

Minutes of the meeting

Board Business Meeting (BD)

Date	20 August 2025
Time	10:00 – 15:00
Location	Monteith House, 1st Floor, Barra/Jura Room
Present	<p>Prof Frank Mitchell (Chair) Tracy Black (TB) Sheila Cowan (SC) Dr Mark Dames (MD) Victoria Erasmus (VE) Dr Carol Evans (CE) Nazim Hamid (NH) Graham Hutcheon (GH) Dr Poonam Malik (PM) Margaret McCaig (MMcC) (Online) Christine Pollock (CBE) (CP) David Rankin (DR) Paul Taylor (PT) (Online) Damien Yeates (Chief Executive) (DY)</p>
Attendance	<p><u>Skills Development Scotland (SDS)</u> James Prentice (JP) James Russell (JR) Neville Prentice (NP) (item 5, 6 and 12) Andrew Livingstone (AL) (items 7, 8, 9 and 10) Lynne Robson (LR) (item 5)</p> <p><u>Scottish Government</u> Neil Rennick (NR) (online) Shirley Laing (SL) (online)</p> <p><u>Secretariat</u> Claire McElevy (CMcE) Christine McCall (CMcC)</p>
Apologies	<p>Beth Corcoran (BC) Prof David Hillier (DH)</p>

Business Meeting	
	Scottish Government Update (SG)
	<p>Neil Rennick (NR), Director General, and Shirley Laing (SL), Director for Lifelong Learning and Skills, from Scottish Government joined the meeting virtually.</p> <p>The Chair welcomed NR and SL to the meeting.</p> <p>NR and SL noted they welcomed the opportunity to follow up on discussions from the May Board meeting.</p> <p>NR and SL provided an update since the last meeting, highlighting both progress and ongoing challenges in the wider context of Scottish Government (SG) finances and reform. NR noted the following key points:</p> <p>Financial Context:</p> <ul style="list-style-type: none"> - Scottish Government's Medium-Term Financial Strategy sets the context for all planning. - Significant budget challenges remain, with a projected £1bn resource gap in 2026/27, rising to £2.6bn by 2029/30, driven by UK budget and known pressures from health/social security consequentials. - Capital deficit projected at £1.1bn, rising to £2.1bn by 2029/30. - Noted that these positions are unsustainable for SG and public bodies. - Given priorities towards health and social security, it was likely savings will need to be found across other portfolio budgets. - Delivery plan for the spending review was underway, with a target to save £1bn from corporate costs by 2029/30, including a 20% saving across all public bodies and SG (whole of SG is considered a corporate / back-office costs). - SDS recognised as an exemplar in efficiency (noted for T27 work) and acknowledged that one of the challenges was that not all organisations were starting from the same position but still needed to all find savings across the board. - Emphasis on innovation, workforce review and technology to support efficiencies across education and skills portfolios. - Ongoing meetings to share ideas and identify further savings opportunities and Ministers to then agree in terms of prioritisation. - Thanks were extended to DY and the Executive team for providing initial input with further discussions to come. <p>Pay review:</p> <ul style="list-style-type: none"> - Noted the progress made on SG pay review; currently balloting on industrial action so no timeframe on settling as it stands. - Noted that any additional pay costs must be met within organisational budgets and be within the SG pay policy. <p>Reform:</p> <ul style="list-style-type: none"> - Reported good progress regarding simplification of the funding landscape discussions, including discussions to agree programme benefits with SG, SFC, SAAS and SDS. Recognised still significant work to do to finalise.

- SDS and SFC provided the joint draft implementation plan, SG grateful for the work on this and were reviewing the output.
- Skills planning reform work noted as progressing well and that this can take place without need for people transfers.
- Positive feedback from college visits noted, though noted funding constraints limit ability for local responsiveness.
- There was recognition that reform was essential for long-term cost efficiency, but its costs and benefits required ongoing review.
- Budget and spending reviews would be iterative, with more accurate information expected ahead of December and through continued collaboration.
- The Bill's first reading scheduled for later in September, with parliamentary scrutiny focused on clarity and transparency of costs and benefits.
- Detailed cost information was being refined by involved organisations, with reliance on SDS and SFC to provide accurate figures for current operations and transfers. Project boards and partners were actively working together to ensure estimates were robust and supported parliamentary decision-making.

The Chair enquired about the extent of potential reductions to the Education and Skills portfolio, observing that certain areas had protected status and therefore concerned the impact would not be distributed evenly across all departments.

NR advised that the Scottish Government was currently assessing financial pressures and would adopt a pragmatic approach to identifying opportunities. Decisions would then be made based on assessed needs. He noted that at present, maintaining flat funding levels presented significant challenges. Some areas may require increased resources, necessitating more complex decisions.

Members asked SG to consider the following points:

- Members raised their concerns about the pace of change, the need for clarity on costs and benefits and the risk of unintended consequences, particularly regarding equality impacts and staff transfers.
- Members emphasised the need for robust evidence to show the benefits of reform and simplification and for ongoing engagement with learners and stakeholders. The main stakeholder was the learner and those wanting to be more active in the economy, but their voice was missing from this reform process. With an ask to understand the measures of the real benefits for the learners. Concerns reform would not bring the suggested benefits as these were not in scope.
- Members emphasised that they are committed to improving outcomes for learners. While institutes often claim they need more funding, the focus should be on meeting economic demands. Businesses needed more work-ready individuals. Important to prioritise increasing apprenticeships and streamlining the transition from study to employment, rather than diverting resources elsewhere. The SDS Board was supportive of reform but remained concerned with how proposed changes would translate into smoother transitions into the workforce.

NR and SL noted their role was to be clear of the benefits of Reform and look to use the available resources effectively to deliver those benefits. Noting they

must make sure to realise those benefits or all the efforts will be wasted. Key focus for SG was not just the passage of the Bill. The challenge was to ensure that it is not just structural changes that are made but that the outcomes set are achieved.

NR recognised that SDS has grown apprenticeships, really successful and positive feedback and noted the important role of employers and training providers. Noting that although there were high numbers of young people in positive destinations, circa 95%, but need to do more on that. Also referenced the need to look again at how to organise and structure different elements of funding, discussions with employers highlighted that the current system was not incentivising money going to right place or fully addressing skills gaps. NR made clear that the SG values the variety of routes to skills including HE, FE and apprenticeships. Scotland had high levels of tertiary qualifications and young people with positive destinations, but employers are declaring large skills gaps. For example, we need to be prepared for green energy skills demands in next few years.

NR noted the important points raised regarding learners. Noting feedback from young people at colleges, universities, modern apprenticeships was very positive with high satisfaction. Good retention rates and good completion rates for MAs as well. People's experience was generally very positive. We need to look at those not currently engaging and those were the ones we would not tend to hear from, - we are not seeing the progress we would want in to those areas. Need to expand opportunities for those not currently engaging. NR noted the positive discussion between SDS and Gregor Irwin DG economy and the future work on economic inactivity being taken forward which Adam Reid was engaged with.

NH asked whether changes were equality impact assessed. NR advised the legislation and wider reform was, noting SG always do this.

The Chair noted that Scotland spends a lot of money on education and training compared to other OECD countries, but this does not translate into improved productivity and that many employers and sectors report persistent skills gaps. Noted the SDS Board wants to support Reform to see the funding being used better, be more sustainable and support for upskilling and reskilling. Simplification reform will cost a lot of money for the transfer of c.£90m of funding, highlighting no focus appears to be placed on how to use the remaining £2-3bn more effectively. The Chair referred to the scale of funding challenges facing colleges and universities which he believed should be the major focus of the SFC, rather than this transfer of funding. He noted that employers have expressed concern that the transfer of funding for MAs could be diverted to address these challenges and place apprenticeship delivery at risk.

The Chair also noted when responsibility for funding Graduate Apprenticeships transferred to SFC, levels flatlined despite huge demand and expectations that volumes would be increased. On that basis it was challenging to feel positive on the intentions when GA expansion had not materialised. There was a frustration therefore that SDS had been through change before and the benefits had not materialised; there was a need to focus on the billions already spent in the sector.

NR advised that all shared that frustration, and the DFM does as well, there was no easy explanation as to why we had not got there, given the investment that has

	<p>gone in; perhaps linked to the challenge of maintaining institutions whilst also adapting the offer. The intention going forward is to maximise the impact of investments. NR noted he was impressed with how adaptable colleges were, some positive examples of innovation, draw and learn from those and apply to wider picture. Significant funding available and need to make best use of that and that is the intention. On the specific point re GAs NR encouraged the CEOs of SDS and SFC to have a conversation to identify what it was that had prevented the intentions from being realised, as SG was very happy to have lessons learned in that space.</p> <p>Members reiterated their concerns that moving funding pots would not provide the reform benefits and noting that SDS was well placed on simplification of apprenticeship landscape, noting the concerns and frustrations lie here.</p> <p>NR advised it was the test we set ourselves that these benefits would happen, noting that SG would need to demonstrate that and understood SDS would hold SG to account on that.</p> <p>SL noted she heard the passion from members and advised if there were areas that can be moved now in apprenticeships then this should progress, noting the 18-month period remaining and encouraged SDS to be improving day in day out, noting she would welcome that activity being taken forward now.</p> <p>SL advised it would be useful to understand the lessons learned from GAs transferring to SFC and advised she would set up a meeting with DY, FM, and SFC Chair and CEO to discuss this.</p> <p>The Chair thanked NR and SL for their time and noted that the SDS Board were passionately pro-reform and want it to succeed in a way that delivers outcomes for people who depend on it and would continue to work with Scottish Government to achieve it.</p> <p>NR and SL left the meeting.</p>
1.	Apologies and Declarations of Interest
	<p>David Hillier and Beth Corcoran passed apologies.</p> <p>There were no declarations of interest.</p>
2.	Minute of meeting held on 21 May 2025
	<p>The minutes of the last meeting were approved.</p> <p>The minutes were approved.</p>
3.	Decisions and Actions
	<p>The decisions and actions were reviewed and noted.</p>
4.	Scottish Government Reform Update (SDS)
	<p>JP/JR/CA joined the meeting and referred to the paper circulated which provided members with an update for reference. JR presented on key points and referred to areas that were discussed in the previous SG update.</p> <p>JR noted the intensive collaborative and constructive engagement undertaken with the SFC and the time spent over the summer increasing SFC knowledge of</p>

	<p>how apprenticeships are delivered and sharing of baselining information and data.</p> <p>This led to the development of a draft transfer plan agreed principles and narrowing the margins of uncertainty relating to the costs of transfer in advance of the Stage 1 debate.</p> <p>The Chair thanked the Executive Team for the update and their commitment to delivering on the Reform programme.</p> <p>Members noted the update.</p> <p>JR and CA left the meeting</p>
5.	Economic and Labour Market Insights for Scotland - key trends and future outlook
	<p>NP and LR joined the meeting and referred to the paper to update members with a focused session on current trends in the labour market, with the focus on the Oil and Gas transition.</p> <p>LR presented to members on:</p> <ul style="list-style-type: none"> - Current trends in the labour market were shared. - Deep dive into two regions which were highly dependent on the sector – Aberdeen City/Shire and Falkirk. - Overview of ambitions and interventions needed to enable Scotland to successfully transition workers from carbon-intensive industries into the renewables sector. <p>Discussion focused on the need to retain highly-skilled workers in Scotland, ensuring high quality jobs in the sector were protected whilst increasing the pace of interventions to help them transition into the renewables sector.</p> <p>GH noted that renewables jobs often differed in location from oil and gas roles which were being lost, and there could be a significant time lag and geographical mismatch in job availability, which may force relocation or emigration, impacting local spending and communities.</p> <p>PM highlighted that with new emerging tech, AI, data centres etc there will be massive energy requirements and higher energy prices. Focus for UK as a maker rather than a user.</p> <p>The Chair noted the gap was growing from a downturn in Oil and Gas and transition to renewables, but the gap could see people have to move out and investors cannot come in.</p> <p>Members recognised the work of SDS in supporting the energy transition, with the recent launch of the Oil & Gas Transition Training Fund pilot, alongside work throughout the organisation to support the sector. Members recognised that SDS was playing a part in this critical work and noted they will continue to take a keen interest in the invaluable labour market intelligence, insight and analysis produced by LR and the wider SDS team.</p> <p>Members noted the update.</p>

	LR left the meeting
6.	Q1 Performance Report 2025/26
	<p>NP joined the meeting and referred to the paper circulated which provided the Q1 Performance Report and summarised performance against the commitments in our Operating Plan 2025/26 and wider Strategic Plan 2022/27.</p> <ul style="list-style-type: none"> – NP advised that Financial and Operating Performance (FOP) Committee reviewed the Q1 Performance Report in detail at its recent meeting. At the end of Q1, the majority of performance indicators remained aligned with expectations. NP noted the key milestones achieved. – Broader trends in school absence continued to impact CIAG delivery; cross-sector work was ongoing to address this. – SDS campaign activity to promote Modern Apprenticeships (MAs) to businesses began in Q1 and to continue through the remainder of the year. – In Skills Planning, the recent publication of the Forth Valley Regional Skills Action Plan was highlighted. <p>DR acknowledged the discussion at the recent Financial and Operating Performance (FOP) meeting and highlighted the importance of continued assurance around meeting all targets going forward. NP responded by noting that incremental changes to CIAG delivery, informed by Career Review recommendations and aimed at enhancing customer service, would be shared with the Service Development Committee (SDC) before being presented to Financial and Operating Performance (FOP).</p> <p>Members discussed the demand for Foundation Apprenticeships (FAs) and for funding to be aligned to need. NP noted through Workforce North there were commitments to significantly increase FAs by Highland Council. JP noted the report evidencing SDS delivery of FAs which would be shared with the members.</p> <p>Members noted the update.</p> <p>NP left the meeting.</p>
7.	Corporate Risk Register
	<p>AL joined the meeting and provided an update on the Corporate Risk Register.</p> <p>AL advised that Audit and Risk Committee (ARC) reviewed the Corporate Risk Register in detail at its recent meeting and invited MMcC as ARC Chair to give an update.</p> <p>MMcC advised Members that SDS has a strong focus on risk management and focus on continuous improvement. Highlighting from a risk perspective SDS was very focused on corporate risks and has assurances from Internal Audit. MMcC noted there was a change in Internal Audit methodology and SDS remained strong in this area; there were no high-risk issues.</p> <p>The Board noted the Corporate Risk Register and endorsed the current approach to risk management.</p>

	<p>MMcC advised that SDS teams were fully focused on cyber security and commended the team's approach and asked for this to be recognised via the Board Bulletin update, whilst asking for this level of support to continue given threats of this nature were ever present.</p> <p>Members noted the update.</p>
8.	Q1 Finance Report 2025/26
	<p>AL provided an update on the management accounting report at the end of Quarter 1 2025/26, noting this was shared with FOP at the recent committee meeting.</p> <p>AL shared the management accounting position at the end of June 2025, quarter 1 of 2025/26, and noted a nearly balanced budget position with deficit position of (£87k) for the financial year, with no material changes noted.</p> <p>Members welcomed the update.</p> <p>Members noted the update.</p>
9.	Draft Budget 2026/27
	<p>AL referred to the paper circulated, noting it was a slight iteration of what was shared recently with the FOP Committee.</p> <p>AL outlined an initial draft budget for 2026/27. The provisional working deficit is £2.4m based on modelling apprenticeships using the start trends from 2024/25 and assuming pay award within SG pay policy and with employer pension contributions at the reduced level of 6.5%. MAs and FAs were assumed to sustain start levels of 25,500 and 2,500.</p> <p>The Executive considered this a provisional starting point and via T27 and the associated work streams we would continue to model and iterate costs with the aim of proposing a balanced budget for 2026/27. Progress to this aim would be discussed with FOP at each meeting.</p> <p>Members noted the update.</p>
10.	Statutory Accounts 2024/25 (issued Via Correspondence)
	<p>AL referred to the paper circulated and noted the ARC Committee were content to recommend approval of the statutory accounts, with quorate approval met. Noting these will be homologated by the Board.</p> <p>Members noted the update.</p> <p>AL left the meeting.</p>
11.	Transform 27 Update
	<p>JR joined the meeting and referred to the paper circulated which provided members with a progress update on T27 programme of work from 24/25 and over the course of Q1 2025/26 and shared the outline of proposed next steps.</p>

	<p>Members valued the update and expressed appreciation for the enthusiasm demonstrated across SDS to improve services, informed by feedback, evidence, and insight and highlighted the importance of the collaborative co-design approach with customers, practitioners, and partners.</p> <p>Members recognised and appreciated the strength which with equalities considerations were embedded and mainstreamed into T27 thinking and approaches.</p> <p>Members requested that their thanks be conveyed to the T27 teams via the Board Bulletin, acknowledging their achievements in exceeding the outcomes set and recognised the embedded approach regarding equalities.</p> <p>Members noted the update.</p> <p>JR left the meeting.</p>
12.	Workforce North - update
	<p>NP joined the meeting and provided an update on the strong partnership working and progress in relation to Workforce North Mission, which was established in response to a Convention of the Highlands and Islands (CoHI) action agreed in Autumn 2024. NP noted since the last Board progress in relation to:</p> <ul style="list-style-type: none"> – Delivery of the operational plan aligned to local needs. – Plan for developing Island summits. – Plan for an effective employer group. <p>The Chair informed Members of his upcoming meeting with the Deputy First Minister in early September regarding the progress on the Workforce North Mission.</p> <p>Members recognised the progress in this area and discussed international best practice examples that could help inform this work.</p> <p>Members noted the update.</p> <p>NP left the meeting.</p>
13.	Papers for Noting
	<p>13.1 Cyber Security – Risk Mitigation Update – EIS</p> <p>13.2 Cyber Security – Risk Mitigation Update – SDS</p> <p>13.3 Service Development Committee (SDC) Draft Minute of SDC – 24 July 2025</p> <p>13.4 Finance and Operational Performance Committee (FOP) Minute of FOP – 13 May 2025 Draft Minute of FOP – 29 July 2025</p> <p>13.5 Remuneration and HR Committee (RHR) Draft Minute of RHR – 5 June 2025</p> <p>13.6 Audit and Risk Committee (ARC) Draft Minute of ARC – 19 June 2025</p>

	Members noted the papers.
14.	Papers previously circulated for approval/noting via correspondence
	14.1 SG/SDS Framework Document (for approval) (BD-25-006vc) The members homologated the paper.
15.	Any other Business
	15.1 There was no other business.
16.	Close of Business Meeting