

# Minutes of the Meeting

## Special Board Business Meeting

<b>Date</b>	19 February 2020
<b>Time</b>	13:30 – 15:30
<b>Location</b>	McClelland Room, Monteith House, Glasgow
<b>Present</b>	Frank Mitchell (Chair) (FM) Donald Boyd (DB) Beth Corcoran (BC) Carol Evans (CE) Nazim Hamid (NH) Willie Mackie (WM) Margaret McCaig (MMcC) Christine Pollock (CP) Grahame Smith (GS) Tracy Trotter (TT) Damien Yeates (Chief Executive) (DY)
<b>In attendance</b>	<u>Skills Development Scotland (SDS)</u> Eugene Gallanagh (EPG) Andrew Livingstone (AL) Neville Prentice (NP)  Kathleen Nisbet (KN) (Secretariat)  <u>Scottish Government (SG)</u> Dominic Munro (DM) Oonagh Gil (OG) Colin Robertson (CR)

<b>1.</b>	<b>Apologies and declarations of interest</b>
	Apologies were received from Tracy Black (TB).  There were no declarations of interest.
<b>2.</b>	<b>Budget 2020-21</b>
	The Chair thanked everyone for attending the special meeting to review progress on the budget position for 2020-21. It was noted that the budget position was extremely challenging and that the Scottish Government (SG) and SDS executive had been working hard on identifying options within a very tight timescale.  DM provided an overview highlighting the fiscal backdrop since 2010-11 and SDS's decreasing resourcing budget. UK Government and SG Government budgets had increased in real terms but only by a small amount. The budget challenges were not unique

to SDS but to all public bodies (with priority focus being on health services). This, along with other factors (SG budget announcement preceded UK Government budget announcement, ministerial priorities, etc), had led to some difficult decisions. DM recognised within this context SDS faced significant cost pressures to absorb with the added challenge from ministerial instruction to exclude programmes from any saving options and no erosion of employee Terms and Conditions.

DY presented on the SDS 2020-21 Budget Reconciliation. The options contained in the presentation showed a progression of options considered by both SG and SDS to close the ask of reductions. Due to timing and size of challenge, there was less options to reconcile the budget and the proposals required further detailed analysis.

Key highlights included:

- Current Core Grant in Aid, Additional Grant in Aid (confirmed), Current Project Deficit, Net Reduction Required and Total Resource GIA Requested from Sponsor Team;
- Note of SG Challenge and Additional Pay Inflation;
- SG Targeted Expenditure Cuts: Non-Programme (Headcount Management), Non-Programme (process, systems and indirect cost reductions), Additional Options A and Additional Options B.

The Board discussed the presentation in detail. Key points included:

- Highlights from recent Finance & Operational Performance Committee (by the Chair, WM), included concerns in terms of SDS's company limited status and the liability issue imposed on Directors. It was noted that SG were currently looking to provide written assurance to SDS Board members in terms of guarantee. FOP also raised concerns re the decreased budget but no reduction in terms of 'asks' within the Letter of Guidance (also a new 'ask': Climate Emergency Skills Action Plan). Furthermore, a number of the proposals were hugely concerning and some unpalatable. Sustainability was a real concern and potential for impacts on service delivery;
- DB (Chair of Audit & Risk Committee (ARC)) advised that the issue of solvency and unintended consequences was also a real concern for ARC members. Furthermore, the proposals had the potential of significant impacts e.g. staff health and wellbeing/absenteeism, impacts directly to governance matters e.g. FIPS assurance of payments, cyber security. The instruction from SG to not include programmes posed great challenge;
- new Ministerial priorities on talent attraction and climate emergency were to be absorbed within current resources (i.e. no additional funding provided to address new asks);
- UK Government budget announcement may have a positive or negative impact. There were no guarantees at this point on how this would land, SG had planned prudently. It was noted that if UK Government budget was similar to SG budget there would be no need for another budget process;
- sustainability was key in terms of the options highlighted;
- to assist Board members in their considerations, it was noted that detailed business impact assessments should be made available;
- to assist the executive to try and succeed in balancing the budget, a level of flexibility was required with appropriate oversight from the relevant Committees and Board.

Board members were of the opinion that at this point the proposals would damage service delivery with impacts carrying over to future years. A detailed exercise was needed to establish what would be the real programme deliverables that could be achieved with the budget provided. As such, the Board recommended the following next steps:

	<ol style="list-style-type: none"> <li>1. Executive to lead an impact assessment on the key options addressing a range of areas in relation to risk and risk mitigation in advance of Board final review of the 2020-21 SDS Budget (Board meeting date to be confirmed);</li> <li>2. Executive to present a detailed impact assessment to a combined FOP/ARC to allow the SDS Board the opportunity to understand &amp; challenge the Executive and to make recommendations around the SDS Board's views;</li> <li>3. Executive to then bring forward a finalised set of options and supporting impact assessments for formal consideration of the SDS Board (Board meeting date to be confirmed).</li> </ol> <p>The Board noted the current position and agreed the next steps.</p>
3.	<p><b>Any Other Business</b></p>
	<p><b><u>Modern Apprenticeships (MAs) – 2020-21 Contracting</u></b>  Neville Prentice advised members of the need for a decision to approve the contracting of MAs for 2020-21 to ensure compliance with contracting timelines and operational integrity as contracted services are due to commence from 1 April 2020. It was noted that flexibility for in-year would be possible if Scottish Government advised that we should amend contract volumes in-year.</p> <p>DM agreed that SDS could proceed with 2020-21 contracts.</p> <p>Members approved the contracting of Modern Apprenticeships for 2020-21.</p> <p><b><u>Employability Fund (EF)– 2020-21 Contracting</u></b>  As a result of the ongoing 2020-21 budget discussions, it was agreed to defer the issue of Procurement “stand still” letters to contract bidders for EF 2020-21. This would be reviewed further following consideration and approval by the Board of the 2020-21 SDS Budget.</p>
4.	<p><b>Next meeting:</b></p> <p>The Chair advised that:</p> <ul style="list-style-type: none"> <li>• due to timings with the budget, the Board Strategy Day would need to be postponed to a later date, and</li> <li>• due to timings, the Board Business Meeting due to take place on 11 March would be postponed and take place before the end of March (to allow for the UK Governance announcement to be known).</li> </ul> <p>The Corporate Governance Team would be in touch to advise of rescheduled dates/times.</p>