



Scottish Funding Council  
Comhairle Maoineachaidh na h-Alba

## Flexible Workforce Development Fund 2020-21: Phase 2 (SMEs)

# SFC Guidance

Issue Date: 1 December 2020

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Reference: SFC/GD/26/2020

Summary: Programme guidance for the 2<sup>nd</sup> phase of the Flexible Workforce Development Fund for colleges, The Open University in Scotland and Small and Medium-sized Enterprise employers in AY 2020-21, including funding allocations.

FAO: Principals/Chairs of colleges and Regional Strategic Bodies, Director of The Open University in Scotland, and SME employers in Scotland

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## **Flexible Workforce Development Fund AY 2020-21: Phase 2 (SMEs)**

### **Purpose**

1. To provide guidance on Phase 2 of the Flexible Workforce Development Fund (FWDF) for Academic Year (AY) 2020-21 for colleges, The Open University in Scotland and Small and Medium-sized Enterprise (SME) employers in Scotland, and provide details of the regional and institutional funding allocations.

### **Background**

2. In December 2016 the Scottish Government announced the introduction of a Flexible Workforce Development Fund (FWDF) to provide Apprenticeship Levy-paying employers in Scotland with workforce development training to upskill and reskill 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 Scottish Government has allocated £10 million each year for the FWDF since 2017-18. For AY 2020-21, the fourth year of the fund, Ministers have allocated £13 million to allow colleges to provide additional support for Levy-paying employers. This was announced by SFC on 21 October and the Guidance was published on the SFC website (ref: [SFC/GD/23/2020](#)).
4. The Scottish Government has also announced an additional £7 million (Phase 2) FWDF allocation. Ministers have been clear that this additional funding should respond directly to the impact of COVID-19 to provide upskilling and reskilling opportunities to the existing workforce as they adapt to new ways of working as sectors and the economy restarts and recovers.

### **FWDF Phase 2**

5. The overarching policy objectives of the FWDF are productivity and economic growth. However, since the onset of the pandemic the direction of the fund has changed slightly and in AY 2020-21 is focused towards strengthening the employer/employee relationship, with a particular focus on upskilling the existing workforce to retain jobs and support employers as they pivot and adapt to a new and very different working environment as a result of COVID-19.
6. Key policy changes to Phase 2 of the fund include the ability of SMEs to access the fund and the inclusion of The Open University in Scotland and Independent Training Providers (via Skills Development Scotland – 'SDS') as delivery partners. The funding and delivery partners for FWDF in AY 2020-21 are as follows:

<b>Delivery Partner</b>	<b>Total funding allocation</b>	<b>Eligibility</b>	<b>Employer training allocation</b>
Colleges (Phase 1)	£13 million	Levy-paying employers	Up to £15,000
Colleges (Phase 2)	£4 million	SMEs	Up to £5,000
The Open University in Scotland (Phase 2)	£1 million	SMEs	Up to £5,000
Independent Training Providers via SDS (Phase 2)	£2 million	Levy-paying employers	Up to £15,000

### **Policy drivers**

7. The key policy drivers for the FWDF (Phase 2) are:
- Supporting the needs of SMEs in Scotland.
  - Supporting employer workforce development in line with the aims of the Scottish Government’s Labour Market Strategy, Disability Employment Action Plan, Race Equality Action Plan, Gender Pay Gap Action Plan (particularly in the areas of up-skilling/re-skilling Scotland’s existing workforce) and the Fair Work Action Plan and consistent with the ambitions to raise productivity.
  - Ensuring the fund further strengthens college and The Open University in Scotland’s engagement with SMEs.
  - Supporting employers to adapt and respond to the impacts of COVID-19 and help employees to upskill and reskill.

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

8. Similar to Phase 1, the Phase 2 FWDF supports 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.
9. The Phase 2 FWDF 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 SMEs.
- Equality of opportunity to access work and to progress, to ensure everyone is able to maximise their potential.
- Increasing productivity.

### **National skills priorities**

10. The COVID-19 pandemic and associated restrictions have led to an unprecedented impact on our society, economy and labour market.
11. Protecting Scotland, Renewing Scotland: The Government's Programme for Scotland 2020-21 sets clear priorities for dealing with the economic, health, and social crisis created by coronavirus. Central to economic recovery is a new national mission to help create new jobs, good jobs and green jobs and to work with employers and individuals to build the skills and infrastructure that will be required in the industries of the future.
12. The FWDF has a key role in providing skills interventions that can be flexed to address the very significant employability and skills needs we know employers and employees will have in the coming months.

### **Training provision**

13. Colleges are required to develop a suite of training provision available at their institution(s) in support of the Phase 2 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. SFC expects this will be further enhanced by previous experience of working with SMEs in each college 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 SMEs.
14. The Open University in Scotland's online delivery will offer additional flexibility to employers with courses from Scottish Credit & Qualification Framework (SCQF) Level 10 undergraduate and postgraduate qualifications at SCQF level 11.
15. Colleges and The Open University in Scotland should ensure that due consideration is given to the ethos of the FWDF; a fund driven by employers who can access training provision to help meet their recognised skills gaps.
16. Colleges and The Open University in Scotland are expected to have due regard to public value for money with the training that they offer through the Phase 2

FWDF. There should also be a clear link between an SME’s training needs analysis and the impact on their productivity.

### Phase 2 eligibility

17. Phase 2 of the FWDF in 2020-21 is available to all SME employers in Scotland across the private, public and third sector. Employers must be based or operate within Scotland.
18. For the purpose of the FWDF, an SME refers to any business with less than 250 employees.
19. SMEs can access up to £5,000 of training delivered by colleges **or** The Open University in Scotland. SMEs are advised to make an application as soon as possible as access to the fund will be on a ***first come first served*** basis.
20. Employers are required to provide evidence of their business status as part of their FWDF application to colleges or The Open University in Scotland. Further information is available below (see paragraph 41).
21. An employer that is both a Levy-payer and an SME can access FWDF from either Phase 1 or Phase 2, **but not both**. This should be confirmed through the application process.
22. Phase 2 FWDF does not support provision of industry qualifications or training where there is a statutory obligation required by law. This remains the employer’s responsibility and will not be provided through the FWDF. However, where employers can provide evidence of additional training needs, over and above those usually provided to meet statutory requirements, as a result of COVID-19 and as training is adjusted to meet (for example) physical distancing and hygiene guidance, this training can be provided. Further details on courses that are ineligible for the FWDF can be found in the Frequently Asked Questions ([FAQ](#)) section at the end of this guidance.

### Timeframe for funded activity

23. Phase 2 of the FWDF covers AY 2020-21, with the application window open from week commencing 16 November 2020 to 31 July 2021.
24. The table below sets out the timeframe for Phase 2 FWDF activity.

Training contractually agreed	Training commenced	Training delivered and completed
by 31 July 2021	by 31 August 2021	by 31 March 2022

25. All training must be contractually agreed by 31 July 2021 to be included as part of the AY 2020-21 Phase 2 FWDF allocations.
26. We expect all training provision associated with 2020-21 funding to have commenced by 31 August 2021, and be delivered and completed by the end of March 2022. (SFC would encourage all training to commence as soon as possible after being agreed.)
27. Where there are exceptional or extenuating circumstances to the training commencement and/or delivery and completion dates (e.g. SVQ training), colleges or The Open University in Scotland should contact SFC to discuss any possible revision to these deadlines. SFC is aware that ongoing COVID-19 related social distancing restrictions may impact on delivery timeframes.

### **Access for SMEs**

28. Colleges should work with SMEs in their region to provide the training they require that will help make a demonstrable return on investment and The Open University in Scotland should work with SMEs across Scotland. 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 institutions should work with SMEs to support the application process. This analysis should take into account the current circumstances arising from the COVID-19 pandemic and show how this investment is positively responding to those circumstances. If a business has already undertaken a training needs analysis developed through another route, i.e. Skills for Growth, Business Gateway, this can be used to avoid unnecessary duplication. This should also include working with SMEs to identify priority groups such as women, disabled and black and minority ethnic workers.
29. If a college is unable to provide the training provision the SME 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. Alternatively, if appropriate, the college should direct the employer to The Open University in Scotland, and vice versa should the University not be able to accommodate a training request.
30. SMEs operating on a Scotland-wide basis or across more than one college region may submit only one FWDF application, either to the college of their choice or The Open University in Scotland, and they 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 relevant institution and advise on next steps.

## Priority groups

31. SMEs have the choice and flexibility to train members of their workforce, through college or Open University provision, to bring the greatest benefit to their organisation. Businesses with diverse workforces, where everyone is supported to reach their full potential, are more productive and more innovative. In line with Scottish Government priorities on reducing the gender pay gap, halving the disability employment gap, inclusive growth and Fair Work, employers should consider as part of their application how they can support women workers, disabled workers, Black and minority ethnic workers, and other groups protected under the Equality Act 2010 to gain access to training through the FWDF. Upskilling and reskilling these priority groups is a way to help tackle occupational segregation which also addresses skills gaps.
32. 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.
33. Colleges and The Open University in Scotland should be aware of these priorities when consulting with SMEs 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 race, 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

34. Colleges and The Open University in Scotland should make every practicable effort to deliver accredited training. In the context of the FWDF, that is training that is recognised by the (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.
35. Colleges and The Open University in Scotland should also ensure that certification is provided for each employee participating in FWDF resourced training.

## Allocation of funding

36. Consistent with principles established by the Scottish Government, SFC has set out Phase 2 FWDF regional allocations for AY 2020-21 to colleges totalling £3.84 million in **Annex A**. Allocations are based on the estimated number of SMEs in each region. (The balance of funding, £0.16 million, has been retained by SFC for programme management, monitoring and reporting purposes for all FWDF activity across Phases 1 and 2.)
37. In liaison with the Scottish Government, SFC may adjust individual institutions allocations in-year based on uptake in 2020-21 if there is evidence that any funding is underutilised (and therefore at risk of being unspent) and there is evidence of unmet demand elsewhere.
38. Colleges are 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. (In multi-college regions, the regional strategic body is responsible for the allocation of funds to their assigned colleges.)
39. Funding for The Open University in Scotland will be paid in two equal instalments in January and March 2021.

## Application process

40. Colleges and The Open University in Scotland must work with SMEs to identify the training they require to help make a demonstrable return on investment, and should support employers in developing their applications.
41. Employers are required to submit evidence of their eligibility status as a SME business with their Phase 2 FWDF application. This should normally take the form of one of the following:
  - A business bank account.
  - VAT registration.
  - PAYE registration.
  - Companies House info (latest accounts, etc.).
  - Registration for self-assessment tax return (HMRC).
42. 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).

- 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.
43. SFC has provided an application template and process flow-chart at **Annex B**. Colleges and The Open University in Scotland may use their own application form, but must include all the information required by SFC, including the statement that the employer has only made one application to the FWDF.
44. Where demand for training from SMEs is greater than the allocated funding, a waiting list should be included in the reporting process to SFC (see **Annex C**).
45. SMEs have the right to appeal a decision made 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 / The Open University in Scotland to undertake the training or where an application does not meet eligibility criteria. Employers should be directed to appeal through the SFC FWDF mailbox [fwdfappeals@sfc.ac.uk](mailto:fwdfappeals@sfc.ac.uk).

## **Information for Colleges and The Open University in Scotland**

### **Reporting and Monitoring**

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

46. Colleges and The Open University in Scotland will 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 SME demand and that the activity delivered meets the needs of those employers, and addresses SFC and Scottish Government priorities.
47. Colleges are required to report separately on activity funded through Phase 1 and Phase 2 FWDF allocations.
48. Consistent with Phase 1 FWDF, colleges and The Open University in Scotland are required to report to SFC on Phase 2 FWDF every two months - at the end of January 2021, March 2021, May 2021, July 2021 (showing final position of funds that have been contractually committed) and a final report once any outstanding training has been started. The final report should be received by

SFC no later than 30 September 2021 for colleges and 31 October 2021 for The Open University in Scotland.

49. Reports should identify all agreed/committed training to date and **should advise of any projected underspend by 31 March 2021** to enable SFC to potentially redistribute funding where there is evidence of unmet demand.
50. 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](mailto:fwdf@sfc.ac.uk) by the required reporting date.
51. SFC and the Scottish Government are also interested in monitoring unmet demand. If any college or The Open University in Scotland is unable to meet the demand from SMEs 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.
52. In order to develop an evidence base which captures information about SME requirements and the ability of the sectors 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***

53. 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.
54. 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**.
55. Additional information on data requirements is also included in the Reporting Template in **Annex C**.
56. 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.

### ***The Open University in Scotland monitoring***

57. 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.

### **Conditions of funding**

58. All funds must only be used for the purpose(s) for which they are provided. (SFC retains the right to audit the relevant institutional documentation in order to satisfy itself that this is the case).
59. Colleges and The Open University in Scotland 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.
60. SFC will use the information submitted by colleges and The Open University in Scotland to provide regular updates to the Scottish Government on the current uptake and use of the Phase 2 funding. The Scottish Government's privacy notice is available on their website.

### **Value for money**

61. SFC expects colleges and The Open University in Scotland to have due regard to public value for money in the use of their Phase 2 FWDF allocations for training, and we will monitor the activity delivered and the volume of SMEs and individual learners benefitting.

### **Further information**

62. In addition to this guidance document, the following annexes are also available to support this process:
  - Annex A: Phase 2 regional funding allocations to colleges.
  - Annex B: Process flow-chart and application form.
  - Annex C: Reporting form.
  - Annex D: FES reporting requirements (colleges only).
63. A list of [FAQs](#) can be found at the end of this document.
64. 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 2020-21 (SMEs)

#### Frequently Asked Questions

**Q1. What is the definition of a Small and Medium-sized Enterprise (SME) employer?**

For the purposes of eligibility for the FWDF, a SME is defined as a business with less than 250 employees.

**Q2. Are public funded bodies eligible for FWDF?**

The Fund is available to all SMEs in Scotland across the private, public and third sectors. Employers must be based or operate within Scotland.

**Q3. Will SFC provide a list of eligible SMEs in each college region?**

This information is currently unavailable because this information is not collected by the Scottish Government.

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

SMEs are required to submit evidence of their status as a business with their FWDF application. This should normally take the form of a copy of one of the following:

- A business bank account.
- VAT registration.
- PAYE registration.
- Companies House info (latest accounts, etc.).
- Registration for self-assessment tax return (HMRC).

**Q5. Who can provide training to SMEs via the FWDF?**

Training can be provided by either a [college in Scotland](#) or by [The Open University in Scotland](#).

**Q6. What type of training can be accessed by SMEs?**

SMEs can access training that will have a demonstrable impact on their productivity or meet a skills need that has occurred due to COVID-19.

**Q7. Why is a training needs analysis necessary?**

The training needs analysis should form the basis of an application for training and colleges or The Open University in Scotland should work with SMEs to support the application process. This process should be proportionate to the size of the business and Fund size available.

**Q8. 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 & safety training). (See Q9. below)
- 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.

**Q9. Does the FWDF cover training required by law?**

The FWDF does not normally support provision of industry qualifications/training where there is a statutory obligation required by law this remains the employer's responsibility. However, where employers can evidence additional training needs that are required to meet statutory requirements as a result of COVID-19, and where training is adjusted to meet physical distancing and hygiene guidance (for example), this training can be provided.

**Q10. Why is an employer cap applied to FWDF?**

To maximise the potential number of SME employers who are able to access the Fund, while providing a degree of simplicity for employers and training provider.

**Q11. What happens if the cost of an employer's training needs exceeds the 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 SME business in each college region (as at March 2020). In liaison with the Scottish Government, SFC may further 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 the FWDF?**

All training must be contractually agreed by 31 July 2021 and all training must be delivered by the end of March 2022. Where there are exceptional or extenuating circumstances to training commencement/delivery dates (e.g. delivery of SVQ training) colleges/The Open University in Scotland should contact SFC to discuss any possible revision to this deadline. SFC is aware that ongoing COVID-19 related social distancing restrictions may impact on delivery timeframes.

***Q14. What happens if the college/The Open University in Scotland declines an employer's FWDF application?***

The 'training needs analysis' undertaken between the training provider and employer should ensure an employer's identified training needs reflect FWDF criteria and priorities, including priority groups outlined in the guidance. Employers should be notified by the training provider, 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 become available.

If an employer wishes to appeal a decision taken by a training provider 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 delivery of training should be discussed and agreed by the college and employer.
- The Open University in Scotland training will be delivered online through the University's innovative platforms.

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

The FWDF will be monitored through regular reporting on the quantitative outputs using the SFC reporting form provided. SFC expects colleges and The Open University in Scotland 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, the volume of learners benefitting from the training and that an employer has only made one application through any of the FWDF training providers (colleges, The Open University in Scotland or independent training providers).