

Appendix B

The Skills Bank Funding Model

Introduction

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 allows greater flexibility in the potential deals, can support the bespoke requirements of inward investors, especially if new specialist capacity or curriculum is required or it could extend the life of the Skills Bank.

Alongside the injection of AEB made by the Government each year the fund has invested in the following areas

- Reinvested in additional education and training, provide skills solutions to meet identified gaps in provision and support capacity building of sub-contractors in the region.
- Provision of single or multiple business or wider sectorial approaches to skills solutions, where a publicly funded offer does not currently exist but demand for the activity is clearly evidenced.
- Support inward investment and major developments in the region
- Support interventions where the sub-contractor delivery network requires capacity building to widen their curriculum offer to meet current or future skills needs as determined by employers.

The model in practice

For every training activity the Skills Bank draws down £2k. This amount is fixed regardless of the cost of the training or the co-investment in the training by the business.

- Where the training cost is less than £2k for the individual the surplus after the Skills Bank contribution is placed in the Innovation Fund.
- If the training cost is more than £2k the additional cost is either met by the company co-investment contribution or the Innovation Fund pays the excess

An illustrative case study

In Company A - 5 individuals are part of the deal for middle management training. The Skills Bank Operator therefore is able to draw down £10k of the government allocation.

In negotiating the deal with the company, the intervention rate for the deal is 50% meaning the total cost of the training will be 50% funded by the Skills Bank and 50% funded by the business.

Training Provider Z meets the requirements of the business and agrees a total cost for training 5 individuals of £8k.

Given the £8k deal is to be met on a 50/50 basis – the Skills Bank pays a £4k contribution and the business £4k. Therefore, the surplus made and added to the Innovation Fund for this deal is £6k.