***“We want all contractors to be working to the same parameters to deliver employment and skills outputs”***

*Buying Organisation Manager*

## **Type of contractual requirements**

When considering what *kind* of training and skills requirements are appropriate to contracts, procurers spontaneously say that the decision-making process is driven by the type of activity and the nature of the work (34%). Other factors procurers take account of when determining the most appropriate training and skills requirements are Industry/Standard requirements (11%) and the views of the suppliers themselves (11%).

In letting a contract, it is permissible to use contract conditions (see Table 2). The most common requirement on contracts designed to create Apprenticeships and skills training opportunities is for suppliers to have a formal training plan in place for the development of their project workforce – this is the case regardless of sector.

It is also relatively common for procurers implementing the policy to require a specific proportion of the workforce to be Apprentices, or to receive skills training. It is more unusual for contracts to specify a particular number of hours to be undertaken by trainees or Apprentices.

Table 2: You said that a proportion of your live contracts had specific contractual requirements to create Apprenticeships and skills training opportunities. Which of the following requirements do you have in place?

	Construction	IT	Facilities
	(50) N	(13) N	(29) N
Numbers – requiring a specific proportion of workforce to be Apprentices/receive skills training at a particular level	30	6	15
Hours – requiring a specified proportion of hours worked to be undertaken by trainees or Apprentices	4	2	4
Training – requiring contractors to have a formal training plan in place for the development of their project workforce	34	8	18
Other forms of requirement or expectations around training and Apprenticeships	13	2	8
<i>Base: All answering who have some contracts with requirements for training and Apprenticeships</i>			

Key to obtaining full value from any contract is having a range of potential training outputs that reflect the range of services under contract. One Central Government Department has established a hierarchy of training activity in relation to its Departmental objectives, so an Apprenticeship for a 16-18 year-old is more desirable than one for 19-24 year-olds or those over 25. Other training is less of a priority but still desirable if the contract would not support Apprenticeships.

Dialogue with suppliers is an essential component to this process, and having an honest, open relationship with them is seen as a key way of implementing the policy successfully.

***“The contractors are our partners...our aim is to achieve an overall increase in the number of Apprentices employed. We want to provide a challenge, but we will be realistic about what is achievable”***

*Procurement Manager, Local Authority*

Some construction frameworks have codified their training requirements. One framework requires that each construction contract has an Employment and Skills Plan which indicates *outputs* in eleven categories:

- New entrants - Skills development: School/college visits, School/college workshops, Work experience 14 to 17 years (person weeks), Work experience / entry level 1 qualification 18+ years (person weeks), Apprentices – existing (person weeks), Apprentices – project initiated (number), Projected initiated higher skills level (number);
- Existing workforce - Skills development: Health & Safety Touch Screen Tests, National Vocational Qualifications, Construction Skills Certification Scheme (CSCS cards); and
- Employment: Progression into employment (number).



The extent to which the contract requires new or existing Apprentices is also another issue open for discussion with suppliers. Many stakeholders and a number of procurement staff recognise that whilst very long contracts would allow individuals to complete their Apprenticeship, many shorter contracts are making ‘a contribution towards completion’. Most procurement staff and stakeholders are wary of requiring too many ‘new’ Apprentices as they feel that this might promote a merry-go-round of young people starting Apprenticeships but then being replaced by more ‘valuable’ new starts when they move on to the next contract.

***“For very small projects, such as build two houses, then Apprentice outputs would be defined as ‘existing’ Apprentices only. Larger projects, such as 90 houses, will have a greater potential to recruit Apprentices.”***

*Procurement Manager, Local Authority*

### **Impact on the supply chain**

A further issue is the mechanism through which the main contractor cascades the requirements of the contract down to subcontractors. Depending on the nature of the contract, there can be a large number of subcontractors – around 30 on a typical school build, for example. There are two issues here:

- The fragmentation of the work can mean that subcontractors may only be on-site for relatively short periods and equally, the scale of their contract can be small; and
- The suitability of their specific role in supporting Apprentices will vary.

In effect, this means the main contractor has to carefully manage the Apprenticeship process alongside the contract itself. Suppliers suggested that this was a ‘natural’ part of them being a main contractor and one which they are best placed to undertake:

***“We select which subcontractors are most appropriate for employment and skills. For instance, the window cleaning contract at the end of the build would not be appropriate. We’ve had a very proactive response from our subcontractors.”***

*Senior Manager, Construction supplier*

A number of suppliers feel that to be fully successful, there is a need for the National Apprenticeship Service (NAS) and other partners to support Small and Medium Enterprises (SMEs) to take on some of the bureaucracy and guide employers through the process.

One Local Authority has set up a Supply Chain Readiness Network to support the development of local SMEs and ensure that they are not disadvantaged in bidding for contracts. Main contractors are an important part of this process, helping SMEs to better understand what is required:



***“Part of the process is we’re encouraging the major contractors to educate the SMEs and help them grow their capability so that eventually we would look to see them making their own bid.”***

*Assistant Director of Central Finance, Local Authority*

The networking between businesses has enabled some contractors who have taken on an Apprentice but then struggled for business, to work with a fellow main contractor to see if they can ‘host’ the Apprentice for a few months:

***“In the longer term that then puts a qualified person out there and available to them as a subcontractor... for the future, so it’s a self-sustaining supply chain in that regard.”***

*Procurement Champion, Local Authority*

Another framework has established a system to ‘host’ a number of Apprentices which can then be ‘hired’ by the successful contractor for a small proportion of their contract value. This has the advantage that Apprentices get access to a wider range of work experience and training and helps overcome some of the issues in recruiting suitable candidates. The ‘host’ also takes on much of the administration of the Apprenticeship.

### **Voluntary introduction of training in existing contracts**

Around half of procurers working for Local Government organisations (48%) say that their suppliers have voluntarily introduced Apprenticeships or other training plans on existing contracts with their organisation (most commonly the former - 38%). The figures are lower for Central Government organisations and the rest of the public sector (35% and 17% respectively). According to procurers, construction suppliers are also more likely than average to have voluntarily introduced training or training plans on existing contracts:

***“We have identified existing contracts where training and Apprenticeships might be appropriate, and we aim to mutually agree terms with the contractor, whilst the contract is running. Our approach is to work with suppliers on a partnership basis. We think that some suppliers are looking at setting up Apprenticeship schemes anyway, and we are experiencing positive reactions from suppliers.”***

*Head of Procurement, Central Government Department*

A number of *suppliers* who are offering training voluntarily feel that they are doing all of the legwork, with procurers offering little in the way of support or encouragement. In part, this is a legacy of previous contracts that often had very general clauses relating to training staff ‘properly’ and ‘demonstrating corporate responsibility’. In the main, suppliers at the cutting edge of including Apprenticeships and training in procurement contracts are already well-versed in training and staff development; some are even running their own Training Academies. One Central Government Department reports that a supplier of strategic management advice had recruited two Apprentices to support the administration of a contract with the Department entirely voluntarily and this only came to light some way into the contract.

More generally, many procurement staff think that it will be necessary to work on a voluntary basis with existing suppliers primarily, as the time until the contracts are due to be re-let can be considerable (up to 27 years in one case). In a number of cases, procurement staff felt that there could be greater emphasis in developing voluntary agreements with suppliers that would build on their existing relationships<sup>14</sup>.

***“There’s been a little bit too much focus on ‘the way you do this is to write it in the contract at the start’, rather than to discuss with the people you are working with currently, because some of those contracts have got many, many years to run before they get re-let, but they still may be the best places for us to try and place trainees.”***

*Procurement Manager, Local Authority*

## **Monitoring compliance**

Contract management and monitoring is essential to ensure the successful delivery of contracts and, for many suppliers, is key to ensuring compliance. Approaching half of procurers (45%) say that they include supplier skills development contractual obligations alongside the standard monitoring of contract delivery. This rises to 54% among organisations whose buyers are supportive of the policy and 66% among Local Government organisations. In-depth discussions with procurers highlight that it is often the responsibility of the internal buying Department to monitor contract compliance and this may explain why two in five (39%) procurers spontaneously say that they do not monitor these contractual obligations – 22% say they do not monitor supplier performance *at all*, whilst 17% say it is specifically performance related to skills activity that they do not monitor. Discussions with procurement staff suggest that monitoring supplier compliance with training and skills requirements will be the standard approach across most procurement systems, although a number of staff caution that contract management staff would also need to undergo a cultural shift:

***“Project managers won’t want to manage the Apprenticeship outputs. They are more concerned with time, costs and quality.”***

*Procurement Manager, Local Government*

One Central Government Department is already setting up systems to provide contract management staff with more advice on the practical aspects of monitoring the training requirements of contracts, through online training courses and a series of workshops. This particular Department asks for evidence of training and skills which could also include one-to-one discussions with the Apprentices themselves.

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<sup>14</sup> It should be noted that recent OGC guidance has specifically addressed this issue: When and how to cater for Policy through Procurement (PtP) Agendas – PtP Assessment Tool, OGC, March 2010

One supplier reports that they have already re-skilled their HR department in order to embed training into their way of working and not just process the paperwork:

***“...Each business has a training department that manages the NVQs and Apprenticeship routes. So it’s embedded in everything we do on a daily basis. So we know where they are and what they’re doing, how they’re progressing.”***

*Senior Manager, Contract supplier*

## 3. Impact of the Policy

### Summary

- It is usually the suppliers who contribute towards the cost of Apprenticeships and workforce training in contracts though this does vary depending on the contract type. In some cases procurers will contribute, through securing other support and funding, such as Train to Gain. Suppliers are also accessing funding and support from the Apprenticeships programme alongside their own contributions.
- Over half of procurers working for Central and Local Government organisations say that they take account of improved workforce skills when assessing the value for money of contracts, significantly higher than across the rest of the public sector.
- Most of those who are implementing the policy say that it works well in practice, with the most frequently mentioned benefit being that it encourages training progression and promotes the attainment of qualifications. It is also thought that it might improve service delivery as a whole.
- Cost is seen as the biggest drawback to implementing the policy – procurers perceive that it leads to higher cost of contracts. That said, evidence from the qualitative interviews suggests that where policy has been implemented, there has been no explicit allowance for additional costs in the contract.
- It is also noted that inclusion of the policy means that contracts may take longer to draw up and that the policy can be difficult to enforce without existing robust contract management arrangements.

### 3.1 Cost Implications of the Policy

#### Who contributes towards the cost of Apprenticeships and other training?

Two-thirds (66%) of procurement staff across the public sector say it is most often the supplier within the terms of the contract who contributes towards the cost of Apprenticeships and workforce training in contracts. Around two in five (42%) say that it varies depending on the contract, whilst 15% say that the procurer contributes towards the cost through other support (for example, Train to Gain service and Apprenticeships programme) to help suppliers meet skills requirements. Suppliers also access funding and support from the Apprenticeships programme alongside their own contributions.

Local Government organisations and those procuring construction services are more likely than average to say that procurers and mainstream training funds contribute to the cost of Apprenticeships and workforce training in contracts (28% in both cases).

Approaching half of procurers (47%) say they do not assess the cost implications of training requirements for themselves or their suppliers. A quarter (24%) of procurers in Local Government say that the cost is usually included in the overall price of the contract from the start, whereas only 15% of procurers in both Central Government organisations and across the rest of the public sector share this practice.

Overall, one in ten procurers (11%) say that they search for the best value for money, or carry out a Quality versus Cost ratio assessment in order to look at cost implications. A similar proportion (10%) uses the tender and evaluation process to assess the cost implications, whilst fewer (7%) negotiate and discuss the matter with suppliers directly.

More detailed discussions revealed that procurement staff are divided on who should contribute to the costs. For some, it is imperative that the inclusion of Apprenticeships and other skills requirements in contracts do not damage value for money. This could be achieved either by simply asking potential suppliers what they think would be possible within the terms of the contract. However, where suppliers are clearly benefiting from the requirements for Apprenticeships and skills, there should be no additional cost attached to the contract. One Central Government Department does not consider that requiring a supplier to take on an Apprentice or other training activity as part of a contract should be considered as an additional 'cost'. Rather, they are helping the supplier by providing the conditions necessary for them to *invest* in training that will be in their long-term interest and from which they will derive a significant benefit. In addition, they claim that suppliers will make cost savings:

***“...We do not say anything about the lower wage costs of allowing them to provide our service with Apprentices.”***

*Procurement Manager, Central Government Department*

Other procurers feel that this view would not work in practice and that suppliers would want to cover the additional costs. Thus, the impact on value for money means that these suppliers would not wish to embed Apprenticeships and other skills requirements in their procurement process. In-depth discussions with *suppliers* suggest that the costs of training and Apprenticeships whilst not trivial, are not their primary concerns:

- Firstly, most accept that training is in itself important for their business to offer a quality service and be competitive. In many areas, suppliers already undertake Apprenticeships and other training.

***“We don’t view it as a cost ... We see it as a work winning benefit that if you’re not doing this then you’re not probably going to be winning those contracts. So you have to swallow the cost and find out good ways of doing it.”***

*Head of Academy, Facilities and Construction supplier*

- Secondly, if there is a level playing field in procurement, all contractors face the same costs and the ability to offer Apprenticeships and other training efficiently and effectively as possible is a potential source of competitive advantage. Increasing their added value to potential buyers through non-cost routes also increases the barriers to entry to other suppliers.

***“We would definitely not be discouraged from applying for any contract because of the training or Apprenticeship requirements. I don’t think these requirements should discourage other suppliers from applying for a contract. We are an SME, and we hope that this will segregate us from our competitors.”***

*Senior Manager, Construction supplier*

That said, these views are not necessarily representative. Many suppliers are already very involved in workforce development and are Investors in People recognised. Some suppliers are SMEs but others suggested that smaller businesses would be deterred from bidding for contracts that contained training requirements. Some of the larger suppliers are running specific buyer events in order to explain to potential local subcontractors what is involved.

### **Assessing value for money and how this is quantified**

Over half of procurers working for Central and Local Government organisations (58% and 55% respectively) say that they take account of improved workforce skills when assessing the value for money of contracts – significantly higher than across the rest of the public sector (44%). Related to this, procurers who are most knowledgeable about the policy are particularly likely to take account of improved workforce skills when assessing the value for money of contracts (61%).

The most common way in which value for money is quantified, is through supplier performance reviews, which focus on the quality of work and the service provided (mentioned spontaneously by 15%). Slightly fewer organisations say they use an Evaluation Matrix or Diagnostic tool (12%) whilst 9% say it is dependent on the contract, and a further 9% say that the training costs must provide good value for money.

***“We have completely moved away from the ‘price is king’ approach, and now use whole life costing and benefits when assessing contract bids.”***

*Corporate Procurement Manager, Local Authority*

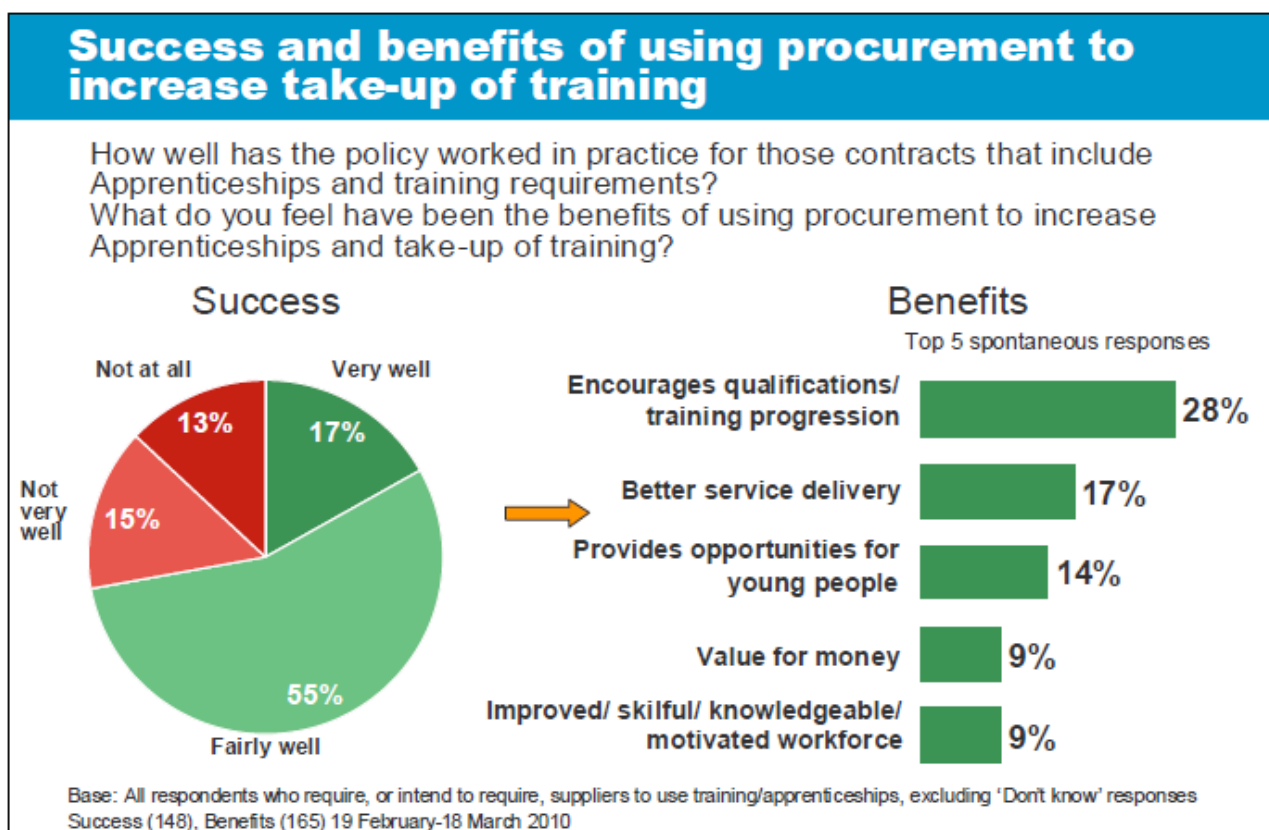
Around one in ten (12%) who take account of improved workforce skills when assessing value for money of contracts say that it is difficult to quantify, or that they do not quantify this in any way.

### 3.2 Benefits of the Policy To-Date

The majority of organisations who are implementing the procurement policy say that it has worked well (72%). Again, the evidence shows that having supportive buyers appears to contribute to the success of the policy in practice: 85% of those whose buyers are supportive say that it has worked well.

The most commonly cited benefit of implementing the policy is that it encourages training progression and achieving qualifications (spontaneously mentioned by 28%). It is also seen to have a positive outcome for procurers by improving service delivery as a whole (17%).

Fourteen per cent of procurers think that the policy specifically provides opportunities for young people, whilst 9% think it results in good value for money, and a further 9% mention that it contributes towards an improved, more skilful and knowledgeable workforce.



Procurers in Local Government organisations are more likely than average to mention the benefits the policy has in providing opportunities to young people (26%). This may be reflection of the fact that a lack of opportunities for teenagers is a key concern for residents in many areas of the country and is, therefore, high on the list of priorities for Local Government<sup>15</sup>.

<sup>15</sup>In the recent Place Surveys, which took place in all local authorities across England, 47% of people in England said that a lack



There are also differences in the perceived benefits of the policy by area of activity; those who procure utilities, construction and IT contracts are more likely than average to cite an improved, more skilful workforce as a benefit (14%, 14% and 13% respectively), whilst those who procure utilities and facilities services are more likely to mention value for money (12%).

Some *suppliers* feel that one of the potential benefits of the policy will be a better appreciation of Apprentices by employers, recognising them as employees who have both the technical skills and in-depth knowledge of the business. There are however some longstanding misconceptions about Apprenticeships that need to be overcome.

***“The recession will open the door again to the people who are good at technical, vocational stuff at school who maybe don’t want to go to university ... So I think the good old days of the graduates I think will be gone for the next five years, A for over supply and B we will start to grow our own once we get them through the technician route.”***

*Contract Manager, Supplier*

Suppliers also point out that they are now more aware of the range of recruitment opportunities available to them from JobCentre Plus and other organisations and are more open to these recruitment channels where it is perceived to help fulfil contractual obligations.

***“We have held meetings with representatives from Jobcentre Plus, Humber Education Business Partnership and Future Jobs Fund to ensure we are aware of all the options available to us when we need to recruit staff.”***

*Senior Manager, Construction supplier*

### 3.3 Challenges in Implementing the Policy

When it comes to the barriers to implementing the policy, cost is perceived to be the biggest concern. When asked, one-third of those implementing or intending to implement the policy (34%) spontaneously claim that perceived higher costs are a downside to doing so. One in five (18%) spontaneously mention that contracts now take longer to draw up and 16% feel that the policy is difficult to enforce on some contracts. Slightly fewer procurers say that implementing the policy creates extra work in monitoring and administration (9%) and raise concern that it has an adverse impact on SMEs (8%). Procurers who are most knowledgeable about the policy are more likely than average to perceive the disadvantages it brings to SMEs (17% compared with 8% on average). Positively though, one in five (18%) procurers see no drawbacks to the policy at all.

Those who procure IT services are more likely to say that the policy is difficult to enforce on some contracts (20% compared with 16% overall) suggesting that the policy may be more suited to some areas of activity than others. Suppliers in the IT sector feel strongly that a focus on Apprenticeships alone is not appropriate for their activities:



***“We invest twice as much as any other sector per head in training development as an industry ... the Government has counted investment on things like Apprentices at Level 2 and Level 3 and the IT sector has always required higher level skills, to be at Level 4 and 5. So... we’ve been looking after ourselves for a long time with very little Government support and I think that needs to be recognised now... There has to be something more sophisticated than how many Apprentices are going to work on this contract.”***

*Head of Skills, IT and Telecoms supplier*

In-depth interviews with procurement staff highlight that some are concerned by ‘policy overload’ as procurement has been identified as a mechanism to support a range of initiatives all of which are competing for their attention.

***“We’re supposed to address equalities, we’re supposed to address sustainability and we’re now supposed to address Apprenticeships and skills, never mind deal with the Remedies Directive and legal challenges...and support to SMEs, sustaining your local economy, etc, etc. And it’s - where do you put your time and efforts into yet another initiative...?”***

*Assistant Director of Central Finance, Local Authority*

Recognising this to be an area of potential concern, OGC and partners moved to address the issues raised. Previous Government set out a rationalised list of key priorities for Government to pursue through public procurement, including SME access, skills, Apprenticeships, tackling youth unemployment and low carbon.

A number of procurement staff are concerned by their limited knowledge and understanding of Apprenticeships and other training activity, particularly in relation to non-traditional Apprenticeship sectors. These staff would like more help in understanding how Apprenticeships may be deployed in these sectors.

Contract suppliers, who are in many respects at the cutting edge of the implementation of the policy, also identify a number of issues that could be perceived as potential barriers depending on the particular sector that they are operating in:

In some sectors, the workforce is covered by TUPE (Transfer of Undertakings Protection of Employment) meaning that existing employees are transferred to work with the successful contractor (as opposed to the new contract requiring a newly recruited workforce); The fragmentation and de-skilling of some occupations in construction is already challenging the sector to be very flexible in deploying Apprentices – one supplier uses all their group companies to be able to mix and match the experience necessary for their Apprentices to complete their frameworks;

Future support for training is a concern to many suppliers and some stakeholders. In some sectors, employees are often over 25 and do not attract funding; other suppliers feel it is increasingly likely that the current level of support for 19 to 24 year-olds will be reduced in future;

There is widespread concern about the administrative overhead associated with Apprenticeships. Filling in forms in relation to the training aside, one supplier reported completing a 40 page document covering their organisation's financial audit procedures for LSC approval:

***“This is a FTSE200 company and yet ... they're going to tell me whether I'm any good or not. Why have they got people employed doing shadow processes that normal corporate governance adequately covers?”***

*Head of Academy, Facilities and Construction Supplier*

Finally, in the construction sector, companies who pay the Construction Industry Training Board (CITB) levy are able to claim a grant for training costs so long as the occupation is in-scope. However, air conditioning contractors and plumbers are not considered in-scope and this may pose particular challenges for these types of employers.

## 4. Conclusions

### 4.1 Awareness and Knowledge of the Policy

There is a correlation between awareness amongst procurers and firm action being taken to promote skills and apprenticeships through procurement. There is strong evidence to suggest that the approach BIS and partners have taken to promoting awareness of the policy and its benefits has made significant inroads into procurement teams. Those priority areas of government with the most significant spend – Central and Local Government – have good levels of awareness - the majority of procurers in Local Government say they intend to embed Apprenticeships in their procurement procedures. That said, even in these ‘pathfinder’ sectors, detailed knowledge of the policy currently rests with just a third of procurers. Awareness of the policy is significantly lower in the rest of the public sector.

Procurers with detailed knowledge of the policy are more able to engage the support of their internal buyers. Organisations with supportive internal buyers are more likely to be implementing the policy. Correspondingly, organisations with buyers who are unsupportive of the policy most commonly attribute this to the buyer’s lack of awareness and understanding, the perception that implementation will incur additional costs and issues of relevancy.

Raising internal buyers’ understanding of the policy was identified by a number of procurers as being critical in delivering the policy objectives. Moving forward, there is a need to consider what else can be done to raise buyers’ awareness. Much of the existing guidance should help increase their understanding of the benefits of the policy. Procurement staff are best placed to influence buyers’ engagement but BIS should work with senior procurement staff to explore what might be the best mechanism to achieve this.

Procurers in Central and Local Government have undertaken a range of activities to build up their organisations’ understanding of, and buy-in to, the policy. These range from holding internal discussions and providing draft guidance to formal performance target setting. A number of Local Government organisations have also made a strategic decision to use public procurement to support skills development and local regeneration with positive impact on internal buyers’ willingness to embed Apprenticeships and skills into their procurement. Some organisations – Local Government in particular – have extended their awareness raising activities to suppliers, mostly by utilising established supplier forums or workshops or by encouraging suppliers to advertise Apprenticeship vacancies.

### 4.2 Information Gaps

Across the three key pieces of guidance - OGC/BIS Procurement Policy Notes *Promoting Skills through Public Procurement* (April 2009) and *Further Guidance on Embedding Skills Training and Apprenticeships in Public Procurement* (December 2009), and National Skills Academy for Construction Procurement Guidance - there is a sense that the feasibility of incorporating procurement and skills policy within the EU procurement rules and the value for money

framework is relatively well covered. Evidence suggests that as respondents feel there is less guidance regarding example clauses and how to include the requirement in the tender evaluation process, the three key pieces of guidance need further embedding.

There is a lack of practical examples showing what can be achieved (in terms of Apprenticeships numbers) on different types of contract, as well as worked examples of supplier commitment to alternative forms of training when Apprenticeships are not appropriate. More examples of voluntary approaches and assistance in deciding the appropriate 'ask' from suppliers are also needed. There is also a lack of evidence to support the notion that embedding Apprenticeships and other training in contracts does not adversely affect value for money considerations. Finally, more needs to be done at all levels to overcome the outdated notions that Apprenticeships are only for the traditional craft industries, particularly in Central Government.

### 4.3 Implementation of the Policy

Of Central and Local Government procurers, 37% and 65% respectively say that they use, or intend to use, procurement to increase take-up of training and Apprenticeships amongst their suppliers on relevant contracts, with 8% and 3% respectively intending to implement the policy on all contracts. The figures are significantly lower in the rest of the public sectors - one in five say they use, or plan to use, procurement in this way on relevant contracts, whilst just 1% say that they use, or intend to use, it on all of their contracts.

Contracts which have been selected as being amenable for training and Apprenticeships are typically in the construction sector, or service contracts with a term of at least three years. Some procurers have used benchmarks as a starting point to set targets or for a dialogue with suppliers. Others have asked suppliers to make suggestions in their tender documents. Dialogue with suppliers is an essential component to the success of the policy.

It is too early to indicate overall numbers for Apprenticeships that might be delivered via public sector procurement. However, the qualitative research identified that there are some contracts of substantial value with significant Apprenticeship numbers which have commenced construction. Qualitative feedback from suppliers across all sectors indicates strong support for training and skills to be included in contracts, as long as it is appropriate to the nature of the contract and applies to all bidders.

The follow-up of contract commitments has been identified by suppliers as crucial to re-enforce the policy intent and secure outcomes. It is vital that the contract monitoring has some teeth to ensure that those that promise actually deliver otherwise the policy will lose credibility rapidly.

## 5. Recommendations

To address the issues discussed in this report, it is recommended that:

1. BIS, NAS and OGC use the full range of existing communication channels and professional networks to build greater awareness and knowledge in the procurement community and – where appropriate – provide further support activity (including workshops or seminars).
2. NAS work with Central and Local Government bodies and suppliers to challenge the outmoded view that Apprenticeships only focus on traditional craft occupations.
3. OGC work with Central Government Departments and agencies to encourage the inclusion of the policy within commercial strategies.
4. Buying Solutions and other professional buying organisations – where appropriate – includes skills training and Apprenticeship requirements in their framework contracts. BIS and OGC should encourage other major public buying organisations to adopt a similar approach.
5. Current guidance be expanded or amended to:
  - a) Illustrate appropriate benchmarks for Apprenticeships for different sectors, other than construction, and for contracts of varying size;
  - b) Provide examples of how value for money was successfully determined;
  - c) Illustrate examples of public clients working successful with suppliers on a voluntary basis;
  - d) Show how other forms of skills training other than Apprenticeships have been identified; and
  - e) Demonstrate how effective contract monitoring can be successfully undertaken to improve compliance.
6. Local Government is encouraged to share existing good practice, and for BIS and CLG to support the Local Government Improvement and Development body in kick-starting such activity.

7. BIS looks to build on the successful action in the construction sector by extending the approach into other areas, e.g. facilities management and IT, where there are identified skills issues to be addressed.
8. NAS work with e-skills to assist in the development of the 'grow your own' project and how can that can be encouraged through the procurement process. In the short-term, this is likely to involve existing contracts, with restrictions in place on £1m+ new IT spending.
9. Subject to the outcome of NAS's review of Group Training Association and Apprenticeship Training Association models, look at whether they can be more closely linked to public procurement in order to encourage more SMEs to take on Apprenticeships.

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