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Frank Mitchell
Chair
Skills Development Scotland

By Email:

chair@sds.co.uk

25 March 2026

Dear Frank,

Skills Development Scotland (SDS) - Letter of Guidance 26/27

On behalf of the Scottish Government (SG), I am writing to provide strategic guidance on priorities for Skills Development Scotland (SDS) for the financial year 2026/27, in recognition of your role in delivering skills and career services and supporting Scotland's workforce development.

Let me begin by expressing my sincere appreciation to you, the Board, and all SDS staff for your continued commitment and leadership. We appreciate that this is a period of change for SDS and are grateful for your collaboration, as we work through this together and with SFC.

As a Ministerially appointed Chair, alongside the Board, I know that you are very aware and appreciative about the fact that you have a responsibility to ensure that SDS' policies and actions support Ministerial priorities and decisions, and Ministers are relying on you to do that as we collectively progress our priorities. More guidance may be issued during the year as priorities evolve and we move further into a period of transition.

Strategic context

Ministerial priorities and the [National Performance Framework](#) continue to set the Scottish Government's strategic vision for Scotland. We continue to set bold measures to deliver on the First Minister's four priorities: to eradicate child poverty, grow a stronger economy, take effective climate action, and ensure high quality and sustainable public services. These ambitions also support the [National Strategy for Economic Transformation \(NSET\)](#). SG is committed to delivering Public Service Reform (PSR) that is person-centred, fiscally sustainable and focused on improving outcomes and reducing inequalities, particularly those linked to child poverty.

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The 2025 [Public Service Reform Strategy](#) sets out a system wide approach built on three pillars; prevention; joined up services and efficiency. In line with these pillars, SDS should continue to lead by example and is expected to deliver its services efficiently and operate within a constrained fiscal environment. The strategy also emphasises the importance of collaboration and shared services across the public sector. Ongoing work to simplify the post-school funding body landscape provides a clear opportunity to deliver PSR against the three pillars of Public Service Reform. SDS should continue to strengthen relationships - particularly across the education and skills landscape - to develop opportunities for strategic alignment, operational collaboration and shared-service delivery models that reduce duplication and enhance impact. In doing so, SDS should draw on examples of good practice from other public bodies, including the Scottish Funding Council (SFC).

The PSR strategy includes a commitment to reduce SG and public body corporate costs by £1 billion over the next five years, representing around 20% of the identified public body corporate and core government operating costs (or 4% per year). We expect SDS to continue to make savings in line with this commitment, in line with the [Tertiary Education and Training \(Funding and Governance\) \(Scotland\) Act \(TET Act\)](#).

Change and collaboration

Scotland faces a time critical opportunity to address the skills challenges being raised by industry and business. Immediate interventions and long-term reform are needed to support productivity, secure economic growth and inward investment, and position Scotland to seize future economic opportunities.

Ministers have outlined an ambitious body of change across the post-school education and skills landscape. We expect SDS and SFC to embrace the opportunities presented by this, responding with urgency and focus to deliver structured change. SDS and SFC should fully engage with the governance structures established around the reform programme, which will continue to be reviewed as reform work progresses.

Work on the National Training Programme will continue and transfer to the redesigned funding body as required by legislation. SDS and SFC should jointly develop transition plans that ensure continuity, maintain staff confidence, and provide clear communication throughout the process.

In addition to this, SDS must maintain a high standard of delivery across its core functions, while driving innovation and efficiency through Transform 27 in line with public service reform principles.

Any proposed adjustments to business-as-usual activities during this transitional phase should continue to be shared with your sponsor team through established governance and assurance channels. This will ensure changes are aligned with the reform agenda and represent best value.

Learners, employers, and communities remain at the heart of Scotland's tertiary education and skills system. To deliver services that truly meet their needs, SDS must continue to engage meaningfully with these groups - listening, responding, and demonstrating how their insights shape policy and delivery. For SDS, this involves working closely with employers,

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learners, teachers and educators, parents and carers, and strategic stakeholders to co-design and deliver products and services that respond to current and future skills demands and customer needs. This includes working with those from our rural and island communities.

We expect SDS and SFC to collaborate with sector partners to improve access, outcomes, and responsiveness across the system, ensuring that apprenticeships and other learning routes are promoted as high-quality, sustainable options. Embracing evolving technologies, such as digital platforms for blended learning and real-time feedback. This will be key to supporting this engagement effectively.

SDS and SFC are expected to demonstrate ongoing efforts to build and strengthen relationships with learners, employers, learning providers and communities. This engagement is essential not only for improving service quality but also for ensuring the system remains inclusive, equitable, and aligned with Scotland's broader social and economic goals.

We are confident in your capability, and in the leadership of the Board and senior team, to drive this work in partnership with my officials and to help create a resilient, dynamic tertiary system that is able to meet Scotland's needs now and in the future. Further details of our expectations of SDS are set out in Annex A.

SDS delivery priorities

[The Purpose and Principles for Post-School Education](#) continue to provide the long-term framework for decision-making across the tertiary education system. This ensures public investment delivers meaningful social and economic benefit.

SDS' Board is responsible for ensuring the organisation delivers its statutory functions and Ministerial priorities in line with its Framework Document, providing robust, timely advice to Ministers and maintaining effective oversight in a challenging environment. As Chair, we rely on you to ensure the Board continues to provide strong leadership, clear direction, and effective support so that SDS delivers its functions efficiently, in line with the aims, policies, and priorities set by the Scottish Ministers. In doing so SDS must manage risk effectively in accordance with established reporting and escalation arrangements.

Whilst navigating what continues to be a challenging environment, it is important that we are cognisant of the recommendations of the Ryan Review, building on established relationships to continually enhance governance and performance, ensuring that elements of the framework continue to be adhered to.

We are pleased to see that the Framework Document has been updated to reflect the Ryan Review recommendations and current operating, budgetary and policy environments.

The Scottish Budget for 2026–27 reinforces the Government's commitment to supporting learners, particularly in the face of ongoing cost-of-living pressures. We continue, however, to operate within tight fiscal conditions. It is therefore critical to ensure maximum value for money within agreed budgets. In addition, it is crucial that SDS clearly evidence how investment in the post-school system is achieving its intended outcomes and impact and how these align to Ministerial priorities.

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SDS should continue to ensure compliance with all additional SG procedures for spend approval, including the requirement for Accountable Officer (AO) templates and ensure that any risks in relation to the budget are managed within approved risk processes/procedures.

Creating a transparent, resilient and trusted tertiary system

We expect SDS to play a key role in the successful development and implementation of the 'Improving Careers Support Project' within the reform programme. Although the project is being led by SG, it will rely on the cooperation and expertise of partners across the Scottish Careers Collaborative, notably SDS. This will involve working together to identify and deliver the changes needed to enhance the quality, coherence and consistency of career support, ensuring better outcomes for users and aligning with the policy direction set by Scottish Ministers. Maintaining a strong focus on improving equality and eradicating child poverty will also be essential.

We appreciate your membership of the CLD Strategic Leadership Group (SLG) and contribution to the group's action focused response to [The Learning: For All. For Life. report](#) following the Independent Review of CLD.

We look forward to a constructive working relationship as further progress is made on the CLD review report recommendations to strengthen CLD provision and support for learners and communities across Scotland.

SDS has demonstrated its commitment to supporting and working with Local Employability Partnerships (LEPs) and other stakeholders to enable a coherent, person-centred, and data-informed employability system. SDS should continue to focus on reducing inequalities and improving outcomes for economically inactive individuals and communities, contributing to the shared ambitions of 'No One Left Behind' and the NPF. SDS should also continue to demonstrate leadership as part of the Employability and Economic Inactivity Leadership Group.

We are grateful to SDS for your leadership and contribution toward the Education Reform programme, including the Curriculum Improvement Cycle and reform of National Qualifications.

Apprenticeships

SDS should continue to prioritise maximising delivery of high-quality Apprenticeships in 2026/27. Similarly, the SDS development team will continue to be responsible for Apprenticeship framework development, working with SAAB and other key stakeholders, until the transfer date to SFC under the TET Act.

Modern Apprenticeships (MA)

During 2026, SDS should work with my officials, SFC, and stakeholders to shape the new MA contract for implementation from April 2027. SDS should also begin preparatory work on reviewing the MA delivery model, considering the strengths of the current system and where improvements could be made.

We have made a commitment to start a review of MA contribution rates by April 2026. I ask SDS to work in partnership with my officials and SFC to gather evidence that will allow potential changes to be made to contribution rates. It is important that this work links to the Fundamental Review of the Funding Allocation Model which is being led by SFC.

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Graduate Apprenticeships (GA)

We look to SDS to play a key role in delivering a more agile GA framework development process. SDS should work with SFC and other partners to ensure that a reformed process is agreed with stakeholders and ready for implementation by Spring 2027.

Foundation Apprenticeships (FA)

We expect SDS to remain fully engaged in reviewing FA delivery models to strengthen work-based learning for senior phase pupils. Current funding arrangements with SFC will continue until April 2027, after which changes to funding and delivery should be implemented promptly.

SDS should continue its current role in the delivery of the Teaching Bursary scheme and Land-Based Pre-Apprenticeship Programme. We appreciate the responsiveness of SDS in the development and delivery of the Oil and Gas Transition Training Fund in 2025/26 and expect you to continue to work with my officials on the delivery of these opportunities, in line with Ministerial decisions.

SDS should continue working with the devolved governments to manage and develop National Occupational Standards and to contract for the development of Scottish Vocational Qualifications in collaboration with the SG and Qualifications Scotland.

The provision of career support including professional career services remains a key priority for SDS.

SDS should continue to prioritise delivery of the all-age impartial Careers Information, Advice and Guidance service (CIAG). This should include a particular focus on further improvement to the digital offer (My World of Work and the new digital learner profile), developed with key partners and sectors, including those that support the transition to Net Zero. It should be further developed to contain information about the breadth of jobs, careers, and pathways in Scotland, including those in new and emerging fields/industries, and the anticipated economic outcomes associated with these.

This is particularly relevant to the commitment in the 2025/26 [Programme for Government](#) to 'Review and improve school age and adult careers support, including better information on career choices, job prospects and earnings'.

SDS should continue to provide information, as requested, to support SG on progress against the Programme for Government commitment. SDS should also continue to work with SG, to ensure its indicative plans for future digital developments, including enhancement of 'My World of Work', remain aligned with Ministerial expectations.

SDS' Careers Advisers should continue to offer professional support in the community and in schools and colleges to ensure that the duty to provide career services to school and college students and leavers is fully met. SDS should work with SG, Education Scotland, the Scottish Careers Collaborative and partners across the system to consider any adaptations that may be required to the delivery model. SDS must ensure that Ministers are made aware of and are content with any proposed changes to the delivery model before these are introduced. At a local level in schools and colleges, SDS career colleagues should continue to work collaboratively with the school leadership and other partners engaged in the institution.

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SDS should continue to work collaboratively with Developing the Young Workforce (DYW) regional groups, DYW National Team, School Coordinators and partners from the third and CLD sectors to ensure that learners can access the information and support they need to make decisions about their future.

Where working with adults, SDS should make use of all the relevant data it holds to ensure that those looking to develop or change their career are made aware of opportunities for which they have or could develop relevant skills.

SDS should continue to prioritise ongoing support for those affected by redundancy through our Partnership Action for Continuing Employment (PACE) initiative, working with SG and other PACE Partners.

SDS should continue to contribute expertise and resource to the Scottish Careers Collaborative to support the work programme set by the collaborative leadership alongside contributing to the Improving Career Support project. This also includes working with the SG and other members to provide administrative support to the Interim Co-Chairs and the Collaborative.

SDS continues to have a key role to play in supporting young people to transition to positive destinations. We expect SDS to continue its important work to support schools in identifying and engaging those young people at risk of not achieving a positive destination, whenever they leave school. I further expect SDS to continue to identify and engage with young people who are care experienced and are not in positive destinations in order to support a successful transition. This will be done by drawing data from the 16+ Participation Portal and working closely with other partners. Going forward, it would be helpful for SDS to work with SG colleagues to explore and understand services and referrals provided to young people not in positive destinations. This will help to ensure that there is efficient delivery that allows everyone to access the support they need.

We also expect SDS to continue to play an active role in the 32 Local Employability Partnerships. This should be achieved by appropriately signposting individuals of all ages and employers to the local employability support services on offer through 'No One Left Behind.' SDS should continue to support customers through all-age CIAG services, while seeking to reduce duplication.

Building on the innovation and positive progress to date, SDS should continue working closely with the SG, the SFC, regional partners, enterprise agencies, indigenous businesses, and inward investors across the Highlands and Islands, to deliver the Workforce North (WFN) Implementation Plan, facilitating co-investment in talent development and retention.

This should include targeted education and skills interventions, developed in strong collaboration with regional tertiary education and training providers – especially the University of the Highlands and Islands – and in strong collaboration with the SFC. Interventions should be guided by robust labour-market insight, focus on upskilling, reskilling, and creating pathways into priority sectors, equipping the indigenous workforce with high-quality lifelong skills, building a sustainable talent pipeline, and delivering long-term opportunities and broader benefits for communities across the entire Highlands and Islands region (In alignment with commitments made in programmes of work such as the new National Islands Plan).

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SDS should continue to work with stakeholders, partners and employers to develop sustainable and transformational initiatives that complement existing training interventions and support a workforce for the future of the Highlands and Islands. Activities should be supported by clear success measures and proportionate monitoring and evaluation arrangements to demonstrate impact, inform future investment decisions and avoid duplication with existing SG national or regional programmes.

With regard to the WFN co-investment fund, SDS should continue to work closely with SG officials to ensure that once finalised funding decisions are underpinned by robust, transparent, and evidence-based processes. The interventions supported through the fund – within the Workforce North Mission should demonstrate clear, measurable, and evidenced additionality to existing programmes of work; focus on tangible and deliverable opportunities; and be developed in alignment with, and within the context of, the Post-school Education and Skills Reform Programme, especially the Skills Planning Reform Project.

Good data, evidence and analysis are vital to providing high quality careers advice and labour market intelligence to inform skills planning. Aligned to the Purpose and Principles, SDS should continue to maintain and improve the 16+ Participation Portal as an important source of information and intelligence on the positive destinations achieved by Scotland's young people and to provide the best available information for young people's transitions, including those who are most vulnerable. This will include on-going work with the SG and HMRC to continue to improve the quality of data around the Annual Participation Measure, and ongoing work on generating evidence for skills planning and exploring opportunities for improvement.

A supportive and equitable system

Fair Work remains a high priority for the SG and continues to be central to delivering outcomes under the National Performance Framework. SDS has a dual role in supporting the implementation of Fair Work First: as an employer, and as a steward of significant public funding that underpins public services and SG priorities, including through procurements and the award of grants/funding.

Building on work already underway, SDS should continue to refer to the SG's [Fair Work First guidance](#) to inform its implementation of Fair Work First conditionality in grants.

As a listed authority, SDS should continue to comply with the [United Nations Convention on the Rights of the Child \(Incorporation\) \(Scotland\) Act 2024](#). (UNCRC) Specifically section 6 of the UNCRC Act, which places a duty on public authorities not to act incompatibly with the UNCRC requirements, as defined by [section 1](#) and the [schedule](#) of the Act, when exercising relevant functions. In accordance with Part 3, section 18 of the UNCRC Act SDS should publish a children's rights report in 2026.

The SG has published statutory guidance which will support SDS in the implementation and operation of the duties under [Part 2 \(Compatibility Duty\)](#) and [Part 3 \(Reporting Duty\)](#) of the UNCRC Act.

An agile and responsive system

Strong, aligned leadership from SDS and SFC will be central to ensuring the system remains responsive and focused on Scotland's long-term social and economic goals, with a particular focus on eradicating child poverty and growing the economy.

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SDS and SFC must proceed with a 'Team Scotland' approach, breaking down cultural and operational barriers to collaboration at every opportunity. Strong collaboration between both organisations, together with the enterprise agencies and wider partners, will be central to setting the future direction of the tertiary and skills system and progressing key Ministerial priorities, including efforts to eradicate child poverty, which must remain at the core of all activity.

Conclusion

The current operating context remains extremely challenging, with significant fiscal constraints and an ongoing need for public sector reform. Meeting these pressures will require robust decision-making, clear accountability, and strong constructive collaboration across the system.

In particular, a close and coordinated working relationship between SDS and SFC will be vital to ensuring coherent leadership, effective delivery, and a unified approach to the opportunities and challenges ahead. Continued alignment between both organisations will be central to supporting learners, employers, and communities through this period of change.

We are keen that we maintain regular and open dialogue to navigate these challenges together. Your leadership and commitment will be critical in ensuring that priorities are met and resources are used efficiently.

Thank you once again for your continued dedication and leadership as we navigate this period of significant fiscal challenge and uncertainty. If you have any questions or require further discussion, your Sponsorship Team will be able to support you in the first instance.

Best regards,



BEN MACPHERSON MSP
Minister for Higher and Further Education

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REFORM AND CONTINUOUS IMPROVEMENT

SG will continue to work with SDS on this programme of work to set out policy objectives and long-term plans.

The SG is delivering an interconnected series of reforms that will make the system simpler, more responsive and more agile. This includes improving careers support, creating new national skills planning arrangements, enhancing apprenticeships and ensuring funding is targeted at the right opportunities. We are encouraged by SDS' commitment to driving this forward and expect this to continue as we deliver these next changes.

As we continue to progress this programme of work, my officials and I will stay connected with you and the Chief Executive through the Reform Programme Board, Chief Executive Forum, and regular meetings. We are encouraged by the Board's engagement on the Programme Board, and I would like us to continue to work together on making decisions. You are best placed, however, to lead in reassuring your colleagues and supporting their wellbeing as we move towards delivering shared priorities.

We expect SDS to play a central role in advancing the following priorities:

Funding Landscape Simplification: Transitioning from three funding bodies to two, with a redesigned SFC responsible for all provision and SAAS for student support.

Skills Planning Reform: Lead responsibility for skills needs assessments at the national and regional level; collaborate to ensure employer engagement across the model, and take collective efforts to improve underlying data, evidence, and intelligence systems.

Apprenticeship Reform: Simplifying the apprenticeship model and continuing to target priority sectors of the economy and essential public services.

Careers Support: Improving information and ensuring that services provided are fit for the future, informed by and responsive to employer feedback and SG priorities, and meet the needs of users of all ages.

Post-School Qualification Reform: Ensuring public funding supports recognised, impactful qualifications to allow people to develop their skills.

Tertiary Education and Training Act

The TET Act received Royal Assent in Spring 2026, with phased implementation culminating in SFC assuming responsibility for national training programmes and apprenticeships by April 2027. No SDS functions will transfer before that date. The Act will consolidate funding streams, establish a statutory framework for apprenticeships, and enable future expansion.

SG recognises its responsibility to ensure that the principles of Fair Work underpin any plans for reform of the skills delivery landscape, which may impact the future work of SDS.

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Preparing for Change

To ensure a smooth transition, we expect SDS to:

- Work collaboratively with SFC and the SG on the implementation plan and deliver on the specific responsibilities of SDS.
- Share expertise and build capacity to support the redesigned funding body.
- Engage with trade unions to develop a clear consultation plan, underpinned by Fair Work First principles.
- Collaborate on digital, data, and technology solutions for service transfer, considering costs, dependencies, and staff impacts.
- Within existing resources, model cultural and operational changes which will require working with partners on areas where secondments and other flexible workforce steps can enable change.

The National Training Programme team's work will continue and transfer to the redesigned funding body, as required by legislation. SDS and SFC will jointly develop transition plans to ensure continuity of these projects and maintain clear communication and engagement with staff throughout the change process.

Although the transfer is scheduled for April 2027, SDS must remain actively involved in governance structures throughout this year, including the Simplification Project Board, to support successful delivery.

Skills planning

SDS should remain closely engaged in the skills planning reform work being led by the SG and collaborate actively with SFC and partners on exploring approaches to enable the system to respond to current and future skills priorities. This will include exploring how better data and evidence on skills needs can support future skills planning processes at the national and regional levels in an agile and responsive manner through the enhanced Skills Needs Assessment process SDS is developing. The knowledge, networks, and expertise of SDS staff will continue to be essential in supporting this work.

The SG is working to identify a shortlist of sectors for focused skills planning. Identifying a shortlist of sectors will help SDS undertake Skills Needs Assessments in these areas. Our intention is to publish this work in Spring. We also require SDS to prioritise specific skills needs and to help design the process through which this work will be delivered by SG.

The Skills Planning Reform Project Board has been established to ensure that this project is delivered in a timely and effective manner. SDS is represented on the Board, and responsibilities should be discharged in accordance with the Terms of Reference.

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