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27 June 2019

Dear Frank,

SKILLS DEVELOPMENT SCOTLAND – GUIDANCE 2019-20

Introduction

1. Following our Joint Strategic Letter of Guidance to Skills Development Scotland and other Enterprise and Skills Agencies in January 2019, and the First Minister's subsequent declaration of a global climate emergency, I am writing to set out more specific guidance on my expectations and priorities for Skills Development Scotland in 2019-20.

Strategic context

2. Our Economic Strategy maps out the priority areas where we look to invest in our economic future. This letter sets out how I, along with my Ministerial colleagues, expect the Enterprise and Skills agencies to work collaboratively in delivering on these priorities and deliver on our commitment to create a more prosperous nation with more jobs, fair work and a dynamic, sustainable and inclusive economy.
3. All organisations and businesses need to increase their focus and action on decarbonisation to ensure Scotland's contribution to climate change ends by 2045 at the latest. If we are to achieve true inclusive and carbon-neutral growth for our economy, it is critical that we work together to unlock the full potential of our entire economy, including its rural aspects, by embracing the opportunities they present and responding to their needs in the best way we can.

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4. Our ambitions and priorities have been clearly stated in recent months - in our National Performance Framework, which includes a statement of values alongside our purpose (refreshed 2018); our Programme for Government (September 2018); and the Economic Action Plan (EAP) (October 2018). The Joint Strategic Guidance Letter sent to you on 11 January highlights these and our support for the aims of the Strategic Board as set out in its Strategic Plan.
5. We want Scotland to be a fair work nation by 2025. Our commitment to fair work is demonstrated through the publication of our [Fair Work Action Plan](#) (February 2019), which sets out how we will deliver our ambitions on fair work across Scotland. To achieve our ambition we need employers, including Skills Development Scotland, to adopt Fair Work practices and to support the delivery of Fair Work in the services it provides and through its procurement practices. I note that Skills Development Scotland have started discussions with your trade union partners regarding a partnership agreement based on fair work principles and would ask that you work to finalise this agreement. I would also ask that you attach Fair Work criteria to your appropriate grants and funding streams.
6. However, Scottish Ministers do not underestimate the current risks posed by the uncertainty around the UK Government's plans to leave the EU and the impact that could have on your organisation's ability to deliver its business and achieve our shared ambitions for the year ahead. I would ask that Skills Development Scotland continues to demonstrate the high level of preparedness and resilience that has been shown to date and to continue to engage actively with my officials and your stakeholders.

Enterprise and Skills Strategic Board – Collaboration and Alignment

7. The Strategic Board's Strategic Plan provides long term strategic direction to Scotland's enterprise and skills agencies and provides a blueprint for the Scottish Government to improve productivity and drive inclusive and sustainable economic growth. I look to you for your continued commitment to implementing the Plan and pursuing its aims in close collaboration with the other agencies, and to continue working closely with the Board and fellow agencies in support of the Board's forward-looking priorities.
8. I expect that Skills Development Scotland will play a vital role in delivering against the relevant key priorities over the next 12 months. I am grateful for the work you have done and continue to do, to develop your Strategic and Operating Plans for 2019-20 and beyond in support of the Strategic Board's ambitions. I would ask that you continue to explore opportunities for further alignment of your planning and activities with the other enterprise and skills agencies – this should include joint decision making and genuine co-development of future plans, including at the most senior level, and mainstreaming throughout your organisation the very positive culture of co-development and collaboration that we are already seeing bring real benefits. And, in light of the climate emergency declaration, I would also ask you to give urgent consideration of how you can support the Scottish economy to decarbonise at pace. In doing this, I expect you to reprioritise, manage your resources, and make the changes required to your organisation and to the way it works to meet these new collective priorities.

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9. I also look to you to continue to work with the other E&S agencies to fund and support the Strategic Board's Analytical Unit to help deliver increased efficiency and effectiveness across the enterprise and skills system. This requires each E&S agency to devote a share of their investment in evidence and evaluation to support the research programme of the Analytical Unit. This, together with alignment of your plans and a shared approach to performance measurement, should ultimately demonstrate how your individual and combined activities drive activity to achieve the outcomes from NPF, in particular those identified in the Strategic Board's Performance Framework.
10. Recognising the importance of this area of work we ask that during 2019/20 Skills Development Scotland contributes to regular updates on activity and progress made against each of the relevant Strategic Plan missions and actions, as well as in relation to SDS's support for the Scottish Government's response to the recommendations in the Strategic Plan.

Skills Development Scotland Contribution

11. As Scotland's skills agency, SDS' purpose is to support a productive and inclusive economy by ensuring Scotland's businesses and people develop the skills they need to achieve their potential.
12. SDS will do this by working with partners nationally, regionally and locally to ensure:
 - All people in Scotland have the skills, information and opportunities they need to succeed in the labour market
 - Scotland's businesses drive productivity and inclusive growth
 - Scotland has a dynamic and responsive skills system.
13. At the heart of this lies the expectations that Skills Development Scotland operates as a highly effective public body working in partnership with others in both the public and private sectors and with communities to improve outcomes, moderate the demand on wider public services and support an inclusive and sustainable economy, in line with the Government's commitment to public service reform building on the principles of the Christie Commission.
14. My ambitions and operational asks of Skills Development Scotland for 2019-20 are set out in greater detail in **Annex A** and are structured around the high-level themes of Skills Development Scotland's work.

Skills Development Scotland Budget 2019-20

15. I welcome SDS's approach to working openly with officials to better understand and consider the prioritisation and maximisation of opportunities within its allocated budget for 2019/20. I ask SDS to maintain a forensic scrutiny on its financial position during the course of 2019/20 and seek all opportunities to secure efficiencies. I welcome your commitment to deliver at least £5m savings from activity within the 2019-20 financial year and ask SDS to continue to work closely with my officials to deliver these.

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16. In 2019-20, I look to Skills Development Scotland to make decisions that ensure the funds provided to it by the Scottish Government are used to drive sustainable inclusive growth, deliver the priorities detailed in this letter and achieve the outcomes set out in your Plans for 2019-20.
17. This is confirmed in your budget allocation and monitoring letter issued in March 2019. Any in-year transfers, both in or out of the budget, will be detailed at the Autumn and Spring Budget Revisions, published each year and subject to Parliamentary scrutiny.

Skills Development Scotland	2019-20 Budget
Grant - in - Aid	£214.7M

Conclusion

18. I hope the priorities set out in this letter are helpful in carrying forward your business planning for 2019-20 and in the longer term. I and my Ministerial colleagues are grateful for the contribution Skills Development Scotland continues to make to realising the Government's purpose and I look forward to working with you in 2019-20

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Annex A SDS's Contribution to Scottish Government Priorities

The skills system

Skills alignment

1. Developing the skills of Scotland's current and future workforce is central to improving productivity, supporting the Scottish Government's focus on fair, inclusive and sustainable economic growth. As concluded by the Enterprise and Skills Review and reinforced subsequently by the Strategic Plan of the Enterprise and Skills Strategic Board, the impact of our investment in skills would be enhanced by increasing the planning alignment between SDS and SFC, so that this investment better reflects the needs of employers, learners and the economy.
2. We want Scotland's skills system to be agile and demand-led, responding to industry and learner needs and providing the critical skills the economy needs, as set out in robust and agreed demand evidence. Your shared vision with SFC: Scotland 2035 (A Human Future) will help to articulate this ambition and should support our Future Skills Action Plan which we will publish in 2019. I ask SDS and SFC to work with us to deliver the ambition of this in 2019-20, and to use it to inform development of our evidence base for future skills alignment and investment.
3. I ask SDS and SFC to continue working with my officials in your collaborative joint delivery of the skills alignment workstream, specifically:
 - Establishing reformed governance to provide executive oversight, coordination and decision-making for skills alignment activity across SDS and SFC
 - Work with the recently appointed Skills Alignment Director to define and deliver the 5-step Skills Alignment Model, including the initial 4 Skills Alignment Commissions by supporting:
 - A comprehensive review of demand data and identification of opportunities for improving the data and ensuring that it is available in advance of key investment decision points
 - A comprehensive review of the progression of the skills system, reflecting all enrolments, progressions and end destinations
 - A review of all outcome measures during the procurement and monitoring steps to evidence the short-term outcomes arising from skills investment across a range of pathways.
 - The Analytical Unit to develop a comprehensive review and evaluation process to consistently measure the long-term impact of all skills investment to ensure public value.
 - Developing a single demand and provision planning cycle with SFC, incorporating continued delivery of Regional Skills Assessments (annual update) and Regional and Sectoral Skills Investment Plans (SIPs).
 - Working closely with SG and SFC to develop analysis and options relating to future skills provision in the context of a Spending Review.

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4. Implementation of this approach will help to inform on-going consideration of the most effective balance of our skills investment to maximise returns, in terms of productivity and labour market inclusion, and avoid duplication of effort and funding.

Meta-skills

5. As part of our ambition to ensure that the skills system is effectively delivering the skills that people and businesses need, we must also take cognisance of the meta-skills that create adaptive learners and promote success in whatever context the future brings. These meta-skills will be required by individuals to make them attractive, adaptable and resilient workers of the future. This is recognised in the Strategic Board's plan as being of increasing importance.
6. I ask that SDS work with the SQA, Education Scotland and other partners and stakeholders to agree the language that is used to define meta-skills, how these definitions will be developed collaboratively, and options for their measurement and assessment. I also ask SDS to continue to work with Education Scotland, FE, HE and the Scottish Apprenticeship Advisory Board (Frameworks and Standards Group) to explore early opportunities to build meta-skills into curriculum improvements within all learning programmes, drawing from the evaluation of the pilot currently underway to include the measurement of meta-skills in the new Graduate Apprenticeship framework for Early Learning and Childcare.

Skills Action Plan for Rural Scotland

7. The Action Plan sets out our plans to support the skills needs of the rural economy, addressing skills shortages, talent retention and attraction, demographics, through enhanced work-based learning pathways, and increasing access to education and skills provision in rural areas. We look to you to align your activity to support all the priority areas for action where SDS has a role to play.

Ministerial Population Task Force

8. A Ministerial Population Task Force has been established to consider Scotland's future population challenges and to develop new solutions to address demographic and population change. The Group will explore different dimensions to the challenge, recognising that with a falling birth rate, any growth in population over the next 25 years will be driven entirely by migration including from the rest of the UK. This Group is to be supported by a Programme Board led by Scottish Government officials. A key project within the Programme will be developing a co-ordinated approach to understanding and addressing skills gaps, including attracting and retaining workers. I ask SDS to work with the Scottish Government to progress this workstream through the continued provision of sectoral and geographical skills data and through input to the Task Force and Programme Board as required.

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Governance and funding for work-based learning

9. A new apprenticeship governance and engagement structure was put in place during 2016/17, to better align and articulate industry demand in apprenticeship design and development, and to provide a robust structure to oversee the evolution of the broader apprenticeship family. The Scottish Apprenticeship Advisory Board (SAAB) sits at the heart of this and is designed to give employers and industry a leading role in developing the future of apprenticeships in Scotland.
10. Through the SAAB Standards and Frameworks group, SDS should continue to work with a range of partners and key stakeholders to develop and maintain a future standards architecture to underpin work-based learning in Scotland and align the quality assurance across all apprenticeships in Scotland, in line with Ministerial commitments and expectations.
11. In line with the 'skills for the future' mission from the Strategic Board, I expect you to work with my officials and with SFC to develop a more responsive funding model to meet the future expansion in demand for work-based learning.

Services for individuals

12. For our economy to thrive, everyone, regardless of their age, must be able to gain the skills they need to realise future opportunities. The Strategic Board's plan highlights the importance of tailored and accessible services to improve customer experience. It also emphasises the importance of keeping services simple and putting customers at the heart of service design and delivery.
13. This includes Scotland's curriculum, the Curriculum for Excellence, which helps our children and young people gain the knowledge, skills and attributes needed for life in the 21st century. We would expect relevant SDS services to be embedded in schools as part of a coherent curriculum for all children and young people.
14. All SDS services must be accessible and take into consideration equality issues, ensuring that the aims of your Equality Action Plan(s) are met.
15. Working with Scottish Government, and other partners, SDS should endeavour to shape services to support delivery of the 15-24 Learner Journey Review recommendations where possible and explore service enhancements where funding is available to do so.

Career information, advice and guidance

16. We expect SDS to deliver a life-long, targeted service for those in school, post-school and for those facing redundancy.
17. SDS has already made significant changes to its service offer in schools to meet the expectations in the Career Education Standard. I expect SDS to continue working with education and skills partners to ensure alignment of career management skills development and the CES with the school curriculum and to support capacity building for teachers and practitioners.

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18. I also expect SDS to continue to build on the improvements in post-school services to meet the needs of those requiring support to make a successful transition from school that aligns with other delivery partners to ensure ongoing participation in learning, training and work.
19. Digital platforms continue to play an important part in the delivery of services, and I expect SDS to continually enhance the digital offers for all service users, keeping content up-to-date and relevant and ensuring that user experience and feedback drives future enhancements.
20. SDS should work with Scottish Government, and other organisations with a careers advisory function, to develop the new CIAG strategy, which will aim to deliver a more joined-up approach to careers provision across sectors. This will incorporate the aims of the Strategic Board's plan, the No One Left Behind review of employability services, capture and reflect the 15-24 Learner Journey Review ambitions, the commitments from the Gender Pay Gap Action Plan and the recommendations from the Education and Skills Committee.

Re-skilling and up-skilling

21. As emphasised in the Strategic Board's plan, and in our economic action plan, we will integrate and expand up-skilling and re-skilling provision, to ensure that the current workforce is provided with opportunities to advance their skills and build resilience. Working with the new National Retraining Partnership, involving unions and employers' organisations, will help us to shape the public and private sector response to this. We expect that SDS will support us in developing the scope of this response in considering, for example, how a redesign of existing initiatives such as the Individual Training Account and the Flexible Workforce Development Fund might align with this.
22. Following the first year of delivery in 2018/19, I also ask that SDS deliver the STEM bursary for 2019/20, offering 100 opportunities for career changers to move into secondary school teaching.
23. I also ask that SDS manage and promote the introduction of the new £1m Digital Start Fund.

STEM Education and Training Strategy

24. The Programme for Government reaffirms our commitment to delivering on the actions under the STEM Education and Training Strategy. We look for you to continue to work with partners and lead on the delivery, monitoring and reporting of relevant actions under the Strategy, including: leading on the STEM Bursary programme; prioritising STEM and promoting diversity and gender balance in the apprenticeships; contextualised professional learning for practitioners; tackling gender assumptions through careers advice; extending the provision of MyWow Live! to reach and inspire more young people into STEM careers including those in more remote and rural location; and, develop STEM specific labour market information which describes current demand for STEM skills.

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Employability

25. The investments we have made in employability services have made an important contribution in helping to deliver significant improvements for many groups. As we set out in the Programme for Government (2018) and in our review of employability services (No One Left Behind, Dec 2018), we will develop a new delivery model to enable resources to be deployed to better meet the needs of those who require support in a way which is better aligned with other local investment, taking a collective approach and working closely together with local partners.
26. As part of this work, the Employability Fund training programme will transition into this new No One Left Behind delivery model over the coming years. This will be managed collaboratively by Scottish Government, Local Government with support from other key employability partners. SDS should work with Scottish Government to ensure that appropriate transitional arrangements are agreed. For 2019/20 SDS should deliver up to 9,000 Employability Fund places, subject to funding availability and customer demand, and continue to respond flexibly to needs where they arise. The fund will be delivered through extension of existing contracts.
27. SDS will continue to administer the SERI liabilities in relation to job placements commenced in FY 2018-19, administrating the SERI “tail” whilst maintaining relevant reporting data and governance in relation to these placements. Funding required to support the liabilities should be drawn down in the usual way. Any new applications from 2019-20 will be administered directly by Local Authorities as part of the new delivery model.
28. We expect to see continued delivery of the National Third Sector Fund, as well as continued management of Work Able Scotland and contribution to lessons learned and evaluation activities on transitional employability services. In addition, SDS should support the promotion and understanding of Fair Start Scotland through its internal and external networks raising awareness of the service at a local and national level and where appropriate ensuring Careers offices make referrals to the Service for individuals who would benefit from its support.
29. Our 2018 Programme for Government commits £5 million over three years to support 2,000 women to return to work after a career break at levels commensurate with their abilities and experience. SDS should work with Scottish Government, and other organisations with a client support function, to develop with a view to possibly delivering our Women Returners programme. This programme should support women returners across Scotland and focus on supporting women with other protected characteristics, for example older women, disabled women, minority ethnic women; and sectors where women are significantly underrepresented in the workforce and at senior levels.
30. The Scottish Government continues to focus on adult literacies, including numeracy, as a priority for adult learning. To support this, I ask that SDS, in conjunction with Education Scotland, undertakes activities to promote Big Plus, particularly during key campaign periods of the year such as Maths Week and National Numeracy Day. I would also ask that SDS work with my officials to ensure adult literacies is supported at both national and local level. I expect a plan for the ongoing promotion of adult literacies through Big Plus to be in place by the end of the year.

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Redundancy support

31. For those individuals facing redundancy, the continued support through our Partnership Action for Continuing Employment (PACE) initiative remains critical. As in previous years, we continue to emphasise the importance of continuous improvement in the PACE programme. As the lead delivery partner for PACE, SDS should continue to work collegiately with the Scottish Government and PACE partners to explore potential ways in which earlier intervention and delivery of PACE services may help to improve individuals' resilience to change, with a focus on re-skilling and up-skilling to enable individuals to become more adaptive. SDS will also be expected to contribute to any taskforces/bodies that are set up in response to economic shocks. SDS should also continue to work with the Scottish Government to improve reporting of PACE statistics and outcomes.
32. SDS should continue to consider, along with Scottish Government officials, SE and HIE what additional resource needs earlier intervention might bring in terms of business support.
33. SDS should complete delivery of the final tranche of the Transition Training Fund, following its closure on 31st March 2019.
34. I also expect SDS to continue supporting redundant Modern Apprentices back into an apprenticeship or alternative positive opportunity through the Adopt an Apprentice initiative.

The Apprenticeship family

35. Apprenticeships are critical to our Youth Employment and Economic strategies. SDS should work with partners, including Further and Higher Education, SFC and other relevant public and private partners to develop the apprenticeship family and other work-based learning pathways in support of economic and inclusive growth, prioritising STEM, within the constraints of available funding; ensuring that they meet the needs of employers in rural as well as urban areas.
36. As Foundation, Modern and Graduate Apprenticeships become mainstream in schools, colleges and universities, and with continued uncertainty around European funding, I expect SDS to work with the Government to fully explore options for the sustainable delivery of these elements of the apprenticeship family, as part of the total learning and skills system. Skills alignment work may help to provide evidence for the redistribution of existing funding.
37. In 2019/20, SDS should ensure that contracts are in place with partners to provide 5,000 opportunities for young people to undertake a **Foundation Apprenticeship (FA)**, and maintain its focus, working with partners, to successfully embed these opportunities as a valued and integral part of the senior phase curriculum. FAs should continue to be recognised as a significant and sustainable offer in the senior phase, available in every local authority area in Scotland.

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38. Managing Local Authority and learning provider contracts will be crucial in delivering FA future ambitions and we will support SDS where there are challenges to under-delivery. You should work with Education Scotland, SQA, Local Authorities, schools, colleges and my officials, to ensure that pathways into Foundation Apprenticeships are fully embedded as an integral part of the curriculum offer in all schools and regions, building and extending existing good practice.
39. I would like you to continue to collaborate with my officials at SG and other partners to review the design and delivery models for Foundation Apprenticeships to ensure that these maximise learner success and minimise the proportion of early leavers. I also expect you to work with Education Scotland to establish appropriate mechanisms to evaluate the effectiveness of FAs, and all vocational education delivery, in our schools.
40. Engaging employers is critical for FAs to be truly successful and SDS should work in partnership with the DYW National and Regional Groups, business organisations, Education Scotland, colleges and local authorities to secure employer engagement in schools and embed Foundation Apprenticeships as a key component of the senior phase curriculum offer.
41. SDS should provide at least 29,000 **Apprenticeship** opportunities in 2019/20. In line with the Strategic Board's ambition, this will include **Modern Apprenticeships (MA)** starts and more than 1,300 **Graduate Apprenticeships (GA)**, as we continue our managed expansion towards 30,000 new Apprenticeship starts per year by 2020/21.
42. Priorities for MA starts should have the same focus as in previous years, with emphasis on those under the age of 25 although I expect the percentage of 25 and over undertaking MAs will grow this year. SDS has worked hard to increase the proportion of MA and GA starts at SCQF level 6 and above and should continue to do so, in line with the DYW target. With the pressures of demography, I also ask that SDS consider up-skilling opportunities for those aged 25+. SDS should continue to raise awareness of the rural supplement for training providers in 'remote rural' or 'remote small towns', to increase access to Scottish apprenticeships.
43. SDS should provide more than 1,300 **Graduate Apprenticeship** opportunities in 2019/20. The growth of this programme, to date, has been very successful and we expect that you will continue to work with Higher and Further Education, exploring new, innovative and cost-effective ways of delivering GAs. We also expect that you work responsively with partners, as interest in new frameworks emerges, to gauge the demand and viability of delivering them in addition to existing frameworks.
44. A significant proportion of SDS budget is allocated to apprenticeships and we expect that the commissioning process for National Training Programmes and apprenticeships will remain transparent and effective. My officials will work closely with SDS to develop further expansion plans in line with available resources.

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45. The Centre for Work-Based Learning is a conduit for policy influence, and we anticipate that the Centre's research output, subject to available resources, will continue to be used to influence the skills and learning system. We urge SDS to consolidate the partnership for the Centre for Work-Based Learning in taking forward a programme of work that will position the Centre as an influential voice in the development of work-based learning in Scotland.

Early Learning and Childcare

46. The expansion of Early Learning and Childcare (ELC) remains a key policy for the Scottish Government. It is anticipated that up to 11,000 additional staff will need to be recruited and trained for the ELC sector to enable delivery of the expansion from 2020. We look to SDS to continue their work supporting this growth sector.
47. Specifically, we ask that SDS continue to increase the number of ELC Modern and Foundation Apprenticeships, in line with demand, and to pilot a Graduate Apprenticeship for the sector. We expect more over 25s to join the sector in the coming months, so your assistance in considering what specific support could be given, particularly to career changers, is greatly appreciated.
48. I am grateful that you continue to work with colleagues from the Directorate for the Early Learning and Childcare Programme, contributing to a number of cross sector forums to progress this policy, in particular, steering the sector's Skills Investment Plan (SIP), and input to the ELC Workforce Project Board.

Individual Training Accounts

49. Building on your current delivery in the 2019/20 financial year, I ask SDS to deliver 18,500 places under the Individual Training Account (ITA) scheme through the reopening of the scheme in June. I also ask SDS to work with Scottish Government to develop options to improve the focus and delivery of ITAs to be considered by Ministers as part of the spending review and budget setting for 2020/21.

Services for employers

50. The Strategic Board's plan highlights the importance of simplified and streamlined processes and services to improve customer experience and I anticipate that SDS will use this as a guiding principle in the design and delivery of support for employers.

Employer engagement

51. At a strategic level, engaging with employers and understanding their needs remains critical in driving fundamental change in our skills system. We expect SDS to contribute to this through the Scottish Apprenticeship Advisory Board (SAAB), offering full support for its administrative structures.

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52. With the support and guidance of SAAB, we look to SDS to engage with employers to promote the importance of and manage demand for the recruitment of apprentices. As part of this, we expect SDS to continue to assist us in articulating a strong case around the benefits of employing and developing young people – informing the choices they make, preparing them for the workplace and supporting them into work.
53. I would also ask SDS to commit to work with officials to explore options and impact of applying fair work conditions to employers accessing SDS support and services.
54. As part of your ongoing engagement with employers we would ask that you promote Fair Work practices particularly around encouraging employers to show appropriate commitment and investment in skills and training.

Business creation and growth

55. The Strategic Board's plan highlights the need for common ways of working across the agencies to aid real-time understanding of the capabilities, needs and ambitions of Scotland's business base to enable the delivery of tailored support. To grow Scotland's business base and to help existing businesses expand.
56. I also expect to see SDS cooperate with other agencies in the development of an online portal for employers to access support from the agencies and incorporating the wider range of support available to support small and micro-businesses to adopt fairer working practices.

Business models and workplace innovation

57. As well as engaging with employers to determine industry skills needs, SDS also has a key role in helping employers meet their more immediate skills and training needs. I also ask that SDS continues working with partners to develop and utilise the evidence base on fair work to inform policy and practice.
58. In doing so, SDS should use its relationships with businesses and other organisations, and its own role as an exemplar, to promote and enhance fairer and more innovative working practices across Scotland, as set out in the Fair Work Framework, thereby supporting inclusive and sustainable economic growth. It will also be important for SDS to work with partners to inform the development of a benchmarking tool to enable us to measure progress on fair work.

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59. The widespread adoption of innovative business models and best practice in the workplace will increase resilience by creating a business culture in Scotland that is open to change, agile, and focused on continuous improvement. As referenced in the Strategic Board's plan, I expect SDS to work with the other agencies to deliver an 'Innovating Workplaces' campaign to promote and deliver more progressive business models and innovation for all sizes of enterprise at whatever stage of growth. In line with paragraph 55, I expect agencies to include increased Fair Work conditionality for business support.
60. Together with SE, HIE and other partners, SDS should seek opportunities to deliver an agency fluid, cohesive system of business support, differentiated as appropriate across regions, and delivered in conjunction with regional economic partnerships.

National Manufacturing Institute Scotland (NMIS)

61. NMIS will be an industry-led international centre of manufacturing expertise, including a skills academy. While based in Renfrewshire, NMIS will be accessible to companies of all size and sector and will deliver benefits across Scotland. Working with partners including the University of Strathclyde as well as all the enterprise and skills agencies, I look to SDS to develop a CPD portfolio in advanced manufacturing skills which meets the demands of people at all levels and stages of their career. During 2019/20 I also look to SDS to work with partners to develop advanced manufacturing capability across the apprenticeship family. It is essential that the voice of industry informs all your NMIS activities and that you also work closely with SFC and others to draw on the expertise available across Scotland's colleges and universities. SDS should continue to work with my officials on the development of both of these pieces of work.

Digital

62. In addition, we expect SDS to continue to support programmes of work in relation to the Digital Scotland Strategy and we will review resourcing for this, where necessary. This complements the Digital Skills Investment Plan and assists in delivering the Cyber Resilience: Learning and Skills Action Plan (2018-2020), for which SDS is leading on 11 actions.
63. SDS should also continue to work on the expansion of Marketplace in partnership with DYW employer groups. Ensuring that all DYW groups across the country are engaged will improve the consistency of how employers make links with schools and enable them to raise awareness of future potential opportunities.

SDS – A high performing public body

64. The Strategic Board's plan highlights the importance of smarter delivery across the skills and enterprise agencies, with a focus on collaboration and data-driven decision making to yield greater economic and social impact.

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Planning, Performance and Evaluation

65. SDS should continue to work with the other E&S agencies to support the Strategic Board's Analytical Unit to help deliver increased efficiency and effectiveness across the enterprise and skills system. This requires SDS to devote a share of their investment in evidence and evaluation to support the research programme of the Analytical Unit. I ask SDS to continue working with my officials and agency colleagues to develop a performance framework to measure progress against the Board's strategic aims.
66. As an organisation, I expect SDS to be able to report on its delivery and programme outcomes, across all activities and, in doing so, demonstrate alignment with and progress against relevant performance frameworks, including that of the Strategic Board.
67. I also expect SDS to continue managing data and statistics in line with guidance for official statistics, providing continued assurance to the public on the robustness of programme data. This will include continued collaboration with my officials, when publishing statistics on work-based learning and employability programmes and the Participation Measure. I also expect SDS to work with the Scottish Government's Chief Statistician to become a producer of Official Statistics.
68. The Scottish Government values the high quality and wide-ranging research conducted, and feedback gathered, by SDS about the services they deliver. I ask SDS to continue a programme of customer research and project evaluation, to actively share these findings with Scottish Government and other partners to inform improvements in service delivery, and to publish findings wherever possible. The PhD programme, initiated by SDS, will also be an important part of a high-quality research programme that will be influential for the policy and practice of work-based learning in Scotland.
69. SDS should also continue its joint work with my officials to secure linked HMRC data to progress the longitudinal educational outcomes (LEO) project and use this data to implement the Education and Skills Impact Framework. This should include the whole apprenticeship family, taking a collaborative approach to data analysis, to provide important insights for the 15-24 Learner Journey Review and the skills alignment model.

Data Sharing and the Participation Measure

70. SDS is central to our ability to report on youth participation. SDS' maintenance of the **shared dataset** and management of multi-partner data sharing through the **16+ Data Hub** allows tracking and monitoring of young peoples' transitions to ensure resources and services are appropriately developed and targeted at individuals with the greatest need.
71. I expect SDS to continue its work with strategic partners to continue to track, publish and promote the post-16 Participation Measure. This is now the key measure in the National Performance Framework for tracking the proportion of young people in learning, training or work.

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72. I also expect SDS to work with my officials and partners to further improve the quality of the shared dataset through data sharing with HMRC (employment status) and third sector organisations. I expect SDS to make further progress by working with HMRC to find a solution to including the employment data within the 16+ Data Hub.
73. Furthermore, SDS should continuously improve the flexibility of the management information system underpinning the shared dataset (CSS) to provide partners and stakeholders with direct and more flexible access to maintain and make best use of the data held, in line with GDPR guidelines.

Digital Enablement

74. I ask SDS to continue managing and developing the shared Enterprise IS service between SDS, HIE and SE, ensuring that these agencies have access to the digital technology that supports effective customer delivery and delivers the best possible information solutions that support performance management and decision-taking.
75. Digital transformation and enablement continue to influence how we deliver public services. In line with the Strategic Board's direction to drive greater use of system-wide data, predictive analytics and intelligence, I ask SDS to continue to develop and integrate customer-responsive systems across its operations – internally and for customer facing services. You should also work collaboratively with other agencies and explore further opportunities to apply digital technologies to increase engagement, reduce costs and improve efficiency.
76. With an expanding digital offer and greater reliance on digital networks, it is important that our public agencies have effective cyber resilience measures in place. Digital networks make it possible to provide innovative and integrated public services that deliver to those in most need and promote growth. It is, however, crucial that cyber risk is planned and budgeted for when providing these services, in line with SG policy and specifically, the Public Sector Action Plan for Cyber Resilience.

Leaders, Innovators and Exemplar Employers

77. Ministers have been clear that public bodies should lead the way in Fair Work, ensuring access to work that offers effective voice, opportunity, respect, fulfilment and security of employment. I am, therefore, asking SDS - along with the other enterprise and skills agencies – to be an early adopter of Fair Work First within the organisation, building on your earlier commitment to be a Living Wage accredited employer. Additionally, I want you to continue encouraging the employers you engage with to become Living Wage accredited employers themselves and to adopt fair work practices. I have already highlighted the importance of innovative business models and expect that SDS continues to demonstrate the development of progressive and inclusive workplace practices, internally and promote the utilisation of such practices with your employer networks. Fair Work officials will work with SDS and the other agencies to learn from your experiences to inform further implementation. I welcome the emphasis on this in your new Corporate Plan.

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Equal Opportunities

78. Scottish Government economic strategy hinges on the principle that sustainable economic growth and reducing long term inequalities are complementary objectives. It is the government's aim to create a society that promotes inclusive growth and provides economic opportunities through a fair and equal jobs market.
79. The Scottish Government's expectations are that Skills Development Scotland will place equality and diversity at the very heart your activity to drive forward change both as an employer and in your service delivery that will make an enduring difference to our ambitions for a fairer Scotland and for inclusive economic growth. In particular make a contribution to the delivery of the Governments ambition of [reducing the gender pay gap](#); [halving the disability employment gap](#); and to move more [minority ethnic people into employment](#), and to ensure that they are employed in jobs which are appropriate for their level of skills, qualifications and experience.
80. As outlined in the Equality Human Right Commission's Report on [Public Authorities' performance in meeting the Scottish Specific Equality Duties, 2017](#) and in keeping with your duties under the Public Sector Equality Duty, I would welcome a commitment to improve the setting of measurable equality outcomes and the collection and use of employee data in order to improve direct interventions or testing new ways of approaching persistent problems. We have also committed to undertaking a review of the Scottish specific duties, to ensure that they remain an effective vehicle to deliver the Public Sector Equality Duty. We expect the review will take place over the course of this year. We are determined to use the review as a springboard for promoting improvements to leadership and accountability that leads to cultural change, I am sure that you will participate fully in this review process.
81. I also expect you to continue to respond to the recommendations of the Scottish Veterans Commissioner in addressing the particular needs of ex-service men and women, when seeking to transition from Service to civilian life to gain a fulfilling second career and for wider support in getting veterans into work.

Relationships with other partners

82. Close partnership working is critical to delivering better and more cost-effective services and I welcome SDS' continued commitment to collaboration. The Strategic Board are very clear that high levels of collaboration through agency-fluid teams, the expansion of shared services and working differently will be 'business as usual'. This collaboration, in combination with better use of data and clarity around the national, regional and local conditions, will be critical to our future success in growing Scotland's economy. Details of how this will be realised should be set out in your new Corporate Plan and 2019/20 operating plan.

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83. Operationally, SDS should make use of the opportunities afforded by working with partners, including within Community Planning Partnerships, Regional Economic Partnerships and Improvement Collaboratives to pursue your own outcome responsibilities, and in how you reflect collaboratively agreed priorities in your own work.
84. In delivering CIAG, SDS should also continue working closely with schools, teachers, local authorities and Education Scotland to implement our DYW recommendations and ambition for the Learner Journey in schools. I also expect SDS to collaborate with community justice partners, corporate parents and other stakeholders to drive improvement and better outcomes for groups with identified disadvantage.

Screen Sector Growth

85. I welcome the Memorandum of Understanding signed by the partner agencies of the new dedicated screen unit, Screen Scotland, namely Creative Scotland, Highlands and Islands Enterprise, Scottish Enterprise, Scottish Funding Council and Skills Development Scotland, which sets out your shared commitment to achieve closer and stronger collaborative working and more effective delivery of public sector investment and resources to drive growth in Scotland's television and film sectors. I expect Skills Development Scotland to continue to play a full part in Screen Scotland's governance and contribute actively to the work to fulfil your shared ambition.

Carbon Management

86. In light of the global climate emergency and advice from the UK Committee on Climate Change, Scottish Government has lodged amendments to the Climate Change Bill that will see Scotland's contribution to climate change end within a generation. We are now looking across our whole range of responsibilities to make sure we continue with the policies that are working and increase action where necessary. I invite SDS to do the same. We will update the Climate Change Plan within 6 months of the Bill receiving Royal Assent and would welcome SDS's contribution to that process. With SDS's support, Scotland has already almost halved emissions since 1990 while growing the economy, increasing employment and productivity. It is important that we continue in this vein and I expect you to play a central role in achieving that.

Spending Review

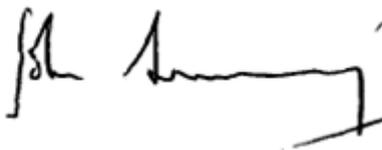
87. We will continue to work with SDS during the 2019/20 spending review and in subsequent years, liaising with the Executive Team when appropriate.

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88. We continue to expect all public bodies to deliver efficiency savings, to be reinvested back into the business, in line with our efficiency targets and the Public Services Reform (Scotland) Act 2010.

European Funding

89. In collaboration with the SFC and other partners, I expect SDS to continue to maximise the opportunities available through the current European Funding programme (2014-2020), paying close attention to your responsibility to comply with regulations and audit procedures.



JOHN SWINNEY

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Derek Mackay, Cabinet Secretary for Finance, Economy and Fair Work
Fergus Ewing - Cabinet Secretary for the Rural Economy
Richard Lochead, Minister for Education, Higher Education and Science
Clare Adamson, Convener to the Education and Skills Committee
Roz Thomson, Clerk to the Education and Skills Committee
Gordon Lindhurst, Convener to the Economy, Jobs and Fair Work Committee
Alison Walker, Clerk to the Economy, Jobs and Fair Work Committee
Nora Senior – Chair, Enterprise & Skills Strategic Board
Audrey Cumberland – Skills Mission Lead, E&S Strategic Board
COSLA: Sally Loudon, Chief Executive
SE: Steve Dunlop, Chief Executive; Willie Mackie, Deputy Chair
HIE: Charlotte Wright, Chief Executive; Lorne Crerar, Chair
SFC: Karen Watt, Chief Executive; Mike Cantlay, Chair
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SQA: Dr Janet Brown, Chief Executive
SCQF: Aileen Ponton, Chief Executive
Scottish Training Federation: Stewart McKenna, Chief Executive; Ian McCulloch, Chair
Federation of Small Businesses: Andrew McRae, Scotland Policy Unit Chair
CBI Scotland: Tracy Black, Director for Scotland
ADES: Maureen McKenna, President; Terry Lanagan, Executive Officer
Visit Scotland: Malcolm Roughead, Chief Executive; Lord Thurso, Chair
South of Scotland Economic Partnership: Russel Griggs, Chair

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SPECIFIC REQUESTS OF PUBLIC BODIES

Issue	Further information	Basis of request
Low Carbon sector and combating climate change	<p>We look to all public bodies to help realise the significant opportunity for growing the low carbon sector both through leadership and directly through reduction of energy demand and integration of low carbon and renewable heat and energy technologies across estates. More generally, we expect our public bodies to lead by example in combating climate change and making a valuable contribution towards achieving our ambitious emission reduction target of 80% by 2050. 2018/19 will mark the fourth year of mandatory reporting from 180 listed public bodies on compliance with climate change duties. The mandatory reports for 2018/19 are due to be submitted to SG by 30 Nov 2019. Reporting advice, tools, guidance and training are available from the Sustainable Scotland Network (SSN).</p>	<p>Public Bodies climate change reporting duties requirement under sections 46 of the Climate Change (Scotland) Act 2009</p>
Fair work	<p>The Fair Work Action Plan (published 27 February 2019) sets out the approach the Scottish Government will take to help employers embed and mainstream fair working practices within their workplaces, including payment of the real Living Wage. As a public sector employer, we expect Skills Development Scotland to adopt of Fair Work First within your own organisation during 2019-20.</p> <p>The foregoing builds on SG's existing expectation that public bodies become Accredited Living Wage Employers, paying the real Living Wage to their employees and people involved in delivering public contracts. Our statutory guidance for public bodies on how workforce-related matters, including the Living Wage, should be taken into account in public procurement processes. You should continue to use the Fair Work Convention's Fair Work Framework to guide your approach.</p> <p>Central to Fair Work is recruiting and supporting a diverse and inclusive workforce and delivering workplace equality. Actions for achieving this are set out in The Race Equality Action Plan (published December 2017), Disability Employment Action Plan (published December 2018) and the Gender Pay Gap Action Plan (published on 8 March 2019). In particular these Plans spell out the actions needing to achieve our ambition to at least halve the disability employment gap in Scotland, to address the causes of the gender pay gap and to tackle discrimination. This includes action for SE as an employer and through its delivery of services.</p>	<p>PfG; Fair Work Action Plan; Gender Pay Gap Action Plan; Disability Employment Action Plan; Race Equality Action</p>
Digital services	<p>Realising Scotland's full potential in a Digital World sets out the actions for Scotland including public bodies. In particular I can confirm in the strategy that we will create the conditions which encourage continuous innovation and improvement in our public services. The approach demands that we collectively simplify and standardise ways of working across the public sector and deploy common technologies that can be built and procured once. In addition we will create common digital platforms for services that will encourage Scottish public and voluntary</p>	<p>Realising Scotland's full potential in a Digital World</p>

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	<p>sector organisations to innovate in the delivery of public services, and make better use of cloud-based solutions, cost reduction and service innovation.</p> <p>All bodies should be aware of the Scottish Government Technology Assurance Framework, which is mandatory and applies to new digital public services and new investments in technology. Please contact the Office of the Chief Information Officer if you would like to discuss the application of technology assurance within your organisation.”</p>	
Diversity on boards	<p>Most public bodies with boards have signed up to the commitment – 50:50 by 2020 – to improve diversity on boards including working towards gender balance on boards by 2020. As of April 2017 listed public authorities are required to publish the gender composition of their boards and to produce succession plans to increase the diversity of their boards by virtue of The Equality Act 2010 (Specific Duties) (Scotland) Amendment Regulations 2016. Guidance to support listed public authorities to implement the new duty will be developed by the Equality and Human Rights Commission and the Scottish Government. In addition, the new regulations also amend the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 by lowering the threshold for a listed public authority to report their gender pay gap and publish equal statements etc. from those authorities with more than 150 employees to those with more than 20 employees.</p> <p>You are encouraged to take positive action to support and enable greater diversity of Ministerial appointments, through:</p> <ul style="list-style-type: none"> • taking an active role in succession planning, and providing advice to Ministers about the board’s membership needs, both for new and re-appointments; • ensuring that suggested criteria for the selection of new board members meet the needs of the body, are unbiased and are not unnecessarily restrictive; • taking action both during and between board member recruitment exercises to attract the broadest range of candidates to the work of the board; • providing mentoring, shadowing and training opportunities for potential board members; and considering the role of nominations committees. 	Page 35 of the PfG
Equality	<p>Public bodies are reminded of the Public Sector Equality Duty (PSED) that is set out in the Equality Act 2010 and which is underpinned by Scottish regulations that are designed to ensure that public authorities: mainstream equalities; assess the impact of their policies; and, set equality outcomes. Public authorities that fail to meet the requirements of the regulations may be subject to enforcement action by the Equality and Human rights Commission (EHRC).</p> <p>Those bodies that are listed within the Scottish specific equality duties 2012 are legally required to:</p> <ul style="list-style-type: none"> • report on progress in mainstreaming the PSED in to the main business of the organisation; 	Public Sector Equality Duty within the Equality Act 2010 and the Scottish specific equality duties

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	<ul style="list-style-type: none"> • set, every 4 years, equality outcomes and report on progress every 2 years. We would expect to see within the business plans of the listed bodies clear links to their equality outcomes; • impact assess new and revised policies and practices as well as making arrangements for reviewing existing policies and practices; • gather and use and publish employee information; • publish gender gap information every two years, and every four years an equal pay statement that includes information on pay and occupational segregation in relation to gender, disability and race; and • consider adding equality award criteria and contract considerations into procurement exercises. <p>When fulfilling the requirements of the public sector equality duty you should take into account both general guidance issued by the Equality and Human Rights Commission as well as any recommendations made by the Commission that are specific to SDS.</p>	
Young Workforce	You have a vital role to play in working with us to implement the Scottish Government's youth employment strategy, Developing the Young Workforce, for example, by recruiting and training young people, working towards achieving the Investors in Young People gold standard and engaging with the education system to provide development opportunities for young people. Development of procurement policies that encourage more employers to contribute to the development of Scotland's young people.	Cabinet Secretary for Fair Work, Skills and Training's letter to public bodies of 15 December 2014
Efficiency	Although not explicitly mentioned in the Programme for Government, we continue to expect every public body to deliver efficiency savings of at least 3% per annum and to report publicly on the actions undertaken and the results achieved.	Efficient Government section of SG website
Scotland CAN DO	The Scotland CAN DO Framework was published in 2013 and established a way of working with and through partners across all sectors towards realising our entrepreneurial and innovative potential. It was based upon work undertaken with MIT through 2012 to 2014 towards developing a balanced all sector ecosystem of support through a collective-impact methodology that values diversity of input and insight. We expect our enterprise agencies to fully involve themselves with Scotland CAN DO and work through its functions to deliver its intended outcomes.	Page 45 of the PfG and the Economic Action Plan

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