

# Minutes of the meeting

## Board Business Meeting (BD)

<b>Date</b>	<b>16 February 2023</b>
<b>Time</b>	<b>10:00 – 14:20</b>
<b>Location</b>	<b>McClelland room, Monteith House, Glasgow</b>
<b>Present</b>	Frank Mitchell (Chair) (FM) Tracy Black (TB) Sheila Cowan (SC) Beth Corcoran (BC) Dr Mark Dames (MD) Carol Evans (CE) Prof David Hillier (DH) Margaret McCaig (MMcC) Christine Pollock (CP) Damien Yeates (Chief Executive) (DY)
<b>Attendance</b>	<u>Skills Development Scotland (SDS)</u> Carolyn Anderson (CA) Katie Hutton (KH) (left the meeting at 12.30) Andrew Livingstone (AL) Neville Prentice (NP) John Robertson (JR) (left the meeting at 12.30) James Russell (JR) (left the meeting at 12.30)  Ayah Hatim (Secretariat) Kathleen Nisbet (Secretariat)
<b>Apologies</b>	Nazim Hamid (NH) Dr Poonam Malik (PM) Eileen Russell (ER) Paul Taylor (PT)

<b>1.</b>	<b>Apologies and Declaration of Interest</b>
	<p>Apologies were received from NH, PM, ER and PT.</p> <p>There were no declarations of interest.</p>
<b>2.</b>	<b>Minutes of meeting held on 17 November 2022</b>
	The minute of the previous meeting 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>Strategy &amp; Finance</b>
	<p><u>4.1 Draft Budget 2023/24</u></p> <p>The Chair introduced the item and highlighted the challenges faced as a result of a reduced budget for 2023/24. He noted the impact of inflation which was affecting all elements of the economy. Inflation was predicted to slow down this year but the prices were unlikely to fall. For many people in the middle and low-income brackets, the cost of living was a concern. In the Draft Budget proposal developed by the Executive, the impact of inflationary pressures was included in the modelling approach taken. The draft budget for 2023/24 also included increased Modern Apprenticeship (MA) liabilities and a reduced Grant in Aid (GIA).</p> <p>DY provided an update:</p> <ul style="list-style-type: none"> <li>- before Christmas, the Scottish Government (SG) published the draft budget but this had not been formally approved by the Scottish Parliament.</li> <li>- subsequent to publication, there were additional variations reported to SDS.</li> <li>- in the first week of January, the Executive began to discuss the budget challenge, what steps to take and how to mobilise the organisation.</li> <li>- this sought to balance the budget for 2023/24 and look to model spending for following years.</li> </ul> <p>SDS Cash GIA trend:</p> <ul style="list-style-type: none"> <li>- the position in 2023/24 had followed a multi-annual reduction in GiA.</li> <li>- the available budget in 2023/24 was £204m, however, the Executive was closing out a working deficit from 2022/23.</li> <li>- the Executive was working towards a balanced budget for 2022/23 by the end of the year.</li> <li>- in 2022/23, actions were taken to address the unfunded growth in Apprenticeships and the 5% pay award which did not result in an increase in the GiA.</li> </ul> <p>Draft Budget 2023/24 Modelling Assumptions:</p> <ul style="list-style-type: none"> <li>- the opening position in terms of programmes would be sustaining existing levels for Individual Training Accounts (ITAs), the Flexible Workforce Development Fund (FWDF) and maintaining the protection of 25,000 MAs.</li> <li>- in modelling the budget for 2023/24, inflationary increases to programme delivery, property, EIS and liabilities in MAs were included, at least initially.</li> </ul> <p>2023/24 – Indicative budget pressures:</p> <ul style="list-style-type: none"> <li>- MA liabilities were not impacted by inflationary pressures. A rise in liabilities was a result of a slowing down of payments and activity rates during covid</li> </ul>

which provided an inaccurate sense of liabilities and the effects of policy direction on start levels.

- the liabilities were predicted to return to a new normal level by 2025/26 if starts were not increased.
- the unique effects of covid payment cycles, the slow growth of starts and impact on budget would be discussed with Ministers.

The Board noted that if the policy ambition of providing 30,000 starts was to be achieved, the funding gap would need to be addressed.

The Chair highlighted the published GiA was £10m higher than the amount SDS were receiving. The published government budget was £215m but due to transfers, the available SDS budget was £204m. It was unclear why this transfer was not effected before the draft SG budget was published. The Chair also noted his that numbers in the public domain did not match reality.

DY advised that providing 30,000 apprenticeship opportunities was a public commitment but there had been no timescales attached. SDS sought to protect the 25,000 MA starts in its modelling for 2023/24.

BC recommended incorporating the cost of liabilities if SDS were to offer 30,000 apprenticeship starts into the modelling. AL advised that internally, modelling had been undertaken which included various apprenticeship start volumes and also inclusion of inflationary pressures.

Draft Transformation Plan:

- the considerations for the Board were not only regarding 2023/24 but also modelling up to 2027.
- the transformation plan would be aligned to the National Strategy of Economic Transformation (NSET) and shared priorities as provided by the SG Letter of Guidance.
- the two routes provided in the slide included options to address the duality to deliver a balanced budget but also to start to move to a more sustainable model by 2027.

2023/24 – Indicative budget pressures

- DY advised on the financial position of the Employability Fund, ITAs, National Transition Training Fund (NTTF) and FWDF among others.
- Graduate Apprenticeships (GAs) have had a positive benefit on liabilities. In addition, as funding had migrated to the Scottish Funding Council (SFC), SDS's exposure to liabilities was reduced.

AL advised that ITAs had no official target but that SG had indicated a soft target of providing 18,000 learning opportunities in previous years. This may have to be closer to 9,000-10,000 opportunities.

DH asked for clarification on how much of the projected spending on the slide was legal and how much was discretionary.

AL advised that not all programmes were committed; some programmes were demand-led and others had some flexibility as they were variable and not fixed costs.

The Chair recommended convening a special Finance and Operational Performance Committee (FOP)/Audit and Risk Committee (ARC) meeting in the next week for the Executive to present a comprehensive business impact and risk review.

SDS Board – Transformation plan to 2027:

- the options presented to the Board included short-term options including vacancy management, voluntary severance, early retirement, estates rationalisation, shared services and income generation.
- following the Organisational Effectiveness Review, a transformation planning group was created to look at areas of significant investment, to conduct initial baseline work and to look at multiple scenarios including minimal viable and mid-points strategic decisions.
- there was early engagement and discussions with Trade Unions on the proposed options.
- the plan was to sustain the ambition in the strategic plan but look to deliver this differently;
- modelling had been completed on the utilisation of centres by staff and customers. This had looked at delivering more through service clusters. However, office closures would only occur where there was no detriment to customer service.

TB asked what the ideal number of apprenticeship starts would be.

DY advised for countries that outperform Scotland, their post-school spending on work-based learning pathways was 20% of their budget. In Scotland, the spending was 3%. The Chair advised that education and skills were often confused terms, Scotland had one of the highest educated workforces but Scotland ranked in the third quarter for productivity.

DY thanked the Executive for their support and work in creating the Draft Budget presented to the Board.

As Katie Hutton was retiring in the next month, the Chair on behalf of the Board thanked Katie for 30 years of public service, her work across the business and for supporting him in his role as a Chair.

Katie thanked the Board for their support over the years.

#### 4.2 2022/23 financial update – Revised Budget Actions

AL presented on key points:

- an update was provided on the budget challenge for the end of March and the outlook for 2023/24.
- SDS were still awaiting payment for the European Structural Fund (ESF) claims in the EUMIS system but SDS had received written assurances from SG that, if this failed to materialise, SDS would be provided with a cashflow advance.

Members noted the update provided and agreed that a Special

	FOP/ARC meeting take place to consider comprehensive business impact and risk review.
<b>5.</b>	<b>Performance</b>
	<p><u>5.1 Quarter 3 – Performance Update and Outlook to end March 2022/23</u></p> <p>NP presented an update. Key highlights included:</p> <ul style="list-style-type: none"> <li>- the FA starts were set to be achieved by both SDS and SFC.</li> <li>- For GAs, all starts were the responsibility of SFC.</li> <li>- Careers Information, Advice and Guidance (CIAG) activity was slightly behind. However, CIAG had until the end of the school year to reach targets. Some days were lost due to strikes but the team were confident of the plan in place to meet Key Performance Indicators (KPIs).</li> <li>- There was a RAG status on the 32 Local Authorities (LAs) to identify how partnerships were working and indications of best practice.</li> <li>- The Career Review was going well; there was modelling on future opportunities and internally, SDS was in the planning stages to support recommendations.</li> <li>- The Climate Change Skills Action Plan (CESAP) pilot was working well.</li> </ul> <p>CE asked for clarification on the minimum or maximum number of staff to be made redundant before PACE got involved. NP advised this would be 20 people to receive a formal notification. However, employers with even one member of staff could still access support as SDS ensures people receive the help they need.</p> <p>TB advised that several employers were willing to meet with SDS for a discussion on Green Jobs Workforce Academy (GJWA) funding.</p> <p>Members noted the performance update.</p>
<b>6.</b>	<b>Risk Update</b>
	<p><u>6.1 ESF – Risk Mitigation Update</u></p> <p>AL presented an update:</p> <ul style="list-style-type: none"> <li>- there were two claims in the system and the pre-payment checks had been completed. There was no definitive date to receive payment but this should be within four weeks as he was aware that the SG Managing Authority had requested funds before the year end.</li> <li>- the team advised that if a claim was live on the 30 June 2024, then SDS would receive payment.</li> <li>- it was noted that updates would continue to be considered at ARC.</li> </ul> <p>Members noted the update.</p>
<b>7.</b>	<b>Operational</b>
	<p><u>7.1 Cyber security – Risk Mitigation update</u></p> <p><u>7.1.1 Update – EIS (BD-22-073)</u></p> <p><u>7.1.2 Update – SDS (BD-22-074)</u></p>

	<p>NP provided an update. Key highlights included:</p> <ul style="list-style-type: none"> <li>- EIS had undertaken cyber resilience testing over the last couple of months.</li> <li>- 2023/24 security plan was currently being prepared for implementation before the end of March.</li> <li>- the Ernest &amp; Young (EY) audit had provided recommendations and an associated action plan. This had reported what SDS were doing well and identified areas for improvement.</li> <li>- once the audit was signed off, there would be a proactive approach to close items and imbed in work plans.</li> <li>- some of the staff who had failed the phishing test had not completed the training. The Board discussed options to ensure training was completed by staff who had failed the phishing test.</li> <li>- one issue identified, was new starts were not required to undertake the compulsory training straight away. However, this had now been changed.</li> </ul> <p>DY advised terms and conditions should reflect the importance of undertaking cyber security training. CA advised that this message would need to be pushed more strongly at a managerial level to become a regular part of conversations in teams.</p> <p>MMcC re-joined the meeting.</p> <p>The Chair agreed that processes should be put in place across management level which would take 6-9 months to embed before moving on to terms and conditions. The Chair advised adding this to the forward plan to monitor the progress made.</p> <p>NP advised one of the recommendations from the EY audit was to include a KPI report on Cyber Security to the Board to summarise the exposure, risks and rag statuses.</p> <p>The Chair asked if the Committees had seen the finalised EY audit. NP advised that the report would be finalised the following Monday and would go to the Executive Board and then ARC. The Chair advised that the finalised EY audit and the recommendations should be added to the forward plan.</p> <p>Members noted the updates.</p>
<b>8.</b>	<b>Board Member Updates</b>
	<p><u>8.1 Equality and Diversity Update</u></p> <p>Update to be circulated to members.</p>
<b>9.</b>	<b>Papers for Noting*</b>
	<p><u>9.1 Economic and Labour Market Outlook</u></p> <p><u>9.2 Finance and Operational Performance Committee (FOP) – 20 December 2022</u></p> <p><u>9.3 Service Development Committee – 26 January 2023</u></p> <p>CP advised that the SDC visit to Coatbridge High School went well. Members commented it was great to hear from young people undertaking a Level 4/5 FAs</p>

	<p>about their participation and hearing their successes. The partnership and strategic approach was working well across the geographical area.</p> <p>Members noted the minutes.</p>
<b>10.</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>10.1 Board Standing Orders and Code of Conduct 2021/22 (BD-22-016vc)</p> <p>10.2 Committee ToR's refresh 2021/22 (BD-22-017vc)</p> <p>10.3 Board Annual Report 2021/22 (BD-22-018vc)</p> <p>10.4 Committee Annual Reports 2021/22 (BD-22-019vc)</p> <p>10.5 Annual Accounts 2021/22 (BD-22-020vc)</p> <p>10.6 ESIF Reports (BD-22-023vc)</p> <p>10.7 Sufi Strike Off (BD-22-028vc)</p> <p>Papers previously circulated for approval/noting via correspondence were homologated.</p>
<b>11.</b>	<b>Any other business</b>
	The Chair advised that it was his intention to hold the next Board meeting outwith the central belt. Once agreed, members would be advised of proposed location.
<b>12.</b>	<b>Close of Board Business Meeting</b>
<b>13.</b>	<b>Date of next scheduled meeting: 21 June 2023, location to be confirmed (10:00 - 16:00 hrs)</b>