



# SFC Guidance

## Flexible Workforce Development Fund 2019-20

Issue date: 16 August 2019

Reference: SFC/GD/19/2019

Summary: To provide guidance on the Flexible Workforce Development Fund (FWDF) for college regions in AY 2019-20 (Year 3).

FAO: Principals/Chairs of Regional Colleges/Regional Strategic Bodies.

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## Flexible Workforce Development Fund 2019-20

### Purpose

1. I am writing to provide you with guidance on the Flexible Workforce Development Fund for Academic Year (AY) 2019-20.

### Background

2. In December 2016 the Scottish Government announced the introduction of a Flexible Workforce Development Fund (FWDF) to provide Apprenticeship Levy-paying employers<sup>1</sup> with workforce development training to up-skill and re-skill their existing workforce. The FWDF was in direct response to feedback from the Scottish Government's consultation on the introduction of the UK Government Apprenticeship Levy.
3. The FWDF was piloted in 2017-18 and, in accordance with the Programme for Government commitment, reviewed by the Scottish Government through commissioning an independent evaluation of Fund functionality.
4. The continued purpose of the FWDF is to provide levy-payers 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 may be particularly beneficial in addressing skills gaps and training needs of the older workforce and/or employees with one or more protected characteristics listed in section 4 of the Equality Act.
5. The Scottish Government allocated £10 million for the FWDF in both 2017-18 and 2018-19. This annual funding was distributed between regional colleges<sup>2</sup> across Scotland by the Scottish Funding Council (SFC). **The Scottish Government will again provide £10 million in 2019-20 for this third year of the FWDF, for a similar distribution by SFC.**

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<sup>1</sup> From here on in we will refer to UK Apprenticeship Levy-paying employers as 'levy-payers'.

<sup>2</sup> All references to 'college(s)' in this document relate to colleges/college regions/ regional strategic bodies (as appropriate), unless specifically identified.

## **Policy drivers**

6. The key policy drivers for the FWDF remain unchanged and are:
  - Supporting the needs of levy-payers in Scotland.
  - Supporting employer workforce development in line with the aims of the Scottish Government's Labour Market Strategy (particularly in the areas of up-skilling/re-skilling Scotland's existing workforce) and consistent with the ambitions to raise productivity.
  - Ensuring the Fund further strengthens college engagement with levy-payers.

## **National outcomes and regional outcome agreements**

7. The FWDF continues to support the delivery of SFC's strategic outcome of greater innovation in the economy and the Scottish Government's strategic priority of high quality learning in a system which is seamlessly connected for the learner. This includes 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.
8. The FWDF also continues to contribute 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 levy-payers.
  - Equality of opportunity to access work and to progress, to ensure everyone is able to maximise their potential.
  - Increasing productivity.

## **National skills priorities**

9. In addition to increasing business capacity and increasing the productivity of levy-payers, the FWDF should also continue to address known skills gaps (at national and regional levels) where there is a recognised demand from levy-payers. Based on national labour market information and employer feedback, the Scottish Government continues to recognise several key skills needs that remain common across the labour market in Scotland.
10. The 2017 Employer Skills Survey (ESS) revealed that 16% of Scottish employers reported skills gaps and estimated that 5% of the workforce lacked full proficiency: largely unchanged since 2015. Among those organisations that reported skills-shortages, both technical and personal skills were cited. For example, 59% suggested that specialist skills were needed, while 46% suggested that the ability to manage and prioritise were required.

11. Colleges are required to develop a suite of training provision available at their institution(s) in support of the FWDF. The suite of training provision should be developed in line with the national priorities previously outlined and be informed by local Labour Market Intelligence, Regional Skills Assessments, and Skills Investment Plans. We expect this will be further enhanced by previous experience of working with employers in each region. This training should be produced as the basis of a list of possible provision and should not be presented as an exhaustive or prescriptive 'offer' to levy-payers. Colleges should ensure that due consideration is given to the ethos of the FWDF; a fund driven by levy-payers who can access training provision to help meet their recognised skills gaps.
12. Colleges are expected to have due regard to public value for money with the training that they offer. There should also be a clear link between a levy-payer's training needs analysis and the impact on the company's productivity.

### **Eligibility**

13. The FWDF will be available to all levy-paying employers in Scotland across the private, public and third sector.
14. Levy-payers are required to provide evidence of their levy-paying status as part of 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 37).
15. The FWDF does not support provision of industry qualifications/training where there is a statutory obligation as required by law. Further details on courses not eligible for FWDF funding can be found in the Frequently Asked Questions (FAQ) section at the end of this guidance.

### **Timeframe for funded activity**

16. Year 3 of the FWDF covers AY 2019-20, with the application window open from 1 August 2019 to 31 July 2020.
17. The table below sets out the timeframe for FWDF activity:

Training contractually agreed	Training commenced	Training delivered and completed
by 31 July 2020	by 31 August 2020	By 31 December 2020

All training must be contractually agreed by 31 July 2020 (and have commenced by 31 August 2020) to be included as part of colleges' Year 3 (2019-20) FWDF allocations. We expect all training provision associated with 2019-20 funding to

be delivered and completed by the end of December 2020. Where there are exceptional circumstances (e.g. delivery of SVQ training) colleges should contact SFC to discuss any possible revision to this deadline.

### **Access for levy-payers**

18. Colleges should work with levy-payers in their region to provide the training they require that will help 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 levy-payers to support the application process.
19. If a college is unable to provide the training provision the levy-paying employer requires, the college should advise the employer of the most appropriate alternative college to meet their identified training needs and broker contact with the employer.
20. Levy-payers operating on a Scotland-wide basis or across more than one college region may submit only one FWDF application to the college of their choice. (This also applies to supply-chain companies – see paragraphs 22-26). On their application, levy-payers are required to formally declare that their application is on behalf of the whole company and is their sole FWDF application. If through the SFC's national monitoring it is found that an employer has made more than one application, SFC will contact the college and advise on next steps.
21. It is estimated there are around 4,000 levy-payers operating in Scotland across the private, public and third sector. In this, the third year of the FWDF, **levy-payers will continue to be able to access up to a maximum total of £15,000 in 2019-20.**

### **Inclusion of supply-chain companies**

22. Introduced last year, levy-payers who are eligible for the FWDF have the ability to bring benefit to their supply-chain in two ways:
  - (a) Levy-payers can relinquish their access to the FWDF and nominate up to two of their supply-chain companies to receive all or part of their allocation, or
  - (b) Levy-payers can include supply-chain company staff in training they have identified as a collective priority.
23. This is specifically with the purpose of bringing greater benefit to the levy-payer through investing in the development of their supply-chain. In each of these methodologies, the supply-chain companies involved should not be levy-payers in their own right.

## Methodology

### *Allocating funds to supply-chain companies*

24. The levy-paying employer will be required to demonstrate their eligibility at the college of their choice. The levy-payer should then identify the training required through discussion with the college and supply-chain company. The levy-payer is required to state on their FWDF application whether they wish to pass on access to some or all of their FWDF to one or two of their supply-chain companies.
25. There is flexibility in how the FWDF allocation, up to a maximum of £15,000, can be fully passed on and split between two supply-chain companies or between the levy-payer and one/two supply-chain companies. For example:

	<i>Example 1</i>	<i>Example 2</i>	<i>Example 3</i>
Levy-payer	£0	£0	£5,500
Supply-chain co. A	£15,000	£9,000	£3,000
Supply-chain co. B	£0	£6,000	£1,000
<b>Total</b>	<b>£15,000</b>	<b>£15,000</b>	<b>£9,500</b>

### *Inclusion of supply-chain staff in training*

26. Training which includes supply-chain company staff should have been agreed as a collective priority for both the levy-paying employer and the supply-chain company. The levy-payer should identify in their application that their employees and/or those of their supply-chain companies will be undertaking training involving the same learning product. The number of supply-chain companies through this avenue is not limited, providing they are not levy-payers in their own right.

### **Priority groups**

27. Levy-payers will have flexibility to train members of their workforce through college provision to bring greatest benefit to their organisation. Within this, and in line with Scottish government priorities of reducing the gender pay gap and tackling occupational segregation, halving the disability employment gap, inclusive growth and Fair Work, levy-payers should consider as part of their application how they can support those with one or more of the protected characteristics listed in Section 4 of the Equality Act 2010 to gain access to training through the FWDF.
28. Levy-payers should also give due consideration to other specific groups in their workforce where training could bring disproportionately positive benefits such as care experienced, carers, older workers, those in low skilled jobs, those working regularly with younger workers/apprentices, and veterans/early

service leavers. Colleges should be aware of these priorities when consulting with levy-payers on training needs and skills gaps. Levy-payers must have due regard to the provisions of the Equality Act 2010, and the relevant guidance produced by the Equality and Human Rights Commission.

### **Accreditation**

29. Colleges should make every practicable effort to deliver accredited training. In the context of the FWDF, that is training that is recognised by the Scottish Credit & Qualifications Framework (SCQF) and/or training that meets the requirements of an appropriate industry/employer standard. At the absolute minimum, the application form will require details of the projected developmental goal for the employees involved.
30. Colleges should also ensure that certification is provided for each employee participating in FWDF-funded training.

### **Allocation of funding**

31. Consistent with principles established by the Scottish Government, SFC has set out funding allocations to colleges in Annex A. Allocations continue to be based on the estimated number of levy-paying employers, and their employees, in each region, but have been adjusted to reflect the uptake of funding in 2018-19. **For Year 3 of the Fund therefore, 2019-20 FWDF allocations are based on the final (revised) 2018-19 allocations that were announced at the end of June 2019 following a redistribution of funding.**
32. In liaison with the Scottish Government, SFC may adjust individual college allocations in-year based on college performance in 2018-19 once all final monitoring returns have been reviewed, analysed and compared with final Further Education Statistics (FES), and/or if there is evidence that any 2019-20 funding is underutilised (and therefore at risk of being unspent) and there is evidence of unmet demand elsewhere.
33. SFC will make an initial quarterly payment (25% of allocation) in October 2019. From that point forward, colleges will be expected to draw-down funding each month, based on actual need. This will ensure we do not pay in advance of need and are able, if necessary, to redistribute funds between colleges.
34. In multi-college regions, the regional strategic body is responsible for the allocation of funds to their assigned colleges.

## Application process

35. Colleges must work with levy-paying employers in their region to identify the training levy-payers require to help make a demonstrable return on investment and should support levy-payers in developing their applications.
36. In instances where the levy-payer wishes to pass on their allocation to supply-chain companies, it should ultimately be on the basis of what benefits the levy-paying employer (although there should also be obvious benefits to the supply-chain company). The levy-payer, along with the proposed supply-chain company/companies, should therefore be involved in the process of engagement with the college, the training needs analysis and the application; which must be signed by both the levy-payer and the supply-chain company.
37. Levy-payers 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>.
38. In addition to evidence of employer Levy eligibility, the following information is required in all funding applications (for both the levy-payer and the supply-chain company if applicable):
  - Company name and sector.
  - Company registration detail and number.
  - Details of skills gap(s) to be addressed.
  - 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.



39. SFC has provided an application template and process flow-chart at Annex B. Colleges may use their own application form, but must include all the information required by SFC.
40. Where demand from levy-payers is greater than their regional allocation, colleges/strategic bodies should create a waiting list and include this in their reporting process to SFC (see Annex C).
41. Levy-payers 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 eligibility criteria. Levy-payers should be directed to appeal through the SFC mailbox [fwdfappeals@sfc.ac.uk](mailto:fwdfappeals@sfc.ac.uk).

## **Monitoring and reporting**

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

42. While there is no credit target associated with the delivery of FWDF, SFC will monitor the uptake of activity through its Further Education Statistics (FES) return.
43. **Please note that for 2019-20 we are asking for increased personal student/ employee data to be supplied and reported via FES.** This information is to enable the Scottish Government to improve and inform policy options for the development of Scotland's workforce, to tackle poverty and to improve opportunities for future employment. Guidance on FES reporting requirements can be found in Annex D.
44. Additional information on data requirements is also included in the Reporting Template in Annex C.
45. 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 c.116,000 FTEs sector activity target.

### ***Value for money***

46. SFC expects colleges to have due regard to public value for money in the use of their FWDF allocations for training, and we will monitor the activity delivered and the volume of learners benefitting.

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

47. Colleges must use the template provided to report agreed/committed activity. 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

that the activity delivered meets the needs of levy-payers and addresses Scottish Government priorities.

48. Colleges are required to report to SFC every two months - at the end of September 2019, November 2019, January 2020, March 2020, May 2020 and a final report at the end of July 2020. The report should identify all agreed/committed training to date and should advise of any projected underspend by 31 January 2020 to enable SFC to redistribute funding to other regional colleges or strategic bodies where there is evidence of unmet demand.
49. The reporting template (shown in Annex C) must be completed and updated on an ongoing basis and submitted to the SFC mailbox [fwdf@sfc.ac.uk](mailto:fwdf@sfc.ac.uk) by the required reporting date. The reporting template should record when training has been agreed or committed with the employer.
50. SFC and the Scottish Government are also interested in monitoring unmet demand. If any college is unable to meet the demand from levy-payers due to a shortage of funds, they should develop a waiting list and this information should be reported back to SFC on the reporting template provided (Annex C).
51. In order to develop an evidence base which captures information about employer requirements and the ability of the college sector to meet them in a responsive and agile manner, colleges should retain employer application information for the purpose of ongoing and future reporting to SFC and the Scottish Government.

### **Further information**

52. We have provided an [FAQ](#) list as an Appendix to this document. Guidance for levy-payers, issued by the Scottish Government, is also available on SFC's website ([www.sfc.ac.uk](http://www.sfc.ac.uk)) for your information.
53. In addition to this guidance document, the following annexes are also available to support this process:
  - Annex A: Funding allocations to regional colleges/strategic bodies.
  - Annex B: Process flow-chart and application form.
  - Annex C: College reporting form.
  - Annex D: FES reporting requirements.
  - Annex E: Scottish Government guidance for levy-paying employers.
54. It is a condition of our funding that colleges must provide data returns requested by SFC to the deadlines and standards specified, including FES reporting requirements (as set out in Annex D). SFC is committed to processing any personal data fairly, transparently and in accordance with the law. [SFC's privacy notice](#) is available on the SFC website.

55. SFC will use the information submitted by colleges to provide regular updates to the Scottish Government on the current uptake and use of the Fund. The [Scottish Government's privacy notice](#) is available on their website.
56. Any queries/requests for further information should be directed to SFC's FWDF mailbox [fwdf@sfc.ac.uk](mailto:fwdf@sfc.ac.uk), in the first instance.

### Flexible Workforce Development Fund 2019-20

#### Frequently Asked Questions – regional colleges/strategic bodies

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

Establishing the Fund was in direct response to the level of employer support expressed in the consultation the Scottish Government undertook on the introduction of the Levy. The FWDF is a further expansion of the package of skills and training measures available in Scotland to support levy-payers develop their workforce.

***Q2. 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.

***Q3. 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.

***Q4. What evidence is required from levy payers to demonstrate eligibility?***

Levy-payers 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>

***Q5. Why is a training needs analysis necessary?***

Through engagement between a levy-paying employer and college (and supply-chain company where relevant), an agreement should be reached about what the levy-payer needs are, based on increasing productivity and tackling known skills gaps, and what they will apply to the FWDF for. This process should be proportionate to the size of the business and Fund size available. The analysis should form the basis of their application and colleges should work with levy-payers to support the application process.

**Q6. What training courses are NOT supported by the FWDF?**

- Training which is a statutory requirement for the individual's continuing employment, including any training which an employee is required by law to undertake in order to carry out the duties associated with his or her employment (e.g. certain health and safety training).
- Lessons towards attaining a driving licence category A or B.
- Outward bound type courses; and leisure or sporting activities other than those that lead to a recognised coaching or teaching qualification.

**Q7. Why doesn't the FWDF cover training required by law?**

The Scottish Government expects levy-payers to meet their statutory obligations as required by law.

For example, an employer may be legally required to have one person trained in Health & Safety at Work for each site where they operate. The employer has already trained the required number of individuals as set out in statute, but wishes to train more with the aim of further reducing the incidence of accidents. The employer is of the view that more Health & Safety trained employees would reduce time lost due to accidents and sick leave and would therefore have a positive impact on productivity. In this instance, FWDF could be used to train the additional employees.

**Q8. Can Colleges use the FWDF to support development costs?**

No. All FWDF must be used for the delivery of training to meet employer needs.

**Q9. Can a college use other training providers to deliver on their behalf?**

A college cannot sub-contract other training providers to deliver on their behalf. However inter-college collaboration is acceptable and encouraged to deliver activity that meets the needs of levy-payers.

**Q10. 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, while providing a degree of simplicity for levy-payers and colleges.

**Q11. 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.

***Q12. 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; adjusted to reflect the uptake of funding in 2018-19. In liaison with the Scottish Government, SFC may adjust individual college allocations in-year if funding is underutilised and there is evidence of unmet demand elsewhere.

***Q13. What is the timeframe for funded activity to take place under FWDF?***

All training must be contractually agreed by 31 July 2020 (and have commenced by 31 August 2020) to be included as part of colleges' year 3 (2019-20) funding allocations. We expect all training provision associated with 2019-20 funding to be delivered by the end of December 2020. Where there are exceptional circumstances (e.g. delivery of SVQ training) colleges should contact SFC to discuss any possible revision to this deadline.

***Q14. 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 FWDF criteria and priorities. Levy-payers 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 FWDF, 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 SFC in the first instance. Approaches will be handled on a case by case basis and led by an overseeing group of SFC and Scottish Government officials.

***Q15. Where can FWDF training be delivered?***

The most appropriate and practicable arrangements for the delivery of training should be discussed and agreed by the college and employer.

***Q16. How are the Scottish Government and SFC going to monitor the FWDF?***

The FWDF will be monitored through regular college reporting on the quantitative outputs using the SFC reporting form provided. SFC expects colleges to have due regard to public value for money in the use of their FWDF allocations for training. As part of the reporting process SFC will monitor the activity delivered, costs associated with delivery and the volume of learners benefitting from the training.