



## SHEFFIELD CITY COUNCIL Cabinet Report

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**Report of:** Executive Director, Children, Young People and Families

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**Date:** September 2012

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**Subject:** The City Deal for Skills

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**Author of Report:** Eve Waite, Head of Employment & Skills

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### **Summary:**

This report informs Members of a successful City Deal submission and seeks approval to develop, on behalf of the Sheffield City Region, a £27.8m skills programme. The programme has been developed jointly by Sheffield City Council, the Local Enterprise Partnership and those other local authorities within the city-region boundaries. Commencing in January 2013 the programme will deliver, in the next three years, 4,000 additional apprenticeships, and 2,000 new opportunities to improve the skills levels of the existing workforce in small and medium sized enterprises across the Sheffield City Region.

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### **Reasons for Recommendations:**

The following recommendations will allow the city to secure £27.8m on behalf of the Sheffield City Region, improve the skills levels of young people and adults and increase their chances of sustainable employment.

### **Recommendations:**

That Cabinet:

- approves the City Deal for Skills programme developed in line with its corporate plan objectives
- agrees that Sheffield City Council will act as the lead body for the skills programme on behalf of the Local Enterprise Partnership and the other local authorities within city-region boundaries
- recognises and approves that any income received in advance, due to the time lag between receipt of the funding and the spending on the programme, as explained in the body of this report, will be required to be 'carried forward' to future years and should not be considered to be an under spend in-year. This amount will be highlighted in the monthly budget monitoring reports for approval.
- grant delegated authority to the Executive Director, Children, Young People and Families, in consultation with the Cabinet Member with responsibility for Business Skills and Development and Director of Legal Services, to accept and administer the City Deal fund, procure the services required to deliver its related outcomes and agree the terms and award the associated contracts.

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**Background Papers:** N/A

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**Category of Report:** OPEN

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**Statutory and Council Policy Checklist**

<b>Financial Implications</b>
YES Cleared by: Tricia Phillipson
<b>Legal Implications</b>
YES Cleared by: Nadine Wynter
<b>Equality of Opportunity Implications</b>
YES Cleared by: Bashir Khan
<b>Tackling Health Inequalities Implications</b>
Yes
<b>Human rights Implications</b>
NO
<b>Environmental and Sustainability implications</b>
Yes
<b>Economic impact</b>
Yes
<b>Community safety implications</b>
Yes
<b>Human resources implications</b>
NO
<b>Property implications</b>
NO
<b>Area(s) affected</b>
Sheffield City Region
<b>Relevant Cabinet Portfolio Leader</b>
Cabinet Member for Business, Skills and Development: Cllr Leigh Bramall
<b>Relevant Scrutiny Committee if decision called in</b>
Economic and Environmental Wellbeing
<b>Is the item a matter which is reserved for approval by the City Council?</b>
NO
<b>Press release</b>
NO

## **UNLOCKING GROWTH IN CITIES - SHEFFIELD CITY REGION APPRENTICESHIP AND SKILLS HUB**

### **1.0 SUMMARY**

1.1 This report informs Members of a successful City Deal submission and seeks approval to develop, on behalf of the Sheffield City Region (SCR), a £27.8m skills programme. The programme has been developed jointly by Sheffield City Council, the Local Enterprise Partnership and those other local authorities within the city-region boundaries. Commencing in January 2013 the programme will deliver, in the next three years, 4,000 additional apprenticeships, and 2,000 new opportunities to improve the skills levels of the existing workforce in small and medium sized enterprises across the Sheffield City Region.

### **2.0 WHAT DOES THIS MEAN FOR SHEFFIELD PEOPLE**

2.1 The skills programme forms only part of a City Deal that is shaped by the city-region's economic priorities and designed to deliver jobs and growth in a 'bigger, better faster' way.

In the three-year period, 2013 to 2016 inclusive, SCR seeks through an Apprenticeship and Skills Hub to address the skills gaps and shortages identified by local employers and to deliver 4,000 additional apprenticeships and 2,000 opportunities to improve the skills of existing employees.

2.3 This will mean that, in Sheffield, at least an additional 1,596 young people will move into sustainable employment with training through an apprenticeship, 750 adult employees will improve their work-related skills levels up to level 3 (equivalent to two of more A levels) and new employment opportunities will be sourced for the unemployed.

### **3.0 OUTCOME AND SUSTAINABILITY**

3.1 The City Council's Corporate Plan *Standing up for Sheffield* sets out the ambition to lead Sheffield's transformation by:

- Creating a setting for investment
- Improving skills
- Delivering for business

3.2 This programme is designed to contribute to the achievement of these priorities by:

- reducing the number of young people and adults out of work – because high levels of worklessness inhibit the city's economic transformation and results in wasted human potential
- increasing the number of people in work qualified to level 2 and level 3 – because the demands of a global economy require Sheffield to improve the skills of its workforce if its businesses are to remain competitive
- providing practical support to employers seeking to improve the skills

of their workforce.

- 3.3 In spite of the recession, the City Council remains committed to reducing youth unemployment and supporting businesses to compete with other cities in the UK, Europe and the rest of the world.
- 3.4 The partnership submitted a bid to secure £27.8 million to this effect. The City Deal for skills will, over a three year period, address the emerging skills gaps and shortages that SCR employers have identified as a result of an ageing workforce, skills deficits in new recruits and the demands for better skilled employees associated with new techniques and technologies. The City Deal for Skills will do this by:
- delivering 4,000 (1,596 in Sheffield) additional apprenticeships
  - upskilling 2,000 (750 in Sheffield) existing employees to level 3
  - incentivising training providers to ensure that, in key sectors, providers are encouraged to reshape their provision and deliver more quickly and more effectively to meet employer need.
- 3.5 The City Council will use the City Deal to:
- support Sheffield's young people to secure sustainable employment with training,
  - address the skills gaps employers have identified
  - create pathways for those without work to secure sustainable employment.

#### **4.0 BACKGROUND**

- 4.1 On 8 December 2011, the government announced the City Deal initiative inviting the core cities, their Local Enterprise Partnerships (LEPs) and other local authorities in their associated city-regions to submit proposals seeking 'licensed exceptions' to existing national regulations and funding regimes in response to local issues, such as skills gaps and shortages, that can be better addressed through arrangements devised at the local level. The SCR City Deal for Skills is a successful local response of this type.
- 4.2 Whilst the City Deal offers freedoms and flexibilities at the local level, the deal is a two-way transaction with cities required '*to do things in return and take proportionate risks*'. This means that local authorities are expected, over the lifetime of the project, to invest some of their own funding in the City Deal as a match contribution to the much larger proportions of funding supplied by employers and the Skills Funding Agency.

#### **5.0 SCR City Deal for Skills – the offer**

- 5.1 The *Unlocking Growth in Cities* paper invited new and bold proposals from the core cities and provided an illustrative menu which included growing apprenticeship numbers by establishing City Apprenticeship Hubs.
- 5.2 With rising youth unemployment compounded by the number of 16-18 year olds not in education employment or training (NEET); and over half of employers (51%), according to the latest UKCES Employer Skills Survey,

expressing concern that they will not have the workforce equipped with the skills they need for growth, SCR's response was to propose that employers should be given the purchasing power to secure the skills that the local economy needs and to provide a local Apprenticeship and Skills Hub to facilitate this.

5.3 The SCR Apprenticeship and Skills Hub will be based, broadly, on the successful Opportunity Sheffield model that delivered over a 1,000 Future Jobs Fund employment opportunities in less than 18 months and, to date, more than 150 apprenticeships through the SCC Apprenticeship Programme. The hub will build on this tried and tested model by providing even more apprenticeship opportunities for both 16-18 year olds and young adults, by improving the skills of individuals currently in work and by securing employment opportunities for unemployed adults. The hub will operate across SCR and will work in support of employers and training providers to:

- create a simplified, demand-led offer that gives SMEs in particular the confidence to take apprentices or to upskill their existing workforce a
- offer employers in key sectors intensive support to enable them to drive the skills system
- complement the activities already undertaken by the National Apprenticeship Service and to support its objectives
- use local authority planning and procurement processes, where possible, to secure additional apprenticeships and other training and employment opportunities through the contracts that SCR councils award
- incentivise colleges and other training providers, through a premium payment for apprentices that successfully secure employment in key sectors, so that they are encouraged to invest in the staffing, infrastructure and new qualifications needed to provide more of the flexible, high quality, responsive training that employers in key sectors say they want
- develop clear, sector specific career pathways where apprenticeships are a valued option for young people, parents, carers and employers
- use Apprenticeship Training Agencies (where a provider employs and trains apprentices on behalf of a group of companies) or Group Training Associations (where employers come together to do the same collectively) where SMEs in a sector are individually unable to meet the full cost or provide the breadth of experience needed for an apprenticeship framework.

5.4 The hub will be made up of a small but expert management function that will organise a range of brokers, operating across the city-region, that have been selected by SCR employers under the auspices of the LEP. It is intended that representative LEP employers will select these brokers because they are respected by businesses in the sectors in which they will operate, because they have good networks and linkages to SMEs in these sectors and because they have some understanding of the training and qualification system and can therefore reduce the bureaucratic burden of organising training as well as ensuring that employers are connected to the

training provider and provision that best meets their needs.

## **6.0 THE AGREEMENT**

6.1 The SCR City Deal for Skills offer is based on a tripartite agreement whereby in return for an investment of £12m in total over three years, the SCR local authorities are able to lever £64.8m investment in training by SCR employers and the Skills Funding Agency. The tri-partite agreement consists of a financial investment from each partner. in the period 2013-2016 inclusive. as follows:

- 6.2
- Employers £37.4 million
  - Skills Funding Agency £27.8m
  - SCR local authorities £12m

6.3 Sheffield City Council's financial contribution to this agreement equates to £1.3m per annum, for the life of the programme (3.9m) from the city's employment programme, with an additional £3m contributed by the existing staffing and activity costs of the city's, skills and business support programmes. Employers will contribute the cost of employing apprentices and by meeting the training costs of those in their workforce that are trained to level 3. The Skills Funding Agency will provide £27.8m, in addition to its existing contracts with colleges and training providers in SCR, to allow for this significant expansion of training and to meet the costs of the hub.

6.4 The SCR City Deal is designed to demonstrate that by devolving central government skills funding and decision making to employers at the local level it is possible to:

- increase apprenticeship take up significantly by tapping the latent demand for new recruits and training that is known to exist in the SME community
- stimulate employers, particularly SMEs, to invest in the upskilling of their existing workforce
- create a more responsive and flexible training system in which more employers are persuaded that training providers and qualifications can properly meet their needs and are therefore worthy of more of their investment
- tackle youth unemployment by opening up more and better opportunities for good quality work with training
- use the substantial purchasing power of local authorities and the contracts that they issue to secure more apprenticeships and new job opportunities
- better address emerging skills gaps and shortages that are the consequence of an ageing workforce in some sectors and the pressures associated with an upturn in some parts of the economy
- improve the connectivity and job creation opportunities at the local level between economic development on the one hand and the organisation of the skills system on the other.

## **7.0 FINANCIAL IMPLICATIONS**

7.1 The City Council have been successful in securing on behalf of the LEP,

the SCR City Deal Skills grant income amounting to £27.8m. This will be used to meet the running cost for the programme from January 2013 to July 2016. The overall costs of the programme will include £798,711.00 employee costs.

7.2 The financial implications and direct costs described in Para 6.3 amount to £3.9m over the life of the programme,

7.3 The table below provides a break down of revenue implications. There will be no other direct costs to the City Council than those described in paragraph 6.3.

		2013/16 £'000
Additional Revenue Expenditure		
Supporting Businesses	Apprenticeship Frameworks	23.8m
	Up-skilling in the workplace	
Delivery of the HUB	Intermediaries	4.0m
	Training provider incentives	
	Lead agent (SCC): marketing, management, staffing and overheads Partners: each local authority (7 LAs) will get a contribution towards staffing costs	
Less Income (City Deal grant)		(27.8m)
Supporting People	Employability Programmes	3.9m
Less existing budget provision ( <b>currently within CYP budget</b> )		(3.9m)
<b>Net Cost</b>		<b>0</b>

## 8.0 MANAGING RISK AND GOVERNANCE

8.1 The Lifelong Learning Skills and Communities (LLSC) service has extensive experience of managing very large government contracts successfully, for instance the £17m Future Jobs Fund contract. The Service maintains a strong working relationship with Finance, ensuring risk and monitoring mechanisms are appropriate and robust.

8.2 The programme will be monitored by the Skills for Growth and Employment Partnership (SGEP) which will act as the steering group for the SCR City Deal for Skills programme. The SGEP membership includes business leaders, skills providers and local authorities. The SGEP will provide periodic reports to the SCR Local Enterprise Partnership.

8.3 The SCR Officer Group incorporates officers from the eight local authorities that make up the SCR. This will act as the operational group. The operational

group will provide regular reports on the progress of the programme to LLSC, which in addition to LLSC' contract compliance monitoring, will be incorporated into the reports for the SGEP and the LEP Board.

- 8.4 Sheffield City Council will act as the lead agent for partners across the SCR. It will do so as a logical extension to the sub-regional work that it has historically undertaken as accountable body for the City Strategy Pathfinder the Future Jobs Fund and, most recently, the SCR City Skills Fund.
- 8.5 As the lead agent, Sheffield City Council will enter into contractual arrangements with a range of training providers and intermediaries that will deliver the support to business, skills training, jobs brokerage and coordination of activities across SCR in order to meet the programmes outcomes.
- 8.6 Sheffield City Council will monitor the contracts issued on behalf of the SCR. The onus will be on the contractors to provide the evidence to support the outcomes, quality, monitoring and review standards set out in their contracts.
- 8.7 The SCR City Deal for Skills programme is for a fixed term period with agreed volumes and outcomes. The Sheffield City Council project management framework will be applied to ensure performance and financial profiles are met, that financial closure procedures are adhered to and that there is an appropriate exit strategy.
- 8.8 In consultation with Legal Services, all contracts issued will incorporate Sheffield City Council and the Department of Business, Innovation and Skills (the funder) financial monitoring requirements.

## **9.0 LEGAL IMPLICATIONS**

- 9.1 The Council has a statutory duty to support young people to participate in this programme and will have a key role in helping to deliver this programme, working with providers to target those young people who most need support and ensure that this provision fits closely with the wider local offer.

## **10.0 EQUALITY AND IMPACT ASSESSMENT**

- 10.1 An assessment has been completed and is attached. Equalities issues were addressed in the initial bid to the Department for Business Innovation and Skills (BIS) and incorporated into the design of the programme.

## **11.0 ALTERNATIVE OPTIONS CONSIDERED**

- 11.1 A range of options have been considered but due to the very low level of funding they would attract they could not deliver the impact required to address the level of youth unemployment and skill shortages currently being experienced in the SCR economy.

## **12.0 REASONS FOR RECOMMENDATIONS**

12.1 The following recommendations will allow the city to secure £27.8m from the Skills Funding Agency on behalf of the Sheffield City Region and provide young people and adults across Sheffield and the city-region with sustainable employment opportunities as well as improving their skills up to level 3.

## **13.0 RECOMMENDATIONS**

13.1 That Cabinet:

- approves the City Deal for Skills programme developed in line with its corporate plan objectives.
- agrees that Sheffield City Council will offer to act as the accountable body for the skills programme on behalf of the Local Enterprise Partnership and the other local authorities within city-region boundaries.
- recognises and approves that any income received in advance, due to the time lag between receipt of the funding and the spending on the programme, as explained in the body of this report, will be required to be 'carried forward' to future years and should not be considered to be an under spend in-year. This amount will be highlighted in the monthly budget monitoring reports for approval.
- grant delegated authority to the Executive Director, Children, Young People and Families, in consultation with the Cabinet Member with responsibility for Business Skills and Development and Director of Legal Services, to accept and administer the City Deal fund, procure the services required to deliver its related outcomes and agree the terms and award the associated contracts.

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