

# Minutes of the meeting

## Board Business Meeting (BD)

<b>Date</b>	<b>21 February 2024</b>
<b>Time</b>	<b>10:00 – 15:00</b>
<b>Location</b>	<b>Monteith House, 4<sup>th</sup> Floor, McClelland Room</b>
<b>Present</b>	<p>Frank Mitchell (Chair) (FM)          Beth Corcoran (BC)          Sheila Cowan (SC)          Dr Mark Dames (MD)          Victoria Erasmus (VE)          Carol Evans (CE)          Nazim Hamid (NH)          Prof David Hillier (DH)          Margaret McCaig (MMcC)          Christine Pollock (CP)          David Rankin (DR)          Paul Taylor (PT)          Damien Yeates (Chief Executive) (DY)</p>
<b>Attendance</b>	<p><u>Skills Development Scotland (SDS)</u>          Chris Brodie (CB) (item 4)          Lynne Robson (LR) (item 4)          James Prentice (JP) (item 5 and 8)          Andrew Livingstone (AL) (item 6, 7 and 12)          James Russell (JR) (item 9)          Gordon McGuinness (GMcG) (item 11)</p> <p><u>Secretariat</u>          Kathleen Nisbet (KN)          Christine McCall (CMcC)</p>
<b>Apologies</b>	<p>Tracy Black (TB)          Graham Hutcheon (GH)          Poonam Malik (PM)</p>

<b>1.</b>	<b>Welcome, Apologies and Declaration of Interest</b>
	<p>The Chair welcomed Board members to the meeting.</p> <p>Apologies were received from Tracy Black, Graham Hutcheon, and Poonam Malik.</p> <p>CE advised that she was recently appointed to the Scottish Environment Protection Agency Board and Accounts Commission as a non-executive member. Members passed on their congratulations.</p>
<b>2.</b>	<b>Minute of meeting held on 22 November 2023</b>
	The minute of the meeting of 22 November 2023 was 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>Economic and Labour Market Outlook</b>
	<p>CB and LR joined the meeting and referred to the paper circulated which provided members with the latest analysis of Scotland’s Economy, People and Skills.</p> <p>CB referred to the last meeting when members requested further discussion on ‘Understanding Scotland’s Labour Market’. CB/LR presented on this matter, key highlights included:</p> <ul style="list-style-type: none"> <li>– Economy and labour market headlines: February 2024.</li> <li>– Scotland’s Shrinking Labour Pool.</li> <li>– Drivers for Demand for skills.</li> </ul> <p>Members thanked CB and LR for the detailed presentation/information. Members discussed implications and noted that these included:</p> <ul style="list-style-type: none"> <li>– Addressing the shrinking pool of available workers poses a growing challenge for Scotland.</li> <li>– Significant challenges to meet the scale of forecast labour demand in Scotland over the next 10 years.</li> <li>– Substantial Investment in Net Zero was set to drive even more demand for workers.</li> <li>– Despite Scotland’s well-educated population, qualifications do not always align with the skills sought by employers.</li> <li>– Looking to the future, issues around labour supply, demand and mismatch would be exacerbated by demographic change.</li> <li>– Rural areas were expected to have a more pronounced demographic change, causing heightened challenges.</li> </ul> <p>Scotland’s workforce strategy would need to focus on three areas of intent (1) reduce inequality and economic inactivity, (2) attract and retain international talent and (3) skills optimisation for areas of economic opportunities. Members discussed principles for strengthening skills planning, including:</p>

	<ul style="list-style-type: none"> <li>- Availability of working age people was a fundamental workforce challenge for Scotland – particularly in rural areas – and would be a major contributor to labour and skills shortages.</li> <li>- Robust, quality evidence on economic, labour market and skills already inform more than skills planning. Evidence must continue to be accessible and disseminated to a range of customers including, parents, school students, learners, employees, education and training providers and Regional Economic Partnerships.</li> <li>- Skills availability should not act as a barrier to Scotland’s economic ambitions. Key areas of focus could include transition to net zero, digital skills and capabilities and health and early learning and childcare to broaden participation.</li> <li>- Strengthened skills planning would not deliver better outcomes on its own. The issue was not the plans, it was their execution. A balanced portfolio of provision which supports employees through their career journey (labour market entry, upskilling, retraining) and that responds to industry needs.</li> </ul> <p>It was noted that SDS had strong evidence which informs engagement with partners, colleges, universities, schools, young people, and parents. Any changes to skills planning by the SG reforms would need to continue to make data available to all.</p> <p>Members noted the paper circulated and update provided on ‘Understanding Scotland’s Labour Market’.</p> <p>CB and LR left the meeting.</p>
<b>5.</b>	<b>Scottish Government (SG) Reform Update</b>
	<p>JP joined the meeting and referred to the paper circulated which provided an update since the last meeting on 22 November 2023.</p> <p>JP presented on the ‘timeline of engagement’ highlighting key points. Day to day engagement with SG continued in a constructive spirit of dialogue, however formal articulation of plans was still awaited from SG. SDS staff are continuing to deliver services as business as usual in support of Scotland’s people and businesses.</p> <p>The Chair advised that he met with Neil Rennick, SG Director General for Education and Justice, and that Neil committed to ensuring SDS would be active in the preparation of business cases/benefits realisation. In terms of benefits realisation, the current fiscal challenges would make this difficult. As highlighted in the paper circulated, detailed plans on reform were still awaited from SG.</p> <p>Members noted the update.</p> <p>JP left the meeting.</p>
<b>6.</b>	<b>Budget 2023/24 Update</b>
	<p>AL referred to the paper circulated which set out the financial report for the period to the end of January 2024 and the projected movement to a balanced year-end on a management accounting basis. AL also provided an oral update in relation to ESF (European Social Fund) advising that the final claim was submitted via the EUMIS system. AL also advised that he would circulate a copy of the up-to-date ESF Risk Mitigation register.</p>

	Members noted the update and commended the Executive on the work to achieve a projected balanced year-end budget despite the challenges.
<b>7.</b>	<b>SDS Draft Budget 2024/25</b>
	<p>AL referred to the paper circulated which built on the presentation of the draft 2024/25 budget to the last meeting of the Board on 22 November 2023. The paper presented several updates including:</p> <ul style="list-style-type: none"> <li>- Clarification of the SG Grant in Aid (GiA), as distinct from the Resource budget as set out in the SG draft budget published on 19 December 2023.</li> <li>- Agreed application of IFRS 16 as it relates to the published GiA and cash resource available to SDS.</li> <li>- Direction from SG officials regarding Ministerial priorities and the most recent instructions on Accountable Officer (AO) templates as well as restricted areas of expenditure.</li> <li>- Refinements to draft budget expenditure based on discussions with SDS budget holders, Directors, and Executive Governance Board (EGB).</li> <li>- Dependency on Ministers' approval of Accountable Officer templates for apprenticeship contracts and grants.</li> </ul> <p>AL presented on the draft budget; key highlights included:</p> <ul style="list-style-type: none"> <li>- Delivering Ministerial priorities.</li> <li>- 2024/25 indicative cost pressures.</li> <li>- 2024/25 SG cash GiA.</li> <li>- 2024/25 reminder of Transform 27 (T'27) actions assumed in the draft budget.</li> <li>- Revised Draft Budget 2024/25.</li> <li>- Additional management actions.</li> <li>- Summary SDS Draft Budget 2024/25.</li> </ul> <p>It was noted that the Finance &amp; Operational Performance Committee (FOP) reviewed the draft budget 2024/25 at its meeting on 20 February 2024. DH provided feedback highlighting members' concerns on sustainability. Following detailed discussion and comparing last year's deficit to the proposed 2024/25 deficit (which was lower), FOP was content that this could be managed and therefore recommended approval to the Board. FOP would continue to review budget management over the year at their scheduled meetings.</p> <p>The Chair added that through his meetings with Neil Rennick, it was recognised that SDS was able to manage positively any budget deficit whilst continuing to achieve targets and excellent customer delivery. As such, the Chair was content with the approach presented and recommended this to the Board.</p> <p>Members agreed to approve the draft budget 2024/25 as presented.</p> <p>AL left the meeting.</p>
<b>8.</b>	<b>Draft Letter of Guidance (LoG)</b>
	JP joined the meeting and provided an update. It was noted that the initial draft of the LoG was expected within the next few weeks. JP advised he would keep members updated.

	<p>Members noted the update.</p> <p>JP left the meeting.</p>
<b>9.</b>	<p><b>Transform 27 (T'27) Update</b></p> <p>JR joined the meeting. DY introduced the item highlighting the approach and early actions.</p> <p>JR presented; key highlights included:</p> <ul style="list-style-type: none"> <li>- Transformation Journey.</li> <li>- Dynamic Transformation (Immediate, Transition, Transform).</li> <li>- Focus for development Q4 2023/24.</li> <li>- Timeline and Governance Points.</li> </ul> <p>It was noted that the Service Development Committee (SDC) reviewed the proposed programme (Mission and Renewal) in detail at its meeting on 25 January 2024 and endorsed the approach. Detailed updates would be submitted to each SDC meeting for members to have oversight of the transformation programme.</p> <p>Members noted the update.</p> <p>JR left the meeting.</p>
<b>10.</b>	<p><b>Performance Update - Quarter 3 and Outlook to end March 2023/24</b></p> <p>DY referred to the paper circulated which summarised performance from 1 April 2023 to 31 December 2023 against the commitments in our Operating Plan 2023/24 and wider Strategic Plan 2022-27.</p> <p>It was noted that FOP reviewed the report in detail at its meeting on 20 February 2024.</p> <p>Members noted the quarter 3 performance report.</p>
<b>11.</b>	<p><b>Exploring Collaboration &amp; Revenue Generation</b></p> <p>GMcG joined the meeting. It was noted that at the November Board meeting the Executive were asked “<i>to investigate the possibility of accessing relevant UK (United Kingdom) Government funds and possible commercial work.</i>” The paper circulated set out early work in this investigation, highlights some of the early opportunities that were being pursued and sets out next steps towards the formation of an operating plan for the year ahead.</p> <p>GMcG presented, key highlights included:</p> <ul style="list-style-type: none"> <li>- Context.</li> <li>- Principles to Guide our Work.</li> <li>- Defining Return on Investment Expectations.</li> <li>- Target market matrix.</li> <li>- Overview of early opportunities.</li> <li>- Next steps.</li> </ul>

	<p>Members provided feedback on various options to consider. GMcG would look into these and report back. The Chair highlighted that he would welcome a further discussion with DY and GMcG on clarification around financial management of generated SDS income.</p> <p>Members noted the update.</p> <p>GMcG left the meeting.</p>
<b>12.</b>	<b>ESF – Risk Mitigation Update</b>
	Covered under agenda item number 6.
<b>13.</b>	<b>Output from Board Risk Session</b>
	<p>MMcC advised members of the approach taken at the Board risk management session. It was noted that a large part of the discussion included clarification of the current corporate risks. Further discussion was required in terms of SDS' risk appetite, and this would be covered at the Audit &amp; Risk Committee (ARC). Following ARC review of this, MMcC would report back to the Board on the proposed approach.</p> <p>Members noted the update.</p>
<b>14.</b>	<b>Equality and Diversity Update</b>
	<p>NH provided an update, key highlights included:</p> <ul style="list-style-type: none"> <li>- It was noted that NH joined the SDS Commission on Race in Apprenticeships, representing the SDS Board as Equality Champion.</li> <li>- The annual Committee Chairs' Equality Forum (CCEF) meeting would be taking place on 18 April 2024.</li> <li>- The equality and diversity spotlight on the 26 March 2024 ARC would focus on the Integrated Equality Impact Assessment (IEIA) for Migration to Local Employability Hubs.</li> <li>- The proposed 2024 Board deep dive would focus on the cross-cutting theme of poverty in relation to SDS service delivery (proposed date September 2024).</li> </ul> <p>NH also took the opportunity to provide her thoughts on current equality and diversity issues in the external environment.</p> <p>Members noted the update.</p>
<b>15.</b>	<b>Papers for Noting</b>
	<p>15.1 SDS Organisational Resilience Update (including business continuity and incident management).</p> <p>15.2 EIS Organisational Resilience Update (including business continuity and incident management).</p> <p>15.3 Service Development Committee (SDC) Minute of SDC – 2 November 2023.</p> <p>15.4 Finance and Operational Performance Committee (FOP)  Draft Minute of Special FOP - 31 October 2023  Draft Minute of FOP - 14 November 2023</p>

	<p>15.5 Audit and Risk Committee (ARC) Draft Minute of ARC – 7 December 2023</p> <p>15.6 Remuneration and HR Committee (RHR) Draft Minute of Special RHR – 14 December 2023</p> <p>15.7 Cyber Security – Risk Mitigation Update – SDS Cyber Security – Risk Mitigation Update</p> <p>Members noted the papers circulated.</p>
<b>16.</b>	<b>Papers previously circulated for approval/noting via correspondence for homologation</b>
	<p>16.1 Board and Committee Meeting Schedule 2024/25 (BD-23-019vc) for noting.</p> <p>16.2 CCEF Annual Report 2022/23 (BD-23-024vc) for noting.</p> <p>Members homologated the decision to approve/note the papers circulated via correspondence.</p>
<b>17.</b>	<b>Any other business</b>
<b>18.</b>	<b>Close of Board Business Meeting</b>
<b>19.</b>	<b>Date of next scheduled meeting: 22 May 2024, location to be confirmed (10:00-16:00)</b>

KN  
March 2024