

## **EMPLOYMENT AND SKILLS BOARDS**

### **CRITERIA FOR DESIGNATION AS STRATEGY SETTING BODIES**

#### **Introduction**

Our ambition is to create integrated employment and skills services that are more responsive to the needs of individuals and employers.

This means ensuring that employer demand for skills is identified and articulated at the right spatial level – whether regional, sub-regional, or local. This includes ensuring that strategic skills needs are identified and met – for example, in fast-changing parts of the economy where individual employer demand may not produce sufficient skilled people quickly enough to take account of new opportunities. Employers have a critical role to play in making sure that this happens, as they are best placed to identify the support that will meet the business needs of today and of the future.

There is no one-size-fits-all approach to employer engagement with the skills system. It is important that employers are involved in decision making at different levels and in a way that best meets local needs.

However, there is compelling evidence that the city-region level is the key driver of economic growth. At this level, which typically consists of several local authority areas with a shared economic geography and shared economic priorities, the Government is encouraging Employment and Skills Boards in order to bring together employers and other local partners to raise and articulate demand for skills in support of local economic priorities, and to ensure that employment and skills provision responds to this demand.

Where Employment and Skills Boards can demonstrate strong employer leadership in support of a clear, evidence-based strategy setting out demand for skills to support their economic vision, the Government will encourage them to apply to be specified by order by the Secretary of State as a body to formulate (and keep under review) a strategy in an area specified in that order, under section 24A of the Learning and Skills Act 2000 (“the 2000 Act”). Under section 24C(1) of that Act, the Learning and Skills Council is under a duty to carry out any function to which a strategy under section 24A relates, which might include the delivery of training required to support that strategy. The Skills Funding Agency (which will replace the Learning and Skills Council from 2010) is expected to be under the same duty.

Employment and Skills Boards operate at a number of different levels, and Government does not wish to be prescriptive about the different models that can operate. However, we believe that those with a strategy setting role would operate most effectively at the sub or city-region level where there is a clearly defined economic geography across local areas, with shared strategic issues. We believe this is where employers can add the greatest value in identifying strategic skills gaps and priorities and ensuring that the employment and skills system responds in a joined up way.

Employment and Skills Boards may have a useful role to play at other levels, for instance at a much more local level, but in these cases, specification by the Secretary of State by order as a body to formulate a strategy is less likely to be appropriate. At the broader regional level Regional Development Agencies will set regional strategies and work closely with the Learning and Skills Council and subsequently, the Skills Funding Agency to make sure that strategic skills needs are understood and solutions developed promptly. Regional Development Agencies play a key role, including through the Regional Skills Partnerships which bring together the Learning and Skills Council, Jobcentre Plus, Sector Skills Councils, employers, local authorities and others. They also manage the Business Link integrated skills and business support brokerage, which is so vital to Train to Gain and other aspects of the skills service.

This document discusses the role of Employment and Skills Boards in more detail, and sets out the criteria that Boards wishing to apply to be specified by order by the Secretary of State under section 24A of the 2000 Act will need to meet. For the rest of this document, Employment and Skills Board refers to a Board with statutory powers under the 2000 Act.

## **The Context and Role of Employment and Skills Boards**

The primary role of an Employment and Skills Board is to create an adult skills and employment strategy for its area. As well as addressing key issues in its area, it should support, enhance and assist with the delivery of the national skills strategy, regional strategy, welfare to work policies and the framework of targets which support them. An Employment and Skills Board with formal powers should:

- Set the priorities and overall direction for the delivery of adult (post 19) skills, taking into account the key priorities in relation to the national skills strategy (i.e. driving up participation and attainment among young people and adults, including tackling adult basic skills; increasing the number of adults achieving a first full level 2 qualification; and supporting progression to higher level skills and qualifications) and other relevant strategies, such as the single regional strategy
- Identify strategic skills needs and priorities
- Actively engage with employers in their area to raise their demand for, and investment in, skills provision
- Monitor the delivery of the strategy and receive reports from the Skills Funding Agency on the delivery and implementation of the strategy.
- Provide feedback to the Skills Funding Agency assessing how well the skills and employment system is responding to employer demand in its area. The UK Commission for Employment and Skills will also take account of evidence produced by Employment and Skills Boards in their assessment of national priorities.

Employment and Skills Boards will be a permanent and integral part of the area's governance arrangements and will need to work closely with other parts of the governance structure for the area. This could include working with Economic Prosperity Boards (EPBs) and combined authorities (which are provided for in the Local Democracy, Economic Development and Construction Bill currently being considered by Parliament). EPBs and combined authorities are sub-regional bodies which groups of local authorities can choose to establish across their combined area to drive forward improvements in economic development, regeneration and, in the case of combined authorities, transport for the area as a whole.<sup>1</sup> EPBs and combined authorities will be led by local authorities and a majority of their members must be elected councillors from the constituent local authorities. They are only likely to be suitable for a small number of places, where there is clear evidence that strong sub-regional arrangements will lead to economic benefits.

Employment and Skills Boards and Economic Prosperity Boards or combined authorities will share the same ultimate goal of supporting economic development at the sub-regional level. As Employment and Skills Boards will be employer-led, and Economic Prosperity Boards/combined authorities would be local authority-led, there would need to be clear links between them to ensure the development of a coherent economic vision with common objectives. Where both types of bodies are in place one way to achieve this could be for the chair of an Employment and Skills Board to be a member of the Economic Prosperity Board or combined authority, and for the chair of the Economic Prosperity Board/combined authority to be a member of the Employment and Skills Board.

## **A Strong Employer Voice at the Centre of Every Employment and Skills Board**

In considering whether powers should be granted, the Secretary of State will seek advice from the UK Commission for Employment and Skills as to the extent to which the Employment and Skills Board can demonstrate that:

- The employer voice which the Board brings to the area sits within a clear framework of strategy setting, decision making and delivery;
- It can show **why** a strong employer voice is being sought, **what** role it will play and **how** it will make a difference to the outcomes being sought by the area's strategy;
- It has employer membership of the right calibre and breadth to drive the strategy. It should normally be chaired by the Chief Executive of a major local employer, with at least half of its members drawn from the

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<sup>1</sup> A combined authority is, in simple terms, an amalgamation of an EPB and an Integrated Transport Authority – i.e. a sub-regional body that will be able to exercise both transport and wider economic development functions.

private sector, both large and small firms, with local employers (including public sector employers where these are significant) and key sectors strongly represented. In most cases members should be at Chief Executive level, though this will need to be interpreted reasonably flexibly in areas where there are many branches of large firms, but few head offices.

- A clear set of governance arrangements which shows how the voice of employers articulated in the Board:
  - Benefits from investment by way of independent briefings and access to expert advice on matters relating to employment and skills;
  - Has proper support and access to designated secretariat services that adhere to best practice standards of corporate governance;
  - Has genuine input to the development of the strategy and real ownership by the employers represented; and
  - Can hold delivery partners to account for the commitments they have made within the strategy and write open letters if the Board believes that anyone delivery agent or key stakeholder is failing to fulfil their obligations as set out within the strategy.

### **Key Criteria for specification by order the Secretary of State as a body which may formulate a strategy**

Government does not want to be prescriptive about the structure of individual Employment and Skills Boards but the following sets out key criteria which those seeking “Section 24A status” should meet. An Employment and Skills Board is not about micromanaging provision or about direct delivery. The Board’s role is to set strategic direction and to monitor and review delivery of its strategy. Working with the Employment and Skills Board, the Learning and Skills Council, and in time, the Skills Funding Agency will be responsible for ensuring that provision is responsive to individual and employer demand and the strategic needs of the economic area.

An ESB must:

- Cover a functional economic area – normally this would be a city region whose boundaries have been set as part of an MAA;
- Have a role which is primarily strategic rather than operational - it should be capable of articulating and positively influencing current and future employment and skills demand, in order to formulate a strategy which will shape supply side provision in a particular geographical area;

- Be able to identify strategic skills needs and gaps, including as a result of infrastructure investment, new technologies, emerging markets and new investments in a particular place;
- Have strong links with other city-region governance structures (including MAA governance structures and Economic Prosperity Boards where applicable), and be able to demonstrate strong partnership working in support of shared goals and objectives;
- Include representation from other key local stakeholders, some of which may be ex-officio members or observers – for example representatives from local authorities, the Further and Higher Education sectors, Learning and Skills Council, Jobcentre Plus and the Regional Development Agency;
- Be a permanent and integral part of the formal governance structures in the area, and therefore capable of being designated in a statutory order.

A strategy produced by an Employment and Skills Board must:

- Set out a clear economic vision that explains the strategic skills needs across the area it covers and how the proposals it includes will address those needs – and this vision must have the support of local partners – e.g. consistent with any relevant Multi-Area Agreement, Regional Strategy and, where appropriate, the economic vision being put forward by the relevant Economic Prosperity Board;
- Be presented as a written document and be the subject of extensive consultation with employers and other interest groups. It must provide evidence of the skills needs of employers across the area, not just those represented on the Board. Employment and Skills Boards will be expected to take account of the labour market and skills research findings of the UK Commission for Employment and Skills, relevant Sector Skills Councils, and the Regional Development Agency, to ensure that the strategy appropriately identifies and articulates strategic and sectoral skills needs;
- Focus on training and skills for learners aged 19 and above who are in employment or who are seeking, or who will be seeking, employment (including those on benefits);
- Be supported by a high quality evidence base and identify the measurable outcomes to be used in reviewing its progress;
- Promote equality of opportunity for all groups of learners covered by the strategy and ensure that all have full and equal access to the skills and training they require;
- Be set for a period of 5 years and formally reviewed and updated

annually where necessary;

- Complement and support national and regional priorities and make best use of intelligence already gathered through single regional strategies and Sector Skills Agreements.

## **Process for Designation**

The City Region Forerunner Pilots in Manchester and Leeds are expected to be the first areas outside London to be granted the formal strategy setting powers available under the 2000 Act. The Government will use the experience of awarding those powers to develop a process for the future, but would expect that process to include:

- City regions putting forward a proposal setting out the proposed composition of their Employment and Skills Board and how it would operate. The Department for Business, Innovation and Skills initiating discussions based on an agreement to work together towards meeting the criteria set out in this note;
- The Department for Business, Innovation and Skills will then provide advice to the Secretary of State on how well the Employment and Skills Board membership and capacity matches the criteria;
- Approval for establishment of the Employment and Skills Board as a strategy setting body will be done by exchange of letters between the Secretary of State and the chair of the Board;
- Laying of an Order before Parliament establishing the Board as a strategy setting body under the Act – this Statutory Instrument would need to be laid in Parliament for a minimum of 21 days before it could formally come into force;
- The Secretary of State's subsequent letter to the Employment and Skills Board's Chair will set out the scope and role of the Board and its strategy, and confirm that once the strategy is in place, the Chief Executive of Skills Funding will be under a duty to implement it. A parallel letter will be sent to the Chief Executive of Skills Funding;
- Letters will make clear that where the strategy conflicted with the statutory purposes of the Chief Executive of Skills Funding, and could not therefore be implemented, the matter would have to be referred to the Secretary of State, who would make the final decision.