EXPLANATORY MEMORANDUM TO

THE CHIEF EXECUTIVE OF SKILLS FUNDING (STRATEGY FOR GREATER MANCHESTER) ORDER 2010

2010 No. 573

1. This explanatory memorandum has been prepared by The Department for Business, Innovation and Skills and is laid before Parliament by Command of Her Majesty.

2. Purpose of the Instrument

2.1 This Order specifies the area of Greater Manchester as an area for which the body known as the Commission for the New Economy Limited is specified as a body to formulate and keep under review a strategy. It specifies the relevant functions of the Chief Executive of Skills Funding that shall be the subject of that strategy.

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None

4. Legislative Context

4.1 Section 112(1) of the Apprenticeships, Skills, Children and Learning Act 2009 provides for the Secretary of State by Order to specify a body to formulate and keep under review a strategy in relation to specified functions of the Chief Executive of Skills Funding for a specified geographical area within England. Under section 114 of the 2009 Act, the Chief Executive of Skills Funding is under a statutory duty to carry out any function or functions to which a strategy relates in accordance with that strategy.

5. Territorial Extent and Application

5.1 This instrument applies to England.

6. European Convention on Human Rights

6.1 As the instrument is subject to the negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

7.1 The policy intention is to ensure that business and local employers have influence over the application of the Skills Funding Agency's funding for adult skills within their area. It is designed to ensure that public investment in skills development meets the needs of a particular economic area, by specifying a body comprising local businesses and other key stakeholders as

the body required to set a skills strategy for the area and keep it under review; and by requiring the Chief Executive of Skills Funding to take account of that strategy when carrying out certain functions which are specified in the Order.

7.2 The partner organisations in Greater Manchester have worked together for some time in order to achieve better skills outcomes for the city region. However, their multi-area agreement, signed by Ministers in June 2008 first announced their intention to put these relationships on a statutory footing, which they believe would help them to achieve greater co-ordination of effort among the various agencies engaged in supporting employment and skills. The partnership was successful in its proposal to become one of two city region forerunner pilots, and its success was announced in the 2009 Budget. One of the commitments the Government made in the subsequent agreement was that its business-led Employment and Skills Board would be among the first outside London to be considered for specification as a body required to set and keep under review a skills strategy.

7.3 The Secretary of State's decision to specify the Commission for the New Economy Limited in relation to the Greater Manchester area was announced in the Pre-Budget Report in December 2009. The Commission is a business-led Employment and Skills Board, chaired by a prominent business leader in Greater Manchester, and drawing its membership from local businesses, local authorities and other organisations and agencies in the area that are engaged in the delivery of employment opportunities or skills delivery. The decision is unlikely to generate much interest among the general public, but it has been welcomed by those engaged in developing the local economy and particularly those bodies and agencies working on improving employment opportunities and skills levels in the city region.

8. Consultation Outcome

8.1 Greater Manchester first proposed to address its skills issues at a strategic level and to develop an Employment and Skills Board that could be specified under this Act to set and keep under review a strategy for the area, in its multi-area agreement. This agreement was developed by the Association of Greater Manchester Authorities in consultation with a wide variety of partner organisations and in discussion with Government Departments. The aspiration was reiterated in the consultation on the Greater Manchester Skills and Employment Framework in December 2008, which was the subject of consultation with over 400 private businesses and public sector organisations.

9 Guidance

9.1 The Association of Greater Manchester Authorities issued a statement to the press outlining the headline implications of the Secretary of State's decision for the city region. It is not envisaged that any further publicity will be required nor any written guidance issued. The Department and its agencies will continue to work closely with the Commission for the New Economy Limited to ensure that its effectiveness can be maximised.

10 Impact

10.1 The impact on business, charities or voluntary bodies is expected to be a firmer focus on ensuring that publicly funded skills provision meets their needs as employers.

10.2 The impact on the public sector is the development of a coherent and cohesive skills strategy for the area. Those public sector bodies and agencies engaged in delivering education, skills and employment opportunities will have a clear agreed set of priorities to work towards. The Chief Executive of Skills Funding will be under a legal obligation to deliver against the agreed strategy.

10.3 An Impact Assessment is attached to this memorandum.

11 Regulating small business

11.1 The legislation applies to small business.

11.2 To ensure that the Commission's strategy takes full account of the needs of small firms employing up to 20 people, the approach taken by the Department is to ensure that the Commission for the New Economy Limited contains appropriate small business representation.

11.3 The basis for the final decision on what action to take to assist small business is the advice to the Secretary of State from the UK Commissioner for Employment and Skills, which recommending strengthening the small business representation on the Commission for the New Economy Limited in order to ensure that the needs of small firms are fully accommodated in any strategy developed for the area.

12 Monitoring and review

12.1 The impact and effectiveness of the Commission for the New Economy Limited will be monitored and reviewed though the Statutory City Region Agreement with Government. This agreement was drawn up between the city region and central government following the announcement that Greater Manchester would be one of two city region forerunner pilot areas. Its success will be measured against the achievement of its objectives as set out in the agreement.

13. Contact

Phil Samuels at the Department for Business, Innovation and Skills, Tel: 0114 259 4098 or email: phil.samuels@bis.gsi.gov.uk can answer any queries regarding the instrument.

Summary: Intervention & Options

Department /Agency:	Title:	
Department for Business, Innovation and Skills	**Impact Assessment of the Chief Executive of Skills Funding (Strategy for Greater Manchester) Order 2010**	
Stage:	**Version:** 1	**Date:** 24 February 2010
Related Publications: The Manchester Strategy; Manchester Independent Economic Review.		

Available to view or download at:

http://www.neweconomymanchester.com/stories/842-

Contact for enquiries: Phil Samuels **Telephone:** 0114 259 4098

What is the problem under consideration? Why is government intervention necessary?

To ensure that skills provision in the Greater Manchester area is planned and delivered in a way which meets Greater Manchester's economic needs and those of its citizens. This has been organised in a voluntary way through a partnership of local authorities, businesses and other key stakeholders in the past, but the partnership has sought to put this on a more formal statutory footing following the publication of its Multi-Area Agreement and its Greater Manchester Skills and Employment Framework, which was the subject of an extensive local consultation in December 2008.

What are the policy objectives and the intended effects?

The objective is to ensure that the business-led Employment and Skills Board, the Commission for the New Economy has the legal power to develop an adult skills strategy for Greater Manchester, which will drive the operations of the Skills Funding Agency in the Greater Manchester area, and which will address the views of key Manchester stakeholders. It will ensure that the Skills funding Agency's spending in the city, while still continuing to address national targets for skills, will reflect the views of the Board and key stakeholders.

What policy options have been considered? Please justify any preferred option.

Two options were considered: requiring the partnership to continue to operate on a voluntary basis and relying on its input to the regional skills strategy to influence the Skills Funding Agency's provision; or giving the partnership legal power to set its own strategy, but requiring it to align that with regional and national priorities. Manchester's status as one of only two city region forerunners and its significant economic contribution to the nation's wealth-creating capacity make it essential that we afford it the legal power to deliver its economic priorities.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects? The policy will be reviewed as part of the Government's continuing evaluation of multi-area agreements and city region policies.

Ministerial Sign-off For SELECT STAGE Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:

Kevin Brennan

..... Date: 1/3/2010

Summary: Analysis & Evidence

Policy Option: Legal Powers	Description: Specify Manchester's Employment and Skills Board as a body required to set a strategy for the area and keep it under review.

COSTS

ANNUAL COSTS	Description and scale of **key monetised costs** by 'main affected groups'
One-off Yr **£**	See narrative comments.
Average Annual Cost (excluding one-off) **£**	**Total Cost** (PV) **£**

Other **key non-monetised costs** by 'main affected groups'
See narrative comments.

BENEFITS

ANNUAL BENEFITS	Description and scale of **key monetised benefits** by 'main affected groups'
One-off Yr **£**	See narrative comments.
Average Annual Benefit **£**	**Total Benefit** (PV) **£**

Other **key non-monetised benefits** by 'main affected groups'
See narrative comments.

Key Assumptions/Sensitivities/Risks

See narrative comments.

Price Base Year	Time Period Years	**Net Benefit Range** (NPV) **£**	**NET BENEFIT** (NPV Best estimate) **£**

What is the geographic coverage of the policy/option?	Greater
On what date will the policy be implemented?	February 2010
Which organisation(s) will enforce the policy?	BIS and SFA
What is the total annual cost of enforcement for these	£ N/A
Does enforcement comply with Hampton principles?	Yes
Will implementation go beyond minimum EU requirements?	N/A
What is the value of the proposed offsetting measure per	£ N/A
What is the value of changes in greenhouse gas emissions?	£ N/A
Will the proposal have a significant impact on competition?	No

Annual cost (£-£) per organisation (excluding one-off)	Micro **N/A**	Small **N/A**	Medium **N/A**	Large **N/A**
Are any of these organisations exempt?	No	No	N/A	N/A

Impact on Admin Burdens Baseline (2005 Prices)				(Increase -	
Increase	£ N/A	Decreas	£ N/A	**Net**	**£** N/A

Key: **Annual costs and benefits: Constant Prices**

[Use this space (with a recommended maximum of 30 pages) to set out the evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Ensure that the information is organised in such a way as to explain clearly the summary information on the preceding pages of this form.]

PROBLEM UNDER CONSIDERATION

To ensure that skills in Greater Manchester are delivered in a way that meets its economic and social needs.

GOVERNMENT INTERVENTION

The Chief Executive of Skills Funding (Strategy for Greater Manchester) Order 2010 gives effect to section 112(1) of the Apprenticeships, Skills, Children and Learning Act 2009 ("the 2009 Act").

Consultation

Greater Manchester first proposed to address its adult skills issues through the award of legal powers to set a skills strategy in its multi-area agreement, signed by the Government in June 2008. The agreement was developed by the Association of Greater Manchester Authorities in consultation with a wide range of partners in Greater Manchester and in discussion with Government Departments. Its aspiration to achieve these legal powers was reiterated in the consultation that it conducted on its Skills and Employment Framework in December 2008, in which it sought the views of over 400 private businesses and public sector organisations. It subsequently formed an integral part of its proposal to become a city region forerunner and subsequent city region agreement with Government.

POLICY OBJECTIVES AND INTENDED EFFECTS

A full analysis of the objectives of this legislation appeared as part of the wider Regulatory Impact Assessment (RIA) published for the then Further Education and Training Bill. Section 113 of the 2009 Act requires the Chief Executive of Skills Funding to respond to the needs of particular areas or particular themes by placing it under a duty to act in accordance with the strategy of "strategy making bodies" where specified by the Secretary of State. The legislation requires the Secretary of State to make an Order specifying an area and a body, whose function is to formulate an adult skills strategy for its area and keep it under review.

Costs

The additional costs are not significant and will be met within the existing budgets of the partner organisations. They would be similar, whether or not formal legal strategy-setting powers were awarded.

Benefits

By specifying by Order the Commission for the New Economy Limited as the body responsible for formulating a strategy for the Greater Manchester area, the Secretary of State will help ensure that the particular skills needs of Greater Manchester are addressed in a way which meets the needs of employers, individuals and key stakeholders in the city.

Net Present Value

The Order is needed to support the provisions in the 2009 Act which lead to the benefits set out above. It is not appropriate to apportion specific costs and benefits to the Order.

Enforcement, sanctions and monitoring

These will be managed through existing accountability mechanisms which have agreed by Ministers – the adult skills strategy for Manchester will need to be compatible with the national skills strategy and the single integrated strategy for the North West.

Implementation and Delivery Plan
See above.

Post Implementation Review
See above

SPECIFIC IMPACT TESTS

Competition Test
For specific evidence relating to the impact of the Manchester strategy see the Manchester Independent Economic Review at http://www.manchester-review.org.uk/

Small Firms Impact Test
The Small Business Service was consulted as were representatives of leading small business organisations about the potential impact of the proposals on small businesses. The strategy will take account of the needs of small businesses in Manchester and there are employers with knowledge of the small business sector on the Commission for the New Economy Limited, which has undertaken to strengthen this aspect of its membership still further.

Legal Aid
Not applicable.

Sustainable Development
The specification of the area and the body helps bring the operation of the Skills funding Agency closer to the individuals, employers and communities it serves.

Carbon Assessment
A major aspiration of the Commission for the New Economy Limited is to develop its low carbon industries and capacity. Its skills strategy will have a major focus on meeting the skills needs of these important developing industries.

Other Environment
For specific evidence relating to the impact of the Manchester strategy see the Manchester Independent Economic Review at http://www.manchester-review.org.uk/.

Health Impact Assessment
Not applicable

Race
Any Manchester skills strategy will need to be consistent and fully aligned with the national skills strategy set out in the skills strategy white paper, Skills for Growth. The equality impact assessment for Skills for Growth can be found at http://www.bis.gov.uk/wp-content/uploads/publications/Skills-Strategy-Equality-Assessment.pdf.

Disability
See above.

Gender
See above.

Equality and diversity
See above.

Human Rights
The Apprenticeships, Skills, Children and Learning Act 2009 is compatible with the European Convention on Human Rights.

Rural Proofing
Not appropriate

SUMMARY
The Order is needed to give effect to section 112(1) of the Apprenticeships, Skills, Children and Learning Act 2009 and provides for the specification of Greater Manchester as the area for which the body specified in the Order (the Commission for the New Economy Limited) is to formulate an adult skills strategy for Greater Manchester and keep it under review.

Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	***Results in Evidence Base?***	***Results annexed?***
Competition Assessment	Yes	No
Small Firms Impact Test	Yes	No
Legal Aid	Yes	No
Sustainable Development	Yes	No
Carbon Assessment	Yes	No
Other Environment	Yes	No
Health Impact Assessment	Yes	No
Race Equality	Yes	No
Disability Equality	Yes	No
Gender Equality	Yes	No
Human Rights	Yes	No
Rural Proofing	Yes	No

Annexes