

Board Meeting

Date of Meeting	Monday 04 September 2017
Paper Title	Flexible Workforce Development Funds 2017-18
Agenda Item	9
Paper Number	BM1-N
Responsible Officer	Jim Godfrey, Interim Director of Finance & Resources
Status	Disclosable
Action	For Decision

1. Report Purpose

- 1.1 To provide an update of the latest developments regarding the Flexible Workforce Development Fund and seek approval for the next steps.

2. Recommendations

- 2.1 The Board is invited to:
- **note** the latest information regarding the Flexible Workforce Development Fund;
 - **approve** that the regional apportionment of the Fund is allocated to the Assigned Colleges based upon their share of total credit activity including ESF.
 - **request** that update reports, regarding the Fund, are reported to the Performance & Resources Committee at each of its meetings; and
 - **delegate** authority to the Performance & Resources Committee to approve the procedures, and arrangements, relating to the operation of the Fund.

3. Background

- 3.1 In the funding announcement on 5 May 2017, SFC advised that there would be £10m of funding ring-fenced for the Flexible Workforce Development Fund (FWDF). SFC has been working with the Scottish Government, Skills Development and Colleges Scotland to “assist with the development and delivery of this new employer led approach”.
- 3.2 A Scottish Government announcement of the new arrangements is expected in early September 2017. It is understood that guidance will also be issued at the same time (by SFC) explaining how the fund will operate. A draft version of this guidance was provided to the Colleges Scotland Funding Group on 17 August 2017. Whilst some aspects of the draft guidance are expected to remain the same some changes are also expected.

4. Government Policy Drivers

4.1 The following aims are expected to underpin the Fund at a national level:

- Supporting the needs and expectations of levy payers.
- Supporting workforce development in line with the aims of the Labour Market Strategy, particularly around upskilling and reskilling workers consistent with the ambitions to raise productivity.
- Ensuring the fund strengthens college engagement with industry.

5. Regional Policy Drivers

5.1 The ambitions of the region will complement these national aims and ensure that the Fund meets the needs of the Glasgow Region: The following regional aims are proposed:

- **Meets regional and employer skills needs** - The content of delivery should be appropriately matched to employer demand, particularly in sectors and occupations in the regional economy where replacement demand is strong, including business services and financial and professional services, retail, social care/child care and tourism. It is also important that we support skills training in areas which meet the region's infrastructure needs given anticipated levels of demand arising from City Deal and other capital investment.
- **Enhances employment progression and helps tackle in-work poverty** - The Glasgow Economic Strategy: 2016-2023 makes tackling poverty and inequalities a priority for its plans for economic growth. Demand for skills in the region is strongest at the upper and lower skills levels – professional and elementary occupations – and so this funding should support progression to upper skills levels. The Glasgow region has made significant strides in moving to a more knowledge-based economy and there will need to be strong skills supply to sustain this transition and for businesses to move up the value chain and improve productivity and competitiveness.
- **Provides more flexible training provision** - Non-permanent employment is a feature of the regional economy and more of the future jobs are expected to be part-time. Non-traditional employment also means less conventional career paths, and movement between sectors. The skills training provision these funds provide should be equally flexible, with work-based learning a feature of a more demand led approach to meeting the needs of employers.

6. Eligibility

6.1 It is expected that:

- The fund will be available to all levy-paying employers¹ in Scotland.
- It will be led by employer demand.
- The amount of funding available to each employer will be capped. The level of the cap will be confirmed by the Minister/Scottish Funding Council in September.
- Where the value of training falls below the level of the cap there will be no cost to the Employers. If the value of training exceeds the value of the cap then the employer would be required to pay the additional cost.

7. Funding for the Glasgow Region

7.1 An indicative allocation of £1.8m (for the Glasgow Region) was identified in a draft paper issued by the Scottish Funding Council in August 2017. However, this indicative allocation is lower than an allocation based upon the region's share of national credit activity and the methodology has been queried with SFC.

7.2 Confirmation of the final allocation is expected to be announced shortly and there is also the possibility of an additional in-year distribution.

8. Allocation of Funds within the Region

8.1 It is intended that funds will be notionally allocated to the three colleges for 2017-18. The college allocations could be based upon a relative share of the teaching grant or the level of credit activity including or excluding ESF. For the purpose of this allocation, it is proposed that the total credit activity including ESF is used. The reason for this is that it is considered to best represent the total size of a college's activity. If the total amount of funding provided to the region is £1.8m, and the funds are allocated on the basis outlined above, it would result in the following notional allocations to the three colleges:

	City of Glasgow College	Glasgow Clyde College	Glasgow Kelvin College	Total
Flexible Workforce Fund	£838,667	£592,513	£368,820	£1,800,000

8.2 It is recommended that the Board approve that the regional apportionment of the Fund is notionally allocated to the Assigned Colleges based upon their share of total credit activity including ESF.

8.3 In accordance with the Financial Memorandum, funds cannot be paid by GCRB to a College in advance. Funds will therefore need to be allocated to meet actual expenditure and

¹ Levy payers are organisations with a salary bill in excess of £3m per annum.

colleges will need to record actual/planned expenditure and provide this information to GCRB at specified times. Upon receipt of these returns, GCRB will review the information received and transfer funds to the College.

8.4 As part of the process to review planned delivery and expenditure, if a college is unable to fully utilise the funds notionally allocated within the required timeframe, a process for redistribution within the region will be agreed.

9. Procedures for Managing the Fund

9.1 Work is taking place with the assigned colleges to develop the procedures for managing the fund in a pragmatic way. For example, the following matters are being progressed:

- The development of a common application form that will be used by the colleges.
- The development of agreed criteria that will be used to consider applications against the national and regional aims outlined above.
- Arrangements for monitoring, and reporting, training outcomes and performance indicators.
- Arrangements for the payment of funds by GCRB to the colleges.

9.2 It is recommended that the Board:

- Request that update reports, regarding the Fund, are reported to the Performance & Resources Committee at each of its meetings.
- Delegate authority to the Performance & Resources Committee to approve the procedures, and arrangements, relating to the operation of the Fund.

10. Risk Analysis

10.1 The Flexible Workforce Development Fund presents a considerable challenge for 2017-18 and is considered to present a number of risks. In particular, the risks identified within the Strategic Plan relating to 'Ambitious for Glasgow' (i.e. Risks 0001 to 0004).

10.2 Employers have incurred a significant cost meeting the new Apprenticeship Levy and will have expectations in terms of how much funding will be available under the Workforce Development Fund. The Fund represents a small proportion of the value of the Levy and there is a risk that this fails to meet employer expectations.

10.3 It has taken many months to reach the position where the Fund can be launched. As a result, the amount of time available to deliver the programme in 2017-18 is reduced.

10.4 The Fund is complex in nature and there are some practical issues still to be resolved.

10.5 However, the Fund also represents an opportunity to add value to work with employers to meet their regional needs.

11. Legal Implications

11.1 There are no legal implications arising from this report.

12. Financial Implications

12.1 The total grant allocated to the region is expected to exceed £1.8m. The final allocation is expected to be announced by SFC in early September 2017.

13. Strategic Plan Implications

13.1 The delivery of an effective Flexible Workforce Development programme is a valuable driver to achieve the ambitions set out in the Glasgow Region Strategic Plan. In particular, it is expected to make a key contribution to meeting the aim of meeting Glasgow's Ambitions working with "employers to deliver a range and depth of training opportunities."