

# Minutes of the Meeting

## Board Meeting

<b>Date</b>	12 May 2020
<b>Time</b>	09:30 to 11:30
<b>Location</b>	Skype
<b>Present</b>	<p>Frank Mitchell (Chair) (FM)  Tracy Black (TB)  Donald Boyd (DB) (part)  Beth Corcoran (BC)  Dr Mark Dames (MD)  Dr Carol Evans (CE)  Nazim Hamid (NH)  Prof David Hillier (DH)  Willie Mackie (WM)  Dr Poonam Malik (PM)  Margaret McCaig (MMcC)  Christine Pollock (CP)  Eileen Russell (ER)  Grahame Smith (GS)  Paul Taylor (PT)  Tracy Trotter (TT)  Damien Yeates (Chief Executive) (DY)</p>
<b>In attendance</b>	<p><u>Skills Development Scotland (SDS)</u>  Chris Brodie (CB)  Eugene Gallanagh (EPG)  Katie Hutton (KH)  Andrew Livingstone (AL)  Neville Prentice (NP)  Maggie Wightman (MW)</p> <p>Kathleen Nisbet (KN) (Secretariat)</p> <p><u>Scottish Government (SG)</u>  Oonagh Gil (OG)  Colin Robertson (CR)</p>

<b>1.</b>	<b>Apologies and declarations of interest</b>
	There were no apologies received.  There were no declarations of interest.
<b>2.</b>	<b>Minutes of previous Board Meeting</b>
	The minute of the meeting of 27 March 2020 with slight amendment (amend to note Willie Mackie's attendance).
<b>3.</b>	<b>Matters Arising (Decisions and Actions from previous meeting)</b>
	Decisions and actions from the previous meeting were noted.  In terms of action BD-19-A-031, the following update was noted: The terms and circumstances of the provision of such an allowance was reviewed and discussed at the Remuneration & HR Committee (RHR). Given the temporary nature of remote working RHR agreed that it was not currently a requirement to consider this allowance in context of HMRC provision.
<b>4.</b>	<b>COVID-19</b>
	<p><u>4.1 COVID-19 Report</u> EPG and NP referred to the paper circulated. Key highlights included:</p> <ul style="list-style-type: none"> <li>- Staff Well Being <ul style="list-style-type: none"> <li>o COVID-19 Impact on staff is low</li> <li>o HR tracking any absence &gt; 7 days via people managers</li> </ul> </li> <li>- Business Continuity Plan Update <ul style="list-style-type: none"> <li>o SNIMT meeting twice weekly – move to Reset and Restart</li> <li>o Developing return to work scenarios with social distancing</li> <li>o 3 Workstreams – People; Service Delivery &amp; Premises &amp; Facilities</li> <li>o TU engagement this month</li> <li>o Cross E&amp;S Agency cooperation with similar plans</li> <li>o Pandemic impact on SDS capacity low (reduced hours logged by 96 staff)</li> </ul> </li> <li>- COVID-19 Crisis – Service Update <ul style="list-style-type: none"> <li>o Targeted toward at risk school pupils and school leavers</li> <li>o Next Steps customers (targeted support 15 to 18.5. and up to 26 for care experienced)</li> <li>o Individual PACE support – proposal for retail model</li> <li>o Web / Telephony support for all adults, parents and school pupils.</li> <li>o Work Based Learning: support for Apprentices on programme, drive up learner engagement and support training Providers and Employers</li> </ul> </li> </ul> <p>DY advised members that work was underway within SDS regarding 'return to work' plans and the Board would be updated on the development/implementation of these.</p> <p>Members noted the update.</p>
<b>5.</b>	<b>Strategy, Policy and Operations</b>
	<p><u>5.1 'Keep Scotland Working' – Preparing for the 'new normal'</u> The Chair introduced the item and referred to the documentation circulated which included (i) Economic &amp; Labour Market Evidence (ii) Discussion Paper and (iii) Summary Action Plan that sets out our thinking and the priorities we believe we need to address to 'Keep Scotland Working'.</p>

The Chair highlighted that he wanted to make this matter a key priority. His own view, was the approaches in the late 1970s early 80s economic recessions, led to people being unemployable, particularly young people. Also, prior to the COVID-19 crisis, SDS was consumed by our nation's demographic outlook, a shrinking working age population, vulnerable rural communities, persistent skills shortages, a tightening of migration arising from BREXIT and the provision of the critical skills needed to propel Scotland's economy. Clearly these underlying challenges in the Scottish labour market had not gone away and if anything, this COVID-19 crisis had served to accelerate the disruptive impacts of industry 4.0. Creating the new normal would require a seismic shift in what we expect, in what we endure and in how we adapt.

The SDS Chair and Executive, together with a broad range of industry partners, had reviewed the economic forecasts, future economic scenarios and the underlying performance of Scotland's labour market. The evidence, discussion paper and summary set out how SDS could work with the Scottish Government, industry, trade unions and other partners to meet the severe economic challenges that the COVID- 19 crisis presents to Scotland's workforce and our young people. In turn, the Chair had written to the Deputy First Minister (DFM) providing the documentation and offering support. DFM had responded, welcoming the proposal and the establishment of a dynamic, focussed short life action group to develop a range of detailed options to support and protect Scotland's workforce. The DFM recognised that it was vital that this Group was based on strong collaboration comprising representation from a range of partners and that there was a real opportunity for this Group to build on the great strides that had been made in ensuring greater alignment and collaboration across the skills system under the Enterprise and Skills Strategic Board.

DY, CB and MW presented a high-level overview. Key highlights included:

- COVID-19: Scotland's economy – impact and recovery
- COVID-19: Scotland's economy – impact on business and people
- COVID-19: Scotland's economy – impact on sectors
- COVID-19: Scotland's economy – impact on regions
- Emerging areas of focus for the skills system
- Summary framework for action

DY explained that the action plan had been brought together at speed but gives a grave warning of a serious crisis in the Labour Market. Members should also bear in mind that we still need to get a full understanding of real time evidence and the need to be flexible to respond. The proposition was not set out as an SDS only proposition but more so as a catalyst for system change.

The Chair advised of next steps:

- Immediate follow up with DFM to progress short life working group;
- Continue to track economic and labour market trends;
- Follow up discussions with broad range of industry partners;
- Set up a short life working group comprising of appropriate representatives from industry, the Scottish Apprenticeship Advisory Board, Trade Unions, DYW and other partners (building on the outline proposals, the group would report directly into the Minister and would work to rapidly develop a range of detailed options for the Minister to support and protect Scotland's workforce).

	<p>Members welcomed the proposition and supported the action taken to date. Extensive feedback and comments were provided by members (collated by secretariat) which would be taken on board. CR added that SG also welcomed the approach and recognised the work undertaken at pace. SG would be the ‘inter- locker’ regarding economic response advising that there were 4 phases broadly over the next 12-18 months.</p> <p>The Chair thanked everyone for their input.</p> <p>Members noted the current position and that updates would be provided on progress.</p>
<b>6.</b>	<b>Finance</b>
	<p><u>6.1 Finance Updates</u>  EPG referred to the paper circulated. Key highlights included:</p> <ul style="list-style-type: none"> <li>- End of Year Financial Review 2019-20 <ul style="list-style-type: none"> <li>o Income £255.3M, £5.7M below Budget</li> <li>o ESF delays NTSF Phase 1.2 and NTSF Revenue claims lower due to the Prince’s Trust</li> <li>o Expenditures £253.6M, £5.8M below Budget, NTSF £4M, EF £0.7M, WBL Development and Support (Standards &amp; Frameworks &amp; Equalities Training impacted by COVID-19) £1.1M, Estates Rationalisations £1.2M and higher people costs due to Voluntary Severance.</li> <li>o Surplus for the Year £1.6M split £0.3M Resource and £1.3M Capex</li> <li>o £5M efficiency challenge from Scottish Government delivered £5.7M</li> </ul> </li> <li>- 2020-21 Budget Update <ul style="list-style-type: none"> <li>o 27th March Board approved budget with £3.4M known total pressure</li> <li>o Interim Letter of Guidance 2020-21 and Grant in Aid letters now received</li> </ul> </li> <li>- ESF Payments and Scottish Government Assurance Update <ul style="list-style-type: none"> <li>o Progress resolving audit issues slow</li> <li>o SG Managing Authority resources depleted due to SG COVID-19 response.</li> </ul> </li> </ul> <p>Members noted the update.</p> <p><u>6.2 Ministerial instruction for pre-payments to training providers. SDS proposals, process controls, payment assurances and residual risks</u>  KH referred to the paper circulated and presented an overview. Key highlights included:</p> <ul style="list-style-type: none"> <li>• COVID-19: Relief Arrangement</li> <li>• Inherent Instruction Risks</li> <li>• SDS Risk Mitigation/Stewardship of Funds</li> <li>• SDS Controls – Application</li> <li>• SDS Controls during Relief and Pre-reconciliations</li> <li>• SDS Controls – Post-COVID-19 Period</li> </ul> <p>The Chair advised that a special ARC meeting had been held the day before to:</p>

	<p>a) Review and confirm that the SDS executive had taken all possible steps to surface, communicate and mitigate risks arising from the Ministerial instruction and within the constraints of the Scottish Government (SG) direction;</p> <p>b) Consider if there were any additional measures that are open to SDS to further strengthen eligibility, our payment controls and payment assurance; and</p> <p>c) Provide a formal record of the scrutiny and advice to the Board at its meeting on Tuesday 12 May 2020.</p> <p>DB, Chair of ARC, provided feedback from the previous day's meeting. Key highlights included:</p> <ul style="list-style-type: none"> <li>- ARC reviewed the Ministerial instruction; scrutinised the SDS Executive's response; considered the full range of controls and risk mitigation. All agreed that the risk was very high however all agreed that there are no additional measures SDS can apply given the scope of the Ministerial instruction.</li> <li>- As an additional oversight action, Internal Audit would undertake a review of the SDS Executive decision making and provide an independent view.</li> <li>- Additional actions would be taken to assess the ESF risks and potential breaches to EU procurement rules. This would require formal advice from the SG EU Structural Funds Team.</li> <li>- ARC recommended that the SDS Chair send a final letter to the Minister setting out the grave concerns.</li> </ul> <p>Board members expressed concerns about the level of financial risk associated with the proposed pre-payment scheme to Training Providers and Employability Fund providers. SDS would exhaust all avenues to provide assurances around eligibility, however it is probable that not all training providers would survive the economic impact of COVID-19 and therefore payments would likely be made for services not provided and losses would be incurred. Despite taking significant saving opportunities, SDS was already operating with a known budget gap of £3.4m, therefore had no financial headroom to absorb losses from this prepayment scheme. It was also noted that pre-payment schemes contravene the Scottish Public Finance Manual guidance and accordingly the implementation of pre-payment schemes required formal dispensation from SG. To date this has not been received.</p> <p>The Board agreed that the SDS Chair would write to Mr Hepburn to set out the views of the SDS Board to allow SDS to move forward with the Ministerial instruction.</p>
7.	<b>Governance</b>
	<p><u>7.1 Committee Minutes</u> Members noted the Committee minutes.</p> <p><u>7.2 Review of 2019-20 End of Year Performance Report</u> Members noted the paper.</p> <p><u>7.3 Scottish Government Interim Letter of Guidance 2020-21</u> Members noted the Interim Letter of Guidance 2020-21.</p> <p><u>7.4 Papers previously approved/noted via correspondence</u> Members homologated the papers previously circulated for approval and those circulated for noting.</p>

<b>8.</b>	<b>Any Other Business</b>
	There was no other business.
<b>9.</b>	<b>Next meeting:</b> 18 August 2020

KN, May 2020