

Minutes of the meeting

Board Business Meeting (BD)

Date	22 November 2023
Time	10:00 – 15:00
Location	BT Building, Alexander Bain House, 15 York Street, Atlantic Quay, Glasgow, G2 8LA
Present	<p>Frank Mitchell (Chair) (FM) Tracy Black (TB) Beth Corcoran (BC) Sheila Cowan (SC) Dr Mark Dames (MD) Victoria Erasmus (VE) Carol Evans (CE) Nazim Hamid (NH) Prof David Hillier (DH) Graham Hutcheon (GH) Dr Poonam Malik (PM) Margaret McCaig (MMcC) Christine Pollock (CP) Paul Taylor (PT) Damien Yeates (Chief Executive) (DY)</p>
Attendance	<p><u>Skills Development Scotland (SDS)</u> Carolyn Anderson (CA) (item 8) George Boag (GB) (item 10) Chris Brodie (CB) (item 4) Andrew Livingstone (AL) (item 6, 7 and 12) Neville Prentice (NP) (item 8 and 10)</p> <p>Kathleen Nisbet (Secretariat) Christine McCall (Secretariat)</p>
Apologies	David Rankin (DR)

1.	Welcome, Apologies and Declaration of Interest
	<p>The Chair welcomed Board members to the meeting and thanked PT for hosting the meeting.</p> <p>Members noted Eileen Russell’s resignation. The Chair and members recognised Eileen’s contribution to the Board and wished her well for the future.</p> <p>Apologies were received from David Rankin.</p> <p>There were no declarations of interest.</p>
2.	Minute of meeting held on 13 September 2023
	The minute of the meeting of 13 September 2023 was approved without amendment.
3.	Decisions and actions from previous meetings
	The decisions were noted and actions reviewed.
4.	<p><u>Economic and Labour Market Outlook</u></p> <p>CB joined the meeting and referred to the paper circulated which provided members with the latest analysis of Scotland’s Economy, People and Skills. CB presented on the key highlights, the summary being:</p> <ul style="list-style-type: none"> - The economic outlook remained challenging. Forecasters had become more pessimistic in their outlook due to the impact of high interest rates and inflation. It was expected that interest rates would remain elevated for longer than previously anticipated, potentially impacting output into 2025. - Business activity was falling for the first time since January. However, more positively, surveys suggested cost pressures were starting to ease for businesses. - The labour market was loosening as unemployment fluctuated and vacancies had fallen. However, pay pressure remained considerable. - The Employers Skills Surveys showed the increasing challenges businesses were facing in filling vacancies and finding suitably skilled candidates. Investment and provision of training had fallen but, more positively, businesses were experiencing fewer skills gaps. - Challenges with response rates had led to disruption in Labour Force Survey (LFS) official labour market statistics. Looking ahead, the new transformed LFS, due for its first publication in March, would offer richer insights into the labour market. <p>Key discussion points:</p> <ul style="list-style-type: none"> - It was noted that the day’s UK Government budget announcement would probably focus on growth. - The drop in inflation was probably due to a drop in energy prices. However, this area was volatile and could change very quickly and have an impact on inflation. - China’s economy was struggling which has had an impact on Scotland. - Insolvency was an area of the economy worthy of monitoring as there was a rise in Scotland. - These were challenging times for manufacturing sector.

	<ul style="list-style-type: none"> - Challenges associated with Visas (e.g. not being an option for the vast majority of vacancies, impact on international studies at Scottish Universities. This was UK Government led, rather than a Scottish Government (SG) responsibility). - Consideration was needed on whether sectors' challenges were 'lack of people' or 'lack of skills'. <p>Members noted the update provided.</p>
5.	<p><u>Scottish Government Reform Update</u> DY referred to the paper circulated which provided members with an update on the SG Reform. Key updates included:</p> <p><u>Ministerial Statement: Update on Education and Skills Reform - Tuesday 07 November 2023 - Key Points</u></p> <ul style="list-style-type: none"> - Cabinet Secretary confirmed that the Minister will report an update to Parliament on the government's response to Withers by end of calendar year. - Confirmed governance arrangements across education and skills reform, including meeting of Ministers and Chief Executives' forum. - In terms of broader education: <ul style="list-style-type: none"> o Confirmed Regional Improvement Collaboratives (RICs) funding will be transitioned into Teaching Centre of Excellence (which will be housed in a university). o Confirmed consultation was opening around national education body and inspectorate – running until 18 December. o Intent to revert with a further update and full debate about plans next year. <p><u>Wednesday – 15 November 2023 – Education, Children and Young People</u></p> <ul style="list-style-type: none"> - James Withers appeared before the Education, Children and Young People Committee to give evidence on the Independent Review of the Skills Delivery Landscape. He reiterated commentary consistent with the Review recommendations and highlighted the importance of taking time to consider implications, but he stated his view that action was required. <p><u>Thursday – 16 November 2023 – Parliament</u></p> <ul style="list-style-type: none"> - Skills Delivery: Ivan McKee MSP (SNP) asked about planning for skills and training provision – the Minister responded reiterating SG commitment to taking responsibility for skills planning and to developing an approach at the national level. <p>Current understanding was that the Minister intended to make a statement to Parliament updating on the SG's response to the Withers review on 5 December 2023.</p> <p>NH provided an oral update on her meeting with an SG official (Lesley Ward) regarding addressing equality and diversity in workstreams. NH would look to be a 'critical friend' on this area of work. NH advised that she was hoping to hear back soon from SG and would keep the Board up to date with developments.</p> <p>The Chair advised he would contact SG to ascertain where Chairs/Boards would sit within the governance structure of SG Reform, to ensure positive support.</p> <p>Members noted the update.</p>

<p>6.</p>	<p><u>Budget 2023/24 Update</u> AL joined the meeting and referred to the paper circulated which set out the financial report for the period to the end of October 2023.</p> <p>It was noted that the management accounts included the results of a Quarter 2 review which was now incorporated into the financial management system as a rolling forecast. The Executive was investigating actions to close the working deficit. Working capital was at a high point as supplier payments were due in early November, and an ESF payment was expected by the end of November 2023, leaving one further claim to submit.</p> <p>Members recognised the challenges and commended the Executive for their efforts in managing the budget. DH advised that Finance & Operational Performance Committee (FOP) had discussed the current budget position at its recent meeting and highlighted that despite the difficult challenges, performance was still excellent, and the Executive were delivering to plan. However, going forward, further budget cuts would have a real impact on performance.</p> <p>MMcC highlighted that continued effort to manage the ESF claims engagement with SG appeared to be bearing fruit. This had been a dominant matter at the Audit and Risk Committee (ARC) for several years. This was noted as good work by the Executive.</p> <p>Members noted the update.</p>
<p>7.</p>	<p><u>Budget 2024/25 Update</u> AL referred to the paper circulated which set out the draft budget development for 2024/25, reflecting an initial draft, top-down submission from 3 October and subsequent information on 19 October.</p> <p>SG colleagues were not able to provide clarity on available Grant-in-Aid funding or the level of apprenticeship contracting, while staff costs remained subject to pay discussions with our recognised trades unions.</p> <p>SDS had been asked to model flat cash Grant-in-Aid, a 5% reduction and a 10% reduction, and we had assumed apprenticeship starts to remain at a target of 25,500. On this basis, flat cash could take us close to breakeven if we factored in proposed changes and an estimated movement in pension contributions required by the pension provider. It was noted that FOP considered this at its meeting on 14 November 2023. FOP members discussed pensions contributions, noting this was not a year-on-year efficiency and therefore needed to be highlighted as an opportunity for temporary advantage. However, there was a short-term growth in MA liability which should offset this.</p> <p>DY presented on key highlights, including:</p> <ul style="list-style-type: none"> - Cumulative SDS Budget Challenge 2021-24. - Summary SDS Budget Pressures 2021-24. - SG Cuts to SDS' Resource Budget. - Scale of SDS Resource Budget Challenge 2024/25.

	<ul style="list-style-type: none"> - Budget Pressures (sharp increase in MA payments, SG Pay Award – wage inflation, sharp decline in ESF funding, cost of business inflation). - T'27 strategic action to manage budget pressures. <p>Members highlighted that in presentation to SG, the SDS budget needs to be shown in comparison to the overall education and skills budget (£3.4b). SDS had a very small share of the overall budget but made a very positive impact. Presentations should also highlight the impacts because of the removal of programmes (e.g. Flexible Workforce Development Fund).</p> <p>Members enquired as to opportunities to apply for UK Government funds or the possibility of SDS undertaking commercial work. It was agreed that the Executive would investigate this further and report back.</p> <p>It was noted that the Executive would continue to engage with SG and to report to the SDS Board.</p> <p>Members noted the update.</p> <p>TB, DH, and AL left the meeting.</p>
8.	<p><u>Performance Update – Q2 2023/24</u></p> <p>NP and CA joined the meeting and presented to the paper circulated which provided the Quarter 2 Performance report and summary of performance up to 30 September 2023 against our draft Operating Plan 2023/24 and wider Strategic Plan 2022/27 commitments.</p> <p>Key highlights presented included:</p> <ul style="list-style-type: none"> - Operating Environment - Performance Highlights <ul style="list-style-type: none"> o Industry Focused Skills o Inclusive Talent Pool o Invested Employers o Intelligence-Led System - Update – Impactful Organisation. SDS’s rising sickness absence was in line with wider trends. CIPD noted in their Health and Wellbeing 2023 report that the highest level of employee absence from work was being reporting in a decade. It was noted that SDS had many ways in which colleagues’ health and wellbeing at work was supported. There was also a Health and Wellbeing Project reviewing current practices in relation to Sickness Absence Management, and recommendations for future development were underway. <p>It was noted that FOP had discussed the Q2 Performance Report in detail at its recent meeting on 14 November 2023. Members recognised the excellent performance by staff, despite all the current challenges. It was agreed that an all-staff comms be prepared for the Chair/Board to send to employees recognising their hard work and commitment.</p> <p>Members noted the update.</p>

<p>9.</p>	<p><u>Transform 27 (T'27) Update</u> DY referred to the paper circulated which provided an update on the progress of T'27 further to briefings at previous Board meetings and oversight via the Service Development Committee (SDC). Building on the Organisation Effective Review, T'27 was a programme of work designed to enable the implementation of the new Strategic Plan and the transition to a more sustainable operating model by 2027. The paper provided an update on progress, emerging challenges in the operating context shaping the need to transform SDS and an overview of the programme following direction from both the Minister for Higher & Further Education and the Director-General Education and Justice that SDS should continue to progress with the T'27 programme.</p> <p>The Executive continued to progress T'27 whilst sustaining a primary focus on customer needs and maintaining a strong delivery of services for the people and businesses of Scotland.</p> <p>It was noted that a reframing on the next stage of T'27 would be prepared and brought back to the Board.</p> <p>Members noted the update.</p>
<p>10.</p>	<p><u>Cyber Security</u> <u>10.1 Cyber Security – Risk Mitigation Update – SDS</u> <u>10.2 Cyber Security – Risk Mitigation Update – EIS</u> GB joined the meeting. NP referred to the papers circulated which provided (1) an update on EIS cyber risk mitigation and cyber security measures and (2) SDS business-side update on cyber security activity, providing a 'business lens' on recent and ongoing cyber security, resilience, and risk mitigation activity since the last Board update (September 2023).</p> <p>NP presented on key highlights:</p> <ul style="list-style-type: none"> - EIS recently completed/underway actions and look ahead. - SDS recently completed/underway actions and look ahead. - SDS Cyber Strategy Dashboard. <p>In terms of repeated failures by individual staff members in phishing or other tests, Members requested that any proposals for dealing with this were backed up with robust policies and processes. The Executive confirmed that policies and processes had been reviewed and repeated failures would be covered under 'performance' disciplinary procedures.</p> <p>Members noted the update.</p> <p>NP, CA, and GB left the meeting.</p>
<p>11.</p>	<p><u>Equality & Diversity Update</u> NH provided an update, key highlights included:</p> <ul style="list-style-type: none"> - Committee Chairs Equality Forum (CCEF) Key Activities.

	<ul style="list-style-type: none"> - Mainstreaming Equality in SDS Board and Committee Business: 2024 Forward Plan. - Equality Awareness Days – SDS Diversity in Action Week (internal) 4-8 December 2023. - It was noted that the CCEF was able to establish transparency and accountability of equality and diversity matters, and report to the Board, through a range of measures. The Forum sought to achieve an appropriate balance between providing constructive challenge to the Executive and ongoing strategic support, steer, and direction to senior officers. - The Forum had demonstrated that it had delivered its remit within the approved Terms of Reference. <p>Members took the opportunity to thank NH for her support and guidance in leading this work.</p> <p>Members noted the update.</p>
12.	<p><u>ESF – Risk Mitigation Update</u> Members noted the paper circulated (ESF covered under agenda item no.6).</p> <p>Members noted the update.</p>
13.	<p>Papers for Noting</p> <p>13.1 Finance and Operational Performance Committee (FOP) Draft Minute of FOP - 24 August 2023</p> <p>13.2 Audit and Risk Committee (ARC) Minute of ARC – 31 August 2023</p> <p>13.3 Remuneration and HR Committee (RHR) Draft Minute of Special RHR - 8 September 2023</p> <p>Members noted the papers.</p>
14.	<p>Papers previously circulated for approval/noting via correspondence for homologation</p> <p>Members homologated the decision to approve/note the following papers: -</p> <p>14.1 Committee Annual Reports 2022/23 (BD-23-015vc) for noting</p> <p>14.2 Committee Terms of Reference refresh 2022/23 (BD-23-016vc) for approval</p> <p>14.3 Board Standing Orders and Code of Conduct 2022/23 (BD-23-017vc) for approval</p> <p>14.4 Letter from Chair to the Minister (BD-23-018vc) for noting</p> <p>14.5 Board Committee Meeting Schedule 2024-25 (BD-23-019vc) for noting</p> <p>Members homologated the decisions made via correspondence.</p>
15.	<p>Any other business</p>

	The Chair thanked PT for hosting the Board meeting and asked that the Board's thanks be passed on to the BT team.
16.	Close of Board Business Meeting
17.	Date of next scheduled meeting: 21 February 2024, location to be confirmed (10:00-16:00)

KN

November 2023