



# SFC Announcement

## Flexible Workforce Development Fund AY 2017-18

Issue date: 7 September 2017

Reference: SFC/AN/13/2017

Summary: To provide details of the new Flexible Workforce Development Fund and funding allocations to each Regional College and Regional Strategic Body (RSB), to enable them to deliver the outcomes expected by the Scottish Government.

FAO: Principals / Chairs / Regional Strategic Bodies / Finance Directors

Further information: **Contact:** Martin Smith  
**Job title:** Chief Funding and Information Officer  
**Department:** Finance  
**Tel:** 0131 313 6528  
**Email:** [msmith@sfc.ac.uk](mailto:msmith@sfc.ac.uk)

## **Flexible Workforce Development Fund 2017-18**

### **Allocations and guidance to colleges**

#### **Purpose**

1. I am writing to provide you with details on the new Flexible Workforce Development Fund and to set out funding allocations to each Regional College and Regional Strategic Body (RSB), to enable them to deliver the outcomes expected by the Scottish Government.

#### **Background**

2. In December 2016 the Scottish Government announced the introduction of a new Flexible Workforce Development Fund (FWDF) to provide employers with workforce development training to up-skill and re-skill their existing workforce. The Fund is in direct response to feedback from the Scottish Government's consultation on the introduction of the UK Government Apprenticeship Levy.
3. The purpose of the FWDF is to provide employers with flexible workforce development training opportunities to support inclusive economic growth through up-skilling or re-skilling of employees. The Fund is in addition to apprenticeship support, access to which is available to all employers in Scotland; and Individual Training Accounts (ITAs), which provide eligible individuals with the opportunity to undertake learning opportunities to develop their skills for employment. The FWDF fund may be particularly beneficial in addressing skills gaps and training needs of the older workforce.
4. The Scottish Government will provide £10 million to the Scottish Funding Council (SFC) for the FWDF.

#### **Policy drivers**

5. The main policy drivers for the FWDF are:
  - Supporting the needs of levy payers.
  - Supporting workforce development in line with the aims of the Scottish Government's Labour Market Strategy, particularly in the areas of upskilling and reskilling workers, and consistent with the ambitions to raise productivity.
  - Ensuring the Fund further strengthens college engagement with industry.

## **National Outcomes and Regional Outcome Agreements**

6. The FWDF will additionally support the delivery of SFC's strategic outcome of greater innovation in the economy. And it supports the Scottish Government's strategic priority of high quality learning in a learning system which is seamlessly connected for the learner, including learning which prepares people well for the world of work and successful long-term careers, prioritising provision that meets known skills gaps in the economy.
7. Finally, the Fund also contributes to the following Scottish Government priorities, anchored in Scotland's Economic and Labour Market Strategies:
  - A strong labour market that drives inclusive, sustainable economic growth.
  - A skilled productive and engaged workforce capable of meeting the needs of employers.
  - Equality of opportunity to access work and to progress to ensure everyone is able to maximise their potential.
  - Increasing productivity.

## **National and regional skills priorities**

8. In addition to increasing business capacity and increasing the productivity of levy-paying employers, the Fund should also address known skills gaps (at national and regional levels) where there is a recognised demand from employers. Based on national labour market information and employer feedback, the Scottish Government recognises several key skills needs that are common across the labour market in Scotland, in particular: the need to invest in employer infrastructure, specifically in the areas of workplace coaching and mentoring, and HR-related support activities; and addressing specific skills gaps including unmet digital skills needs (such as digital literacy and big data interpretation) and essential skills such as communication/inter-personal skills.
9. Regional Colleges and assigned colleges, (under the guidance of their RSB), are required to develop a regional suite of training provision available at their institution in support of the FWDF. That 'offer' should be developed in line with the national priorities outlined above and be informed by local Labour Market Intelligence (LMI), Regional Skills Assessments, and Skills Investment Plans. We expect this will be further enhanced by previous experience of working with employers in the region. The offer should be produced as the basis of a list of possible provision and should not be presented as an exhaustive or prescriptive 'offer' to employers. Colleges should ensure that due consideration is given to the ethos of the FWDF; a fund driven by employers who can access provision to meet their recognised skills gaps and increase productivity.

## Eligibility

10. The FWDF will be available to all levy-paying employers in Scotland across the private, public and third sector, and will be led by employer demand. SFC will provide the funds to colleges and RSB's to enable them to respond to employer demand both at a regional and national level.
11. Employers are required to submit evidence of their eligibility to pay the levy alongside their FWDF application. This should take the form of a copy of the relevant part of the most recent Employer Payment Summary (EPS) which reports the level of Apprenticeship Levy contribution. (See paragraph 24)
12. The FWDF will not support provision of qualifications/training required by legislation.

## Access for employers

13. Colleges will work with levy-paying employers in their region to identify the training they require that will make a demonstrable return on investment. This may be commonly understood as a 'training needs analysis' and should be proportionate in nature. The analysis should form the basis of the employer's application, and colleges should work with employers to support the application process. An application template will be provided for employers to submit to colleges with their identified training needs.
14. With the aim of managing initial employer demand, applications can be submitted to regional colleges during the period 11 September to 15 December 2017. Providing that the employer and the training identified meets FWDF eligibility criteria, regional colleges and RSB's will allocate the funds on a **'first-come first-served'** basis. Any underspend of funds after 15 December will be redistributed to college regions where there is evidence of unmet demand.
15. Employers operating on a Scotland-wide basis or across more than one college region may submit only one application to the Fund at a college of their choice. On application employers will be required to declare that their application is on behalf of the whole company and that this is the only application to the fund. If colleges require confirmation of the status of the application they should discuss this with SFC in advance of entering into a commercial agreement. If through the SFC's national aggregation of applications it is found an employer has made more than one application, SFC will contact the college and advise on next steps.
16. It is estimated there are around 4,000 levy payers operating in Scotland across the private, public and third sector. In this pilot year, and against the background of the £10m allocation, Ministers have agreed that **each levy payer will be able to access up to a maximum total of £10,000 in 2017-18.**

## **Priority groups**

17. Employers have the flexibility to train members of their workforce through college provision to bring the greatest benefit to their business. Within this, and again in line with Scottish Government priorities, employers are encouraged to give due consideration to specific groups such as older workers, those in low-skilled jobs, those working regularly with younger workers/apprentices, veterans/early service leavers, and those who identify as belonging to equality groups. Colleges should be aware of these priorities when consulting with employers on training needs and skills gaps.

## **Accreditation**

18. Research highlights that secure, well-paid jobs which give fulfilment and offer opportunities for progression in organisations where employees have an effective voice are the key to increasing workplace innovation. We believe that this, in turn, can help to deliver a measurable shift in productivity. Provision of accredited training is one way to support this.
19. Colleges will ensure certification is provided for each employee participating in funded activity. They will make every practicable effort to deliver training recognised by the SCQF framework and /or, training that meets the requirements of an appropriate industry or employer standard. At the absolute minimum, the application form will require details of the projected developmental goal for the employees involved.
20. Allocation of funding to Regional Colleges and Regional Strategic Bodies
21. Consistent with principles established by the Scottish Government, SFC has allocated funding to Regional Colleges and RSB's as set out in Annex A. This allocation is based on the estimated number of levy-paying employers, and their employees, in college regions. For example, we have estimated that there are some 1,500 levy-paying employers operating in the Glasgow region employing just over 300,000 people - around 18% of total employees in Scotland. We have therefore allocated around 18% of the FWDF to that region. In multi college regions, the RSB is responsible for the allocation of funds to their assigned Colleges.
22. These funds are in addition to the Final College Outcome Agreement Funding allocations announced on 5 May 2017 (SFC/AN/08/2017) and 10 July 2017 (SFC/AN/10/2017).
23. SFC will pay FWDF to colleges and RSB's quarterly, starting in October 2017, and then in January, April and July 2018. This will ensure we do not pay in advance of need and are able, if necessary, to redistribute funds between college

regions. We can discuss with colleges a potential variation of that payment profile if it is required and justified.

### **Application process**

24. Colleges must work with levy-paying employers in their region to identify the training employers require to make a demonstrable return on investment; colleges should support employers in developing applications. Providing that the employer and training identified meets FWDF eligibility criteria, colleges must allocate funds (within their regional allocations) to employers on a first-come first-served basis.
25. Employers are required to submit evidence of their eligibility to pay the levy to accompany their FWDF application. This should take the form of a copy of the relevant part of the most recent Employer Payment Summary (EPS) which reports the level of Apprenticeship Levy contribution. HM Revenue & Customs guidance can be found at <https://www.gov.uk/guidance/what-payroll-information-to-report-to-hmrc#eps-what-to-report>.
26. In addition to evidence of employer levy eligibility, the following information is required in all funding applications:
  - Company name and sector.
  - Company registration detail and number.
  - Details of skills gap to be addressed (based on skills gap analysis, see paragraph 5).
  - Impact of training on productivity.
  - Cost of training.
  - Training identified/to be delivered.
  - Timescale for training delivery.
  - Number of employees to be enrolled.
  - Number and level of qualifications to be achieved.
  - Number of notional hours of study.
  - Course / delivery employer evaluation.
27. Further guidance on Further Education Statistics (FES) reporting requirements can be found in Annex D.
28. SFC has provided an application template and process flow-chart at Annex B. Colleges may use their own application form, but must include in all applications the information detailed above and on the template.
29. Where demand from employers is greater than their regional allocation, colleges should create a waiting list and include this in their reporting process to SFC (see Annex C).

30. If a college is unable to provide the training provision an employer requires, the college should advise the employer of the most appropriate college to meet their identified training needs and broker contact between the employer and that college.
31. Employers have the right to appeal a decision made by the college on their application for training. In practical terms an appeal is only likely to arise where there are insufficient funds available to enable the college to undertake the training or where an application does not meet the eligibility criteria. Colleges should direct employers to appeal through the SFC mailbox [fwdfappeals@sfc.ac.uk](mailto:fwdfappeals@sfc.ac.uk).

## **Monitoring and reporting**

### ***Monitoring the use of funds***

32. While there is no credit target associated with the delivery of FWDF, SFC will monitor the uptake of activity through its FES return. We will need data on the employers, the training delivered, the number of students (employees) enrolled, the number/level of qualifications achieved and the notional hours of study. Further guidance on data requirements is included in the reporting template in Annex C.
33. In addition to using this data to monitor the use of funds, SFC will use student data to calculate a Full-Time Equivalent (FTE) student figure to contribute to the circa 116,000 FTEs sector activity target.

### ***Reporting to SFC***

34. In order to establish that the FWDF is meeting the needs of employers and addressing Scottish Government priorities, colleges must report to SFC on activity at the end of October 2017. A 'live' reporting template (shown in Annex C) will be made available on SFC's secure intranet for each college/RSB to complete on an ongoing basis when an application has been received and training has been agreed with the employer.
35. Colleges should use the template provided to report the level of demand at the end of October, and SFC will seek regular updates on this position until 15 December 2017. This reporting process will ensure that both SFC and the Scottish Government are able to evidence the level of employer demand in each college region and use this to inform any redistribution of funds between regions.
36. SFC will set up user accounts for college staff to access the reporting template. College regions are therefore asked to contact SFC with their staff details. We

have established a specific mailbox ([fwdf@sfc.ac.uk](mailto:fwdf@sfc.ac.uk)) that colleges should use when providing staff contact details and any other general queries.

37. In this pilot year SFC and the Scottish Government are also interested in monitoring unmet demand. If any college region is unable to meet the demand from employers due to a depletion of funds, colleges should develop a waiting list and this information should be reported back to SFC on the reporting template provided (Annex C).
38. As Academic Year (AY) 2017-18 is the first year of the delivery of the FWDF, an evidence base will need to be developed to capture information about employer requirements and the ability of the college sector to meet them in a responsive and agile manner. Therefore there is a requirement for colleges to retain the employer application information for the purpose of ongoing and future reporting to SFC and the Scottish Government.

### **Further information**

39. We have provided a 'Frequently Asked Questions' (FAQ) list as an appendix to this document. We have also attached a copy of the guidance to employers issued by the Scottish Government which we would that you download for your information.
40. In addition to this guidance, the following annexes are available to support this process:
  - Annex A: Funding allocations to Colleges and Regional Strategic Bodies.
  - Annex B: Application template and process flow chart.
  - Annex C: Reporting template.
  - Annex D: FES reporting requirements.
  - Annex E: Scottish Government Employers Guidance and FAQ's.
41. Any other queries/requests for additional information should be directed to the FWDF mailbox [fwdf@sfc.ac.uk](mailto:fwdf@sfc.ac.uk), in the first instance.
42. Please contact Martin Smith, Chief Funding and Information Officer, for further information, tel: 0131 313 6528, email: [msmith@sfc.ac.uk](mailto:msmith@sfc.ac.uk).



**Lorna MacDonald**  
Director of Finance



## Appendix

### Flexible Workforce Development Fund 2017-18

#### Frequently Asked Questions - colleges

**Q1. *Why is it only UK Government Apprenticeship Levy payers who can access the FWDF?***

Establishing the new fund is in direct response to the level of employer support expressed in the consultation the Scottish Government undertook last year. The pilot Flexible Workforce Development Fund is a further expansion of the package of skills and training measures available in Scotland to support employers develop their workforce.

**Q2. *Will SFC provide a list of levy payers in each college region?***

This information is currently unavailable because the levy is not collected by the Scottish Government. Evidence of employer eligibility can be found at the link provided in Q3 below.

**Q3. *What evidence is required from employers to demonstrate eligibility?***

Employers are required to submit evidence of their eligibility to pay the levy to accompany their FWDF application. This should take the form of a copy of the relevant part of the most recent Employer Payment Summary (EPS) which reports the level of Apprenticeship Levy contribution. HMRC guidance is available at the following link: <https://www.gov.uk/guidance/what-payroll-information-to-report-to-hmrc#eps-what-to-report>

**Q4. *Why is an employer cap applied to FWDF?***

The FWDF is designed to maximise the potential number of levy-paying employers who are able to access the fund in this pilot year, while providing a degree of simplicity for employers and colleges. The Scottish Government do not have access to HMRC data to enable access to the fund on a proportionate basis. We expect this to be reviewed as part of the analysis of the pilot year of the fund.

**Q5. *Are public funded bodies eligible for FWDF?***

The fund is available to all levy-paying employers in Scotland across the private, public and third sectors.

**Q6. *How were the college allocations of FWDF devised?***

Allocations are based on the estimated number of levy-paying employers, and their employees, in each college region.

**Q7. *What is the timeframe for funded activity to take place under FWDF?***

Funded activity must take place from the FWDF launch on 7 September 2017 until no later than the end of June 2018.

**Q8. *Why doesn't the fund cover training required by law?***

The Scottish Government expects employers to meet their mandatory responsibilities.

**Q9. *What happens if the cost of an employer's training needs exceeds the capped amount capped amount for the FWDF?***

FWDF can be used as part-payment towards training of a higher cost.

**Q10. *Can Colleges use the FWDF to support development costs?***

No. As discussed with the SFC College Funding Group, all funds will be used for the delivery of training to meet employer needs.

**Q11. *Can a college use other training providers to deliver on their behalf?***

No, this is outwith the scope of FWDF.

**Q12. *How are the Scottish Government and SFC going to monitor the success of the fund in its first year of operation?***

There will be two main methods used to gather evidence of fund performance: regular college reporting on the quantitative outputs of the Fund using the SFC reporting template provided; and employer feedback on their qualitative experience. The second will be an independent evaluation of the pilot fund delivery model.

**Q13. *What happens if the College declines an employer's FWDF application?***

The 'training needs analysis' undertaken between the college and employer should ensure an employer's identified training needs reflect the Fund criteria and priorities. Employers should be notified by the college, in writing, if their

application has been unsuccessful. It may be that as a result of high demand for the Fund, the application was unsuccessful; if so, the employer's application would be held on a waiting list until funds were redistributed or until future rounds of funding became available. If an employer wishes to appeal a decision taken by a college they should make an approach to the Scottish Funding Council (SFC) in the first instance (see further information in Employer Guidance). Approaches will be handled on a case-by-case basis and led by an overseeing group of SFC and Scottish Government officials.