

20th May 2019

Skills Bank Update

Purpose of Report

This paper provides an update for LEP Board members on delivery on the SCR Skills Bank project.

Thematic Priority

Develop the SCR skills base, labour mobility and education performance

Freedom of Information and Schedule 12A of the Local Government Act 1972

The paper will be available under the SCR Publication Scheme

Recommendations

That the Board note the update provided and actively suggest ways in which we can ensure the business community is aware of the programme and the support it can provide.

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 allows the SCR to be more flexible in the deals it makes with inward investors or where new specialist capacity is required to support an inward investor or it could extend the life of the Skills Bank.
- 1.4 The Education and Skills Funding Agency (ESFA) procure and manage a Skills Bank Operator on the LEP behalf. We have sought over the past few years to have the funds paid directly to SCR, in order that SCR can directly procure and manage the Operator, but this approach was unfortunately rejected by the DfE.
- 1.5 In the first three years of the Skills Bank, £6.4m has been 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 a team of specialist Skills Brokers to work with businesses on their growth plans and the implications for their workforce needs in order to support and advise on the best skills solutions. In the first phase Skills Brokers were located within the contract for the Skills Bank Operator, this approach perversely skewed activity towards Skills Bank deals when there may have been a more appropriate training solution for the business funded either through mainstream Adult Education Budget (AEB), or an apprenticeship, for example.

In the second phase 2 Specialist Skills Advisors are located within the Growth Hub. 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, such as access to finance.

2.3 **Application process** - 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 on Phase 1 of Skills Bank was managed directly by the Operator which meant we had little control or influence on how this was delivered and managed. This has now been brought in house and we have developed and are delivering the communications plan for the Skills Bank in conjunction with the new Operator. This gives greater control the key messages about Skills Bank, this can be aligned to wider LEP and Growth Hub communications and campaigns and it provides the opportunity to flex communications to respond to specific business priorities as and when required.

2.5 **Contract Management** – Direct contract management of the Skills Bank Operator is done by the ESFA on behalf of the LEP. This arm's length relationship carries potential risks for the LEP. Examples from phase 1 include some instances of business or provider dissatisfaction which, without having the contractual relationship with the Operator, necessitated the Exec (and at points the LEP Board Member) to intervene to negotiate and broker remedies.

The SCR Executive has sought to develop a closer relationship with the ESFA which enables us to work directly with the Operator to ensure the project responds to the needs of the SCR economy and has greater accountability to local governance arrangements. Key members of the Operator's team are co-located within Broad Street West which means any identified issues are easily discussed and resolved. This has been crucial in developing the relationship with the growth Hub for the Skills Advisor role.

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. It is incredibly hard to conduct a robust evaluation with a clear 'control' arm. The model proposed by government in the development stage for phase 1 sought to reject some credible applications from employers to see how they fared with the business as usual offer and somehow continue to track that businesses

activity. This was rejected by the LEP Board as they didn't want any business with a credible case for growth to not receive support.

The evaluation of phase 1 is scoped to consider the project overall, trends of what training was delivered, business sectors, size of business, levels, types etc as well as reviewing turnover of those who accessed Skills Bank with comparable businesses in SCR who didn't. Development of the specification for the second phase is nearing completion and the procurement process is planned to commence before the summer. The ambition is to focus on testing the impact of individual deals with employers, for example, if a deal was undertaken on the basis access to training would allow the company to expand into new markets, did the outcome occur? If a deal was undertaken on the basis it would enable the development of new products or services, did this? These evaluation case studies will also be used to support further marketing activity.

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.

This experience was considered in the modelling of Skills Bank as deals, once offered, are time limited. There is a route where a deal can be done on behalf of multiple employees, this was designed to support smaller employers who lack the capacity to develop an application. This has an inbuilt safeguard to stop providers putting in deals without businesses being engaged is that deals of this nature have to have a minimum of 50% business named in the application

- 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 Hub (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. Once received, this is held in a Skills Bank reserve for the purposes of delivering agreed Skills Bank activity or to sustain the Skills Bank model beyond the funding received from government.

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 None

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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: