

Minutes of the meeting

Board Business Meeting (BD)

Date	17 November 2022
Time	09:30 – 15:35
Location	McClelland room, Monteith House, Glasgow
Present	<p>Frank Mitchell (Chair) (FM) Sheila Cowan (SC) Dr Mark Dames (MD) Dr Carol Evans (CE) Nazim Hamid (NH) Prof David Hillier (DH) Poonam Malik (PM) Christine Pollock (CP) Paul Taylor (PT) Damien Yeates (Chief Executive) (DY)</p>
Attendance	<p><u>Skills Development Scotland (SDS)</u> Andrew Livingstone (AL) Neville Prentice (NP) Chris Brodie (CB) (item 8.1 and 8.3)</p> <p>Kathleen Nisbet (Secretariat) Christine McCall (CMcC) (Secretariat)</p> <p>Jamie Hepburn MSP (item 2) Helen McGillivray, Scottish Government (item 2) James Withers, Independent Reviewer (item 3) Edward Orr, Skills Delivery Review Secretariat (item 3)</p>
Apologies	<p>Tracy Black (TB) Beth Corcoran (BC) Margaret McCaig (MMcC) Eileen Russell (ER)</p>

1.	Apologies and Declaration of Interest
	<p>Apologies were received from TB, BC, MMcC and ER.</p> <p>There were no declarations of interest.</p>
2.	Minister for Higher / Further Education, Youth Employment and Training – Jamie Hepburn MSP
	<p>The Chair welcomed Mr Hepburn to the meeting.</p> <p>Mr Hepburn thanked the Chair for providing the opportunity to attend the Board. He thanked SDS for their work, particularly during these challenging times.</p> <p>Mr Hepburn discussed the Independent Review and advised that he discussed this with the Chair on the day it was announced. It was not possible to provide advance notice of this due to the parliamentary process.</p> <p>Mr Hepburn provided background and advised that the process was to better align the system’s core purpose at an individual and societal level. The Review included not only SDS but the Scottish Funding Council, Training Providers, Universities, and Colleges. The aim was to have a system that was more straightforward for businesses and individuals. Mr Hepburn was grateful for the executive teams and the collaborative work between SDS and SFC on the Shared Outcomes Framework.</p> <p>Following a discussion with the Cabinet Minister, Shirley-Anne Somerville, it was decided to ask someone independent to look at the system and how things could be done better. This would lay out achievements and the progress made which was a success story. All decisions would be based on strong foundations.</p> <p>SDS was set up in 2008/09 and the process had not been reviewed since. With no statutory instrument establishing SDS, this Review was the right approach, in his view. It was entirely independent with agreed Terms of Reference.</p> <p>Mr Hepburn advised that James Withers had informed him that he has had excellent engagement with SDS. He thought the Review was an opportunity for SDS to provide James Withers with as much information as possible.</p> <p>MD highlighted the untapped demand for apprenticeships and asked Mr Hepburn what assurances he could give that the Scottish Government (SG) was considering this. Mr Hepburn responded by congratulating SDS on the strong recovery from the challenging pandemic period. Mr Hepburn explained the challenges faced, considering the context of a reduced budget, and trying to grapple with how to work towards the manifesto pledge of 30,000 apprenticeships per year. The reality, now and the next financial years was that there might be elements of unmet demand. Mr Hepburn highlighted that this year’s Letter of Guidance request was 25,000 apprenticeships. How to meet skills shortages needs would need to be looked at across the system.</p> <p>SC asked Mr Hepburn, as a new SDS Board Member, if he could advise her of his vision for the skills system. Mr Hepburn advised that it should be system</p>

focused – responding to the nature of facts, economic change, demographics, people living longer, sustainable sectors, transitioning from one sector to the next and a flexible and adaptable system; a system that responds quickly through developing new frameworks and new colleges and universities courses.

The Chair highlighted that SG funding for skills was in the top quartile, however, Scotland was in the third quartile in terms of productivity. There needed to be more dynamic offers, for example through short sharp upskilling. Mr Hepburn advised that he agreed and highlighted the National Strategy for Economic Transformation (NSET) and lifetime skills.

PT observed that currently, demand was outstripping supply and asked Mr Hepburn what specific short-term actions SG were considering. Mr Hepburn agreed that there was a skills gap and there was a need to ensure the skills system was providing opportunities and steering people there. He highlighted that enhanced employer engagement within schools was now mature and operating (Developing the Young Workforce). There was also a people shortage, particularly challenging in the hospitality and social care sectors, which the government were trying to solve.

DH advised that on the back of SDS' EFQM 7 Star award and the recent Organisational Effectiveness Review (OER), it was difficult to understand the reasoning for review. It was good to have a review; however, he was interested in the Minister's term 'system' as this was more than SDS. The new Strategic Plan – Skills for a Changing World understands SDS as a small part of a system. Mr Hepburn advised the Review was not an exclusive focus on SDS. Mr Hepburn highlighted that he relied on SDS as a delivery agency because people on the ground needed services. As it was an independent review, Mr Hepburn would not know what the recommendations would be. The recommendations would have to be considered and nothing was pre-determined. Mr Hepburn highlighted that he had responded positively to the SDS's new Strategic Plan.

CP advised that she was pleased to hear Mr Hepburn was supportive of SDS and assured him that he had a very committed Board. As non-executives, the Board was accountable for the SDS Strategic Plan and its alignment with the manifesto. SDS had been agile, flexible and quick in producing new products when needed.

PM asked what the SDS Board's role would be in discussing the recommendations. NH advised that due to budget reductions SDS was going to be losing out and the position with budgets cannot confirm a positive change.

Mr Hepburn recognised that there would need to be difficult discussions around budgets and this was why we needed to have a robust mechanism to consider informed discussions. Mr Hepburn highlighted again that this was not an 'SDS' review. There had been work undertaken on tertiary education and the Career Review and this would not be part of the review. Mr Hepburn advised that he had the same concerns as NH and he was trying to be candid about the budget challenges. UK Government had set parameters on what could be spent and Scottish Government had sought to invest on an informed and smart basis. He advised that he would receive recommendations from James Withers and SG would respond. There would be dialogue for how to implement any agreed actions.

	<p>The Chair thanked Mr Hepburn for his attendance.</p> <p>Mr Hepburn and HMcG left the meeting.</p>
3.	Review Update
	<p>JW and EO joined the meeting (online).</p> <p>JW began by thanking DY and his staff for the deep dives, particularly around the work SDS does. In terms of the Review, it was to look at the whole delivery landscape and decide on whether any structural change was needed.</p> <p>JW provided detail on where he was in the process highlighting those he had an engagement with and other details for capturing evidence e.g. call for evidence, roundtable discussions. He advised that between now and the end of the year he would be gathering evidence. From January, he would be testing assumptions and would begin recommendations. He would test assumptions with SDS.</p> <p>JW asked the Board what it felt needed to change to meet the needs of Scotland and everyone in it.</p> <p>DH asked if JW would be considering both SDS' EFQM 7 Star award submission and the recent OER. JW confirmed that he would and he was very keen to look at work that had been done.</p> <p>DH highlighted that although the review was on the 'skills delivery landscape', the scope had a very sharp focus on SDS. In terms of recommendations, DH asked, if the majority of these will be on SDS. JW advised that it was too early in the process to say. He would follow the evidence and deliver on the Terms of Reference. The only way to achieve this was to have regard for the future skills system needed. To deliver on the Terms of Reference, he would need to report on the functions/remit of SDS.</p> <p>JW advised that his recommendations were to the Minister. However, his recommendations/assumptions would need to be tested and he would work with the Board to test assumptions.</p> <p>CE welcomed hearing from the Minister regarding an agile skills system. However, SDS was only a smart part of the overall funding and more needed to be directed to apprenticeships. This would need policy changes and asked JW if this would be something he would consider.</p> <p>JW advised that the entire £3bn Scottish Government investment was in scope. However, JW highlighted that this was not a policy review but direction from SG was imperative and policy was out with the scope. He advised that the proportion of spending had been highlighted to him by SDS.</p> <p>JW was keen to look at models elsewhere. He highlighted that one of the challenges was that there was a lack of clarity on what good looked like, for example, NSET does not report on how the economy will look in 40 years' time.</p> <p>The Chair asked JW, in relation to the call for evidence (and noting that there would be much of this), how did JW propose to 'weigh' what was received. JW</p>

	<p>highlighted that the call for evidence was not a ‘survey’, it was a call for evidence leading to insight. Some external analysis may be used. A lot of information would come with invested interest, it would be his job to say where we try to go.</p> <p>The Chair highlighted that as a country we spend a lot on ‘skills’ (upper quartile) compared to productivity (third quartile). JW advised that given the budgets, there would be some difficult decisions. JW would be comfortable leading on the evidence and where the balance should sit and how this could be done.</p> <p>CP highlighted involving young people and parent bodies for gathering evidence and the equalities agenda (people from deprived areas so delivery may be very different). JW advised that this was a very valid observation and that he would take this on board and reflect on this.</p> <p>NH highlighted that within schools it was more about ‘grades’ than ‘skills’. JW referred to the Career Review and advised that success should be much more broadly defined e.g., not how many ‘A’ grades but ‘positive destinations’.</p> <p>JW advised that in terms of agency engagement, to build his knowledge of roles and responsibilities, he would be questioning if it were thought they were in the right place and welcomed the Board to contact him on advice on how to determine this.</p> <p>MD asked how important geography was. JW advised that it was very important. The balance between national and local as Scotland was a very small country with a lot of colleges working in that space. If there were best models it would be good to see them.</p> <p>The Chair advised that he had been asking for some time what the colleges were doing, particularly during Covid. It was noted that college interventions had kept unemployment down however there was no evidence available to show how this was aligned with the economy. There should be the ability to offer everyone a strong pathway that opens to all parts of society - optionality to enable flexibility in the future.</p> <p>JW advised that it was about having a clear view of what the future would look like and he had not seen anything yet that shows that.</p> <p>The Chair thanked JW for his time.</p> <p>JW and EO left the meeting.</p>
4.	Minutes of Previous Meeting 1 September 2022
	The minute of the previous meeting was approved following amendment to ‘date of next meeting’.
5.	Decisions/Actions from Previous Meeting
	The decisions and actions were noted.
6.	Finance
	<p><u>6.1 Revised Budget 2022/23 (including review of Letter of Guidance 2022/23 and revised Grant in Aid)</u></p> <p>DY presented the item highlighting the background and progress to date in terms of the revised budget.</p>

	<p>AL presented on the current position. Key highlights included:</p> <ul style="list-style-type: none"> - Budget 2022/23 – Summary 17 November 2022. - Target 5% budget cut and emerging pressures. - Actions to address pressure of £13.19m. - Budget 2022/23 – Opportunity Costs of £12.60m Reductions on Delivery. - Budget 2022/23 – Executive steps to budget management. - Budget 2022/23 – Governance and Next Steps. <p>AL advised that model scenarios were already underway for next year particularly in relation to apprenticeship liability.</p> <p>The Chair highlighted that he advised the Minister that he could not guarantee the close out of the £3.74m deficit. The Executive would continue to work/monitor until year end.</p> <p>Members agreed to approve the revised budget subject to close out of the governance issues:</p> <ul style="list-style-type: none"> - Pay remit approval by SG sponsor directorate and submission of Accountable Officer template for approval. - SG to issue new Letter of Guidance or Letter of Amendment – SDS requested for 16 November. - SG to issue revised Grant-in-Aid Budget Allocation and Monitoring letter – SDS requested for 16 November. <p>Members approved the revised budget subject to close out of governance issues.</p> <p><u>6.2 ESF – Progress Report, Risks and Mitigations</u> Members noted the progress paper circulated.</p> <p>Members noted the update.</p> <p><u>6.3 Annual Report and Financial Statements for the year ended 31 March 2022</u> AL referred to the paper circulated via correspondence for approval.</p> <p>Members homologated the decision to approve the Annual Report and Financial Statements for the year ended 31 March, and authorised DY to sign the statutory accounts prior to them being laid before Parliament and filed with Companies House.</p> <p>Members homologated the decision to approve the Annual Report and Financial Statements for the year ended 31 March and authorised DY to sign them.</p>
7.	Strategy
	<p><u>7.1 Strategic Plan 2022/27 Update</u> DY highlighted that the plan had been signed off by the Minister and published.</p> <p>Members noted the update.</p>

8.	Operational
	<p data-bbox="279 190 869 224"><u>8.1 Economic and Labour Market Outlook</u></p> <p data-bbox="279 224 1436 302">CB and LR joined the meeting and presented the economic and labour market outlook. Key highlights included:</p> <ul style="list-style-type: none"> <li data-bbox="279 336 734 369">- Key messages for the Board <ul style="list-style-type: none"> <li data-bbox="327 369 1436 448">○ GDP contraction had begun, leading indicators suggests business and labour market stress and a 24-month recession prediction. <li data-bbox="327 481 1436 627">○ Upskilling and retraining – Anticipated increased demand for services to support a growing number of redundant workers to transition into unfilled vacancies. SG policy response required to correct skills priorities and funding. <li data-bbox="327 660 1436 806">○ Longer term challenges remain – Shrinking working age population; restricted inflows of migrant workers; occupational change require urgent SG policy response to rebalance talent and skills provision with economic opportunities. <li data-bbox="279 851 694 884">- Global Economic Outlook <ul style="list-style-type: none"> <li data-bbox="327 884 1436 963">○ Global growth slows post Covid-19 amidst Russia’s invasion of Ukraine and inflationary pressures <li data-bbox="327 963 1412 996">○ Growing inflation across advanced economies, but UK highest in the G7. <li data-bbox="279 1041 1236 1075">- Recessionary outlook (has considerably worsened for Scotland) <ul style="list-style-type: none"> <li data-bbox="327 1075 1436 1153">○ Recession forecast from next year, UK expected to be more impacted than other advanced economies. <li data-bbox="327 1153 1436 1232">○ Nature of recession will depend on energy prices, inflation and the labour market. <li data-bbox="279 1265 941 1299">- Signs of slowdown: businesses and people <ul style="list-style-type: none"> <li data-bbox="327 1299 1436 1377">○ Small business confidence reaches weakest level since Q4 2020, with almost half expecting decrease in revenue . <li data-bbox="327 1377 1436 1456">○ Cost of living crisis leading to households making cutbacks on the essentials. <li data-bbox="279 1489 758 1523">- Scotland’s Labour Market now <ul style="list-style-type: none"> <li data-bbox="327 1523 1436 1601">○ Scotland’s labour market remains tight and a shortage of workers continues to impact businesses. <li data-bbox="327 1601 933 1635">○ The supply of people remains an issue. <p data-bbox="279 1668 1436 1848">DH highlighted that the Scottish economy was different. There were significant cuts to public sector budgets. He suggested that it may be worthwhile for us to look at this due to the differences (e.g., tight job market/immigration, how do we fill places going forward, upskilling/reskilling). This would enable us to have more informed thinking for the future.</p> <p data-bbox="279 1881 678 1915">Members noted the update.</p>

	<p><u>8.2 National Strategy for Economic Transformation (NSET) - Update</u> Adam Reid had submitted apologies for the meeting. Members noted the update paper provided by the SDS executive.</p> <p>Members noted the update.</p> <p><u>8.3 CESAP 2022/23 Implementation and Green Jobs Workforce Academy Update</u> CB and LC joined the meeting. LC presented on the CESAP 2022/23 Implementation and Green Jobs Workforce.</p> <p>Key highlights included:</p> <ul style="list-style-type: none"> - Background: CESAP Five Implementation Priorities. - SDS Progress: CESAP Implementation Priorities. - Green Jobs Research. - GJWA: 100 Day commitment – progress and way forward. - CESAP: Next Steps. <p>CP commended the work to date by the team and asked if SDS Career Advisers inform senior managers in schools regarding green jobs and skills for school options. LC advised that the next phase was to get the message out externally and internally. A comms plan had been created to promote and inform on our services. CB added that there were ‘green champions’ across the CIAG service.</p> <p>Members noted the update.</p> <p><u>8.4 Cyber Security Update</u> NP referred to the papers circulated and presented key highlights:</p> <ul style="list-style-type: none"> - EIS Cyber Security Update <ul style="list-style-type: none"> o last quarter: Cyber Essentials Plus accreditation on 14 September 2022; 21/22 project closedown underway residual tasks moved to 2022/23 Programme; Head of EIS PMO and Security Project Manager appointments recruitment for an Information Security Manager is in progress; Security Council External Engagement. o next quarter: 22/23 Annual Security Programme; review of out-of-hours response for cyber incident underway; phishing testing formalised with partners and scheduled. - SDS Cyber Resilience Update <ul style="list-style-type: none"> o Cyber Strategy - first draft to be presented to Audit & Risk Committee; Cyber Action Plan developed to support the strategy; continue our programme of phishing testing, education and follow up; a programme of exercising implemented to support our playbooks; Digital Assurance Group working closely with EIS; EY Audit commences first week in December. <p>Members noted the update.</p>
9.	Performance
	<p><u>9.1 2022/23 Quarter 2 SDS Performance Report</u> NP referred to the paper circulated and presented the key highlights on Q2 performance. It was noted that the Finance and Operational Performance</p>

	<p>Committee (FOP) reviewed the performance report in detail at its meeting on 31 October 2022.</p> <p>Members noted the update.</p> <p><u>9.2 2022/23 Quarter 2 Financial Report</u> AL referred to the paper circulated and presented the key highlights on Q2 finance report. It was noted that the FOP reviewed the finance report in detail at its meeting on 31 October 2022.</p> <p>Members noted the update.</p>
10.	Board Members update
	<p><u>10.1 Equality and Diversity Update – Board Champion Update</u> NH presented an update. Key highlights included:</p> <ul style="list-style-type: none"> - Committee Chairs Equality Forum (CCEF) <ul style="list-style-type: none"> o CCEF had identified individual areas for a deep dive at Committee level o Feedback positive about Board deep dive - ‘Race Talk: Towards an Anti-Racist Organisation’. o Equality induction pack for new Board members. - Discussions around use of the Diagnostic Tool. <p>Members provided further feedback to NH on the ‘Race Talk: Towards an Anti-Racist Organisation’ Board session. It was noted that diversity meant different things to different people. The Chair highlighted that for him there were two areas ‘employer of people’ and ‘service provider’. In his experience, what had worked well was ‘mentoring’ and ‘customer journeys’.</p> <p>NH thanked members for their feedback which would be considered further at CCEF.</p> <p>Members noted the update.</p>
11.	<p>Members noted the following minutes:-</p> <p><u>11.1 Minute of Scottish Apprenticeship Advisory Board (SAAB) – 9 March 2022</u></p> <p><u>11.2 Minute of Finance and Operational Performance (FOP)</u> 11.2.1 Minute of FOP – 25 August 2022 11.2.2 Minute of FOP/ARC – 5 September 2022 (Special) 11.2.3 Minute of FOP – 31 October 2022</p> <p><u>11.3 Minute of Remuneration and HR Committee (RHR) (Special) – 13 October 2022</u></p> <p><u>11.4 Minute of Service Development Committee (SDC)</u> 11.4.1 Minute of SDC - 21 July 2022 11.4.2 Minute of SDC – 6 October 2022</p> <p>Members noted the minutes.</p>

12.	Papers previously circulated for approval/noting via correspondence for homologation
	<p>Members homologated the decision to approve/note the following papers:-</p> <p>12.1 Board slides – Equality and Diversity Update (BD-22-008vc) for noting 12.2 SUFI Strike off Update (Email) (BD-22-009vc) for noting 12.3 Approval of SDS Modern Slavery Statement 2021/2022 (BD-22-010vc) for approval 12.4 Board slides – Race Equality Deep Dive Session (BD-22-011vc) for noting 12.5 Independent Review of Skills Delivery Landscape – SDS Board Feedback on Draft Terms of Reference (BD-22-013vc) for noting 12.6 Gaelic Language Plan 2022-25 (BD-22-014vc) for noting 12.7 Board and Committee Meeting Dates (BD-22-021vc) for noting</p> <p>Papers previously circulated for approval/noting via correspondence were homologated.</p>
13.	Any Other Business
	There was no other business.
14.	Close of Board Business Meeting
15.	Date of next scheduled meeting: 16 February 2023

KH
November 2022