

CHESHIRE EAST COUNCIL

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

Date of Meeting: 24 October 2016
Report of: Andrew Round
Subject/Title: Performance update – The Skills & Growth Company
Portfolio Holder: Cllr Don Stockton

1.0 Report Summary

1.1 The Portfolio Holder for Regeneration and Assets took the decision to proceed with the establishment of the Skills & Growth Company Alternative Service Delivery Vehicle (ASDV) on 7 Dec 2015. This committee was provided with update reports in November 2015, and March 2016. This report is in response to a request by the committee for a further update on the progress of the Skills & Growth Company (SAGC) in its first year of operation.

2.0 Recommendation

2.1 The Committee is recommended to note the contents of this report.

3.0 Reasons for Recommendation

3.1 To ensure that the performance of the company is appropriately scrutinised.

4.0 Wards Affected

4.1 All wards

5.0 Local Ward Members

5.1 All Members

6.0 Financial Review

6.1 The 2016/17 management fee was set at £2,588k of which £1,238k is for “one-off services”. The Skills & Growth Company has made initial progress to generate additional income streams. As the year progresses and new projects are identified, the level of income is expected to increase aligned with the company’s business case. At quarter 1, forecast expenditure was £2,770k, reporting a loss of £4k.

6.2 A £68k budget pressure relating to SAGC exists on the Council side, due to the past service pension contributions, performance pay and a small actuarial report.

7.0 Performance Review

7.1 The Skills & Growth Company went live at the beginning of April 2016, as planned. A contract and service agreement was signed, underpinned by the company's business and delivery plan.

7.2 A comprehensive performance framework was also included in the contract, with performance measures agreed and aligning to the 8 priorities articulated for the company (number of measures are in brackets at end):

- Skills Priorities
 - Ensure young people are work ready (2)
 - Tackle long term unemployment and NEETS (3)
 - Ensure education provision meets employer needs (2)
 - Foster high value skills for high growth business (3)
- Growth priorities:
 - Lead High Growth Sectors (4)
 - Promote and secure investment in key employment sites (4)
 - Ensure businesses have the support they need to succeed (17)
 - Maximise and attract investment (4)

7.3 Additionally, 4 overarching Key Performance Indicators (KPIs) have been set:

| Ref | Priority | Performance measure | Annual Target |
|------|---|---|---------------|
| KPI1 | Ensure education provision meets employer needs Lead Employer Boards in growth sectors e.g. Life sciences, Advanced Engineering, Rail | Employment Boards (No#) ¹ | 2 |
| KPI2 | Connecting Cheshire - Contract 2 delivery with BT. implementation of 10,000 THP | (Total Homes Passed – Cumulative) | 5,500 |
| KPI3 | Promote and secure investment in key employment sites | Strategic engagements ² (No#) | 12 |
| KPI4 | Ensure businesses have the support they need to succeed Deliver the Top 100 Strategic investor programme & High Growth SME programme (engagements) | Engagements ³ Top 100 Strategic (No#) | 40 |
| | | High Growth Businesses (No#) | 100 |
| KPI5 | Maximise and attract inward investment Create high value jobs in key growth sectors | New Jobs created ⁴ | 210 |

7.4 It is stated in the contract that these KPIs will be reviewed in the first year.

¹ Boards of attended with a range of skills providers and private sector partners to foster the growth of key sectors, chaired at least on a quarterly basis

² a meeting with a developer / institutional investor / fund / commercial lenders that results in them having a firm understanding of the offer and asset base in Cheshire East and encouraging the flow of enquiries and investment opportunities

³ engagements are to include six hours of contact time with the company including , a formal record and development of a comprehensive account plan expected to lead towards successful outcomes (e.g. Jobs, investment, productivity)

⁴ Demonstrated by direct intervention by the company, adopting a similar definition to UKTI - A contractual commitment to creating a new post typically linked to an expansion, capital investment, relocation of new business function.

7.5 Within the Council Andrew Round is the Commissioning Manager/SRO for the Company, with Vicki Godfrey supporting in the Contract Manager role.

7.6 A process for monitoring performance against the performance framework was established in time for Quarter 1, and in line with contractual obligations. The quarterly process entails:

- Submission of a Performance Report to the Council's Contract Manager;
- Meeting between the Contract Manager and the Managing Director of SAGC to review the report;
- Amendments made to report, as necessary;
- Meeting between the Commissioning Manager, Portfolio Holder and Managing Director of SAGC and Chair of SAGC to review the (amended) report;
- Further amendments made to report, as necessary; and
- Sign-off of final report by the Commissioning Manager, and report logged along with minutes of the review meeting, with the Contract documentation in case of future auditing.

7.7 At Quarter 1, SAGC are on target to meet all the Key Performance Indicators (KPIs) and PIs set (Full Performance Monitoring Report Attached).

7.8 Key successes, milestones and deliverables are included in the Corporate Monitoring Report, extracted from the SAGC Quarterly Performance report. Key achievements are as follows:

- SAGC seamlessly managed the transition of contract delivery arrangements from the Council including for Fairerpower, Connecting Cheshire, Greater Manchester/Chester & Warrington Life Science Investment Fund, and Science Corridor Enterprise Zone.
- SAGC has been successful in its application to the Skills Funding Agency (SFA) to be an approved Registered Training Organisation (RTO). This status means that Skills & Growth can now bid to be subcontractors to an SFA contract and will then be in a position to be invited to tender for new opportunities that arise.
- SAGC has successfully obtained a grant from the Skills Funding Agency for up to £900k to deliver Information Advice and Guidance services. The grant will be managed and evidenced by SAGC on behalf of the Council, but delivery will be sub-contracted by CEC.
- SAGC has secured funding for CEC for a Macclesfield Heat Network Study.
- Other grant applications made on behalf of CEC include:
 - European Social Fund: Mental Health (£2m) subcontract position in Cheshire West and Chester-led consortium
 - European Regional Development Fund (ERDF): Digital2020 (£5.3m)
 - ERDF: Digital Science Corridor (£2m) consortium bid
 - ERDF: Slim hole well (£5.5m)
 - European Local Energy Assistance: Energy Programme (£1m)
 - Local Growth Fund: Geothermal (£2.5m)

Comment [JF1]: define

Comment [JF2]: define

Comment [JF3]: define

- Local Growth Fund: Virtual Institute of Technology (£8m) consortium bid
- Heat Networks Delivery Unit: Heat Networks (£0.185m for Crewe and Hurdfield)

- SAGC has had strategic engagements with 18 of the Top 100 accounts in the Cheshire East area in Q1. This has led to a significant pipeline of investment opportunities that could lead to the creation of around 210 high quality jobs in the area.
- SAGC coordinated an Enterprise Zone (EZ) Launch Event at Alderley Park to support applications for EZ Rate Relief; a successful investment tour from Hong Kong of key employment sites; and arranging for Assurant to tour Radbroke Park to inform investment plans.
- SAGC lead negotiations with Royal London on to the development of their campus with a state of the art Head Quarters function to be built.
- SAGC negotiated consultancy support service to Manchester Metropolitan University and local colleges under CW SME Growth Programme, and hosted a 1st apprenticeship levy meeting.

Comment [JF4]: define all abbreviations

8.0 Company Matters

8.1 The company moved into offices within Sandbach Enterprise Centre on 12th September 2016. Works are still subject to a defect period so final figures have not been established, and there are some additional furniture requirements forthcoming, but overall anticipated spend is within the £80k budget allocation.

8.2 Registered Training Organisation (RTO) status gained by SAGC does not grant automatic entitlement to funding, and Skills Funding Agency confirmed earlier this year that current contracts cannot be novated or be subject to 2nd tier sub-contracting. This impacts the Adult Education Budget commissioned by the Lifelong learning team, and so the feasibility of them moving into SAGC is being re-appraised in the form of a new Options Appraisal for the future of the Lifelong Learning team.

9.0 Risks/Issues

9.1 Brexit is perceived as being a significant risk to SAGC, with the risk being it could negatively impact the future revenue generation ability of the company. A slowdown in the economy could also impact the company's ability to meet performance targets. SAGC are mitigating this risk by lobbying government on the importance of budget commitments and by working closely with businesses to understand the impact of BREXIT. SAGC are producing a Briefing Paper for their Board and CEC with impacts on forward business plan being outlined.

10.0 Access to Information

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

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