Stewart Maxwell MSP
Convener
Education and Culture Committee

Via email:
ec.committee@scottish.parliament.uk

4 January 2016

Dear Convener

Thank you for your letter dated 17 December 2015 in which you invited the Scottish Government’s views on questions arising from your sessions looking at spending decisions made and outcomes delivered by public bodies including Skills Development Scotland (SDS). I note that Committee wrote to SDS on 11 November for further clarity on specific points and SDS responded to these questions on 26 November. I welcome the opportunity to set out the Government’s response to the committees enquiries as set out in your letter. I will respond to the Committee’s specific questions below:

[Text from letter “SDS made the point that generally workforce planning was not good and contrasted the position in the UK with all other OECD problems (sic) when indicating the UK are alone in not planning ahead and “investing today for the future of tomorrow”]

1. What steps are the Scottish Government (SG) taking to address this failing in skills planning?

The development of Skills Investment Plans (SIPs) is a significant step forward in generating a better shared understanding of skills needs across the employer and education communities. In terms of ensuring that education and training align with future skills needs, in recent years Skills Development Scotland has worked with industry to develop sector specific SIPs and geographically focussed Regional Skills Assessments (RSAs) to ensure that the provision offered is aligned with the best quality labour market information available. Labour markets and industry requirements are dynamic, influenced by practical and social developments and the economic cycle, so SIPs must be refreshed to ensure skills and training provision is aligned with forecasted industry requirements.

Since Sept 2009 the SDS/SFC Joint Skills Committee, comprising representation from industry and the education sector, has played an important strategic role in ensuring both organisations focus on aligning provision with industry demand. The Joint Skills Committee
works in partnership with Scotland’s colleges, universities, schools, training providers, Local Authorities, and other key stakeholders. SDS reports to every Joint Skills Committee meeting on progress in developing SIPs and delivery against them. The developed SIPs and RSAs inform the SFC negotiation with the college and university sectors on their outcome agreements, this is a significant step forward. Furthermore, industry has a crucial role to play at all levels.

While we can draw important lessons from other countries, we have to ensure that we can translate these to the environment within which our employers operate. The support the Government provide to the work of the sector-specific Industry Leadership Groups (ILGs) and to the development of the emerging network of regional Developing the Young Workforce (DYW) Regional Groups, are examples of our partnership with industry on skills issues. (Industry Leadership Groups bring together key figures from the private and public sectors to drive sector growth and industry wide collaboration and alignment and are involved in the development of Skills Investment Plans. SDS are key members on these groups).

With respect to the DYW Regional Groups, we are currently taking forward the establishment of 15-21 industry led groups to work in partnership with the education system to encourage and support more employers to engage with education and recruit young people. To date Regional Groups have been launched in seven areas; Glasgow, North East, Fife, Ayrshire, North Highland, West and Edinburgh & Lothians.

The Scottish Government has a key role to play in encouraging more employers across all sectors to engage with the skills system to ensure the future workforce has the skills necessary to succeed.

2. What requirements are Ministers placing on SDS to evaluate the SIP process?

In the 2015/16 Letter of Guidance I outlined my 5 key priorities for SDS, one of which was: “Continued improvement of skills development strategies that support our economic strategy and support people into jobs”. Our skills development strategies support our economic strategy and by continuing to improve the sectoral skills planning system and through stronger regional labour market information we have a strong foundation for a more sophisticated set of discussions about what industries need and how we as a government can support industry ambitions.

I also asked that SDS continues to play a unique role in developing evidence based understanding of Scotland’s strategic workforce skills requirements. Undertaking SIPs and RSAs in consultation with stakeholders, and refreshing them where necessary. This work helps provide the basis for a unified, single skills narrative against which government bodies and educational institutions can plan more effectively.

It is worth noting that the SIPs are industry-led, with the resultant actions to be taken forward collaboratively by public sector partners and industry within existing resource allocations. The development of SIPs across sectors is an evolving process which will take time to fully impact on the alignment of supply and demand. We will continue to work with SDS and other partners to monitor the use and impacts of the SIP process.
3. SDS talked of the need to “co-invest to ensure Scotland is producing the talent to drive the economy forward in future” the Committee would like to hear what consideration the SG is giving to securing co-investment from industry?

The fundamental basis of the Modern Apprenticeship programme is that of co-investment between the SG and industry. SDS is funded to provide a contribution towards the cost of training and assessment for MAs, with the employer retaining responsibility for the wage and other training costs. The successful implementation and Scotland’s expanding Modern Apprenticeship programme in recent years has been driven by the collaboration of and co-investment by employers. SDS has focussed support toward those sectors which have the greatest potential to drive economic growth and which provide long term career opportunities for young people.

The introduction of the UK Apprenticeship Levy from April 2017 will require all employers with a paybill higher than £3 million to pay 0.5% of their paybill to this levy. While Scottish Ministers do not disagree with the general principle that employers should contribute to the cost of training and developing their workforce, it is disappointing that the levy was introduced without consultation with Scottish Ministers or due regard for the impact that this UK wide levy would have on the devolved skills programmes. While the UK Government has committed that Scotland will receive a fair share of the levy, there is still no confirmation on how this will be calculated. Over coming months the SG will work with employers to explore how the levy funding that comes to Scotland can benefit employers, young people and the delivery of our MA programme.

In Further and Higher education there is already a substantial amount of co-funding. There were just under 300,000 enrolments in colleges in 2013-14. Of these, 33,310 students enrolled on courses fully paid for by industry and a further 31,397 on courses where the tuition fee was paid by industry but also attracted SFC funding.

In the university sector, the SFC is considering new models of co-funding courses in areas where there is very high employer demand for specific skills. Over recent years, SFC has made investments in research postgraduate (PhD) provision, in a funding partnership with business, for sectors where high demand for advanced skills has been seen. At MSc level, the SFC Innovation Centre programme includes employer-designed MSc courses with significant in-kind teaching and placement contributions from Scottish businesses.

The development of Code Clan – Scotland’s Digital Skills Academy – is an example of partnership between industry and the public sector to respond to the rapidly emerging skills needs of a sector which has significant growth potential. Over the longer term we would look to industry to take an increasingly central role in the development of the Academy.

4. Can the Scottish Government indicate who they consider bears the primary responsibility for ensuring the workforce of the future has the skills required by industry?

Responsibility for ensuring the workforce of the future has the skills required by industry is a shared endeavour. In terms of ensuring that education and training align with future skills needs, both SDS and SFC collaborate closely to ensure that provision is aligned with the best quality labour market information available. The Scottish Qualifications Authority also plays an important role in ensuring that vocational qualifications are aligned with industry needs.
As I have previously stated, in recent years, sector specific Skills Investment Plans and geographically focussed Regional Skills Assessments have become increasingly important in informing provision. The SDS/SFC Joint Skills Committee comprising representation from industry and the education sector plays an important strategic role in ensuring both organisations focus on aligning provision with industry demand.

At an institutional level the move to outcome agreements for colleges and universities has placed a greater emphasis on the alignment of provision with need. In terms of SDS training provision, the annual contracting process requires training providers to demonstrate labour market demand for funded training places. Local Employability Partnerships across Scotland also have a role to play in ensuring that pre-employment training is aligned with local labour market intelligence.

There is also an important role for industry to play at the level of the individual employer, the local and regional employer and the industrial sector. This element is developing through the skills focus of Industry Leadership Groups and the formation of industry-led DYW Regional Groups across Scotland as part of Scotland’s Youth Employment Strategy.

5. We wonder on what basis to date the Scottish Government has been funding further and higher education in the absence of demand statements from industry?

The Government funds further and higher education through the Scottish Funding Council and issues annual guidance to the SFC on its strategic priorities. Plainly, the development of work-focused skills is an important priority, an approach sharpened through the recent process of post 16 reform. While Skills Investment Plans (SIPs) have become a central part of helping deliver priorities for provision, they build on previous sources of evidence that have been used by colleges and universities in the years before SIPs were introduced, including sector skills agreements and mapping studies commissioned by the SFC. They (SIPs) are supported in health and education, by the Government’s other long-standing mechanisms for establishing demand and communicating this to providers. An example of this is the NHS territorial health boards informing SG of their workforce plans which are then translated into training requirements for medicine and nursing subjects.

6. Can the Scottish Government indicate what measures it has put in place to measure the value for money provided by SDS across the range of activities they are involved in?

SDS as a public body is sponsored via the Scottish Government. Both SDS and the SG must comply with the Scottish Public Finance Manual (SPFM) which states that Accountable Officers (within the SG and the SDS executive) have a specific responsibility to ensure that arrangements have been made to secure “Best Value”. Scottish Ministers expect all Accountable Officers to comply with the duty of Best Value placed upon them. The Board at SDS also has corporate responsibility for promoting the efficient and effective use of staff and other resources by the executive in accordance with the principles of Best Value. The principles and the guidance Accountable Officers must follow can be found here: http://www.gov.scot/Publications/2011/03/22154607/2.

SDS follow the financial guidance as set out in the SPFM and work within their delegated authority as agreed by SG finance and the Deputy First Minister. Any large, novel, new or contentious spend must be submitted as a business case via the sponsor team for Ministerial approval. This is also the process for estates moves and pay remits.

St. Andrew’s House, Regent Road, Edinburgh EH1 3DG
www.gov.scot
In terms of our specific governance processes, each year Scottish Ministers issue a Letter of Guidance to SDS setting out key targets, objectives and priorities for the year and associated resource via Grant in Aid (GIA). These are aligned with Programme for Government and the Government Economic Strategy. SDS align their annual Operating Plan with the ministerial Letter of Guidance and in each new Operating Plan reflect and report on their delivery in the previous financial year. SG and SDS agree a Performance Framework and required in-year and end-year outputs and outcomes. SDS performance is monitored and captured via their various internal committees, reporting to their overarching board, at which SG have observer status. SDS provide a monthly performance dashboard and financial report and report regularly on their outputs via their published statistics. Internal and external evaluation captures the outputs and outcomes of SDS activity. Via their quality assurance processes, compliance monitoring on the National Training Programmes and contracted pieces of research/evaluation such as:


In March 2015 SDS published its spend in each Local Authority area across Scotland. SDS are responsible for allocating funding on the basis of where there is demand/need for support to make sure public funding helps the people and employers who need it most. This demonstrates how SDS Total Spend in each LA follows the proportion of young people who are NEET in the LA and the percentage of the total population in the LA compared to Scotland as a whole.

Audited SDS accounts are laid before parliament each year and are published online. The most recent accounts can be found here:


Finally, SDS regularly report to the Government through a range of formal and informal meetings with me and the Minister for Youth and Women’s Employment and officials including:

- Chair and CE have quarterly meetings with Minister for Youth Employment and myself.
- CE and Chair and the Director for Fair Work have regular discussion both formal and informal, these include consideration of key governance issues as a matter of course
- Director of Fair Work annually appraises the Chair of SDS
- Regular discussion between CE and Deputy Director for Labour Market and Workplace Policy Division
- Quarterly Liaison Group between SDS leadership and SG (chaired by SG to facilitate clear reporting and monitoring of delivery against Ministerial priorities)
- Quarterly Joint Programme Board meetings (Jointly chaired by SDS and SG, this group oversees GIA-funded developmental work and DYW delivery)

Through these means the SG closely monitors SDS delivery throughout the year.

7. What means and measures does Scottish Government use to assess and evaluate what has been achieved by SDS when working in partnership with other agencies?

The Scottish Government monitors and measures SDS’s work in partnership via the governance structure, as set out above. SDS delivery is also assessed via other governance structures, where SDS delivery contributes to performance for example the SDS/SFC Joint Skills Committee, the Developing the Young Workforce Programme Board and the
Curriculum for Excellence Implementation Board. This is also an explicit part of the Fair Work Directors annual appraisal of the Chair of SDS.

Other vehicles for this activity are set out below:

**SG/SDS Programme Board**
The SG/SDS Joint Programme Board is attended by various policy leads from across the SG, Education Scotland and SDS and is the chief reporting method for SDS delivery against the DYW recommendations which apply to SDS, for example; development and delivery of Foundation Apprenticeships and Earlier Career Information Advice and Guidance in school.

**Strategic Forum**
Since 2012-13 the bodies included in the Strategic Forum (SE, HIE, VisitScotland, Skills Development Scotland and the Scottish Funding Council) have been challenged to work together, and with other public bodies, to achieve savings through greater collaboration and alignment to achieve significant efficiency gains and increased economic impact. An example is SDS have lead the transition to a new shared IS service model for SDS and partners. (Scottish Enterprise, Highlands & Islands Enterprise and the Scottish Criminal Case Review Commission)

**Other partners: Schools, Local Authorities, Community Planning Partnerships**
SDS work in partnership with a great many partners to deliver services and programmes. SDS work with partners across the 32 Local Authorities in Community Planning Partnerships (CPPs) the key over-arching partnership framework. The CPPS and single outcome agreements help to co-ordinate initiatives and also rationalise and simplify with an aim to improve the connection between national priorities and those at regional, local and neighbourhood levels. SDS's work at this level directly contributes to the following National outcomes and indicators:

- [http://www.scotland.gov.uk/About/Performance/scotperforms/outcome/employment](http://www.scotland.gov.uk/About/Performance/scotperforms/outcome/employment)
- [http://www.scotland.gov.uk/About/Performance/scotperforms/outcome/research](http://www.scotland.gov.uk/About/Performance/scotperforms/outcome/research)

CPPs are audited by Audit Scotland. CPP audits were conducted throughout 2014 in Glasgow, Falkirk, Moray, West Lothian and Orkney. The assessment of local progress in the 2014 CPP audits and follow up work on the 3 CPPs audited in 2013 contributed to the assessment of progress contained in the national update community planning: turning ambition into action published in November 2014.

SDS also enters into Service Level Agreements with schools and local authorities

**Quality Assurance**

SDS worked closely with Education Scotland in 2014/15 to externally review SDS's CIAG services in four areas. The aims of these external reviews are to provide a Scotland-wide perspective on the quality of service provision; the identification and dissemination of excellent practice and to enhance the quality of local area activity. The reviews are conducted on a regional basis and to date 4 reviews (Argyll & Bute West Lothian and Clackmannanshire, North Lanarkshire) have been completed.

SDS, SG and Education Scotland have been working closely to develop a standard for careers guidance and consider how it can be delivered through the curriculum engaging employers, parents with schools and SDS practitioners
Evaluation of SDS delivery gives an indication of how SDS works in partnerships for example surveys undertaken with head teachers of schools where SDS deliver Career IAG, MA employer surveys etc. Likewise an important indicator of SDS impact working in partnership is the School Leaver Destination Return (SLDR), the annual and six month follow up surveys of school leavers that we undertake on behalf of SG. Amongst leavers in the academic year 2013/14, 92.3% progressed to a positive destination such as training, education or employment, a 0.9% increase on the year before and the highest ever recorded.

There are a variety of means and measures through which the SG assess and evaluate what has been achieved by SDS when working in partnership with other agencies. I do however believe we can always improve. I look forward to the outcome of the OECD Longitudinal evaluation on the longer-term impacts of the MA programme to fully assess the long-term benefits for the participants, the participating companies, industries and the economy.

Conclusion

I fully recognise the future challenges facing Scotland’s workforce; the changing demographics, markets, technologies and geographies make it important that Scotland’s skill system actively engages with partner organisations and industry to help deliver future need. The SG are doing this through ILGs, the development of SIPs and the DYW Regional Groups.

The ILGs have been fundamental in delivering SIPs which can help frame the strategic opportunities for Scotland’s areas of economic growth and the skills we need to deliver that growth. We must align our skills system to areas of future economic growth and this requires us to partner industry to shape a skills system which delivers them the workforce they need.

But to do this requires a culture change. In the past industry typically did not invest in the skills of their workforce until they employed them (often post FE/HE). Through DYW we are looking to deliver a much greater partnership where industry is actively engaged in developing curriculums, workplace experience and shaping the delivery of skills development much earlier with young people – Scotland’s future workforce.

As more powers transfer to Scotland around employability we will look to support those moving into work develop the skills needed in the local labour market; helping people in work to develop to maximise their own personal economic benefit is equally important.

Encouraging businesses to offer equality of opportunity and recognises and promote development of their workforce is all part of our drive for Fair Work in Scotland.

Yours sincerely

ROSEANNA CUNNINGHAM

St Andrew’s House, Regent Road, Edinburgh EH1 3DG
www.gov.scot