

Please see attached below a copy of the advice submitted to the Minister during the development of the Fund:

From:

Youth Employment Division

27 January 2017

Minister for Employability and Training

FLEXIBLE WORKFORCE DEVELOPMENT FUND

Purpose

1. To update on progress, considerations and planned next steps on the introduction of the new Flexible Workforce Development Fund.

Priority

2. Routine

Background

3. Minister announced the Flexible Workforce Development Fund (FWDF) on 16 December 2016. This forms part of the Scottish Government response to the introduction of the Apprenticeship Levy.

4. In response to the views of employers gathered from the Scottish Government's consultation on the UK Government Apprenticeship Levy, the Scottish Government will establish a new FWDF to be introduced in Autumn 2017.

5. The new fund aims to provide employers with flexible workforce development training opportunities to support inclusive economic growth through up-skilling or re-skilling of employees who will not benefit from the increase in apprenticeship opportunities.

6. Since a significant part of the fund will be a reallocation of that part of the employability fund used by colleges and that the numbers of places secured in this way contribute to the SG annual target for colleges of 116,000 FTEs we propose that the fund will be delivered through the college sector (also see under paragraph 14 and 15). A working group will be established to support the development of the fund with input from Scottish Government, Skills Development Scotland, the Scottish Funding Council, Colleges Scotland and industry representation through the Scottish Apprenticeship Advisory Board.

Guiding Principles and Policy Drivers

7. A range of guiding principles will inform the development of the fund. Those which have been identified are:

- Simplicity;
- A minimal administrative burden;
- Cost effectiveness of delivery;
- Transparency;
- Responsiveness to employer demand and;
- Focus on training which colleges have the capacity and capability to deliver.

8. Early discussions between relevant policy officials have identified three policy imperatives central to the model.

- Recognise the needs and expectations of Levy payers;
- Support workforce development in line with the aims of the Labour Market Strategy; and
- Ensure the fund strengthens College engagement with industry.

Levy payers

9. Levy payers we have engaged with want to know how they can maximise the value of their investment beyond engagement with the Modern Apprenticeship programme. Generally they have emphasised the need for flexibility to support their workforce development needs.

10. Given the limited resource available, there is a need to consider eligibility for the FWDF carefully. The likely expectation would be that access would be restricted to Levy payers only. This would enhance simplicity but would impact on access to the fund.

11. Such an approach would result in the exclusion of the overwhelming majority of SME's which will not pay the Levy. Many are also unlikely to have the capacity or capability for in-house training functions. Arguably, it may be that these businesses might benefit most from access to the Fund. To help overcome this issue and in the interests of the wider policy drivers, access to the fund could be broadened to include accredited Living Wage employers although this would reduce the level of funding available to Levy payers.

12. A consideration might be to exclude the public sector from the fund in order to maximise impact across private and third sector employers. However such an approach is likely to lead to a negative response from Local Authorities in particular. This approach would also be inconsistent with the recently announced removal of public sector eligibility restrictions from Modern Apprenticeship funding.

Labour Market Strategy

13. The Labour Market Strategy (LMS) highlights evidence of both skills shortage and underuse of existing skills. The FWDF would provide an opportunity to work with employers to help them retain and improve the productivity of their workforce through continued training, workplace learning and upskilling. The fund could contribute towards addressing these issues by restricting eligible activity criteria to meet LMS outcomes. However, there is a risk that this does not offer the flexibility that some employers would expect or require.

Supporting College Delivery

14. Within the overall budget for the fund is £6m which was previously deployed through the Employability Fund delivering 671 FTE places towards the overall College FTE target of 116,000 per annum. Continuing to achieve at least this contribution to the FTE target is an essential aspect of the fund. Given the budget for the new fund is £10m there

may be scope to use it to achieve a bigger contribution to the target. As the focus is on existing employees rather than those seeking work, there is an expectation that this fund will achieve significantly improved outcomes and possibly reduce the unit cost in comparison to the College element of the Employability Fund.

15. It may be feasible to make fund allocations across College regions based on the proportion of levy payers based in that region. However, this model may present challenges for employers operating across Scotland and UK wide with standardised systems and approaches. This would break the link with the politically agreed apportionment methodology attached to the Employability Fund that is based on need and may be an issue for LAs and other regional partners. In addition, dissatisfaction may arise where a regional College is unable to meet employers' needs through practical issues such as capacity, capability, staff expertise, facilities, viability of class sizes and timetabling. This may present a risk which will be explored as part of stakeholder engagement activity.

Next Steps

16. A project plan will be developed over the next few weeks and will bring back to the Minister for information.

17. We will convene a stakeholder consultation group with input from the following; SAAB other Employer Groups/STUC, Colleges Scotland, SFC, SDS and COSLA. Within this we will develop and test fund outcomes, funding and allocation mechanisms, governance, evaluation, financial monitoring and other practical issues. Throughout we will aim to resolve the issues raised in this paper in line with the principles and policy drivers outlined above.

Conclusion

18. The Minister is invited to note the contents of this progress report.

19. I would of course be happy to discuss with the Minister.

Youth Employment Division

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