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31 March 2022

Dear Frank

## **SKILLS DEVELOPMENT SCOTLAND – 2022-23 LETTER OF GUIDANCE**

### **Introduction**

As the national skills agency for Scotland with responsibility for enabling the economy, people, and businesses to achieve their potential through the delivery of careers services, investment in and promotion of apprenticeships and other workplace training opportunities, skills and workforce planning support, and the curation of intelligence to inform skills provision, I am writing to set out more specific guidance on my expectations and priorities for the Skills Development Scotland (SDS) in 2022-23.

In doing so, I also wish to express my gratitude for the way in which SDS has responded over the course of the previous year in the face of the ongoing challenge of the pandemic to continue to manage the delivery of national training programmes, careers and skills-related services.

### **Strategic Context**

The recently published National Strategy for Economic Transformation (NSET) provides the context for our skills agenda in 2022/23. It sets out the actions that we will take to deliver economic prosperity for Scotland's places and people, centred around five transformative policy programmes focused on stimulating entrepreneurship, opening new markets, increasing productivity, developing the skills we need for the decade ahead and ensuring fairer and more equal economic opportunities. SDS should ensure it aligns its strategic and annual operating plans with the skills priorities and direction in the NSET.

There are three key programmes within the NSET that are targeted towards delivering a skilled population in Scotland that is able to respond to the needs of the economy and its future direction. These are:

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- Adapt the Education and Skills System to make it more Agile and Responsive to our Economic Needs and Ambitions;
- Support and Incentivise People, and their Employers, to Invest in Skills and Training Throughout their Working Lives;
- Expand Scotland's Available Talent Pool, at all Skills Levels, to Give Employers the Skills Pipeline They Need to Take Advantage of Opportunities.

The NSET thus provides important framing and strategic direction to revitalise and develop our skills offer so it is better able to support Scotland's economies and communities, and reinforces the need for intensive collaboration between skills delivery agencies. As governance for NSET develops, SDS is expected to continue its support for the analytical unit that will support the Strategy's delivery.

The Scottish Government (SG) published [its response to the Scottish Funding Council's \(SFC\) Review of Tertiary Education and Research in Scotland](#) on 26 October 2021. This included a commitment that the Scottish Government would develop a 'Statement of Strategic Intent' that will set a vision and ambition for the [tertiary education and skills system]. I expect SDS to play a key role in supporting the development of the Strategic Intent, that will bring greater alignment across the whole tertiary education, skills and research system to deliver transformation over the next decade and lasting change for generations to come.

### **Shared Outcomes Framework**

A critical part of supporting the actions outlined in the NSET and underpinning the Strategic Intent is the requirement for collaborative working across organisational boundaries and in particular, between the SFC and SDS. Effective collaboration between the agencies is essential if we are to deliver enhanced alignment of provision with economic need, resulting in a more agile and responsive system.

A [Shared Outcomes Framework](#) between the agencies was published on 9 March 2022 and is the means by which SDS and SFC will monitor and report on collaborative projects that contribute to overarching skills outcomes, including those in the NSET. I will meet with the Chairs and Chief Executives of both agencies every six weeks to discuss progress against agreed milestones for all of the projects in the Framework. I expect both agencies to prioritise resources to deliver these projects, in particular the pathfinders, which are tests of change for greater alignment between provision and demand within the national and regional economies, and the further development of the Education & Skills Impact Framework (ESIF).

In delivering these projects, I expect the work of SDS in 22/23 to support of the following outcomes:

- Individuals have the skills to secure quality employment or entrepreneurial opportunities in the areas of need identified through the projects;
- Individuals have the skills to progress in their careers;
- Employers are more active participants in shaping the delivery of skills provision
- Employers can access skills provision that supports their growth and productivity;
- Improved collaborative process, driven by a shared vision and supported by strong and effective governance;
- Strengthening of a common evidence base used across the projects to inform dynamic skills planning provision.

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SDS should also continue to play an important role in delivering against Government's strategic priorities and national outcomes, as set out in our National Performance Framework, including tackling child poverty and inequalities; addressing the climate emergency; and, delivering a stronger, fairer and greener economy supported by dynamic and responsive public services.

### **Economy and Fair Work**

As the NSET highlights, rapid and dramatic changes in the external environment, exacerbated by the global pandemic have heightened the need for Scotland's skills system to be dynamic and responsive. To help Scotland's industries and regions to thrive, it is vital that we continue to improve our approach to skills planning to inform provision across the tertiary education and skills system. As set out in the Shared Outcomes Framework, SDS is expected to work closely with the SFC on the development and implementation of the **Skills Alignment Pathfinder Projects** as key tests of change.

To support this work it will important for SDS to continue to build a high-quality evidence base, including up-to-date labour market intelligence through delivery of the monthly publication of **Labour Market Insights** and regional and sectoral skills assessments. I also expect that you will continue to work collaboratively with regional partners on the development and implementation of **City Region and Growth Deals**, and take forward the existing suite of Sectoral and Regional Skills Investment Plans (SIPs and RSIPs). In doing so, I ask that you support the development and implementation of Community Wealth Building (CWB) approaches across Scotland to support inclusive growth, linking the skills needs of large employers to the communities within which they sit.

SDS is also asked to work closely with Scottish Government to ensure that its core-funded resources and activities are clearly focused on priority sectors in line with the NSET and labour market analysis.

To augment this core activity, SDS is also expected to take forward specific work on behalf of Scottish Government policy areas including in 22/23 to:

- drive the implementation of the **Skills Action Plan for Rural Scotland** and any agreed recommendations from the evaluation of the Plan;
- support the implementation of recommendations from the **Scottish Tech Ecosystem Review** and ensure SDS's Digital Economy Skills Action Plan is fully aligned to this programme;
- deliver additional activity to further grow the cyber security skills pipeline in line with the **Strategic Framework for a Cyber Resilient Scotland**;
- continue delivery of the **Digital Skills Catalyst Fund** which supports the ambition of the Inward Investment Plan by supporting inward investors to provide bespoke in-house training to upskill employees to use innovative advanced digital technologies.
- support recovery from the significant impact that the COVID-19 pandemic has had across the **tourism and hospitality** sectors in Scotland;
- develop a **Skills Action Plan for the Retail Sector**;
- continue to deliver the **Women Returner's Programme** which will provide training and work-based learning opportunities to women who have been out of the labour market for a sustained period, and reduce the gender pay gap whilst giving consideration to addressing other labour market inequalities (including the disability employment and ethnicity pay gaps); and

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- continue to deliver the **STEM Bursary** scheme which will offer places to new students from August 2022.

## Apprenticeships

Apprenticeships should continue to be promoted as a core workplace learning pathway, in recognition of their critical role in delivering training which closely meets the needs of employers and the economy, while supporting Scottish Government's approach to supporting economic recovery and delivering the opportunities through the youth employment strategy, Developing the Young Workforce. The scale of delivery of Modern Apprenticeships has been particularly challenging during the pandemic, with workplaces and training providers both restricted in their ability to on-board new starts. In 2022/23 I ask that SDS continues to seek to maximise the number of apprenticeship opportunities available, subject to employer demand, and within current delivery constraints, allowing as many people as possible to benefit from the opportunity to learn while in employment.

SDS's budget for 2022/23 should include an allocation of funding for at least 25,000 new **Modern Apprenticeship** starts as an initial assumption of the level that might be achieved in the current circumstances. In addition to achieving the greatest possible number of Modern Apprenticeship starts, SDS should also make funding available for up to 2,500 **Foundation Apprenticeships** through Local Authorities and Independent Training Providers in AY 22/23 (including those at SCQF levels 4/5) and continue to work in collaboration with the Scottish Funding Council (SFC) on the delivery of Foundation and Graduate Apprenticeships across all training providers. You should also continue support for redundant apprentices through the **Adopt an Apprentice** programme.

I also expect SDS to work together with SFC, Government and other partners to support the continuous improvement of the apprenticeship system in Scotland, including ensuring we have the right governance and development processes in place to maximise the quality and impact of apprenticeships and build a world-class apprenticeship system in Scotland. In doing so, I expect SDS and SFC to continue work closely with SAAB to ensure there is a strong industry voice informing policy developments. Specifically, in 22/23, SDS is expected to work with partners to respond to the findings of the Education Scotland HMIE's Review of Foundation Apprenticeships, contribute to the scope and commissioning of an independent evaluation of Graduate Apprenticeships to inform the future direction and expansion of that programme, and, in line with the NSET, consider how the apprenticeship system can be adapted to support entrepreneurial growth and provide opportunities for women and under-represented groups.

## Talent Attraction

As highlighted in the NSET, the labour market is experiencing a combination of challenges stemming from demographic change, the impacts of Covid-19 and economic uncertainty caused by the UK's exit from the EU, necessitating new action to expand Scotland's available talent pool. As the practical implications and challenges become clearer, I look to Skills Development Scotland to work closely with partners, including the enterprise agencies, to contribute to the development of a programme of activity that will attract and retain talent, including from the rest of the UK to Scotland. This programme of work will contribute to addressing population challenges, as set out in the Scottish Government's Population Strategy. Specifically, I ask that, in 2022/23, within the scope of available budget, SDS continues to support the development and implementation phase of a **Talent Attraction and Migration Service for Scotland** and supports the Ministerial-led rUK Talent Attraction Industry Group.

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Furthermore, the Scottish Government has been working with partners including SDS to develop and implement a process for the recognition and transferability of skills and qualifications obtained outside the UK for internationally qualified workers. The **Skills Recognition Scotland** pilot is now entering its final phase and we expect the benchmarking and quality assurance process, alongside the promotion of the service to employers and individuals, to be available nationally from 2023/24. This will require the project to be merged or embedded into the wider skills system. I would ask that SDS continue to support the SRS project including through the provision of skills planning data and facilitating employer engagement and would welcome participation of SDS in a short life working group that will be tasked with evaluation, proposing and implementing a process for embedding SRS into the skills system from 23/24 onwards.

#### Services for employers

To recover the Scottish economy, Scotland's businesses will need to adapt, build their resilience and be supported to drive inclusive recovery and growth. I look to SDS to play its part in engaging and equipping employers in achievement of this aim. SDS should continue to work with the Scottish Government and the enterprise agencies, through the Business Support Partnership, to design and deliver simplified and streamlined cross-agency business support, and deliver cross-agency support for businesses looking to invest or grow their business in Scotland, contributing to the delivery of Shaping Scotland's Economy: Scotland's Inward Investment Plan.

I also expect SDS to continue its work on behalf of the Scottish Government and other Devolved Administrations to manage and develop **National Occupational Standards** (NOS) and to contract for the development of Scottish Qualifications Products (SVQs) in collaboration with Scottish Government and SQA Accreditation. As in previous years, separate budget will be made available to SDS to support this work.

Finally, it is critical that Fair work continues to be a central element of our vision for the future economy. I look to Skills Development Scotland to continue its progress in adopting **Fair Work First**, as an employer, through attaching Fair Work First criteria to its grants, procurements and other funding and, where appropriate, by encouraging your training provider and employer networks to also adopt this approach. In addition, you will be aware that the Bute House Agreement commits to strengthening our approach to conditionality further, through our commitment to introduce a **requirement on public sector grants** to pay at least the real Living Wage to all employees, subject to limits on devolved competence. We would ask that you continue to show leadership in this space, and Scottish Government officials will continue to engage with you on this.

#### Child Poverty

The Scottish Government's *Tackling Child Poverty Delivery Plan 2022-26* was published on Thursday 24 March.

Tackling child poverty is the Scottish Government's national mission and it will take all of society to work together to deliver the change needed. This Delivery Plan sets out the bold and ambitious actions that we will take with partners across Scotland to provide the support families need both immediately and in the medium to longer term. We want to ensure that parents – both in and out of work – are able to access the training and skills they need to progress in their career. We are already delivering a range of support, including through the Individual Training Accounts and the Flexible Workforce Development Fund.

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Skills and qualifications can be a contributing factor in mitigating poverty, in-work poverty and social inequalities. Increased workforce skills can lead to more opportunities for stable employment, career progression and increased income. Furthermore, supporting parents to participate in learning and improve their skills can also have a positive effect on children in terms of supporting their learning to achieve better outcomes at school and beyond. There are a number of areas SDS are involved in which support these ambitions.

### **Young Person's Guarantee**

Announced in the 2020 Programme for Government (PfG), the **Young Person's Guarantee** will ensure that the education, skills and employability offer will ensure that every young person aged 16-24 has access to a job, education, training or development programme. SDS will continue to play a pivotal role in leading the implementation of key actions identified to make this a success; working with employers and helping our young people into employment. This includes ensuring a robust evidence base, continuing to publish the Annual Participation Measure and monthly Snapshot Participation Measure for 16 and 19 year olds and extending this as data becomes available from other UK Government Departments.

I also expect SDS to continue to work with **Developing the Young Workforce** regional groups, in-school coordinators and mentoring offers to ensure that young people get the information and support they need to make decisions about their future informed by the labour market information and with input from employers. This approach should be aligned to the wider landscape including delivery of the Career Review recommendations (below). Aligned to this, I expect that through the Digital Collaborative Governance group and the broader ecosystem, SDS will work with strategic partners to align and, where recommended, support integration which simplifies the digital journey and digital user experience. This includes delivering ongoing support and development for Marketplace to meet stakeholder needs.

### **Careers Information, Advice and Guidance**

Skills Development Scotland should continue to deliver an **all-age impartial Careers Information, Advice and Guidance service** including advice and guidance in all state secondary schools, covering additional support needs schools, as well as support via the helpline or in SDS careers centres located in every local authority area. In doing so SDS should continue to maximise options for good quality one-to-one careers information, advice and guidance to be made available through increased virtual support and any other mechanisms. I also expect SDS to continue working with partners to deliver enhanced approaches to improve the labour market outcomes of those who are furthest removed from the labour market.

The **Careers by Design Report** published in February 2022 delivers on the remit set out in Sandy Begbie's recommendation that SDS should consider how best a career service could operate from early years through until a young person enters employment. Moving forward, I expect SDS to take forward the recommendations in partnership with government and other eco-system partners, co-designing and developing the implementation plan by early Autumn 2022 before moving into implementation.

For the digital offer, and within available budget, SDS should continue to provide operational resource to deliver the programme of digital solutions related to the Young Person's Guarantee, within the context of the Career Review.

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As the economic recovery from the impact of the Covid 19 pandemic continues, it is important that those who were already detached from, or disadvantaged in, the labour market do not see that disadvantage further entrenched. Our ambition for inclusive growth and cohesive, person centred services demands a continued and collaborative focus on supporting those further from the labour market into sustainable, fair work. As we move into phase 2 of Scottish Government's **No One Left Behind** programme, I expect SDS to continue their key role, working with partners, particularly Local Government, to ensure the closure of **Employability Fund** at the end of 21/22. In 22/23 this includes managing and supporting a transfer of funding to Local Government, and working collaboratively with Local Government and partners to ensure participants remaining on the legacy Employability Fund programme in 2022/23 complete their training and, where appropriate, receive a warm handover to Local Government as they continue along the employability pipeline. I also ask SDS to continue to play an active role in Local Employability Partnerships to support those requiring employability interventions. I also look to SDS to continue to offer support to those furthest from the labour market through effective management of the **National Third Sector Fund**, for which we have extended access to the end of December 2022.

SDS will also continue to prioritise ongoing support for those affected by redundancy through our **Partnership Action for Continuing Employment (PACE)** initiative including working with the Scottish Government and other PACE Partners to implement the PACE Continuous Improvement Plan for 2022-23.

We recognise that for many areas of the workforce, the retraining and upskilling of workers will be critical to sustaining or finding alternative employment both in these challenging times and as we look ahead to the future. Although the support we introduced during the pandemic for those facing redundancy to upskill and retrain will end this year, SDS will be expected to continue to work closely with officials as we develop our plans to take forward a new **Lifetime Skills Offer** as set out in the NSET and Covid Recovery Strategy. This offer will be focused on those who need support the most, including those experiencing household poverty or who are vulnerable to economic transitions. In particular, SDS should seek to align its research and analysis to support work underway to build the evidence base for a new coherent offer.

Whilst we plan for the future, we must also continue to deliver vital skills provision for individuals and businesses. In the current Parliamentary term, we are investing over £200 million in adult upskilling and retraining opportunities. This is part of a wider £500 million commitment to support the new, good and green jobs of the future, including upskilling and reskilling people to achieve those. As part of this commitment, in 22/23 SDS is expected to continue its role in delivery of core national programmes including maintaining provision for **Individual Training Accounts** and the **Flexible Workforce Development Fund** at the same levels as in previous years and supporting the completion of the **National Transition Training Fund** (including the continuation of the Digitally Enabled Learning Pilot) and **North East Economic Recovery and Skills Fund** as they close in Autumn 2022. This includes the ongoing provision of accurate and timely reporting which ensures learnings from these pandemic-response programmes can be embedded into future delivery.

### **Just Transition to Net Zero**

As well as Fair Work, the NSET has **just transition** at its core and builds on the Covid Recovery Strategy to support net zero, stimulate innovation and create jobs. Developing a responsive and agile system which can meet the needs of our future economy has never

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been more critical when set against the transformation that needs to occur to ensure that we can respond to the climate emergency and deliver our climate ambitions.

SDS is expected to continue its work to implement the **Climate Emergency Skills Action Plan (CESAP)**, published in December 2020, which sets out priorities for the skills system in responding to Net Zero. This includes continuing to lead activity to ensure our current and future workforce has the skills to support the transition to net zero including, notably through the **CESAP Pathfinder Project**, on which SDS is leading and working collaboratively with the SFC. This work will enable the development of a comprehensive picture and evidence based assessment of skills demand in net zero transition sectors. It includes delivery of two work programmes including a pilot assessing the skills needs to support our Heat in Buildings Strategy and decarbonise the domestic heat sector.

This work will also include delivering the next phase of the **Green Jobs Workforce Academy**, following the launch of Phase 1 in August 2021. The Academy should be the one stop shop for individuals seeking advice on green careers and any new training provision towards green careers should be taken forward as part of the Academy. The Academy should also incorporate the commitment in our response to the Just Transition Commission to develop and implement a **Skills Guarantee** for workers in carbon-intensive sectors with an initial phase or pilot launching in 2022/23. Details of funding for the Skills Guarantee and for green skills training provision through the academy is still being finalised, SDS will not be expected to cover the costs of green skills training provision from within its 22/23 core GIA.

The CESAP committed to develop a **Green Jobs Skills Hub** to support employers understand the implications of net zero on the demand, supply and nature of workforce skills and to identify and communicate the available resources employers might then use to address these skills issues. Building on the initial scoping exercise, SDS should lead the further development and design of the Hub with a view to launching in 2022.

Following the recommendations from the Scottish Apprenticeship Advisory Board (SAAB) on **Sustainability in Apprenticeships**, SDS and SFC are also expected to work closely with SG policy officials on the identification of actions to ensure that apprenticeships are maximising their contribution to the just transition. This includes ensuring that green credentials are embedded in apprenticeship frameworks and standards, and taking forward our commitment to pilot and evaluate new apprenticeship models in sectors central to the transition and to help address barriers faced by SMEs.

### **Building Strong, Responsive Public Services: Reform**

As you know, Ministerial consideration of priorities over the Resource Spending Review period are underpinned by our commitment to building stronger, more responsive public services. In line with our commitment to an agile and responsive skills system, we need to ensure that the skills delivery landscape is fit for purpose to deliver the ambitions of the NSET and the recommendations in the SFC's Review of Coherence and Sustainability. I expect SDS to support the SFC led work on a National Impact Framework which will be developed during the year to focus on the key outcomes and impact we should expect from colleges and universities, and how they will be assessed.

Reform in both education and health and social care public sector spheres is, as you know, ongoing with the development of three new education agencies arising from the Muir Report and the imminent creation of the new National Care Agency. Where relevant, SDS will be expected to feed into reform programmes and ensure that its activities are aligned to these.

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[The Scottish Government relationships public bodies: progress review](#) contains 14 recommendations for improving how the Scottish Government manages its relationships with public bodies. I expect SDS to work co-operatively with the Sponsor Team as it undertakes to strengthen its existing policies, address concerns, and allow for consistently effective sponsorship in line with the recommendations.

I also expect SDS to maintain a strong commitment to identifying and achieving efficiencies through seeking to maximise the impacts and performance of programmes in pursuit of outcomes, and delivering best value for public spending as set out in the Scottish Public Finance Manual.

I am aware that you are in the process of finalising both your Strategic Plan 2022-27 and your Annual Operating Plan for 2022/23. I hope the guidance set out in this letter is helpful in informing your business planning for the coming year.



**JAMIE HEPBURN**

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