Skills Development Scotland



Annual Operating Plan

2026/27

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Foreword

Welcome to the Skills Development Scotland (SDS) Annual Operating Plan for 2026/27.

As we enter the new operating year, we anticipate ongoing complexity in our operating environment, with the uncertainty and disruption experienced in recent years likely to continue.

Geopolitical instability dominates our headlines, defence and security are an increasing priority, and the impact of technological change, including artificial intelligence, on the labour market is expected to significantly intensify. The related pressures on the public purse, exacerbated by slow economic growth, inflationary pressures and increasing deficits in public spending, are driving an urgency for public sector reform.

Meanwhile, many of our customers continue to experience inter-generational poverty, persistent inequality, and public services which can feel disconnected, impacting their ability to secure rewarding work.

Unwavering focus on delivery

Against this backdrop, our overriding ambition this year is to continue supporting the people and businesses of Scotland to thrive in these uncertain times. We remain wholly focused on the needs of our customers, delivering on our new Minister's priorities and the anticipated Programme for Government 2026/27.

We will continue to support Scotland's people to understand and access the right learning and career pathways for them through the continued provision of high-quality career information, advice and guidance, and Modern and Foundation Apprenticeships.

Providing robust intelligence to support place-based investment and decision-making also remains a commitment. This includes the new approach to Skills Needs Assessments, and our ongoing work on the Workforce North mission, collaborating across sectors and geographies to secure a strong future for Scotland.

Transforming for the future

The success of our Transformation 27 (T27) programme, aligned to our Strategic Plan, has already achieved significant cost savings while protecting frontline services, and driven new, more sustainable ways of working. During 2026/27, building on the success of T27 to-date, we will maximise all available opportunities for further in-year cost savings and accelerate the next phase of our transformation, to mitigate the risks arising from a significant, projected funding deficit in 2027/28.

As 2026/27 marks the final year of our existing Strategic Plan period, we will also focus on the future of our organisation. Entering this period of transition, we will consider how the unique competencies and capabilities within SDS can be deployed to generate maximum impact for the public good in future, aligned to Ministerial direction.

Prioritising our people

Coming through the uncertainty of the past year, and anticipating the changes still to come, we pay tribute to the incredible resilience and adaptability of our staff, as they continue to deliver for our customers, partners and stakeholders.

Following the passing of the Tertiary Education and Training Act, we will continue working tirelessly to ensure a seamless transition of the national training programmes functions from SDS to the reformed Scottish Funding Council. We remain committed to our responsibilities as a Fair Work employer and will ensure we respond to the needs of our customers, staff and partners while maintaining the very highest levels of performance in support of Scotland's apprenticeship programme.

There will no doubt be challenges ahead, but we see the opportunities to help build the integrated, technology-enabled public services Scotland needs. We look forward to working with you all this year, with optimism for the future.

Damien Yeates
Chief Executive, Skills Development Scotland

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Introduction

About Skills Development Scotland

Skills Development Scotland (SDS) is the national skills agency.

Our ambition is that skills contribute to a thriving, productive and inclusive Scotland. We help inspire and enable Scotland's people and businesses to develop the right **skills for a changing world.**

We achieve this through intelligence-led delivery of Scotland's Career Service, apprenticeships, and other learning and skills interventions in support of Scottish Government (SG) ambitions.

To make this happen, SDS collaborates extensively across the education and skills system. By sharing and gathering expertise and intelligence, we enable the development and delivery of innovative solutions to Scotland's skills and labour market challenges. Our work is led and informed by the diverse voices of Scotland's communities and employers, in support of equality and eradicating child poverty.

Working with SG, our partner agencies, and other national stakeholders we seek to create greater efficiency and consistency throughout the careers and skills ecosystem.

We have dedicated place-based resource, who provide leadership on regional skills issues, share skills intelligence and insight, and help facilitate collaborative approaches to driving economic development. We also have responsibility for delivering Skills Needs Assessments as part of the SG-led programme of Skills Planning Reform.

Locally, we work with every community planning partnership, local employability partnership, and state-funded school in Scotland as well as local training providers, colleges and universities, employers, and equality organisations.

Further details on SDS's strategic approach and operational activities can be found in *Skills for a Changing World*, published in November 2022.

About this Plan

The ambition of our Strategic Plan 2022-27 remains as relevant today as when it was published. However, the operating environment continues to evolve and gain complexity, with rapid shifts in the labour market, significant reform across the post-school education and skills landscape, and sustained pressure on public finances. Against this backdrop, delivering our strategic ambition remains challenging. This Operating Plan 2026/27 is for the final year of our five-year strategic plan framework, which we anticipate will be critical to consolidating delivery, embedding our transformation activities and delivering our contribution to public sector reform.

We recognise that, for SDS, this operating year will be shaped by the implementation of the Tertiary Education and Training (Funding and Governance) (Scotland) Bill (TET), alongside wider public service reform aimed at creating a simpler, more responsive and fiscally sustainable system. As part of this, all aspects of National Training Programme and apprenticeship delivery will transition out of SDS by the end of 2026/27, with substantial preparatory work throughout the year. Our Board and Executive remain committed to working constructively with SG, the Scottish Funding Council (SFC) and other key stakeholders to achieve our shared ambitions for a reformed skills system, which meets the changing needs of Scotland's economy, employers, communities and people.

Our Letter of Guidance for 2026/27 sets clear expectations that, while reform progresses, we continue to maintain a strong focus on delivering and improving our core products, services and statutory functions. Additionally, that we should continue to drive efficiency, value for money and innovation in line with public service reform principles and our Transform 27 programme. Aligned to the Letter of Guidance and Programme for Government (PfG), this Plan sets out how SDS will deliver its operational priorities for 2026/27, ensuring that learners, employers and communities remain at the heart of all we do during this period of significant change.

Transform 27

Transform 27 is an ambitious programme of change, established as the approach for achieving the intent of the SDS Strategic Plan 2022-27, including future-focused products and services which will meet the changing needs of our customers. Fully aligned to SG priorities, Transform 27 also ensures we play an active role in informing the wider public sector reform agenda, and easing known pressures on public finances.

Whilst we continue to prioritise delivery of high-quality and accessible products and services to our customers in 2026/27, 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.

The programme has already achieved significant outcomes. For example:

- As a result of moving our career information, advice, and guidance (CIAG) delivery to community-based partner locations, property costs have halved since 2021/22, saving £5m per year whilst bringing staff closer to the customers they support.
- Through stringent vacancy management, and an innovative self-funding voluntary severance and voluntary early retirement programme, SDS has reduced its FTE by 17.1% between March 2022 and March 2026, saving over £25m per year against the 2021 baseline.
- By bringing delivery of the Skills for Growth programme in-house, upskilling SDS staff to deliver the service directly rather than through an external organisation, SDS has reduced the cost of the programme by £500,000 whilst maintaining quality of service.
- By reducing spend on ‘back-office’ and delivery support services, SDS has cut costs by £3 million per year, a reduction of 33%.
- By prioritising core programmes, SDS has reduced expenditure on non-core services by £6m per year.

Priorities for 2026/27

In the year ahead, the Transform 27 programme will focus on:

Careers: We will also focus on the future of our digital services, to ensure our all-age career services remain world-leading in the years to come, including the co-development of Scotland’s Learner Profile with Education Scotland, customers and stakeholders. Work will also continue to pilot and scale innovative approaches to experiential career learning and career guidance in schools, that will complement that future digital provision, embedding the learning from activity undertaken in 2025/26.

Digital, Data and Artificial Intelligence: Through our Digital, Data and Technology Strategy, we will pursue an ethical approach to adopting AI and automation, enabling organisational sustainability, productivity and service transformation. We will establish an AI Accelerator Programme with the ambition to provide every individual with a highly personalised agentic service that enables them to navigate their future. This digital service will combine insights on their skills, experiences and aspirations with intelligence on provision, learning pathways, and labour market opportunities, supporting them to move towards sustainable participation.

Workforce Development: With the importance of collaborative, place-based approaches in mind, we will continue efforts to develop and implement the Workforce North mission and other strategic and regional partnerships, to maximise system-wide resource utilisation and shared impact. We will continue work with SG to implement the reform of Skills Planning, including development of the new Skills Needs Assessments.

Our Organisation: We will continue work to design and transition towards our future operating model, aligned to this year’s development of our next Strategic Plan. Delivering our People Strategy for 2025-30, will focus on building the capability and agility of our workforce for the future, and ongoing work to become a skills-based organisation.

Apprenticeships and TET Implementation: With the TET Bill receiving Royal Assent, significant work will focus on transitioning National Training Programme funding, development, delivery, and staff to a reformed SFC. We will also continue to improve Apprenticeship delivery and collaborate with Qualifications Scotland and the SFC to develop future apprenticeships.

Strategic Context

Our operating context and priorities are impacted by a mix of global, national and local factors. This section outlines those of particular significance as we enter the 2026/27 operating year.

Geopolitical Landscape

The global geopolitical environment remains uncertain, with the war in Ukraine and conflict in the Middle East expected to impact economic stability, particularly in relation to energy and trade. This provides a challenging backdrop for Scotland, where growth has been subdued and where business sentiment could be weakened further by supply chain disruptions.
Although inflation had been easing and fiscal conditions were expected to improve through 2026, the broader international landscape, including the impact of US trade tariffs and global market volatility, continues to shape risk perceptions. The resilience of key Scottish sectors is likely to be under pressure as cost inflation from geopolitical tensions works its way upstream.

Economy & The Labour Market

Forecasts from the Fraser of Allander Institute suggest Scotland's economy is navigating the first half of 2026 with a degree of cautious momentum. However, growth remains limited in scale and unsettled and rising oil and energy prices, alongside continued geopolitical instability, present clear headwinds. The Institute predict that Scottish GDP is now expected to grow by 0.9% in 2026, 1.0% in 2027, and 1.1% in 2028[1].

The most recent Scottish labour market was broadly flat, employment decreased slightly to 73.7% in the three months to March 2026, while economic inactivity remained increased to 22.7%. Over the same period unemployment rose to 4.4%. Furthermore, Scotland's labour market remains notably stronger than the UK overall, where the unemployment rate was 5.0% during the same three-month period. Meanwhile, the 16-24 youth unemployment rate in Scotland was estimated to be 14.1%, compared to 12.4% at the same point last year[2].

Public Finances

In recent years, the Scottish public sector has faced considerable fiscal challenges, stemming from a range of factors including the aftermath of the Covid pandemic, elevated levels of inflation, and heightened commitments to public spending. These factors have combined to place substantial strain on government budgets.

The Scottish Spending Review (SSR) outlined the government's financial plans for the next three years, acknowledging the difficulty of operating within a restricted budget allocation. The review highlighted the necessity of careful prioritisation and strategic decision-making to manage the tight settlement.

Spending on post-school education in Scotland reduced 15% in real terms between 2021/22 and 2024/25, and the SSR suggests further declines in spending are likely[3]. However, all areas of government are subject to constraints, with the Public Service Reform Strategy committing to reduce SG and public body corporate costs by approximately 20% over the next 5 years[4].

Poverty & Inequality

Tackling poverty, particularly child poverty, continues to be a key priority for Scotland. In-work poverty is increasingly common: 6 in 10 people in poverty live in a household where someone works and nearly three-quarters of children in poverty do[5]. Scotland continues to experience very high rates of drug-related deaths, alcohol-specific deaths and suicide, with men accounting for most cases and the burden falling hardest on the most deprived areas. These patterns contribute to a male life-expectancy gap of more than 13 years between the richest and poorest communities.

[1] FAI Economic Commentary Q1 2026 | FAI
[2] Economy, People and Skills (May 2026) - Skills Development Scotland
[3] Setting the scene: Scotland on the eve of the 2026 Election - Fraser of Allander Institute
[4] Scotland's Public Service Reform Strategy Delivering for Scotland – Scottish Government.
[5] JRF Poverty in Scotland, 2025

In 2025, Scotland saw modest progress in closing the attainment gap, with improved A–C pass rates at National 5, Higher and Advanced Higher levels helping narrow differences between the most and least deprived communities. However, the pace of improvement remains slow, and poverty continues to strongly shape educational outcomes, limiting overall progress[6].



Demographic Shifts

Scotland's population is ageing, and this presents a significant challenge to our workforce landscape. The number of people aged 65 and over is projected to increase by almost a fifth by mid-2047, while the number of children is projected to fall by a tenth[7]. This demographic shift not only affects the availability of new workers but also brings about the need for more resources to support an ageing population. Over the past two decades, the number of people aged 65 and over in employment in Scotland has more than doubled[8].

As people live longer, and the age at which people receive the state pension increases, it is likely that this number will continue to rise. However, this extended working life presents its own set of challenges, particularly for older workers who will need to adapt to new technologies and evolving job requirements. The labour market will also need to evolve to meet the growing demand for services specifically designed to support an ageing population.



Technological Advancement

Alongside these shifts in the working-age population, the nature of work itself continues to change at pace, increasingly defined by rapid technological advancements.

Artificial intelligence is playing an increasingly significant role in Scotland's economy and public services. Recent government programmes have expanded support for businesses to adopt AI, with national initiatives aimed at boosting productivity, competitiveness and innovation across SMEs[9]. The SG's refreshed 2025 Digital Strategy further positions AI as central to modernising public services, including pilots for AI enabled- efficiency and personalised digital delivery[10].

By the end of 2025, almost half of surveyed Scottish businesses were already using AI in some form, with adoption expanding beyond services into sectors such as construction, manufacturing and production. Fraser of Allander Institute highlights this shift as increasingly important for understanding AI's future productivity impacts and its role in complementing or replacing labour[11].



Climate & Environment

Scotland continues to make progress toward its climate and environmental goals, but the Just Transition Commission notes that delivery has been slower than needed in areas such as energy strategy, building retrofit, and transport decarbonisation. These delays may limit the pace at which households and communities can benefit from lower energy costs, improved housing, and more secure green employment opportunities.

It stresses that a just transition must deliver visible, place-based benefits for communities, ensuring that workers and regions most exposed to the shift away from high-emission industries are supported to adapt, plan and access new opportunities. Without a decisive step-change in delivery—mobilising investment, strengthening local authority capacity, and using all available policy levers—the Commission warns that Scotland risks missing both the climate opportunity and the chance to build a fairer, more resilient economy[12].

Against this backdrop, our Annual Operating Plan indicates how we aim to respond to these challenges in the coming year.

[6] 2025 Inequality Landscape – Scottish Health Equity Research Unit
[7] Population Projections
[8] Nomis
[9] Embracing the economic potential of AI - gov.scot
[10] Digital strategy for Scotland – Scottish Government
[11] Scottish Business Monitor Q4 2025 – Fraser of Allander Institute
[12] No Time To Lose, Just Transition

Our Strategy Map 2022-27



Our Activity in 2026/27

Our Strategy Map (page 8) and our Performance Framework (page 15) demonstrate the contribution SDS makes to SG ambitions, including those defined by the Programme for Government and National Performance Framework.

Pages 10-19 of this Plan set out the actions we will take in 2026/27 in response to our Letter of Guidance from SG, and to progress the delivery of our Strategic Plan, including the continuation of our Transform 27 programme.



Measuring progress

SDS is committed to demonstrating improved public value and return on investment. To deliver on this requires clear articulation of the outcomes we intend to achieve, and the measures we will use to monitor and report progress towards them.

The **SDS Corporate Performance Framework (CPF)** sets out how we use performance measures to demonstrate achievement of our five strategic goals. It is fully aligned to the SG's National Performance Framework, and the United Nations Sustainable Development Goals, as shown on page 20, and informs our external and internal monitoring and reporting.

The CPF contains 10 Key Performance Indicators (KPIs) which are outcome statements aligned to each of our strategic goals. Against each KPI, a range of more specific performance measures are mapped and monitored on an ongoing basis. Performance across these measures is reviewed by senior leaders every month, and by the Board and its sub-committees each quarter. We are transparent in our reporting and publish regular performance reports, including official statistics and our audited Annual Report and Financial Statements.

Where set by Government, or otherwise appropriate, performance targets are used for CPF measures. However, it is not always appropriate to set annual targets against our delivery measures; for example, when the data is not captured annually (e.g., colleague perceptions), where outcomes are shared and cannot be wholly attributed to SDS (e.g., youth participation), where volumes cannot be controlled (e.g., redundancy support services) or where targets may drive unintended behaviours (e.g., colleague absence). In such cases, we aim to sustain or improve on our previous performance.

Throughout this Plan, in addition to the goal-by goal commitments to activity in 2026/27, we highlight some of the measures we will monitor to understand our organisational impact, and the latest available performance figures available for context.

Industry-focused Skills



Our goal

People develop skills and attain standards that drive productive businesses and regions, and help create a fairer, more equal society

Our customer commitment

We will create opportunities to learn that can help you to access, and progress in, rewarding jobs

To achieve this goal, in 2026/27 we will:

a) Maximise delivery of apprenticeships in priority sectors and occupations, contributing to a skilled and productive Scottish workforce

- Within available budget, maximise delivery of high-quality Modern Apprenticeships (MA), particularly in those sectors which are most vital to Scotland's economy and society, and are most likely to result in meaningful career pathways for participants.
- Continue working with SFC to optimise Foundation and Graduate Apprenticeships uptake and review and improve current service offer, operation model and provision through SG Enhancement groups.
- Maintain our web platform, Apprenticeships.scot, with a continued focus on enhancing user experience.
- Through capturing the voice of apprentice learners and employers, gather intelligence and insight which informs continuous improvement and high-quality delivery.
- Work with SFC to ensure effective transition of apprenticeship delivery in 2027 while maintaining high-quality services and support for existing apprentices, employers and partners.

b) Improve access to rewarding work through apprenticeships and other training opportunities for people who often face barriers to employment

- Continue to deliver the Land-based Pre-Apprenticeship Programme to support access to MA opportunities.
- Continue to work with customers, learning providers, employers and equality partners to generate more equal demand for, and access to apprenticeships, in line with the priorities set out in our Equality Outcomes 2025-2029.
- Continue to undertake targeted action for increasing participation in MAs by under-represented groups, including the implementation of actions from the SAAB Gender Commission and the Commission on Race in Apprenticeships.
- Undertake work to actively reduce the achievement gap for apprentices with equality characteristics.

c) Help people understand the need to continue developing their skills throughout their careers

- Within available budgets, deliver targeted campaigns to increase awareness of, and demand for, Scottish Apprenticeships.
- Through signposting, help adults identify and access other relevant, high-quality upskilling and retraining opportunities.

d) Develop industry-critical skills among the workforce through upskilling and retraining initiatives

- Deliver the Transition Training Fund for 2026/27.
- Deliver a programme of Teaching Bursaries to support individuals to transition into a teaching career in STEM subjects or Gaelic language.
- Continue to support individuals to access opportunities in the transition to a net-zero economy.

Monitoring performance against this goal:

People develop skills and attain standards that drive productive businesses and regions, and help create a fairer, more equal society

Key Performance Indicator (KPI)	Intent	Example delivery measures	2025/26 Performance
1. Individuals across Scotland participate in work-based learning throughout their working lives	The measures against this KPI track and monitor the volume and profile of individuals supported to access work-based learning through SDS-funded provision.	Modern Apprenticeship starts	24,849
		% MA starts aged 16-19	37.8%
		% MA starts aged 25+	44.1%
		% MA starts with disability	17%
		% MA starts with care experience	2.9%
		% MA starts from minority ethnic group	7%
		Teaching Bursaries Awarded to adult career changers	112
2. On completion of work-based learning, individuals sustain in employment or other positive outcome	The measures against this KPI are monitored to help determine the proportion of individuals completing SDS-supported programmes who achieve and sustain positive destinations. They also measure whether those outcomes are equitable, and the progress made towards closing attainment gaps.	MA achievement rate (with breakdowns by equality characteristics monitored)	80.3%
		Modern Apprentices employed full-time 3 months after leaving their MA	86%
		Modern Apprentices employed full-time 15 months after leaving their MA	86%

Inclusive Talent Pool



Our goal

Talent is diverse and resilient, with people who can all adapt and thrive in the changing world of work

Our customer commitment

We will help you, throughout your life, to prepare for and progress in the career you choose

To achieve this goal, in 2026/27 we will:

a) Equip people with the skills they need to prepare for, plan and manage rewarding careers throughout their lives

- Deliver Scotland's all-age, impartial career service, providing integrated and multi-channel CIAG in schools, public access centres and community locations, and via telephony.
- Provide targeted CIAG support to people during times of transition and in greatest need of support, including people under 20 who are not in school through our Next Steps service, and support for adults in redundancy situations via PACE.
- Provide, and continuously improve, 24/7 digital access to information on Scotland's labour market opportunities, learning provision, pathways, jobs and occupations, through My World of Work, including Scotland's Learner Profile.

b) Provide engaging and relevant career intelligence, education and experiences that help inform individual learning and career choices

- Scale and refine our innovative approaches to delivering experiential career education and career guidance in schools, to shape our future CIAG offer.
- Provide interactive and inspiring work-focused experiences for young people through the delivery of My World of Work Live.
- Fund circa 2,500 Foundation Apprenticeships continuing collaboration with SFC and other partners on delivery and improvement of all FAs, incl. those funded through colleges.
- Continue to equip teachers, parents and carers as key influencers of young people's learning and career choices.

c) Address known barriers to participation and deliver person-centred services which support all customers to pursue the learning and work they choose

- Further improve and enhance our current CIAG service offer, in response to diverse customer and colleague feedback.
- Deliver and monitor progress against our 2025-29 Equality Outcomes, to ensure our products and services are accessible to customers who face multiple disadvantage, including poverty.
- Publish our three-yearly report detailing how we have, and will, uphold children's rights in line with our UNCRC responsibilities.
- Sustain engagement with equality partners at national, regional, and local levels to enhance understanding and address barriers to participation, including poverty and intersectional impact.
- Collaborate with schools, local authorities, Developing the Young Workforce (DYW), DWP and other partners to ensure our collective efforts are maximising outcomes for our customers.

d) Contribute to Scotland's ambition to grow the size and diversity of the available talent pool

- Support SG with development, implementation and promotion of policies and projects to attract and retain talent, including the Talent Migration and Advisory Service.
- Maintain an active role in Local Employability Partnerships to influence and support local employability provision.

Monitoring performance against this goal:

Talent is diverse and resilient, with people who can all adapt and thrive in the changing world of work

Key Performance Indicator (KPI)	Intent	Example delivery measures	2025/26 Performance
3. 16-19 year olds in Scotland are in learning, training, or employment	These tracking indicators which help us understand the initial destinations of those leaving school, and levels of participation in education, employment and training for young people across Scotland. They are not direct measures of SDS performance, but rather data we capture and report on behalf of the system that inform system wide improvement activity.	Annual Participation Measure (16–19)	93.3% (August 2025)
4. SDS career services support individuals to sustain in learning, training, or employment	This collection of measures provides a holistic account of whether SDS CIAG services are effective in supporting individual progression and sustainment outcomes.	% BGE pupils (average across S1-S3) who have received a 1:1 or group interaction within the academic year	85.9%
		% Senior pupils (S4-S6) who have received a 1:1 or group interaction within the academic year	78.3%
		% Senior Phase pupils (S4-S6) with a 1:1 Career Guidance engagement who have been supported to identify and develop Career Management Skills	90.4%
		No. of post-school customers under age 20 supported by the Next Steps service offer	20,489
		% Next Steps customers with unemployed status who have progressed to positive destination	68.1%
		% Next Steps customers with unemployed status who have progressed and are now sustaining their positive destination	74.8%
		No. of age 20+ Adults accessing SDS Universal Careers Services	13,502
5. Young people can participate in experiential work-related learning as part of their education	The measures against this KPI monitor the provision of access to, and uptake of, those work-based and experiential learning opportunities within education that are contracted or delivered by SDS.	Non-College Foundation Apprenticeship starts	2,825

Invested Employers



Our goal

Employers invest in Scotland's workforce through job opportunities, skills development, and fair work

Our customer commitment

We will encourage and support employers to offer better work and learning opportunities in Scotland

To achieve this goal, in 2026/27 we will:

a) Increase employer participation in apprenticeships, including micro and small businesses and those in priority sectors and occupations

- Work with employers to support their involvement in the development and delivery of apprenticeships in Scotland, including through Scottish Apprenticeship Advisory Board (SAAB).
- Promote and raise awareness of apprenticeships in priority sectors and occupations.

b) Encourage employers to become more invested in the development of their current and future workforce

- Work with DYW regional groups and National Team, School Coordinators and other partners to facilitate employer engagement and involvement in the design and delivery of career education and support.
- Engage strategically with industry and sector representatives across Scotland's economy to encourage employer involvement in the design and delivery of apprenticeships, including through the facilitation of employer-led Technical Expert Groups.
- Help employers to identify their current and future workforce needs and integrate workforce development into their business planning, through the provision of the online Employer Hub and face-to-face support.

c) Inspire employers to adopt and demonstrate equality, inclusion, and fair work practices, and to drive quality in their delivery of apprenticeships

- Work with employers to enhance the quality of apprenticeship experiences for their employees and to improve sustained learning and achievement.
- Continue to work with employers, learning providers and equality partners to promote inclusion and diversity in apprenticeship recruitment and delivery, contributing to a reduction in under-representation and occupational segregation.
- Encourage learning providers and employers to adopt Fair Work First criteria in their organisations and apply Fair Work First conditionality to grant funding.

d) Ensure a 'collaboration-first' approach to delivering cross-agency products and services to employers

- Collaborate with the Business Support Partnership, and other strategic partners, to design and deliver simplified and streamlined cross-agency business support for employers. This year we will contribute to the ongoing development for a Master Customer Record, support creation of a cost to serve model and explore development of additional digital products.
- Contribute to the 'Team Scotland' implementation of SG's Inward Investment Plan, including through the provision of bespoke workforce advice to employers looking to invest in Scotland, and cross-sector collaboration on careers and workforce development for emerging opportunities.

Monitoring performance against this goal:

Employers invest in Scotland's workforce through job opportunities, skills development, and fair work

Key Performance Indicator	Intent	Example delivery measures	2025/26 Performance
6. Scotland's employers invest in work-based learning, training, and growth opportunities	This collection of measures is intended to demonstrate the scale and depth of employer engagement in SDS-related workforce investment and job creation activity.	No. of employers supported through PACE	241
		No. of businesses supported as part of team Scotland approach to inward investment	185
		No. of jobs created as part of team Scotland approach to inward investment	201*
		No. of jobs safeguarded as part of team Scotland approach to inward investment	81*
		No. of Skills for Growth skills reviews delivered	125

*Note that figures are subject to change as data is updated in Q1.

Intelligence-led Skills System



Our Goal

A dynamic, resilient, and inclusive skills ecosystem consistently delivers the skills the Scottish economy needs

Our customer commitment

We will work with other organisations to make sure that your learning helps to prepare you for the available jobs in Scotland

To achieve this goal, in 2026/27 we will:

a) Work to ensure that Scottish Apprenticeships remain agile, flexible, and fit for the future

- Continue to collaborate with SG, Qualifications Scotland, employers and industry groups to ensure the apprenticeship standards and frameworks are fit for the future.
- Continue to deliver agile and flexible apprenticeship frameworks that are transferrable across occupations and aligned to National Occupational Standards (NOS), Professional Standards and the broader principles of apprenticeships produced by SAAB.

b) Collaborate extensively at a national, regional, and sectoral level to shape intelligence-led skills investment and delivery

- Working with partners, provide a range of labour market and skills evidence and insight at national, regional and sectoral levels to inform skills investment.
- Engage with partners across the Highlands and Islands to develop, agree and deliver an evidence-led implementation plan for Workforce North, helping to achieve the expansive economic opportunities in that region.
- Co-design an approach to enhanced Skills Needs Assessments and pilot these in areas to be agreed with SG.
- Working closely with employers to gather skills and workforce intelligence and inform skills and training interventions.
- Work collaboratively with Regional Economic Partnerships to develop and implement City Region and Growth Deals and support regional partners to meet their skills ambitions, including through Community Wealth Building approaches.
- Continue to provide support to Scotland's regions and key sectors to address skills shortages and skill gaps, including implementing regional and sectoral skills plans and actions.

c) Together with customers and partners, support the design and delivery of approaches to meeting current and future skills demand

- With SG and agency partners, play a full role in supporting the implementation of the Purpose and Principles and wider reform of the lifelong education and skills system.
- With SG and others, support the skills ambitions linked to NSET.
- Continue to work with the NOS Governance Group, including the devolved governments, to implement the NOS strategy.
- Contract for the development of Scottish Qualifications Products in collaboration with SG and Qualifications Scotland Accreditation, ensuring they meet industry needs.

d) Collaborate across the careers ecosystem to deliver more consistency in Scotland's career services, and improve customer outcomes

- As part of the Scottish Careers Collaborative, nurture strategic partnerships within the ecosystem to maximise our collective impact and investment, improve customer outcomes and, building on the Career Review and other publications, implement the policy direction set by Scottish Ministers.

Monitoring performance against this goal:

A dynamic, resilient, and inclusive skills ecosystem consistently delivers the skills the Scottish economy needs

Key Performance Indicator	Intent	Example delivery measures	2025/26 Performance
7. Skills investment and delivery in Scotland is increasingly intelligence-led	This KPI seeks to monitor the delivery and use of evidence and insight to inform skills planning and investment decisions across Scotland's regions and sectors.	No. of evidence base products (National. Regional, Sectoral) updated and published to planned dates	23 Regional Skills Assessments and 15 Sector Skills Assessments published
8. Scotland's learning and training opportunities are better aligned with current and future economic need	These measures aim to demonstrate the alignment and economic value of skills provision, relative to labour market demand.	Return on Investment (ROI) of Modern Apprenticeships for individuals	Captured at least once during life of Strategic Plan
		ROI of Modern Apprenticeships for the exchequer	
		No. of apprenticeship frameworks reviewed	10 Framework Clusters (of 23) completed

Impactful Organisation



Our goal

Team SDS maximises return on investment, delivering better outcomes and experiences for our customers, colleagues, and the economy

Our customer commitment

We will work with you to make sure the public funds and resources we have are used efficiently and in your best interest

To achieve this goal, in 2026/27 we will:

a) Attract, nurture, and retain a diverse team that share and achieve our ambitions, demonstrating fair work practices

- Sustain our focus and commitment to building a culture of fair work, inclusion, and wellbeing, including continued action to address race equality in the workplace.
- Ensure effective employee voice and colleague involvement throughout our transformation and reform programmes, and our transition towards a new operating model.
- Retain our commitment to developing the skills of our people through guaranteed CPD for all colleagues, with an ongoing focus on building our capability to lead change.

b) Transform our use of system-wide data, intelligence, and customer voice to deliver better customer outcomes

- Continue to inform SDS service design and delivery, dynamic skills provision, innovation and continuous improvement through research, gathering customer voice and insight, and data analysis, including Labour Market Information (LMI).
- Scope expansion of the Participation Portal to include No-one Left Behind data and to inform future SG service development
- Continue to improve our approach to Information Management.
- Continue to implement and monitor integrated equality impact assessments to improve customer experiences.

c) Continue to enhance our digital capability in ways which drive organisational and employee efficacy

- As part of driving continuous improvements we will optimise and enhance the digital customer experience across channels
- Continue the delivery and management of the shared, cross-agency Enterprise Information Services (EIS), delivering the 2026-29 EIS Strategy, to enable public service reform.
- Implement the SDS Digital, Data and Technology Strategy, through the AI Accelerator Programme, to enhance our services
- Improve digital capability and productivity through the effective use of collaboration platforms, AI and business systems, to enhance internal and external services.

d) Steward our resources efficiently and effectively, ensuring that SDS is a resilient and sustainable organisation

- Alongside development of our new Strategic Plan, progress Transform 27 activity to develop and move towards a more sustainable and impactful operating model, including work towards becoming a skills-first organisation.
- Drive value for money through a continued focus on financial stewardship, continuous improvement, quality assurance and effective change management to ensure services remain affordable within a constrained budgetary environment.
- Implement the Cyber Action Plan in line with the SDS Cyber Strategy 2023-27, including ongoing review of our cyber estate.
- Continue action to deliver and report on the ambition of our Climate Change Strategy 2020-2030.

Monitoring performance against this goal:

Team SDS maximises return on investment, delivering better outcomes and experiences for our customers, colleagues, and the economy

Key Performance Indicator (KPI)	Intent	Example delivery measures	2025/26 Performance
9. SDS has satisfied customers and employees	As a means of understanding customer and employee experiences, this grouping of measures focuses on satisfaction and likelihood to recommend.	Customer survey response: satisfaction (score 1-10)	Sustain/improve[1]
		Customer survey response: likelihood to recommend SDS service (score 1-10)	Sustain/improve[1]
		Employee engagement survey (Your Views) response rate	84%
		Average mean point response score for the Your Views survey statement: I would recommend SDS as a workplace (where 10 is the highest score achievable)	8.1
		'Your Views' survey average mean point score (across all statements, where 10 is the highest score achievable)	7.7
10. SDS is a resilient and sustainable organisation	This KPI comprises a wide range of organisational measures, designed to provide assurance of our organisational resilience across key business areas including finance, workforce, sustainability and governance.	Balanced budget delivered	Within accepted tolerances
		Total savings achieved through T27 (£ - accumulative since 2022)	£95.4m
		Sickness absence rate	3.8%
		Average no. of days lost to sickness per FTE	9.8
		% staff who work a non-standard working week (not Mon-Fri, 9-5)	49%
		% Colleagues achieving a minimum of 21 hours Continuous Professional Development (CPD) each year (pro rata)	91%
		Average mean point response score for the Your Views survey statement: I want to stay working for SDS for at least the next 12 months (where 10 is the highest score achievable)	8.5
		Total headcount reduction (% reduction against 2022 baseline)	18.8%
		Carbon footprint (tonnes of CO2 equivalent)	Sustained progress towards Net Zero

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SDS Budget 2026/27

Our grant-in-aid this year is 95.04% of budgeted funding, while shared service recharges are projected at 4.96%.

Due to financial constraints and legal commitments, our opening budget position is a deficit of £329k. As in recent years, we intend to eliminate this through in-year efficiency savings and identified budget adjustments. Beyond this, we will take advanced actions to reduce the risk of a significant anticipated budget deficit in 2027/28, related to the implementation of Scottish Government reforms.

Our budget will support continued delivery of apprenticeships, our CIAG service, skills investment planning and other activity described in this plan.

Anticipated Income 2026/27 – Scottish Government	£'000s
Core Grant-in-Aid (GIA)	198,047
Known Budget Transfer (Additional Employer National Insurance)	
Other Transfers, ABR/SBR indicative GIA	TBC
Total Scottish Government	**198,047**

Anticipated Income 2026/27– Other sources	£'000s
Shared Service Re-charges	9,157
Other income	1,183
Total Other Sources	**10,340**

Anticipated Income 2026/27	£'000s
Total income from all sources	208,387
Projected Expenditure 2026/27	**£'000s**
People Costs	85,167
Apprenticeships	97,618
Equality & Critical Skills Development	2,024
Industry, Employer Engagement, Skills Planning	516
Evaluation, Research, Evidence & Impact	1,022
Digital Delivery and Platforms – My World of Work, FIPS, CSS, Employer Hub	1,798
Enterprise Information Services	6,096
Estates and Enabling Services	5,317
Shared Services	9,157
Initial Working Deficit – Managed in-year	(329)
Total expenditure	**208,387**

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