

CHESHIRE EAST COUNCIL

REPORT TO: Jobs, Regeneration & Assets Overview and Scrutiny Committee

Date of Meeting: 23 Nov 2105
Report of: Julian Cobley
Subject/Title: Skills & Growth ASDV
Portfolio Holder: Cllr Don Stockton

1.0 Report Summary

- 1.1 Our traditional local authority skills model is not effectively addressing the current and future labour market demands and to this end, a unique opportunity has arisen to progress the Skills & Growth Company ASDV as a key delivery agent for the Council. The Skills and Growth ASDV will bring together key service functions from within the Council and then see a transformation over the next 5 years into a credible company operating with a much larger remit for the benefit of our residents and businesses.
- 1.2 The decision to proceed with the company was delegated by Cabinet (21 July) to the Portfolio holder for Regeneration and Assets who is scheduled to receive a detailed business case and make that decision on 7 Dec 2015. This report aims to brief this Committee with sufficient information to allow them to provide comments to further inform that decision

2.0 Recommendation

- 2.1 The Committee is recommended to:
 - 2.1.1 note the contents of the report
 - 2.1.2 submit any comments to the Regeneration and Assets Portfolio Holder for consideration

3.0 Reasons for Recommendation

- 3.1 To ensure that any decision taken by the Regeneration and Assets Portfolio Holder is fully informed

4.0 Wards Affected

- 4.1 All wards

5.0 Local Ward Members

- 5.1 All Members

6.0 Background

6.1 Following the 2008-2011 recession Cheshire East has experienced a sustained growth in employment and seen its GVA accelerate faster than other neighbouring local authorities and regions; however the skills agenda within the Council and sub region is not operating to its maximum and represents a huge area for future growth.

6.2 For all the economic good news within Cheshire East, there are a series of employment challenges facing the Borough's companies and acting as a barrier to unlocking higher productivity. These challenges include an ageing workforce, graduate retention, ensuring young people are work ready, equipping industry with the correct skills, lack of business engagement with colleges and universities, long term unemployment, pockets of deprivation in our towns and rural communities and accessing employment solutions for more difficult to engage with groups such as NEET's and adults with learning difficulties.

6.3 The Skills and Growth Company will be a national exemplar of best practice, a spearhead for skills and growth delivery in Cheshire East, aligning all employment related services to a common goal; to get people into work, increase their skills and ensure businesses thrive, creating jobs and growth opportunities. The Company has key actions over the next 5 years and will:

- Establish a recognised and trusted business, being the first port of call for skills and business growth needs
- Drive prosperity through business growth and investment within the Borough, generating year-on-year growth of new business rates
- Attract funding by way of government grants, subsidies and contracts
- Directly contribute to the creation of new jobs in high growth sectors per annum, which will provide an additional Gross Value Added (GVA)
- Turn a predicted loss to the council of £213k due to government grant cuts into a profit of £218k – a net benefit of £431k. It will do this from a range of activities including:
 - Management fees associated with securing grants and contracts
 - Commercialisation of business growth functions
 - Royalty payments from the sale of our proprietary Skills Management Information System
 - Finders fee for assets and lead generation campaigns for strategic assets
 - Commercialisation of project management services

7.0 Service Delivery

7.1 The services to be delivered by the company will be those currently delivered by the teams mentioned below, which employ some 34.1 FTE staff and have a combined budget of £2.1m.

- Major Projects
- Business Engagement & Inward Investment plus Rural Enterprise
- 14+ Skills and Lifelong Learning

7.2 There remains an aspiration to deliver apprenticeship, leaderships and talent services commercially should an opportunity arise from the review of Workforce Development team. Furthermore, the council may consider other services for inclusion of the company later, subject to any necessary approvals.

7.3 As part of its business plan the company will undertake the following activities including:

- Develop a skills and economic outcome plan for the borough to inform and shape skills and training need
- Work with the Borough's top strategic accounts and high growth SMEs per annum to establish growth and skills delivery plans
- Establish sectoral skills and growth boards to stimulate growth in high value sectors
- Lead a proactive and high profile communications and marketing campaign to raise the profile of the company
- Leverage the full council's resources to establish strong and agile relationships with schools, colleges, universities and skills providers
- Become a Registered Training Organisation securing funding to bid for services delivery contracts
- Accelerate delivery of the council's top strategic employment sites by stimulating market demand
- Provide a proactive service to help businesses get to grips with changes to the Skills and Apprenticeship system including Trailblazers, The Employee Levy, The Youth Obligation, Traineeships, work placements and much more
- Provide a single gateway service for growth and skills enquiries from businesses and residents and seek to increase apprenticeships – specifically at degree level

7.4 The Skills and Growth Company will be agile and fleet of foot to adapt to new business opportunities and maximise the impacts of changes to the skills regime. It will be managed by an experienced and competent Board of Directors and will co-opt representatives from the public and private sector onto the board to meet business priorities.

8.0 Other options

8.1 A range of alternative delivery options were considered by a working party on 16 Oct 2015 using an appraisal tool developed by PWC. They concluded that the preferred option was to create a single wholly-owned company limited by shares.

8.2 The options considered were:

- No-change
- Keep it all in-house – but consolidated with all skills, employment and business engagement activities in one council team, including Work Choice and Community Learning delivery functions
- Keep it in-house with ethical walls. Distinctive roles for a provider neutral business engagement, skills/employment policy and research team; separate from any delivery functions (e.g. Work Choice and Community Learning).

- Keep policy/research/employer engagement functions in-house, set up delivery teams in an ASDV to manage risk, reduce overheads and enable more entrepreneurial management.
- Keep service delivery in-house and set up policy/research/employer engagement function teams in an ASDV to enable more entrepreneurial management. policy/research/employer engagement functions (NB: This option was a new one added at the workshop on 16 Oct)
- Create one ASDV for all policy, research, employer engagement and delivery functions
- Outsource to the commercial sector
- Any other options identified during the options appraisal workshop(s)
- Different company forms including:
 - Company Limited by Shares (CLS) – wholly owned by CEC
 - Company Limited by Guarantee (CLG) – wholly owned by CEC
 - Community Interest Company (CIC) limited by shares
 - Community Interest Company (CIC) limited by guarantee
 - Charitable Incorporated Organisation (CIO)
 - Industrial & Provident Society (IPS)
 - Co-operative/Mutual
 - Limited Liability Partnership (LLP)

9.0 Next Steps

- 9.1 Subject to the necessary due diligence it is expected the Portfolio Holder for Regeneration and Assets will give approval on 7 December 2015 to establish the company. Shadow operation will commence from 1 January 2016, with full Go-Live 1 April 2016.
- 9.2 Following Portfolio Holder approval work will begin to negotiate an operating agreement between the Council and the company. It is expected that this will follow the same format as with previous ASDVs and will therefore include:
- Financial details which align with the Council's MTFS and budget setting process and which reflect the company's business plan.
 - A performance framework designed to measure both the company's financial performance and its contribution towards both its own declared objectives and those of the Council.
- 9.3 Staff and stakeholder engagement is recognised as a vital part of establishing the company. Informal briefings to staff, directors, members and other relevant parties have already begun, as has discussion with trades unions. These will continue throughout the set up and mobilisation of the company.

10.0 Other details

- 10.1 It is expected that the company will be based either in Crewe or Sandbach
- 10.2 In common with other council ASDVs it is planned that the company will buy-back relevant back office support services (e.g. HR, Finance, ICT) from the council

11.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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