

Annual Operating Plan 2023/24

If you require this report in alternative
formats please contact equality@sds.co.uk



Foreword

Welcome to our Annual Operating Plan for 2023/24.

A time of change

This Plan comes at a time when Scotland's people, businesses and public sector continue to face many challenges. Our world is changing, with governments responding to the impact of mega-trends like climate change and geopolitical situations, while still looking to build inclusive economic growth in the wake of the pandemic and Brexit.

The world of work is changing too, and at an unparalleled pace. The types of jobs we do, the skills we need, even where, when and how we work are all being impacted by technology and changes in consumer and employee expectations.

This is compounded by the challenges to individuals and businesses caused by high inflation, with sharp increases in both the cost of living and the cost of doing business. It means that the services delivered by Skills Development Scotland (SDS) and by our partners have never been more important, but inflationary pressures and constrained public finances also risk impacting our ability to respond to this situation.

Public sector response

As Scotland's national skills agency, we know that radical change is required in the skills and careers ecosystem to respond to this unprecedented change. Doing the same as has always been done will leave Scotland, its people, places, and businesses, behind.

In November 2022, we published a new Strategic Plan, approved by Scottish Ministers, entitled 'Skills for a Changing World'. At its heart, this Plan recognised the need for transformation in the Scottish careers and skills landscape and set out a bold vision for its future.

Partnership approaches have always been central to what we do, and we were clear that SDS could not achieve this alone, but rather would have a unique role to play while collaborating extensively across the skills and careers ecosystem.

We have not waited to act. In early 2023, we launched an internal transformation programme, Transform 27, to deliver the ambition of our Strategic Plan whilst moving to a new operating model so we can continue to deliver services sustainably. Thanks to the commitment of our people we are already identifying efficiencies, with strategies such as increased use of co-location with partner agencies allowing us to achieve savings while making our services more accessible to customers.

As we look to the year ahead, we will continue to drive the impact, efficiency, and public value of all we do. In June 2023, Scottish Ministers' published their Initial Priorities for reform, aligned to the Purpose and Principles for post school education, skills and research. We will, of course work with Scottish Government and others to progress these priorities and help ensure that the system change Scotland needs is delivered effectively.

Delivering for Scotland

Our Letter of Guidance 2023/24 from Scottish Government made clear the need to get on with the work of delivering our core products and services to customers, aligned to our strategic goals. This Plan sets out in greater detail how we will do this.

We look forward to working with our diverse network of partners and stakeholders over the year ahead to continue delivering for Scotland's people, its businesses and economy.

Damien Yeates

Chief Executive, Skills Development Scotland

Contents

Introduction	4
About Skills Development Scotland	4
About this Plan	4
Strategic Context	5
Our Strategy Map 2022-27	6
Our Activity in 2023/24	7
Industry-focused skills	8
Inclusive talent pool	9
Invested employers	10
Intelligence-led system	11
Impactful organisation	12
SDS Indicative Budget 2023/24	13
Partnership and Collaboration in Delivery	14
Measuring progress	14
Our Corporate Performance Framework	14
Mapping our performance to national and international ambitions	15

Introduction

About Skills Development Scotland

Skills Development Scotland (SDS) is the national skills agency. Our ambition is that skills contribute to a thriving, productive and inclusive Scotland. The key to Scotland's future prosperity is to ensure that its people and businesses are inspired and enabled to develop the right **skills for a changing world.**

We achieve this through intelligence-led delivery of Scotland's Career Service, apprenticeships, and other learning and skills interventions in support of Scottish Government ambitions. To make this happen, SDS collaborates extensively across the lifetime education and skills system, particularly with our agency colleagues. By sharing expertise and intelligence, we enable the development and delivery of innovative solutions to Scotland's skills and labour market challenges.

Further details on SDS's strategic approach and operational activities can be found in our [Strategic Plan 2022-27](#), approved by Scottish Ministers and published in November 2022.

About this Plan

Our Strategic Plan was written in the context of, and in response to, external pressures such as the COVID-19 pandemic, Climate Emergency, Brexit and the fourth Industrial Revolution (Industry 4.0). Challenges continue, with high inflation and tight labour markets putting significant pressure on individuals, businesses, and the public sector, fuelling the ongoing cost-of-living crisis. More detail on the strategic context is summarised on page 5.

As the world of work changes at a rapid pace, the role of skills continues to be essential for changing work demands. Our Strategic Plan 2022-27 sets out a framework for SDS's unique contribution to help ensure all people and employers have, and continue to develop, the skills they need to thrive individually, and drive a fairer, more equal and inclusive economy for Scotland.

Scottish Ministers have set out Initial Priorities for reform, alongside the Purpose and Principles for post school education, skills, and research. These priorities respond to a number of the recommendations made by the Independent Review of the Skills Delivery Landscape and will be considered alongside recent reports looking at education in Scotland's schools, and qualifications and assessment in the senior phase. We understand that a holistic approach to system wide reform will be taken by Scottish Government, and we will work with them, and other relevant partners, to ensure the system is fit for the future.

Our priority remains to deliver for the people and employers of Scotland. This year, working with Scottish Government, we will continue to deliver the roles and responsibilities set out in our Framework document, the asks of our Letter of Guidance, and the ambitions of our Strategic Plan and Transform 27 programme.

This Plan sets out in more detail our priorities for 2023/24.

Strategic Context

Economy, Business Investment & Labour Market



Scotland's estimated **budget deficit** ('net fiscal balance') fell just over **10 ppt to 12.3%** of GDP in 2021-22



The public sector in Scotland is facing **significant financial challenges** including reduced budgets, inflationary pressures, and increased demand for services



Employment levels in Scotland have fallen, but **unemployment remains low** compared to the UK as a whole



High inflation has driven a fall in real wages that is compounded by stagnation in living standards



Across the UK, the number of working-age adults who are **economically inactive** because of long-term sickness has reached an all-time high



Economic inactivity in Scotland has been higher than the rest of the UK but is **showing signs of reducing**

Climate Change & Net Zero



Scotland aims to be a **Net-Zero Economy by 2045**



Green jobs are growing around four times the rate of the overall UK employment market

Digital Transformation



Scotland's **digital technology sector contributed around £5,997m** in 2022. This accounts for 4% of Scotland's total economic output



The sector's **Gross Value Added increased by 107.5%** between 2012 and 2022 compared with an increase of 12.8% for Scotland overall

Demographics & Talent Attraction



The **population of Scotland** is projected to continue increasing until around mid-2033, peaking at 5.53 million. It is then **projected to fall** by 0.6% to 5.49 million by c2045



Net migration in the UK reached 606,000 in 2022 – the highest number on record

Fair Work & Wellbeing



The National Strategy for Economic Transformation sets out a vision for Scotland to have a **Wellbeing Economy**



Scottish Government Fair Work Action Plan sets out the vision for Scotland to be a **leading Fair Work Nation by 2025**



The poorest households in the UK are around **£4,000 per year worse off** because of COVID-19 and the cost-of-living-crisis



There has been a **dramatic rise of people in very deep poverty** (below 40% of the median income) over the last 20 years in Scotland, despite overall poverty levels declining



Over 800 employers have signed up to the **Young Person's Guarantee**, providing over 22,000 opportunities



Over 3,000 employers in Scotland are **Living Wage accredited**

Our Strategy Map 2022-27



Our Activity in 2023/24

Our Strategy Map on page 6 and our Performance Framework on page 16 demonstrate the contribution SDS makes to Scottish Government ambitions, including those defined by the National Strategy for Economic Transformation (NSET) and the National Performance Framework. Key Performance Indicators (KPIs) are used to track progress against each of our strategic goals and are listed alongside them in this Plan.

In the following section we set out the actions we will take in the 2023/24 Operating Year, in response to our Letter of Guidance from Scottish Government, and to progress delivery of our Strategic Plan, which incorporates the continued implementation of our Transform 27 programme.



Industry-focused Skills



Our goal

People develop skills and attain standards that drive productive businesses and regions, and help create a fairer, more equal society

Our customer commitment

We will create opportunities to learn that can help you to access, and progress in, rewarding jobs

To achieve this goal, in 2023/24 we will:

a) Maximise delivery of apprenticeships in priority sectors and occupations, contributing to a skilled and productive Scottish workforce

- Deliver up to 25,500 Modern Apprenticeship starts across Scotland.
- Continue inter-agency working with Scottish Funding Council (SFC) on the delivery of Graduate Apprenticeships, and fund continuing liabilities.
- Maintain our web platform, Apprenticeships.scot, with a continued focus on user experience, technical approach, and digital service offer.

b) Improve access to rewarding work through apprenticeships and other training opportunities for people who often face barriers to employment

- Continue to work with customers, learning providers and equality partners to generate more equal demand for, and access to apprenticeships, in line with the priorities set out in our Equality Outcomes 2021-2025.
- Undertake work to further understand and actively reduce the achievement gap for apprentices with equality characteristics.

KPI 1: Individuals across Scotland participate in work-based learning throughout their working lives

KPI 2: On completion of work-based learning, individuals sustain in employment or other positive outcome

c) Help people understand the need to continue developing their skills throughout their careers

- Deliver targeted campaigns to increase awareness of, and demand for, Scottish Apprenticeships.
- Promote opportunities for people to engage with lifelong learning aligned to the needs of the Scottish labour market.

d) Develop industry-critical skills among the workforce through upskilling and retraining initiatives

- Deliver initiatives designed to support individuals to retrain and upskill, including up to 6,000 Individual Training Accounts (ITAs) and 84 Teaching Bursaries.
- Continue to support individuals to access opportunities in the transition to a net zero economy.
- Through signposting, help adults identify and access other relevant, high-quality upskilling and retraining opportunities.
- Work with Scottish Government and other partners to progress actions from the National Strategy for Economic Transformation in relation to upskilling and retraining.

Inclusive Talent Pool



Our goal

Talent is diverse and resilient, with people who can all adapt and thrive in the changing world of work

Our customer commitment

We will help you, throughout your life, to prepare for and progress in the career you choose

To achieve this goal, in 2023/24 we will:

a) **Equip people with the skills they need to prepare for, plan and manage rewarding careers throughout their lives**

- Deliver Scotland's career service, by providing career information, advice, and guidance (CIAG) in schools, in public access centres, and through community locations.
- Continue to provide digital services through My World of Work to support individuals to plan and manage their careers.
- Provide support for people in redundancy situations through Partnership Action for Continuing Employment (PACE).
- Continue our collaborative work with partners to plan and deliver services and build capacity through CPD.

b) **Provide engaging and relevant career intelligence, education and experiences that help inform individual learning and career choices**

- Provide interactive and inspiring work-focused experiences for young people through the delivery of My World of Work Live.
- Continue to equip teachers, parents and carers as key influencers of young people's learning and career choices.
- Fund 2,500 Foundation Apprenticeships (FAs) through local authorities and independent learning providers, continuing collaboration with SFC and other partners on delivery and improvement of all FAs, incl. the 2,500 funded through colleges.

KPI 3: 16-19 year olds in Scotland are in learning, training, or employment

KPI 4: SDS career services support individuals to sustain in learning, training, or employment

KPI 5: Young people can participate in experiential work-related learning as part of their education

c) **Address known barriers to participation and deliver person-centred services which support all customers to pursue the learning and work they choose**

- Continue to provide targeted and enhanced CIAG support to customers who need it most.
- Deliver and monitor progress against our [2021-25 Equality Outcomes](#), to ensure equality of access and opportunity across our products and services.
- Sustain engagement with equality partners at national, regional, and local levels to continue to enhance understanding and address barriers to participation, including poverty and intersectional impact.

d) **Contribute to Scotland's ambition to grow the size and diversity of the available talent pool**

- Support Scottish Government with the development and implementation of policies and projects to attract and retain talent, including support for the delivery phase of the Skills Recognition project.
- Maintain an active role in Local Employability Partnerships to influence and support local employability provision.
- Fund continuing liabilities for those still in training under the Women's Returner's Programme.

Invested Employers



Our goal

Employers invest in Scotland's workforce through job opportunities, skills development, and fair work

Our customer commitment

We will encourage and support employers to offer better work and learning opportunities in Scotland

To achieve this goal, in 2023/24 we will:

a) Increase employer participation in apprenticeships, including micro and small businesses and those in priority sectors and occupations

- Maintain a relationship management approach to driving demand for work-based learning products from employers in Scotland.
- Promote new digital approaches to support business start-ups, micro and small businesses to access apprenticeships.

b) Encourage employers to become more invested in the development of their current and future workforce

- Work with Developing the Young Workforce (DYW) regional groups, DYW National Team, School Coordinators and mentoring offers to ensure that young people access work opportunities and get the information and support they need to make decisions about their future.
- Engage strategically with industry and sector representatives across Scotland's economy to encourage employer involvement in the design and delivery of learning.
- Support businesses to identify their skills needs and plan how to meet them, including through the new Employer Hub and face-to-face employer support.
- Manage continuing liabilities for non-college Flexible Workforce Development Fund provision.

c) Inspire employers to adopt and demonstrate equality, inclusion, and fair work practices, and to drive quality in their delivery of apprenticeships

- Continue to work with employers, learning providers and equality partners to promote inclusion and diversity in apprenticeship recruitment and delivery, contributing to a reduction in under-representation and occupational segregation.
- Encourage learning providers and employers to adopt Fair Work First criteria in their organisations, and apply Fair Work First conditionality to grant funding.

d) Ensure a 'collaboration-first' approach to delivering cross-agency products and services to employers

- Through collaboration with strategic partners, including the Business Support Partnership, continue to design and deliver simplified and streamlined cross-agency business support.
- Contribute to the 'Team Scotland' implementation of Scottish Government's Inward Investment Plan, including through the provision of bespoke skills advice to employers looking to invest in Scotland.

KPI 6: Scotland's employers invest in work-based learning, training, and growth opportunities

Intelligence-led Skills System



Our Goal

A dynamic, resilient, and inclusive skills ecosystem consistently delivers the skills the Scottish economy needs

Our customer commitment

We will work with other organisations to make sure that your learning helps to prepare you for the available jobs in Scotland

To achieve this goal, in 2023/24 we will:

a) **Work to ensure that Scottish Apprenticeships remain agile, flexible, and fit for the future**

- Continue to work with Scottish Apprenticeship Advisory Board, Scottish Government, SFC and employers to ensure the standards and frameworks which underpin apprenticeships are fit for the future, including embedding green credentials, and the development and assessment of meta-skills.

b) **Collaborate extensively at a national, regional, and sectoral level to shape intelligence-led skills investment and delivery**

- In collaboration with Scottish Government and SFC, deliver the Shared Outcomes framework collaborative projects.
- Work collaboratively with regional partners to develop and implement City Region and Growth Deals.
- With partners, continue to implement regional and sectoral skills plans, including the Digital Economy Skills Action Plan and Climate Emergency Skills Action Plan.
- Continue to provide support to Scotland's key sectors to address skills shortages and skill gaps.
- Engaging partners to provide national, regional and sectoral labour market intelligence.

c) **Together with customers and partners, support the design and delivery of approaches to meeting current and future skills demand**

- Working closely with Scottish Government and others, continue to support the development of NSET activity.
- Deliver activity which further grows the cyber security skills pipeline, aligned with the Strategic Framework for a Cyber Resilient Scotland.
- Continue to work with the devolved governments in Scotland, Wales, and Northern Ireland to implement the National Occupational Standards (NOS) Strategy and develop NOS.
- Contract for the development of Scottish Qualifications Products in collaboration with Scottish Government and Scottish Qualifications Authority Accreditation, ensuring they meet the needs of industry.
- With Scottish Government and agency partners, play a full role in supporting the implementation of the Purpose and Principles: Initial Priorities and wider reform of the lifelong education and skills system.

d) **Collaborate across the careers ecosystem to deliver more consistency in Scotland's career services, and improve customer outcomes**

- Implement the Career Review recommendations, through the agreed implementation plans, in partnership with Scottish Government and other Career Service Collaborative members.

KPI 7: Skills investment and delivery in Scotland is increasingly intelligence-led

KPI 8: Scotland's learning and training opportunities are better aligned with current and future economic need

Impactful Organisation



Our goal

Team SDS maximises return on investment, delivering better outcomes and experiences for our customers, colleagues, and the economy

Our customer commitment

We will work with you to make sure the public funds and resources we have are used efficiently and in your best interest

To achieve this goal, in 2023/24 we will:

a) Attract, nurture, and retain a diverse team that share and achieve our ambitions, demonstrating fair work practices

- In support of our Transform 27 programme, ensure effective voice and colleague involvement across all activity, and build our people manager capability to lead change.
- Sustain our focus and commitment to building a culture of fair work, inclusion, and wellbeing, including continued commitment to addressing race equality in the workplace.
- Retain our commitments to developing the skills of our people through guaranteed CPD for all colleagues.

b) Transform our use of system-wide data, intelligence, and customer voice to deliver better customer outcomes

- Continue to build and strengthen our skills intelligence through research, customer insight and data analysis in order to inform dynamic skills provision, service design, innovation, and continuous improvement.
- Progress the replacement of legacy data sharing architecture, assuring the quality and security of the overall shared data set in line with legislation.
- Implement a refreshed Information Management Strategy.
- Roll out a new, integrated approach to completing equality and other impact assessments.

c) Continue to enhance our digital capability in ways which drive organisational and employee efficacy

- Simplify the digital journey and user experience, for customers across our digital channels, and implement continuous improvement actions for our digital services, aligned to the ambition of our strategic plan.
- Continue the delivery and management of the Enterprise Information Services (EIS) shared cross-agency IT services.

d) Steward our resources efficiently and effectively, ensuring that SDS is a resilient and sustainable organisation

- Progress Transform 27 activity to develop and move towards a more sustainable and impactful target operating model.
- Drive value for money through a continued focus on financial stewardship, change management, continuous improvement, and quality assurance.
- Implement the Cyber Action Plan in line with the SDS Cyber Strategy 2023-25.
- Continue action to deliver the ambition of our Climate Change Strategy 2020-2030, including ongoing rationalisation of our estates.

KPI 9: SDS has satisfied customers and employees

KPI 10: SDS is a resilient and sustainable organisation

SDS Financial Outlook

Our key funding source is core Grant-in-Aid from the Scottish Government, supplemented by in-year transfers for specific Ministerial priorities.

We recover costs by recharging shared services which we provide, and we receive European funding (which is tailing off to end in 2023/24).

This profile has supported a balanced budget in prior years, but we have set an initial deficit budget in 2023/24. We intend to manage this, but there are three key, emergent themes and risks for our financial outlook:

- a. The fiscal landscape has tightened dramatically since the Resource Spending Review was published in May 2022, in this context our core Grant-in-Aid has been reduced and uncertainty remains around the future.

- b. SDS operates within the parameters of public sector pay policy, and wage inflation must be absorbed into reducing or static Grant-in-Aid, while general inflationary pressures are unknown.
- c. Slower progress for Modern Apprentices during Covid-affected years, plus the cost implications of supporting 25,000 or more Modern Apprenticeship starts this year, creates increasing liabilities for several years before establishing a new normal cost rate which is above historical levels.

Scottish Government funding to SDS	2021/22 £'000	2022/23 £'000	2023/24 £'000
Initial Core Grant-in-Aid	230,000 ¹	224,200 ¹	214,200 ¹
In-year Transfers in (ABR/SBR)	4,394	4,626	2,006
In-year Transfers out and Adjustments to GIA		(18,311) ²	(10,000) ²
Total Grant-in-Aid	234,394	210,516	206,206

¹ Excludes non-cash

² Includes cash transferred out of the SDS budget at Autumn Budget Revision (ABR), to ensure the closure of the Employability Fund and the managing and supporting of transferring funding to local government

SDS Budget 2023/24

Grant-in-Aid is 94.1% of budgeted funding, while shared service recharges are projected at 4.6%. European Social Fund income will reduce to 1% with the SDS Strategic Interventions both ended by September 2023.

Due to financial constraints and legal commitments, our opening budget position is a deficit of £2.5m. We intend to eliminate this through in-year efficiency savings and identified budget adjustments.

Our budget will also support continued delivery of our CIAG service, skills investment planning and other initiatives described in this plan.

Anticipated Income 2023/24 – Scottish Government	£'000s
Core Grant-in-Aid (GIA)	214,200
Transfer to ensure closure of Employability Fund	(10,000)
Other Transfers, ABR & SBR indicative GIA	2,006
Total Scottish Government	206,206
Anticipated Income 2023/24 – Other sources	£'000s
European Social Fund income	2,270
Shared Service Re-charges	10,133
Other income	629
Total Other Sources	13,032

Anticipated Income 2023/24	£'000s
Total income from all sources	219,318
Projected Expenditure 2023/24	£'000s
People Costs	90,299
Apprenticeships	98,720
Individual Training Accounts, Teaching Bursaries, Equality & Critical Skills Development, Flexible Workforce Dev. Fund	4,566
Industry, Employer Engagement, Skills Planning	511
Evaluation, Research, Evidence & Impact	717
Digital Delivery and Platforms – My World of Work, FIPS, CSS, Employer Hub	3,692
Enterprise Information Services	7,520
Estates and Enabling Services	5,652
Shared Services	10,133
Initial Working Deficit – Managed in-year	(2,492)
Total expenditure	219,318

Partnership and Collaboration

Partnership working has long been at the heart of SDS, underpinning our work as an organisation. Our corporate values recognise the benefit of combining our strengths with those of others to achieve the best outcomes, and this is evident in all we do.

This year, as we continue to work towards implementation of NSET and delivery of our vision for an agile, dynamic, and employer-led skills and careers ecosystem, effective collaboration with partners will continue to be our approach.

At a national level we work with Scottish Government, our partner agencies, and other stakeholders to join up thinking and action, ensuring greater efficiency and consistency throughout the lifelong learning and skills system. This also helps us to ensure that our work is led and informed by the diverse voices of Scotland's communities and industries.

Regionally, we have dedicated place-based resource to share skills intelligence, and to provide insight and leadership on matters where skills can help drive economic development. While locally, we work with every community planning partnership, local employability partnership, and state-funded school in the country as well as local training providers, colleges and universities, employers, and equality organisations.

Over the coming year, we will work with the Scottish Government and other agencies to understand, shape, and implement public sector reform, while continuing with others, to deliver for Scotland's people and businesses, as set out in our Strategic Plan.

Measuring progress

SDS is committed to demonstrating improved public value and return on investment. To deliver on this requires clear articulation of the outcomes we intend to achieve, and the measures we will use to monitor and report progress towards them.

Our Corporate Performance Framework

The SDS Corporate Performance Framework identifies the performance measures that best demonstrate achievement of our strategic goals and informs our external and internal monitoring and reporting. It is fully aligned to our Strategic Plan, the Scottish Government's National Performance Framework, and the United Nations Sustainable Development Goals, as shown on page 16.

Performance across the business, against targets where appropriate, is reviewed by directors and senior leaders every month and by the Board and its sub-committees every quarter. We are transparent in our reporting and provide regular external performance reports, including an annual performance review, official statistics, and annual accounts. As a provider of official statistics, we ensure the integrity and quality of the data which underpin our systems and performance reporting.

Mapping our performance to national and international ambitions



Skills Development Scotland
11 George Square
Glasgow G2 1DY

www.sds.co.uk

