

CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting:	21 st July 2015
Report of:	Caroline Simpson: Executive Director of Economic Growth and Prosperity
Subject/Title:	Skills & Growth Company - ASDV
Portfolio Holder:	Cllr Don Stockton, Regeneration and Assets

1. Report Summary

- 1.1. Total government investment in employment and skills provision in Cheshire East could be as much as £100 million annually, excluding HE, although less than 1% of this investment is currently channelled through the council. Considering this investment, combined with both the changing landscape of skills policy and the opportunity for economic growth, it is timely to evaluate how best the Council's skills and growth services are delivered to ensure we are best placed to **create employment opportunities for all** and to **attract and grow business, creating high quality employment**.
- 1.2. It is also crucial to consider how the council, through the development of a ready-made vehicle providing integrated end-to-end services, can influence and support government investment for employment and skills in the context of devolved decision-making powers.
- 1.3. This report proposes a full review of the Council's skills and growth services, with a view to creating an arms-length Alternative Service Delivery Vehicle (ASDV) that will improve services to residents and businesses, grow income and reinvest profits. It is considered that, linked with Cheshire East's strong economic potential, a Council-owned company can improve the labour market function and business productivity, maximise growth in high value employment and enable more residents to access jobs, reducing long-term unemployment and NEETs.
- 1.4. By bringing employers closer to training and skills providers at a local level, we can realise economies of scale, address skills shortages and develop employment opportunities, ensuring **every resident has the opportunity to work**, and **every business has the opportunity to thrive**.
- 1.5. The borough is already home to a highly skilled workforce, strong labour demand, employment rates that are significantly above regional and national averages, and low (and falling) levels of unemployment. However there remain pockets of deprivation and high levels of unemployment in defined areas where

we need to deliver targeted intervention programmes. We need to build on our strengths by establishing a collaborative and integrated skills and growth gateway to tackle long-term unemployment and increase the productivity of our businesses.

- 1.6. Cabinet approval is sought to proceed with a review of the skills and growth services in the Council with a view to establishing a council owned company. A detailed business case and options appraisal will be completed for consideration by relevant Portfolio Holders.

2. Recommendations

Cabinet is recommended to:

- 2.1. Approve a service review and options appraisal to deliver an integrated Skills & Growth vehicle.
- 2.2. Give delegated authority to the Portfolio Holder for Regeneration and Assets, in consultation with other relevant Portfolio Holders, the Head of Legal Services and the Chief Operating Officer, to implement the outcome of the options appraisal including but not limited to the creation of an skills and growth company, authority to enter into all necessary governance arrangements and arrangements with other Council owned and controlled companies subject to a detailed business case being endorsed by both TEG and EMB in accordance with the Council's Constitution.
- 2.3. Such authority also to include entering into all necessary contractual arrangements including but not limited to operating agreements, buy back agreements leases, licences and guarantees, and all TUPE provisions, together with undertaking the necessary staff engagement.
- 2.4. Give delegated authority to the Chief Operating Officer as Section 151 Officer and Head of Legal Services and Monitoring Officer to undertake all necessary and consequential action arising from the above recommendations including but not limited to entering into any necessary documentation.

3. Other Options Considered

- 3.1. A full options appraisal will be completed to establish the most suitable delivery arrangements for skills and growth services, which may subsequently result in the development of a detailed business case for change.

4. Reasons for Recommendations

- 4.1. To tackle long-term unemployment and increase productivity of our business base there is a need to take a fresh approach to skills and growth, ensuring an integrated and effective service aligned with the needs of our employers, designed to ensure the best employment and skills opportunities are available

for all our residents, and geared towards maximising our strengths for high growth employment opportunities in science, energy, technology, and engineering.

4.2. A high-level appraisal of skills and growth delivery has identified a number of key goals, which collectively minimise labour market failure and enhance growth:

- To ensure local people have the skills to access the benefits of growth in Cheshire East through upskilling, reskilling and supported employment
- To further support and accelerate growth by better enabling employers, particularly those in high value sectors (Science, Energy and Technology), to access the skills their businesses need
- To further reduce unemployment, particularly among young people
- To highlight labour market failures and opportunities, enabling providers to respond
- To stimulate the demand for jobs and advanced/higher level skills from residents and employers, maximising investment in human capital
- To reduce demand on council services, maximising efficiencies
- To increase the productivity of the workforce and attract new investment

4.3. The aim of the review is to set out an action plan for the future provision of services, securing continuous improvement while having regard to economy, efficiency and effectiveness. The outcomes are:

- **To create employment opportunities for all** – developing skills, supported employment, creating jobs, attracting investment and ensuring opportunities, particularly for young and old people
- **To attract and grow business, creating high quality employment** – the level to which the Council can maximise business rates, attract investment, provide opportunities for our young people to access jobs, apprenticeships and reduce NEETs

5. Background/Chronology

5.1. The Council has recognised the need to change the way services are provided in the future in order to create opportunities for innovation and provide service efficiencies delivered using a 'best-fit' approach.

5.2. At the meeting of Cheshire East Council on 4 February 2013 it was agreed that the Council should proceed to becoming a strategic commissioning organisation where a small core of commissioners under the strategic direction of the Executive, identify and prioritise local needs, develop the outcomes that

people require and then commission the services most appropriate to the delivery of those outcomes.

- 5.3. The basis of this decision was recognition that the landscape under which local public services are designed, purchased and delivered is changing rapidly under new Government policy and legislation. In order to align this with public services locally, the Council is changing the way it operates to become a strategic commissioning body.
- 5.4. Economic growth is a top priority for the Council. A strong economy and labour market is a crucial aspect of our growth strategy, making Cheshire East a more prosperous place and reducing dependency, benefitting business, residents and the Council itself.
- 5.5. The economy is recovering after one of the most challenging recessions in living memory. Although this is the case, productivity continues to lag behind most Western nations. Our competitive advantage will depend on creating the best conditions for businesses to thrive, innovate and move into higher value markets and for employees to engage in fulfilling and productive work.
- 5.6. Research recently carried out by Organisation for Economic Co-operation and Development (OECD) concludes skills and mobilisation of the workforce is the number one factor for driving growth in the UK. Furthermore, there is growing evidence of a shift in the labour market fuelling growth in high-skilled jobs and new higher technical roles.
- 5.7. Government's investment in employment and skills provision in Cheshire East could be as much as £100 million annually, excluding higher education, although less than 1% of this investment is currently channelled through the Council.
- 5.8. Cheshire and Warrington has the fifth fastest growing economy in the region, with the pace of growth outstripping most northern cities. Cheshire East is largely driving this growth through its high skills base, new business starts, low unemployment and strengths in science, engineering and technology. Arguably, Cheshire East in its own right is identified as one of the strongest economies in the country.
- 5.9. That said, much of the economic growth over the recent growth period (1998-2008) was in the public sector (70%) and there was a decline in manufacturing (-36%) over the same period.
- 5.10. Going forwards growth needs to be private sector led, which needs to be stimulated and facilitated. It is expected over 2000 private sector jobs a year will be created through to 2030 and the productivity of our businesses needs to remain strong with a focus on high value, highly skilled jobs. This can only be

achieved by taking a fresh approach to the Council's skills and growth services to ensure the labour market is fully functioning and businesses are investing.

5.11. Sustainable recovery for the long term is driven by the skills and talent of people. There must be a robust and clear delivery framework to underpin skills and growth, rooted in the needs of local residents and businesses, and focused on integrated service delivery under eight strategic imperatives:

Strategic Imperatives

- tackle long term unemployment and NEETS
- ensure young people are work ready
- ensure education provision meets employer needs
- foster high value skills for high growth business
- lead high growth sectors – science, energy and technology
- unlock strategic sites and maximise business rates
- ensure all businesses have the support they need to succeed
- maximise and attract investment

5.12. An inclusive review of all skills and growth services is to be undertaken to consider appropriate functions and resources necessary to deliver the outcomes, including;

- **Skills, training and advisory services** (e.g. Youth Advisory Service, YOTs, NEETs, Life Long Learning, 14+ Skills, Adult educational needs)
- **Employment services** (e.g. Apprenticeships, placements and links with national and local delivery partners (e.g., Job Centre Plus, Total People)
- **Business Growth** (e.g. Business Engagement, Inward investment, high growth business, business rates, Strategic Employment sites) + links with chambers and local business groups/networks, developers and investors
- **High growth programmes** (e.g. Science, Energy, Technology)

5.13. The role and relationship of government departments will be carefully considered including Department of Work and Pensions (DWP), Business Innovation and Skills (BIS), Department of Communities and Local Government (DCLG) and the Treasury; as will the role of local delivery partners and policy groups.

5.14. With increasing weight being given to the devolution agenda and the growing momentum of the Northern Powerhouse it is also crucial to consider how the Council is best placed to influence government policy, with a view to influencing more strongly employment and skills delivery at a local level.

5.15. Governance arrangements for delivery of an integrated skills and growth service will be key and needs to be representative of the market in which it

operates. It should be empowered and agile to take full advantage of funding and other opportunities available, rather than being constrained by rules and regulations that hold it back. To this end, consideration should be given to freedoms and flexibilities a company model might need when compared to other council-owned companies, and consider more widely our role and relationship with strategic partners.

5.16. A delivery plan to complete the service review and implement its recommendations is proposed that maximises the opportunities associated with policy changes and funding availability. Below are the key milestones;

Milestones:

- Cabinet endorsement to proceed (21/07/15)
- Detailed Business Case considered by TEG/EMB (August)
- Portfolio Holder(s) approval to implement recommended option (August)
- New delivery arrangements in place (01/10/15)
- New delivery vehicle fully operational (latest 01/01/16)

5.17. It is proposed shadow governance arrangements will operate ahead of any company being operational should these be required. Further information will be set out in the detailed business case.

5.18. The proposals outlined will ensure that any plans for change are robust and developed in accordance with the council's policies and procedures, having undergone the necessary approval regime.

6. Wards Affected and Local Ward Members

6.1. All wards will be affected

7. Implications of Recommendation

7.1. Policy Implications

7.1.1. The Council has developed a three year plan with two specific outcomes which relate to Skills and Growth:

Outcome 2: Cheshire East has a strong and resilient economy

Outcome 3: People have the life skills and education they need to thrive.

7.1.2. The Council seeks to support economic growth within the borough and therefore needs to provide effective and efficient services that both maximise the life chances of its residents and create a pool of talented labour, which can capture the massive investments and developments that are planned for the region.

7.1.3. Providing employment and training opportunities for all our residents will give them the best start possible in life. Having such home grown talent will ensure that schemes such as HS2, Jodrell Bank, and the Alderley Park Biohub recruit locally rather than having to 'import' expertise from elsewhere. It will also encourage inward investment in our growth areas.

7.2. Legal Implications

7.2.1. The legal implications are included in the main body of this report and further legal implications will be considered in due course with the Portfolio Holder for Regeneration and Assets when the options appraisal is concluded. .

7.3. Financial Implications

7.3.1. The services under consideration currently have a gross budget of £4.5m. They include six core services:

- 14+ Skills
- Youth Advisory Services
- Young Offending Service
- Learning Development
- Business Engagement and Inward Investment
- Major Projects

7.3.2. Financial projections cost of investment funding and other financial implications will be incorporated in the detailed business case.

7.4. Equality Implications

7.4.1. The detailed business case to be considered by through the councils approval processes will include a detailed Equality Impact Assessment exploring any implications.

7.4.2. Given that the aim of this work is to improved the range and quality of services supporting employment and skills development it is expected that any impacts will be positive and will focus on the more socially deprived members of our community.

7.5. Rural Community Implications

7.5.1. Given that the aim of this work is to improved the range and quality of services supporting employment and skills development it is expected that any impacts will be positive.

7.6. Human Resources Implications

7.6.1. The HR implications will be clearly identified in the detailed business case to be considered. Given the options under consideration these could possibly include some restructuring or TUPE transfer.

7.7. Public Health Implications

It is expected improving skills and employment opportunities of our residents will have a positive impact on health outcomes. Further consideration will be given as part of the detailed business case.

7.8. Other Implications (Please Specify)

7.8.1. There are none envisaged at this stage.

8. Risk Management

8.1. The key risks will be identified once the most suitable option has been determined. These will then be assessed and managed by the project board.

9. Access to Information/Bibliography

10. Contact Information

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