

# Minutes of the meeting

## Board Business Meeting (BD)

<b>Date</b>	<b>21 August 2024</b>
<b>Time</b>	<b>10:00 – 15:30</b>
<b>Location</b>	<b>Monteith House, 4<sup>th</sup> Floor, McClelland Room</b>
<b>Present</b>	<p>Frank Mitchell (Chair) (FM)  Tracy Black (TB)  Beth Corcoran (BC)  Sheila Cowan (SC)  Dr Mark Dames (MD)  Victoria Erasmus (VE)  Carol Evans (CE)  Nazim Hamid (NH)  Prof David Hillier (DH)  Graham Hutcheon (GH)  Poonam Malik (PM)  Margaret McCaig (MMcC)  Christine Pollock (CP)  David Rankin (DR)  Paul Taylor (PT) (online)  Damien Yeates (Chief Executive) (DY)</p>
<b>Attendance</b>	<p><u>Skills Development Scotland (SDS)</u>  James Prentice (JP)  Neville Prentice (NP) (item 6)  Andrew Livingstone (AL) (items 7, 8 and 10)  James Russell (JR) (item 9)</p> <p><u>Scottish Government</u>  Stuart Greig (SGr)  Neil Rennick (NR)  Lesley Ward (LW)</p> <p><u>Secretariat</u>  Kathleen Nisbet (KN)</p>

**Update from Neil Rennick, Director General, Stuart Greig, Deputy Director of Reform Division and Lesley Ward, Scottish Government (SG)**

The Chair welcomed Neil Rennick (NR), Stuart Greig (SGr) and Lesley Ward (LW) to the meeting and thanked them for taking the time to attend to provide members with an update on reform. Introductions around the table were made.

NR noted the Board's diverse experience and expertise in relation to employers' and social demands on the skills delivery landscape. The Chair appreciated hearing that NR's expectation was that the SDS Board continue to both challenge and shape thinking in relation to the reform agenda going forward.

NR advised that his primary ask today was to look forward. The Board, staff, Scottish Funding Council (SFC), the Student Awards Agency Scotland (SAAS) would all be important in moving forward in the process. The next stage of work would be to refine the Minister's priorities and to work together to achieve that, contribute to the process. NR highlighted the budget context and thanked SDS for their continued savings over the years highlighting that every public body was being asked to achieve savings. The focus was on what we can achieve whilst making challenging budget reductions and not losing sight on reform.

SG colleagues presented the update, key highlights included:

- Purpose - Whole System Outcomes and Desired Post School Outputs.
- Post School Reform - Programme Scope.
- Investment into Scottish post-16 lifelong learning system (complex structure of funding streams, incredibly hard to understand impact and return on investment in the system with this model).
- Evidence
  - o Development of Purpose and Principles was an iterative process where thinking was tested extensively, including with SDS.
  - o The Purpose and Principles were underpinned by detailed evidence from both extensive consultation and analysis of available data.
    - This included the Diversity of Provision report, which was co-developed with analysts from SDS, SAAS and SFC.
    - In December 2023 this was followed up by evidence report.
  - o Development of the Outline Business Case (OBC) and other project business cases as needed will all require detailed evidence to be provided by public bodies.
- Business Case Process
  - o The phases of the Business Case (Ministers agreed to Business Case and SG now need to build evidence. Data quality and collection – SG have set out some of the gaps where evidence is needed).
  - o Shortlisting Process (included some pre-set parameters).
- SG and SDS Engagement (mixed model approach to Technical Groups, SG aware of challenges and are trying to do this as efficiently as possible. People Group – SG have provided further detail to make sure adequate discussion with right people including discussion re TUPE, redundancy).

- Indicative Timetable (including Multi Criteria Decision Analysis (MCDA) workshop on 5 September).

The Chair thanked SG colleagues for their update and opened the discussion to Members for comment/feedback. Key discussion included:

- Members re-iterated, as before, that the SDS Board was pro-reform. Members wanted to ensure that future reforms delivered measurable improvements for the learners and employers of Scotland and importantly, contribute to the wider £10bn pressures on public finances and associated value for money.
- Confirmation from SG colleagues made it clear that civil servants advise but Ministers decide. The Board recognised this separation, however for these separate responsibilities to work effectively it was critical that the quality and integrity of the analysis leading to any advice was robust and unbiased.
- In relation to the development of the Strategic Options Case (SOC) and the current consultation, the SDS Board continued to have significant concerns around:
  - o The efficacy of the Strategic Options Case development process.
  - o Ongoing lack of clarity and definition around measurable impacts on learners and businesses.
  - o Value for money.
- In relation to the efficacy of the SOC development process, Members noted that key questions remain unanswered:
  - o How do you reconcile the development of the SOC with HM Treasury Green Book principles when there was a basic failure to articulate Return on Investment (ROI), Net Present Value (NPV) or cost benefit analysis for any of the proposed options. Not only was this a basic requirement of the HMRC Treasury Green Book, but it was also a fundamental underpinning of good decision making.
  - o As per guidance in the HM Treasury Green Book, the SOC documentation correctly identified the 'status quo' as a viable option but later in the documentation it contradicts this and says it was not an option. This contradiction was apparent both in the detail of the consultation paperwork and recent public statements by the Minister.
  - o Similar contradictions arose from what appeared to be imposed constraints for assessing future options especially in relation to the presumption against legislation. NR stated that options relating to SDS were dismissed based on this limitation, yet the final two preferred options would require legislative change. The Board requested an explanation of what looked like a forced bias in the assessment of options.
  - o The Board requested the detailed underlying analysis from the options matrix on options 7b and 7c in the long-list assessment RAG rating.
  - o In relation to the need for better data collection and production of ROI for various pathways open to learners, Members highlighted that SDS had a record of transparency and accuracy on recording of benefits of the pathways it funds, and indeed had produced multiple reports on this area. When a project was set up some years ago to achieve this same transparency across pathways funded via SFC it failed due to lack of data and evidence. It seemed inconceivable to the SDS Board

that this performance record for an issue that would be vital to shape the future was not considered in the SOC.

- Members noted that SDS staff and expertise were systematically excluded from the SOC development process despite assurances that SDS staff would be meaningfully engaged at all stages.
- The Board believed that simply transferring the administrative responsibilities for £80m (2% of the c.£3.6bn) apprenticeship funding into SFC to drive whole system change lacked credibility.
- The Board continued to ask what the future success of the reform would look like in meaningful and measurable outcomes.

NR thanked Members for their feedback and advised that if there were any further questions or feedback, to write to him and he would respond.

NR/SG/LW left the meeting.

<b>Business Meeting</b>	
<b>1.</b>	<b>Apologies and Declaration of Interest</b>
	There were no apologies received and no declarations of interest.
<b>2.</b>	<b>Minute of meeting held on 22 May 2024</b>
	The minute of the last meeting was approved without amendment.
<b>3.</b>	<b>Scottish Government (SG) Reform Update</b>
	DY referred to the paper circulated which provided Members with an update for reference on SG reform.  Members note the update.
<b>4.</b>	<b>Decisions and actions from previous meetings</b>
	The decisions were noted, and actions reviewed.
<b>5.</b>	<b>Board Member Stakeholder Engagement</b>
	Members discussed proposed methods to enhance Board Member stakeholder engagement activity.  Members noted the discussion.
<b>6.</b>	<b>Performance Report - Q1 2024/25</b>
	NP joined the meeting and presented the overall RAG status by Goals and referenced the detail behind these which were included in the paper circulated to Members. It was noted that the Finance & Operational Performance (FOP) had reviewed the performance report in detail at its meeting on 8 August 2024.

	<p>The Board recognised the excellent work of SDS colleagues in the delivery of services between April and June. During this period, there was strong demand for apprenticeships, robust delivery of our CIAG services offer and extensive support for industry and employers. Delivery continued to be highly impressive given the uncertainty in our operating environment and the Board extended its thanks to SDS staff for delivering and supporting these vital services.</p> <p>Members noted the update.</p> <p>NP left the meeting.</p>
<b>7.</b>	<b>Budget Update 2024/25</b>
	<p>AL joined the meeting and referred to the paper circulated which provided an update on the Budget 2024/25. The summary working deficit for the year had reduced to £1.26m from the opening deficit of £2.65m as approved by the Board. The Executive would continue to monitor and manage the outturn for the year to March 2025. It was noted that FOP had reviewed the finance report in detail at its meeting on 8 August 2024.</p> <p>Members noted, with thanks to support from staff and extensive work undertaken through Transform 27, the organisation was making strong progress to close the budget deficit in 2024/25.</p> <p>Members noted the update.</p>
<b>8.</b>	<b>ESF Update</b>
	<p>AL referred to the paper circulated noting that SDS was paid the full value of the final claim on 19 June 2024 but that the programme remained open pending finalisation of SG claims to the European Commission and retrospective audits by the Audit Authority.</p> <p>Members noted the update.</p>
<b>9.</b>	<b>Transform 27 (T27) Update</b>
	<p>JR referred to the paper circulated which provided an update of T27, a programme of work designed to realise the ambitions of the SDS Strategic Plan and the transition to a more sustainable operating model by 2027. The paper provided background and context on the Programme, an update on progress to date and the next steps. JR highlighted that the Service Development Committee had approved proposals for two 'bridgehead' projects (Digital Skills Profiled and Skills First) at its meeting on 25 July 2024.</p> <p>Members noted the update.</p>
<b>10.</b>	<b>Draft Budget Update 2025/26</b>
	<p>AL referred to the paper circulated. It was noted that SDS continued to develop a multi-year financial planning model, which was altered to reflect changes in information and guidance on planning assumptions. In mid-June 2024, SG formally requested indicative budget information for 2025/26, looking to 2026/27, with two key assumptions (i) that Grant-in-Aid cash would reduce by 3% or c.£5.98m and (ii) that we should assume a staff cost increase of up to 3% or</p>

	<p>c.£3.0m. It was noted that FOP had discussed the draft budget update 2025/26 in detail at its meeting on 8 August 2024.</p> <p>AL presented key highlights included:</p> <ul style="list-style-type: none"> <li>– Summary – provisional draft budget 2025/26 (unmitigated projection of deficit for 2025/26 was £20.620m).</li> <li>– Reminder of T27 actions taken and ongoing.</li> <li>– T27 actions to mitigate opening budget deficit for 2025/26.</li> <li>– Unmitigated final projections 2026/27.</li> <li>– Initial 3-year budget model projection (unmitigated).</li> </ul> <p>Members noted the update and that further updates would be provided to the Finance &amp; Operational Performance Committee and Board.</p> <p>AL left the meeting.</p>
<b>11.</b>	<b>Equality &amp; Diversity Update</b>
	<p>NH highlighted that the proposed Board deep dive would need to be amended and that she would update Members once she has further detail.</p> <p>Members noted the update.</p>
<b>12.</b>	<b>Papers for Noting *</b>
	<p>12.1 Cyber Security – Risk Mitigation Update – SDS (BD-24-030a)</p> <p>12.2 Cyber Security – Risk Mitigation Update - EIS (BD-24-030b)</p> <p>12.3 Finance Report (including Management Accounts) (BD-24-032)</p> <p>12.4 Youth Board Annual Report (BD-24-033)</p> <p>12.5 Service Development Committee (SDC) Draft Minute of 25 July 2024 (BD-24-034)</p> <p>12.6 Finance and Operational Performance Committee (FOP) Minute of FOP – 21 May 2024 (BD-24-035)</p> <p>12.7 Audit and Risk Committee (ARC) Draft Minute of ARC – 20 June 2024 (BD-24-036) and Draft Minute of ARC (Special) – 27 June 2024 (BD-24-037)</p> <p>12.8 Economic and Labour Market Outlook (BD-24-038)</p> <p>Members noted the papers circulated.</p>
<b>13.</b>	<b>Papers Previously Circulated for Approval/Noting Via Correspondence</b>
	<p>13.1 Approval of Statutory Accounts 2023/24 (BD-24-009vc) for approval</p> <p>13.2 Board Feedback Survey Results (BD-24-011vc) for noting</p> <p>Members homologated the decisions to approve the Statutory Accounts 2023/24 and note the Board Feedback Survey Results.</p>

<b>14.</b>	<b>Any other business</b>
	There was no other business.
<b>15.</b>	<b>Close of Board Business Meeting</b>
<b>16.</b>	<b>Date of next scheduled meeting: 20 November 2024, location to be confirmed (10:00-16:00)</b>

KN, August 2024