

Skills
Development
Scotland



Annual Operating Plan

2024/25

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Foreword

Welcome to our Annual Operating Plan for 2024/25.

A changing landscape for customers

This plan is published at a time of significant change in our operating environment.

First and foremost, we recognise that our customers, the people and businesses of Scotland, continue to be impacted by significant uncertainty.

The battle against the cost-of-living crisis goes on, amidst a slow, prolonged economic recovery. Whilst unemployment remains low, many sectors continue to report skills gaps which are holding back growth. There is no doubt that skills remains a pre-eminent issue for Scotland's business community.

At the same time rapid shifts in the workplace continue to affect how we work in a post-COVID world. The adoption of AI, particularly generative AI enabled technologies, signal a disruptive future where occupational change could be a significant feature.

This new technological landscape also brings tremendous opportunity, as does the push to net zero and its huge potential to create and sustain high-quality jobs.

A changing policy context for SDS

It is almost a year since the publication of James Withers' *Independent Review of the Skills Delivery Landscape*, followed quickly by the *Purpose and Principles for Post-School Education, Research and Skills*.

Since then, colleagues across SDS have sought to work closely with Scottish Government to achieve further clarity on what these plans will mean for Scotland's people and businesses, for our partners and stakeholders and for SDS itself.

Our Letter of Guidance for 2024/25 outlines a clear role for the SDS Board, leadership team and dedicated, expert colleagues who have a key role to play in shaping reform.

It also underlines our contribution to the National Strategy for Economic Transformation and Scotland's just transition to Net Zero.

Thriving in the future

Like the rest of the public sector, continued strain on funding has resulted in unprecedented budget pressures for SDS.

Significant cuts to our Grant-in-Aid continue to drive fundamental change to the way we deliver services.

In managing these pressures, we maintain a laser focus on the delivery of frontline career services and high-quality apprenticeships, ensuring that SDS has the structure and capability to do so in a way that meets the evolving needs of Scotland's people and businesses.

This is the reason SDS last year embarked on an ambitious programme of organisational transformation. Aligned to our 2022-27 Strategic Plan, *Skills for a Changing World*, we initiated Transform 27 to accelerate our transition to a sustainable operating model by 2027/28.

Structured around defined workstreams that combine short, medium and long-term activities, Transform 27 is driving cost savings, efficiencies, increased productivity and greater organisational agility and responsiveness.

This transformation programme will fundamentally reshape SDS, ensuring we build the capacities and capabilities needed to help the people and businesses of Scotland thrive in the future.

Damien Yeates

Chief Executive, Skills Development Scotland

Contents

Introduction	4
About Skills Development Scotland	4
About this Plan	4
Transform 27	5
Strategic Context	6
Our Strategy Map 2022-27	7
Our Activity in 2024/25	8
Industry-focused skills	9
Inclusive talent pool	10
Invested employers	11
Intelligence-led system	12
Impactful organisation	13
Partnership and Collaboration	14
Measuring progress	15
Our Corporate Performance Framework	15
Aligning our performance to national and international ambitions	16
SDS Budget 2024/25	17

Introduction

About Skills Development Scotland

Skills Development Scotland (SDS) is the national skills agency. Our ambition is that skills contribute to a thriving, productive and inclusive Scotland. The key to Scotland's future prosperity is to ensure that its people and businesses are inspired and enabled to develop the right **skills for a changing world**.

We achieve this through intelligence-led delivery of Scotland's Career Service, apprenticeships, and other learning and skills interventions in support of Scottish Government ambitions. To make this happen, SDS collaborates extensively across the education and skills system. By sharing expertise and intelligence, we enable the development and delivery of innovative solutions to Scotland's skills and labour market challenges.

Further details on SDS's strategic approach and operational activities can be found in *Skills for a Changing World*, our [Strategic Plan 2022-27](#), published in November 2022.

About this Plan

With deepening complexity and change in the external environment (see foreword and page 5), the ambition of *Skills for a Changing World* is even more relevant today. This is the third annual operating plan delivering within its strategic framework.

Scottish Government's annual guidance to SDS expects that we play a full and collaborative role in supporting key Ministerial priorities, including reform of the education and skills system and wider public sector, whilst continuing to deliver core services to support Scotland's people and economy.

Although the SDS budget has fallen by over £30m since 2021/22 with a further anticipated in-year cut of £1.5m, our commitment to core service delivery remains resolute. In so far as it is possible within budgetary restrictions, we will maximise high quality apprenticeship opportunities to address critical skills needs in the economy and continue to deliver a high quality, impartial, all-age Careers Information, Advice and Guidance service, building on the ambitions of the Career Services Collaborative and in line with the policy direction set by Scottish Ministers.

This Plan sets out these and other operational priorities for 2024/25.

Transform 27

During the year, we will also progress Transform 27, an ambitious programme of organisational transformation designed to accelerate our transition to a sustainable operating model by 2027/28, fully aligned to our Strategic Plan.

The programme builds on our culture of improvement and innovation. To date, Transform 27 has successfully transitioned our estates footprint towards a new community-based delivery model and delivered reduced workforce costs, whilst maintaining our focus on core services.

Transform 27 responds to the need for broader public service reform and our work to date has been recognised by Scottish Government.

In the year ahead we will build longer term plans which enable us to reshape delivery to meet changing customer demands while ensuring services remain affordable.

In doing this, we will:

- Work with the Scottish Government to inform, influence and play our part in achieving the ambitions of the reform agenda.
- Work collaboratively across the education, learning and skills system to harness our collective knowledge, expertise and resources to deliver greater impact for the people and businesses of Scotland.
- Be innovative, creative and bold in our approach through developing solutions with and for our employees, customers and stakeholders.
- Be agile and responsive to the changing environment continually iterating and reviewing our approach to meet current and future needs and priorities.

Strategic Context

Economy, Business Investment and Labour Market



Scotland's estimated budget deficit ('net fiscal balance') reduced by just over 3.8 ppt to 9.0% of GDP in 2022/23



Urgent reform of the public sector in Scotland is needed to address budget shortfalls of more than £1bn over the coming years



Employment in Scotland continues to be strong relative to the UK average and is projected to be above the UK average



Unemployment in Scotland is 4%, slightly below the UK overall (4.2%)



While Scotland's inactivity rate fell in 2022/23 it is predicted to rise marginally over the next two years



Despite the inflation rate falling to the lowest level in over two years, two-thirds of Scots (67%) continue to cut back on non-essentials in response to the increased cost of living

Climate Change and Net Zero



Scotland aims to be a net-zero economy by 2045



Scotland produced more renewable energy than its consumption for the first time in 2022



Scotland continues its lead in green job creation with 4% of all jobs advertised as green (74% higher than the UK average)

Digital Transformation



Gross Value Added in the digital technology sector was forecast to be £5,940m in 2023, generating 4% of Scotland's total economic output



Between 2013 and 2023, GVA in the digital technology sector grew by 6.6% on average each year, compared to 1% across all sectors in Scotland over the same period

Fair Work and Wellbeing



The National Strategy for Economic Transformation sets out a vision for Scotland to have a wellbeing economy



Scottish Government Fair Work Action Plan sets out the vision for Scotland to be a leading Fair Work Nation by 2025



The poorest households in the UK had a fall in real income since 2019/20 of about £4,500



Destitution has risen sharply in the UK since 2019, but Scotland has experienced by far the lowest increase



More than 1,000 organisations across Scotland are involved in the Young Person's Guarantee



Over 3,500 employers in Scotland are Living Wage accredited, up 500 from last year

Demographics and Talent Attraction



Scotland's population grew by 141,200 to 5,436,600 between the 2011 and 2022 censuses, but without migration it would have decreased by around 49,800

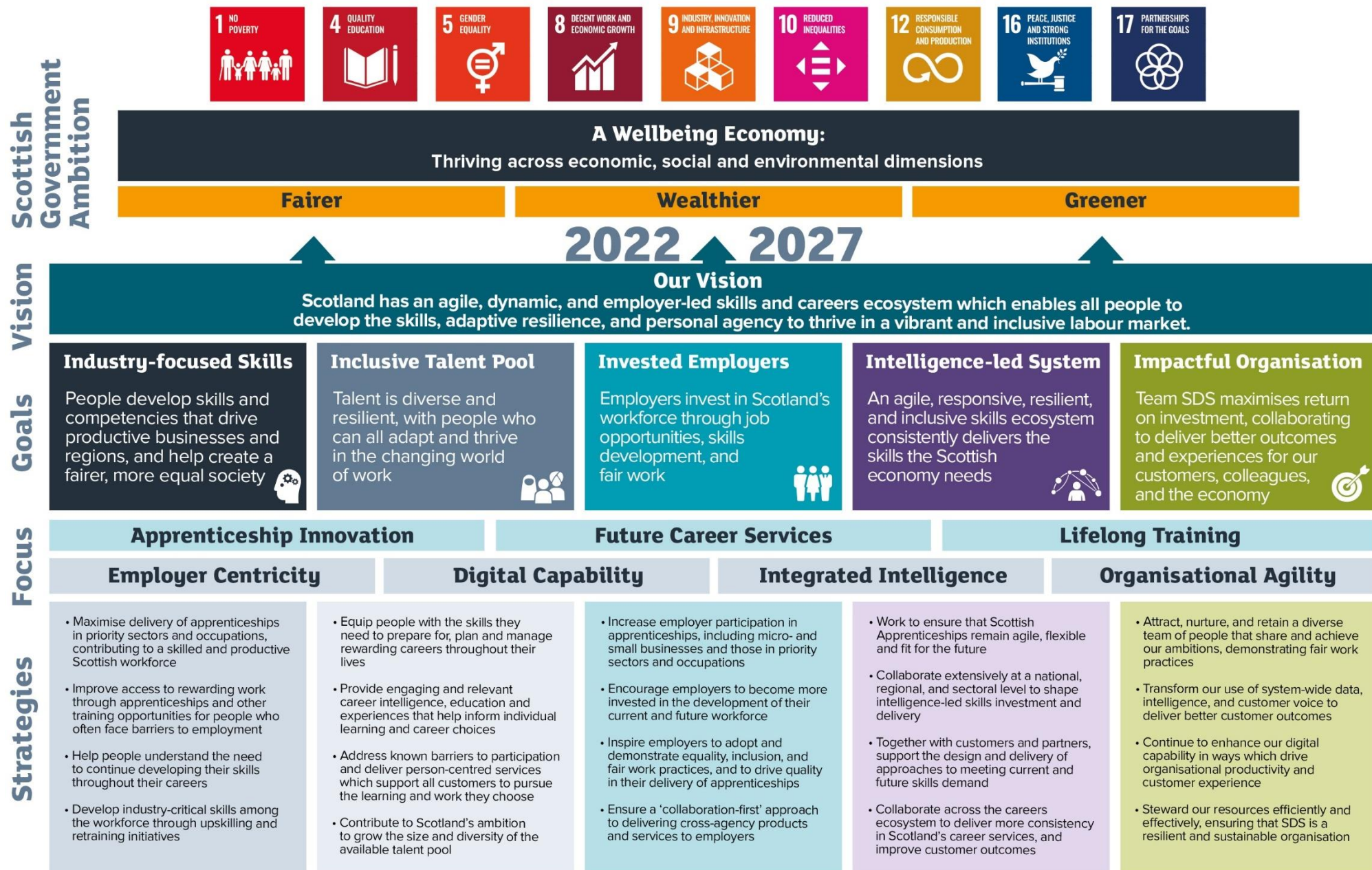


Scotland's population is ageing – between the 2011 and 2022 censuses the number aged under 15 decreased by 2.5% but the number of people 65 and over increased by 22.5%



Net migration in the UK reached 672,000 in 2023

Our Strategy Map 2022-27



Our Activity in 2024/25

Our Strategy Map (page 6) and our Performance Framework (page 16) demonstrate the contribution SDS makes to Scottish Government ambitions, including those defined by the National Strategy for Economic Transformation (NSET) and the National Performance Framework. Key Performance Indicators (KPIs) are used to track progress against each of our strategic goals and are listed alongside them in this Plan.

In the following section we set out the actions we will take in the 2024/25 Operating Year, in response to our Letter of Guidance from Scottish Government, and to progress delivery of our Strategic Plan, which incorporates the continued implementation of our Transform 27 programme.



Industry-focused Skills



Our goal

People develop skills and attain standards that drive productive businesses and regions, and help create a fairer, more equal society

Our customer commitment

We will create opportunities to learn that can help you to access, and progress in, rewarding jobs

KPI 1: Individuals across Scotland participate in work-based learning throughout their working lives

KPI 2: On completion of work-based learning, individuals sustain in employment or other positive outcome

To achieve this goal, in 2024/25 we will:

a) Maximise delivery of apprenticeships in priority sectors and occupations, contributing to a skilled and productive Scottish workforce

- Maximise delivery of high-quality Modern Apprenticeships within available budget.
- Continue inter-agency working with Scottish Funding Council (SFC) on the delivery of Graduate Apprenticeships, and fund continuing liabilities.
- Maintain our web platform, Apprenticeships.scot, with a continued focus on user experience, technical approach, and digital service offer.

b) Improve access to rewarding work through apprenticeships and other training opportunities for people who often face barriers to employment

- Continue to work with customers, learning providers, employers and equality partners to generate more equal demand for, and access to apprenticeships, in line with the priorities set out in our Equality Outcomes 2021-2025.
- Continue to undertake targeted action for increasing participation in MAs by under-represented groups

- Undertake work to actively reduce the achievement gap for apprentices with equality characteristics.

c) Help people understand the need to continue developing their skills throughout their careers

- Within available budgets, deliver targeted campaigns to increase awareness of, and demand for, Scottish Apprenticeships.
- Through signposting, help adults identify and access other relevant, high-quality upskilling and retraining opportunities.

d) Develop industry-critical skills among the workforce through upskilling and retraining initiatives

- Deliver a programme of Teaching Bursaries to support individuals to transition into a teaching career in STEM subjects.
- Continue to support individuals to access opportunities in the transition to a net zero economy.

Inclusive Talent Pool



Our goal

Talent is diverse and resilient, with people who can all adapt and thrive in the changing world of work

Our customer commitment

We will help you, throughout your life, to prepare for and progress in the career you choose

To achieve this goal, in 2024/25 we will:

a) Equip people with the skills they need to prepare for, plan and manage rewarding careers throughout their lives

- Deliver Scotland's all-age career service, by providing career information, advice, and guidance (CIAG) in schools, in public access centres, via telephony and through community locations, targeting those in greatest need of support.
- Continue to provide 24/7 digital services through My World of Work to support individuals to plan and manage their careers.
- Provide support for people in redundancy situations.
- Continue our collaborative work with partners to plan and deliver services and build capacity through CPD.

b) Provide engaging and relevant career intelligence, education and experiences that help inform individual learning and career choices

- Provide interactive and inspiring work-focused experiences for young people through the delivery of My World of Work Live.
- Continue to equip teachers, parents and carers as key influencers of young people's learning and career choices.
- Fund up to 2,500 Foundation Apprenticeships (FAs) continuing collaboration with SFC and other partners on delivery and improvement of all FAs, incl. those funded through colleges.

c) Address known barriers to participation and deliver person-centred services which support all customers to pursue the learning and work they choose

- Continue to provide targeted and enhanced CIAG support to customers who need it most.
- Deliver and monitor progress against our [2021-25 Equality Outcomes](#), to ensure equality of access and opportunity across our products and services.
- Sustain engagement with equality partners at national, regional, and local levels to continue to enhance understanding and address barriers to participation, including poverty and intersectional impact.
- Collaborate with schools, local authorities, DYW, DWP and other partners to ensure our collective efforts are maximising outcomes for young people.

d) Contribute to Scotland's ambition to grow the size and diversity of the available talent pool

- Support Scottish Government with development and implementation of policies / projects to attract and retain talent.
- Maintain an active role in Local Employability Partnerships to influence and support local employability provision.

KPI 3: 16-19 year olds in Scotland are in learning, training, or employment

KPI 4: SDS career services support individuals to sustain in learning, training, or employment

KPI 5: Young people can participate in experiential work-related learning as part of their education

Invested Employers



Our goal

Employers invest in Scotland's workforce through job opportunities, skills development, and fair work

Our customer commitment

We will encourage and support employers to offer better work and learning opportunities in Scotland

KPI 6: Scotland's employers invest in work-based learning, training, and growth opportunities

To achieve this goal, in 2024/25 we will:

a) Increase employer participation in apprenticeships, including micro and small businesses and those in priority sectors and occupations

- Work with employers to support their involvement in the development and delivery of apprenticeships in Scotland.
- Promote and raise awareness of apprenticeships in priority sectors and occupations.

b) Encourage employers to become more invested in the development of their current and future workforce

- Work with Developing the Young Workforce (DYW) regional groups, DYW National Team, School Coordinators and mentoring offers to ensure that young people access work opportunities and get the information and support they need to make decisions about their future.
- Engage strategically with industry and sector representatives across Scotland's economy to encourage employer involvement in the design and delivery of apprenticeships.
- Through the Employer Hub and face-to-face support, help employers to identify their skills needs and plan how to meet them through investment in their workforce.

c) Inspire employers to adopt and demonstrate equality, inclusion, and fair work practices, and to drive quality in their delivery of apprenticeships

- Work with employers to enhance the quality of apprenticeship experiences for their employees and to improve sustained learning and achievement.
- Continue to work with employers, learning providers and equality partners to promote inclusion and diversity in apprenticeship recruitment and delivery, contributing to a reduction in under-representation and occupational segregation.
- Encourage learning providers and employers to adopt Fair Work First criteria in their organisations and apply Fair Work First conditionality to grant funding.

d) Ensure a 'collaboration-first' approach to delivering cross-agency products and services to employers

- Through collaboration with strategic partners, including the Business Support Partnership, continue to design and deliver simplified and streamlined cross-agency business support.
- Contribute to the 'Team Scotland' implementation of Scottish Government's Inward Investment Plan, including through the provision of bespoke skills advice to employers looking to invest in Scotland.

Intelligence-led Skills System



Our Goal

A dynamic, resilient, and inclusive skills ecosystem consistently delivers the skills the Scottish economy needs

Our customer commitment

We will work with other organisations to make sure that your learning helps to prepare you for the available jobs in Scotland

KPI 7: Skills investment and delivery in Scotland is increasingly intelligence-led

KPI 8: Scotland's learning and training opportunities are better aligned with current and future economic need

To achieve this goal, in 2024/25 we will:

a) Work to ensure that Scottish Apprenticeships remain agile, flexible, and fit for the future

- Continue to work with Scottish Apprenticeship Advisory Board, Scottish Government, Scottish Qualifications Authority (SQA), SFC and employers to ensure the standards and frameworks which underpin apprenticeships are fit for the future.
- Deliver agile and flexible apprenticeships which are transferrable across occupations and aligned to National Occupational Standards (NOS).

b) Collaborate extensively at a national, regional, and sectoral level to shape intelligence-led skills investment and delivery

- With Scottish Government and SFC, complete implementation of the Shared Outcomes framework collaborative projects.
- Work collaboratively with Regional Economic Partnerships to develop and implement City Region and Growth Deals.
- Continue to provide support to Scotland's regions and key sectors to address skills shortages and skill gaps, including implementing regional and sectoral skills plans such as the Digital Economy Skills Action Plan.
- Engaging partners to provide national, regional and sectoral labour market intelligence.
- Work closely with Scottish Government to inform emerging approaches to National Skills Planning.

c) Together with customers and partners, support the design and delivery of approaches to meeting current and future skills demand

- With Scottish Government and others, support refreshed NSET work and the developing Green Industrial Strategy.
- Deliver activity that further grows the cyber security skills pipeline, aligned to the Strategic Framework for a Cyber Resilient Scotland.
- Continue to work with the devolved governments in Scotland, Wales, and Northern Ireland to implement the NOS Strategy and develop NOS.
- Contract for the development of Scottish Qualifications Products in collaboration with Scottish Government and SQA Accreditation, ensuring they meet the needs of industry.
- With Scottish Government and agency partners, play a full role in supporting the implementation of the Purpose and Principles: Initial Priorities and wider reform of the lifelong education and skills system.

d) Collaborate across the careers ecosystem to deliver more consistency in Scotland's career services, and improve customer outcomes

- Work with the Career Services Collaborative and other stakeholders to improve the quality, coherence and consistency of the careers offer, implementing the policy direction set by Scottish Ministers, and building on the Career Review and other publications.

Impactful Organisation



Our goal

Team SDS maximises return on investment, delivering better outcomes and experiences for our customers, colleagues, and the economy

Our customer commitment

We will work with you to make sure the public funds and resources we have are used efficiently and in your best interest

KPI 9: SDS has satisfied customers and employees

KPI 10: SDS is a resilient and sustainable organisation

To achieve this goal, in 2024/5 we will:

a) Attract, nurture, and retain a diverse team that share and achieve our ambitions, demonstrating fair work practices

- In support of our Transform 27 programme, ensure effective voice and colleague involvement across all activity, and build our people manager capability to lead change.
- Sustain our focus and commitment to building a culture of fair work, inclusion, and wellbeing, including continued commitment to addressing race equality in the workplace.
- Retain our commitments to developing the skills of our people through guaranteed CPD for all colleagues.

b) Transform our use of system-wide data, intelligence, and customer voice to deliver better customer outcomes

- Continue to inform service design, dynamic skills provision, innovation and continuous improvement through research, customer insight and data analysis.
- Progress the replacement of legacy data sharing architecture, assuring the quality and security of the overall shared data set in line with legislation.
- Continue to deliver improvements in our approach to Information Management.
- Continue to implement and monitor integrated equality impact assessments to improve customer experiences.

c) Continue to enhance our digital capability in ways which drive organisational and employee efficacy

- Simplify the digital journey and user experience, for customers across our digital channels, and implement continuous improvement actions for our digital services, aligned to the ambition of our strategic plan.
- Continue the delivery and management of the Enterprise Information Services (EIS) shared cross-agency IT services.

d) Steward our resources efficiently and effectively, ensuring that SDS is a resilient and sustainable organisation

- Progress Transform 27 activity to develop and move towards a more sustainable and impactful target operating model.
- Drive value for money through a continued focus on financial stewardship, continuous improvement, quality assurance and effective change management to ensure services remain affordable within a constrained budgetary environment.
- Implement the Cyber Action Plan in line with the SDS Cyber Strategy 2023-25.
- Continue action to deliver the ambition of our Climate Change Strategy 2020-2030, including ongoing rationalisation of our estates.

Partnership and Collaboration

Partnership working has long been at the heart of SDS, underpinning our work as an organisation. Our corporate values recognise the benefit of combining our strengths with those of others to achieve the best outcomes, and this is evident in all we do.

At a national level we work with Scottish Government, our partner agencies, and other stakeholders to join up thinking and action, ensuring greater efficiency and consistency throughout the lifelong learning and skills system. This also helps us to ensure that our work is led and informed by the diverse voices of Scotland's communities and industries.

Regionally, we have dedicated place-based resource to share skills intelligence, and to provide insight and leadership on matters where skills can help drive economic development. While locally, we work with every community planning partnership, local employability partnership, and state-funded school in the country as well as local training providers, colleges and universities, employers, and equality organisations.

In the coming year, we will continue to play a full and collaborative role in supporting the National Strategy for Economic Transformation, and other key Ministerial priorities including the emerging Green Industrial Strategy and Scotland's 'just transition' to net zero. We will also work with the Scottish Government and other agencies to shape and progress reform in both post-school education and skills and in the wider public bodies landscape, while continuing to work with others, to deliver services locally for Scotland's people and businesses.

Measuring progress

SDS is committed to demonstrating improved public value and return on investment. To deliver on this requires clear articulation of the outcomes we intend to achieve, and the measures we will use to monitor and report progress towards them.

Our Corporate Performance Framework

The SDS Corporate Performance Framework identifies the performance measures that best demonstrate achievement of our strategic goals and informs our external and internal monitoring and reporting.

It is fully aligned to our Strategic Plan, the Scottish Government's National Performance Framework, and the United Nations Sustainable Development Goals, as shown on page 16.

Performance across the business, against service expectations where appropriate, is reviewed by directors and senior leaders every month and by the Board and its sub-committees every quarter. We are transparent in our reporting and provide regular external performance reports, including an annual performance review, official statistics, and annual accounts.

As a provider of official statistics, we ensure the integrity and quality of the data which underpin our systems and performance reporting.

We track performance against each of our 10 KPIs using a collection of measures, as summarised in the bottom row of the illustration on page 16. As much of the work we carry out is done in partnership with other agencies, or contributes to a shared ambition (for example, youth participation rate, employer engagement and skills investment outcomes), single agency delivery expectations are not appropriate.

Where we can attribute performance to SDS, we have quantifiable targets. Our key delivery measures and service expectations are included in the table below.

Delivery measure	Expectations
Apprenticeships	
Modern Apprenticeship starts	Up to 25,500
% MA starts with disability	Sustain / improve
% MA starts with care experience	Sustain / improve
% MA starts from minority ethnic group	Sustain / improve
MA achievement rate	Sustain / improve
MA achievement rate gap	Sustain / improve
Foundation Apprenticeship starts	Up to 2,500
Career Information, Advice & Guidance	
% BGE (S1-S3) pupils reached	85%
% senior phase (S4-S6) targeted pupils reached	93%
% senior phase targeted pupils with improved Career Management Skills (CMS)	85%
% Next Steps customers with improved CMS	70%
% Next Steps customers progressing	65%
% Next Steps customers sustaining	60%

Aligning SDS performance with national and international ambitions



SDS Budget 2024/25

Our grant-in-aid this year is 94.6% of budgeted funding, while shared service recharges are projected at 4.6%.

Due to financial constraints and legal commitments, our opening budget position is a deficit of £2.6m. We intend to eliminate this through in-year efficiency savings and identified budget adjustments.

Our budget will support continued delivery of apprenticeships, our CIAG service, skills investment planning and other activity described in this plan.

Anticipated Income 2024/25 – Scottish Government	£'000s
Core Grant-in-Aid (GIA)	200,690
Known Budget Reduction (ABR/SBR)	(1,500)
Other Transfers, ABR/SBR indicative GIA	TBC
Total Scottish Government	199,190

Anticipated Income 2024/25 – Other sources	£'000s
Shared Service Re-charges	9,762
Other income	1,719
Total Other Sources	11,481

Anticipated Income 2024/25	£'000s
Total income from all sources	210,671
Projected Expenditure 2024/25	£'000s
People Costs	84,186
Apprenticeships	100,796
Equality & Critical Skills Development	1,484
Industry, Employer Engagement, Skills Planning	253
Evaluation, Research, Evidence & Impact	615
Digital Delivery and Platforms – My World of Work, FIPS, CSS, Employer Hub	2,911
Enterprise Information Services	7,190
Estates and Enabling Services	6,128
Shared Services	9,762
Initial Working Deficit – Managed in-year	(2,653)
Total expenditure	210,671

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