

Minutes of the Meeting

Board Business Meeting

Date	22 November 2019
Time	10:00 – 15:00
Location	McClelland Room, Monteith House, Glasgow
Present	Frank Mitchell (Chair) (FM) Tracy Black (TB) Donald Boyd (DB) Beth Corcoran (BC) Carol Evans (CE) Nazim Hamid (NH) Margaret McCaig (MMcC) Christine Pollock (CP) Grahame Smith (GS) Tracy Trotter (TT) Damien Yeates (Chief Executive) (DY)
In attendance	<u>Skills Development Scotland (SDS)</u> Carolyn Anderson (CA) Eugene Gallanagh (EPG) Andrew Livingstone (AL) Neville Prentice (NP) Kathleen Nisbet (KN) (Secretariat) <u>Scottish Government (SG)</u> Dominic Munro (DM) Hilary Pearce (HP) item 6.1

1.	Apologies and declarations of interest
	Apologies were received from Willie Mackie. There were no declarations of interest.
2.	Minutes of previous Board Meeting
	The minute of the meeting of 16 August 2019 was approved following slight amendment to the wording for the 'Scottish Government – Ministerial Population Task Force' section (amendment in bold). Scottish Government – Ministerial Population Task Force

	<p><i>This Group would be co-chaired by Scott Wightman, Director for External Affairs and Dominic Munro, Director for Fair Work, Employability and Skills with a membership made up of senior officials from across Scottish Government directorates, CoSLA and agency representatives from National Records Scotland (NRS), Scottish Enterprise (SE), Highlands & Islands Enterprise (HIE), Visit Scotland, Transport Scotland and SDS.</i></p> <p>Before moving on to Board business, the Chair requested that the Chief Executive’s Report (agenda item 5 - specifically the update on Foundation Apprenticeships (FAs) (section 1)), and the Foundation Apprenticeships (FAs)/Graduate Apprenticeships (GAs): Operational Planning for 2020-21 (agenda item 6.4), both be deferred. Additional clarification from SG on the volumes of FAs and their definitions resulted in these agenda items needing to be revised/updated (and in line with Ministerial guidance) and agreed between SG and SDS executive before distributing an updated paper to the Board.</p> <p>The Board agreed to defer the items and noted that an updated CE Report (section 1 FAs) and ‘FA/GA Operational Planning for 2020-21’ paper would be circulated in due course.</p>
3.	Matters Arising (Decisions and Actions from previous meeting)
	Decisions and actions from the previous meeting were noted.
4.	Chair’s Report
	<p>The Chair highlighted key activities since the last Board meeting:</p> <ul style="list-style-type: none"> - progress in terms of joint work between SDS and Scottish Funding Council (SFC) flexible fund system; - going forward there would be joint quarterly meetings between both SDS and SFC Chairs with relevant Ministers to address implications/challenges which impact on differing ministerial priorities; - SAAB Group Board – recent meeting had been very positive with a presentation from GAs. Feedback was positive with industry indicating growing demand for GAs. In terms of the presentation there was a real sense that the programme had been transforming/lifechanging for the individuals involved and that GAs were meeting employer needs. There was a positive announcement confirming that going forward industry would be responsible for shaping standards which was a great step forward; - update on SDS Board member appointments process; - Convention of Highlands and Islands (CoHI) – update on attendance at the recent CoHI. The Chair advised that there was strong support for SDS highlighting the positive feedback with the Western Isles Charter and interest from other Local Authorities (LAs) to jointly work with SDS to form their own Charters; - Scottish Apprenticeship Awards – the Chair thanked SDS teams for the organisation of a great event. The event provided the opportunity for apprentices to highlight the positive impacts apprenticeships have had on their lives and this was just a small percentage of the overall numbers of apprentices in Scotland. It was also positive to see the strong employer support and the event showcased the best of Apprentices, Employers and Trainers of the Year; - Board member feedback – the Chair highlighted a number of continuous improvement actions following Board member appraisals. <p>Members noted the update.</p> <p>The Chair also took the opportunity to highlight to members the various awards won by SDS which were on display in the meeting room. These included: Herald/GenAnalytics Scottish Diversity; HR Network; Stonewall; Pride.</p> <p>Members congratulated the teams involved for their efforts and well-deserved achievements.</p>

5	Chief Executive's (CE) Report
	<p>DY referred to the paper circulated which provided an update for Board Members on the key activities undertaken by the Chief Executive since the last meeting of the SDS Board. The report was provided as background information for Board Members.</p> <p>As discussed at the start of the meeting, the Board agreed to defer the FA update within the CE's Report and noted that an updated paper would be distributed in due course (section 1).</p> <p>Key updates provided in the paper included:</p> <ul style="list-style-type: none"> - European Structural Funds - Population and Talent Attraction - SDS Draft Budget 2020/21 - Scottish Apprenticeship Awards - Graduate Apprenticeships 2020/21 <p>Key discussion points included:</p> <ul style="list-style-type: none"> - DY expressed his thanks to all the staff involved for the delivery of the Apprenticeship Awards. DY highlighted that SDS consistently challenges itself and all are fully committed to achieving the Deputy First Minister's (DFM) ambitions. MMcC enquired as to what was in place to recognise/celebrate staff success. CA provided detail in relation to the 'Chair's Award' and the 'Everyday Leadership Award' where staff nominated individuals/teams for recognition. Members agreed that the very successful Your Views results were down to the work of the whole organisation; - Members highlighted the high level of PACE activity and gave credit to SDS in managing this however asked if there was adequate resource to deal with the increase. DY provided members with assurance advising that SDS had a good handle in terms of workforce planning to deal with current level of PACE activity Members recommended that the executive consider options for capturing/tracing outcomes of PACE interventions to help inform future strategic discussion; - Members congratulated the executive in terms of the response rate and high-level results of the 2019 Your Views survey. CA provided detail in relation to why response rates continue to be high and increasing year on year e.g. good TU relations, engagement with staff and ensuring their involvement in shaping solutions, access to Learning and Development, more fulfilment at work. <p>The Chair referenced the economic downturn highlighting peaks in job market, macro impacts, etc and recommended that at a future Board meeting the executive present to members scenarios (implications on sectors and regions, impacts on SDS services and how to address).</p> <p>Members noted the paper and that the FA update (section 1) was deferred and that an update would be distributed in due course.</p>
6.	Strategy, Policy and Operations
	<p><u>6.1 ESF Update – Scottish Government (SG) Pre-Suspension and SDS Programme Operations</u></p> <p>EPG referred to the paper distributed and presented on key highlights, including:</p> <ul style="list-style-type: none"> - on 15 November 2019, the SG entered formal Suspension. In a letter to Lead Partners on 14 November, the SG Deputy Director for European Structural Funds and State Aid advised this constitutes "essentially the formalisation of the previous

pre-suspension status and does not materially change the delivery of the ESF programme by Lead Partners". SDS had been given clear direction that we had to continue to pay Delivery Agents;

- payment from EUMIS for verified claims was still suspended;
- SDS had assurance from SG officials that the impact of suspension would be ameliorated by a cash advance in March 2020.

HP advised that the update presented in the paper clearly set out the current position. HP highlighted key points:

- in terms of the formal suspension, the European Commission (EC) had not confirmed that SG had addressed all issues in the audit;
- HP was absolutely satisfied with the systems and processes and work in practice. Since taking up her post in May, she was assured that SDS were doing what the SG had asked in terms of systems and processes, following requests from the EC;
- there was no firm date for SG's suspension to be lifted;
- there was not a technical difference between pre-suspension and suspension for SG;
- SG audit work may be audited by the EC and it was difficult to say if this would be done and length of time it would take;
- the SG Managing Authority had asked Ministers to pay claims verified on EUMIS with immediate effect (at SG risk) and a decision was expected from Ministers imminently;
- HP added that SDS teams had been extremely helpful in working to substantiate unit costs.

DB highlighted that as a Limited Company SDS had a responsibility to our suppliers and as Directors we should ensure we have a guaranteed 'formal' cash call from SG. DM highlighted that the letter does not use the same wording and that it would need to be looked at again if SDS were seeking 'statutory wording'.

The Chair advised that we need to be clear in cashflow forecasting between SDS and SG and that the forecast to SG would now need to include a longer timeline (perhaps another two years). A measure of realism was required as the cashflow situation was going to carry on and therefore it would be prudent for SG officials to advise Ministers.

Members noted the strong endorsement from the SG's Managing Authority for support from SDS and quality of information provided to meet EC requirements. The Chair also gave thanks to the SG Sponsor Team for developing a mechanism to underwrite the risk, adding that this did not take away from SDS continuing to do all it can to help resolve the matters, and thanked HP for attending the meeting to provide an update.

6.2 Strategic Board Update

GMcG, JC and DC joined the meeting.

DY presented the item advising that the Board would be updated on three items under 'Scotland's Workforce Productivity' (i) Business Models and Productivity Innovation Update, (ii) Financial Incentives to Upskill/Reskill and (iii) In-Work CIAG.

Business Models and Innovation and Workplace Innovation (BM&WI) Update

GMcG presented. Key highlights included:

- Key components of workplace innovation
 - o development of a new inter-agency service that aims to support and enable the widespread adoption of high performing workplan practices across all businesses in Scotland;

- 'peer to peer' approach, so that promotion and adoption is led by industry for industry
 - building on new or existing services, support will be provided to those businesses looking to adopt and implement high performing work practices;
 - core principles of the Fair Work Convention will be implicit and explicitly through the programme of delivery;
- Service Offer Framework.

GMcG advised of the actions, which included an awareness campaign, proactively identifying sectors/firms and a programme of BM&WI activity, to be co-ordinated and driven by a new inter-agency division.

Financial Incentives to Upskill/Reskill

JC presented advising that the Service Development Committee considered a paper on this at its meeting in October on the challenges and opportunities. Key points included:

- development of a large scale offer to support upskilling and reskilling at the levels we anticipate would be required to thrive in Scotland 2035;
- the approach would review both the nature of interventions and the financial instruments to incentivise both employers and employees;
- the scope would include ITAs, TTF, FWDF, emerging policy ideas such as the 'Skills Wallet';
- aim was to provide a 'stratified' highly efficient, responsive and targeted set of offers to address future scenarios.

In-work CIAG

DC presented. Key components highlighted:

- development of a new, enhanced, 'in-work' CIAG service for individuals with a focus on supporting workers to act in advance of future disruption;
- the scope would include key lines of enquiry into the translation of CMS (Career Management Skills) / My Wow as a core service offer, understand future demand; developing foresight around occupational change; understand employee motivations;
- the approach would review the nature of CIAG service interventions and the most effective mode of service delivery: digital – contact centre – 'face to face';
- build a national in-work CIAG service which facilitates workers to act in advance of change; seek advice; commit to upskilling; leading to positive transitions from occupational areas in decline into growth areas.

DC advised that SDS were currently in the early discovery phase and would start developing a service offer between now and March.

Members noted the updates provided and the ambitions however recognised the enormous tasks with their own issues (e.g. culture and capability issues, a 'new' way of doing this, political buy-in, etc) and that SDS could not solve everything.

DY noted the comments and advised that these would be taken on board. The Service Development Committee would be kept fully up to date with developments with appropriate updates given to the Board. DY also reiterated that it should not be public sector led but instead industry informed.

The Chair advised that these would not be easy asks and we had to bear in mind different employer views out there, individuals who want this and those who are not aware. The Chair requested that an update on activity be submitted to the Board in six months time.

GMcG, JC and DC left the meeting.

6.3 Skills Alignment/Workplan Overview

MW joined the meeting and presented on the Skills Alignment High Level Plan. Key highlights included:

- Key priorities:
 - o Evidence Baseline and Evaluation Framework
 - o Demand Statement, Provision Plan and Recommendations
 - o Pilots and other Priority Projects (including FA and GA Hybrid Model)
- Key dependencies
 - o Feasibility work – data collections, data systems development, analytics, tooling, etc (SDS and SFC)
 - o Outcome Agreements Review
 - o Funding Model Review
- High Level Plan Timelines.

MW provided assurance to the Board that the programme was moving forward and that updates would be presented back to the Board.

It was noted that the proposed resolution of the Hybrid Model for FA/GA funding for 2020-21 was expected by January 2020.

The Board thanked MW for her detailed update and noted the good progress made to date.

MW left the meeting.

6.4 Foundation Apprenticeships/Graduate Apprenticeships: Operational Planning for 2020-21

As discussed at the start of the meeting, the Board agreed to defer the item and noted that an updated 'FA/GA Operational Planning for 2020-21' paper would be distributed in due course.

6.5 Population and Talent Attraction: Emerging Propositions

CB joined the meeting.

DY introduced the item highlighting that this leads in to several SG directorates and that CB had recently presented on this at the Convention of Highlands and Islands. The data was giving concern and there was an expectation that SDS and Scottish Enterprise (SE) consider a national intervention campaign.

CB presented, highlighting key points:

- Ministerial Task Force established to co-ordinate current and new activity to address Scotland's population challenges;
- Working Group set up (under Ministerial Task Force);
- SG have identified broad policy aims/outcomes of:
 - o Growing the working age population
 - o Dispersal of benefits of population growth across Scotland's urban and rural regions
- underpinned by targeted Talent Attraction / In-migration service;
- some work had been undertaken (evidence base, what other countries are doing);
- Scotland's demographic challenge and population growth;
- addressing population change and anchoring and attracting talent.

	<p>DM advised of the Ministers on Task Force (link to SG page re membership) In addition to key agencies around half of SG directorates were also involved and there needed to be joined up thinking about the future of Scotland in decades from now and the future of the economy and society. When thinking about purpose of the Board, SG thought about a comprehensive look at drivers e.g. housing bearing on population change. Ministers were aware of the issues including population, productivity, participation, etc.</p> <p>Members noted that as the objectives had not yet been fully agreed, there could be an opportunity to highlight areas for consideration e.g. participation – upskilling/reskilling would be relevant. It was also noted that the scale of possible implications was not yet fully known e.g. tax implications. It was agreed that consideration be given to inviting John Ireland, Chief Executive of the Scottish Fiscal Commission to a future meeting to present on the economic outlook.</p> <p>Members thanked CB and DM for the update, noting that future updates would be provided.</p> <p>CB left the meeting.</p>
7.	Performance and Finance
	<p><u>7.1 Finance Update</u></p> <p><u>7.1.1 Finance Report (including Management Accounts) up to end October 2019)</u> AL referred to the report circulated which provided a finance report, and management accounts, for the period to the end of October 2019, highlighting key points.</p> <p>Members noted the update and that accounts were on target for close to a balanced budget.</p> <p><u>7.1.1 Challenges to Pension Scheme Transitional Arrangements</u> AL provided an oral update in relation to discussion at the recent Remuneration and HR Committee (RHR) on significant pension issues.</p> <p>AL provided an update on actions taken by SDS, and our current understanding of issues, in relation to the McCloud judgement and associated pension matters. He noted that the Sargeant Case, brought by firefighters, and the McCloud Case, brought by members of the judiciary, had been joined together and the judgement, as McCloud, had found against the UK Government. The finding was now considered to apply to all public sector workers and established that age-based transitional arrangements for public sector pension schemes changes in 2015, was discriminatory, and could be considered so based on age, race and gender.</p> <p>The UK Government was now preparing to deal with the implications of the judgement, and it was estimated that this could cost £4Bn per annum. SDS had sought actuarial advice resulting in a provision of £4.9M in the 2018/19 annual accounts, and technical advice had been sought regarding budget cover from the Scottish Government.</p> <p>Additionally, SDS had a separate matter under consideration whereby employees, who could benefit under the transitional arrangements which McCloud challenged, appeared to be receiving reduced benefits, contrary to assurances given at the time of changes to the schemes. SDS had made a formal appeal to the Scottish Public Pensions Agency, who were awaiting guidance from the Scottish Government and UK Government. SDS had communicated with staff affected.</p> <p>Members noted the update and that RHR would be kept informed of developments.</p>

7.2 2020-21 Budget Forecast

AL advised that budget discussion had taken place with the Finance and Operational Performance Committee (FOP) however as yet the executive was not in a position to provide final draft for consideration.

DM advised of the unprecedented position in relation to budget announcements. As the SG does not have rollover provision like the UK Government, SG cannot wait too long (late January/early February at the latest) and as a result may have to announce before the UK Government.

DM advised that funding remains very tight (advice from Treasury) so the SG are still planning on the assumption that there will be no additional budget. In order to get to a balanced budget there would need to be budget savings across all portfolios. Furthermore, it was likely that it would be a one-year exercise and not multi-year.

DY informed members that there was good fluency between SG and SDS and detailed discussions continued. FOP and the Board would be kept fully up to date with developments.

Members noted the update.

7.3 Corporate Risk Register and Support Protocols Review

Members noted the paper circulated and that the majority of the corporate risks had been discussed as part of the overall Board agenda.

In terms of corporate risk no.4 (if any of the agency EIS partners do not fully understand and fulfil their individual and specific responsibilities for the integrity and security of all of their information and technological systems and processes for their whole organisation (not just the EIS managed estate), they will not develop a complete and mature response to Cyber Security nor Disaster Recovery), this arose out of a recent Ernst & Young audit.

It was noted that although EIS were undertaking some work, it was not looking at the whole estate of the partners and in fact ultimate responsibility for this work lay with the individual agency CEOs/Boards. A quote for a 'maturity assessment' for each of the partners was currently being sought.

To ensure that there was no abdication of each of the partners' responsibility, it was recommended that DB (as Chair of ARC), meet with each of the partners' Chairs of ARC to look at and discuss this matter.

GS commented that in his opinion there were significant other risks for SDS. Lack of funding was an obvious risk however consideration of unrealistic expectations and fundamental transformation in the skills system should be highlighted too. DY advised that over the last 10 years SDS had produced efficiencies providing more for less and that it may be worthwhile to do a case study on where we are now compared to SDS inception e.g. MyWoW. However, that brings expectation that you can continue to reduce budgets but still deliver a high-quality service, which is unrealistic. The Chair agreed however recommended that what we have done is evidenced in the Corporate Risk Register.

7.4 Performance Report (Q1 2019-20)

NP referred to the report circulated highlighting key points and advising that FOP had considered the report at its recent meeting.

Members noted the report.

8.	Governance
	<p><u>8.1 Remuneration and HR Committee – Draft Minute of RHR 5 September 2019 (including Fair Work in the Enterprise and Skills Agencies)</u> BC reported on key points discussed at the RHR Committee on 5 September 2019 including: 2019-20 pay negotiations update, HR Policy Rollout update, Fair Work at SDS Update, Young Talent Recruitment update, People Management Transformation Progress update, SDS Academy Developments and McCloud Judgements – Implications for Pensions update.</p> <p><u>8.2 Audit and Risk Committee – Draft Minute of ARC 19 September 2019</u> DB reported on key points discussed at ARC on 19 September 2019 including: ESF update, Cyber Security update and internal and external audit updates.</p> <p><u>8.3 Scottish Apprenticeship Advisory Board – Group Board – Draft Minute of SAAB GB 10 October 2019</u> Members noted the minute (and update provided under Chair’s Report).</p> <p><u>8.4 Service Development Committee – Draft Minute of SDC 17 October 2019</u> CP reported on key points discussed at the SDC on 16 July 2019 including: upskilling/reskilling update (including possible roundtable discussion with SAAB), in-work CIAG (members expressed some concerns regarding expectations), Digital Enablement Programme update (members encourage the executive to seek external recognition) and Targeted Critical Friend update on equalities industry engagement in schools.</p> <p><u>8.5 Finance and Operational Performance Committee – Minute of Special FOP 29 October and update from FOP 12 November 2019</u> CP reported on key points discussed at FOP on 12 November including: ESF quarterly update (as part of financial monitoring), SDS/SFC joint work on expansion of funding model and Brexit update. CP highlighted that Willie Mackie had thanked FOP members for their commitment over the year in particular for accommodating special Committee meetings, including the special meeting on 29 October to consider volume starts for Graduate Apprenticeships in 2020.</p>
9.	Papers for Noting
	<p><u>9.1 Minute of FOP – 6 August 2019</u> Members noted the minute of the FOP meeting of 6 August 2019.</p>
10.	Any Other Business
	<p><u>10.1 Brexit Update Paper</u> NP advised that an update paper would be sent out to members this week for their information.</p> <p><u>10.2 WBL Scotland Ltd</u> AL referenced previous updates to the Board and confirmed that WBL Scotland Ltd had now been dissolved (19 November 2019).</p> <p><u>10.3 Board Member Remuneration</u> The Chair thanked DM for his assistance in alignment of the day rate with the Scottish Funding Council.</p> <p><u>10.4 Equality Advisory Group</u> NH provided an oral update on developments advising that she had a follow up meeting next week with Katie Hutton and Fergus McMillan.</p>
11	Next meeting:

<p>The Chair advised that the February meeting would be rescheduled to March to include a Board Strategy Work day. The Chief Executive Office's would be in contact to provide details.</p>

KN, December 2019