

# Minutes of the meeting

## Board Business Meeting (BD)

<b>Date</b>	<b>21 June 2023</b>
<b>Time</b>	<b>10:00 – 16:00</b>
<b>Location</b>	<b>HSBC Bank plc, 2 Lochside Way, Edinburgh, EH12 9DT</b>
<b>Present</b>	<p>Frank Mitchell (Chair) (FM)  Tracy Black (TB)  Beth Corcoran (BC)  Sheila Cowan (SC)  Dr Mark Dames (MD)  Victoria Erasmus (VE)  Nazim Hamid (NH)  Prof David Hillier (DH)  Graham Hutcheon (GH)  Dr Poonam Malik (PM)  Margaret McCaig (MMcC)  David Rankin (DR)  Eileen Russell (ER)  Paul Taylor (PT)  Damien Yeates (Chief Executive) (DY)</p>
<b>Attendance</b>	<p><u>Skills Development Scotland (SDS)</u>  Carolyn Anderson (CA)  Andrew Livingstone (AL)  Neville Prentice (NP)  John Robertson (JR)</p> <p>Diane Greenlees (DG) (item 4)  James Russell (JRu) (item 4)  Chris Brodie (CB) (item 9)</p> <p><u>Scottish Government</u>  Stephen Pathirana (SP) (item 8)</p>

	James Withers (JW) (item 8) (online)  Kathleen Nisbet (Secretariat) Christine McCall (Secretariat)
<b>Apologies</b>	Dr Carol Evans (CE) Christine Pollock (CP)

<b>1.</b>	<b>Welcome, Apologies and Declaration of Interest</b>
	The Chair welcomed the new co-opted Board members to their first meeting. Introductions around the table took place.  Apologies were received from CE and CP.  There were no declarations of interest.
<b>2.</b>	<b>Minutes of meeting held on 16 February 2023, 16 March 2023 (Special) and 3 May 2023 (Special)</b>
	The meetings minutes of 16 February 2023, 16 March 2023 (Special) and 3 May 2023 (Special) were approved without amendment.
<b>3.</b>	<b>Decisions and actions from previous meetings</b>
	The decisions were noted and actions reviewed.
<b>4.</b>	<b><u>End Year Performance Report and Annual Review 2022/23</u></b>
	JRu and DG joined the meeting. NP introduced the item referring to the paper circulated which provided detail on end year performance and the Annual Review 2022/23. DY highlighted the challenges in terms of budget, operating environment, various reviews and thanked all the staff for their great work.  JRu and DG presented key highlights: <ul style="list-style-type: none"> <li>- Overview of operating environment;</li> <li>- Career Information, Advice &amp; Guidance (CIAG) <ul style="list-style-type: none"> <li>o School Offer – improvement across all elements of S1-S3 service offer, Senior Phase mostly ahead of same point last year (SPLY);</li> <li>o Next Steps – 6,788 customers supported, 68% progressed to positive destination, 64.6% sustained positive destination (+2pp on SPLY);</li> <li>o Partnership Action for Continuing Employment (PACE) – increase in number of employers requesting support and in those receiving individual CIAG engagement;</li> <li>o Career Review – final report published 10 March.</li> </ul> </li> <li>- Apprenticeships <ul style="list-style-type: none"> <li>o Modern Apprenticeships (MAs) and Foundation Apprenticeships (FAs) – Start targets met, budget constraints limited ability to fully meet employer demand, improved equality group participation in MAs;</li> <li>o Frameworks &amp; Standards – full review of 5 MA frameworks completed with industry, awarding body and training provider input;</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>○ Scottish Apprenticeship Advisory Board (SAAB) – strategy refreshed, group terms of reference reviewed and plans to enhance membership in progress.</li> <li>- Employers <ul style="list-style-type: none"> <li>○ Continued engagement with 13 Industry Leadership Groups across all key sectors in Scotland to influence partner investment in skills-related activity;</li> <li>○ Growth &amp; Inward Investment team contributed to 1,736 jobs being created and 2,314 jobs safeguarded in partnership with Service Design &amp; Innovation (SD&amp;I);</li> <li>○ 439 large employers (436 SPLY) received relationship management support, with 187 work-based learning projects delivered by the team;</li> </ul> </li> <li>- Skills System <ul style="list-style-type: none"> <li>○ SDS and Scottish Funding Council (SFC) Shared Outcomes - continued joint work to deliver skills alignment pathfinders and other projects;</li> <li>○ Climate Emergency Skills Action Plan (CESAP) - Pathfinders progressed this year;</li> <li>○ Published Green Jobs definition (first of its kind in the UK);</li> <li>○ Education and Skills Impact Framework (ESIF) - report published demonstrating returns on MAs, University and College provision in the UK;</li> <li>○ Digital Economy Skills Action Plan (DESAP) - report published 8 March.</li> </ul> </li> <li>- Impactful Organisation <ul style="list-style-type: none"> <li>○ Financial stewardship - 5% in-year budget reduction (amounting to £11.2m) in 2022/23;</li> <li>○ Cyber Security - Cyber strategy developed with action plan and performance framework. Future quarterly reports would highlight progress;</li> <li>○ Information Management Strategy – phase 1 complete; determining phase 2 priorities for 2023/24;</li> <li>○ Investors in People - Achieved Platinum Award accreditation in Feb 2023</li> <li>○ Headcount - On-going vacancy management;</li> <li>○ Transform 27 programme launched - commissions underway.</li> </ul> </li> <li>- Forward Look.</li> </ul> <p>Key discussion points:</p> <ul style="list-style-type: none"> <li>- Members discussed demand for apprenticeships versus funding available;</li> <li>- ongoing challenges regarding embedding of FAs within the curriculum and funding;</li> <li>- concerns were raised regarding performance sustainability following an exceptionally challenging year. It was noted that the Withers report also had an impact on staff morale. The Executive continued to reassure staff and continue with the job at hand but was very well aware of possible affects and appropriate measures were in place to mitigate these.</li> </ul> <p>Members noted the Year End Performance Report and Annual Review 2022/23 and asked that their thanks be passed on to staff for the outstanding performance this year.</p>
5.	<p><u>Year End Accounts 2022/23 (Management accounting bridge)</u>  AL referred to the paper circulated which summarised SDS' financial reporting at the end of financial year 2022/23. AL advised that the draft statutory accounts and the</p>

	<p>audit outcomes would be discussed at the Audit &amp; Risk Committee (ARC) on 31 August 2023, with the plan of recommending the accounts to the SDS Board thereafter.</p> <p>Members noted the update.</p>
<p>6.</p>	<p><u>Annual Operating Plan 2023/24 and Annual Review 2022/23</u></p> <p>NP presented an update. Key highlights included:</p> <p>Plan content:</p> <ul style="list-style-type: none"> <li>- Operating Plan 2023/24 set out investment and resource alignment with strategic priorities set out in the SDS Strategic Plan 2022/27;</li> <li>- fully aligned to defined asks and priorities set out in the Ministerial Letter of Guidance (issued 1<sup>st</sup> June 2023);</li> <li>- Operating Plan budget 2023/24 fully aligned to Scottish Government letter of Grant In Aid;</li> <li>- aligned to Scottish Government, Programme for Government, National Strategy for Economic Transformation and National Performance Framework.</li> </ul> <p>What we are not doing - implications of Scottish Government (SG) budget reductions and service reprioritisation:</p> <ul style="list-style-type: none"> <li>- Restricted places on training initiatives: MAs, Individual Training Accounts, and scaled back development work on new Level 4/5/6 FA pathways;</li> <li>- closure of programmes: Adopt an Apprentice, Women Returners and Flexible Workforce Development Fund programmes and scaled back development work on new Level 4/5/6 FA pathways;</li> <li>- adjustment of CIAG Operations resource in line with approved Voluntary Severance/Early Retirement and Estates Review programmes. The resource reduction could impact on the service's ability to respond to unforeseen circumstances such as an increase in Partnership Action for Continuing Employment (PACE) demand;</li> <li>- reprofiling of technology roadmap and associated investments for digital customer services: My World of Work and Apprenticeships.Scot;</li> <li>- reduction in budget for support services e.g., marketing and communications to support our core products and services;</li> <li>- reduction in commitment to providing 60 Young Talent opportunities annually (with forecast reduction to 29 full-time equivalent by the end of September).</li> </ul> <p>Next Steps:</p> <ul style="list-style-type: none"> <li>- Plan will be shared with SG for formal noting by the Minister;</li> <li>- Plan shared internally with colleagues;</li> <li>- publication and communication;</li> <li>- performance reporting against the Plan from July.</li> </ul> <p>Members approved the Annual Operating Plan 2023/24 and the Annual Review 2022/23.</p>
<p>7.</p>	<p><u>Transform 27 - Update</u></p> <p>DY referred to the paper circulated which provided Board members with an overview of Transform 27 and progress to date.</p> <p>Key highlights included:</p>

	<ul style="list-style-type: none"> <li>- Cash GIA trend (recurring SG reductions to SDS budget);</li> <li>- context;</li> <li>- requirement for transformation;</li> <li>- purpose and approach;</li> <li>- Transformation Hub;</li> <li>- Commissions Update;</li> <li>- risks.</li> </ul> <p>Members noted the update.</p>
8.	<p><u>Skills Delivery Landscape: Independent Review</u></p> <p>JW joined the meeting and presented his findings of the Independent Review of the Skills Delivery Landscape. Key highlights included:</p> <ul style="list-style-type: none"> <li>- context;</li> <li>- analysis of where we are now;</li> <li>- what good looks like;</li> <li>- 12 essential pillars of a successful skills delivery landscape;</li> <li>- key recommendations – delivery;</li> <li>- key recommendations – structural.</li> </ul> <p>JW concluded his presentation by advising that he recognised reform could cause concern and disruption. It was now for SG to determine what recommendations to implement following submission of the recommendations.</p> <p>Board members provided feedback on the Review recommendations, including:</p> <ul style="list-style-type: none"> <li>- A lack of evidence and data to substantiate recommendations. Had performance data been considered, it would have clearly demonstrated that SDS had achieved and/or exceeded all the targets Ministers had given it through consecutive Letters of Guidance. On that basis the organisation had consistently delivered what Scottish Government had asked it to do. As such, how does JW know that his recommendations were going to improve upon what SDS had already achieved.</li> <li>- The proposed reform would require a clear change management programme including business case, performance data, cost benefit analysis, risk assessment.</li> <li>- A lack of outcomes aligned to the Review’s Terms of Reference: <ul style="list-style-type: none"> <li>o “recommendations should align with those priorities set out in the Resource Spending Review and should not present options which will be more costly for the public purse” – the recommendations as presented within the Review would incur significant additional cost if implemented, especially in the short to medium term;</li> <li>o “It may also seek to make recommendations on the capacity and resources SDS would require to carry out its functions to support effective delivery of our priorities and outcomes” – members did not see this covered in the Review or its recommendations;</li> <li>o “It should assess whether there are opportunities from SDS functions, either current or proposed, to support increased income generation.” - members did not see this covered in the Review or its recommendations;</li> <li>o “The Review should also report on how SDS’s status and governance arrangements could be strengthened to enhance public assurance, value and alignment, facilitate collaboration and support delivery”- the Board’s</li> </ul> </li> </ul>

	<p>opinion on the Review related to status and governance arrangements was that far from being strengthened, they had been 'gutted'.</p> <ul style="list-style-type: none"> <li>- Members highlighted there was no clear employer/business perspective in the Review. This needed to be considered, alongside gaining a better understanding of what was stopping businesses from planning ahead and investing in skills, the barriers to doing so and why business investment was not being effectively leveraged.</li> </ul> <p>JW and SP responded to the Board's feedback. JW highlighted that in terms of evidence, everything had to be put into perspective including existing attitudes, views and experiences. He had heard a pattern of similar views of ways of working and the ways the work could be strengthened. JW reminded members that the Review was not a performance appraisal of SDS and was not about looking back but looking forward. In terms of cost and efficiency, JW advised that he had to be mindful of this, but this was not a primary driver or purpose. JW and SP accepted that at this stage there was no business case and that this would be taken forward by the Minister and SG. For businesses, JW acknowledged they were critical. JW thought the Developing Young Workforce (DYW) infrastructure potentially would be able to help deliver the employer voice.</p> <p>The Chair thanked both JW and SP for attending the Board. The Chair highlighted that SDS was pro-reform and that SDS had championed a number of the Review's recommendations over the years. As a Board they would work with the Minister and SG on how best to take forward the proposals in a way that understood the costs benefits together with the associated risks.</p> <p>JW and SP thanked the Chair for the opportunity to attend and discuss the report with the Board.</p> <p>JW and SP left the meeting.</p>
<p><b>9.</b></p>	<p><u>Economic and Labour Market Outlook</u></p> <p>CB joined the meeting and referred to the paper circulated which provided the latest analysis of Scotland's Economy, People and Skills and a summary of the latest Scottish Fiscal Commission Forecasts. Members discussed the key highlights including:</p> <ul style="list-style-type: none"> <li>- Economic Outlook <ul style="list-style-type: none"> <li>o New GDP forecasts indicated a brighter economic outlook for Scotland and the UK but downside risks remained;</li> <li>o Decrease in inflation set to be slower than anticipated leading to continued challenges for people and businesses.</li> </ul> </li> <li>- Risks of persistent core inflation <ul style="list-style-type: none"> <li>o Core inflation rose to 6.8% in April 2023 reaching a 31 year high;</li> <li>o Persistently high inflation could lead to wage/price spiral.</li> </ul> </li> <li>- Impact of Cost of Living Crisis on People <ul style="list-style-type: none"> <li>o Scottish households were expected to see the biggest fall in living standards since Scottish records began in 1998;</li> <li>o Health impacts of the cost of living crisis may exacerbate labour supply issues in Scotland.</li> </ul> </li> <li>- In spite of headwinds, business confidence is steady.</li> </ul>

	<ul style="list-style-type: none"> <li>○ There were some signs that business confidence was starting to improve, despite high inflation;</li> <li>○ However, businesses continued to face challenges around the supply of labour and prices, with smaller businesses more affected;</li> <li>– Scotland’s Labour Market now <ul style="list-style-type: none"> <li>○ Scotland’s labour market remained tight, and strong wage pressure;</li> <li>○ Unemployment remained at historically low levels.</li> </ul> </li> <li>– Recruitment challenges <ul style="list-style-type: none"> <li>○ Two in five Scottish businesses reported recruitment difficulties;</li> <li>○ Labour supply issues could have an impact on Scotland’s ability to maximise economic opportunities.</li> </ul> </li> <li>– Labour and Skills Supply <ul style="list-style-type: none"> <li>○ Scotland had an acute demographic challenge;</li> <li>○ Net migration to the UK hit a record high in 2022.</li> </ul> </li> <li>– Conclusions <ul style="list-style-type: none"> <li>○ Scotland’s people and businesses had been impacted by rising costs and while a technical recession may be avoided in 2023, the economic outlook was uncertain with downside risks;</li> <li>○ Inflation was still forecasted to fall, but at a slower rate than previously anticipated. This could pose challenges for many, and a wage-price spiral remained a concern amidst record pay growth;</li> <li>○ Business confidence was steady despite headwinds, but small businesses faced greater challenges and labour supply remained a dominant issue;</li> <li>○ Economic inactivity in Scotland continued to increase, UK figures suggested this was driven by increased ill health, and past figures for Scotland suggested caring responsibilities may also be a factor;</li> <li>○ Acute economic and labour market challenges could impact how well Scotland can respond to and maximise economic opportunities from the transition to Net Zero and a Digital Economy.</li> </ul> </li> </ul> <p>Members noted the update.</p>
<p><b>10.</b></p>	<p><u>Performance Update – Q1 2023/24</u></p> <p>NP provided an oral update on current performance highlighting key points. It was noted that the Finance &amp; Operational Performance Committee would review the Q1 Performance Report at its meeting in August 2023.</p> <p>Members noted the update.</p>
<p><b>11.</b></p>	<p><u>Finance Report (up to end of May 2023)</u></p> <p>AL referred to the report circulated which provided a management account summary to the end of period 2. It was noted that a review of the budget would be undertaken at the end of Q1 and submitted to the Finance &amp; Operational Performance Committee.</p> <p>Members noted the update.</p>
<p><b>12.</b></p>	<p><u>European Structural Funds (ESF) – Risk Mitigation Update</u></p>

	<p>AL referred to the paper circulated which provided a summary of progress to June 2023.</p> <p>It was noted that the executive reported to the Audit &amp; Risk Committee (ARC), on 19 April 2023, regarding recent progress in managing the ESF risk mitigation plan, receipt of all claims live in the Scottish Government EUMIS system at that time, and submission plans for the remainder of the programme.</p> <p>Senior colleagues from the Scottish Government Managing Authority (SG-MA) for ESF attended the ARC and provided some assurances about their plans to work with the remaining claims.</p> <p>Members noted the update.</p>
<b>13.</b>	<p><b>Cyber</b></p> <p><u>13.1 Cyber Strategy</u> The Board agreed to defer this item.</p> <p><u>13.2 Cyber Risk Mitigation Update – SDS</u> Members noted the paper circulated.</p> <p>Members noted the update.</p> <p><u>13.3 Cyber Risk Mitigation Update - EIS</u> Members noted the paper circulated.</p> <p>Members noted the update.</p>
<b>14.</b>	<p><b>Board Member Updates</b></p> <p><u>Equality and Diversity Update</u></p> <p>NH provided an update. Key highlights included:</p> <ul style="list-style-type: none"> <li>– In terms of Public Sector Equality Duty (PSED), the following had now been published: <ul style="list-style-type: none"> <li>○ SDS Equality and Diversity Mainstreaming Report (EDRM) 2021-25;</li> <li>○ 2023 EDMR report which highlighted the actions taken and progress made since the 2021 report in Scotland and the UK, but downside risks remained.</li> </ul> </li> <li>– Update from Committee Chairs Equality Forum included proposed ‘spotlight’ / ‘deep dive’ sessions for Committees and Board;</li> <li>– Update in terms of the Equality and Diversity Induction Session for new Board members.</li> </ul> <p>Members noted the update.</p>
<b>15.</b>	<p><b>Papers for Noting</b></p> <p><u>15.1 Scottish Apprenticeship Advisory Board Minute of SAAB – 5 October 2022</u></p> <p><u>15.2 Audit and Risk Committee (ARC) – Minute of ARC – 3 November 2022, 8 December 2022 and draft Minute of ARC – 19 April 2023</u></p>



	<p><u>15.3 Service Development Committee (SDC) – Minute of SDC – 26 January 2023</u></p> <p><u>15.4 Finance and Operational Performance Committee (FOP) – Minute of FOP – 30 January 2023 and Special FOP (Plus ARC) – 1 March 2023</u></p> <p><u>15.5 Remuneration and Human Resources Committee (RHR) – Draft minute of RHR – 2 February 2023</u></p> <p>Members noted the papers.</p>
<b>16.</b>	<b>Papers previously circulated for approval/noting via correspondence for homologation</b>
	<p>Members homologated the decision to approve/note the following papers: -</p> <p>16.1 Letter from Jamie Hepburn MSP re: SDS Budget (BD-22-032vc)</p> <p>16.2 Letter from Chair to Minister – 10 March 2023 Re: SDS Budget 2023-24 (BD-22-036vc)</p> <p>16.3 Letter from Chair to Minister – 16 March 2023 Re: SDS Budget 2023/24 (BD-22-035vc)</p> <p>16.4 Equality and Diversity Slides from Board meeting held 16.02.23 (BD-23-001vc)</p> <p>16.5 Equality and Diversity Mainstreaming Report 2023 and Equality Evidence Review (BD-23-002vc)</p> <p>16.6 Letter from Graeme Dey MSP, Minister for Higher Education, Further Education &amp; Veterans to Frank Mitchell, SDS Chair (BD-23-003vc)</p> <p>16.7 Correspondence from Minister G Dey on LoG 2023/24 (BD-23-004vc) 16.8 Board Feedback Survey Results 2022 (BD-23-005vc)</p> <p>Members homologated the decisions made via correspondence.</p>
<b>17.</b>	<b>Any other business</b>
	The Chair thanked MMcC for hosting the Board meeting and asked that the Board's thanks be passed on to the HSBC team.
<b>18.</b>	<b>Close of Board Business Meeting</b>
<b>19.</b>	<b>Date of next scheduled meeting: 13 September 2023, location to be confirmed (10:00-16:00)</b>