

Minutes of the meeting

Board Business Meeting (BD)

Date	19 February 2025
Time	10:00 – 15:30
Location	Monteith House, 1st Floor, Barra/Jura Room
Present	<p>Prof Frank Mitchell (Chair) (FM) Tracy Black (TB) Beth Corcoran (BC) Sheila Cowan (SC) Dr Mark Dames (MD) Victoria Erasmus (VE) Dr Carol Evans (CE) Nazim Hamid (NH) Prof David Hillier (DH) Graham Hutcheon (GH) Dr Poonam Malik (PM) Margaret McCaig (MMcC) David Rankin (DR) Damien Yeates (Chief Executive) (DY)</p>
Attendance	<p><u>Skills Development Scotland (SDS)</u> James Prentice (JP) James Russell (JR) (items 5 and 9) Carolyn Anderson (CA) (item 5 and 8) Andrew Livingstone (AL) (items 6 and 7) Neville Prentice (NP) (item 8 and 11) Diane Greenlees (DG) (item 8) Dave McCallum (DMcC) (online) (item 8)</p> <p><u>Scottish Government</u> Shirley Laing (SL) Neil Rennick (NR)</p> <p><u>Secretariat</u> Kathleen Nisbet (KN) Christine McCall (CMcC)</p>

Apologies	Christine Pollock (CBE) Paul Taylor
------------------	--

Business Meeting	
1.	Apologies and Declaration of Interest
	Apologies were received from Christine Pollock and Paul Taylor. There were no declarations of interest.
2.	Minute of meeting held on 20 November 2024
	The minute of the last meeting was approved.
3.	Decisions and Actions
	The decisions and actions were noted.
4.	Scottish Government Reform Update (SG)
	<p>Neil Rennick (NR), Director General Education & Justice and Shirley Laing (SL), Director for Lifelong Learning and Skills, Scottish Government (SG) joined the meeting.</p> <p>The Chair welcomed NR and SL to the meeting.</p> <p>NR thanked the Chair for the invitation to the meeting. Regarding the Minister's announcement, NR emphasised that this was not a 'takeover' of one organisation by another. It was important to recognise the 'change' and note that the structural change would not diminish apprenticeships. Mr Dey acknowledged SDS staff and the need to utilise their expertise and skills to inform the next steps and the transition.</p> <p>In terms of employer engagement, industry needs were reportedly not being met. Despite high levels of tertiary education, this was not translating into economic growth, highlighting the need to review the full landscape and improve engagement. Mr Dey also discussed at Parliament the future role of SDS in careers advice, skills planning, and engaging with employers.</p> <p>Ministers had set a clear direction, indicating legislative changes rather than outcomes. The next stage was to establish the appropriate framework. NR outlined the next steps and timelines for the legislation. SL clarified that the Bill was not about complete reform; there were other interconnected strands that must be considered holistically. NR stated that the Bill was not intended to drive financial savings and that as it proceeds through Parliament, financial aspects would be refined.</p> <p>The Chair reaffirmed the Board's absolute commitment to constructive engagement in support of the Minister's ambitions, while also expressing several serious concerns that needed addressing. The SDS Board had consistently emphasised its dedication to reforming the skills delivery landscape to ensure improved outcomes for the people and businesses of Scotland. In this regard, the primary concern for the SDS Board remained that the proposed legislation does not address Scotland's workforce crisis nor the growing crisis in further education (FE) and</p>

higher education (HE), it was purely “enabling” legislative change to allow for the transfer of one single stream of funding (apprenticeship) from SDS to SFC.

The SDS Board understood that the Scottish Government’s (SG) priority was simplifying the funding landscape, and that SG saw this as an enabling action that is not, in itself, designed to address these primary issues. It was the Board’s view that enabling legislation can only be assessed fit for purpose if there is clarity on the outcomes it seeks to enable.

Beyond the fundamental policy and funding issues highlighted, the SDS Board believed the proposed restructuring brought significant additional risk. The complexity of moving functions between organisations, with the associated legal responsibilities via TUPE, would require careful and well considered implementation and would naturally distract staff from core service delivery. On that basis, the Board believed that the next two years would be spent working through a very costly, time consuming and unaffordable process, rather than focusing on the ‘real’ issues facing the system. However, the Board recognised that the Minister had decided on the current course of action that would see SDS responsibilities in relation to national training programmes (apprenticeships) moved to the Scottish Funding Council (SFC).

NR and SL emphasised that the planned reforms were based on the findings of an independent review and wide ranging consultation. They are focused on ensuring greater coherence in the post-school funding landscape and ultimately, better matching the availability of skills with Scotland’s current and future needs.

SDS Board members contributed to the discussion, summary input included:

- A concern that the legislation as drafted represents a missed opportunity, contains a number of weaknesses and does not respond to the recommendations from the OECD and wider input from SDS representatives with significant experience and knowledge of apprenticeship delivery.
- A belief that the financial detail contained within the Financial Memorandum significantly under represents the cost of this transfer of functions and a fear that it could open a door to legal challenge with regard to a capping by Scottish Government on costs arising from protecting pension transfers.
- A concern over the maturity of a well-considered ‘equalities impact assessment’ and the significant risk of unintended consequences in relation to initiatives that are currently underway to address inequalities.
- A concern that the cost-benefit model is opaque, with a range of untested assumptions, including around the £50m which the Scottish Funding Council are investing in college delivery of Modern Apprenticeships, and detail of which we have requested over 1 year ago and have never been provided.
- A concern that the due diligence is weak, there is a lack of detailed planning, there is little or no risk assessment and the absence of a well-coordinated implementation plan over such a time-bound exercise exposes SDS to significant governance, operation and financial risks which are out with the control of the Board members.

Beyond this, as Directors of the organisation, there was significant anxiety amongst Board Members that there was insufficient clarity around the future of SDS to enable them to carry out their fiduciary duties in respect of the strategic direction

	<p>and effective stewardship of the organisation. There was also a growing concern amongst members that the risks regarding 'de minimis' responsibilities could leave SDS open to claims of constructive dismissal from staff who do not move to the SFC resulting in unquantified and unfunded financial exposure.</p> <p>On that basis Directors risk being held personally responsible for liabilities for which there is no provision within SG financial modelling. In that regard Board members were requesting a formal letter of assurance from SG that SDS Directors would be exempt from personal liability for any cost or financial deficits arising from the proposed reforms. NR advised that he would look into this matter and respond to the Board.</p> <p>The Chair thanked NR and SL for the update and contribution to discussion.</p> <p>NR and SL left the meeting.</p>
5.	Scottish Government Reform Update (SDS)
	<p>JP referred to the paper circulated which provided members with an update for reference. JR presented on key points.</p> <p>Members noted the update.</p>
6.	Budget Update 2024/25
	<p>AL joined the meeting and referred to the paper circulated which set out the financial report for the period to the end of December 2024, reflecting the agreed working deficit position of (£2.653m) moving to (£1.259m) after Quarter 1 and (£0.485m) after Quarter 2 review.</p> <p>The December management accounts reflected a year-to-date positive variance against the planned deficit position, following a further review post period 9. This year-to-date variance included a number of timing and other differences, but the year-end projected position would capture gains from Transform 27 (T27) activities.</p> <p>Members welcomed the update and highlighted the great efforts of the team in managing the deficit.</p> <p>Members noted the update.</p>
7.	Budget Update 2025/26
	<p>AL referred to the paper circulated highlighting that at the Board meeting in November 2024, the Executive reported provisional budget modelling which projected a working deficit of (£10.507m), along with a number of adjustments which might be feasible under certain circumstances. This suggested that it might be possible to reduce the working deficit position to (£5.953m), excluding capital budget expenditure.</p> <p>The Executive had continued to develop a multi-year financial planning model, which was altered to reflect changes in information and guidance on planning assumptions. In December 2024, Scottish Government published its draft budget and associated guidance, including the Grant-in-Aid Resource allocation for SDS.</p> <p>Key points were:</p>

	<p>a. That Grant-in-Aid cash would remain flat at £199.2m</p> <p>b. Confirmation that SDS should assume a staff cost increase of up to 3%. Additionally, assumption for a rise in National Insurance costs indicated by the UK Government.</p> <p>SDS had already communicated a projected rise in Modern Apprenticeship liability and had continued financial modelling, reflecting empirical data, contracting projections, profile management and data assessment with training providers.</p> <p>Since reporting the working draft position in November, work across the business had been undertaken to reassess budget lines, with increased input from business areas, reflecting the successes emanating from T27 activity and the need to maintain delivery priorities and value for money.</p> <p>Scottish Government required a revised draft working budget on 10 January 2025. After taking account of the factors above and discussion with the Chair, SDS submitted a summary budget with a revised working deficit of (£2.535m). As before, the Executive continues to apply new guidance and factor in additional management actions as these are identified.</p> <p>SC highlighted that the Finance & Operational Performance Committee (FOP) had reviewed the draft budget in detail at its recent meeting and members were reassured in terms of the current position.</p> <p>Members noted the update and agreed the revised working deficit for the 2025/26 budget.</p> <p>AL left the meeting.</p>
8.	<p>Performance Report – Q3 2024/25</p> <p>NP, CA, DG, and DMcC joined the meeting.</p> <p>NP referred to the paper circulated which provided the Quarter 3 Performance Report and summarised performance from 1 April 2024 to 31 December 2024 against the commitments in our Operating Plan 2024/25 and wider Strategic Plan 2022/27.</p> <p>It was noted that the majority of core delivery including MA and FA starts were on track, and a balanced budget anticipated by year end. In relation to SDS CIAG services, again positive progress is being made, noting that CIAG reporting works to the academic rather than financial year. Engagement in Broad General Education (BGE) and senior phase was marginally behind last year although Career Management Skills (CMS) improvement and maximum pupils expected to achieve service expectation by year end.</p> <p>SC advised that FOP had reviewed the Q3 Performance Report in detail at its recent meeting and commended the staff on the figures particularly during this challenging time.</p> <p>The Chair recognised and acknowledged the positive performance, especially over the last 2 years and asked that this be echoed in the Board Bulletin to be sent to staff following the meeting.</p>

	<p>DG confirmed to NH that equality figures would be provided for national training programmes following year end.</p> <p>Members noted the update.</p> <p>NP, CA, DG, and DMcC left the meeting.</p>
9.	<p>Transform 27 Update</p> <p>JR joined the meeting and referred to the paper circulated which provided members with a progress update on T27 programme of work, highlighted the input and feedback from the Service Development Committee (SDC) and outlined proposed next steps.</p> <p>Key highlights included:</p> <ul style="list-style-type: none"> – Bridgehead high level progress; – T27 Priorities for handling (in response to SG reform announcement); – Programme Priorities and Refocus. <p>Members appreciated the update, noting the programme's progress and agility. They also praised the integrated equality impact assessment, acknowledging it as best practice.</p> <p>Members noted the update.</p> <p>JR left the meeting.</p>
10.	<p>Scottish Apprenticeship Week and Awards - Update</p> <p>JP presented an update. Key highlights included:</p> <ul style="list-style-type: none"> – This year's theme was 'Made for Business'; – SDS were working to gain support from a number of partners; – The Awards would take place on Thursday 27 February at Perth Concert Hall; – Noted that Scottish businesses had created more than 400,000 apprentice jobs since the formation of SDS. <p>Members noted the update.</p>
11.	<p>Workforce North – Update</p> <p>DY introduced the item advising that the Chair, following his attendance at the Autumn Convention of Highlands & Islands (CoHI), agreed to take an action to establish a Mission Group to deliver proposals for a coordinated co-investment in the region's workforce, given the once in a generation economic opportunities emerging across the region.</p> <p>NP referred to the paper circulated which provided an update on progress to date. It was noted that a workforce summit would be hosted on the 4 April 2025 in Inverness which would bring together key public and private sector leaders to develop actions for collaborative investment in demand-led provision. Further engagements would be held with employers and partners across the Highlands and</p>

	<p>Islands to inform the development of a regional response. A full report would be developed for discussion at Spring CoHI.</p> <p>Members noted the update.</p>
12.	<p>Career Collaborative</p> <p>DY provided background on the career review and subsequent report/recommendations. Following the review the Career Collaborative was formed to implement recommendations. Following Grahame Smith's end of term of Chair of the Career Collaborative, we understand Minister intends to appoint Co-Chairs for 6 months and then review position.</p> <p>SDS would continue to support the collaborative. The Chair also highlighted his ongoing support.</p> <p>Members noted the update.</p>
13.	<p>Board Member Updates</p> <p><u>13.1 Equality and Diversity Update</u> NH provided a verbal update. Key highlights included:</p> <ul style="list-style-type: none"> - Committee Chairs' Equality Forum – annual meeting taking place 24 April 2025. - Update on progress on Equality & Diversity Mainstreaming Report 2025. - Upcoming Equality & Diversity events e.g. International Women's Day 8 March 2025. It was recommended that an equality events calendar be created for member information. - CE advised members of the upcoming Audit Scotland briefing paper on – Additional Support for Learning (due to be published 27 February). <p>Members noted the update.</p>
14.	<p>Papers for Noting *</p> <p>14.1 Cyber Security – Risk Mitigation Update – SDS (BD-24-061a)</p> <p>14.2 Cyber Security – Risk Mitigation Update - EIS (BD-24-061b)</p> <p>14.3 Economic and Labour Market Outlook (BD-24-062)</p> <p>14.4 <u>Service Development Committee (SDC)</u> Minute of SDC – 4 November 2024 (BD-24-063) Draft Minute of SDC – 23 January 2025 (BD-24-064)</p> <p>14.5 <u>Finance and Operational Performance Committee (FOP)</u> Draft Minute of FOP – 12 November 2024 (BD-24-065)</p> <p>14.6 <u>Remuneration and HR Committee (RHR)</u> Draft Minute of RHR – 11 December 2024 (BD-24-066)</p> <p>14.7 <u>Audit and Risk Committee (ARC)</u></p>

	Draft Minute of ARC – 12 December 2024 (BD-24-067) Members noted the papers.
15.	Papers previously circulated for approval/noting via correspondence
	15.1 Letter of Guidance from the Minister (BD-24-027vc) – for noting Members homologated decisions.
16.	Any other Business
	There was no other business.
17.	Close of Business Meeting
18.	Date of next scheduled meeting: 21 May 2025, 10:00-16:00 hours, Monteith House, Glasgow.

KN, February 2025