



Convener, Stephen Kerr MSP
Education, Children and Young People Committee
Scottish Parliament

11 April 2022

Dear Convener

Thank you for your letter dated 11 February to the Cabinet Secretary for Education and Skills, on behalf of the Scottish Parliament's Education, Children and Young People Committee, regarding the Committee's Inquiry into Aligning Skills with Business Needs. The Cabinet Secretary has asked me to respond.

First, it may be helpful to set out some context to this response and to highlight activity that is now underway to address skills planning challenges and to ensure that Scotland is able to benefit from the opportunities that an agile and responsive education and skills system can bring to individuals, employers and the economy.

The Committee will be aware also that the Scottish Government published its [National Strategy for Economic Transformation \(NSET\)](#) on 1 March. The 10 year NSET will utilise the expertise of business, trade unions and the third sector to deliver a focussed plan of actions and projects to help transform our economy and help us reach net zero.

The three education and skills programmes of activity in the NSET will support:

- Adapting the education and skills system to make it more agile and responsive to our economic needs and ambitions;
- Supporting and incentivising individuals and employers to invest in skills and training throughout their working lives; and
- Expansion of Scotland's available talent pool at all skill levels.

These programmes are rooted in the [economic evidence paper](#) that accompanied the publication of the NSET and that sets out the context for skills in Scotland, articulating the value to society and the economy, as well as the demographic and labour market challenges we face. Addressing these challenges is critical if we are to build and maintain Scotland's reputation for having a highly skilled workforce including; adapting and developing capability in response to the transition to net zero, increased digitalisation and AI as well as responding to the demographic challenges of Scotland's ageing population with more in-work training and upskilling and reskilling throughout our working lives.

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The actions set out in the NSET, and committed to through [SFC's Review of Coherent and Sustainable provision](#), provide the framework for a systems level response, requiring leadership at all levels across our agency partners, by employers and by our further and higher education institutions and other training providers.

A second very important piece of context is the Audit Scotland report, '[Planning for Skills](#)' which was published in January 2022, and on which the Auditor General provided evidence to the Public Audit Committee on 10 February. This report set out significant recommendations which were immediately accepted by the Scottish Government. The Director General Education and Justice subsequently gave evidence to the Public Audit Committee on 10 March, referencing the [Skills: Shared Outcomes Framework \(SOF\)](#), published on 9 March. Both the Audit Scotland Report and the insight of the Public Audit Committee Committee, will be helpful in informing our strategy going forward.

The SOF is a core part of developing our understanding of how our skills agencies, Skills Development Scotland (SDS) and Scottish Funding Council (SFC), can work most effectively to support strategic outcomes, including those set out in the NSET. Additionally, SOF sets out strategic objectives, key milestones, deliverables, impacts and measures to enable more effective monitoring and reporting of joint action in this area and to track the impact of these projects in the wider economy.

As Minister for Further Education, Higher Education, Youth Employment and Training, I will have direct oversight of this work, supported by the Shared Outcomes Assurance Group which has been put in place to drive forward progress and which will link in closely to the NSET delivery structures.

I understand the Committee intends to revisit Skills Planning in the future. I have therefore sought to provide an initial response to issues that you have highlighted as being of particular interest to the members in Annex A. I note that you have also written to SDS, SFC and the Scottish Apprenticeship Advisory Board. I will ensure that Scottish Government officials continue to work collaboratively with the skills agencies and partners to make on the issues that you have raised.

JAMIE HEPBURN

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Annex A

Apprenticeships

Foundation Apprenticeships:

The Scottish Government has previously signalled our intent to identify a sustainable funding model for Graduate and Foundation Apprenticeships (FAs) as part of the overall package of tertiary education provision. We are committed to working with the SFC, colleges and universities to ensure that changes to the funding arrangements do not adversely impact on the outcomes and choices available for learners.

We fully recognise the benefits of work-based learning opportunities and pathways, particularly where that might lead to a recognised qualification such as an FA does, but are also clear that future policy commitments and investment should be based on clear evidence on the outcomes and impact of programmes.

We intend to maintain strong engagement with partners to continue to improve the FA offering and that it meets the requirements of young people and employers.

Apprenticeship Numbers:

The pandemic undoubtedly had an impact on apprenticeship numbers, and the number of MA starts in Q3 this year is still 12.3% lower than it was, pre-pandemic. The picture though is one of significant improvement in 2021-22. Published on 15 February 2022, the Quarter 3 statistics for the financial year ended covering April-December 2021, show a positive increase in Modern Apprenticeships starts, in comparison to the same period last year (Q3 2020/21: 10,604, Q3 2021/22: 18,629). I expect to see sustained improvement over the final quarter (January-March 2022). The total number of starts for 2021/22 will be available in due course.

We have already set out in the 21/22 Programme for Government, our ambition to build back to 30,000 apprenticeship starts and to assess demand to see how much further we can go. We are keen to consider our future policy ambitions for apprenticeships and work-based learning opportunities in the context of our future intentions for the wider tertiary education, skills and research system.

We will continue to work with partners to make sure our MA offering is responsive to the needs of our economy and society.

Graduate Apprenticeships:

There is some evidence of growing demand for Graduate Apprenticeships (GAs) amongst employers. We are aware that, to date, the majority of GA places (89% in 2020/21) are being accessed by existing employees as upskilling opportunities. By contrast, take-up of GAs amongst 16-19 year olds as an alternative to traditional first degrees is still lower (15.5% in 2020/21) than we envisaged when the programme was introduced. Although we recognise the importance of adult upskilling and retraining, we are keen to work with the Scottish Funding Council (SFC) to understand how the GA programme can support a wider cohort

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than it presently does. Their fundamental purpose of providing work based learning to Degree and Masters Level that is responsive to employer need will remain unchanged.

Addressing Inequalities through Apprenticeships:

In response to Developing the Young Workforce (DYW) recommendations, Skills Development Scotland (SDS) published its Equalities Action Plan for Modern Apprenticeships in Scotland on 2 December 2015. The plan had a focus to increase the number of disabled people; ethnic minority groups and care leavers entering Apprenticeships. The Apprenticeship EAP also aims to tackle apprenticeship areas where there are significant gender imbalances, for example females in science, technology, engineering and maths (STEM) and males in childcare related apprenticeships. The Apprenticeship Equality Action Plan Year 5 final report was published in December 2021 and can be found [here](#).

Officials are working with SDS and SFC to consider the best approach to improving and widening participation in apprenticeships, particularly in underrepresented groups.

The Scottish Apprenticeship Advisory Board's (SAAB) Gender Commission has an employer-led membership. It aims to offer business-ready, practical solutions to what employers can do now, and in the future, to address any real or perceived barriers to improving gender balance in their workforce.

The long term aim of the plan is to effect systemic change which requires a major cultural shift in relation to the career pathways that people choose and to the recruitment and employment practices of employers. In the Gender Pay Gap Action Plan we have committed to working in partnership with Skills Development Scotland and the Scottish Apprenticeship Advisory Board to realise the outcomes of the forthcoming Gender Commission Report.

Apprenticeship Levy:

The Apprenticeship Levy was not instituted by the Scottish Government and was introduced by the UK Government without any prior consultation with us despite the policy area being a devolved one. Per the committee's concern that "there should be a clear, stated purpose for the levy" it is important to recognise this.

The UK Chancellor indicated in his Spring Statement on 23 March 2022 that the UK government will consider whether further intervention is needed to encourage employers to offer the high-quality employee training the UK needs. This will include examining whether the current tax system – including the operation of the Apprenticeship Levy – is doing enough to incentivise businesses to invest in the right kinds of training.

The outcome of this review will potentially have an impact in Scotland. We currently receive a population share of the Levy receipts through the Scottish Government block grant, which continues to be invested in wider skills, training and employability to meet the needs of employers, the workforce and Scotland's economy.

At this stage we have no information on how the Levy will be reviewed or whether there will be an opportunity for Devolved Administrations to be involved. It is our intention to proactively write to the UK Chancellor seeking further information and involvement in the

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review of the Levy, given previous experiences around no dialogue or process of involvement for the Scottish Government.

Lifelong Learning

Through the Covid Recovery Strategy and NSET we have detailed commitments to develop a stronger, simplified lifelong learning system, including support targeted at those who need it most. This is part of a wider project within the NSET aimed at supporting and incentivising people, and their employers, to invest in skills and training through their working lives. We are focused on building the evidence base for change by learning from our existing adult upskilling investments, this includes independent evaluations of both the Flexible Workforce Development Fund (FWDF) and Individual Training Accounts (ITA) programmes.

Flexible Workforce Development Fund

The aim of the FWDF evaluation is to assess the impact of the programme, including the expanded delivery to SME and non-college provision. In particular, it will provide an understanding of the impact that the FWDF has made on meeting both employers and individuals' training needs, addressing skill gaps, supporting workforce development, and promoting inclusive economic growth. The evaluation will also consider issues highlighted by private training providers to the Committee. Private training providers have already contributed to the evaluation. It will also provide recommendations to inform both the future delivery of the Fund and the future development of national policy on up-skilling/retraining and in-work learning. The final report is expected to be published in early summer 2022. The review specification has already been set and work is well underway. The evaluation will include extensive stakeholder consultation.

The Scottish Funding Council has published two FWDF reports for 17-18 (Year 1) and 18-19 (Year 2) based on their FES reporting. These primarily report on learner information which includes equality data and information around potential socio-economic disadvantage such as SIMD residence. Information on how FWDF is utilised as well as data on sector and college spend, has been published on the Scottish Parliament website through the Parliamentary Questions process. Examples of this are:-

- S5W-33206, answered in November 2020 where I set out the changes to be made to FWDF following the doubling of the available funding to £20m per year which enable levy paying businesses to access non-college support, and also opened the Fund up to SMEs for the first time; and
- [S6W-03511](#), answered in October 2021, where a breakdown of spend by sector in 2020-21 was provided as reported by the Scottish Funding Council and Skills Development Scotland.

The full list of all FWDF related PQs that have been published since the introduction of the Fund in 2017 is available on the Scottish Parliament website at:

<https://www.parliament.scot/search?qry=flexible+workforce+development+fund>.

Because delivery of Years 3 and 4 was extended in response to the pandemic, data on Years 3 and 4 are currently being finalised and will become available after March 2022 when Year 4 delivery will be completed.

Strategic and Local Engagement with Business

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Across education and skills, there are positive examples of strategic and sectoral business engagement, for example through Industry Leadership Groups and the development of Sectoral Skills Investment Plans, led by SDS. Additionally, in response to industry reports of labour shortages in 2022, skills colleagues have been working with business organisations to identify and address sectoral and regional recruitment and retention challenges.

We recognise that developing a culture of shared investment in upskilling and retraining is inherently a collaborative endeavour between government, employers and individuals. Building on this, we will draw on the talents and expertise of business in taking forward the NSET's Skilled Workforce programmes and actions. This will include consulting on the scope of a Skills Pact, that will aim to codify this position and encourage greater workforce planning and investment. Skills Division colleagues have begun engagement with business organisations on priorities for 2022/23 and specific consultation on the skills pact will begin shortly.

Young Person's Guarantee

Since the launch of the Young Person's Guarantee in November 2020, the Scottish Government has provided £130 million to support employment, training, education and volunteering opportunities. Of this, £20 million has been allocated to deliver shorter, industry-focused opportunities, targeted at those who face additional challenges to participating. The YPG is providing a wide range of learning opportunities aimed to address skills shortages, with areas including construction, engineering and transport, as well as digital skills and cyber security. For 2022/23, we will invest up to £45m in the Guarantee, which will again include additional funding for college courses, with a particular focus on supporting young people furthest from the labour market. The Measurement and Evaluation Framework went live on 24 February, which outlines how the impact of the Young Person's Guarantee will be assessed. This includes evaluation work that helps to understand the experiences of young people and employers accessing the Guarantee. Evidence from a range of sources, including the SFC, will help us improve targeted support where needed.

Skills Action Plan for Rural Scotland

A review of the Skills Action Plan for Rural Scotland is currently underway. This will help inform what future action is needed to drive forward coordination and delivery of skills for rural Scotland. The review is expected to publish in summer 2022 and we will provide the Committee with the outcomes of the review and any future action that will be taken in response to the review.

Digital Skills

We are acutely aware of the digital skills shortages faced in Scotland, and the need for training provision to reflect both the demand for digital roles to be filled now, and for pathways to support digital jobs of the future. Following Mr Logan's publication of the Scottish Technology Ecosystem Review (STER), we have retained his leadership to oversee the implementation of the review's recommendations, which we accept in full and are progressing through a cross-government programme of work.

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We are supporting citizens to upskill and reskill to gain advanced digital skills in line with a core recommendation of STER to widen the foundational talent pipeline by providing alternative routes into Scotland's growing technology sector, particularly for those affected by COVID-19. Work is focused on increasing the inclusivity and accessibility of Scotland's technology ecosystem.

The STER programme currently has three digital skills projects running - the £1m Digital Start Fund, the Digital Skills Pipeline and Code Your Future - all of which have an aim to increase and diversify the talent pool in Scotland's tech sector.

We have leveraged the £25m National Transition Training Fund (NTTF) to reskill those affected by COVID-19 and move them into sectors of high growth, such as technology. Funds have been awarded to SDS for a Digital Skills Pipeline, creating a staged modular pathway to help people to progress from beginner level all the way through to high end coding skills. £165k of NTTF funding has been given to Code Your Future to sustain and expand vocational training to support a wide range of vulnerable people in Scotland, including adults struggling with unemployment due to redundancy in the pandemic, adults living below the poverty line, adults from ethnic minority backgrounds and adults seeking refuge in the UK.

In regards to Computing Science provision in schools, work is underway in the STER programme to address the upskilling of Computing Science teachers and how best to attract new teachers to the discipline. Key to this, is the appointment of former computing science teachers Toni Scullion & Brendan McCart to the newly formed Scottish Teachers Advancing Computing Science (STACS), an organisation based at Glasgow University who will advise us as we implement the school recommendations and spread best practice in computing science amongst schools.

Local Authorities across Scotland have been granted up to £1.3 million to improve teaching of computing science. Every primary and secondary school will receive two class sets of Micro:Bits, pocket-sized computers that introduce pupils to how software and hardware work together. Schools have also bid for grants of up to £3000 to purchase additional computing science equipment, devices, software or teaching resources and allocation of this funding is currently underway.

Our Digital Skills Group is a public sector and industry partnership with companies such as JP Morgan, Hewlett Packard Enterprise, and Cisco and has delivered a range of projects to both respond to immediate needs of industry and broaden the future talent pool. In addition, the STER Advisory Board co-chaired by the Cabinet Secretary for Finance and Economy advises us on the implementation of the STER recommendations, and the Computing Science Steering Group has been set up to specifically look at the school's recommendations. We will be happy to keep the committee up to date with progress made on digital skills across the whole STER programme.

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