

SKILLS & EMPLOYMENT BOARD

27th August 2019

Programme Deep Dive – Skills Bank

Purpose of Report

This paper and accompanying presentation seeks to provide board members with an overview of the Skills Bank programme. This will enable Members to fulfil their Terms of Reference responsibilities for:

Programme Delivery

- Monitoring skills and employment programme and project delivery.

Performance and Risk Management

- Reviewing project performance, outputs and outcomes;
- Identifying and recommending mitigations for any programme risks or poor performance; and
- Escalating any strategic, policy or programme risks to the MCA and LEP Boards.

Thematic Priority

Develop the SCR skills base, labour mobility and education performance.

Freedom of Information

This paper will be available under the Combined Authorities publication scheme

Recommendations

That Board Members

1. Review the progress of the Skills Bank (Phase 2) programme,
2. Consider the current strategy for delivery and associated risks
3. Consider and debate how engagement with business and delivery of the programme can be maximised.

1. Introduction

- 1.1** In 2015 the SCR LEP secured a six-year deal with Government for funding of £21.6m to develop and deliver the Skills Bank project. The Skills Bank is designated a national demonstrator project (one of three nationally), as its ambition is to test a new and different model of co-investing in deals with businesses for their workforce.
- 1.2** The approach is to co-invest in deals where there was a credible and demonstrable business growth story and a requirement for training to realise this growth. This potentially could be a company with expansion plans leading to the creation of new jobs, the introduction of new technology, or access to new markets etc. The extent of the co-investment made by the Skills Bank is determined by the perceived return to the economy of the co-investment. Once a deal has been secured the employer has the autonomy to select a training provider of their choice.

- 1.3 The funding model, negotiated with government, for the Skills Bank is designed on a flat rate cost per output. Where deals are made on a lower cost per output the excess money is placed in an Innovation and Capacity Fund. This innovation fund is flexible and decisions on deployment can be made locally. Its purpose is to support deals with inward investors or to commission new, specialist capacity. Additionally, it could be used to extend the life of the Skills Bank beyond 2021.
- 1.4 The Education and Skills Funding Agency (ESFA) procure and manage a Skills Bank Operator on the LEP behalf. The LEP Board through its Skills Lead, has requested that government contribution for the Skills Bank be paid directly to the MCA, in order that there is local management of the Operator, but this request was rejected by the DfE.
- 1.5 In the first three years of the Skills Bank (phase 1), £6.4m was invested in businesses with over 600 deals to date and over 2,700 learners supported.
- 1.6 The conclusion of Phase 1 of Skills Bank in March 2018 enabled a stocktake of the programme to understand if the core principals designed by the LEP board and at the heart of the demonstrator project remained true. This review resulted in several changes to the way the second phase of the Skills Bank was commissioned and is now being managed and delivered.

2. Proposal and justification

- 2.1 Phase 2 of Skills Bank went live in April 2019. The components of the service and offer are outlined below:
- 2.2 **Skills Brokers** - the original concept included specialist Skills Brokers to work with businesses on their growth plans, the implications for their workforce needs in order to advise on the best skills solutions. In phase 1 Skills Brokers were procured by the Skills Bank Operator. This approach perversely skewed activity towards Skills Bank deals when there may have been a more appropriate training solution funded either through mainstream Adult Education Budget (AEB), or an apprenticeship, for example. In phase 2 **Specialist Skills Advisors** form part of the wider business offer delivered through the SCR Growth Hub service. This aims to improve the business experience of the services delivered by the LEP as the workforce element of the business growth conversation is no longer separated from the other aspects of the business conversation.
- 2.3 **Application process** – in phase 1 many employers and training providers expressed frustration with the application process put in place by the Operator. Citing that this was lengthy, lacked clarity as to what happened at different stages and lacked clear communication on next steps were once an application had been submitted. Key performance indicators for business responsiveness were frequently not met. In Phase 2 all applications for deals are completed online via an employer portal. The application requires employers to identify how the training will support growth (a tick box) and requests evidence to support that selection. All employers, training providers and skills advisors are advised on timescales for decisions and contracting. Adherence of these KPIs part of our monitoring relationship with the new Operator.
- 2.4 **Marketing** – the marketing and communications activity for Phase 1 of Skills Bank was managed directly by the Operator, which resulted in little control or influence on its delivery or management. Marketing and communications in Phase 2 is delivered by the SCR Executive in conjunction with the new Operator. This gives greater control the key messages about Skills Bank, it enables greater opportunities for alignment to wider LEP and Growth Hub communications and campaigns and it provides the opportunity to flex communications to respond to specific business priorities.
- 2.5 **Contract Management** – The ESFA are responsible for direct contract management of the Skills Bank Operator. This arm's length relationship carries risks for the LEP.

Examples from phase 1 include instances of business or provider dissatisfaction which, without having the contractual relationship, necessitated the Executive Team, and at points the lead LEP Board Member, to intervene to negotiate and broker remedies. The SCR Executive has sought to develop a closer relationship with the ESFA to enable greater influence over the work of the Operator to ensure that the project responds to the needs of the SCR economy and has greater accountability to local governance arrangements. Members of the Operator's team are co-located with the Executive in Broad Street West to enable identified issues to be easily discussed and resolved.

- 2.6 Evaluation** - Skills Bank is a designated national demonstrator project, testing the impact of a more flexible, employer responsive skills system against the current business as usual offer from Government. The evaluation model proposed by government in the development stage for phase 1 sought to create a 'control arm' by rejecting some credible applications from employers to see how they fared with the business as usual training offer. This approach was rejected by the LEP Board as they didn't want any business with a credible case for growth to not receive support.

Lessons have been learnt from the evaluation of phase 1 relating to the availability of data, the recording of management information by the Skills Bank Operator, and the challenges in tracking business impact. These have informed the development of the specification for the evaluation of Phase 2. The evaluation (soon to be procured) will focus on testing the impact of individual deals with employers and whether outcomes cited as the driver for the deal on application eg expanding into new markets, or enabling the development of new products or services, occurred.

3. Consideration of alternative approaches

- 3.1** The initial development work on Skills Bank reviewed a range of alternative models for supporting employers from a business demand perspective, building upon the work started as part of the Skills Made Easy (**SME**) programme and its evaluation. This evaluation (which included the then LEP lead for skills contacting businesses to review their experiences) served to evaluate differing options, detailed below:
- 3.1.1** Adult Skills budget (ASB) was part of the SME offer, businesses advised that this was valuable for some employees with basic or no qualifications but that it did not support their business plan and lacked flexibility for non-accredited training. ASB support for fully funded training meant that was also unsuitable for a co-investment model.
- 3.1.2** The service that businesses received was as valuable, in many cases as the funding received, this was one of the key learning points from the SME programme where access to brokerage was essential to securing outcomes, especially from businesses who had not engaged in workforce development in the recent years.
- 3.1.3** Easy access to information. The early development of the Skills Bank concept included exploring with Colleges, Training Providers and some technology companies whether it was possible to create the equivalent of an on-line shopping style portal for business training. The aim was to see if business could receive information and offers from different training offers in a manner akin to on-line shopping. A small pilot of this was tested but highlighted a fundamental weakness in how the training market regarding promotion of their offer to businesses.
- 3.1.4** Fast turnaround of decisions and training. The Enhancement Fund run across Yorkshire and Humber in the early 2000s and the SME programme provided useful intelligence relating to operator, business and training provider behaviour. SME modelled the journeys of business through the process and found that in a significant number of cases delays in the time taken from first enquiry to a learner commencing on programme was because of the final decision being made within a small business. There were also other examples where providers delayed starting learning to seek to grow the cohort.

- 3.2** Sector Focus - The ESFA and previously the Sector Skills Development Agency had run sectoral approaches to training through a range of programmes. The evaluation of these programmes often found that the sector approach excluded the smaller business community. Given the ambition to work to get growth across our business stock an overtly sectoral approach was discounted and the chosen model built upon the City Deal programme and in line with the SEP was sector neutral as growth in a businesses of any size was the agreed driver. This does not mitigate against sectoral marketing and targeting if appropriate.

4. Implications

4.1 Financial

SCR MCA on behalf of the LEP receive a grant from the ESFA to support Executive Team activity in relation to Skills Bank which includes: contract management, evaluation, labour market information, capacity development fund and Skills Advisors. This is drawn down via a series of deliverables and evidence to the ESFA. Funding for the Innovation and Capacity Fund is held by the Operator and paid to the MCA at interim points to be held in a ringfenced Skills bank reserve.

4.2 Legal

SCR contracted activity is managed in accordance with the financial and procurement regulations. As part of the original growth deal agreed with government and because the Adult Education budget is the source of funding for the Skills Bank there is a requirement that this can only be spent on employers and adults in the workplace.

4.3 Risk Management

The key risk in relation to Skills Bank is our reliance on the ESFA to manage the programme. We have mitigating this by developing our 'ways of working' and ensuring the specification for the delivery of the project included all decisions having to be approved by the SCR Executive.

There is also a risk caused by the timing of the spending review, which has resulted in the initial contract for services between the ESFA and the Operator (Calderdale College) and the MCA running until March 2020 although the project runs until March 2021. We are currently working with the ESFA to resolve this as quickly as possible.

4.4 Equality, Diversity and Social Inclusion

Skills Bank is available to all business types, sizes and sectors across all geographical areas of the LEP. The only requirement for learners is that they are aged 19 or over and employed within the applicant employer no other stipulations are made which means the project is open and inclusive to all businesses and learners.

5. Communications

- 5.1** Skills Bank has an approved communication plan which is agreed with the SCR Exec, the Operator and the ESFA. This plan is constantly reviewed and refreshed to allow it to respond to the needs of the project and our economy.

6. Appendices/Annexes

- 6.1** Appendix 1 Skills Bank Presentation

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Background papers used in the preparation of this report are available for inspection at: 11 Broad Street West, Sheffield S1 2BQ

Other sources and references: