

John McClelland CBE
Chair
Skills Development Scotland
Monteith House
11 George Square
Glasgow
G2 1DY



25 June 2016

Dear John,

1. Following the Scottish Parliament's approval of the Budget Bill on 24 February 2016, I am writing to confirm the allocation to Skills Development Scotland (SDS) for 2016-17, which is as follows:

Skills Development Scotland	2016-17 Budget
Grant - in - Aid	£176.1m

2. This is confirmed in your budget allocation and monitoring letter in **ANNEX C**. The letter includes details of further indicative revisions planned throughout the year.

Strategic Context

3. Your Letter of Guidance for 2015-16 set out Ministerial priorities and ambitions for reform, reflecting those as expressed in the Programme for Government, *One Scotland*. These priorities still stand for 2016-17 and I will look to SDS to maximise its contribution to the Scottish Government's Purpose. In particular, SDS has a key role to play in delivering the aims of **Scotland's Economic Strategy**, especially in relation to inclusive growth. I expect your Operating Plan to continue to reflect the main **National Outcomes**, as it has in recent years.

4. When you report back against your Operating Plan, I expect you to make clear links between the outcomes of SDS activity and the **National Outcomes** and **Key Indicators**. My specific requests under the Key Indicators are included in **ANNEX A**. I would also draw your specific attention to three new indicators relating to fair work and inclusive growth covering the living wage, the gender pay gap and underemployment.

5. The Programme for Government is clear that delivering inclusive growth requires a common national endeavour to create more, better paid jobs in a strong, sustainable economy, building a fairer Scotland and tackling inequality through passing power to people and communities.

It lays out our commitment to continue to protect and reform public services and it sets an expectation that we all work in partnership to deliver reduced inequality, sustainable services and better outcomes for the people of Scotland.

6. Last year, the First Minister defined her expectations of public bodies, including ambitions for gender balance on boards, the implementation of the youth employment strategy – Developing the Young Workforce (DYW) – and the living wage. These expectations remain relevant and are set out, for ease of reference, in **ANNEX B**.

7. On 25 May 2016, the First Minister announced the Scottish Government's intention to carry out a review of the roles, responsibilities and relationships of our enterprise, development and skills agencies, covering the full functions of Skills Development Scotland as well as Scottish Enterprise, Highlands and Islands Enterprise, Scottish Development International and the Scottish Funding Council, to ensure that all of our public agencies are delivering the joined up support that our young people, universities, colleges and businesses need. This will be a short review conducted over the summer and we are keen that all of the agencies involved, including SDS, are able to contribute. I will also ensure that you are kept updated as the review progresses. Further information on this review, and your role within it, will be available soon.

8. As you know, the public sector in Scotland operates under significant budgetary constraints and SDS is required to play a part in achieving savings. I, therefore, confirm that you will be expected to realise £3.1m of Strategic Forum savings. Of this £0.7m has been removed from your 2016-17 baseline Grant-in-Aid budget, while a further £2.4m will be deducted at the Autumn Budget Revision. I understand that you have discussed with my officials to confirm how these will be found.

Delivering Scotland's Economic Strategy

9. Scotland's Economic Strategy sets out a vision for a rebalanced economy, with a growing and diversifying business base, an increased focus on exports and an improved level of participation in the labour market all being key elements. Innovation, Internationalisation, Investment and Inclusive Growth will be at the heart of this. The Strategy also outlines the need to reduce inequality as a driver of our ambitions to increase our economic growth and competitiveness and to ensure that the fruits of growth are shared more widely. Developing a culture of fair work will be essential to this.

10. The vision for fair work – which Roseanna Cunningham set out in her letter last year – remains relevant, and the challenge for 2016-17 is to build upon the progress made. I recognise the valuable contribution SDS has made to delivering this agenda and my priorities for SDS will continue to be built around:

- Developing and implementing our labour market policies
- Supporting the delivery of *Developing the Young Workforce: Scotland's Youth Employment Strategy* (DYW)
- Continuing improvement of skills development strategies
- Taking forward the recommendations of the Fair Work Convention and promoting progressive workplace practices.

11. My focus will continue to be on supporting fair access to work and fair treatment for people in work, advancing the employability of Scots, specifically young people, women, and those who face disadvantage or significant barriers to employment. This will benefit them and, in turn, boost the productivity of business.

12. **SDS is central to the successful delivery of these aspirations**, particularly in the delivery of key DYW recommendations: in improving access to the labour market and in developing our skills development strategies. I want SDS to continue to be innovators, leaders and partners in delivering a better, fairer system and in providing the support people need to access opportunities.

Developing and Implementing our Labour Market Policies

13. To respond fully to all of the challenges associated with the creation of a culture of fair work requires a broader set of job creating powers than the Smith Commission has delivered. However, via the proposals to devolve support for the unemployed, through the employment programmes currently contracted by the Department for Work and Pensions (DWP) in April 2017, we have an opportunity to redesign and better align our existing and future support for unemployed people. SDS has a vital contribution to make to this work, and I look to SDS to work with us as we develop our approach in this area to prepare and deliver new transitional services from 1 April 2017, and fully devolved services from 1 April 2018. It is also critical that, in conjunction with other partners, SDS continues to carry out its role as the lead delivery partner in providing PACE support to those individuals facing redundancy.

Supporting the Delivery of *Developing The Young Workforce: Scotland's Youth Employment Strategy*

14. This work is a central part of our broader efforts to avert the lifelong impact on our young people of periods of unemployment, by maintaining a focus on reducing cyclical youth unemployment, tackling the barriers which create structural youth unemployment and reducing social inequality.

15. I welcome the way in which SDS has contributed to the implementation of the DYW programme, and I expect to continue to see the recommendations that are relevant to your activities fully reflected in your Operating and Corporate Plans.

16. I ask that you continue to work closely with me, and my officials, as we look ahead to the third academic year of this seven year programme, recognising the important role that you will play in the expansion of Modern Apprenticeships (MAs) and the development of the apprenticeship family incorporating Foundation and Graduate-level Apprenticeships; linking with schools, colleges and the Scottish Funding Council in building and articulating clear pathways for young people; engaging with employers to ensure their involvement in shaping education through the industry led DYW Regional Groups and communicating the overarching vision and the impact of the programme.

17. In addition, I ask SDS to continue to work with local authorities on the administration and delivery of Scotland's Employer Recruitment Incentive (SERI). From April 2016 SERI will have a sharper focus on those with the greatest barriers to employment, to enable them to obtain and remain in sustainable employment (including MAs).

18. Supporting small businesses to recruit a Modern Apprentice will no longer be part of the programme, unless the young person falls within one or more of the groups considered to face the greatest barriers to employment. This will ensure that SERI is more relevant to the current labour market, will offer a sharper focus on those with the greatest barriers to employment and will target support to help address structural issues in the youth labour market, while delivering key DYW recommendations.

19. I also ask that you continue to work closely with my officials and wider partners to ensure that Ministers are kept up to date with the activity to improve participation of under-represented groups in MAs, as set out in the MA Equalities Action Plan, published in December 2015.

Continuing Improvement of Skills Development Strategies

20. Our skills development strategies support our economic strategy and help people enter the labour market and develop successful careers. Through your sectorally and geographically focussed approach to skills planning you are facilitating an increasingly sophisticated set of discussions about what industry needs and how we as a Government can support industry ambitions. I ask SDS to build on this, to continue to link skills provision to labour market needs on a regional and sectoral basis.

21. Within this, digital skills is an issue of significant importance. There are too few young people, particularly young women, coming through education and entering the labour market with the necessary skills to take advantage of the increasingly wide range of opportunities available within the technology sector and across other sectors. SDS has gone to substantial lengths to address this, through its authorship of the digital Skills Investment Plan (SIP) and its leading role in the partnership set up to deliver the SIP's objectives. I expect SDS to continue to treat this as a priority issue, and to ensure that those seeking employment in the digital / ICT field, through avenues such as MAs, complete their training equipped with the skills that industry needs.

22. In addition, the planned expansion in early learning and childcare will have a significant impact on the demand for qualified childcare practitioners in the coming years. We have committed to almost doubling the funded early learning and childcare entitlement to 1,140 hours per year by the end of the next parliament, which means that the workforce will need to grow. I expect SDS to consider this as part of your approach to skills planning and to work with the Scottish Government to consider the implications for careers information, advice and guidance as well as for MAs.

Taking Forward the Recommendations of The Fair Work Convention and Promoting progressive Workplace Practices.

23. The Fair Work Convention published its Fair Work Framework in March 2016. The Framework sets out a vision that, by 2025, people in Scotland will have a world-leading working life where fair work drives success, wellbeing and prosperity for individuals, businesses, organisations and society. It makes one overarching recommendation: that organisations deliver fair work in the dimensions outlined, providing **effective voice, opportunity, security, fulfilment and respect**. It invites everyone involved in the workplace to assess whether current practices support the Conventions ambition. It also invites players to apply the Framework to benchmark policy practice, behaviours and outcomes, to verify the evidence used to make such an assessment; and to assess and identify actions and timescales to progress and to review and improve in response to changing circumstances.

24. It is vital that the public sector as employers, and in engagement with other employers, drive forward this vision and I will fully expect SDS to be at the vanguard of this work, exemplifying their commitment to key principles of fair work including Living Wage Accreditation; Investors in Young People Accreditation; a commitment to gender balance within the senior hierarchy; and the development of a fair and innovative workforce. As such, I look to SDS to actively and systematically promote the Scottish Business Pledge and thereby encourage inclusive and sustainable economic growth. I may also look to SDS to support parts of the implementation of the Convention's Framework, once their recommendations are clear.

Working with partners to improve Community Justice Outcomes

25. The **Community Justice (Scotland) Bill**, which was passed by Parliament on 11 February, names SDS as a statutory partner. The Bill puts a duty on statutory partners to engage in local strategic planning and delivery of community justice services and report annually on their progress in improving community justice outcomes.

26. A strategic vision for community justice in Scotland will be provided through a new National Outcomes, Performance and Improvement Framework and a National Strategy which will set out the aims for improved community justice outcomes. A new body, Community Justice Scotland, will work closely with statutory community justice partners, the third sector and a range of other parties to provide support and leadership for community justice as well as bringing assurance to Scottish Ministers and local government leaders on the delivery of improved outcomes for community justice. The establishment of a hub for the promotion of learning and development will bring enhanced opportunities for innovation.

27. SDS bring expertise to community justice planning that will be critical, particularly in regards to improving the employment outcomes of those who have offended and breaking down barriers to participation in the labour market, as well as contributing to the primary prevention of crime by helping to improve the employment prospects of vulnerable young people.

28. I expect that SDS will work closely with statutory and non-statutory partners to improve community justice outcomes in their area.

Delivering in Partnership

29. The success of the Fair Work agenda will depend upon the success of our collaboration across Government and with partner organisations. We will be working closely with Social Justice, Learning and Justice, Communities & Pensioners Rights, Health & Wellbeing and Enterprise portfolios to reflect the broader agenda within which social policy contributes to economic prosperity.

30. In delivering this agenda, I expect SDS to work closely not only with officials in my portfolio but in collaboration with other parts of Scottish and local government. Closer partnership working is critical to delivering better services and I welcome the central commitment to such an approach set out in your Corporate Plan. I will look to SDS to continue to develop its understanding of stakeholder views and to continue to consider ways in which your partner and stakeholder relationships might be further enhanced and reinforced.

31. SDS has a strategic role in the modernisation of public services. SDS's collaboration with the **Scottish Funding Council (SFC)** on outcome agreements for colleges and universities remains important: this collaborative approach will support a single, coherent framework for the development of skills across different stages of education, training and work, and contribute substantially to ensuring that planning of further and higher education provision is aligned with economic and labour market needs. As your strategic engagement with the college sector increases, maintenance of your operational relationship with the SFC and colleges will be an ongoing and important priority. SDS should also continue to work with the SFC in developing respective Gender Action Plans to achieve the recommendations of DYW relating to gender imbalance in apprenticeships and colleges.

32. In close partnership with **Education Scotland**, you should continue to develop and improve quality assurance processes over the next year, particularly in relation to developing an appropriate mechanism to ensure the quality of the off-the-job training elements of MAs and in undertaking external quality assurance reviews of the delivery of Careers Information Advice and Guidance (CIAG) services. I expect these quality assurance mechanisms to be robust, fit for purpose and proportionate; they should ensure value for money and clearly inform and support continuous service improvement, both by SDS and, where appropriate, by other partners involved in the overall delivery of MAs and CIAG.

33. I expect SDS to work closely with **Community Planning Partnerships** and with **local authorities** in the development and delivery of **Single Outcome Agreements**. SDS should also work closely with schools and teachers and via the Curriculum for Excellence Management Board to support them to successfully implement our DYW recommendations in schools.

34. As above, SDS will collaborate with **community justice partners**. By planning and reporting against community justice outcomes the community justice partners will drive improvement and secure **better outcomes for communities** and people who face significant barriers to employment as a result of a history of offending.

35. The establishment of a network of industry led **Developing the Young Workforce Regional Groups**, supported and steered by the national-level employer led DYW Group, is an important aspect of the employer engagement strand of the DYW programme. The DYW Regional Groups which are beginning to emerge are benefitting from the contribution of SDS staff in their regions. I would look to SDS to continue to work collaboratively with my officials, with developing, emerging and established Regional Groups and engage appropriately with the national DYW Group, within the framework for engagement that we have agreed with you.

36. **Working together: Marketing 2016-17** – communications work undertaken by the Scottish Government and public bodies plays a vital role in delivering the ministerial priorities of growing the economy and tackling inequalities. It has the power to engage and involve people and improve their lives by changing attitudes and behaviours, and ensure people access the services available to them. Ministers will want to be reassured that all marketing activity is strategically placed within the context of wider SG and public sector activity and that where possible ensure joining up to deliver outcomes and use resources efficiently.

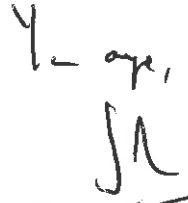
37. Building from the discussions within the Strategic Forum and Economy Board, I expect SDS to work with employers and partners to progress our work on **Workforce Development and Innovation** through the development of **modern workplace practices** to improve job quality and empower workers to boost innovation and productivity.

Conclusion

38. SDS has, once again, in 2015-16 delivered against our priorities and helped us make substantial progress. I want to commend all your staff for their efforts, particularly around your valuable contribution to a difficult spending round.

39. The priorities outlined in this letter will remain in place throughout the period until end March 2017, with some continuing beyond that date. However, we must remain responsive to evolving circumstances, particularly in response to the conclusions of the review of our enterprise, development and skills agencies, and also additional powers from the Smith Commission and the outcome of the Scottish Parliament election in May 2016.

40. In meeting the terms of this letter, as part of securing the maximum benefit from the resources that we use, I expect SDS to continue to use its available funding effectively. SDS should continue to ensure the economical, efficient and effective use of resources within your designated budgets to deliver value for money as you develop and implement your delivery plans. As always my officials are ready to discuss and provide advice and assistance with respect to meeting priorities and addressing pressures and contingencies.

A handwritten signature in black ink, appearing to read 'John Swinney', written in a cursive style.

JOHN SWINNEY

COPY LIST

Jamie Hepburn, Minister for Employability and Training
Keith Brown, Cabinet Secretary for the Economy, Jobs and Fair Work
Paul Wheelhouse, Minister for Business, Innovation and Energy
James Dornan, 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,
COSLA: Sally Loudon, Chief Executive
SE: Lena Wilson, Chief Executive; Bob Keiller, Chair
HIE: Alex Paterson, Chief Executive; Lorne Crerar, Chair
SFC: Laurence Howells, Chief Executive; Professor Alice Brown, Chair
SFC/SDS Skills Committee: Lorraine McMillan, Chair; Paul McKelvie OBE, Vice-Chair
Universities Scotland: Alastair Sim, Director
Colleges Scotland: Shona Struthers, Chief Executive
STUC: Grahame Smith, Secretary General
SCVO: Martin Sime, Chief Executive
Education Scotland: Bill Maxwell, Chief Executive
SQA: Dr Janet Brown, Chief Executive
SCQF: Aileen Ponton, Chief Executive
Scottish Training Federation: Stuart McKenna, Chief Executive; Stuart Leitch, Chair
Federation of Small Businesses: Andy Willox OBE, Scottish Policy Convener
CBI – Scotland: Hugh Aitken CBE
ADES: Maureen McKenna President; John Stodter General Secretary
Visit Scotland: Malcolm Roughead, Chief Executive; Mike Cantlay, Chair

Within the strategic context of this letter, I expect your operating plan to refer to the following priorities that support our ambitions through Scotland Performs.

Increasing the proportion of young people in learning, training and work

1. The Youth Employment Strategy underlines our commitment to reduce Scotland's youth unemployment by 40% by 2021, ensuring all our young people regardless of their challenges having fair access to the employment, learning or training opportunities available to them. At the heart of this is the successful delivery of **Opportunities for All** (OfA) commitment for 16- 19 year olds and increasing the numbers of young people up to the age of 24 making successful transitions into learning, training and work.
2. It is vital that SDS reviews, enhances and reports its contribution to OfA and the successful transition of those up to the age of 24 by supporting the best alignment of provision and services to meet the needs of all young people. SDS must be central to re-engagement activity, challenging inequality and embedding a fair work culture across all its services, partnerships and programmes.
3. The decisions people make as they journey towards and into work must be informed by early, high quality advice on sustainable labour market opportunities and the range of appropriate educational and training options available. The Career Education Standard 3-18 sets out how we expect this to be achieved. It is essential that SDS work to implement the expectations set out for them within the Standard and to appropriately support the other key partners to achieve theirs. The additional CIAG funding set out in this letter is specifically for this activity. SDS should continue to embed learning from the Education Scotland **CIAG** review process and its innovative work with its staff, including implementing recommendations from Education Scotland's aspect review of **My World of Work** online services which was published in September 2015, to continue to improve the CIAG services in Scotland.
4. In addition SDS should continue to pursue the best use of **data tracking and monitoring** mechanisms. They should continue to improve data sharing with strategic partners including DWP, schools, local authorities, colleges, higher education institutions, the SFC, the Student Awards Agency for Scotland, and Her Majesty's Revenue and Customs (subject to appropriate legislation and agreed partnership working) to ensure resources/services are appropriately developed and targeted at individuals with the greatest need, in line with delivery of OfA. I expect SDS to continue its work with the Scottish Government and other strategic partners to continue to develop and promote the use of the new post-16 Participation Measure.
5. It is important that SDS continues to assist us to articulate a strong case around the benefits of employing and developing young people. In this regard we expect SDS to continue to work with officials to promote **the Investors in Young People accolade** and to contribute to the establishment and development and the work of the Developing the Young Workforce Regional Groups. We want to ensure a shared message that will encourage employers to do everything they can to help inform the choices that young people make, prepare them for the workplace and support young people into work. We also look to SDS to help improve awareness of the financial incentives and advisory help available to companies to invest in the recruitment and development of young people.
6. It is important that SDS continues to assist us to articulate a strong case around the benefits of employing and developing young people with the greatest barriers to

employment. In particular SDS should use every opportunity to make a strong case to employers about the advantages of recruiting a diverse workforce and to encourage employers to offer experience and employment to those young people with significant barriers to employment, who continue to face challenges.

Improve the skill profile of the population

7. The importance of engaging employers more fundamentally in post-16 education – particularly in work-based learning – is a significant focus of our national programme for Developing the Young Workforce. It is essential that we recognise and celebrate the significant role of Scotland's **employers**; their increasing support for vocational education over the coming years is crucial.

8. SDS continues to play a unique role in developing evidence based understanding of Scotland's strategic workforce skills requirements. Undertaking **Skills Investments Plans (SIPs)** and **Regional Skills Assessments (RSAs)** in consultation with stakeholders, refreshing them where necessary and building on them where appropriate to develop Regional Skills Investment Plans, will make an important contribution to the planning and management of our skills and education system. It will provide the basis for a unified, single skills narrative against which government bodies and educational institutions can plan more effectively.

9. SDS also has a key role in helping employers meet their more immediate skills and training needs. **Our Skillsforce** is an important development in this regard and I want SDS to continue to work with their partners to further develop the service in the year ahead.

10. The training programmes for which SDS contracts make a highly important contribution in aligning individual aspirations with the needs of employers and of the wider economy. Through the SDS-managed element of the **Employability Fund**, 11,650 training starts, including 2,650 college starts, will be available in 2016-17 for unemployed people of all ages. At the heart of your commissioning process for the Employability Fund is a partnership approach to aligning client need with labour market demand, which SDS should continue.

11. Consideration needs to be given to the role of the Employability Fund in 2017-18, as the Scottish Government takes responsibility for devolved Department for Work and Pensions (DWP) contracted employment support. It will be important to align existing and future support for the unemployed to ensure a seamless and effective support framework of Scottish employability services, and I want SDS to continue to support the Scottish Government as it designs and delivers devolved services.

12. Supporting **low carbon** activity also remains a priority. SDS should continue to consolidate the progress made in training and developing employees through the Low Carbon Skills Fund (LCSF) and build upon this. This will be achieved by providing support for SMEs to upskill their employees to ensure that they are able to meet the developing challenges and demands that the transition to a low carbon economy will have on employers, and through the delivery of specific programmes, ensuring that new entrants to the low carbon industry are suitably trained and able to meet the demands and unique challenges of the sector.

13. The **Energy Jobs Taskforce** will focus on supporting jobs across the energy sector. The taskforce has an initial emphasis on the oil and gas sector, reflecting the scale of the challenge that the sector currently faces, especially in relation to the retention of staff and maintaining the skills within the industry. SDS has a critical role to fully engage with industry and the ongoing work of the taskforce.

14. In line with this, SDS has been tasked with developing the **Transition Training Fund (TTF)**. The TTF is a £12 million initiative over three years (2016-17-2018-19) announced by the Scottish Government focused on people who face losing their jobs in the oil and gas sector, providing support that will help to transition into other roles in the oil & gas industry, and other energy industry and manufacturing employment. The fund will provide support by offering grants to individuals to support redeployment through retraining or further education and will augment the work of the Energy Jobs Taskforce.

15. For many seeking to move into, and remain in, sustainable employment, SDS has a critical role. **Individual Learning Accounts** provide a flexible training option for those in low paid, low skilled jobs and for those who are unemployed. This is of particular importance in relation to our ambitions for fair work, to tackle in-work poverty, to increase the skills of those in the workforce and to improve employability. Alongside your continued management and delivery of ILA support in 2016-17 I would ask SDS to work with my officials to identify opportunities for aligning future activity in this area with our wider fair work and workforce development objectives and also to make full use of innovative approaches to service delivery.

Provide 30,000 new Modern Apprenticeship opportunities a year by 2020.

16. The **Modern Apprenticeship (MA)** programme is a central element of our Youth Employment Strategy. The programme continues to deliver against our dual aims of supporting our ambitions for economic growth – particularly around supporting STEM sectors and providing opportunities for young people. SDS should provide 26,000 new starts in 2016-17 as we continue our managed expansion towards 30,000 new starts by 2020. As before, the majority of places should be allocated to young people aged 16-24 across all sectors, including key and supporting sectors and with a particular focus on 16-19 year olds. Consideration should also be given to how we can more effectively encourage and support the engagement of small employers (those employing fewer than 50 people), with particular emphasis on those employers who have not previously engaged in the MA Programmes.

17. For those aged 25+, SDS should continue to focus the offer of MA opportunities in **key and supporting sectors**. As for 16-24 year olds, priority should continue to be given to higher level frameworks (Level 3 / SCQF 6 and above) and to those in STEM occupations.

As we move towards our commitment to deliver 30,000 new MA opportunities by 2020, it is vital that we continue to tackle inequality. This work will also contribute to our broader efforts to reduce youth unemployment by 40% by 2021. When Developing the Young Workforce was published we made clear our commitment to address under-representation within the MA programme. The Equalities Action Plan (EAP) for Modern Apprenticeships in Scotland, published by SDS on 2 December 2015, set out a set of actions agreed with equalities groups on how that will be achieved.

I expect to see the implementation of the EAP fully reflected in your Operating and Corporate Plans with resources within your Grant-in-Aid directed toward that implementation. I recognise that some of the equality issues identified in the Action Plan reflect deep seated issues in the wider labour market and wider society and that it will take time to remove those issues completely. However, I also believe that the MA programme has a crucial role to play in bringing about lasting change in this area.

18. In addition to widening participation in the MA programme it is important that we continue to develop the wider suite of routes into apprenticeships through the further roll out of Foundation Apprenticeships and provide Graduate-level Apprenticeship opportunities offering higher level opportunities for employers and young people.

19. In all of this, it is important to ensure that we can continue to report on progress against these activities, in line with guidance for a provider of official statistics and to show the progress being made on the Youth Employment Strategy Key Performance Indicators. I expect SDS to offer the Ministerial team regular updates and a high level of assurance that the actions set out in the Action Plan are being delivered.

20. You will continue to offer £2,000 to employers under **Adopt an Apprentice**, and will also continue to offer the additional support employers in the oil and gas sector who employ apprentices in this sector facing the threat of redundancy. Employers in this sector will be offered £5,000 to employ a redundant apprentice.

21. For those facing redundancy, the continued support through our **Partnership Action for Continuing Employment (PACE)** initiative remains of critical importance. Through working with the Scottish Government and PACE Partnership Members, SDS has an important role to play in taking forward actions under the continuous improvement programme to enhance the operation of PACE, particularly in respect of fit for purpose tracking of destinations and outcomes of individuals who have received PACE support and including participating in any bodies set up in response to economic shocks such as taskforces. As the lead delivery partner for PACE, SDS should continue to work collegiately with the Scottish Government and with PACE Partners to identify ways to increase the 'reach' of PACE activity and support for individuals facing redundancy situations. SDS should also work with the Scottish Government to improve the public reporting of statistics on PACE activity including clarity of what PACE support means for the individual and for the employer. As part of the continuous improvement programme to enhance the operation of PACE, my officials will liaise with SDS and other PACE Partners during 2016-17 to monitor the scale, nature and quality of and overall demand for PACE services provided by SDS and other PACE Partners which will inform the future development and delivery of PACE support.

22. To deliver our programme we should consider all opportunities to use budgets to leverage external funding. I expect SDS to work closely with the **European Structural Funds (ESF)** Division of the Scottish Government and with my policy officials to take forward the opportunities presented by various streams of European Structural Funds. SDS should continue to lead the development and delivery of an ESF challenge fund for national third sector organisations. This does not require SDS to provide match funding for the challenge fund.

Developing the Young Workforce Programme

23. The DYW programme continues to be a top priority. In particular, I want SDS, over the coming year, to work with partners to:

- continue the ongoing work on careers information advice and guidance and quality assurance reviews for the careers service;
- continue the ongoing work with Education Scotland on quality assuring the off the job training of Modern Apprentices
- continue to develop and refresh SIPs and RSAs;
- continue to support the development of industry led DYW Regional Groups and engage appropriately with the national DYW Group;
- continue to promote the MA programme and the development of related online services;
- establish and support the work of the Apprenticeship Advisory Board.

24. The Scottish Government values the high quality and wide ranging research conducted and feedback gathered by SDS about the services they deliver in Scotland. I would like SDS

to share this research and feedback, including publishing its findings where appropriate, to assist with the implementation of DYW recommendations.

25. Across all of the areas SDS covers, I would like to see an increased focus on how we can develop plans to encourage greater levels of participation in our skills programmes from those who are under-represented across all the age-groups you support. Tackling **inequality** and improving access to our programmes is a critical priority for me and I expect to see progress on delivery against your Equality Outcomes and your Equality and Diversity Action Plan covered explicitly in your reporting against your Operating Plan in a way that reflects the programme's plans.

Be Leaders, Innovators and Exemplar Employers

26. As Government policy around Fair Work develops I expect SDS to lead by example and work with my officials to maintain your accreditation as a Living Wage employer, retain your accolade as an Investor in Young People and work towards gender equality at the highest levels within the organisation including your board, among other developing policies. My officials will of course consult with you as we develop this exciting new focus to our work.

27. We ask that SDS use its relationships with businesses and wider organisations to promote and enhance better working practices in Scotland as set out within the Fair Work Framework.

Improve the Responsiveness of Public Services

28. There is, rightly, significant scrutiny of the delivery and effectiveness of all Government funded activity; given its importance, SDS is no exception to this. The orderly release of robust data and systematic evaluation are important steps in providing reassurance to the public. With support from my officials SDS should continue to follow the UK Statistics Authority *Code of Practice for Official Statistics* when publishing statistics on National Training Programmes and the new Participation Measure. SDS should also continue to develop its Evaluation Action Plan in partnership with my officials.

SPECIFIC REQUESTS OF PUBLIC BODIES

ANNEX B

Issue	Further information	Basis of request
Community Planning	We expect those public bodies that will be subject to statutory community planning duties under Part 2 of the Community Empowerment (Scotland) Act 2015 to work with other partner bodies and communities within Community Planning Partnerships to identify, resource and manage effective delivery of shared priority outcomes for their localities . Other public bodies should consider and take reasonable steps to pursue opportunities for partnership working with other bodies, including local authorities, wherever this can support your respective business objectives.	Page 13 of the PfG; the Community Empowerment (Scotland) Act 2015
Digital services	Digital technology is a powerful enabler for improving public services and driving down the costs of delivery. We expect public bodies to deliver against Scotland's Digital Future: Delivery of Public Services by ensuring that digital transformation is embedded within your business strategy and corporate plan. In developing your digital public services, you should consider opportunities to support or benefit from the development of Scotland's national digital ecosystem. If you wish to assess the digital maturity of your organisation, develop business cases/procurements for digital services, or source expert digital staff, please contact the Central Government Digital Transformation Service. Such business change can be challenging and we therefore expect all bodies to make effective use of the Central Government ICT Project and Programme Assurance Framework .	Page 28 of the PfG; Scotland's Digital Future: Delivery of Public Services
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) contained within the Equality Act 2010.</p> <p>Those bodies that are listed within the Scottish specific equality duties 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

	<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 body's 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 (race and disability also from 2017) and an equal pay statement; and • consider adding equality award criteria and contract considerations into procurement exercises. 	
Living Wage	Public bodies are encouraged to become Accredited Living Wage Employers , paying the Living Wage to their employees and people involved in delivering public contracts. We published statutory guidance for public bodies on how workforce-related matters, including the Living Wage, may be taken into account in public procurement processes.	Page 37 of the PFG
Young Workforce	You have a vital role to play in working with us to implement the recommendations of the Commission for Developing Scotland's 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
Fair work	You will know that the Government previously commissioned the Working Together Review to examine progressive workplace policies and published a formal response in August 2015. We asked you to have regard to that report and the recommendation that public bodies should report publicly on their approach to industrial relations and its impact on workplace and workforce matters. A key part of the response was the establishment of the independent Fair Work Convention , who published their blueprint for fair work in Scotland in March 2016.	Page 37 of the PFG; Working Together Review: Progressive Workplace Policies in Scotland
Low Carbon sector and combating climate change	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. We have brought into force legislation requiring 151 listed public bodies to submit annual reports on compliance with climate change duties. The first mandatory reports for 2015/16 are due to be submitted to SG by 30 Nov 2016 and each year thereafter. Reporting advice, tools, guidance and training are available from the Sustainable Scotland Network (SSN).	Pages 30-31 of the PFG; policy proposal to bring into force a public body duties reporting requirement under sections 46 and 96 of the Climate Change (Scotland) Act 2009 (SSN contact kathryn.moore@keepsotlandbeautiful.org)
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