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Flexible Workforce Development Fund 2022-23



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SUMMARY:	Programme guidance for colleges and The Open University in Scotland (OUiS) on the Flexible Workforce Development Fund (FWDF) for Academic Year (AY) 2022-23 (Year 6).
FAO:	Principals/Chairs of colleges/Regional Strategic Bodies/The Open University in Scotland; Apprenticeship Levy-paying employers; SME employers in Scotland; the general public.
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Flexible Workforce Development Fund 2022-23

Purpose

1. I am writing to provide programme guidance for colleges and the Open University in Scotland (OUIs) on the Flexible Workforce Development Fund (FWDF) for Academic Year (AY) 2022-23 (Year 6), including funding allocations. This guidance relates to UK Apprenticeship Levy-paying employers and Small and Medium Enterprises (SMEs)¹ in Scotland.
2. We wrote to you in October 2022 to inform you that the announcement of the FWDF for AY 2022-23 was delayed due to the Scottish Government's Emergency Budget Review and we were unable to issue guidance or funding allocations until this had been concluded. This has now been concluded and the guidance and allocations reflect the outcome of that review.
3. We are aware of the pressures that this delay has on the delivery of the FWDF and will work with the sector to ensure that delivery can be effectively managed.

Background

4. The FWDF was first piloted in 2017-18 with the aim of providing Apprenticeship Levy-paying employers in Scotland with workforce development training to up-skill and re-skill their workforce.

¹ From this point forward we refer to UK Apprenticeship Levy-paying employers as 'Levy-payers' and Small and Medium Enterprise employers as 'SMEs'

5. In AY 2020-21 (Year 4) the FWDF was opened up to allow SMEs access to the Fund via colleges or the OUiS. An additional route was also created, administered by Skills Development Scotland (SDS), which allowed Levy-payers to access specialised training (not available at a college) via Independent Training Providers (ITPs).
6. The central purpose of the FWDF is to provide employers in Scotland with flexible workforce development training opportunities to support inclusive economic growth through up-skilling or re-skilling of employees, and to support economic recovery following the impact of the COVID-19 pandemic and the ongoing impact of the EU exit.
7. 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 e.g. women, disabled people, black and minority ethnic people.
8. 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. Upskilling and re-skilling is also supported through the Scottish Funding Council's Upskilling Fund for universities.
9. It is estimated that there are approximately 4,340 Levy-payers and approximately 177,480 non-Levy-paying SMEs operating in Scotland across the private, public and third sector.
10. In AY 2022-23 (Year 6) of the FWDF, Levy-payers will continue to be able to access training up to a maximum value of £15,000 and SMEs up to a maximum value of £5,000.

11. The FWDF is distributed between colleges² across Scotland and OUIs by the Scottish Funding Council (SFC).

Policy Drivers

12. [The National Strategy for Economic Transformation](#) (NSET) published in March 2022 sets out a vision for 2032 for Scotland to be a thriving, inclusive and entrepreneurial country delivering a just transition to a net zero, nature positive, wellbeing economy. This will mean that Scotland is on course to become a net zero economy by 2045 founded on an economic model in which the benefits are shared more equitably, and we have significantly reduced poverty in general and in particular, child poverty.
13. NSET aims to ensure that people have the skills they need at every stage of life to have rewarding careers that meet the demands of an ever-changing economy and society. It commits specifically to support and incentivise people, and their employers, to invest in skills and training throughout their working lives. The FWDF is well placed to support the aspirations of the NSET by supporting:
 - The skills needs of employers in Scotland.
 - Employers to adapt and respond to the longer-term impacts of COVID-19 and the EU Exit and help employees to up-skill and re-skill to support Scotland's economic recovery.

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

- Employers to identify and address skills needs resulting from the transition to net zero.
 - Employer workforce development in line with the aims of: the Scottish Government's [Fair Work action plan: becoming a leading Fair Work nation by 2025](#); and [Best Start, Bright Futures child poverty delivery plan](#).
 - Ensuring the Fund further strengthens college/OUiS engagement with local businesses and industry.
14. SFC's Review of Coherent Provision and Sustainability recognises that learning throughout life will become increasingly important and the pace of change in the jobs market will require people to undertake more frequent reskilling and upskilling. The FWDF plays a key role in providing skills interventions that can be flexed to address the very significant employability and skills needs we recognise employers and employees will require over the coming period.

Changes to guidance for AY 2022-23

15. In AY 2021-22 the Scottish Government commissioned an independent evaluation of the first four years of FWDF. The evaluation is scheduled for publication in early 2023, however initial feedback has influenced this guidance for AY 2022-23.
16. In AY 2022-23 the OUiS and ITPs (funded through SDS), will have the opportunity to deliver provision to both Levy-payers and SMEs.
17. SME employers will be able to apply to access training via ITPs if the training is not available at their local college. Colleges should refer SMEs to SDS when it is identified that they are unable to offer the required training.
18. The guidance and application forms have been updated to include a statement that employers' details may be shared by SFC with the Scottish Government for reporting, monitoring or evaluation purposes, and may be further processed by organisations contracted to undertake this work on their behalf.
19. As SMEs are able to access the FWDF, we have removed the option for Levy-payers to relinquish all or part of their allocation to their supply chain companies. However, employers can include supply-chain company staff in training they have identified as a collective priority. The number of supply-chain companies/employees accessing training through this avenue is not limited, providing they are not Levy-payers or accessing the FWDF as an SME in their own right.
20. In the evaluation, some employers stated that there is a requirement for more bespoke training tailored to the specific need of the employer and business. As an employer led fund SFC would encourage colleges to work with individual employers to develop

training to meet their needs, utilising the development element of the funding.

Funding AY 2022-23

21. Following the Scottish Government's Emergency Budget Review, SFC is allocating £10 million (m) of FWDF to colleges for AY 2022-23; £7m for Levy-payers and £3m for SMEs. Subject to the availability of funds, additional funding (of up to £3m) is expected to be allocated during AY 2022-23 pending further budget discussions with the Scottish Government.
22. The OUiS has £0.5m available for delivery to Levy-payers and SMEs.³
23. Funding is also available to Levy-payers and SMEs via the SDS/ITP route for more specialist training that cannot be delivered by a college or OUiS.

College/OUiS training

24. Colleges/OUiS should ensure the ethos of the FWDF is enacted through their provision - a fund driven by employers who can access training to help meet their recognised skills gaps. Provision offered through FWDF should have due regard to public value for money, be driven by the needs of employers and have a clear goal of boosting productivity.
25. Colleges/OUiS are required to develop a suite of training provision, and as identified in the evaluation of the fund, they should be adaptable to the needs of local employers. This training provision should also be developed in line with the national priorities previously outlined and be informed by local Labour Market Intelligence, Regional Skills

³ This training will be delivered from previous OUiS underspend.

Eligibility

26. The FWDF is available to all employers in Scotland across the private, public and third sector. As part of their FWDF application to colleges/OUiS, employers are required to provide evidence of either their Levy-paying status or their business status (if an SME). Further information is available in paragraphs 59-63.
27. The FWDF does not support provision of industry qualifications/training where there is a statutory obligation required by law, i.e., training legally required for businesses to operate. This remains the employer's responsibility and will not be met through FWDF. However, where employers can evidence additional training needs over and above those usually provided to meet statutory requirements, this training will be eligible for funding.
28. Mandatory training associated with specific job roles where employers are looking to provide additional training relating to skills out with their employees' core role or relating to a new area of work (such as transition to net zero), whilst also required by law, would be considered as up-skilling/re-skilling and therefore could be supported by FWDF. Further details on courses not eligible for FWDF funding can be found in the [Frequently Asked Questions \(FAQs\)](#) on our FWDF webpage.
29. As stated above the FWDF can be used to support businesses transitioning towards net zero. Employers who are transitioning to low carbon/net zero and developing trainer capacity in their workplace to upskill the workforce could access transition training via FWDF in advance of the need of future requirements for what would otherwise be mandatory training once the transition has been completed. Following the initial training for the post, employers will again be required to meet ongoing costs in line with existing FWDF guidance.
30. Any decisions on whether an employer is eligible to access transition training through FWDF will be made on a case-by-case basis.

Timeframe for funded activity

31. Year 6 of the FWDF covers AY 2022-23, with the 'application window' open until the end of July 2023. Training can take place beyond that timeframe but must be delivered by the end of December 2023.
32. The table below sets out the timeframe for Year 6 FWDF activity:

Training contractually	Training commenced	Training delivered and
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agreed	completed	
by 31 July 2023	by 31 Aug 2023	by 31 Dec 2023

33. As set out in the table above, all 2022-23 training must be contractually agreed by 31 July 2023 (and have commenced by 31 August 2023) to be included as part of Year 6 FWDF allocations.
34. We expect all training provision associated with 2022-23 funding to be delivered and completed by the end of December 2023. (SFC would encourage all training to commence as soon as possible after being agreed.) Where there are exceptional or extenuating circumstances (e.g. delivery of SVQ/HNC training), colleges should contact SFC to discuss any possible revision to this deadline.

Access for employers

35. Colleges should work with employers 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.
36. The college (and OUiS) should work with employers to ensure that their full workforce (including priority groups such as women, disabled and minority ethnic employees) have equality of access to development opportunities and training. All employees, including those in priority groups and those living in or at risk of poverty should get access to training that will allow them to develop in their employment and help them improve their personal circumstances and living standards. The analysis should form the basis of the employer's application, and colleges should work with employers to support the application process.
37. Employers 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 or OUiS. On their application, employers are required to formally declare that their application is on behalf of the whole company and is their sole FWDF application. If through our national monitoring it is found that an employer has made more than one application, SFC will contact the college/OUiS and advise on next steps.
38. If a college or OUiS cannot meet all of an employer's training needs they may collaborate with each other or, in a college's case, with another college. In this case only the main learning provider should report the employer's training activity on their reporting form to SFC.
39. If a college/OUiS is unable to provide the training provision the employer requires, they should advise the employer of the most appropriate alternative college to meet their identified training needs and broker contact with that college. If the training need is of a

more specialised nature and cannot be met by a college, then the college should refer the employer to [SDS](#) who will provide information on an appropriate alternative training provider.

Priority groups

40. Employers have the choice and flexibility to train members of their workforce (through college/OUiS provision) to bring the greatest benefit to their organisation. It is reported that businesses with diverse workforces, where everyone is supported to reach their full potential, are more productive and more innovative.
41. As part of their application, employers should give consideration to how they can support women workers, disabled workers, minority ethnic workers, and other groups protected under the [Equality Act 2010](#) to gain access to training through the FWDF. Up-skilling and re-skilling these priority groups is a way of tackling occupational segregation, which also addresses skills gaps, and the FWDF is an important means by which employers can support colleagues to develop their skills and be successful in their careers.
42. Employers should also give due consideration to other specific groups in their workforce where training could bring disproportionately positive benefits such as carers (who are mainly women), care-experienced workers, older workers, those in low skilled jobs (who are often predominantly women), those working regularly with younger workers/apprentices, and veterans/early service leavers.
43. Fair work is key to supporting people and business to flourish and is critical as part of our ongoing response to the pandemic and a central theme for economic recovery. Colleges and the OUiS should adopt the Fair Work First criteria as an employer in their own right and should also ensure that employers they engage with through the FWDF are committed to advancing Fair Work First, in particular through investment in effective workforce development.
44. Colleges/OUiS should be aware of these priorities when consulting with employers on training needs and skills gaps and be mindful of their responsibilities to advance equality and reduce discrimination under the public sector equality duty. Under the Equality Act, when deciding which staff will access training, employers must not discriminate on the grounds of a protected characteristic such as gender, disability, or race. The Equality and Human Rights Commission has published [guidance for employers meeting the requirements of the Equality Act when making decisions on staff training](#).

Accreditation

45. Colleges/OUiS 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.

46. Colleges/OUIs should also ensure that certification is provided for each employee participating in FWDF training.

Allocation of funding

47. Consistent with principles established by the Scottish Government, SFC has set out a breakdown of AY 2022-23 (Year 6) funding allocations to colleges in Annex A totaling £9.935m. The balance of funding (£65k) has been retained by SFC towards the programme management, monitoring and reporting purposes for all FWDF activity.
48. Funding allocations continue to be based on the estimated number of Levy-paying/SME employers, and their employees, in each region, but also continue to reflect, in part, the uptake of funding in previous years by each college/OUIs.
49. Due to the COVID-19 pandemic we acknowledge that delivery of training in AY 2021-22 continued to be challenging and that there is a significant amount of Year 5 funding allocated for 2021-22 that remains unspent. Colleges will be permitted to retain and carry-forward any unspent funds into AY 2022-23 (Year 6). However the individual funding allocations that colleges will receive in Year 6 will be adjusted to reflect the level of underspend retained and carried-forward from Year 5.
50. Where there is a requirement to develop new bespoke training, colleges will be able to use up to 5% of their total 2022-23 FWDF allocation towards development costs. Where development costs are applied to a training course, these costs should be logged on the Reporting Template (shown in Annex C).
51. Institutional underspend has been identified in colleges'/OUIs' 2021-22 reporting forms sent to SFC at the end of September 2022. This position will be confirmed in January when SFC will issue final reconciliation letters (incorporating the amount of funding drawdown by institutions). Any funding that was not contractually committed with a start/end date confirmed will be allowed to be retained by the institution and rolled forward for use in 2022-23. The institution's Year 6 funding allocation for 2022-23 will be reduced accordingly.
52. Colleges are expected to draw down funding each month, based on actual need. This will ensure that we do not pay in advance of need and are able, if necessary, to redistribute funds between colleges. In multi-college regions, the regional strategic body is responsible for the allocation of funds to their assigned colleges.
53. In liaison with the Scottish Government, SFC may adjust individual allocations in-year based on uptake in 2022-23 if there is evidence that any funding is being underutilised

(and therefore at risk of being unspent) and there is evidence of unmet demand elsewhere.

Application process

54. Colleges/OUIs must work with employers to identify the training they require to help make a demonstrable return on investment and should support employers in developing their applications.
55. SFC has provided an application template and process flow-chart at Annex B. Colleges/OUIs may use their own application form but must include all the same information set out that is required by SFC.
56. Where demand from employers is greater than their funding allocation, colleges/OUIs should create a waiting list and include this in their reporting process to SFC (see Annex C).
57. Employers have the right to appeal a decision made by the college/OUIs 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/OUIs to undertake the training or where an application does not meet eligibility criteria. Employers should be directed to appeal through the SFC FWDF mailbox: fwdf@sfc.ac.uk

Levy-paying employers – eligibility criteria

58. Levy-payers are required to submit evidence of their eligibility to pay the UK Apprenticeship Levy to accompany their FWDF application. This should normally 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 [HM Revenue & Customs guidance](#).
59. SFC is aware that these documents can vary greatly in layout, presentation and ease of production, depending on the payroll systems in use by the Levy-payer. We will therefore also accept P32 documents (that summarise the monthly amounts Levy-payers have paid to HMRC) or other documents generated by employers' payroll systems that show Levy payments.
60. 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(s) to be addressed.

- Impact of training on productivity (particularly in the context of the COVID-19 pandemic).
- 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.

SME employers – eligibility criteria

61. Employers are required to submit evidence of their eligibility status as a SME business with their FWDF application. This should normally take the form of one of the following:
 - A business bank account.
 - VAT registration.
 - PAYE registration.
 - Companies House information (latest accounts, etc.).
 - Registration for self-assessment tax return (HMRC).
62. In addition to evidence of SME status, the following information is required in all funding applications:
 - Company name and sector.
 - Enterprise status: Sole Proprietor/Partnership; Company; or Non-Profit Making Body.
 - Company registration detail and number (where applicable).
 - Number of employees in the organisation.
 - Details of skills gap(s) to be addressed.
 - Impact of training on productivity (particularly in the context of the COVID-19 pandemic).
 - 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.

Information for Colleges / OUiS

Referring SME employers to SDS

63. FWDF has now been extended to allow SME employers to access training via ITPs when it is of a more specialist nature and not available via their local college.
64. The SME should contact their local college to discuss their training needs and if it is identified that the college do not offer the training required, and they cannot identify another suitable college to deliver the training, then the college should refer the SME employer to SDS. This will enable SDS to know that the employer has already discussed their training needs with the college and that the college does not offer the required training.
65. When referring an SME to SDS, the college should email SDS (fwdf@sds.co.uk), as soon as practicable (within 10 days) to ensure the SME can access training via SDS in a timely manner. The College should provide the following information:
 - Employer's name and contact details; and
 - Brief description of the training they are unable to provide.

Reporting and monitoring

Reporting to SFC

66. Colleges and OUiS should use the template provided to report agreed/committed training activity. This reporting process will ensure that both SFC and the Scottish Government are able to evidence the level of Levy-payer and SME demand and that the activity delivered meets the needs of those employers, and addresses SFC and Scottish Government priorities.
67. Colleges/OUiS are required to report separately on activity funded through the separate Levy-payer and SME FWDF allocations.
68. Colleges/OUiS are required to report to SFC on FWDF spend every two months - at the end of March 2023, May 2023 and July 2023. The July 2023 report should have all AY 2022-23 FWDF training contractually committed. A final report will be required by

30 September 2023 after all training courses have commenced, which will be used for reconciliation purposes. For AY 2021-22 (Year 5), please note that a final report will be required by 31 January 2023, once all Year 5 training has been completed.

69. Reports should identify all agreed/committed training to date and should advise of any projected underspend by 31 March 2023 to enable SFC to potentially redistribute funding where there is evidence of unmet demand.
70. The reporting template (Annex C) must be completed and updated on an ongoing basis and submitted to the SFC FWDF mailbox fwdf@sfc.ac.uk by the required reporting date. Please use the new template at Annex C as it has been updated with new columns.
71. SFC and the Scottish Government are also interested in monitoring unmet demand. If any college or OUIS is unable to meet the demand from Levy-payer or SME employers due to a shortage of funds, they should develop a waiting list and this information should be reported back to SFC on the reporting templates provided.
72. In order to develop an evidence base which captures information about employer requirements and the ability of the sector to meet them in a responsive and agile manner, employer application information should be retained for the purpose of ongoing and future reporting to SFC and the Scottish Government.

College monitoring through FES

73. While there is no credit target associated with the delivery of FWDF, SFC will monitor the uptake of activity through college reporting and Further Education Statistics (FES) returns.
74. Personal student/employee data should also 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.
75. Additional information on data requirements is also included in the Reporting Template in Annex C.
76. 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 for statistical purposes.

OUIs monitoring

77. Personal student/employee data should also be supplied 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.

Further information

78. In addition to this guidance document, the following annexes are also available to support the process:
 - Annex A: Breakdown of funding allocations.
 - Annex B: Process flow-chart and application form.
 - Annex C: College/OUIs reporting forms.
 - Annex D: FES reporting requirements.
79. We have also produced a list of [FAQs](#) which are available on the SFC website.

Conditions of funding

80. All funds must only be used for the purpose(s) for which they are provided. SFC retains the right to audit the relevant institutional data/records/documentation in order to satisfy itself that this is the case (and the institution undertakes that it will provide such assistance as SFC reasonably requires).

81. Colleges and OUIs must provide data returns requested by SFC to the deadlines and standards specified, including FES reporting requirements for colleges (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 our website.
82. SFC will use the information submitted by colleges and OUIs to provide regular updates to the Scottish Government on the current uptake and use of the FWDF. The [Scottish Government's privacy notice](#) is available on their website.
83. SFC will share employer details with the Scottish Government and other relevant public bodies, including SDS, for the purposes of reporting, monitoring or evaluation purposes, and may be further processed by organisations contracted to undertake this work on their behalf.
84. Any queries/requests for further information should be directed to SFC's FWDF mailbox fwdf@sfc.ac.uk, in the first instance.



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