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Scotland



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The Skills Development Scotland Co. Limited
Annual Report and Financial Statements
for the year ended 31 March 2025

Company Registration Number: SC202659

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Chair & Chief Executive Foreword

Welcome to our Annual Report and Financial Statements for the financial year 2024-25.

Skills Development Scotland (SDS) exists to support individuals to build their career management, work-based and employability skills, throughout their career journey, from school, into further learning opportunities and employment and throughout the employment lifecycle.

We use skills intelligence to help inform the decisions of people across Scotland, at all stages of their careers, so that they are well-placed to take up the opportunities arising within the economy. We work directly with employers to develop Scotland's workforce and drive economic growth, providing trusted advice for investing in existing skills, developing new talent and using equal and inclusive recruitment.

Over the past 12 months, SDS has focused on managing three strategic priorities – maintaining delivery of high quality, impactful services, driving organisational transformation and continuing our transition to a sustainable operating model in the context of continued pressures on public finances, and engagement with Scottish Government to better understand its reform of the post-school education funding body landscape.

In this context, SDS has remained laser-focused on the delivery of our core products and services to our key customer groups, supporting individuals and businesses as they face a complex array of challenges.

Whilst inflationary pressures have reduced substantially from their peak, economic forecasts for both the UK and Scotland have reduced growth estimates in the short-term reflecting ongoing global economic uncertainty. The impact of trade tariffs and of increased costs resulting from changes to employer National Insurance Contributions have further affected confidence.

These short-term issues notwithstanding, analysis from SDS highlights that over the next 10-15 years, Scotland stands to benefit from a generational investment of over £230 billion, driven by the generation, transmission and distribution of renewable energy and other growth sectors.

The scale of investment has the potential to transform Scotland's economy. However, to deliver lasting benefit for local communities and businesses, this investment is dependent on a major growth in workers. Projections suggest that Scotland needs 1.1 million workers to enter the labour market over the next decade.

Forecasts in relation to public finances remain concerning. Pressures are predicted to grow in the medium term with the Scottish Fiscal Commission projecting a public spending gap of up to £14 billion. In the context of post school education, 2024-25 also saw a worsening in the financial position of Scotland's colleges and universities.

In this context, it has been essential that SDS takes steps to drive efficiencies, prioritise core front line delivery, and transition to a new sustainable operating model.

SDS's core Grant-in-Aid (GIA) allocation for 2024-25 was £201.5 million, a 2.2% reduction on the previous year and a fall of more than 14% on our GIA in 2021-22. Successive GIA cuts, post COVID impacts on Modern Apprenticeship liabilities, the withdrawal of EU structural funds and rising wage costs generated a cumulative budget pressure of c.£90 million.

From this settlement it is necessary not only to continue delivering Scotland's national careers service, and to continue funding Scottish Apprenticeships including 25,500 new Modern Apprenticeships (MA) and 2,500 new Foundation Apprenticeships (FA) starts, but also to fund a 3% pay settlement which reflects our ambition to be a Fair Work employer and which acknowledges the hard work and dedication of colleagues.

This has been one of the driving forces behind an ambitious programme of transformation SDS has continued with over the past 12 months. Entitled Transform 27, this programme is enabling us to achieve the ambitions of our 2022-27 Strategic Plan, Skills for a Changing World, and aims to accelerate our transition to a sustainable operating model by 2027-28.

Structured around defined workstreams that combine short, medium and long-term activities, Transform 27 is driving enhanced services to customers, delivering cost savings & efficiencies, whilst building increased productivity and greater organisational agility and responsiveness.

It is underpinned by a highly targeted programme of voluntary severance and voluntary early retirement which in the past year has contributed to a reduction in the average number of full-time equivalent employees from 1,390 to 1,302. This builds on the successes of previous years resulting in a cumulative reduction of c.18% in headcount in the three year period since 2022. According to Scottish Government this represents a standout achievement and is best in class when compared with other organisational transformations within the SG directorate.

We have also continued our comprehensive engagement with SDS's career information, advice, and guidance (CIAG) colleagues to transform our service delivery to better meet the needs of our diverse customer groups. Our user-led service redesign has enabled staff to transition from more than 29 fixed, high street locations to a broader array of community-based locations which are much closer and more responsive to our customers and increasingly co-located with complimentary public and third sector partner services. At the same time as enhancing our customer focused service delivery, colleagues have realised a cumulative c.60% reduction in our estates costs and we are on target to reduce annual costs from c.£8.0 million in 2021-22 to £2.9 million or 65% cost reduction by 2027-28.

All of this has occurred against a backdrop of continued high uncertainty resulting from the reform of Scotland's post-school skills and education landscape, originally announced in 2022.

Over the past year, the SDS Board has continued to engage extensively with Scottish Government officials to better understand the implications of the proposed reforms for the people and businesses of Scotland, for learning providers and for SDS colleagues.

This has included provision of extensive information in relation to SDS delivery of apprenticeships with the aim of supporting a more mature understanding of the cost benefit analysis of the proposed transfer of SDS responsibilities to the Scottish Funding Council.

We know from our employee engagement tracking that this ongoing uncertainty and a lack of meaningful engagement in Scottish Government's reform planning has had a significant impact on the SDS workforce, many of whom have concerns around the security of their jobs moving forward. Despite this, colleagues have demonstrated remarkable resilience in remaining focused on the delivery of frontline products and services, and so it is with pride that we report another year of impressive results when measured against our core service targets.

Our sincere thanks go to all our colleagues, Board members, trade union partners and stakeholders for their continued support and commitment in making sure we deliver the very best we can for the people and businesses of Scotland.



Frank Mitchell, Chair



Damien Yeates, Chief Executive

Strategic Report



Strategic Report

Introduction

Skills Development Scotland is a non-departmental body of the Scottish Government, and the national skills agency for Scotland.

Our ambition is that skills contribute to a thriving, productive and inclusive Scotland, that people are inspired and enabled to develop the right skills for a changing world, and that businesses have access to the workforce they need to drive economic growth. We achieve this through multi-faceted service delivery and while our services are universally available to any individual or business requiring support, they are also targeted to help those most in need.

Partnership is core to everything we do. We engage extensively with partners at national, regional, and local level, sharing expertise and intelligence and flexing and shaping our delivery to meet local needs and priorities. The development and delivery of innovative solutions to Scotland's skills and workforce challenges is informed by best practice from across the country and beyond.

By increasing innovation, efficiency, and productivity in our own organisation, we aim to model the change we want to see in others.

Skills Development Scotland is the first public sector organisation in Scotland to be awarded an EFQM 7-star rating recognising our focus on continuous improvement of the services we provide.

For more information visit our website www.skillsdevelopmentscotland.co.uk.

Performance Overview

In 2024-25, continuing change and uncertainty in the operating context, and increasing financial pressures across the public sector, required all public bodies, including SDS, to prioritise delivery of core services and drive innovative and more sustainable ways of delivering best value. In line with earlier announcements, Scottish Ministers restated through our 2024-25 Letter of Guidance, issued on 29 March 2024, their intent to reform the post school education and skills landscape, and highlighted the key role that SDS would play in shaping that future.

In the previous operating year, SDS embarked on an ambitious multi-year programme of transformation, called Transform 27 (T27). This is designed to deliver on the ambition of our Strategic Plan 2022-27, Skills for a Changing World, whilst also allowing us to meet our efficiency expectations by transitioning to a more sustainable operating model. During 2024-25, we focused on delivering high quality services for our customers; accelerating our organisational transformation and transition to a sustainable operating model; and engaging in constructive dialogue with Scottish Government on the reform of the post-school skills delivery landscape.

Over the course of 2024-25, thanks to the huge efforts of SDS staff (in close collaboration with partners), SDS has delivered another year of strong performance in the context of considerable complexity and uncertainty in the operating environment. In the face of significant budget reductions, we ended the year in a sound financial position – delivering against the expectation of implementing all possible options to achieve additional efficiency savings and released £2.0m of T27 savings to Scottish Government for wider financial priorities.

In the following sections, we provide an overview of delivery and achievements in relation to each of our strategic goals. These are:

- **Industry-focused skills:** People develop skills and competencies that drive productive businesses and regions, and help create a fairer, more equal society;
- **Inclusive talent pool:** Talent is diverse and resilient, with people who can all adapt and thrive in the changing world of work;
- **Invested employers:** Employers invest in Scotland's workforce through job opportunities, skills development, and fair work;
- **Intelligence-led skills system:** An agile, responsive, resilient, and inclusive skills ecosystem consistently delivers the skills the Scottish economy needs; and
- **Impactful organisation:** Team SDS maximises return on investment, collaborating to deliver better outcomes and experiences for our customers, colleagues, and the economy.



Note: Most figures in this report relate to the 2024-25 financial year. However, as the CIAG offer in schools is delivered on an academic year basis (June – May each year), school service offer figures are for the last complete academic year (2023/24).

Goal 1: Industry-focused Skills

Lifelong learning in and for the workplace is integral to delivering the skilled workforce that the economy needs. SDS's work under this strategic goal comprises our direct delivery of training, upskilling and reskilling opportunities to individuals in Scotland, with our primary focus on Modern Apprenticeships. We aim to grow and expand Scotland's workforce ensuring that people in Scotland have, and continue to develop, skills that are relevant to the Scottish economy. We have two corporate level key performance indicators for this goal and our performance highlights for this year are illustrated against these.

KPI 1: Individuals across Scotland participate in work-based learning throughout their working lives.

Since 2022 the tangible impacts of T27 have enabled SDS to manage budget pressures in excess of £90.0 million thereby protecting and sustaining our investment in apprenticeship provision. During 2024-25 SDS invested £91.0 million supporting some 39,000 apprentices in training alongside new provision with a target of up to 25,500 new MA starts.

Slow growth, uncertainty in the global economy, falling levels of business confidence and impending increases in national minimum wage and employer NIC all provide challenges for Scotland's economy. Despite this, demand for Modern Apprenticeships remained buoyant throughout 2024-25, with the number of people starting an MA up 0.6% on last year and ahead of the target of up to 25,500. In addition to this, achievement rates are at an all-time high of 79.8%, demonstrating the perceived value of apprenticeships. SDS focus on continuous improvement and the commitment of learning providers, employers and those undertaking the qualification.

Like last year, we saw a continuation of the positive levels of participation amongst disabled (16.7%), minority ethnic (5.7%) and care experienced (2.6%) individuals as a proportion of all MA starts and continue to work hard to ensure that any barriers to entry they may face are dealt with proactively. Our [2025 Equality Mainstreaming Report](#) describes our progress against the ambitious equality outcomes we set in 2021.

Budget restrictions continued to limit volumes of activity, with no Individual Training Accounts available during 2024-25. Our Teaching Bursary (previously STEM Bursary) was also limited (like last year) to around 80 places, relative to 150 in previous years. This year, the bursary also included Modern languages as well as Gaelic and STEM subject areas.



Our universal CIAG service, available to adults, offered support to more than 30,000 people during the year, providing them with evidence-based careers advice and guidance to enable them to develop their career management skills to better navigate the world of work.



SDS Universal services are available to all adults, regardless of age or circumstance. This is a demand-led service and engagements are delivered by SDS Advisers in line with the customer need.

30,209* people accessed our universal careers service, supported by **58,831** individual or group sessions in 2024/25 (33,109/ 66,690 in 2023/24)

*figures include PACE customers

KPI 2: On completion of work-based learning, individuals sustain in employment or other positive outcomes.

Achievement rates across Modern Apprenticeships reached an all-time high in 2024-25, up 3.8 percentage points (pp) on 2023-24. This is also true for apprentices with protected characteristics, with all groups showing improvements ranging from +4pp to +7.3pp.



Work-based Learning achievements

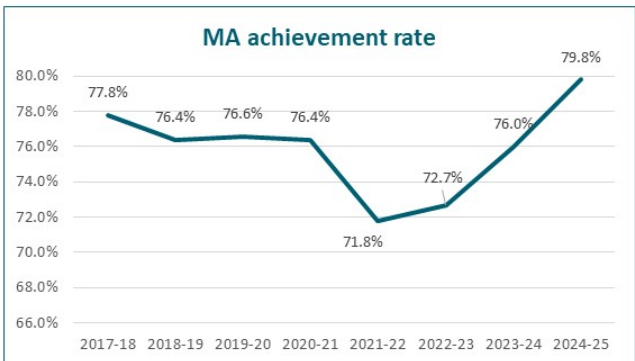
79.8% Modern Apprenticeship achievement rate (76.0% in 2023/24)

MA Equalities	Achievement rate 2024/25	2023/24
Disability	76.6%	71.7%
Minority Ethnic	80.7%	73.4%
Care Experienced	69.8%	64.8%
SIMD 1 & 2	77.7%	73.7%

Achievement rates across all equality groups above have again improved relative to the previous year. This is the highest achievement rate on record for MAs who have self-declared a disability.

We continuously work to improve outcomes for those with protected characteristics and those facing barriers to achievement. This year we developed and delivered an enhanced funding contribution to ensure disabled and care experienced apprentices received individually tailored support to enable them to achieve their apprenticeship.

MA achievement rate



Year	MA achievement rate
2017-18	77.8%
2018-19	76.4%
2019-20	76.6%
2020-21	76.4%
2021-22	71.8%
2022-23	72.7%
2023-24	76.0%
2024-25	79.8%

MA achievement rates dropped by 1.4 percentage points in the years leading up to the outbreak of the pandemic, in line with trends reported for Further Education. This year, achievement rates across all MAs are higher than they have ever previously been, highlighting the hard work of apprentices and improvement in quality across learning providers.

This year, we supported 34 targeted learning providers to improve their performance and quality of delivery. We also offered one-to-one support sessions for 19 new learning providers.

Building on the extensive feedback we already gather, enhancements to our FIPS (ERP) system now enable SDS to collect feedback from across the apprenticeship family using an automated real-time approach instead of bi-annual telephone surveys. This provides a more timely, cost-effective means for data collection and will enable us to respond to feedback more quickly than we have been able to, previously. Key results from surveys issued during 2024 are shown on the next page.

	Apprentice Voice 2024 Survey results	12,574 Modern Apprentices provided feedback between 1 st January and 31 st December 2024
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	In training (survey issued 6 months after starting MA)		Leavers (survey issued 3 months after leaving MA)		Short-term outcomes (survey issued 15 months after leaving MA)	
Satisfaction & likelihood to recommend	95% Satisfied or very satisfied	94% Likely or very likely to recommend	93% Satisfied or very satisfied	92% Likely or very likely to recommend	90% Satisfied or very satisfied	92% Likely or very likely to recommend
Training experience & quality	93% Highly rate overall quality of training	92% Highly rate usefulness of employer training	92% Highly rate quality of training from learning provider	90% Highly rate quality of training from employer		
Economic status			86% Employed full time	89% On permanent contract	85% Employed full time	92% On permanent contract

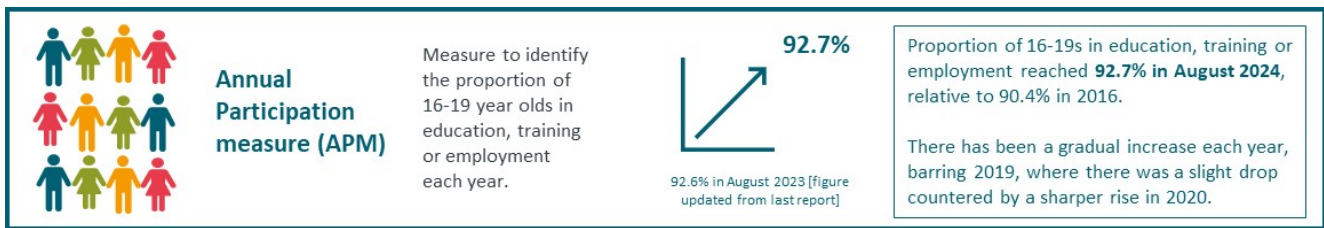
Goal 2: Inclusive Talent Pool

As a strong advocate for the ambitions of Fair Work, SDS is committed to helping people to navigate the changing world of work throughout their working lives so they can access and experience fulfilling careers. Fundamental to achieving this goal is the delivery of all-age, person-centred, and experiential CIAG services. We also continue to identify and address known barriers to participation so that individuals can access the learning and work they choose. Most of our CIAG resource is invested in state funded schools to support career learning and positive post-school destinations while a smaller, but still important, contribution is made to supporting unemployed 16-19 year olds post-school (our 'Next Steps' offer). In the face of significant budget reductions, the Transform 27 programme has continued to protect front line service delivery, with £45.9 million invested in our CIAG service in 2024-25, yielding very positive performance results.

We have three corporate level key performance indicators for this goal. Performance highlights for this year are illustrated against these.

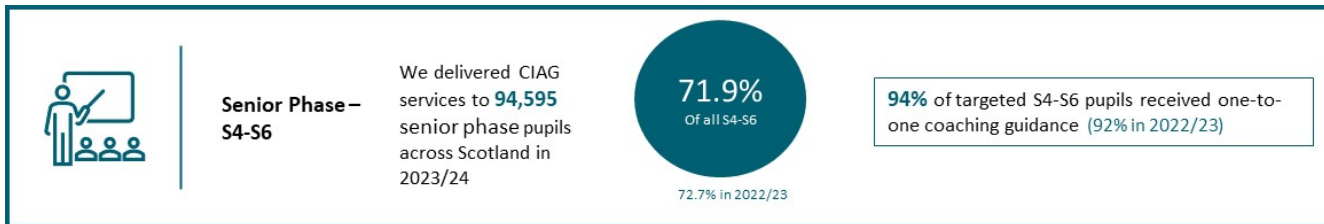
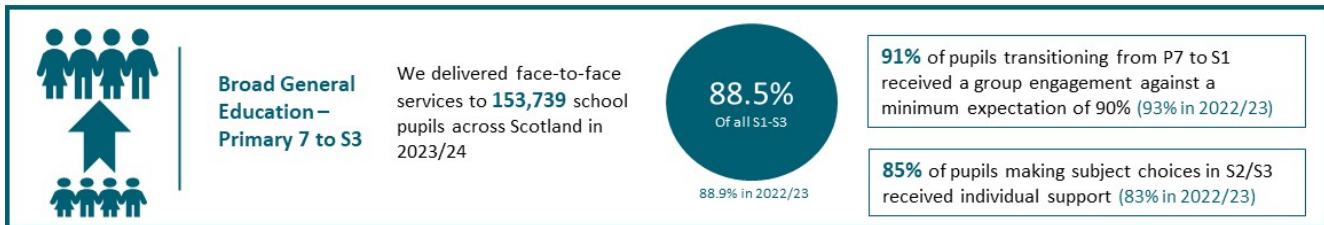
KPI 3: 16–19-year-olds in Scotland are in learning, training, or employment.

SDS is responsible for reporting the Annual Participation Measure, which is regarded as a national statistic. This measure, reported in August each year shows the level of participation among 16-19 year olds in Scotland. In August 2024, the level of participation reached 92.7%, up 0.1 pp on the previous year, continuing the upward trend since this measure was first published in 2016. Additional detail, including Local Authority and equality breakdowns, is available via an [online interactive report](#).



KPI 4: SDS careers services support individuals to sustain in learning, training, or employment

As is the case each year, data on our school careers service is provided for the last complete academic year (in this case 2023/24). This is because the current academic year (at time of writing) has not yet finished. The 2023/24 Academic Year ended with improved performance across all elements of the senior phase offer, when compared to the previous academic year, and exceeded minimum expectations in all P7-S3 activity, assisted by a more stable operating environment. We reached a greater volume of school pupils in 2023/24 and improved the level of engagement for those pupils entitled to specific interventions, as detailed in the graphics below.



Additional detail can be found in our annual CIAG report, [Delivering Scotland's Careers Service](#) for the 2023/24 academic year.

SDS post-school careers services are delivered on a financial year basis. During 2024-25 we delivered intensive support to 6,959 Next Steps customers. Continued tightening of the labour market meant that the cohort of potential Next Steps customers has largely consisted of those furthest from the workforce who have much more complex needs. Relative to last year, there was an improvement in Next Steps customer outcomes – both progressing to a positive destination and sustaining that for at least 6 months (+2.1pp and +0.3pp on 2023-24).



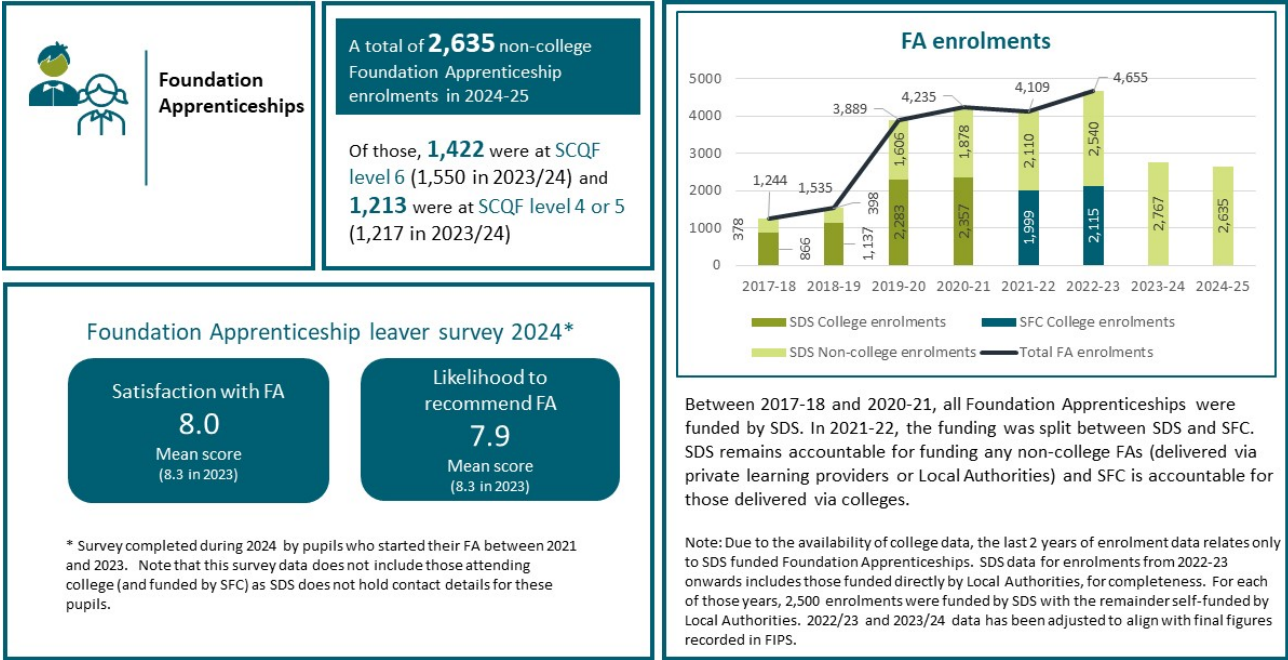
For customers facing redundancy, SDS’s Partnership Action for Continuing Employment (PACE) service continued to assist them – through either in-person or structured CIAG session engagements, or through signposting. PACE performance metrics reflect market demand. Redundancy situations are treated as priority adult CIAG services and we supported 239 employers in 2024-25 (+6 on 2023-24).



KPI 5: Young people can participate in experiential work-related learning as part of their education.

Foundation Apprenticeships offer young people the opportunity to experience work-based learning while still at secondary school. Introduced in 2016, there are 12 FA frameworks available at SCQF level 6 and 3 at SCQF 4/5. Each FA framework has been developed and mapped to key sectors in the Scottish economy where there are current or projected skills gaps and future job growth. FAs are designed to enhance and expand existing pathways from school, with multiple progression routes to work (including Modern and Graduate Apprenticeships), college or university. Delivery of FA learning takes place in a variety of settings including college/learning provider premises and the workplace.

In 2021-22, the Scottish Government changed the funding mechanism for Foundation Apprenticeships with college-delivered learning funded through core Scottish Funding Council (SFC) budgets and learning delivered via private learning providers and Local Authorities funded by SDS. The latest published FA report is based on 2022/23 enrolment data. In the graphic below, data from 2023/24 onwards is based on SDS funded enrolments only, as college enrolment data is released later in the year. Demand for non-college places remains strong, outweighing the 2,500 available funded places. Any additional places (136 in 2024/25 and 275 in 2023/24 were self-funded by Local Authorities).



Goal 3: Invested Employers

Meaningful and effective engagement with employers of all sizes, and their representative bodies, is critical to the achievement of all our strategic goals. We collaborate extensively to encourage employer involvement in the development and expansion of Scotland's workforce, and to deliver efficient and effective employer services. Through doing so, we aim to create more and better learning and employment opportunities for people. We have one corporate level key performance indicator for this goal. Performance highlights for this year are summarised below.

KPI 6: Scotland's employers invest in work-based learning, training, and growth opportunities.

On-going budget cuts continued to impact the financial leverage we had to deliver much of our employer offer in 2024-25. Despite that, SDS Sector Managers continued to engage with Industry Leadership Groups across all key sectors in Scotland to influence partner investment in skills-related activity and to encourage a greater level of commitment and participation from employers.

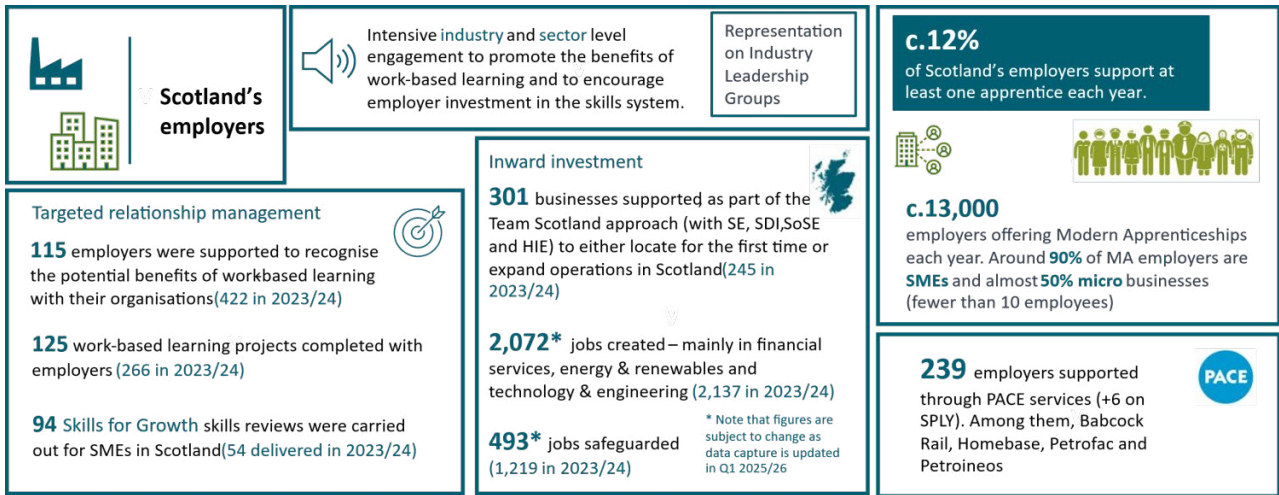
As at March 2022, there were 109,435 businesses in Scotland with at least one employee¹ meaning that c. 12% of employers in Scotland offer apprenticeships. While there are differences in context, employer engagement in apprenticeships in some European countries is in the region of 20-24%. To sustain and potentially grow the figure in Scotland requires intensive industry engagement to ensure that sector skills strategies incorporate a focus on work-based learning, keeping it relevant and communicating the benefits for employers, individuals, and the wider economy.

The resources to deliver targeted relationship management activity with SMEs were very limited in 2024-25 with only 3.5FTE available. Despite resource challenges, 115 employers were supported to realise the potential benefits that apprenticeships can bring to their business, with 125 work-based learning projects delivered by our in-house team (with an additional 58 continuing into 2025-26). The caseload employer account management approach will not be supported in future. Instead, employers will be encouraged to self-serve through the Employer Hub, where appropriate, while the small team continue with focused support interventions in response to company enquiries.

The team will also continue to support SDS's employer engagement priorities in relation to apprenticeship development, delivery and quality assurance, and support strategic skills projects including Workforce North, Marine & Shipbuilding, and Energy & Utilities.

Our Skills for Growth service is now delivered in-house, and we increased the number of skills reviews carried out this year, as processes became embedded, helping SMEs to recognise the skills-related actions they should take to grow and remain sustainable in a fast-changing economic environment.

In addition, we had a busy period of inward investment activity, working as part of Team Scotland with Scottish Enterprise, Highlands & Islands Enterprise and Scotland Development International. We helped to broker arrangements with 301 businesses that are either looking to come to Scotland for the first time or expand their operations here. This led to the creation of over 2,000 new jobs and the safeguarding of almost 500 existing jobs for Scotland.



¹ Businesses in Scotland 2022, Scottish Government: <https://www.gov.scot/publications/businesses-in-scotland-2022/pages/business-size/>

Goal 4: Intelligence-led System

Scotland needs an agile learning, skills and careers ecosystem which can adapt in response to the ever-changing external environment, developing and expanding Scotland's workforce to drive economic growth. Our work towards this goal includes extensive collaboration to help inform and shape the design and delivery of career and skills interventions, ensuring that provision increasingly meets the needs of Scotland's people, businesses, and economy. We have two corporate level key performance indicators for this goal. Performance highlights for this year are summarised below.

KPI 7: Skills investment and delivery in Scotland is increasingly intelligence-led

At the core of our service design and delivery is evidence and intelligence. Every year, we undertake intensive research, impact, and analysis activity to ensure that our careers services have relevant, up-to-date economic and labour market insights at their foundation to enable our Careers Advisers to give informed, contextualised advice and guidance.

Our insight and evidence work also includes understanding the market demand for our apprenticeships. The focus on skills planning aims to better align the demand for and supply of skills in Scotland and SDS works closely with employers and employer bodies (Industry Leadership Groups, business federations, Chambers of Commerce, etc.) to understand the specific skills needs of Scotland's businesses. Actively engaging with employers helps us to ensure that apprenticeships and other learning and training opportunities meet those needs.

SDS continues to deliver economy and labour insight publications for external audiences, including our monthly Economy, People and Skills publication and the monthly refresh of our online interactive [Data Matrix](#). Our publications and resources support our partners with understanding their current and future economic and skills-related challenges and the opportunities that lie within their regions and sectors.

Intelligence led 	Intensive activity undertaken to produce core internal Economy and Labour Market Insights to support the delivery of our CIAG service, ensuring that Careers Advisers have upto-date real-time and future-looking labour market intelligence to enable them to give relevant and informed advice to SDS customers.	Regional skills leads have worked closely with partners, sharing evidence and insight to inform regional plans and sectoral responses to economic challenges and opportunities. 
Apprenticeship Frameworks & Standards This is a 4-year programme (2022-2026) to review MA and GA frameworks (and each pathway within) to ensure Scotland's apprenticeships meet industry expectations and encompass Scotland-specific occupational standards and meta-skills. 8 MA frameworks completed with a further 8 in development	Delivery of core external Economy and Labour Market Insight publications and supporting dashboards, including a series of Regional and Sector Skills Assessments and to support our partners in understanding their economic and skills related opportunities and challenges. Latest monthly LMI publication : Economy, People & Skills April 2025 • 14 Regional Skills Assessments (RSAs) published • 4 City RSAs published • 4 RSA Growth Deal reports published • 1 RSA report for rural Scotland published 	
Workforce North launched with partners in Autumn 2024. The initiative aims to work closely with local businesses and inward investors, to promote and support coinvestment in talent development and retention to create longterm opportunities for communities across the Highlands and Islands. 		

Skills intelligence was at the heart of a Workforce Summit, led by the SDS Chair, as part of the Convention of the Highlands and Islands (CoHI) 'Workforce North Mission', which focuses on identifying actions and co-investment opportunities to ensure the Highlands and Islands region has access to the workers it needs to benefit from a generational investment of £100bn in the region in the next 10-15 years. This is another great example of how evidence and intelligence is helping to drive beneficial change for Scotland.

KPI 8: Scotland’s learning and training opportunities are better aligned with current and future economic need.

With Scottish Government indicating its intention to take responsibility for national skills planning in response to the recommendations from the Independent Review of the Skills Delivery Landscape, it was agreed that all but essential and committed work in this area be paused by SDS in early 2023-24.

We continued to advance work on the Climate Emergency Skills Action Plan (CESAP) to help inform both the transition to net zero and Scotland’s future investment in skills. Work Package 1 produced a **published report** (2023) that was designed to establish a shared view of the breadth and quality of skills evidence in relation to the transition to net zero. Work Package 2 focused on the decarbonisation of domestic and commercial heating, which involved multiple partners in the co-design of actions to meet the future demand for heat decarbonisation skills across Scotland’s regions with a **final project report** published in December 2024.

We also prioritised the completion of year two actions in the Digital Economy Skills Action Plan, as well as working with regional partners to ensure labour market intelligence is used to inform future investment in skills.

Our Skills Planning Team have also been working in collaboration with other strategic partners to develop skills investment and action plans, using our knowledge of the evidence base to help sectors and regions develop approaches to sustainability and growth in a period of economic uncertainty. As part of a Scottish Government led independent review, we were recognised for our contribution to improving the alignment of skills within the rural economy.

Learning and training



Economic need



Climate Emergency Skills Action Plan
Work Package 2: Decarbonisation of Domestic & Commercial Heating report published



Evidence and insight on skills shortages across **14 sectors** gathered to support National Skills Planning with Scottish Government



Development of **Forth Valley Skills Action Plan** (including Grangemouth) with partners, to complement the Regional Skills Assessment that was published in October 2024.



Supported development of new Accountancy MA which will provide a change in skills provision and pathways.

The **Digital Economy Skills Action Plan (2023 - 28)** was published in March 2023. This aims to address digital skills challenges, given their criticality in key industries.

Year 2 priority action highlights:

Publication of Digital Technologies Sectoral Skills Assessment





My World of Work refreshed to include dedicated homepage for Digital Tech careers info

Strategic skills input to development and delivery of all City and Regional Growth Deals and Scotland’s Regional Economic Partnerships

Skills input and leadership across all of Scotland’s Regional Economic Partnerships and the Conventions of the Highlands and Islands and South of Scotland

In partnership with Serving the Future and Springboard, developed and launched the Hospitality and Tourism Skills Toolkit for employers and staff in the sector.

Goal 5: Impactful Organisation

SDS has long recognised the importance of investing in the skills and resilience of its people and our data and digital capability, as keystones to organisational effectiveness and positive customer outcomes. In the current context, we are also acutely aware of the fiscal constraints affecting the public sector and are committed to transforming to a new, sustainable operating model through our Transform 27 programme. The programme is set to transform our services to meet the changing needs of our customers while also supporting the collective challenge across the public sector to reduce costs.

KPI 9: SDS has satisfied customers and employees.

Employee Engagement

In the context of the changing world of work, working lives and the Public Sector reform agenda, SDS continued to work closely with trade union partners, Unison and PCS, to ensure effective employee voice in service delivery and in the range of initiatives to sustain and enhance organisational effectiveness and resilience. This included extensive national partnership consultation on the next set of initiatives under our Transform 27 programme and on the Scottish Government reform programme. We held consultations on the approach for the next phase of the Transform 27 programme throughout the organisation and at a local level to inform innovative practices in operational delivery towards a more community-based approach.

Scottish Government Reform intentions to simplify the funding body landscape, continue to fuel extensive uncertainty across SDS. The Scottish Government confirmed in January 2025 their intention to move National Training Programmes (including provision for apprenticeships) funding and functions from SDS to the Scottish Funding Council. The work leading up to and following this announcement has precipitated increasing requirements to facilitate employee information and consultation and as a result the Executive has engaged in ongoing dialogue with Trade Union partners, working together to influence clarity with regard to the implications for the working lives of SDS colleagues and to encourage Scottish Government to engage with SDS in the work to prepare the necessary outline business case underpinning the required bill for legislation. Whilst the reform and plans for organisational change are owned at this stage by Scottish Government, the Executive, the Chair on behalf of the Board, and trade union partners have impressed upon Scottish Government the importance of employee voice, upholding our commitments as Fair work employers. Unfortunately, opportunities for meaningful voice were constrained in practice due to the timescales for completion of this work to enable the ministerial decision in January 2025.

The subsequent decision and associated bill for legislation if passed will result in a transfer of employees from SDS to the Scottish Funding Council. This decision has triggered obligations on SDS to inform and consult ahead of the transfer, as required under the TUPE regulations and the Cabinet Office Statement of Practice (COSOP) for transfers within the public sector.

As the transferor, SDS will require significant input from the Scottish Funding Council as the transferee, and Scottish Government as the owner of the plans for change. We have openly stated our commitment to staff, as a Fair Work employer working alongside our trade union partners, to act fully in line with these obligations, including offering reassurance as to the protections afforded in relation to pay and terms and conditions under TUPE, and for pensions in line with the expectations of the Cabinet Office Statement of Practice as it relates to pensions for transfers within the public sector. The organisation is also committed to working with TU partners to minimise the staff and organisational implications of diminished need for work that remains with SDS because of a transfer of function and remit out of SDS.

Throughout the year, the Executive and the Chair, on behalf of the SDS Board, have continued to consistently seek clarity from Scottish Government on the timescales and implications of reform for our customers and for our organisation. This included facilitating staff engagements with Scottish Government officials to provide clear understanding of the range of services delivered and the interdependent nature of the work of teams across SDS operations to deliver customer outcomes. We have also offered solutions to improve and enhance effectiveness in the skills system to ensure this delivers the skilled workforce that industry, employers and the economy needs now and in the future.

Building and sustaining high levels of employee engagement has long been recognised as a driver of organisational productivity, effectiveness and resilience. The Fair Work Principles set out in the Fair Work Framework published in March 2016, underpinned the drivers of employee engagement enabling fulfilling working lives. At SDS we recognised that employee engagement would be, and is, a critical factor in our performance as an organisation and as an employer.

Whilst the timelines and approach to Scottish Government reform remained unclear, SDS continued to measure employee engagement levels via our bespoke Your Views Survey to gather insights on levels of employee engagement and how these might have changed across the seven drivers of engagement, particularly in the context of significant organisational uncertainty. The survey was live throughout March 2024 and, in line with previous years, achieved a strong response rate of 85%, and with colleagues providing nearly 2,000 open ended comments.

For the first time since the launch of Your Views in 2016 SDS had a reversal in our mean point score trend from 8.1 in 2021 to 7.4 in 2024. Nonetheless it is important to recognise that the mean point score remains in the positive range. Across all nine themes within the survey SDS continues to receive an overall positive response albeit they have all declined when compared with previous years. For most themes the change was not significant. There was however a noticeable decrease in two themes: employee voice and actions, with declines of 1.2 and 1.1 respectively. Both are largely attributed to the impact of the wider external factors previously highlighted creating uncertainty across the organisation.

In its widest sense SDS continues to prioritise a good employee experience, despite the challenges we face, throughout the employee lifecycle. We have a range of engagement mechanisms, many of them colleague-led, demonstrating colleague ability to create community and connect with each other, whilst also providing feedback on what more SDS could consider to better support colleagues. We continue to deliver our Everyday Leadership campaign and awards which recognise those who demonstrate our corporate values. Finally, we continue to deliver a programme of HR policy reviews driven by both legislative and good practice always seeking to enhance the employee experience.

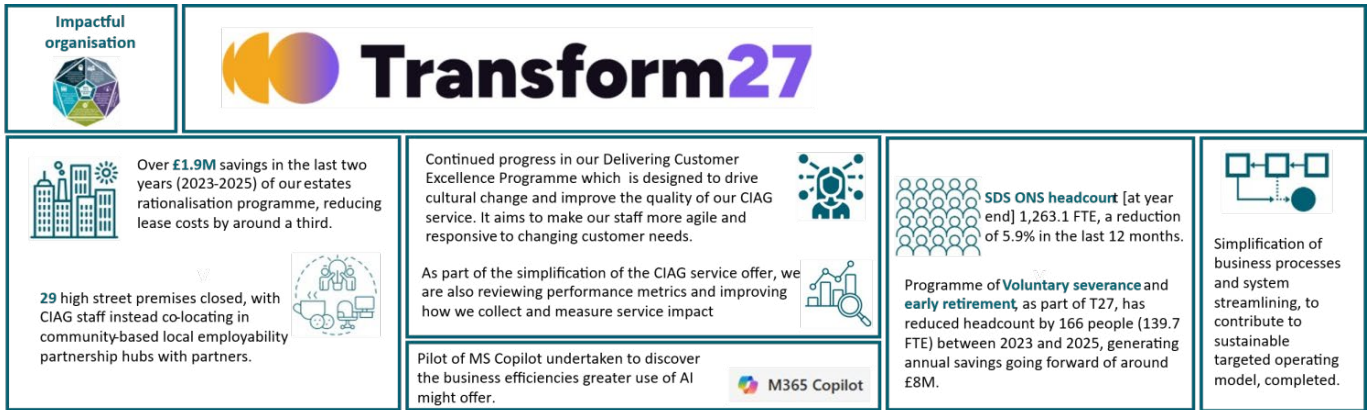
KPI 10: SDS is a resilient and sustainable organisation

Transform 27

T27 is a relentless and ambitious programme of transformation enabling SDS to achieve the ambitions of our 2022-27 Strategic Plan, Skills for a Changing World, and aims to accelerate our transition to a sustainable operating model by 2027-28. Structured around defined workstreams that combine short, medium and long-term activities, T27 is driving enhanced services to customers, as well as bringing cost savings, efficiencies, increased productivity and greater organisational agility and responsiveness.

It is underpinned by a highly targeted programme of voluntary severance and voluntary early retirement which in the past year along with stringent vacancy management has contributed to a further reduction in the average number of full-time equivalent employees. It has resulted in an overall 18% reduction in the workforce in the three years since March 2022, whilst sustaining high levels of customer satisfaction and organisational performance.

We have also continued our comprehensive engagement with SDS CIAG colleagues to transform our service delivery to better meet the needs of our diverse customer groups, which has enabled staff to transition from more than 29 fixed, high street locations to a broader array of community-based locations which are much closer and more responsive to our customers and increasingly co-located with public and third sector partner services.



Progress made against our Transform 27 ambitions has contributed significantly to our positive year-end position.

We have also enhanced the capacity of our My World of Work digital service in a number of areas, including the addition of learner profiles, offering pupils an online record of their achievements; made good progress in co-designing future CIAG services and exploring and developing collaborative ventures with key partners with a shared mission for improving customer

outcomes. We have completed a pilot phase for Microsoft Copilot and started to identify how we can use other AI and machine learning techniques. The programme is currently reviewing priorities and resources for 2025-26 and beyond.

Health and Wellbeing

In the context of reducing budgets and considerable uncertainty facing SDS staff, there has been a marginal improvement in both short and long term sickness, sustaining the gains of prior years. SDS's sickness absence for the financial year 2024-25 was 4.1%. This is 0.1% lower than last year. The average number of days lost per FTE is 10.8 which is a reduction of 0.2 days.

The top five reasons for absence in 2024-25 were mental health, cold and flu, gastro related issues, nervous systems and back pain. Mental health related issues accounts for nearly half of all absence (43%). Notably, nervous system related conditions have entered the top five for the first time since the pandemic.

SDS continues to offer employees a variety of special leave options to account for life events such as bereavement, compassionate and dependants leave. This enables employees to use this rather than annual leave and/or sickness absence. SDS also increased bereavement leave from one week to two weeks in 2024. We continue to strive to offer flexible working with 43% of the organisation working a non-standard working week (anything other than Monday to Friday, 9am-5pm) and includes those working part time.

The 2023 CIPD Health and Wellbeing at Work Report² indicates that absence levels are higher in the public sector (10.6 days per employee) than in other sectors, particularly private sector services (5.8 days). However, all sectors are experiencing higher levels of absence than in previous years. The CIPD report also notes a workplace wellbeing paradox where, despite an increasing number of workplace health and wellbeing services in place, employees have an increasing number of mental health issues. Whilst our absence trend has not changed significantly in the last two years our external benchmarking with the most up to date available data provides reassurance that SDS's experience is aligned with the wider labour market for public sector organisations.

Significant work progressed to improve the workplace adjustment process aimed at early intervention, impactful conversations and clarity of the responsibilities of each party involved in the process, which will help to ensure timely implementation of adjustments. In addition, work to develop the capability and confidence of people managers and employees to have early and honest conversations about their wellbeing via practical and experiential learning was progressed to implementation.

SDS continues to offer a variety of ways to support health and wellbeing at work. This includes engaging with our occupational health provider, employee assistance programme, access to specialised tools and resources via our workplace adjustments, having mental health first aiders embedded in the organisation, and delivering interactive all-colleague wellbeing campaigns.

SDS Academy

As an Investors in People (IIP) platinum accredited organisation, we continue to guarantee every colleague a minimum of 21 hours Continuous Professional Development (CPD) each year (pro rata), enabling employees to invest in developing their personal capability. This year, 83% of colleagues achieved this, with an average of 33 hours CPD per employee. The SDS Academy continues to provide relevant and accessible learning for all employees, with 6,363 days, (44,547 hours) of learning recorded by colleagues in 2024-25. SDS also sponsored 52 colleagues to achieve or continue with a qualification.

Every employee has a digital personal learning record to track their development activities and inform discussions with their manager, as part of our 'My Contribution' approach to managing and developing performance. Colleagues recorded an average of eight conversations through My Contribution, this financial year.

Against a backdrop of Scottish Government reform and financial pressures on the public sector, SDS recognises the need to reimagine service delivery and create a sustainable workforce model that can respond to the needs of its customers. As such, SDS has set out an approach to create and test the building blocks needed to move towards a skills-based organisation, laying the groundwork for broader implementation in 2026-27. 'Skills First' is a transformational approach to unlock workforce agility through skills development and flexible deployment of the workforce. By identifying the skills we have and the skills we need, we can act to upskill, reskill and deploy resources based on skills – individually, as leaders, and organisation-wide. Proactively embracing a 'Skills First' approach will be leading edge for the public sector and can contribute to a more inclusive culture and our reputation as a Fair Work employer.

Equality and Diversity

SDS is committed to achieving a diverse workforce and inclusive workplace culture. Equality factors are systematically considered in Board discussions while mainstreaming within the organisation has been enhanced through the launch of a new integrated impact assessment process and the establishment of an Equality Programme Board to monitor and support delivery of Mainstreaming Report commitments. Our employee engagement survey scores for equality and diversity have remained high with colleague comments indicating significant awareness and appreciations of SDS work as an employer in this area.

SDS Equality and Diversity Mainstreaming Report 2025 provides detail on progress against our previous five Equality Outcomes for 2021-25 and sets new outcomes for 2025-29. As an employer, we will seek to foster an inclusive culture where diverse voices shape decision making and improve organisational effectiveness. This will include embedding inclusion into our approach to transformation, strengthening opportunities for diverse and effective employee voice.

All staff have mandatory equality and diversity e-learning and CPD, and additional targeted learning is provided for people managers. Since 2023, SDS colleagues have also been able to make use of an additional form of special leave, an 'Inclusion and Wellbeing Day'. This gives colleagues the opportunity to use one paid day per year for cultural, community or other activities that are important to them and their sense of self, enabling inclusion. This opportunity was taken by 1,165 colleagues during 2024-25.

SDS is a Disability Confident and Carer Positive employer. We recently introduced our new approach to person-centred workplace adjustments and are working to improve our understanding of needs related to neurodiversity in the workplace. Both developments have been informed by engagement with our 'Diversability' employee network. For carers we have made access to maternity, paternity and shared parental leave/pay a 'day 1' right and introduced a new, private forum for colleagues with caring responsibilities for adult dependants to come together to offer moral support and practical advice.

We also continued to progress activity on race equality in SDS as we work to fulfil our strategic commitment to become an anti-racist organisation. We will maintain delivery of our 'It's About Race' Training sessions by the Diversity Trust as we seek to positively impact culture and improve the race competence of colleagues.

As of 31 March 2025, the gender balance³ within SDS was:

	Male	Female
Non-executive directors and co-opted board members	6	9
Executive directors and senior executive managers	5	1
Employees	373	976

Young Talent

SDS remains committed to supporting Scottish Government's Young Person Guarantee. SDS Young Talent programme has a strong track record of delivery and enabling young people who join our programme go on to achieve a positive destination either internally or externally. This programme seeks to offer both externally recognised qualifications alongside workplace experience, developing the future talent that organisations require.

Successive budget cuts have necessarily impacted the scale of our ambitions to support our Young Talent Programme, however we are pleased to have supported 31 young people in the reporting period:

- six young people completed a Foundation Apprenticeship;
- 13 Graduate Apprentices continued their journey, six qualifying this year; and
- SDS's bespoke 'grow our own' Careers Adviser pathway from entry at MA to PG Dip continued supporting 12 young people (five TCAs qualified this year and moved into Careers Adviser roles).

With positive destinations at 84% through our programme we ensured all young people departed with the onward job search skills and networks required to seek future employment.

3 Figures exclude 'Prefer Not to Say' responses

Gaelic Language

SDS continues to support the use and development of the Gaelic language. We understand our contribution to the recognition of Gaelic as an economic, social and cultural asset and this is reflected in our [SDS Gaelic Language Plan \(2022-2025\)](#), published September 2022.

Key activities in 2024-25 included:

- Continued partnership with Highlands and Islands Enterprise to deliver the Economy and Skills workstream of the Scottish Government's Gaelic – A Faster Rate of Progress initiative;
- Continued promotion and delivery of Gaelic work-based learning opportunities, such as Foundation Apprenticeships, particularly in communities where Gaelic is the language of the workplace;
- We organised Gaelic Careers events throughout the country and held a national online event as part of Scottish Careers week that promoted Gaelic Career pathways.

SDS also continued to produce resources, documents, and events in Gaelic, including:

- Gaelic Career profile videos for the [My World of Work](#) website and further resources added to the Gaelic Meta skills toolkit;
- Promotion of World Gaelic week and Scottish Apprenticeship week 2025; and
- Issue of Gaelic Media Releases and Gaelic social media posts using platforms such as X and TikTok.

Procurement (incl. Modern Slavery, anti-corruption, and bribery)

During 2024-25, the SDS Procurement team continued to monitor, update, implement and provide support and guidance to SDS colleagues on all areas of Public Procurement.

Some key SDS Procurement activities conducted during the year were as follows:

- Participated in the triennial Procurement & Commercial Improvement Programme (PCIP), achieving a positive outcome of 'Good Practice' in six areas and 'Improving' in the other five areas. The evidence-based PCIP assessment process, which has been running since 2015, is not an audit but provides a means of measuring and reporting on the procurement and commercial capability of organisations. Each question was assessed as achieving one of four levels i.e. Developing, Improving, Good Practice or Advanced Practice;
- Modern Slavery Statement updated in March 2025 for inclusion of Integrated Equality Impact Assessment (IEIA) for any new or revised product, policy or service that impacts on people, both internally and externally. The IEIA includes a Children's Rights Impact Assessment and assists in mitigating the risk of modern slavery and human trafficking occurring in SDS's business and supply chain; and
- Incorporated Scottish Government's Fair Work First policy as a condition of all approved grant funding; encouraging employers to adopt fair work practices, such as payment of the real Living Wage and providing appropriate channels for effective voice.

SDS Procurement continued to update and improve data analysis via our contract register and reporting functionality. Further ongoing continuous improvements were made across our procurement documentation for our procurement personnel and SDS colleagues, with an emphasis on updated Terms and Conditions of Contract from our Legal Team.

Information Security Management

Over the past year, colleagues across SDS have played a vital role in strengthening SDS's organisational resilience and reducing cyber threat levels. This includes leading the SDS response to external cyber incidents, with valuable lessons learned informing future incident management activity. Regular business continuity exercises and scenario planning, both internally and with partners, have also enhanced our readiness posture. The introduction of quarterly mandatory cyber learning and phishing simulations has further embedded a culture of awareness and accountability, with targeted follow-up training for colleagues where needed.

Additionally, our Information Management Strategy (IMS) has delivered significant progress in strengthening data governance and quality across the organisation. Key achievements during the year included establishing a governance process for updating the current state architecture, expanding staff capability through ArchiMate training, and completing a Data Quality Framework assessment of our key Finance and HR systems. A draft Data Glossary was created and the IMS roadmap was reviewed and updated with measurable outcomes and benefits defined to support ongoing strategic alignment.

Task Force on Climate-related Financial Disclosures (TCFD)

SDS has reported on climate-related financial disclosures consistent with HM Treasury's TCFD-aligned disclosure application guidance, which interprets and adapts the framework for the UK public sector. SDS does not consider climate to be a material risk for the organisation, however it has complied with the TCFD recommendations and recommended disclosures around:

- Governance – recommended disclosures (a) and (b)
- Risk Management – recommended disclosures (a), (b) and (c)
- Metrics and Targets – recommended disclosures (a), (b) and (c), where data is available.

This is in line with the UK public sector TCFD-aligned disclosure implementation timetable for Phase 2. SDS plans to provide recommended disclosures for Strategy in future reporting periods in line with the public sector implementation timetable.

Governance

SDS's board is responsible for overseeing the organisation's implementation of government policy. This includes its role in ensuring climate-related issues are appropriately considered when formulating SDS's strategic direction within the policy, planning and resources framework determined by Scottish Ministers. To achieve this responsibility, the board is assisted by two committees:

- The Audit and Risk Committee assists in managing risk systems, including managing climate change at a corporate and directorate risk level.
- The Executive Governance Board has senior level oversight of climate related issues and is chaired by the Chief Executive.

Climate-related responsibilities are assigned to specific management-level positions that co-ordinate activity within each directorate.

- Chief Executive – overall responsibility for climate-related risks and opportunities and for ensuring that climate issues are appropriately considered at board level;
- Director of Finance, Information Governance, Resilience and Risk – adapt risk policies and identify climate-related risks to align with operational activities; and
- Senior Director of Delivery – deliver on SDS's sustainability initiatives and commitments, including those relating to climate change.

Risk Management

As the impact of climate change continues to grow, climate-related risks have become increasingly significant and SDS continues to adopt robust strategies to mitigate such risks. Our processes for identifying, assessing, and managing climate related risks are seamlessly integrated into our overall risk management framework. This integration ensures a holistic approach to risk management, where climate risks are considered alongside other business risks. Key aspects of this integration include:

- Unified Risk Assessment: Incorporating climate-related risks into the broader risk assessment matrix used by SDS.
- Cross-Functional Collaboration: Engaging various portfolios and functions within SDS to address climate risks collectively.

SDS employs a multi-faceted approach to identifying climate related risks. This approach begins with a thorough analysis of environmental, social, and economic factors that could potentially impact on SDS.

Once identified, climate-related risks are assessed based on their likelihood and impact. SDS uses a risk matrix to categorise these risks, enabling SDS to prioritise them effectively. Key components of the assessment process include calculation of potential financial losses resulting from climate-related disruptions and examination of how climate risks could affect day-to-day operations and long-term business continuity.

Ensuring SDS remains resilient in the face of climate challenges, strategies to mitigate climate-related risks have been embedded in the recent Estates and Transformation programmes. These strategies include emission reduction plans, securing insurance policies to cover potential financial losses from climate-related events, and ensuring a diverse and flexible supply chain to minimise disruptions caused by climate impacts.

Metrics and Targets

SDS measures the following emissions sources as per the Green House Gas Protocol methodology:

- Scope 1: gas heating and f-gas (fugitive emissions from heating, ventilation and cooling systems) for sites operated by SDS;
- Scope 2: electricity generation for sites operated by SDS; and
- Scope 3: electricity transmission and distribution for sites operated by SDS, business travel, commute travel, waste, water, hotel stays and energy from home working.

The table below shows the emissions by scope in tonnes of carbon dioxide equivalent (tCO₂e) for the baseline year 2019-2020 and 2024-2025.

	2024-25	2023-24	2022-23	2021-22	2020-21	2019-20
Scope 1	99	104	158	152	149	144
Scope 2	110	138	211	219	200	299
Scope 3	1,196	1,335	1,683	1,129	506	2,773

These figures are reported annually in the mandatory Public Bodies Climate Change Duties Reporting. SDS has a target to reduce emissions from the above sources by 67% by 2030 on a 2019-20 baseline with a long-term target of net zero by 2045, aligning with the Scottish Government.

In 2024-25, SDS's carbon footprint decreased by 56% relative to the 2019-20 baseline. This is ahead of the 34% reduction required by 2024-25 to be on track for our target of a 67% reduction by 2030. Emissions from commute travel have seen the biggest reduction (-62%) against our 2019-20 baseline, showing that colleagues are continuing to make use of our digital capability which allows for hybrid working where appropriate.

The biggest annual emissions decrease came from electricity use (-23% compared to 2023-24) due to moving services closer to our customers through co-location and community delivery. Although not the sole driver, this estate rationalisation is an ambition identified in our Climate Change Strategy 2020-2030.

The second two-year action plan for our Climate Change Strategy 2020-2030 concluded in December 2024. Actions were undertaken by teams across the organisation in four workstreams: Supporting a Green Economy, Digital Capability, Business Processes, and Organisational Culture. Example actions achieved included: establishing a baseline of sustainable delivery practices among learning providers and highlighting best practice, conducting our quality assurance reviews of apprenticeships online, working with the Turing Trust to recycle old laptops, and leading a joint webinar with other public sector agencies on Scotland's journey to net-zero during Climate Week 2024. A progress report, detailing the actions achieved and the progress towards our 2030 emissions reduction target, is available on our [website](#). The next action plan, covering financial years 2025-26 to 2026-27, is currently in the planning stage.

Section 172(1) Statement

SDS is committed to effective engagement at all levels, including the Board, with all our stakeholders, customers and partners. The Directors are aware of their duty under s.172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

- the likely consequences of any decision in the long-term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly between members of the Company.

The Board is mindful that SDS's success depends on its ability to engage effectively, work together constructively, and to take customer and stakeholder views into account when designing, delivering and managing our products and services. Our Board engages with a range of stakeholders, partners and customers via various routes, and in doing so, we gain a better understanding of the areas they are interested in or concerned about and how our decisions have impacted them. This has been particularly relevant during 2024-25 as we engaged with stakeholders and our own staff around the Scottish Government's reform agenda.

Stakeholder engagement underpins our governance framework, which is embedded throughout SDS, helping to ensure we maintain high standards of conduct. The Executive regularly updates the Board on stakeholder engagement and wherever possible, members of the Board engage directly with our stakeholders.

The Board appreciates that there may be situations where conflicts will arise between different stakeholder groups. In such circumstances, the Board will seek to understand the needs and priorities of each stakeholder group during its discussions and as part of its decision-making process. It will manage any such conflicts by assessing stakeholder and partner interests from the perspective of the long-term sustainability of the organisation. The Board remains mindful of the implications that their decisions have on our stakeholders, particularly in the current context of the development and implementation of the Scottish Government's reform agenda, constrained public finances, ensuring best value for the public purse whilst maintaining high standards of service delivery. Below we set out some ways in which we have engaged with, and taken into consideration, the interests and concerns of our stakeholders who are material to the long-term success of the Company.

Overview

Engagement with stakeholders supports the Board's regard to the likely consequences of any decision in the long term. SDS Board members take part in direct stakeholder engagement activity through:

- induction materials provided on appointment, which include an explanation of Directors' duties, and the Board is regularly reminded of their s.172(1) duties;
- scheduled Board and Committee meetings. Stakeholder engagement is built into these meetings, with all papers clearly outlining what actions have been taken to consult with stakeholders on each matter to be discussed. Members can then decide as to whether additional consultation or activity to address stakeholder concerns should be carried out; and
- all Board members receive a Stakeholder Engagement briefing which outlines high-level activity undertaken within SDS over the period and detailing future opportunities for Board members to engage with stakeholders. The briefing has been very well-received by the members, being a useful tool to enable them to interact more effectively with stakeholders.

Customer engagement	
Examples of Engagement	Outcomes
■ The Evaluation & Research team evaluates all SDS products and services to support continuous improvement. They also lead on colleague, customer and stakeholder research at SDS. SDS has a sponsored PhD programme which is managed by the Evaluation & Research team, delivered in collaboration with the Scottish Graduate School of Social Science;	Priority areas for evaluation and research agreed by SDS senior management and Board. Board commitment to the needs of customers, partners and stakeholders through ongoing dialogue on evaluation and research. Ongoing Board work with strategic partners to help us shape how we will work collaboratively to achieve our purpose.
■ Extensive engagement with the 32 Local Employability Partnerships (LEPs) involving local authorities, third sector and other employability partners to design local services to support their communities informed by bringing together equality data, annual and interim participation rates and regional skills assessments;	
■ Community of Practice events which bring together partners, stakeholders, providers, and delivery partners together regularly throughout the year to share successful practice and identify enhancements to delivery that improve the experience of our customers;	
■ Work with industry and employer representatives to understand the current and future demand for skills in the Scottish economy. Regional and Sectoral Skills Assessments we develop with these partners provide the basis for informing the skills elements of the City and Regional Growth Deals that have been developed between UK Government, Scottish Government and groups of Scottish Local Authorities;	
■ A Highlands and Islands Workforce Summit bringing together key players in the region's economy to examine how to build a resilient and skilled workforce capable of capitalising on a range of investment opportunities across key growth sectors;	
■ Partnership agreements with 360 maintained secondary school and 83 non-maintained secondary schools to support school pupils access Career Information, Advice and Guidance;	
■ Strategic collaboration with Developing the Young Workforce to enhance youth employment and prepare young people for the world of work; and	
■ Work with the Scottish Apprenticeships Advisory Board (SAAB) to help us shape products and services inclusive of the employer voice and ensure we deliver services in line with employer needs in Scotland.	

Colleague engagement	
Examples of Engagement	Outcomes
■ Your Views – team engagement and implementation of the results of the 2024 all colleague survey; ■ Transform 27 - regular colleague engagement on the development and implementation of our transformation to a more sustainable and effective delivery model, such as calls, podcasts, senior leadership communications, dedicated intranet articles and web pages; ■ Scottish Government reform agenda – continued engagement with colleagues on the latest developments; ■ Focus on health and wellbeing engagement through a Wellbeing at Work Strategy 2024-27, complemented by a dedicated Wellbeing Hub. This is part of a wider, ongoing 'Life at SDS' campaign on environmental issues (including Scotland's Climate Week), company benefits and social/volunteering activities; ■ Celebration week recognising colleague achievements and encouraging teams to get together, with an in-person Everyday Leadership Awards to recognise exceptional colleagues/teams; ■ Senior leadership engagement including a Board Bulletin to keep colleagues up to date on strategic developments, and in person 'Customer Excellence Roadshows'; and ■ Regular engagement via all colleague communications channels such as the 'Weekly Update', the intranet and Viva Engage, as well as a six-weekly Leadership Update with senior colleagues.	Continued commitment of the Board to our employees' health, safety and wellbeing. Any issues or concerns brought to Board attention and addressed. Reassurance identifying colleague concerns especially in the context of the Scottish Government's reform agenda.
Procurement	
Examples of Engagement	Outcomes
■ Engagement with suppliers to ensure we meet our needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis and generates benefits not only to the organisation but also to society, the economy and the environment; and ■ Engagement with over 300 suppliers (businesses of all sizes) who provide or sub-contract work-based learning provision. This activity aims to address the needs of employers to have a highly skilled workforce that meets the current and future needs of their business.	Supports Board commitment to SDS championing the Scottish Procurement Model by embedding sustainable procurement.

Community work and the environment	
Examples of Engagement	Outcomes
■ SDS is part of cross-agency Net Zero Collaborative Group which meets monthly to share best practice on actions to address the climate emergency with other public sector organisations; ■ Support for Scotland's Climate Week included leading on a cross-agency online session highlighting work on green skills and initiatives with several key partners in the Net Zero Collaborative Group; ■ Volunteering is encouraged under SDS's special leave policy, with links to environmental community-focussed opportunities available on the SDS intranet; and ■ SDS, supported by colleagues in the Scottish Funding Council and Scottish Government, are leading on Climate Emergency Skills Action Plan Pathfinders. The second of these work packages was published in March 2025.	Supports Board commitment for SDS to work towards Scottish Government net-zero commitment as part of Climate Emergency and SDS working in alignment with local, national and international best practice. Stakeholder concerns discussed and taken forward as appropriate.
Local and national employer and business groups	
Examples of Engagement	Outcomes
■ Regular skills system policy updates/engagement to support employer groups' skills policy publications and submissions on behalf of their respective memberships. Provides an understanding of the skills system in Scotland and where future change would be most beneficial to individuals/employers; and ■ Work with employers on their input and assurances on suitability of employer marketing messaging and our general approach.	Provides deeper Board awareness of employer skills challenges and supports asks of government and Government agencies. SDS Board members occasionally lead and attend employer group events/meetings where required.

Enterprise and Skills Agencies, Parliament, Government and Local Authorities	
Examples of Engagement	Outcomes
■ Daily interaction and direct and ongoing dialogue with Scottish Government policy officials at all levels, plus Parliamentary Committee and Cross-Party group engagement alongside engagement with individual MSPs; and ■ CEO, Chair and SDS regional colleague focused engagement with Local Authority Leaders e.g., Convention of the Highlands and Islands (COHI) and Convention of the South of Scotland (COSS) to directly engage with Council Leaders.	Provides Board intelligence for decision-making by seeking support for, and endorsement of, SDS key aims. Supports Scottish Government ambitions for Scotland. Parliamentary and Government issues or concerns brought to Board attention and addressed directly with political representatives.

Financial Overview

The results for the year to 31 March 2025 are contained in the attached financial statements, prepared in accordance with the 2024-25 Government Financial Reporting Manual (FRm) and in the form directed by the Scottish Ministers, taking account of the Scottish Public Finance Manual.

The FRm requires that the company should comply with the Companies Act, particularly with regard to the form and content of the annual report and financial statements, but, as a non-departmental public body, also follow the principles in the FRm where these go beyond the Companies Act. The accounting policies explain the basis on which the financial statements are prepared, and transactions are recognised.

The resource budget allocation for 2024-25 comprised a revised grant-in-aid provision of £199.5 million (2024: £206.1 million). Revenue for the year was supplemented with other income generating activities of £10.7 million (2024: £10.4 million) on a cost recovery basis and £nil million (2024: £1.6 million) of European funding.

Removing the effects of actuarial adjustments, the financial statements for the year to 31 March 2025 report an operating deficit of £0.5 million (2024: £0.4 million).

Financial Management

Against a backdrop of continued public sector budget challenges, diligent financial management and a commitment to our Transform 27 programme were key to delivering our operating plan within the budget allocations for the year to 31 March 2025.

Through our commitment to efficient and effective delivery of impactful public services, we set an operating budget at the start of the year which required in-year savings of £2.7 million. This aspiring target acknowledged a reduction of £4.6 million in our available grant-in-aid for the year, in comparison with 2023-24, and there being no accessible supplementary European Social Fund income for the first time in nine years. Ultimately, stringent management of the overall £208.1 million budget allocation throughout the year meant we were able to successfully achieve our operational delivery without the need to draw on £2.1 million of the available £201.6 million grant-in-aid.

In navigating the budget pressures, we succeeded in increasing our overall spend on our core national training programmes by £3.1 million, with a total investment of £104.9 million for the year to 31 March 2025. This included an investment of £91.0 million in modern apprenticeships, an increase of £7.2 million on the £83.8 million invested in 2023-24. A further £10.9 million (2024: £14.1 million) was invested in graduate and foundation apprenticeships in support of Scottish Government's ambition to deliver high quality apprenticeship opportunities in so far as possible within the challenging delivery environment, and £1.5 million (2024: £1.7 million) investment in STEM Bursaries.

Informed by extensive financial planning and analysis, and with strategic oversight of our Transform 27 programme, we have protected and increased the percentage share of our total investment in frontline services through an organised reduction in our estate costs and people costs. Stringent vacancy management enabled us to exceed our budgeted vacancy savings target by £2.0 million, and an investment of £3.2 million in a cost-neutral voluntary severance programme, supporting 69 applications from staff, will deliver further significant and necessary annual savings from 2025-26, protecting our commitment to no compulsory redundancies.

Excluding adjustments for the actuarial revaluation of our pension funds, our staffing costs were £8.3 million lower than the previous year and our commitment to focussing investment in frontline service delivery was further demonstrated by £2.0 million reduction in our administrative and infrastructure overheads, in part through a continued review of our estate profile, taking advantage of opportunities to co-locate with partners to broaden our outreach footprint while ensuring no detriment to customers.

Delivering our operating plan for 2024-25 with an outturn that was within the Resource and Capital budgets ultimately allocated by Scottish Ministers was not without challenge and it reinforced the importance of carrying through our transformation programme to achieve high quality service delivery to 2027 as set out in our Strategic Plan. Directed by Transform 27, our final outturn against all elements of the revised budget allocation from the Scottish Government for the year to 31 March 2025 was as follows:

	Expenditure	Income	Outturn	Allocation	Overspend/ (underspend)
	£'000	£'000	£'000	£'000	£'000
Resource budget (see below)	208,416	(11,362)	197,054	198,681	(1,627)
Capital budget	1,558	-	1,558	1,347	211
Non-cash costs including depreciation	2,825	-	2,825	2,842	(17)
Total budget	212,799	(11,362)	201,437	202,870	(1,433)
Annually managed expenditure	5,468	-	5,468	5,259	209

Reconciliation of the statement of comprehensive income to the resource outturn:

	£'000
Total expenditure on ordinary activities, including tax ⁴	216,677
Depreciation charge allocated to non-cash costs	(2,825)
Net pension costs attributed to annually managed expenditure	(5,265)
Corporation tax charged to annually managed expenditure	(171)
Interest income on cash balances	(685)
Attributable to other sources, including European funding and IT services	(10,677)
	197,054

⁴ Derived from the sum of cost of sales, operating expenditure, administrative expenses, finance cost and tax expense.

Risk and Uncertainty

A small and highly focused team acted as a key reference for staff at all levels as we managed the challenges presented both internally and externally during 2024-25. The year was characterised by ongoing challenges and uncertainties surrounding the Scottish Government reform agenda, the pace of reforms to the skills delivery landscape, threats to our digital offerings, the implementation and deployment of Transform 27, and macro budgetary pressures across the entire Scottish public sector.

Our risk management process was enhanced through a review of our Risk Management Policy, which (i) revised our attitude towards risk, (ii) revised our approach to managing potential barriers to achieving our objectives and (iii) underscored the importance of risk management and internal controls in achieving key business goals and objectives.

Upon identification, key risks were included in our Corporate Risk Register and mitigated as the business addressed uncertainties throughout the financial year. The Risk Register assessed strategic and operational risks, including those arising from current challenges in delivering the goals set out in the Strategic Plan. The Corporate Risk Register was regularly reviewed, and amendments made by the SDS directors as we navigated the evolving environment during the year. It was considered by the Executive Governance Board members at each meeting and was formally reported to the Audit and Risk Committee on a quarterly basis. A snapshot of the risks at 31 March 2025 is provided below:

- Proposed reforms to the skills delivery landscape;
- Nature and pace of Scottish Government reforms;
- Grant-in-aid funding;
- Workforce challenges;
- Cyber threat; and
- Digital and data transformation.

The impacts of the budget challenges which SDS and the public sector in Scotland are encountering are significant and create an additional level of uncertainty for SDS. However, SDS has adopted dynamic and robust actions and approaches to escalation outside the normal risk management process and these risks are being managed through our Transform 27 programme and through close working relationship with the Scottish Government sponsor team.

Company Status

The Skills Development Scotland Co. Limited is a company limited by guarantee and registered in Scotland. The sole members are the Scottish Ministers. SDS is an Executive Non-Departmental Public Body, operated through a limited company structure.

Scottish Ministers appoint the Chair, Chief Executive and non-executive directors of SDS. The SDS Board is responsible for our overall direction and strategy and for securing the optimum performance from company assets. There is a formal policy of delegated authority, which includes matters specifically reserved to the board for decisions. All non-executive directors are independent of the company.

Going Concern

As at 31 March 2025, the company's Statement of Financial Position had net assets of £22.0 million (2024: £22.4 million). The directors are confident that the relationship with the Scottish Government is such that the company will have sufficient funding for the foreseeable future. In particular, the directors have taken cognisance of the sole membership of Skills Development Scotland which Scottish Ministers assumed in September 2004, and of the indication from Scottish Government of continued grant-in-aid funding in 2025-26. The directors have considered the Scottish Ministers' priorities for the reform of the skills delivery landscape, including draft legislation set out in the Tertiary Education and Training (Funding and Governance) (Scotland) Bill, and have determined they do not create a material uncertainty that casts doubt upon the company's ability to continue as a going concern. Accordingly, it is appropriate to prepare the financial statements on a going concern basis.

Future Developments

The strategic context in which we operate remains challenging, with increasing global instability impacting economies and job markets, while factors such as the climate emergency and rapid technological advancements continue to transform industries and subsequently the demand for skills. Additionally, economic strains, such as slow growth and high inflation, alongside continuing pressures on public sector finances, are driving an urgent requirement to identify and adopt innovative, efficient and impactful approaches to public service delivery.

There are a range of Scottish Government reform priorities that will be advanced in this operating year, including those which will directly or indirectly impact the work of SDS. This includes the progression of the Tertiary Education and Training (Funding and Governance) (Scotland) Bill through Scottish Parliament. The SDS Board and Executive remain committed to working productively with Scottish Government to achieve our shared ambitions for a reformed skills system, which meets the changing needs of Scotland's economy, employers, communities and people.

SDS's Letter of Guidance 2025-26 was issued on 20 December 2024 by the Minister for Higher and Further Education; and Minister for Veterans. It includes a clear ask of SDS to remain focused on delivering, and continuing to improve, our core products, services and functions during this time of change. As such, our primary concern for the year ahead remains to maximise high quality apprenticeship opportunities, address critical skills needs in the economy and deliver a high quality, impartial, all-age Careers Information, Advice and Guidance service. Whilst we continue to prioritise delivery of high-quality products and services to our customers in 2025-26, our Transform 27 programme will ensure we progress the transformation of those services, and our organisation, towards a more sustainable target operating model for the future.

By order of the Board



Damien Yeates

Director and Accountable Officer

22 September 2025

Directors' Report



Directors' Report

Strategic Report

In accordance with section 414(c) (11) of the Companies Act 2006, Skills Development Scotland has chosen to include several matters in the Strategic Report which would otherwise be included in the Directors' Report.

These matters are:

- the review of the business and performance against performance indicators;
- future developments;
- diversity and equality matters for employees;
- employee consultation; and
- engagement with supplier and customers.

Directors and Their Interests

The directors of the company who held office during the year and to the date of signing of these financial statements were as follows:

Name	
T Black ^	(reappointed 1 November 2024)
E Corcoran *	(reappointed 15 January 2025)
S Cowan *	
Dr M Dames *	
V Erasmus ^	(reappointed 1 June 2025)
Dr C Evans *	(reappointed 22 January 2025)
N Hamid *	(reappointed 15 January 2025)
Prof D Hillier *	
G Hutcheon ^	(reappointed 1 June 2025)
Dr P Malik *	
M McCaig *	
F Mitchell *	(Chair, reappointed 1 October 2024)
C Pollock *	(reappointed 15 January 2025)
D Rankin ^	(reappointed 1 March 2025)
P Taylor *	
D Yeates +	(Chief Executive)

+ executive * non-executive ^ co-opted board member

F Mitchell was reappointed as a non-executive director and Chair of the Board on the 1 October 2024.

E Corcoran, N Hamid and C Pollock were reappointed as non-executive directors on the 15 January 2025. C Evans was reappointed as a non-executive director on the 22 January 2025.

T Black was reappointed as a co-opted board member on 1 November 2024. D Rankin was reappointed as a co-opted board member on 1 March 2025. V Erasmus and G Hutcheon were reappointed as co-opted board members on 1 June 2025.

No Board members held any significant interests in the company or its subsidiary companies at any time during the year that conflicted with their management responsibilities. Details of directors' interests are given in Note 20 Related Parties.

The Board of Skills Development Scotland, chaired by F Mitchell, met four times during the year (2024: six times).

Conflicts of Interest Procedures

We have in place strict and comprehensive procedures to deal with potential conflicts of interest. These include holding, and updating at least annually, registers of interests covering not only Board members but also members of staff.

Interests which must be registered, in terms of the name and nature of the organisation in which the interest is held, include: remuneration, other roles, contracts, election expenses, houses, land and buildings, investment or shares and securities, gifts and hospitality, non-financial interests, close family members interests. Whenever a Board member or member of staff has an interest in an application for assistance, they are required to declare the interest and thereafter to take no part in the consideration of the application. Such declarations by Board members are recorded in the minutes of the appropriate Board and committee meetings.

We publish the register of interests of our Board members on our [website](#) and all registers of interests are available for public review upon written request to the registered office.

Standing Committees

The Audit and Risk Committee oversees the strategic process for risk management, internal control, corporate governance and statutory financial obligations. The Committee is chaired by an independent non-executive director and is comprised of at least two non-executive directors of SDS. The Committee meets at least four times a year and has written terms of reference setting out its authority. Internal and external auditors attend the Audit and Risk Committee. In the year to 31 March 2025 the Committee met five times (2024: five times).

The Finance and Operational Performance Committee oversees the operating performance and financial management of SDS. The Committee is chaired by an independent non-executive director and is comprised of at least two non-executive directors of SDS. The Committee meets at least four times a year and has written terms of reference setting out its authority. In the year to 31 March 2025 the Committee met five times (2024: six times).

The Remuneration and Human Resources Committee ensures detailed scrutiny of SDS remuneration matters including senior management team remuneration, company-wide pay awards and policy, pension arrangements and other human resources matters. The Committee is chaired by an independent non-executive director and is comprised of at least two non-executive directors of SDS. A trade union member also attends each meeting. The Committee meets at least three times a year and has written terms of reference setting out its authority. In the year to 31 March 2025 the Committee met three times (2024: four times).

The Service Development Committee oversees service redesign and implementation. The Committee is chaired by an independent non-executive director and is comprised of at least two non-executive directors of SDS. The Committee meets at least four times a year and has written terms of reference setting out its authority. In the year to 31 March 2025 the Committee met four times (2024: four times).

The Nominations Committee meets on an ad hoc basis and provides advice and support to the SDS Chair in respect of Board member required skills and responsibilities and, in particular, to review the membership of SDS Board Committees. The Nominations Committee is chaired by an independent non-executive director and is comprised of at least three non-executive directors of SDS. In the year to 31 March 2025 the Committee did not meet (2024: no meetings).

Results

The financial statements report a total comprehensive expense for the year of £0.4 million (2024: £1.4 million) which is influenced by IAS 19 pension adjustments. Removing the effects of actuarial activities, the operating deficit is £0.5 million (2024: £0.4 million).

The directors recognise the impact of the actuarial valuation of pension assets and liabilities on the results for the year and are satisfied that the operating results are in accordance with management projections and within budgetary constraints and available reserves.

The directors are aware of no events between the Statement of Financial Position date and the date when the financial statements were authorised for issue which influence the results.

Accounting for Pension Scheme Liabilities

Pension assets and liabilities are recognised in the financial statements in line with the accounting policy at Note 1. IAS 19 Employee Benefits requires that the assets and liabilities of the pension scheme are incorporated into the balance sheet. As more fully explained in Note 9 the Statement of Financial Position reports a net liability of £0.9 million for the pension schemes at 31 March 2025 (2024: £1.0 million).

Actuarial valuations are prepared at the request of the administering authority on a triennial basis for each of the two Local Government Pensions Schemes (LGPS) the company participates in, namely; Strathclyde Pension Fund and Highland Pension Fund. Details of the latest valuations, to 31 March 2023, can be obtained from published reports.

Financial Instruments

The company has exposure to liquidity risk, credit risk and market risk. The extent of this exposure is detailed in Note 21 Financial Instruments.

Supplier Payment Policy

SDS, like other public sector organisations, is bound by the Late Payments of Commercial Debts (Interest) Act 1998, which requires payment to be made within 30 days of receipt of a valid invoice, or any other period the contract terms may specify. It is our policy to agree terms of payment when orders for goods and services are placed and to adhere to those arrangements. In addition, it is our policy, where possible, to comply with the Scottish Government's target of making payment of authorised invoices within 10 working days of receipt. While trade creditor days as at 31 March 2025 were nine days (2024: eight days), invoices for commercial goods and services were paid on average for the year within four days of receipt (2024: four days).

Political and Charitable Donations

The company made no charitable or political donations in the year.

Amounts Payable to Auditor for Non-Audit Work

Fees payable for non-audit services provided by the appointed auditor for the year ended 31 March 2025 were £nil (2024: £nil).

Freedom of Information

The Freedom of Information (Scotland) Act, which came into full force in January 2005, means members of the public can make a request to see information held by us. In the year to 31 March 2025, we received and responded to 40 Freedom of Information requests (2024: 32). There were no requests (2024: no requests) for a review of a response and no referrals of SDS to the Scottish Information Commissioner.

Auditor

As a non-profit making public sector company, which appears to the Scottish Ministers in terms of section 483(2) of that Act to carry out functions of a public nature, under The Companies Act 2006 (Scottish public sector companies to be audited by the Auditor General for Scotland) Order 2008, the Scottish Ministers have determined that the financial statements of the company shall be audited by the Auditor General for Scotland. The Auditor General for Scotland has appointed Audit Scotland to undertake the audit for the year ended 31 March 2025.

The directors present their report and the audited financial statements for the year ended 31 March 2025. These financial statements have been prepared in accordance with a form directed by the Scottish Ministers.

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

By order of the Board



Damien Yeates

Director and Accountable Officer

22 September 2025

Remuneration Report



Remuneration Report

Chair and Non-Executive Directors

The Chair and non-executive directors are paid an annual amount, as salary, at a level agreed by Scottish Ministers. The salary rate is normally assessed on an annual basis. Appointments are made on a two and four-year basis.

Chief Executive

The Chief Executive's pay is reviewed annually, and any pay award is dependent on performance, and must be approved in accordance with Scottish Government protocols. The Chief Executive's performance is assessed formally by the Chair using pre-determined criteria.

Executive Governance Board

Details are disclosed for senior executives, comprising the Chief Executive and senior executive managers fulfilling the roles of Senior Director of Delivery, Senior Director of Transformation, Director of Human Resources, Director of Finance, Information Governance, Resilience and Risk, and Director of Corporate Affairs. The senior executive managers are not registered as directors of the company under the Companies Act.

Service Contracts

Staff appointments are based on merit and are on the basis of fair and open competition. The Chief Executive and senior executive managers are permanent employees with up to 12 months' notice periods. There are no early termination payment clauses within the contracts.

Remuneration & Appointments

Due to the company's NDPB status, remuneration is reviewed annually in accordance with Public Sector Pay Policy. A formal pay remit proposal is approved by the Remuneration and Human Resources Committee, prior to pay negotiations with recognised Trades Unions. The Remuneration and Human Resources Committee determines the total individual remuneration packages of the Senior Director appointments, in accordance with public sector pay policy and in consultation with the Chair and Chief Executive.

No benefits in kind were paid to and no long-term incentive schemes are held by the Chair or non-executive directors.

The Chief Executive and senior executive managers' posts are pensionable. The Chair and non-executive director appointments are not pensionable.

Appointments are carried out in line with employment legislation, with the exception of the Chair and non-executive directors' positions which are carried out within the guidelines for senior public sector appointments.

Salary and Allowances

Salary includes gross salary but not employer's pension contributions. There were no payments in respect of performance pay or bonuses during the year.

Allowances are taxable benefits relating to designation as essential users within our Car Scheme.

Pensions

Pension benefits are provided through one of two HM Revenue & Customs approved defined benefit schemes. Employee contributions are currently set at a tiered rate dependent on assumed pensionable pay. Typically for a senior executive manager this is c10.0%. This would exclude performance pay, bonus or ex-gratia payments if these had occurred. Employer contributions are 12.0%. Benefits accrue at the rate of 1/49th for each year of service.

Cash Equivalent Transfer Values

The Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. CETVs are calculated within the framework and guidelines prescribed by the Faculty of Actuaries.

Remuneration Report

Information Subject to Audit

The following sections of this report are presented for audit: total remuneration (including salary and allowances, benefits in kind, compensation for loss of office, and accrued pension benefits), pension entitlements, and fair pay disclosures.

Remuneration

Remuneration of the Chair, non-executive directors and co-opted board members for the year to 31 March 2025 was as follows:

	2024-25				2023-24			
	Salaries/ fees (banded)	Taxable benefits	Pension benefits (banded)	Total (banded)	Salaries/ fees (banded)	Taxable benefits	Pension benefits (banded)	Total (banded)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
F Mitchell (Chair)	40 - 45	-	-	40 - 45	40 - 45	-	-	40 - 45
T Black^	5 - 10	-	-	5 - 10	5 - 10	-	-	5 - 10
E Corcoran*	5 - 10	-	-	5 - 10	5 - 10	-	-	5 - 10
S Cowan*	10 - 15	-	-	10 - 15	10 - 15	-	-	10 - 15
M Dames*	5 - 10	-	-	5 - 10	5 - 10	-	-	5 - 10
V Erasmus^ (appointed 01/06/23)	5 - 10	-	-	5 - 10	5 - 10	-	-	5 - 10
C Evans*	5 - 10	-	-	5 - 10	5 - 10	-	-	5 - 10
N Hamid*	5 - 10	-	-	5 - 10	5 - 10	-	-	5 - 10
D Hillier*	5 - 10	-	-	5 - 10	5 - 10	-	-	5 - 10
G Hutcheon^ (appointed 01/06/23)	5 - 10	-	-	5 - 10	5 - 10	-	-	5 - 10
P Malik*	5 - 10	-	-	5 - 10	5 - 10	-	-	5 - 10
M McCaig*	-	-	-	-	-	-	-	-
C Pollock*	5 - 10	-	-	5 - 10	5 - 10	-	-	5 - 10
D Rankin^	5 - 10	-	-	5 - 10	5 - 10	-	-	5 - 10
E Russell* (resigned 31/10/23)					0 - 5	-	-	0 - 5
P Taylor*	5 - 10	-	-	5 - 10	5 - 10	-	-	5 - 10

* non-executive ^ co-opted board member

In the year to 31 March 2025, M McCaig opted to waive their full year equivalent banded remuneration of £5,000 to £10,000 (2024: £5,000 to £10,000).

The total emoluments of the Chair, non-executive directors and co-opted board members for the year to 31 March 2025 were £154,448 (2024: £156,531) and include £nil (2024: £nil) in respect of compensation payments for loss office.

Remuneration Report

Executive remuneration for the year to 31 March 2025 is summarised in accordance with criteria defined in the HM Government Financial Reporting Manual, published by HM Treasury, and UK Statutory Instrument 2013-1981. It is shown including a derived figure for pension benefits to comply with legislation.

	2024-25				2023-24			
	Salaries/ fees (banded)	Taxable benefits	Pension benefits* (banded)	Total (banded)	Salaries/ fees (banded)	Taxable benefits	Pension benefits* (banded)	Total (banded)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
D Yeates Chief Executive	150 - 155	6.2	65 - 70	220 - 225	145 - 150	6.2	45 - 50	195 - 200
C Anderson Director of Human Resources	110 - 115	5.0	35 - 40	155 - 160	105 - 110	5.0	35 - 40	150 - 155
A Livingstone Director of Finance, Information Governance, Resilience and Risk	115 - 120	5.0	50 - 55	170 - 175	5 - 10	0.3	0 - 5	10 - 15
J Prentice Director of Corporate Affairs (Interim)	100 - 105	5.0	50 - 55	155 - 160	5 - 10	0.3	0 - 5	5 - 10
N Prentice Senior Director of Delivery	145 - 150	5.0	25 - 30	180 - 185	140 - 145	5.0	25 - 30	175 - 180
J Russell Senior Director of Transformation (Interim)	120 - 125	5.0	35 - 40	160 - 165	25 - 30	1.3	5 - 10	35 - 40

* This is a notional figure, the calculation of which is stipulated in the Government Financial Reporting Manual 2024-25 section 6.5.8 (d), and not the value of contributions made. Accordingly, the Total (banded) includes the notional value and not actual remuneration for each director. In the case of N Prentice, the value is that of pension equivalent allowance, per paragraph 7 (e) of Statutory Instrument 2013 number 1981.

The reported remuneration for A Livingstone and J Prentice represents their total remuneration since the inclusion of their roles in the Executive Governance Board on 6 March 2024. The full year equivalent banded salary for their roles for the year to 31 March 2024 was £105,000 to £110,000 and £95,000 to £100,000 respectively.

The reported remuneration for J Russell represents their total remuneration since their executive appointment on 1 January 2024. The full year equivalent banded salary for the role for the year to 31 March 2024 was £115,000 to £120,000.

Pension Entitlements

Executive pension benefits for the year to 31 March 2025 were as follows:

	Accrued pension at age 65 and related lump sum as at 31 March 2025	Real increase in accrued pension and related lump sum at age 65	At 31 March 2025	At 31 March 2024	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
D Yeates	50 - 55	2.5 - 5.0	921	807	45
C Anderson	25 - 30	0.0 - 2.5	448	379	33
A Livingstone	45 - 50	2.5 - 5.0	888	774	52
J Prentice	25 - 30	2.5 - 5.0	381	314	36
N Prentice	-	-	-	-	-
J Russell	20 - 25	0.0 - 2.5	261	229	5

The accrued pension is inclusive of the lump sum payment that the member may elect to draw from their accrued pension entitlement. Members may elect to take a maximum of 25% of their accrued pension as a lump sum payment. This will subsequently reduce their future pension entitlement.

The real increase in the value of the CETV is the element in accrued pension funded by the employer. It excludes increases due to inflation and contributions paid by the member. It is worked out using common market valuation factors for the start and end of the period.

Fair Pay Disclosures

Reporting bodies are required to disclose the relationship between the banded remuneration of the highest paid director in their organisation and the lower quartile, median, and upper quartile remuneration of the organisation's workforce. Banded remuneration for this purpose is the sum of salaries & fees, taxable benefits, and excludes pension benefits and cash equivalent transfer values. The banded remuneration of the highest paid director in Skills Development Scotland for the year to 31 March 2025 was £155,000 to £160,000 (2024: £150,000 to £155,000).

	2024-25			2023-24		
	25th Percentile	Median	75th Percentile	25th Percentile	Median	75th Percentile
Pay ratio	3.5 : 1	3.3 : 1	2.9 : 1	3.6 : 1	3.4 : 1	2.9 : 1
Remuneration (Salary)	£44,812 (£44,613)	£47,139 (£47,139)	£55,216 (£55,216)	£42,908 (£42,908)	£45,408 (£45,408)	£53,188 (£53,188)

For the year to 31 March 2025, the remuneration of the highest paid director increased by 4.8% (2024: 0.8%) while the average remuneration for the organisation as a whole increased by 4.7% (2024: 8.3%). All employees have their salary reviewed annually at 1 April. All pay awards are equality impact assessed, supported by an equal pay audit every two years, and aligned with Scottish Government public sector pay policy. The increase of 3.8% (2024: 6.2%) in the median pay ratio is consistent with the pay and progression policy for the organisation as a whole for the year to 31 March 2025.

The minimum full-time equivalent salary on the organisation's Pay and Grading Framework for the year to 31 March 2025 was £24,366 (2024: £22,687).

Damien Yeates

Damien Yeates

Director and Accountable Officer
22 September 2025

Statement of Directors' and Accountable Officer's Responsibilities



Statement of Directors' and Accountable Officer's Responsibilities

The directors and accountable officer are responsible for preparing the annual report and financial statements of the company in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for the company for each financial year. As required by the Accounts Direction applicable for the year issued by the Scottish Ministers, they are required to prepare the company's financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of its surplus or deficit for that period. In preparing the company's financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU and the Accounts Direction applicable to the year issued by the Scottish Ministers; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006 and the Accounts Direction applicable to the year issued by the Scottish Ministers. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

As set out in the [Memorandum to Accountable Officers for Other Public Bodies](#), the accountable officer is personally responsible for the propriety and regularity of the body's public finances and ensuring that its resources are used economically, efficiently and effectively. This includes compliance with relevant guidance issued by Scottish Ministers, in particular the Scottish Public Finance Manual, and the Framework Document defining the key roles and responsibilities which underpin the relationship between the body and the Scottish Government.

Damien Yeates

Damien Yeates

Director and Accountable Officer

22 September 2025

Governance Statement by the Accountable Officer



Governance Statement

Scope of Responsibility

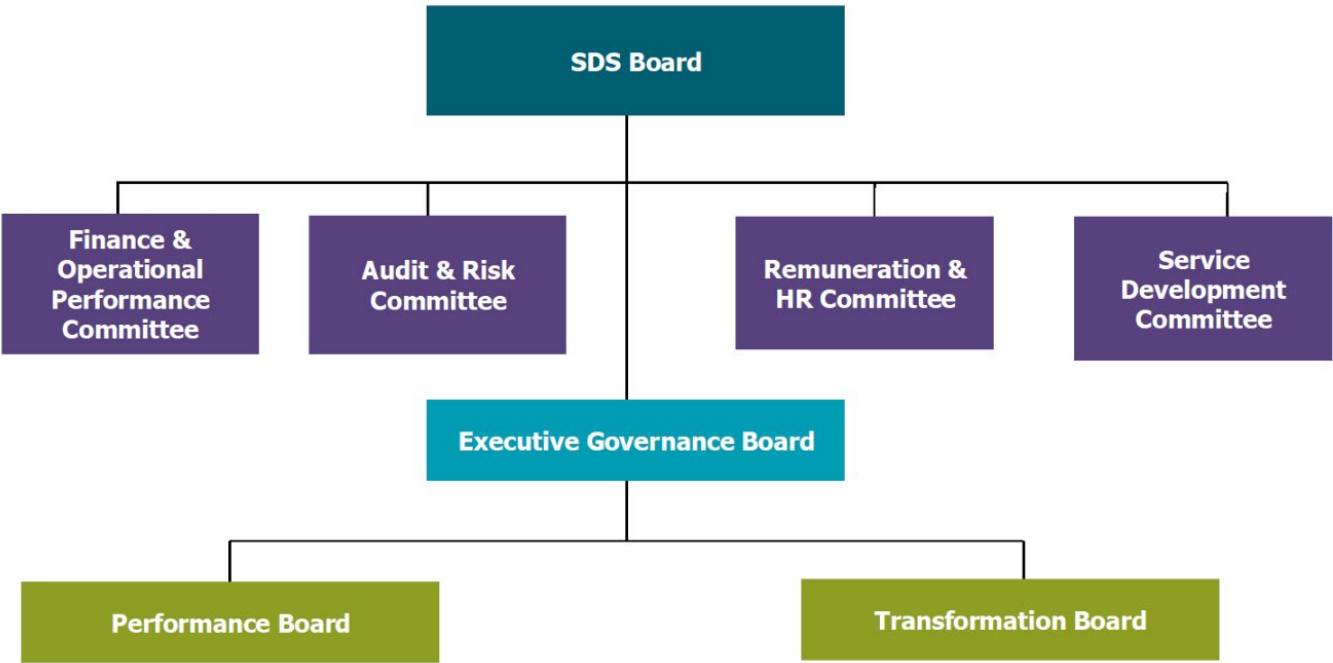
As the Accountable Officer, I am responsible for maintaining a robust system of governance that supports the achievement of Skills Development Scotland's policies, aims, and objectives as set by the Scottish Ministers. This includes safeguarding the public funds and assets for which I am personally responsible, in line with the responsibilities assigned to me.

As the Accountable Officer, I am responsible for accounting for activities, and I am required to:

- sign a Governance Statement regarding SDS's system of internal control and management of resources for inclusion in the annual report and financial statements; and
- obtain assurances from SDS's Directors on the maintenance and review of our internal control systems through an Annual Internal Control Checklist and a six-monthly Risk Assurance Statement. This encompasses risk management, operational effectiveness, economical and efficient use of resources, compliance with applicable policies, procedures, laws, and regulations, safeguards against losses including those arising from fraud, irregularity, or corruption, and ensuring the integrity and reliability of information and data as set by Scottish Government in the Scottish Public Finance Manual (SPFM).

The SPFM is issued by the Scottish Ministers, provides guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. It sets out the relevant statutory, parliamentary, and administrative requirements, emphasises the need for economy, efficiency, and effectiveness, and promotes good practice and high standards of propriety.

Governance Framework of Skills Development Scotland



SDS had a Board in place to drive the implementation of government policy. The Board is responsible for setting the overall strategic direction of SDS within the framework determined by Scottish Ministers and ensuring the highest standards of governance are upheld. SDS has maintained and developed a prudent and effective framework of controls to enable risks to be assessed and managed.

The Board met four times during the year and was supported in its work by the following committees, each of which was chaired by a non-executive director and comprised of at least two further non-executive directors:

- the Audit and Risk Committee, which oversees the strategic process for risk management, internal control, corporate governance, and statutory financial obligations met five times;

Governance Statement

- the Finance and Operational Performance Committee, which oversees the operating performance and financial management of SDS met five times during the year;
- the Remuneration and Human Resources Committee, which ensures detailed scrutiny of SDS remuneration matters including senior management team remuneration, company-wide pay awards and policy, pension arrangements and other human resources matters, and which met three times during the year; and
- the Service Development Committee, which oversees service redesign and implementation met four times during the year.

Skills Development Scotland is committed to excellence and effective governance. The SDS Board regularly undertakes self-assessments of its effectiveness, using questions based on externally benchmarked good governance guidance. This exercise also evaluates the effectiveness of Board Committees, and the findings inform the development of a Board Continuous Improvement Action Plan and a Board Continuing Professional Development (CPD) Plan. Additionally, the Board and Committees review their Terms of Reference annually to ensure they remain fit for purpose.

The Executive Governance Board is the top executive-level decision-making body, reporting to the SDS Board. The Executive Governance Board oversees SDS's overall performance, delivery, and future transformation. It also manages a streamlined approach to governance and decision-making, supported by a Performance Board and a Transformation Board. This structure aims to foster greater collaboration and cohesion across three interdependent portfolios: Delivery, Transformation, and Governance.

Skills Development Scotland's System of Internal Control

SDS's system of internal controls aligns with guidance from Scottish Ministers provided in the Scottish Public Finance Manual. This system has been in place for the year ended 31 March 2025 and up to the date of approval of the annual report and financial statements. It is designed to identify the principal risks to achieving and delivering SDS's performance targets, policies, aims, and objectives. The system evaluates the nature and extent of those risks and manages them efficiently, effectively, and economically. It is designed to manage rather than eliminate the risk of failure to achieve our policies, aims, and objectives, and provides reasonable, rather than absolute, assurance of effectiveness.

Internal Audit conducts independent reviews of SDS's internal controls at least annually, covering key controls including financial, operational, and compliance controls.

Internal Audit

During 2024-25 our Internal Audit service was provided by a shared service resourced by the Internal Audit Partnership, led by Scottish Enterprise, and shared across five public bodies. The service was supplemented by EY for technical IT and digital audits. The service providers operate in accordance with the UK Public Sector Internal Audit Standards.

The 2024-25 Internal Audit Plan, approved by the SDS Audit and Risk Committee, was informed by an analysis of the risks to which SDS is exposed and was made up of a programme of seven assurance reviews by Internal Audit, targeted at key risk areas, alongside one EIS Partnership IT assurance review (EIS Governance) and a separate follow up review of EIS recommendations. The Plan also included the provision of ongoing real-time assurance on the internal Transform 27 programme, with due consideration given to SDS's response to the Scottish Government's initial priorities and principles for the reform of the post-school education system.

The Internal Audit Annual Report and opinion was presented to the SDS Audit and Risk Committee on 19 June 2025. The Internal Audit opinion concluded that the programme of internal audit work carried out in 2024-25 identified an overall moderate level of assurance on SDS's framework of governance, risk management and control. This equates to a satisfactory level of assurance under the previous assurance level scale awarded in 2023-24.

In response to the Internal Audit findings identified, SDS has made improvements in several areas during the year, including governance and control arrangements relating to Business Continuity, Risk Management (including Supplier Risk Management) and Cyber Resilience.

At each quarterly Audit and Risk Committee meeting Internal Audit provided a report on their internal audit activity. Management updated the committee on progress with the implementation of Internal Audit recommendations following discussion and an independent evidential review by the Internal Audit team. The Internal Audit Annual Report concluded there was effective progress in implementing internal audit recommendations, with appropriate arrangements in place to monitor and assess the implementation of agreed management actions in response to Internal Audit recommendations.

Internal Financial Controls

Our system of internal financial controls is based on a framework of financial regulations; monitoring committees; delegation and accountability for officers; administrative procedures including the segregation of duties and regular financial management information review.

Our financial controls include:

- Financial systems which include:
 - comprehensive budgeting systems;
 - documented budget processes;
 - budgets aligned to plans;
 - accurate reporting of financial positions;
 - regular reviews, by the Executive Governance Board, of Budgetary Control Reports which identify income and expenditure to date and compare projected outturn with approved budgets; appropriate committees also consider these reports;
 - measuring financial and other performance against targets; and
 - clearly defined control guidelines.
- Joint HR and Payroll system controls to ensure staff remuneration and reimbursement payments are made correctly and on time;
- Procurement system controls to ensure orders for goods and services are properly authorised and creditor system controls to ensure payments made to suppliers are correct;
- Income and debtor's controls to ensure they are correctly identified, collected, and accounted for;
- Controls over the operation of computer systems and administrative procedures to ensure secure systems are developed to meet business and accounting needs, with particular regard to cyber security; and
- The Fraud and Financial Irregularity Policy is available on the SDS intranet and is communicated via new staff induction, mandatory Counter Fraud e-learning on the SDS Academy and via bespoke Fraud Awareness workshops. The Fraud and Financial Irregularity Response Plan embraces SPFM guidance and there are effective avenues for reporting suspicions of fraud, via the Fraud and Financial Irregularity Response Group (FFIRG) and via Whistleblowing and Concerns Portal arrangements.

Risk Management Arrangements

Our Risk Management Framework is designed to align with the guidance issued by the Scottish Ministers and conforms to the Scottish Public Finance Manual. Building on several years of audited good practice, our framework includes the following key components:

- Risk Management Strategy: The strategy outlines how we will enhance current processes to manage risks affecting SDS's performance and the delivery of our strategic and operational objectives.
- Risk Assurance & Internal Audit Policy: The policy defines SDS's Risk Appetite and the procedures for identifying and controlling risks. It is accessible to all staff on the Skills Development Scotland intranet.
- Risk Information Management System: The system is used to consistently record, monitor, and report on risks across SDS.
- Corporate Risk Register: The register documents risks that impact SDS's performance and our ability to achieve strategic goals and objectives, including those arising from Scottish Government reforms and challenges. These risks are reviewed monthly by the Executive Governance Board and quarterly by the Audit and Risk Committee, which also considers progress on agreed actions to manage the risks.
- Portfolio, Directorate, Business Area, and Project Risk Registers: The risk registers identify and document significant risks, outlining the key reasons for current risk exposure and plans to achieve optimal risk exposure.
- Senior Management Assurance: Senior management complete detailed six-monthly Risk Assurance Statements and Annual Internal Control Statements to assure the Accountable Officer those internal controls, including risk management arrangements, are effective and continuously monitored.

Governance Statement

- Individual Risk Owners: Each identified risk has a designated Risk Owner responsible for monitoring the risk and ensuring the implementation of mitigating actions.
- Audit and Risk Committee Oversight: The committee reviews the effectiveness of SDS's risk management approach and receives quarterly Risk Management Reports. The Board also receives regular updates on internal control from the Chair of the Audit and Risk Committee.
- Risk Dashboard: The dashboard is reported to Senior Directors, the Executive Governance Board, and the Audit and Risk Committee, highlighting any weaknesses in our risk management approach.
- Directorate Responsibility: Directorates are responsible for early and comprehensive reporting of critical business risks. Specialist functions such as business continuity, health and safety, and cyber and information security manage specific types of risk, providing assurance to the Board and management.
- Awareness and Training: Regular awareness and training sessions are held, and a risk management element is included in the SDS Induction Programme for new staff. There is also a dedicated section on Risk Management Guidance on the SDS intranet.

Key achievements in Risk Management during the year

Our Risk Management Strategy has evolved to enhance our processes, ensuring seamless alignment with our strategic and operational objectives. Our Risk Assurance and Risk Management Policy successfully defines our risk appetite and control measures, making them easily accessible to all staff. The policy has established a solid foundation for our risk management practices. We have embedded a leading Risk Information Management System, enabling consistent and effective risk recording, monitoring, and reporting across SDS. The system ensures that all risk-related information is accurately captured and readily accessible.

Regular review of the Corporate Risk Register by the Executive Governance Board and the Audit and Risk Committee has enabled SDS to stay ahead of risks impacting our performance and strategic goals, allowing us to take timely and appropriate actions. Completion of the Risk Assurance Statements and Internal Control Statements has provided robust assurance of the effectiveness of our internal controls, reinforcing our commitment to exceptional risk management and good practice.

Proactive risk ownership is a cornerstone of our risk management strategy. Designated Risk Owners have diligently monitored risks and implemented mitigating actions, ensuring effective risk management at all levels. Quarterly reviews of the Risk Management Reports by the Audit and Risk Committee has provided critical oversight in maintaining the effectiveness of our risk management approach. The reports provided a comprehensive overview of our risk landscape and the actions taken to address identified risks. Our adept Risk Management function has provided targeted assurance in critical areas such as business continuity, health and safety, and cyber security, demonstrating the expertise needed to manage specific risk areas effectively.

Additionally, comprehensive awareness and training sessions were conducted on an ongoing basis to ensure all staff were well-versed in risk management practices. The sessions continue to help build a risk-aware culture within the organisation, empowering staff to identify and manage risks effectively in their day-to-day activities.

The management of risk is a collective responsibility at SDS, with all managers and staff expected to be risk aware. Employees have a personal responsibility to:

- be aware of and comply with policies and procedures;
- identify, eliminate where possible, or control risks;
- notify line managers of risks that cannot be adequately managed; and
- participate in risk management education and training.

Facilitated by the comprehensive risk management arrangements, SDS has demonstrated exceptional resilience and proactive management of risks, ensuring we continue to deliver on our mission effectively and efficiently.

Details of significant risk-related matters during the year

The 2024-25 financial year presented significant challenges for SDS due to budget reductions and a commitment to sustainably support our valued employees with a pay award in recognition of the prevailing cost of living pressures. Throughout the year, SDS focused on achieving the best use of resources in support of Scottish Government priorities while avoiding any detriment to service delivery.

The reform of the post-school education system posed a risk to the future function and remit of SDS. There is a level of uncertainty regarding the potential transfer of undertakings, which may include employment obligations to the Scottish Funding Council, and this has been identified as a corporate risk.

In response to these risks, SDS adopted dynamic and robust actions early in the budget cycle, including escalations outside the normal risk management process. Risks are being managed through our Transform 27 programme and Transformation portfolio. SDS believes that the potential performance risk to SDS and the sustainability of Transform 27 in the future are being effectively managed and mitigated.

SDS, like most public sector agencies, is aware of the ever-increasing threats to cyber security in the face of regular and sophisticated cyber-attacks. Many public sector organisations have been victims of cyber-attacks. SDS continues to mitigate the likelihood of a successful major cyber-attack and has developed and tested plans to recover from such an event should it occur. As a result, SDS has developed and deployed key controls and mitigations based on the Cyber Action Plan. This includes regular and robust risk identification, cyber communication, cyber training, cyber reporting, and cyber assurance.

Artificial Intelligence (AI) presents significant risks to SDS and the broader public sector, primarily due to its rapid evolution and the potential for misuse. AI's capabilities can be exploited to conduct sophisticated cyber-attacks, create deepfake-driven misinformation campaigns, and automate large-scale fraud, posing substantial threats to data security and public trust. The integration of AI into public sector operations requires robust governance frameworks to manage these risks effectively. Without proper oversight, AI could undermine democratic processes, disrupt public services, and compromise sensitive information. SDS has recognized these risks and is actively working to mitigate them through comprehensive risk management strategies, including the development of a Digital Strategy and regular risk assessments.

Significant lapses of data security

In the year to 31 March 2025 there were no data breaches which were deemed to require reporting to the Information Commissioner's Office (ICO).

Conclusion

Having reviewed the above, it is my opinion that reasonable assurance can be placed upon the adequacy and effectiveness of Skills Development Scotland's governance arrangements, internal control, and management of resources during the year ended 31 March 2025.

This conclusion is informed by:

- the views of the Audit and Risk Committee on assurance arrangements;
- the views of the Risk and Internal Audit Manager on the quality of the organization's management of risks;
- the opinion of Internal Audit on the quality of the systems of governance, management, and risk control;
- assurances from senior management provided by our Risk Framework in place across the organization, including Risk Assurance Statements and Annual Internal Control Statements, in line with SPFM guidance;
- feedback from the business on our use of resources, responses to risk, and the extent to which in-year budgets and other targets have been met; and
- comments made by the external auditor in its management letters and other reports.

Damien Yeates

Damien Yeates

Director and Accountable Officer

22 September 2025

Independent Auditor's Report



Independent auditor's report to the members of The Skills Development Scotland Co. Limited, the Auditor General for Scotland and the Scottish Parliament

Reporting on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and financial statements of The Skills Development Scotland Co. Limited for the year ended 31 March 2025 under The Companies Act 2006 (Scottish public sector companies to be audited by the Auditor General for Scotland) Order 2008. The financial statements comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2024/25 Government Financial Reporting Manual (the 2024/25 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the company as at 31 March 2025 and of the total comprehensive expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2024/25 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers, and the Companies Act 2006.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 27 May 2025. My period of appointment is three years, covering 2024/25 to 2026/27. I am independent of the company in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the company. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the company's current or future financial sustainability. However, I report on the company's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Accountable Officer and directors for the financial statements

As explained more fully in the Statement of Directors' and Accountable Officer's Responsibilities, the Accountable Officer and directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer and directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer and directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the company's operations.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the central government sector to identify that the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers, and the Companies Act 2006 are significant in the context of the company;
- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the company;
- inquiring of the Accountable Officer concerning the company's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the company's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Reporting on regularity of expenditure and income

Opinion on regularity

In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to my responsibilities in respect of irregularities explained in the audit of the financial statements section of my report, I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on audited parts of the Remuneration Report

I have audited the parts of the Remuneration Report described as audited. In my opinion, the audited parts of the Remuneration Report have been properly prepared in accordance with directions made under the Public Finance and Accountability (Scotland) Act 2000 by the Scottish Ministers and the Companies Act 2006.

Other information

The Accountable Officer and directors are responsible for the other information in the annual report and financial statements. The other information comprises the Strategic Report, Directors' Report, Remuneration Report excluding the audited parts of the Remuneration Report, Statement of Directors' and Accountable Officer's Responsibilities, Governance Statement, and the Chair and Chief Executive Foreword.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Strategic Report and Directors' Report and the Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on Strategic Report and Directors' Report, and Governance Statement

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with directions made under the Public Finance and Accountability (Scotland) Act 2000 by the Scottish Ministers and the Companies Act 2006; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with directions made under the Public Finance and Accountability (Scotland) Act 2000 by the Scottish Ministers and the Companies Act 2006.

Matters on which I am required to report by exception

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report and financial statements, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Lisa Duthie

Lisa Duthie
Audit Director
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT
22 September 2025

Statement of Financial Position



Statement of Financial Position

		2025	2024
	Notes	£'000	£'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	3,146	3,790
Right of use assets	5	4,033	4,933
		7,179	8,723
CURRENT ASSETS			
Trade and other receivables	6	3,843	23,656
Cash and cash equivalents		29,228	23,021
		33,071	46,677
TOTAL ASSETS		40,250	55,400
EQUITY			
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Retained earnings	7	21,975	22,366
TOTAL EQUITY		21,975	22,366
LIABILITIES			
NON-CURRENT LIABILITIES			
Lease liabilities	8	2,737	3,606
Retirement benefit obligations	9	877	989
		3,614	4,595
CURRENT LIABILITIES			
Trade and other payables	10	11,185	25,277
Current income tax liabilities	11	171	159
Provisions for other liabilities and charges	12	2,139	1,768
Lease liabilities	8	1,166	1,235
		14,661	28,439
TOTAL LIABILITIES		18,275	33,034
TOTAL EQUITY AND LIABILITIES		40,250	55,400

The notes on pages 63 to 97 are an integral part of these financial statements.

The financial statements on pages 56 to 97 were approved by the board of directors and authorised for issue on 22 September 2025 and were signed on its behalf by:

Damien Yeates

Damien Yeates

Director and Accountable Officer

Statement of Comprehensive Income



Statement of Comprehensive Income

		2025	2024
	Notes	£'000	£'000
Revenue	15	210,224	218,086
Cost of sales		(10,017)	(9,695)
Gross surplus		200,207	208,391
Operating expenditure	16	(178,389)	(178,138)
Administrative expenses	16	(27,837)	(31,065)
Operating deficit		(6,019)	(812)
Finance cost	18	(263)	(68)
Finance income	18	685	647
Deficit on ordinary activities before tax		(5,597)	(233)
Tax expense	11	(171)	(159)
Deficit on ordinary activities after tax		(5,768)	(392)
Other comprehensive income/(expense) items that will not be reclassified to profit or loss:			
Actuarial gains/(losses) recognised in retirement benefit scheme	9	5,377	(995)
Other comprehensive income/(expense) for the year		5,377	(995)
Total comprehensive expense for the year		(391)	(1,387)

All of the above results are derived from continuing operations and are due to the equity holders of the company.

The notes on pages 63 to 97 are an integral part of these financial statements.

The total comprehensive expense for the year is £0.4 million (2024: £1.4 million) and is influenced by IAS 19 pension adjustments. Removing the effects of those actuarial pension adjustments, the operating expense is £0.5 million (2024: £0.4 million).

Statement of Changes in Taxpayers' Equity



	£'000
Balance at 1 April 2023	23,753
Total comprehensive income for the year	(1,387)
Balance at 31 March 2024	22,366
Total comprehensive expense for the year	(391)
Balance at 31 March 2025	21,975

Statement of Cash Flows



Statement of Cash Flows

	Notes	2025	2024
		£'000	£'000
Cash flows from operating activities			
Cash receipts: Grant-in-aid		199,547	206,099
Cash receipts: Customers		30,073	23,942
Total cash received		229,620	230,041
Cash paid to suppliers and employees		(221,636)	(228,293)
Cash generated from operations		7,984	1,748
Interest received	18	685	637
Income tax paid		(159)	(19)
Net cash generated from operating activities		8,510	2,366
Cash flows from investing activities			
Purchase of property, plant and equipment		(851)	(920)
Proceeds on disposal of property, plant and equipment		7	8
Net cash generated from investing activities		(844)	(912)
Cash flows from financing activities			
Payment of lease liabilities		(1,459)	(1,596)
		(1,459)	(1,596)
Net increase/(decrease) in cash and cash equivalents		6,207	(142)
Cash and cash equivalents at beginning of year		23,021	23,163
Cash and cash equivalents at end of year		29,228	23,021

Notes to Financial Statements



Note 1 - Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

(a) Basis of Preparation

The financial statements are prepared in a form determined by the Scottish Ministers in accordance with the Framework Document between the Company and the Scottish Ministers.

The financial statements have been prepared in accordance with the 2024-25 Government Financial Reporting Manual (FReM) issued by HM Treasury, International Financial Reporting Standards as adopted by the European Union (IFRS) and IFRIC Interpretations. The FReM requires that the company should comply with the Companies Act, but, as a non-departmental public body, also follow the principles in the FReM (for example, in preparing a remuneration report) where these go beyond the Companies Act.

The FReM states that non-departmental public bodies should account for grant-in-aid as a movement in reserves rather than income. However, the company has concluded that under the Companies Act it is appropriate to continue to account for grant-in-aid as income, on the basis that grant-in-aid received by the company is required in order to carry out a function which its owners have asked it to perform. On that basis, the company considers grant-in-aid to be an exchange transaction and, as such, requires to be accounted for in the income statement.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be the most appropriate to the particular circumstances of the company for the purpose of giving a true and fair view has been selected.

The financial statements have been prepared on a going concern basis, which assumes the continued support of the Scottish Government. Grant-in-aid for 2025-26 is £199.2 million and has already been included in the Scottish Government's estimates for that year, which have been approved by Parliament, and there is no reason to believe that the Scottish Government's full sponsorship and future Parliamentary approval will not be forthcoming. It is considered that the Scottish Ministers' priorities for the reform of the skills delivery landscape does not create a material uncertainty that casts doubt upon the company's ability to continue as a going concern.

(b) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

(c) Property, plant and equipment

The company does not own any land and buildings. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The company capitalises individual items which have a cost of at least £10,000 or a group of related purchases which have an aggregate cost of at least £100,000.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight-line method, pro-rata on the first and final year, to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

- Additions to leasehold property: 5 years
- Furniture & fittings: 5 years
- Computer equipment: 3 - 5 years
- Software: 3 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the income statement.

(d) Intangible assets

Recognition

Intangible assets are recognised where the costs can be measured reliably and there is a clear future economic benefit attributable from the asset that will flow through to the company.

Intangible assets are internally generated assets without physical substance. All intangible assets recognised have finite useful lives and are measured at cost less accumulated amortisation. Cost is defined as the direct labour and other costs directly attributable to the development of the intangible asset.

Digital applications that deliver significant economic benefit are assumed to be digital developments that provide a means of delivering specific services to customers in line with the company's business objectives, or which deliver service benefits by way of savings or improvements to internal processes, and which have a cost of at least £250,000.

Amortisation

Amortisation is calculated over the life of the asset. Amortisation is recognised in the statement of comprehensive income on a straight-line basis over the useful life of the intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The expected useful lives for the current and comparative periods are as follows:

- Digital applications that deliver significant economic benefit: over 3 years

Amortisation methods, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

Impairment

Intangible assets are reviewed for impairment at each balance sheet date and any impairment losses are recognised in the income statement.

(e) Financial Instruments

Financial assets

Classification

The company classifies its financial assets in the following categories: at amortised cost, at fair value through other comprehensive income, and at fair value through the income statement. The classification depends on the company's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. Management determines the classification of its financial assets at initial recognition and subsequently only when the company's business model for managing those financial assets changes.

(a) Financial assets at amortised cost

Financial assets at amortised cost are those assets held by the company for the purpose of collecting contractual cash flows only and where the contractual terms of the asset give rise to cash flows that are solely payments of principal and interest. They are included in current assets and comprise trade and other receivables and cash at bank and in hand in the statement of financial position.

(b) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are either those assets held by the company with the objective of collecting contractual cash flows and selling the financial assets, where the contractual terms of the asset give rise to cash flows that are solely payments of principal and interest, or are irrevocably elected equity instruments. They are included in current assets, except for maturities greater than 12 months after the year end, which are classified as non-current assets.

(c) Financial assets at fair value through the income statement

Financial assets at fair value through the income statement are those financial assets that are either not classified in any of the other categories or are irrevocably designated in this category to significantly reduce a measurement or recognition inconsistency. They are included in current assets, except for maturities greater than 12 months after the year end, which are classified as non-current assets.

Recognition and measurement

Financial assets are recognised when the company becomes party to the contractual provisions of the financial instrument. Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

With the exception of trade receivables, financial assets are recognised initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Trade receivables are recognised initially at their transaction price.

After initial recognition, financial assets are measured in accordance with their financial instrument classification.

A loss allowance impairment for expected credit losses is recognised for assets classified as either financial assets at amortised cost or financial assets at fair value through other comprehensive income. The loss allowance for the financial instrument is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition. With the exception of trade receivables, if the credit risk on the financial instrument has not increased significantly since initial recognition, the loss allowance for the financial instrument is measured at an amount equal to 12-month expected credit losses. The loss allowance for trade receivables is measured, in all circumstances, at an amount equal to lifetime expected credit losses.

An impairment gain or loss representing the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date is recognised in the income statement.

Financial Liabilities

Classification

The company classifies its financial liabilities in the following categories: at fair value through surplus or deficit, and other financial liabilities. The classification depends on the purpose for which the financial liabilities were issued. Management determines the classification of its financial liabilities at initial recognition.

(a) Financial liabilities at fair value

Financial liabilities at fair value comprise derivatives. Liabilities in this category are classified as current liabilities. The company does not trade in derivatives and does not apply hedge accounting.

(b) Other financial liabilities

Other financial liabilities are included in current liabilities, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current liabilities. The company's other financial liabilities comprise trade and other payables in the balance sheet.

Recognition and measurement

Financial liabilities are recognised when the company becomes party to the contractual provisions of the financial instrument. A financial liability is removed from the balance sheet when it is extinguished, that is when the obligation is discharged, cancelled or expired.

(a) Financial liabilities at fair value

Financial liabilities carried at fair value are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial liabilities carried at fair value are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the income statement.

(b) Other financial liabilities

Other financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Additional information is provided in Note 21.

(f) Trade Receivables

Trade receivables are recognised at cost less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the value of estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'administrative expenses'.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in the income statement.

(g) Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(h) Trade Payables

Trade payables are recognised at cost.

(i) Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in reserves. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

In accordance with IAS 12 Income tax, full provision is made for tax assets and liabilities arising from timing differences between recognition of gains and losses in the financial statements and their recognition in the tax computation.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable surplus or deficit. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognised only to the extent that it is probable that future taxable surpluses will be available against which the temporary differences can be utilised.

Value Added Tax

Most of the activities of the company are outside the scope of Value Added Tax (VAT) and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

(j) Employee benefits

(a) Pension Obligations

Employees of the company are members of one of two pension schemes, highlighted below. Both schemes are defined benefit pension schemes providing benefits on a career average revalued earnings basis:

- Strathclyde Pension Fund
- Highland Pension Fund

The Schemes are accounted for on a defined benefit basis under IAS 19 Employee Benefits. Assets and liabilities of the schemes are held separately from those of the company. The schemes' assets are measured using market values and the schemes' liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Contributions to these schemes are calculated so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by an actuary on the basis of triennial valuations using the Age Attained Method. The actuaries also review the progress of the schemes in each of the intervening years. Variations from regular cost are spread over the expected average remaining working lifetime of members of the schemes after making allowances for future withdrawals.

The expected cost of providing staff pensions to employees contributing to the schemes is recognised in the income statement on a systematic basis over the expected average remaining lives of members of the funds in accordance with IAS 19 Employee Benefits and recognises retirement benefits as the benefits are earned and not when they are due to be paid. The income statement also includes the net impact of returns on the schemes' assets and interest on the schemes' liabilities, which is disclosed as other finance income. A pension scheme asset is recognised on the balance sheet only to the extent the surplus may be recovered by reduced further contributions or to the extent that the trustees have agreed a refund from the scheme at the balance sheet date. A pension scheme liability is recognised to the extent that the company has a legal or constructive obligation to settle the liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the statement of comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income and expenditure, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after year end are discounted to their present value.

(k) Provisions

The company recognises provisions when: the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resource will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using the discount rate prescribed by HM Treasury.

(l) Dilapidations

Provision for the costs of dilapidations on the expiry of premises leases, which are of uncertain timing or amount at the balance sheet date, are provided on the basis of the best estimate using independent professional assessments.

(m) Contingent Liabilities

IAS 37 Provisions, Contingent Liabilities and Contingent Assets defines a Contingent Liability as a possible liability, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the company's control. Contingent liabilities often cannot be reliably quantified; where values can be determined these have been provided.

Contingent liabilities are not recognised within the Statement of Comprehensive Income or Statement of Financial Position but are disclosed within the notes to the accounts.

(n) Revenue

(a) Grant-in-aid

Grant-in-aid from the Scottish Government is recognised on the basis of cash received during the year. This treatment is defined by the funding agreement with the Scottish Government, which does not allow unused funding to be carried forward into future financial years.

(b) European income

European income is recognised on the basis of amounts receivable in respect of expenditure incurred in the accounting period on approved activities.

(c) Sales of services

The company sells careers and learning provision services, transactional support, and IT services to other public sector organisations. These services are provided on a time and material basis. Contract terms are generally less than one year.

Revenue from time and material contracts is recognised on a cost recovery basis. Revenue is recognised upon satisfaction of performance obligations. For time contracts, revenue is measured on the basis of labour hours delivered. For material contracts, revenue is measured on the basis of direct expenses incurred.

If circumstances arise that may change the original estimates of revenues, costs or extent of performance obligations satisfied, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

Sales of services are recognised as income in the period to which they relate.

Revenue is stated net of VAT where applicable.

(d) Interest income

Interest income is recognised on an accruals basis.

(o) Cost of Sales

Cost of sales represents the expenditure incurred in providing outsourced IT services and in providing specific education and lifelong learning services as defined in the company's objectives as set by the Scottish Ministers. These are the costs of generating invoiced income. Cost of sales are reported in the period to which they relate and are stated net of recoverable VAT.

(p) Operating Expenditure

Operating expenditure represents the costs of national training programmes and the related staff costs of administering these programmes. Operating expenditure is reported in the period to which it relates and is stated net of recoverable VAT.

(q) Administrative Expenses

Administrative expenses are the costs of running the company, rather than the provision of services. These costs include central support functions, governance, administration costs and the related staff costs. Administrative expenses are reported in the period to which they relate and are stated net of recoverable VAT.

(r) Leases

Assumptions

The company has elected not to recognise right of use assets and lease liabilities for the following leases:

- low value assets (these are determined to be in line with capitalisation thresholds on Property, Plant and Equipment); and
- leases with a lease term of 12 months or less.

Policy

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time. This includes assets for which there is no consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company assesses whether:

- The contract involves the use of an identified asset;
- The company has the right to obtain substantially all of the economic benefit from the use of the asset throughout the period of use; and
- The company has the right to direct the use of the asset.

At inception or on reassessment of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of the relative standalone prices.

The company assesses whether it is reasonably certain to exercise break options or extension options at the lease commencement date. The company reassesses this if there are significant events or changes in circumstances that were not anticipated.

As a lessee

Right of use assets

The company recognises a right of use asset and lease liability at the commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for initial direct costs, prepayments or incentives, and costs related to restoration at the end of a lease.

The right of use assets are subsequently measured at either fair value or current value in existing use in line with property, plant and equipment assets. The cost measurement model in IFRS 16 is used as an appropriate proxy for current value in existing use or fair value for all of the leases (consistent with the principles for subsequent measurement of property, plant and equipment) except for those which meet the following:

- A longer-term lease that has no provisions to update lease payments for market conditions or if there is a significant period of time between those updates; and
- The fair value or current value in existing use of the underlying asset is likely to fluctuate significantly due to changes in market prices.

The right of use asset is depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term.

The company applies IAS 36 Impairment of Assets to determine whether the right of use asset is impaired and to account for any impairment loss identified.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that cannot be readily determined, the rate provided by HM Treasury (HMT). The HMT discount rates were 3.51% in calendar year 2023, 4.72% for calendar year 2024 and 4.81% for calendar year 2025.

The lease payment is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in the index or rate, if there is a change in the company's estimates of the amount expected to be payable under a residual value guarantee, or if the company changes its assessment of whether it will exercise a purchase, extension or termination option.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments; and
- Variable lease payments that depend on an index or a rate, initially measured using the index rate as at the commencement date.

When the lease liability is remeasured a corresponding adjustment is made to the right of use asset or recorded in the income statement if the carrying amount of the right of use asset is zero.

As a lessor

When the company acts as a lessor, it determines at lease inception whether each lease is a finance or operating lease.

To classify each lease, the company makes an overall assessment on whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not then it is an operating lease.

When the company is the intermediate lessor, it accounts for its interest in the head lease and the sublease separately. If a head lease is a short-term lease to which the company applies the exemption above, then the sublease classifies as an operating lease.

The company recognises lease payments under operating leases as income on a straight-line basis over the length of the lease terms.

(s) Newly Adopted IFRS

In these financial statements, there are no adopted IFRSs which are effective for the first time which have had a material effect on the financial statements therefore there has been no restatement of comparatives.

(t) Accounting standards issued not yet adopted

The following IFRSs have been issued but have not been applied in these financial statements:

- IFRS 17 Insurance contracts

Adoption is not expected to have a material effect on the company's financial statements.

Note 2 - Critical Accounting Estimates and Judgements

Pensions

Judgements

The company exercises judgement when applying accounting policies and standards relevant to employee benefits. The company has pension obligations to its employees for two schemes and a judgement has been made to account for this on a defined benefit basis under IAS 19 Employee Benefits. This judgement arises from the company's obligation to make pension contributions which are independently determined by an actuary, on the basis of triennial valuations which use the Attained Age Method.

When the company has a surplus in its defined benefit plan it measures the net defined benefit at the lower of the surplus in the defined benefit plan and the asset ceiling. Judgement has been made to determine the asset ceiling, defined as the present value of the economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The company has made judgement that it does not have an unconditional right to a refund and does not recognise economic benefit in that regard. It has made judgment that the economic benefit through a reduction in future contributions is the present value of employer future service costs less the present value of future employer contributions, over the future working lifetime of the active scheme members, using assumptions consistent with those used to determine the defined benefit obligation at the end of the reporting period in accordance with IAS 19 Employee Benefits.

Estimates

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The financial assumptions used in determining the net cost/(income) for pensions include the discount rate, retail price inflation (RPI) and consumer price inflation (CPI). Any changes in these assumptions, which are assessed at the end of each year, will impact the carrying amount of pension obligations.

The discount rate is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Appropriate inflation rates should be used to estimate the rate of future salary increases of active members and the rate of pension increases of pensioners and deferred pensioners. The company considers pension increases to be in line with CPI and, in the absence of CPI linked bonds, is derived from an estimate of the long-term wedge between RPI and CPI. RPI is derived from yields on fixed interest and index linked government bonds to be consistent with the derivation of the discount rate. The company considers salary growth to be relative to CPI, using the same methodology as the Fund's most recent funding valuation. Additional information regarding the principal actuarial assumptions is disclosed in Note 9.

The company has incorporated actuarial assumptions which are unbiased, mutually compatible and represent the best estimate of the variables which are used to measure the scheme liabilities. At 31 March 2025, after recognising the effect of the asset ceiling, the company's pension schemes had a net liability of £0.9 million (2024: £1.0 million). In order to quantify the impact of a change in the assumptions, the sensitivities regarding the principal financial assumptions and the key demographic assumption are listed below.

Change in assumptions at year ended 31 March 2025	Approximate % increase to Employer Liability	Approximate monetary amount (£'000)
0.1% decrease in Real Discount Rate	2%	6,798
0.1% increase in the Salary Increase Rate	0%	404
0.1% increase in the Pension Increase Rate	2%	6,581
1-year increase in member life expectancy	4%	15,137

Note 3 - Segmental Reporting

Management has considered the operating segment of the company based on the reports reviewed by the Chief Executive and the Board that are used to make strategic decisions. Based on this information used internally, management believe the company has one reportable operating segment.

All income and expenditure is attributable to the principal activity of the company and relates to the provision of National Training Programmes, careers and learning provision services. The Chief Executive and the Board monitor expenditure by strategic theme. Revenue, Cost of Sales and finance income and expenditure are not monitored by strategic theme. An analysis of expenditure by strategic theme is given in Note 16.

Note 4 - Property, Plant and Equipment

	Computer Equipment	Fixtures & Fittings	Total
	£'000	£'000	£'000
Cost:			
At 1 April 2023	483	5,645	6,128
Additions	859	61	920
Disposals	(133)	-	(133)
At 31 March 2024	1,209	5,706	6,915
At 1 April 2024	1,209	5,706	6,915
Additions	851	-	851
Disposals	(79)	(599)	(678)
At 31 March 2025	1,981	5,107	7,088
Depreciation			
At 1 April 2023	353	1,591	1,944
Provided during the year	174	1,141	1,315
Eliminated on disposal	(134)	-	(134)
At 31 March 2024	393	2,732	3,125
At 1 April 2024	393	2,732	3,125
Provided during the year	391	1,034	1,425
Eliminated on disposal	(48)	(560)	(608)
At 31 March 2025	736	3,206	3,942
Net Book Value			
At 31 March 2025	1,245	1,901	3,146
At 31 March 2024	816	2,974	3,790
At 31 March 2023	130	4,054	4,184

As at 31 March 2025, the company had capital commitments of £nil (2024: £nil) for the acquisition of property, plant and equipment.

Note 5 - Right of Use Assets

	Property Leases	Total
	£'000	£'000
Cost:		
At 1 April 2023	8,975	8,975
Additions	128	128
Disposals	(543)	(543)
Revaluations	(782)	(782)
At 31 March 2024	7,778	7,778
At 1 April 2024	7,778	7,778
Additions	739	739
Disposals	(1,023)	(1,023)
Revaluations	(153)	(153)
At 31 March 2025	7,341	7,341
Depreciation:		
At 1 April 2023	1,639	1,639
Provided during the year	1,561	1,561
Eliminated on disposal	(355)	(355)
At 31 March 2024	2,845	2,845
At 1 April 2024	2,845	2,845
Provided during the year	1,400	1,400
Eliminated on disposal	(937)	(937)
At 31 March 2025	3,308	3,308
Net Book Value		
At 31 March 2025	4,033	4,033
At 31 March 2024	4,933	4,933
At 31 March 2023	7,336	7,336

The revaluations in the year ended 31 March 2025 relate to two leased properties (2024: eight leased properties) where the scope of the lease was reduced and two leased properties (2024: two leased properties) where the lease term was extended. The assets continue to be calculated on a cost basis. Each revaluation was calculated at the date of modification in accordance with FReM guidance.

Note 6 - Trade and Other Receivables

	2025	2024
	£'000	£'000
Amounts falling due within one year		
Trade receivables	1,788	1,657
Provision for doubtful debts	(33)	(9)
	1,755	1,648
Other receivables	6	18
Prepayments	1,786	2,202
Accrued Income	321	21,274
Provision for expected credit losses	(25)	(1,486)
	3,843	23,656

Included within Trade and Other Receivables are balances due from other public sector organisations as follows:

	2025	2024
	£'000	£'000
Amounts falling due within one year		
Central government bodies	1,960	21,297
Local authorities	327	35
NHS	-	5
Bodies external to government	1,556	2,319
	3,843	23,656

As at March 2025, the company had trade receivables with a carrying value of £24,084 (2024: £32,213) that were past their due date but not impaired. The ageing of trade receivables which are past their due date but not impaired is as follows:

	2025	2024
	£'000	£'000
Up to 3 months past due	14	18
3 to 6 months past due	6	14
Over six months past due	4	-
	24	32

The trade receivables which are past due and not impaired primarily relate to balances due from public sector organisations and there is no history of default from these customers recently.

All receivables are denominated in GB pounds. The carrying amount of short-term receivables approximates their fair value, and the effective interest rate on non-current receivables is nil.

Note 7 - Retained Earnings

	2025	2024
	£'000	£'000
At 1 April 2024	22,366	23,753
Total comprehensive expense for the year	(391)	(1,387)
At 31 March 2025	21,975	22,366

Note 8 - Lease Liabilities

Total future lease payments under leases are given in the table below:

	2025	2024
	£'000	£'000
Property Leases		
Not later than one year	1,166	1,235
Later than one year and not later than five years	2,560	2,905
Later than five years	177	701
	3,903	4,841

Leases are discounted using the rate implicit in the lease. Where that rate cannot be readily determined, leases are discounted at the entity's incremental borrowing rate.

Where an entity has no borrowings (which is the case for SDS), HM Treasury issues discount rates to be used. These cover calendar years and were 3.51% for 2023, 4.72% for 2024 and 4.81% for 2025.

Note 9 - Retirement Benefits Assets and Obligations

The company participated in the following Local Government Pension Schemes (LGPS) in the year to 31 March 2025:

- Strathclyde Pension Fund
- Highland Pension Fund

The Strathclyde Pension Fund is administered by Glasgow City Council and is managed by Strathclyde Pension Fund Office. The Highland Pension Fund is administered by The Highland Council and is managed by the Highland Council Pension Committee. Both funds are administered in accordance with the Local Government Pension Scheme (Scotland) Regulations 2018 and the Local Government Pension Scheme (Governance) (Scotland) Regulations 2015 and the Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014.

Both schemes are defined benefit schemes and provide benefits on a career average revalued earnings basis. Contributions during the year totalled £8.2 million (2024: £15.4 million), consisting of £8.0 million (2024: £14.9 million) to the Strathclyde Pension Fund and £0.2 million (2024: £0.5 million), inclusive of deficit repayments totalling £nil (2024: £0.2 million) to the Highland Pension Fund. Included within trade and other payables (Note 10) are outstanding contributions of £nil (2024: £nil) due to the Strathclyde Pension Fund and £nil (2024: £nil) due to the Highland Pension Fund at 31 March 2025.

In 2025-26, total contributions to LGPS are expected to be £7.7 million.

Actuarial valuations for both schemes are prepared, with the last LGPS triennial valuation of both schemes being to 31 March 2023. Details of these valuations can be obtained from published reports.

The disclosures below have been prepared on a consolidated basis for the schemes in which the company participate. Comparatives have been provided where these are available.

	2025	2024
	£'000	£'000
Present value of funded defined benefit obligations	(377,568)	(423,135)
Fair value of plan assets	604,390	582,538
	226,822	159,403
Present value of unfunded obligations	(877)	(989)
Net asset	225,945	158,414

Effect of asset ceiling limitation on net asset	2025	2024
	£'000	£'000
Net asset	225,945	158,414
Effect of asset ceiling limitation on net defined benefit asset	(226,822)	(159,403)
At 31 March	(877)	(989)

The net assets of the defined benefit plan at 31 March 2025 has been measured to the aggregate of the unfunded liabilities and the lower of the surplus in the funded plan and the asset ceiling.

In deriving the asset ceiling, assumptions have been made on the present value of the economic benefits available in the form of refunds from the plan and reductions in future contributions to the plan. No economic benefit has been recognised with regards to a refund as it is an entitlement which is not wholly within the company's control. The economic benefit associated with a reduction in future contributions, recognising a minimum funding requirement for future service, has been estimated as the present value of employer future service costs less the present value of future employer contributions. This economic benefit, however, cannot be reduced below zero where the present value of future employer contributions exceed the present value of future service costs.

Using assumptions consistent with those used to determine the defined benefit obligation at 31 March 2025 and the latest formal funding valuation at 31 March 2023, the asset ceiling has been valued at £nil, recognising the following:

- Net present value of employer future service costs: £417.6 million
- Net present value of employer future contributions: £599.1 million

Movement in present value of defined benefit and unfunded obligations	2025	2024
	£'000	£'000
Opening defined benefit obligation	424,124	416,025
Current service cost	12,841	14,446
Past service cost, including loss on curtailment	526	1,038
Interest cost on defined benefit obligation	20,697	19,986
Actuarial gain arising from remeasurements	(72,612)	(19,668)
Contributions by plan participants	4,411	4,365
Benefits paid	(11,542)	(12,068)
At 31 March	378,445	424,124

Movement in fair value of plan assets	2025	2024
	£'000	£'000
Opening fair value of plan assets	582,538	520,904
Interest income on plan assets	28,250	24,978
Return on assets excluding amounts included in net interest	(7,547)	28,879
Contributions by employer	8,204	15,408
Contributions by plan participants	4,411	4,365
Contributions in respect of unfunded benefits	76	72
Benefits paid	(11,542)	(12,068)
At 31 March	604,390	582,538

Expense recognised in the statement of income	2025	2024
	£'000	£'000
Current service cost	12,841	14,446
Past service cost, including loss on curtailment	526	1,038
Interest cost on defined benefit obligation	20,697	19,986
Interest income on plan assets	(28,250)	(24,978)
Interest on the effect of the asset ceiling	7,731	4,982
Total	13,545	15,474

The net expense is recognised in the following line items in the statement of comprehensive income:

	2025	2024
	£'000	£'000
Operating expenditure	10,907	12,588
Administrative expenses	2,460	2,896
Finance cost	178	-
Finance income	-	(10)
	13,545	15,474

Amount recognised in the statement of comprehensive income:

	2025	2024
	£'000	£'000
Return on assets excluding amounts included in net interest	(7,547)	28,879
Actuarial gain arising from changes in demographic assumptions	733	2,215
Actuarial gain arising from changes in financial assumptions	68,412	24,991
Actuarial gain/(loss) arising from other experience adjustments	3,467	(7,538)
Effect of asset ceiling limitation on net defined benefit asset	(59,688)	(49,542)
Total remeasurement recognised in the statement of comprehensive income	5,377	(995)

The fair value of the plan assets was as follows:

	31 March 2025			31 March 2024		
	Quoted in active market £'000	Not quoted in active market £'000	Total value £'000	Quoted in active market £'000	Not quoted in active market £'000	Total value £'000
Equity securities	124,982	360	125,342	121,961	117	122,078
Debt securities	12,744	2,652	15,396	3,870	2,853	6,723
Private equity	-	131,682	131,682	-	130,877	130,877
Real estate	4,214	41,959	46,173	4,252	42,011	46,263
Investment funds and unit trusts	9,824	259,335	269,159	13,509	250,300	263,809
Cash and cash equivalents	3,107	13,531	16,638	3,716	9,072	12,788
	154,871	449,519	604,390	147,308	435,230	582,538

Principal actuarial assumptions (expressed as weighted averages) were applied on a consistent basis across the schemes and at the year-end were as follows:

	2025	2024
	%	%
Discount rate	5.80	4.85
Future salary increases	3.45	3.45
Price inflation (RPI)	3.05	3.10
Future pension increases	2.75	2.75

The discount rate is based on a corporate bond yield curve and reflects the maturity profile of the plan liabilities. These liabilities are assessed as having a weighted average duration of between 18 years at 31 March 2025.

The inflation rate assumption is derived from yields available on fixed interest and index linked government bonds using a market implied inflation curve over a range of maturities to be consistent with the derivation of the discount rate. It includes an Inflation Risk Premium of 25bps at 31 March 2025 (2024: 25bps).

In valuing the liabilities arising from retirement benefit obligations at 31 March 2025, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all the members of the fund lived for one year longer, the value of the reported liabilities at 31 March 2025 would have increased by £15.1 million.

The assumptions relating to longevity underlying the retirement benefit obligations at the balance sheet date are based on the latest Continuous Mortality Investigation (CMI) actuarial tables and include an allowance for future improvements in longevity. The longevity assumption as at 31 March 2025 is based on CMI 2023 future improvements, with a 15% weighting of 2023 and 2022 data and 0% weighting of 2021 and 2020 date. This represents a change from the prior year assumption, which was based on CMI 2022 future improvements. Both CMI 2023 and CMI 2022 models assume current rates of improvements will converge to a long-term rate of 1.5% p.a. for males and females, and is equivalent to expecting a 65-year-old to live for a number of years as follows:

- Current pensioner aged 65: 20.8 years (male), 23.7 years (female)
- Future retiree upon reaching 65: 21.6 years (male), 24.9 years (female)

All other demographic assumptions are consistent with those used for the latest formal funding valuation as at 31 March 2023.

History of plans

The history of the plans for the current and prior periods is as follows:

	2025	2024	2023	2022	2021
	£'000	£'000	£'000	£'000	£'000
Statement of Financial Position					
Present value of scheme liabilities	(377,568)	(423,135)	(414,997)	(574,013)	(580,282)
Fair value of scheme assets	604,390	582,538	520,904	517,886	471,724
Unfunded liabilities	(877)	(989)	(1,028)	(1,233)	(1,338)
	225,945	158,414	104,879	(57,360)	(109,896)
Effect of asset ceiling limitation on net asset	(226,822)	(159,403)	(104,879)	-	-
Deficit	(877)	(989)	-	(57,360)	(109,896)

	2025	2024	2023	2022	2021
	£'000 %	£'000 %	£'000 %	£'000 %	£'000 %
Experience adjustments					
Experience adjustments on scheme liabilities and as a percentage of scheme liabilities	(3,467) (1%)	7,538 2%	17,943 4%	881 0%	8,168 1%
Experience adjustment on scheme assets and as a percentage of scheme assets	(7,547) (1%)	28,879 5%	(21,380) (4%)	26,529 5%	83,398 18%
	(11,014)	36,417	(3,437)	27,410	91,566

Note 10 - Trade and Other Payables

	2025	2024
	£'000	£'000
Amounts falling due within one year		
Trade payables	355	604
Social security and other taxes	440	424
Accruals and deferred income	10,390	9,849
Advance from Scottish Government	-	14,400
	11,185	25,277

Included within trade and other payables are balances due to other public sector organisations as follows:

	2025	2024
	£'000	£'000
Amounts falling due within one year		
Central government bodies	2,541	16,872
Local authorities	494	753
NHS bodies	31	21
Public corporations	21	1
Bodies external to government	8,098	7,630
	11,185	25,277

During the year to 31 March 2025 the company repaid the final £14.4 million (2024: £13.2 million) of funding which was advanced by Scottish Government to support the continued delivery of national training programmes while the suspension of European Social Funding, imposed by the European Commission, impacted the company's ability to claim payment from the managing authority.

Note 11 - Tax Expense

	2025	2024
	£'000	£'000
Analysis of tax charge in the period:		
UK Corporation Tax:		
Current tax on income for the period	171	159
Adjustment in respect of prior periods	(-)	(-)
Total Current Tax	171	159
Deferred Tax:	-	-
Tax on Surplus on Ordinary Activities	171	159

The tax assessed for the period is the standard rate applying in the UK of 25% (2024: 25%).

	2025	2024
	£'000	£'000
Factors affecting tax charge for the period:		
Current Tax Reconciliation		
Deficit on ordinary activities before tax	(5,597)	(233)
Current tax @ 25%	(1,399)	(58)
Effects of:		
Non-taxable income and disallowable expenditure	1,570	217
Tax deducted at source	(-)	(-)
Current tax charge	171	159
Balance Sheet Note		
Corporation tax payable	171	159

Note 12 - Provisions for Liabilities and Charges

	At 1 Apr 2023	Increase in year	Released to Income & Expenditure	Utilised	At 31 Mar 2024
	£'000	£'000	£'000	£'000	£'000
Dilapidations	1,436	584	(156)	(238)	1,626
Training	323	142	(33)	(290)	142
	1,759	726	(189)	(528)	1,768

	At 1 Apr 2024	Increase in year	Released to Income & Expenditure	Utilised	At 31 Mar 2025
	£'000	£'000	£'000	£'000	£'000
Dilapidations	1,626	499	(158)	(414)	1,553
European Social Fund	-	48	-	-	48
Expenses	-	538	-	-	538
Training	142	-	(137)	(5)	-
	1,768	1,085	(295)	(419)	2,139

The Dilapidation provision relates to the costs, over the period of the lease, to return leased premises to their original condition, per the lease agreement.

The European Social Fund provision relates to the potential recovery of grant payments associated with SDS's participation in the 2014-2020 ESF Programme. Recovery will only be confirmed upon completion of the relevant Audit Authority audits and determination of ineligible expenditure prior to formal closure of the programme by the Managing Authority.

The Expenses provision relates to costs which may flow from a voluntary notification to HM Revenue & Customs of the company's assessment of historic employee expenses which may have incorrectly been treated as qualifying for tax relief.

The Training provision relates to the cost of approved training which is expected to have taken place but not claimed at 31 March in targeted training programmes, such as Individual Training Accounts, which provides training opportunities in curriculum areas aligned to the Scottish Government's Labour Market Strategy to individuals actively seeking employment or in low paid work and looking to progress.

Note 13 - Contingent Liabilities

a) The valuation of defined benefit and unfunded liabilities at 31 March 2025, as disclosed in Note 9, does not include an allowance for a potential change to the LGPS benefit structure as an outcome of the following legal cases:

- Further Lloyd's ruling (Lloyds banking group pension trustees vs Lloyds Bank plc)
- Goodwin vs Department of Education
- O'Brien vs Ministry of Justice
- Virgin Media vs NTL Pension Trustees II Ltd
- Walker vs Innospec

In each case the ruling is unlikely to have a significant impact on the company's pension obligations, however, in the absence of individual member data being readily available to make a full assessment, the directors are unable to reliably quantify an associated contingent liability at 31 March 2025.

b) SDS made funding claims of £59.9 million from the Scottish Government, while the Scottish Government made associated funding claims from the European Commission (EC) in respect of SDS activity supported by the 2014-2020 Structural Fund programmes. SDS designed and executed initiatives which we believe were compliant based on Scottish Government policy guidance and external legal advice. The SDS approach to identifying and processing qualifying expenditure was compliant with the views of the EC Audit Mission in their assessment of programme management by Scottish Government, and this view is supported by the outcomes of multiple Article 127 Audits.

The Scottish Government Managing Authority for European Structural Funds intends to close the 2014-2020 Structural Fund programmes during 2025 and, in doing so, removes the prospect of further audit of the supported SDS activity by the Managing Authority or Audit Authority. There remains though the provision that the EC or European Court Auditors can carry out future audit visits. In the event of an audit taking place and finding an irregularity, a recovery of the associated ESF grant would be requested from SDS.

SDS remains confident that there is only a remote possibility of recovery against its ESF grants in the event of an audit by the EC or European Court Auditors and the directors are unable to reliably quantify an associated contingent liability at 31 March 2025.

Note 14 - Lease Obligations

	Within one year	Between second and fifth year	After five years
	£'000	£'000	£'000
Leasehold Property			
31 March 2025	46	14	-
31 March 2024	107	22	-

The above relates to obligations in respect of leasehold property not recognised as Right of Use assets on the grounds that they have a low value or are for a duration of twelve months or less.

Note 15 - Revenue

	2025	2024
	£'000	£'000
Grant-in-aid	199,547	206,099
European income	-	1,629
Customer contracts	9,618	9,448
Other income	1,059	910
	210,224	218,086

Included within revenue from customer contracts is revenue from public sector organisations as follows:

		2025	2024
		£'000	£'000
IT services	Central government bodies	9,105	8,880
Other contracts	Central government bodies	256	286
	Local authorities	95	37
	NHS bodies	2	70
	Bodies external to government	160	175
		9,618	9,448

Customer contracts are for less than one year. Other contracts include revenue from staff secondments and recharge of software licences.

Note 16 - Expenditure

(a) Operating Expenditure

National training programmes

Industry and Employer Engagement

Staff costs supporting operations

(b) Administrative Expenses

Infrastructure, management & administration

Information, communication & technology/information systems

Staff costs supporting administration

(c) Included in the above are:

Auditors' remuneration:

- Audit of these financial statements
- Audit of financial statements of subsidiaries pursuant to legislation

COVID-19 response initiatives

Depreciation (Note 4)

Depreciation on right of use assets (Note 5)

Leasehold property rentals

Directors' remuneration (Note 17)

	2025	2024
	£'000	£'000
	104,931	101,792
	931	1,371
	72,527	74,975
	178,389	178,138
	7,913	9,949
	6,436	6,852
	13,488	14,264
	27,837	31,065
	126	123
	-	-
	-	170
	1,425	1,182
	1,400	1,206
	375	496
	1,038	710

Note 17 - Employee Benefit Expense and Numbers

	2025	2024
	£'000	£'000
Salaries	65,302	66,412
Severance	2,696	2,568
Social security costs	7,300	7,414
Apprenticeship levy	310	322
Other pension costs (Note 9)	12,841	14,446
Past service cost, including curtailments (Note 9)	526	1,038
Decrease in accrued employee benefits	(230)	(136)
	88,745	92,064
Car allowances	136	156
	88,881	92,220

Average number of full-time equivalent employees:

	2025	2024
Non-executive directors and advisers	15	15
Executive Board (Chief Executive and senior executive managers)	6	3
Operational	1,048	1,117
Administrative	233	255
	1,302	1,390

The average number of full-time equivalent employees includes an average of 23 employees (2024: 41 employees) on fixed term contracts. In the year to 31 March 2025, staff turnover consisted of 28 new starts (2024: 22 new starts) and 114 leavers (2024: 185 leavers).

In addition to its employee resource, in the year to 31 March 2025, SDS was supported by the following off-payroll engagements where the worker earned £245 per day or more.

2025		2025	
Number of existing engagements at 31 March	9	Number of temporary off-payroll workers engaged during the year	12
Of which, number that existed:		Of which:	
less than 1 year	6	Not subject to off-payroll legislation	-
for between 1 and 2 years	2	Subject to off-payroll legislation and determined as in-scope of IR35	7
for between 2 and 3 years	-	Subject to off-payroll legislation and determined as out-of-scope of IR35	5
for between 3 and 4 years	1	Number of engagements reassessed for compliance or assurance purposes during the year	-
for 4 or more years	-	Of which: number of engagements that saw a change to IR35 status following review	-

There were no off-payroll engagements of board members and/or senior staff with significant financial responsibility during the year to 31 March 2025 (2024: nil). The total number of board members and/or senior officials with significant financial responsibility during the year to 31 March 2025 was 21 (2024: 22).

Directors' Remuneration

Skills Development Scotland has one registered executive director in satisfaction of the requirements of The Companies Act 2006. The emoluments of this director amounted to £158,979 (2024: £151,661). Additionally, the employer's pension contributions in respect of this director amounted to £17,608 (2024: £31,123). Actual pension accrued up to 31 March 2025 for the director is £54,283 per annum (2024: £48,402). This differs from the notional figure calculated in accordance with Section 6.5.8 (d) of HM Government's Financial Reporting Manual and shown on page 40. There is no fixed cash benefit in this scheme.

The emoluments of the registered non-executive directors amounted to £121,879 (2024: £126,686).

The emoluments of all registered directors amounted to £280,858 (2024: £278,346).

Emoluments, including employer's pension contributions, of all directors, including senior executive managers, co-opted board members and the aforementioned registered directors were as follows:

	2025	2024
	£'000	£'000
Salary	967	645
Pension	71	65
	1,038	710

Compensation Schemes – Exit Packages

In the year to 31 March 2025, 69 employees, equating to 60.5 full time equivalent employees, committed to leave Skills Development Scotland under voluntary severance (2024: 97 employees, equating to 79.2 full time equivalent employees).

In the year to 31 March 2025 no employees (2024: two employees) left under compulsory redundancy.

Exit package cost band	2024-25			2023-24		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
< £10,000	-	1	1	1	2	3
£10,000 - £25,000	-	9	9	-	23	23
£25,000 - £50,000	-	32	32	1	63	64
£50,000 - £100,000	-	26	26	-	9	9
£100,000 - £150,000	-	-	-	-	-	-
£150,000 - £200,000	-	1	1	-	-	-
Total number of exit packages by type	-	69	69	2	97	99
Total resource cost	-	£3,241,386	£3,241,386	£34,047	£3,108,863	£3,142,910

Exit costs, including employer on-costs, have been accounted in full in the year the decision of departure was agreed.

Three employees retired early on health grounds during the year.

Note 18 - Finance Income and Costs

		2025	2024
	Notes	£'000	£'000
Finance income:			
Interest income on bank deposits		685	637
Expected return on pension scheme assets	9	-	24,978
Interest on pension scheme liabilities	9	-	(19,986)
Interest on the effect of the asset ceiling		-	(4,982)
		685	647
Finance costs:			
Expected return on pension scheme assets	9	28,250	-
Interest on pension scheme liabilities	9	(20,697)	-
Interest on the effect of the asset ceiling		(7,731)	-
IFRS 16 finance cost		(85)	(68)
		(263)	(68)

Note 19 - Ultimate Controlling Party

The ultimate controlling party in The Skills Development Scotland Co. Limited is the Scottish Ministers.

Note 20 - Related Parties

Skills Development Scotland is an executive non-departmental public body, sponsored by the Scottish Government – Lifelong Learning and Skills Directorate which is regarded as a related party. During the period, Skills Development Scotland has had various material transactions with the Scottish Government.

In addition, Skills Development Scotland has had a number of material transactions with other Government departments, central and local government bodies and other non-departmental bodies. During the year, material transactions have taken place with:

- Scottish Enterprise
- Highlands and Islands Enterprise
- South of Scotland Enterprise
- Scottish Funding Council
- Department for Work & Pensions

Skills Development Scotland made payments of £720 (2024: £nil) to CBI, of which T Black is a Chief Strategy Officer. Total outstanding at 31 March 2025 is £nil (2024: £nil). Sales receipts from CBI amounted to £nil (2024: £nil) and the balance outstanding at 31 March 2025 is £nil (2024: £nil). All transactions are conducted at arm's length.

Skills Development Scotland made payments of £538,761 (2024: £405,568) to Scottish Enterprise, of which P Malik is a Board Member. The balance due at 31 March 2025 is £nil (2024: £nil). Sales receipts from Scottish Enterprise amounted to £7,075,322 (2024: £7,179,458) and the balance outstanding at 31 March 2025 is £862,363 (2024: £937,279). All transactions are conducted at arm's length.

Skills Development Scotland made payments of £95,379 (2024: £79,345) to NHS Ayrshire and Arran, of which S Cowan is a Non-Executive Director. Total outstanding at 31 March 2025 is £nil (2024: £nil). Sales receipts from NHS Ayrshire and Arran amounted to £634 (2024: £907) and the balance outstanding at 31 March 2025 is £nil (2024: £nil). All transactions are conducted at arm's length.

Skills Development Scotland made payments of £3,002,965 (2024: £2,685,189) to the University of the Highlands and Islands, of which P Malik was Governor and Court Member, and V Erasmus is Chair of the University of the Highlands and Islands Inverness. The balance due at 31 March 2025 is £768 (2024: £584). Sales receipts from the University of the Highlands and Islands amounted to £6,336 (2024: £7,044) and the balance outstanding at 31 March 2025 is £nil (2024: £nil). All transactions are conducted at arm's length.

Skills Development Scotland made payments of £4,999 (2024: £nil) to MCR Pathways, of which D Hillier is a Member of the National Advisory Board. Total outstanding at 31 March 2025 is £nil (2024: £nil). Sales receipts from MCR Pathways amounted to £nil (2024: £nil) and the balance outstanding at 31 March 2025 is £nil (2024: £nil). All transactions are conducted at arm's length.

Note 21 - Financial Instruments

Skills Development Scotland has exposure to the following risks from the use of financial instruments:

- Liquidity risk
- Credit risk
- Market risk

Liquidity risk

Liquidity risk is the risk that Skills Development Scotland will not be able to meet its financial obligations as they fall due. The organisation's approach to managing liquidity is to ensure that it will have sufficient liquid funds to meet its liabilities as they fall due. Skills Development Scotland's primary source of funds is the grant-in-aid provision from the Scottish Government. Skills Development Scotland has no debt or borrowing facility with any external party.

Liquidity is managed by the use of the annual operating plan process and the monitoring of actual performance against budgets and forecasts.

The table below details the contractual maturities of financial liabilities.

	Carrying Amount	Contractual Cash flows	Within one year	After more than one year
	£'000	£'000	£'000	£'000
Financial liabilities				
Trade and other payables	6,520	6,520	2,230	4,290
	6,520	6,520	2,230	4,290

Credit risk

Credit risk is the risk of financial loss to Skills Development Scotland if a customer or counter party fails to meet its contractual obligations and arises from the trade receivables.

Skills Development Scotland carries out appropriate credit checks on potential customers before significant sales transactions are entered into in order to mitigate the credit risk Skills Development Scotland will have from any single counterparty. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet.

Skills Development Scotland operates a debt management process including monitoring, escalation procedures and recourse to court action to recover monies outstanding. Provision is made for doubtful receivables upon the age of the debt and experience of collecting overdue debts. Cash and cash equivalents are held with banks which are not expected to fail.

The maximum exposure to credit risk at the reporting date was:

	2025	2024
	Carrying Amount	Carrying Amount
	£'000	£'000
Financial assets		
Trade and other receivables	2,009	21,453
Cash and cash equivalents	29,228	23,021
	31,237	44,474

At 31 March 2025, there was an impairment provision of £106,364 (2024: £1,495,219) in respect of financial assets.

Market risk

Market risk is the risk that market prices such as interest rates, foreign exchange rates and equity prices will affect income or the value of holdings in financial instruments.

Currency risk

Skills Development Scotland operates predominately in Scotland and the UK and is therefore considered not to be exposed to currency risks.

Fair values

The fair values, together with the carrying amounts of financial assets and liabilities in the balance sheet are as follows:

	2025	2025	2024	2024
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Trade and other receivables	2,009	2,009	21,453	21,453
Cash and cash equivalents	29,228	29,228	23,021	23,021
Trade and other payables	(6,520)	(6,520)	(21,773)	(21,773)
	24,717	24,717	(22,701)	(22,701)

Accounts Direction - Appendix 1





SKILLS DEVELOPMENT SCOTLAND

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of the Management Statement between Skills Development Scotland and the Scottish Ministers, hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2009, and subsequent years, shall comply with the accounting principles and disclosure requirements of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared. The accounts shall also comply with the accounting and disclosure requirements of the Companies Act.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts.

Signed by the authority of the Scottish Ministers

Dated 24/4/08

