

Education Skills and Employability Board

15 June 2021

Skills Bank 3 Operating Model

Is the paper exempt from the press and public?	No
Purpose of this report:	Funding Decision
Is this a Key Decision?	No
Has it been included on the Forward Plan?	No not a decision

Director Approving Submission of the Report:

Helen Kemp, Director of Business and Skills

Report Author(s):

Wendy Dodson
Wendy.dodson@sheffieldcityregion.org.uk

Helen George
Helen.george@sheffieldcityregion.org.uk

Executive Summary:

Since 2015 the Skills Bank programme has been a key part of the Sheffield City Region/Growth Hub offer to businesses. The second iteration of the programme, Skills Bank 2, completed delivery at the end of March 2021. The Education, Skills and Employability (ESE) Board previously approved the use of the Skills Bank reserve funds to support a future regional Skills Bank offer.

As part of the development work for the future programme the Skills Bank principles have already been reviewed and approved by the ESE Board and at the March meeting, Board members agreed proposals for a more outcome focussed programme covering both economic and social value outcomes. The next stage of development was to agree the Operating Model which is linked to the key Skills Bank principles. The Board, whilst acknowledging the tight timescale, requested that officers arrange a session for key stakeholders and members of the Board to review the Operating Model to ensure we have the optimal version.

This paper outlines the work which was done by that group to review each element of the Operating Model. The paper seeks consideration and approval from the ESE Board which will enable officers to move forward with the development of a specification for Skills Bank 3 and progress to procurement of a delivery agent.

What does this mean for businesses, people, and places in South Yorkshire?

The Skills Bank programme directly supports business growth through investment in the skills of its workforce and in turn this growth will contribute to job creation and raising income levels, both of which are outlined within the Strategic Economic Plan (SEP) as crucial for the region's economic development. The new focus on outcomes and social value will support inclusive growth, support more people to achieve higher level skills and will be better focussed on industry needs.

At a time when businesses are facing significant challenges, continuing the Skills Bank offer helps to reduce the risk of a significant economic impact for our businesses and gives greater business confidence of a sustainable and available offer over the next three years as businesses seek to grow, refocus or maintain resilience as a result of COVID.

Recommendations

Each element of the Skills Bank Operating Model is linked to previously reviewed and agreed principles and has been considered by the stakeholder group. Their recommendations can be found in the table at Appendix A.

This paper seeks members' approval of the shape of the Operating model and funding of the future regional Skills Bank programme. It seeks agreement to the development of a specification for the future programme which takes account of previous decisions made and the agreed options presented at Appendix A.

Board members are asked to:

1. Consider the operating model options and accept the recommendations made by the stakeholder group
2. Agree to a specification being developed based on previously approved principles, economic and social value outcomes and the operating model as presented in this paper.

Consideration by any other Board, Committee, Assurance or Advisory Panel

Local Enterprise Partnership

01 July 2021

1. Background

- 1.1 Skills Bank 2 ceased delivery in March 2021 and a short interim Skills Bank programme as approved by the January ESE Board has been launched to ensure skills support to employers can continue without a gap in provision. Directed by the Board, officers have undertaken a series of activities as part of the development of the new regional Skills Bank programme.

- 1.2 The Board have already considered and approved:
- The Key Skills Bank principles
 - The need for a focus on outcomes, both economic and social value, to be central to the development of a specification for Skills Bank 3
 - That Marketing and Comms should not be outsourced
- 1.3 The final aspect of the programme to be considered is the Operating Model which directly links to the Skills Bank principles. The Operating Model has now been reviewed by a group of key stakeholders and officers, recommendations from this work are presented here for consideration of the Board.

2. Key Issues

2.1 Skills Bank Principles

The original Skills Bank model was based on a defined set of principles aimed at stimulating private sector growth through supporting business diversification and increased levels of investment.

As part of the development process for Skills Bank 3, these principles were presented to the ESE Board for review in January and Board members agreed that the original founding principles for the Skills Bank programme were still valid and well-focused and should continue to form the basis for the next Skills Bank programme.

These principles form the foundation of the new programme and the basis on which to build the Operating Model.

2.2 Outcome focussed

Whilst reviewing the principles the Board expressed the need for the programme to increase its focus on outcomes. A piece of work was subsequently carried out and presented at the March ESE Board to identify and incorporate a more robust set of economic and social value outcomes which aligned to 'good' employer behaviour. As a result, an additional principle of Social Value Outcomes has now been included in the list of principles. The Board agreed that development of the specification should include a focus on these agreed economic and social value outcomes.

2.3 Growth

The Skills Bank programme was designed as part of the region's business support offer seeking to stimulate growth and not as an offer to remediate deficits in education or training amongst the working aged population nor to focus on supply-led skills development.

2.4 Marketing and Comms

As one of the key principles Marketing and Comms was discussed further at the March ESE Board meeting where it was agreed it should not be outsourced to the Skills Bank operator.

2.5 **Timing**

An interim Skills Bank programme is now in delivery in order to avoid any gaps in provision, the programme is due to close at the end of December 2021. The recruitment of a Managing Agent for any future programme will require the development of a detailed specification and a full procurement exercise, anticipated to take around 6 months. With this final piece of development work in place we are on track to procure the next programme and avoid a gap in provision.

3. **Operating Model - Options Considered and Recommended Proposal**

3.1 **Options**

Some elements of the Operating Model have already been discussed and approved by the Board at earlier meetings. The remaining elements have now been considered and reviewed by a group of key stakeholders and officers, other options were considered, and recommendations made for the Board to consider.

3.2 Appendix A sets out the individual elements of the Operating Model, current practice and reasons for any differences from the original Skills Bank programme in operation from 2015 – 2018. Alternative options are included along with key points from discussions and a recommended proposal.

3.13 **Recommended Option**

Recommended options for each element of the operating model can be found in Appendix A and are summarised below:

- An Independent Managing Agent should be appointed as the Skills Bank Operator and the operator should not form part of training delivery
- Brokerage and business support should remain independent from the Managing Agents role
- Skills Advisors should be directly employed by the MCA and linked to Growth Hub
- Retain the principle of Co-investment in deals so that recipients will need to contribute to the cost of training
- Levels of investment should be linked to both growth and the social return on investment (differential deals)
- Training should be delivered through a training supply chain model managed by the appointed Managing Agent
- Marketing and Communications to be retained within the MCA Executive team
- A range of application routes should be developed/adopted offering businesses more options to access the programme
- The programme should adopt a more outcomes-based focus

4. Consultation on Proposal

- 4.1 A group of key stakeholders were involved in the development of this proposal, members of the group included representatives from the following organisations:
- Local Authorities
 - Chambers of Commerce
 - Private sector employers
 - Previous Skills Bank recipients
 - LEP Board member
 - ESE Board member
 - MCA Officers

5. Timetable and Accountability for Implementing this Decision:

- 5.1 At present the Interim Skills Bank programme is scheduled to conclude at the end of December 2021 and in order to avoid any gaps in provision the new programme needs to be live from January 2022. A full procurement process will need to be undertaken involving the development of a detailed specification.
- 5.2 The specification would need to be complete and ready for commencement of Invitation to Tender activity in September to allow time for receipt and consideration of bids. Contract award would need to be secured in November to secure the start of programme activity from January. This is a very tight timescale although could be flexed if the interim programme was extended to March 2022.

6. Financial and Procurement Implications and Advice

- 6.1 The total Skills Bank Reserve held by the MCA on behalf of the LEP is £6.6M with a further £2.2M already held by the Skills bank Operator and potentially a further £3.0M forecast to be generated by June 2021 although this figure will change as final activity is reconciled. This could provide a total fund of £11.8M. After funding the 12 month extension of £1.1m, this will give a Skills Bank 3 fund of £10.7m. Based on the current spend profiles and as this is a finite reserve it is envisaged that this could sustain the Skills Bank for three additional years.
- 6.2 The fund of £10.7 million would be used to fund £3m of learning activity (1375 learners per annum across the 3 year programme), plus delivery costs of £900k, which includes both external management fees as well as internal costs of managing the fund. This amount specifically includes amounts to fund the external procurement process prior to the beginning of the programme as well as the formal evaluation at the end of 3 years.
- 6.3 Plans for usage of the surplus, to fund additional learners or additional activity for example, will form the basis of a future paper to this Board for consideration.

7. Legal Implications and Advice

- 7.1 The Barnsley, Doncaster, Rotherham and Sheffield Combined Authority (Functions and Amendment) Order 2020 provides the MCA with specific functions and powers relating to education, skills and training. Any procurement of consultants to manage any aspect of the Skills Bank 3 programme will need to comply with the MCA's Procurement rules. Any subsidy control implications in respect of providing funding to recipients will be considered as part of any individual funding offers.

8. Human Resources Implications and Advice

- 8.1 The preferred option would result in the need to recruit directly employed Skills Advisors.

9. Equality and Diversity Implications and Advice

- 9.1 The Skills Bank was not originally designed as an approach to improving social inclusion, however The Board have previously agreed that there needs to be an increased focus on differentiating deals where there is greater social value which could support the achievement of these outcomes. This will be incorporated into the specification to attract options and proposals from potential bidders.
- 9.2 Similarly, as part of the development process it has been agreed to increase the focus of the programme on outcomes including social value outcomes. Social value outcomes cover a wide range of aspects, many of which relate to equality and diversity.

10. Climate Change Implications and Advice

- 10.1 No direct Climate Change implications but the programme could be asked to consider applications which do have an impact. Social Value will become a key aspect of the programme both in terms of the focus of the programme and in the level of support offered to businesses. Some of this will cover environmental impacts.
- 10.2 Social Value questions, including environmental aspects will also be built into the procurement process for appointment of a Managing Agent.

11. Information and Communication Technology Implications and Advice

- 11.1 No additional ICT implications

12. Communications and Marketing Implications and Advice

- 12.1 The communications and marketing strategy will be developed following the Board's steer. The MCA executive team will engage with members and advisors to develop the strategy so it meets the desired outcomes. Alignment with the MCA's mainstream business support offer will be crucial to ensure the desired reach and targeting is achieved

List of Appendices Included

A Skills Bank Operating Model Proposals and Recommendations

Background Papers:

Minutes of the March 21 Education, Skills and Employability Board

N:\Policy_Development\Governance\Meetings\Education, Skills and Employability Board\2021\2021_03_02

Minutes of the January 21 Education, Skills and Employability Board

N:\Policy_Development\Governance\Meetings\Education, Skills and Employability Board\2021\2021_01_05