Dear Roseanna

During the autumn, members of the Education and Culture Committee undertook a series of sessions looking at the spending decisions made and outcomes delivered by 5 public bodies within our remit, including Skills Development Scotland.

Members agreed this work would feed into the Committee budget report and in addition they would consider producing a series of letters to the Scottish Government drawing attention to issues heard in evidence and seeking comment.

The Committee scrutiny had the stated purpose of allowing us to:

- Understand the added value each body provides;
- Question the progress each is making on their key strategic objectives;
- Understand how transparent each is in evaluating and reporting on the effectiveness of their work;
- Question how each contributes to the Scottish Government’s National performance Framework; and
- Potentially consider whether their funding levels and key strategic objectives are appropriate.

Each body was invited to provide oral evidence and, in advance, respond to a series of written questions which sought information on their key objectives and measures.

Written comment from key stakeholders and others was invited and assisted in our examination of each body.
The remainder of this letter covers matters we wish to bring to the attention of the Scottish Government, who provide the bulk of funding to each body. In so doing, we have highlighted where we consider the Scottish Government as the sponsors of these bodies could have views.

For information, we will in our legacy report to our successor Committee be recommending this work is repeated with each body on an annual basis. This will allow the Committee to build, through annual scrutiny, a better understanding of the operation of each body and to follow through on information received and activities undertaken from year to year.

In relation to Skills Development Scotland (“SDS”) we heard from senior management on 3 November in relation to their 2013-14 annual report and financial statement and Corporate Plan for 2015-20.

The responses to the questions asked, all written submissions, the official report of our meeting and a subsequent exchange of correspondence with SDS seeking clarification of certain matters are all available here on our web site.

Having considered all the material the Committee would welcome the views of the Scottish Government in relation to the following areas.

**Future Demand**

SDS indicated “few industries or employers have a long-term view of their skills needs” and this had led to a need to play catch-up in relation to matching industry demands with skilled employees.

We heard about skills academies in Edinburgh and Glasgow.

In response to a question relating to how SDS identifies upcoming problems before shortages occur we were advised until SDS launched their skills investment plans (“SIP’s”) “there was no formal mechanism for collecting or understanding the demand that industries had or would have in the future.”

We were made aware of what appears to have been a clear disconnect between further and higher education provision with the demands from industry. We also heard there are now 10 sector plans (“SIPs”) and 11 regional plans in place which should assist future planning.

SDS made the point that generally workforce planning was not good and contrasted the position in the UK with all other OECD problems when indicating the UK are alone in not planning ahead and “investing today for the future of tomorrow”.

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1 Official report 3 November 2015 column 13
2 Official report 3 November 2015 column 14
3 Official report 3 November 2015 column 13
Q What steps are the Scottish Government taking to address this failing in skills planning?

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

Q 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 Scottish Government is giving to securing co-investment from industry?

Q 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?

Q 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?

Value for Money

One of the aims of our consideration of SDS was to identify the extent to which it is providing value for the £184m they received from the Scottish Government in 2015-16. The submission we received from SDS and much of the evidence SDS gave on 3 November provided considerable detail about inputs and outputs. We struggled to obtain specific detail showing ways in which the contribution of SDS to the many initiatives they are involved in can truly be said to be providing value for money.

We heard about alignment with the National Performance Indicators\(^4\) and reports on activity, impact and outcome measures. SDS indicated they challenge businesses to co-invest in the provision of future skills with the challenge being stated to “understand whether that approach is delivering competitive advantage for individual businesses, for sectors and the Scottish economy”.

Q 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?

Partnership working

In common with the other bodies we looked at we heard about a large amount of partnership working undertaken by SDS. The wide range of organisations that SDS interacts with is perhaps not surprising given its wide ranging remit. What was interesting was the extent of collaborative working it is involved in.

\(^4\) Official report 3 November 2015 column 26
The main focus of our interest in this area focussed on how SDS captures the impact of partnership working and measures success including the value of the influence it has had. We heard about various partnerships including significant work undertaken in Highlands and Islands with a range of other public sector partners leading to “a seminal piece of work” allowing UHI “to deliver more work-based pathways”.

It remains unclear what the precise role of SDS played in all of the work described and the extent of the added value SDS brought to this activity. Even after further probing the issue, the subject of partnership working was not specifically covered in the 26 November response we received.

Q 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?

Given this work is undertaken as part of our work in scrutinising the Scottish Government budget it would be helpful to receive a response to the questions by Thursday 14 January 2016.

Yours sincerely

STEWART MAXWELL MSP
CONVENER

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5 Official Report 3 November 2015 column 27