

Appendix C: Skills Bank 3 Development

1. Introduction

1.1 The Skills Bank programme directly supports business growth through investment in the skills of its workforce, in turn contributing 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.

1.2 The second iteration of the programme, Skills Bank 2, completed delivery at the end of March 2021 and development work for the new programme commenced earlier this year.

1.3 So far the ESE Board have considered and agreed the following aspects of the programme:

- Skills Bank principles
- Programme outcomes
- Marketing and Comms
- The Operating Model linked to the key Skills Bank principles
- Procurement

1.4 This paper provides a summary of the work undertaken and the recommendations made by the ESE Board and seeks agreement to this approach from the Local Enterprise Partnership Board (LEP).

2. Background

2.1 Skills Bank 2 ceased delivery in March 2021 and a short interim Skills Bank programme, approved by the January ESE Board, has been launched to ensure skills support to employers can continue without a gap in provision.

2.2 At the time of writing latest figures show that Skills Bank 2 approved 692 separate skills deals which represented 3893 learners. £2.2M has been invested in training and upskilling employees which has attracted £1.7M in employer contributions, a total investment in skills support of £3.9M. Since its launch in April a further 112 learners have been approved for support from the interim programme and we are aware of at least 25 further applications in development.

2.3 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. 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.

2.4 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

3. Funding

3.1 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.

3.2 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.

3.3 Plans for usage of the surplus, to fund additional learners or additional activity for example, will form the basis of future proposals.

4. Development of Skills Bank 3

4.1 The following section provides a summary of the work undertaken so far in the development of the future Skills Bank programme.

4.2 *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.

4.2.1 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.

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

4.3 *Outcome focussed* - Whilst reviewing the Skills Bank principles the ESE 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

4.4 *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. The Board agreed this should not be changed.

4.5 *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.

4.6 *Operating Model* - Some elements of the Operating Model had been discussed and approved by the Board at earlier meetings. In May the remaining elements were considered and reviewed by a group of key stakeholders and officers including representatives from Local Authorities, Chambers of Commerce, Private sector employers, Previous Skills Bank recipients, LEP Board members, ESE Board members and MCA Officers. The recommendations made were approved by the ESE Board at the June meeting, a summary of which is outlined 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

4.7 A more detailed outline of the options and recommendations is outlined in Appendix D.

5. Action Required

5.1 LEP Board members are asked to consider the approach recommended by the ESE Board including the shape of the Operating model and funding of the future regional Skills Bank programme.

5.2 Members' are asked to approve the move to development of a full specification based on the recommendations of the ESE Board covering the principles, economic and social value outcomes and the operating model.