



OFFICIAL REPORT
AITHISG OIFIGEIL

Public Audit Committee

Thursday 10 March 2022

Session 6



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PUBLIC AUDIT COMMITTEE

8th Meeting 2022, Session 6

CONVENER

*Richard Leonard (Central Scotland) (Lab)

DEPUTY CONVENER

*Sharon Dowey (South Scotland) (Con)

COMMITTEE MEMBERS

*Colin Beattie (Midlothian North and Musselburgh) (SNP)

*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

*Craig Hoy (South Scotland) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Helena Gray (Scottish Government)

Joe Griffin (Scottish Government)

Adam Reid (Scottish Government)

Helen Webster (Scottish Government)

CLERK TO THE COMMITTEE

Lynn Russell

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Public Audit Committee

Thursday 10 March 2022

[The Convener opened the meeting at 09:00]

Decision on Taking Business in Private

The Convener (Richard Leonard): Good morning and welcome to the eighth meeting in 2022 of the Public Audit Committee. Before we begin, I remind the members, witnesses and staff who are present that social distancing rules apply in the committee room, and that they should wear face coverings when entering, leaving or moving around the room.

The first item on our agenda is a decision on whether to take items 3 and 4 in private. Do members agree to do so?

Members indicated agreement.

“Planning for Skills”

09:00

The Convener: Agenda item 2 is an evidence session on the report, “Planning for Skills”, which Audit Scotland produced earlier this year. I welcome our witnesses, who are all from the Scottish Government. Joining us in the room are Joe Griffin, director general, education and justice, Helena Gray, director, fair work, employability and skills, and Adam Reid, deputy director for skills. Helen Webster, deputy director for reform in the directorate for advanced learning and science, joins us remotely. Willie Coffey, committee member, also joins us remotely.

Director general, before I begin, I will remind us why we are here and reflect on the evidence that was presented to us in the evidence session with the Auditor General for Scotland on 10 February. In his opening statement, the Auditor General said:

“we have found that slow progress has been made since 2017, with anticipated benefits not being realised. The Scottish Government has not provided the necessary leadership or oversight for joint working between SDS and the SFC, and there has been insufficient clarity on what it wanted to achieve and on what success would look like. We also found that progress by SDS and the SFC was impeded by lack of agreement between the two organisations about what skills alignment would involve.”—*[Official Report, Public Audit Committee, 10 February 2022; c 2.]*

This is a section 22 report, which is a serious report. Therefore, it is extremely disappointing that, only late yesterday afternoon, we received a very dense 30-page document, which, I understand, is the new framework agreement that is being put in place. Part of the story is about leadership and governance; for us, it is about democratic accountability.

I have to say that the very late arrival of an important document, which is entirely pertinent to this morning’s proceedings—a meeting that you have known about for quite some time—is, frankly, unacceptable. In my view, it compounds what is already quite a bad situation, and I hope that, this morning, we can address some of the fundamental criticisms that have been made over a failure that has gone on for five years.

Director general, I invite you to make an opening statement.

Joe Griffin (Scottish Government): Thank you, convener. Before reading my opening statement, it is entirely right that I apologise for the late arrival of the document. As you say, it is germane to our discussions today. We should have got it to you earlier, and I apologise unreservedly.

The Convener: Is there a reason why it was so late?

Joe Griffin: The team was working on it intensively and at pace with partners in order to get the best possible product, which, in the end, took them up until yesterday. No disrespect to the committee was intended at all. The team was trying to work at pace to finalise the document and to make it as fit for purpose as it needs to be. I do apologise, convener.

The Convener: Okay. Make your opening statement, director general.

Joe Griffin: Thank you. I thank the Public Audit Committee for inviting me to give evidence today alongside Helena Gray, who is here on behalf of Elinor Mitchell, our director general economy, Adam Reid and Helen Webster. I welcome the opportunity to discuss Audit Scotland's recent paper, "Planning for Skills", following the Auditor General's evidence to the committee on 10 February.

The committee will be aware that, last week, the Scottish Government published "Scotland's National Strategy for Economic Transformation". As set out in that strategy, the Scottish Government is clear that providing people with the opportunities to develop skills, irrespective of who they are and where they live, is a key driver of improved economic performance and wellbeing, which sit at the heart of the Scottish Government's economic and labour market strategies. As the NSET says, crucial to that is adapting

"The Education and Skills System to make it more Agile and Responsive to our Economic Needs and Ambitions."

Audit Scotland's report is helpful in informing our approach in that vital area. The committee will be aware that the Scottish Government and both agencies—Skills Development Scotland and the Scottish Funding Council—have accepted the recommendations. They had already anticipated and moved to respond to the issues that were subsequently identified in the report by putting in place new, stronger and simplified governance with a clear line of sight to ministers, as well as setting out clearer definitions and measures for success in the "Shared Outcomes Framework", which we published yesterday and to which you referred just now, convener.

Scotland has one of the most educated and qualified populations in Europe and our skills base is one of the key factors in our ability to attract and retain inward investment. Understanding the operation of a complex and dynamic skills system is important in allowing us to address labour market shortages, promote collaboration and complementarity and respond to the needs of employers in the private and public sectors. Many things in the system are working well, but we are

committed to making improvements and ensuring the best possible outcomes for our investment.

I thank the committee again for the invitation to appear today. The team and I look forward to answering your questions.

The Convener: Thank you. I will begin by asking you a question that we asked the Auditor General, which is on the opportunity cost of the failure to get a co-ordinated skills alignment strategy together. Has the Scottish Government made any assessment to determine the costs to the public purse and the opportunity costs that have been lost through the failure to progress the skills alignment strategy?

Joe Griffin: We have not quantified that, and I know that the Auditor General said something similar in his evidence recently. It comes down to the opportunity cost of setting in train a process that proved to be really challenging. However, it is important to say that the specific scheme that was identified in 2017 was about aligning at a national, centralised level activities and investments between the two agencies. As that work has gone on, that dynamic, delegated system has not prevented lots of partnerships and collaboration at local and regional levels between colleges and universities, involving local authorities and local employers. The system has not stood still; it has continued in that dynamic vein. However, any time that the Government embarks on a project that proves not to be successful, that involves staff time and a commitment of time that we could have been spending on other things.

The Convener: The Audit Scotland report talks about the failure to build any relationship in the shared endeavour between the Scottish Funding Council and Skills Development Scotland. In fact, in its report, Audit Scotland said that there were "tensions between the agencies". That has gone on for at least four years between, let us remind ourselves, two major Government-funded organisations. I think that the joint budget for the two is £2 billion of public money a year; yet, because of tensions between the organisations, there has been a failure to deliver. Can you explain that?

Joe Griffin: The vision in 2017 was very ambitious. It tries to align at a national level all the work of two, as you say, big and sophisticated agencies that deliver across a range of different functions. It involves co-ordinating the work of 45 different institutions—19 universities and 26 colleges—which presented a lot of difficulties. As the report sets out, there were challenges in sharing data, constraints on governance and, in particular, issues around the funding council's capacity to engage in that work. It is fair to say, as the Auditor General has, that there were also disagreements between the agencies about how

best to progress. Given the challenges, the difficulties that the vision sets us and the complexity of trying to make progress against that backdrop, it is possible that that developed into tension at times.

I think that disagreement in a system can be healthy and people bringing different perspectives to bear can be a creative process. However, tension, particularly if it gives rise to a lack of progress, is not something that we want to see. Earlier this week, Helena Gray and I met both chief executives. We were reassured by the state of the relationship as at March 2022, and we observed a range of effective collaborative projects between the two organisations and their commitment to putting in place a new way of working through the pathfinders and the framework, which they have both agreed to. For sure, there were challenges and difficulties, including in the relationship, over the past few years, but we think that it is in a better place, and that is partly the case because the overriding framework and the context that we have now set are more likely to lead to success.

The Convener: It runs a bit deeper than that, does it not? Those things happened over a period of years during which you have not always been the director general responsible; I respect that. However, the criticisms by Audit Scotland go as far as to say that there was a complete absence of strategic intent or a performance management framework to make progress. Why on earth were those fundamental elements not put in place?

Joe Griffin: To some extent, there is a strategic intent. In 2017, there was a vision of having a more aligned skills system and the attached benefits were described. Clear performance measures should have been included, but we have now taken steps to rectify that through the outcomes framework that we published this week. In any big project, you need to set out the vision, the outcomes that are attached to it, the outputs that will come from the work and a means of monitoring them. There were challenges in doing that in 2017, but those elements should have been in place.

Sharon Dowe (South Scotland) (Con): Good morning. I am looking specifically at funding for apprenticeships. Paragraph 14 of the report states that, in October 2019,

“The Scottish Government instructed SDS and the SFC to implement a new model for funding and delivering foundation apprenticeships and graduate apprenticeships in response to the removal of European structural funding.”

Paragraph 14 goes on to explain that funding for 2021-22 was

“intended to come largely from the SFC’s further and higher education budgets and partly from SDS’s budget.”

The report highlights that work on that instruction stalled as a result of Covid-19, although it has now resumed and supports the Scottish Government’s skills alignment priority. The report, however, highlights that sustainable funding for foundation apprenticeships and graduate apprenticeships remains uncertain from 2022-23 onwards. Can you tell us what the Scottish Government’s plans are for funding foundation and graduate apprenticeships from 2022-23 onwards?

Joe Griffin: I may invite one of my colleagues to speak on this in more detail, but the report is accurate. With the United Kingdom’s exit from the European Union, there was a need to rethink the basis on which apprenticeships were funded—hitherto they had been funded on the basis of European structural funds. We had to approach that in a time-critical way given the timing of the departure from the European Union. As the report says, it was another big piece of work that came at a time when we had already set out a process around skills alignment. The funding has now shifted to the Scottish Funding Council, which works closely in partnership with Skills Development Scotland in saying what the funding needs to be and how they should deliver it. One of my colleagues will pick up the specific question on funding.

Adam Reid (Scottish Government): We needed to make new arrangements from 2021-22 and the two agencies worked in partnership to deliver the split delivery for foundation apprenticeships in 2021-22. In that year, some of that was supported through Covid consequential funding and, as Joe Griffin said, the SFC managed the delivery of graduate apprenticeships.

09:15

During 2022-23 we are continuing those arrangements for split delivery for foundation apprenticeships. Covid consequential funding is not available in 2022-23 so the funding is part of the core budgets. The delivery of graduate apprenticeships remains as it was in 2021-22. We will be reviewing arrangements for the delivery and funding of foundation apprenticeships during 2022-23. Education Scotland will be publishing a review of foundation apprenticeships soon and we will review delivery and funding arrangements off the back of that.

Sharon Dowe: This week and last week, all MSPs have been out looking at apprenticeships and seeing how that is a great pathway for kids as an alternative to going to university. I hope that there will be core funding for apprenticeships in the future.

Paragraph 1 of the report explains that Scotland's labour market

"faces a combination of skills gaps, skills shortages and skills underutilisation."

It goes on to highlight particular gaps

"in social care and demand for new skills in digital and responding to the climate emergency."

How are you and your partners addressing the skills gaps?

Joe Griffin: I might bring in one of my colleagues who is more versed in the world of skills provision specifically.

There are several ways in which ministers and the collaborative groups get data on the labour market. There are a number of internal dashboards that the Government economists regularly make available to ministers and we use a particular skills survey that has a sample of around 3,500 employers, which tells us something specific about the shortages.

The other means of getting intelligence is internally through policy and delivery directorates informing us of the needs of areas such as social care, for example. Early learning and childcare is an example that is used in the report of where Government teams flag up the need for further skills investment.

The third area is the thinking about what we will need in the future. For example, there is a big issue around climate skills—as you say, Ms Dowey—and that is the subject of one of the pathfinder projects that we are using to deliver results and to explore how best to ensure collaboration. That pathfinder is specifically about skills that are required for climate change and is being led by Skills Development Scotland. Helena Gray might want to add to that.

Helena Gray (Scottish Government): I would be delighted to come in on that. To echo some of the points that Joe Griffin has made, there are some areas where we would point to success in Scotland. The employer skills survey that Joe Griffin has already flagged up shows some marginal improvements in skills shortages and gaps. However, as the national strategy for economic transformation that was published last week sets out, Scotland—like many other economies—continues to face challenges relating to several different factors such as the European Union exit, an ageing population and inequalities in attainment.

That is why the national strategy for economic transformation committed to a further programme of work around skills. It sets out three specific projects: the first is adapting the education and skill system to make it more agile and responsive; the second is supporting and incentivising people

and employers to invest in skills throughout their working lives; and the third is expanding Scotland's available talent pool. There is a clear set of actions underpinning each of those programmes.

We have committed to setting out delivery plans and success measures for the national strategy for economic transformation within the next six months. There is a real focus on delivering the national strategy for economic transformation; one of the chapters in the document sets out a renewed delivery and governance approach and we see the work on skills alignment as part of that.

Joe Griffin mentioned specific pieces of work, including on the climate emergency. In December 2020, we published a climate emergency skills action plan and we are working with SDS and the SFC to implement that. There is also a specific pathfinder under the skills alignment work. We are also working with businesses on a labour shortages action plan; we are working very collaboratively with businesses on how we respond to the challenges that we see in the labour market.

Sharon Dowey: Are you doing any work on timescales to try to speed things up? One of the things the pandemic showed us was that we could basically turn things on very quickly, remove the red tape and get the desired outcomes that we needed. Are we putting in timescales that mean that the skills that we need will be delivered when we need them and it will not be like the report that we are talking about, which follows a review that has been going on for four years? Are we doing things in a timely way?

Helena Gray: There is a real emphasis on moving at pace with the national strategy for economic transformation. In the next six months we have committed to setting out a much more detailed delivery plan, which will set out some of the important milestones. On pace, I point to some of the activity that we are doing already through things such as the national transition training fund, which supports individuals to retrain and upskill. I point to the things that are being delivered this year as well as the work that we are doing to further set out our approach and thinking on that under the national strategy.

Joe Griffin: Convener, would you mind if I added to that?

The Convener: Please do.

Joe Griffin: As I said earlier, it is important to realise that not all of the collaborative alignment activity needs to be and is being driven at national level—although some of it does and we recognise the benefits from doing that. However, we are very lucky that our colleges, for example, are very agile institutions, have very good networks at a local

level, talk with employers, the local authority and the health board, and can figure out—almost in real time—what is required.

This week, I spoke to the chief executive at Dumfries and Galloway College who told me about a partnership that the college is developing with the University of the West of Scotland on cyberskills, which they have identified as important for that region. That speaks to a system that has different levels of activity and is quite dynamic at the local and regional level. We need to match that at a national level and be able to move at a pace that is commensurate with the needs of the economy. It is a complex system with different actions happening at different levels.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): That answer leads perfectly into my question. I was hoping to localise the issue of the labour market. For example, in Ayrshire, is there an assessment of what employers' demands and needs are and the type of skills that they need? Who do I ask for that? Where would I get that information for Ayrshire?

Joe Griffin: There are probably several places that you could go. Skills Development Scotland leads on regional skills analysis and I am fairly confident that it would have that analysis for Ayrshire. There will be key players in the Ayrshire economic partnership space as well and I would expect the local authorities to have access to that kind of analysis. There are employer groups looking at youth employment, for example, and developing the young workforce infrastructure. I would expect that information to exist in a number of different places. I am just looking at Adam Reid and Helena Gray to see whether they want to add anything.

Adam Reid: I can confirm that Skills Development Scotland publishes regional skills assessments for areas across Scotland. The latest set of regional assessments was published in July 2021. The assessments set out the skills needs for an area, looking at current data and future trends. SDS will discuss that with industry leadership groups and take that work forward in discussion with institutions across the education and skills sector.

Willie Coffey: Why are we still so short of a number of skills? It is not a sudden thing as a result of Covid or anything else. We are hopelessly short of software engineers and we are really short of people to go into the hospitality sector. I was visiting a business in Kilmarnock that is really short of qualified electricians. Why are we continually seeing such gaps if the strategies and plans are there? Who is joining together the alignment agenda? Who is putting it together to make sure that local businesses get the skills and

that there are young people coming in to take the jobs that are available?

Joe Griffin: At local level, that needs to be the regional economic partnership, with the key players around the table. We would expect the partnership to have a sense of what the needs are and some sense of the success measures that represent employer need in the private and public sectors. If that is not succeeding, action needs to be taken because we need to have that alignment.

In a moment, I will ask Helena Gray to come in as she is more expert in this than I am, but I would speculate that there is also an element of personal choice. There needs to be a clear desire on the behalf of individuals to enter those sectors. That is where things like the career service, which is run by Skills Development Scotland, comes into play, particularly for school leavers, and the services that are there to enable people to reskill and make career decisions. Helena Gray knows the system better than I do.

Helena Gray: I am happy to build a little on what Joe Griffin has said. I point to the business action plan that I referred to earlier: we are working with businesses to develop that focused plan, to build on the local data, understand the challenges that businesses are facing and work with them on steps to overcome them. We know that there are challenges associated with certain skill sectors and certain groups.

I do not underplay the impact that Brexit and other factors have had on labour market shortages. We are working very closely with colleagues to look at how we overcome the different barriers. Adam Reid may want to come in and say more about the action plan itself.

Adam Reid: I will focus on the areas where we are making real tangible investment in employer needs. Apprenticeships is a good example of that: SDS with the SFC look at skills need assessments and other evidence, and work with employers in particular. The Scottish apprenticeship advisory board has a very strong employer voice and helped to design the apprenticeship system. That set-up enables apprenticeships to meet the needs of employers.

There are other investment programmes, too. Helena Gray has already touched on the national transition training fund, which we started in 2020. That has sought to address skills needs arising from Brexit and through the pandemic. There is also the flexible workforce development fund from which we allocate up to £20 million per year. That specifically enables employers to access the training that they need for their business.

Willie Coffey: This is my last query before I hand back to colleagues. The employer who I met the other day was talking about the lack of

electricians and the lack of youngsters coming through who are competent electricians. He also talked about the advanced competence assessment certification and told me that when a youngster comes out of university with an honours degree in electrical engineering, they are not able to wire a plug in an industrial setting because they do not have that certification. If we cannot supply enough electricians to do the work that is waiting for them, for example, in Ayrshire, do we have the balance right for youngsters who are heading to university and the demands that are already there in the local jobs market?

Joe Griffin: That takes us back to some extent to the discussion that we were having on the outcomes from schools and the need for the Government and others—society as a whole—to show that different routes that lie beyond school have equal value. University will not be the be-all and end-all either for an individual or the needs of the economy and society.

09:30

On my travels last week, in Borders College I saw a fantastic class of people doing construction. Those were people already working in the construction business but seeking to qualify themselves to a higher level so that they will be even higher skilled and a greater asset to their employers. Through the college sector in particular, we can see the close link between the cutting-edge skills that we need and the employers—in that particular instance, there is a link to individual employers.

The graduate apprenticeship model is a very specific way of aligning employer sponsorship, study to a graduate level and the practical skills that are required. We think that that has great value and benefit. Again, Helena Gray is more expert in that area and might have something to add.

Helena Gray: I do not have anything to add beyond what Joe Griffin and Adam Reid have already said about apprenticeships and industry involvement in them more generally.

Willie Coffey: Convener, I hope that you will let me come back in later on the performance management and reporting issues.

The Convener: Certainly—I will bring you back in a bit later on.

Director general, can I return us to the Audit Scotland report? Weak governance is one of the glaring failings that is highlighted in the report. Paragraph 24 talks about a proposal to alter the framework from there being a joint SFC and SDS skills committee to the creation of an Enterprise

and Skills Strategic Board skills committee. However, the report tells us that

“this did not happen because of the statutory requirement for the existing committee to be chaired by a SFC board member. No alternative governance structure was introduced at ESSB level, and the joint SFC and SDS Skills Committee has not met since August 2017. The SFC consolidated the Joint Skills Committee with another of its committees, which has since become the SFC’s Skills, Access, Enhancement and Learning Committee. SDS does not sit on this committee.”

Can you tell us why the ESSB did not seek to set up an alternative governance structure, and why the Scottish Government presided over such a situation?

Joe Griffin: This is an area where we have to hold up our hands and say that errors were made. I think that you can see in the series of events that Audit Scotland describes a failure to alight on a settled model of governance commensurate with the scale of the challenge. There were points along the way where mistakes were made, and we hold up our hands to that.

We have now devised and put in place a model called the shared outcomes assurance group—I appreciate that many of the words are the same. The group, which is chaired by Helena Gray and colleagues in advanced learning and science, meets every two months with Skills Development Scotland, the SFC and other partners, and there are ministerial meetings with both agencies every six weeks, to preside over the development of the framework. We set out in the framework the projects on which the two agencies are now collaborating. Those are the three pathfinders and the two elements that we want closer work on at national level.

We set out the activity much more clearly in the framework, and we set out the success measures. We think that the governance model, which is a mixture of the meeting at official level every two months and the agencies coming together with ministers every six weeks, is the right one and that it will have more traction than the ESSB was able to have.

Again, I would not say anything other than that mistakes were made along the way prior to that.

The Convener: Whether they are errors or mistakes, they have been quite long-running errors and mistakes, have they not? That is why there are many aspects of the report that give the committee a good deal of concern.

I think that you said this earlier, Mr Griffin, but for the record could you confirm that you accept the recommendations and the action plan that are set out in the Audit Scotland report?

Joe Griffin: Yes, I do, convener. There are ways in which we have already anticipated the

Audit Scotland report. We have been talking about some of these as we go this morning, such as governance, being clear about the outcomes, and ministers' involvement in the proceedings.

I have not mentioned the Covid pandemic thus far this morning. It is fair to say that there have been two years of significant disruption, of course, for so many people in public services, which has had its impact in this area as well.

In the Scottish Government, there were changes at director level, with people moving to high-priority posts to respond to the pandemic. The Scottish Funding Council had an urgent and serious need to respond to some of the financial difficulties and pastoral and health concerns that were emerging in further education and higher education. Skills Development Scotland focused on ensuring that skills provision continued during the course of challenging circumstances.

I am clear on where errors and mistakes were made. We absolutely accept the recommendations. I think that it is important to say that, in the course of the five years since 2017, the pandemic also played a major role.

The Convener: The Auditor General was asked about that during the 10 February evidence session. He said:

"The pandemic is one factor, but it is not the sole factor. I draw the committee's attention to exhibit 3 in the report, in which we track the chain of events dating back to 2016 and 2017".—[*Official Report, Public Audit Committee, 10 February 2022; c 12.*]

Again, I make the point that we can accept that there will be errors from time to time, but there seems to be consistent error and failure to deliver in the alignment of skills. I have not even spoken about the appointment of a permanent skills alignment director, which was a pivotal role that was never properly filled.

Colin Beattie (Midlothian North and Musselburgh) (SNP): Fundamental to success is strong, consistent leadership and absolute clarity as to direction. After the enterprise and skills review of 2016, the Scottish Government, SDS and SFC all committed to skills alignment. However, the Scottish Government did not provide the necessary leadership to ensure progress. My simple question is: why? What happened to leadership? Why was the Scottish Government not driving this, as was clearly intended in 2016? Where did the leadership go?

Joe Griffin: Thank you, Mr Beattie. We accept the finding and we accept the recommendations that flow from it. It was a situation that we found very difficult. There was a level of ambition to ensure alignment at a centralised, national level that threw up a lot of challenges. There were challenges in data sharing and in governance,

which we touched on a moment ago. We have taken steps latterly to improve the SFC's capacity to be able to engage in such things. I cannot give you a clear explanation of why things played out in the way that they did, but, clearly, the situation did not lead to success in the way that we hoped for and anticipated in 2017. The important thing for all of us, and for the teams in SDS and the SFC, is to roll up our sleeves now and put in place the measures that we need to improve things, to get good outcomes and to learn the lessons from what went before.

Colin Beattie: There is a recurring aspect in connection with the support given by and participation of the sponsor teams. They were involved in 2017-18 and then their involvement seemed to peter out. I know that the Scottish Government is doing a review of the whole sponsorship issue, but what happened here? Why were the sponsor teams not raising red flags, and who would they have raised them to?

Joe Griffin: You are right that the Government is looking at the whole issue of sponsorship. We are reflecting on whether there are changes that we need to make to our sponsorship arrangements. We have seen the benefit now, for example, of having one minister—Jamie Hepburn—who has oversight of both organisations at the ministerial level. We are looking at whether having a single sponsor team for both organisations might also enable us to make progress.

I cannot answer your question absolutely directly about the sponsor teams' activity in the period. I do not know whether any of my colleagues are able to—none of us was physically in post at that time, I am afraid. I think that good sponsorship is important, partly, as you say, for the ability to be able to flag up that things are not working as they should.

Colin Beattie: To learn lessons, we have to understand what went wrong. Here we have failure in leadership and, it would appear, a failure of the sponsor teams to properly engage and raise the issues that were quite clearly there. I am surprised that we do not have that information—that such an investigation has not taken place. Without it, how do we learn the lessons?

Joe Griffin: I would not particularly highlight the role of sponsor teams. As I say, I think that the project that they set out on was inherently very ambitious and a number of challenges became apparent quite quickly. That has to be a matter for senior leadership as well. I would not particularly criticise the sponsor teams in that regard.

Does Helena Gray wish to comment?

Helena Gray: I have a couple of reflections to add, if that would be helpful. I absolutely recognise

the challenges and complexity to which Joe Griffin has already referred. We have been looking back to reflect and to learn the lessons.

We asked the Enterprise and Skills Strategic Board to have a role but, in hindsight, we recognise that its role is non-statutory and that it did not have a direct governance mechanism and was instead relying on the support that it could provide through guidance and influence.

I believe that a group was created in 2017 to oversee the implementation of the 2017 programme. That created the five-step model, and responsibility was then handed to the agencies to implement that model. As you will be aware, a skills alignment assurance group was established in 2021 by my predecessor, with the support of the chair of the Enterprise and Skills Strategic Board. At that point, as has been said, the red flags were beginning to be picked up and cause concern.

The skills alignment assurance group was established in 2021 as a short-life working group to support the scoping and development of specific skills alignment projects and provide assurance to the strategic boards and to ministers. That group met six times in 2021 and has overseen the development of the three pathfinder projects. Given that the SAAG was a short-life working group overseeing the development of the projects, in discussion with the members of the group, we have since moved to the shared outcomes assurance group, which Joe Griffin has already mentioned, to pick up that oversight, delivery and monitoring and to bring clear roles and responsibilities to the process.

I return to the wider leadership point. As I said, the NSET sets out the much bigger vision. We envisage that the shared outcomes assurance group will sit within the wider governance and delivery structures, taking oversight right up to very senior ministerial level.

Colin Beattie: I am surprised by what seems to be a bit of a downplaying of the role of the sponsor teams. Paragraph 19 of the Auditor General's report says:

"However, over time, the Scottish Government lacked clear oversight of progress."

Would the Government not have relied to some extent on the sponsor teams giving feedback during that period? Who should have been giving it the feedback that it did not get so that it lost oversight?

Joe Griffin: Sorry, Mr Beattie, I am just trying to follow you. Are you asking about feedback to the people running the project?

Colin Beattie: I mean feedback to the Scottish Government. The report says that

"the Scottish Government lacked clear oversight".

I would have expected there to have been feedback to the Scottish Government from at least two sources, one being overall management and the other being the sponsor teams.

Joe Griffin: Yes; I think we would also look at the skills alignment director, which we may come on to. I think that the skills alignment director was able to make progress, but I cannot give chapter and verse on what reports were made available to whom during that period.

Colin Beattie: If the Auditor General was able to ascertain that

"the Scottish Government lacked clear oversight of progress",

why that happened must be evident and identifiable.

Joe Griffin: I come back to the challenges and difficulties that we found in putting in place a governance structure that worked. Now we have something that will make it very clear very quickly whether or not things are on track. I will give an example of that, if I may. The outcomes group meets again next week and will want to have reports from the three pathfinders telling us about progress, not least because this process and the Auditor General's report have sensitised us in particular to the risks and the challenges that are involved. We will be looking to see clearly what progress we are making.

09:45

At different points, we have not had the level of clarity or assurance that comes from governance. It comes back to having a clear governance structure in place, just as the Auditor General said. The sponsor teams may have a role to play in that. I am reluctant to single them out as an aspect that has not functioned particularly well when there is a bigger question about having in place success measures and governance structures that you can rely on.

Colin Beattie: Let us leave that aspect for the moment. I will move on to clarity of direction, purpose and outcomes. How are the various parts of the Scottish Government collaborating to agree the strategic intent and intended outcomes for skills alignment?

Joe Griffin: That comes back to the process of work that we have been involved in for the outcomes framework. The outcomes framework sets out the areas of collaboration that will lead us towards greater alignment—that is, the three pathfinders and the two elements at national level. That is being jointly developed by the teams under my area and also those of Elinor Mitchell and Helena Gray.

The teams have been working very closely on that. They alternate chairing the governance group to which I referred—it meets next week. Joint work also takes place under the auspices of the economic strategy, which has three aims for skills programmes. Helena Gray also sits as part of my wider DG family leadership team, reporting into the Cabinet Secretary for Education and Skills on the aspects that play into that.

Good, practical, frequent and consistent work is done between the two teams. The outcomes framework is the overarching set of programmes that constitutes the work that we need to do to improve skills alignment, and we are working very well together on those.

Colin Beattie: I will continue with that theme. How does the Scottish Government plan to develop its letters of guidance to SDS and the SFC to reflect its expectations on how they should work together on skills alignment?

Joe Griffin: The letters of guidance are in their final stages—we expect to issue them on 31 March. They will reflect the ambition in both the economic strategy and the outcomes framework. Indeed, we will append the outcomes framework to the letters, and be clear about the activity and the investment that we expect each agency to make in taking forward the success of those measures. I do not know whether colleagues want to add to that, but that is essentially the long and short of it, Mr Beattie.

Colin Beattie: Given that the letters are due fairly soon, perhaps it might be possible to share them with the committee. It would be useful for us to see them.

Joe Griffin: Yes, absolutely—I would be delighted to do that.

Colin Beattie: There have been issues in relation to the working culture between SDS and the SFC. How are you working with them to agree how they will work together to deliver the shared outcomes?

Joe Griffin: As I have said, disagreement can be healthy in a system—it can be a creative tension. However, when you reach the levels to which the Auditor General alludes in his report, you do not want to see that in a system. I have mentioned that there are regular meetings—they take place every six weeks—between the chair and chief executive of both agencies and the minister. A single minister is now responsible for both agencies. There are also bilateral relationships between the SFC and the minister and between SDS and the minister. Those meetings are currently fortnightly, and will move to monthly meetings from April. In addition, we attend board meetings—I will be at the SFC board meeting tomorrow.

Given that the outcomes framework and the projects that are set out in it are the top priorities for that collaborative activity and understanding better alignment, it is the governance that underpins that—that is, as I have described, the two monthly meetings with the group, where both organisations are represented, and also the coming together with the minister. The difference now is that we have those success measures clearly set out in the framework as well.

Having met both chief executives earlier in the week, I detect that they are absolutely committed to that. They have been undertaking a range of good collaborative activity. That is an on-going part of how they work. We have mentioned the recent shift of the apprenticeship funding to the SFC. It needs to continue working with SDS on the development of that, and I think that it is doing that effectively. There is a range of other areas where they collaborate.

We now have clear governance of the alignment process, we have a minister responsible for both organisations and we have a regular and consistent pattern of engagement between chief executives, the chairs and both boards.

Colin Beattie: There has been a history, which has been over an extended period, of a divergence in views—I will not call it a “clash of cultures”—as to the future line of march. How has that been overcome? Why is it different now? Have people changed? Have heads been knocked together? How has that been resolved?

Joe Griffin: That is partly about overcoming or, indeed, moving away from some of the challenges that were present in the period after 2017. I will refer to data sharing. That was necessitated by the 2017 process but at a scale—implying a level of complexity—that was really challenging. I think that that introduced difficulties into the relationship.

I will give an example. The SFC was asked to share around 5 million student records going back over a decade. I think that it found a way in which to make the process work, but that was not easy because of issues around safeguarding and because of the ability of one organisation to interpret the data from another for the purposes that it needed. In the context of the overall process, you can imagine that giving rise to some difficulties along the way.

However, I think that progress has been made in areas such as data sharing—that is in much better shape, and we are on the verge of signing off the latest annual review of that—an understanding of each other’s perspectives, and there now being a positive basis on which to continue collaboration.

Also, our being clear about the constraints of the alignment model in the way that we have, and

focusing on the three pathfinders and the two national projects, rather than saying that it must be everything all at once, has given greater focus.

It is incredibly important to us that people work effectively together. As the convener said earlier, SDS and the SFC are big, sophisticated organisations. It matters to us, the chairs, the chief executives and the boards that the relationships are positive. I think that we now have in place the things that make that a much more likely prospect.

Colin Beattie: I have one last question. How is the Scottish Government ensuring that the objectives for skills alignment are consistent with other national strategies and plans, such as the future skills action plan and the coming national strategy for economic transformation?

Joe Griffin: The framework was very much drawn up with those things in mind. I will turn to one of my colleagues to talk through that in a bit more detail. I do not know who wants to pick that up. Perhaps Helena Gray will.

Helena Gray: I am happy to pick that up, and Adam Reid might want to say a bit more about the future skills action plan as well. As I said, the national strategy for economic transformation sets out the bigger vision and the three programmes that sit underneath it. The shared outcomes assurance framework, which we have talked about, sits as part of the wider governance structure and the wider vision underneath the national strategy for economic transformation. We are very much about ensuring that that is all aligned and that the skills alignment piece is at the heart of our work on the national strategy for economic transformation. I do not know whether Adam Reid wants to say anything about the future skills action plan in particular.

Adam Reid: The future skills action plan was originally published in 2019. One of its four aims was to increase system agility and employer responsiveness, so there is direct alignment with the skills alignment agenda that we are talking about today. We are updating the future skills action plan to ensure that it is consistent with the national strategy for economic transformation and other strategies.

The Convener: I will now invite Craig Hoy to ask questions.

Craig Hoy (South Scotland) (Con): Good morning, Mr Griffin. Before we go into issues of oversight and governance, I will echo the convener's remarks about the late emergence of the shared outcomes framework. You have pulled the rug from under our feet to some extent in this session, because we have not had time to study the framework, but yet you are referring to it, almost like Chamberlain, saying, "Here it is, peace in our time between these two bodies". On the

announcement yesterday about the independent adviser's report on education, if that is the sort of slap-dash, last-minute and inconsiderate way that the Scottish Government is operating, it is perhaps no surprise that we are increasingly seeing reports coming to the committee that identify serious and systemic failures in the operation, delivery, governance and oversight of key public services.

Before I turn to the questions that I have prepared—which I think are now redundant, in some respects—I want to go back to leadership, because I do not think that you fully answered the question from Mr Beattie. The second key message of the report says that

"The Scottish Government has not provided the necessary leadership for progress"

and that

"Many obstacles remain and present risks to progress. The Scottish Government now needs to take urgent action to realise its ambitions for skills alignment."

Do not forget that we are talking about £2 billion of taxpayers' money and two very large organisations—SDS and the SFC. I am looking at exhibit 1—the organogram. At the top of the tree is the Minister for Further Education and Higher Education, Youth Employment and Training. Is the failure of leadership ministerial, institutional or systemic, or is it a combination of all three?

Joe Griffin: Thank you, Mr Hoy. Again, because you raised the matter, I reiterate my apology. Clearly, the last thing that I want to do is undermine the ability of the committee to hold us to account, so I apologise unreservedly for the late arrival of that document.

I noted that the Auditor General said in his report that it is not possible to be able to say that this aspect was down to ministerial leadership or that aspect was down to official leadership. The recommendations are directed towards the Government and the Government accepts them. There are certainly things that we learned from a civil service point of view. We have spoken a little about governance—we might want to come back to that—and about data and clarity of outputs.

One thing we have not touched on yet is churn in staff, including at senior levels, which Covid has exacerbated. I agree with the convener that Covid is not the only reason; there were other factors. We hold our hands up, and I am not claiming that Covid was the only reason. There are certainly lessons to be learned about how the civil service needs to operate.

I think that we are showing leadership at the moment. I appreciate that your ability to cross-examine me on the framework is limited, so we would be happy to provide more evidence, in due course.

Craig Hoy: We might have you back at committee.

Joe Griffin: Yes, of course—we would be absolutely delighted to come back.

Our leadership response to the critique is an attempt to reiterate the vision. I think that we have set out clearly the activities that are under way, the success measures that are associated with those and the outcomes that we expect to see. I think that we now have governance that combines the ministerial level and the official level perspectives, and which brings together agencies that meet regularly. That gives me reassurance that we are on firm ground.

I will share with the committee one area in which I think continued leadership will be needed. That area is the pace of things. The pathfinders are all well and good, but they need to move to deliver things that are of real value. I will be in Aberdeen the week after next to meet leaders from the north-east pathfinder to hear from them about the pace of what is happening.

We will be getting reports to the outcomes assurance group when it meets next week and we will scrutinise those carefully again. I also plan to visit colleagues in Dumfries to evaluate progress on the south of Scotland initiative.

The report is quite right: there must be leadership. It is an essential part of making a system work and we are committed to ensuring it.

10:00

Craig Hoy: I will turn now, in some detail, to governance and oversight. I accept that you were not in post in 2017 when the Scottish Government established the Enterprise and Skills Strategic Board. The view of the Auditor General is that

“The ESSB lacks the authority to hold the skills agencies to account”.

In 2020 the Scottish Government proposed a new skills alignment assurance group to replace the governance arrangements. In 2021 the Scottish Government wound up the SAAG. Here, in 2022, we have the shared outcomes assurance group. It strikes me that we have more groups than Eurovision and more directors than Hollywood, but this document might now be the one that works.

Looking back at that history, could you say what issues affected governance and what steps the Government is taking? Is the document the one that will get us to the point at which there will be sufficient assurance that appropriate governance and oversight arrangements are in place?

Joe Griffin: I will ask Helena Gray to come in and speak about the ESSB's history.

Things are interconnected. As the Auditor General said, governance is one aspect, but so is clarity about what we are trying to achieve. The framework has that. This is also about having a sense of pace and being clear about what we want to do and by when; otherwise, governance is a somewhat abstract notion. A clear road map is needed, which I think we have now, and governance is much better. Helena Gray has been looking at the history of the matter a bit more.

Helena Gray: I am happy to come in again. I will repeat comments that I made previously about the ESSB. Looking back now, we accept that, as a non-statutory body, the ESSB struggled with the direct governance mechanism and instead had to rely on other forms of influence, support and guidance. The ESSB chair raised concerns about how progress on skills alignment was being monitored. Those were discussed and my predecessor agreed to set up and co-chair the skills alignment assurance group. That was established in 2021, as a short-life working group, to support the scoping and development of the skills alignment projects and to provide assurance to the strategic board and ministers.

As I said, that group met six times in 2021 to do that and then, as the pathfinders and the projects commenced, the group wound itself up because it was a short-life group to help with that scoping. The decision was taken to move to the strategic outcomes assurance group, which we referred to previously. With that framework, the clearer roles and responsibilities are now set up. It was obviously a slightly turbulent time, but I think that we now look to that assurance group to provide assurance and clarity going forward.

Craig Hoy: Okay. Obviously, you will have looked at the directorates and the SFC. Do you believe that they have sufficient internal staffing capacity to support the skills alignment activities?

Joe Griffin: That is probably one for me to pick up. We have agreed to increase the capacity of the SFC. That was a reasonable finding by the Auditor General. From talking to the chief executive of the SFC yesterday, I know that she plans to recruit some 20 posts in the course of this year and another 10 after that. Some of the posts will be roles that are directly associated with the process of skills alignment. There will be leads for the pathfinders that I have referred to, and there will be investment in data analysts and investment in systems. An issue with data sharing is the need to improve and modernise systems on which the data is held. We have taken steps to improve the SFC's capacity.

The Convener: Willie Coffey has questions about monitoring and reporting arrangements.

Willie Coffey: I want to look ahead and ask Joe Griffin some questions about future monitoring and reporting of performance. During the discussion that we have been having, I had a wee look over the shared outcomes framework. There is a section near the tail end of it that talks about how you will do reporting, but it does not have lot of detail. Paragraph 19 says that reports will be produced in a dashboard format, which will be suitable to be provided to the minister. Could you tell us a little bit more about how you plan to report on progress against all the outcomes in a format that is useable by, for example, members of this committee and anyone else who wants to see how performance is developing?

Joe Griffin: Of course, Mr Coffey. I will invite Helen Webster to come in, because I know that she has been working on the framework and the group and has been thinking about this. The first thing to say is that we are at a relatively early stage. The framework was completed earlier this week—yesterday, in fact—and it sets out the stage that we are at. I think we have a much better system here that goes from the national outcomes all the way through to specific indicators and the things that we want to measure as a result of the pathfinders. We will get an update from the pathfinders at the assurance group next week, but my understanding, certainly of the regional pathfinders, is that they are not there yet in being able to generate the specific success measures that we want to see.

Again, I refer you back to my comments about pace. I think that there is a role for the Government to show leadership and ensure that that pace is there. I will be asking questions about that when I have my discussions in the south, and in the north-east, about the data sets that we will need. Helen Webster, do you want to add anything, based on the work that you have been doing?

Helen Webster (Scottish Government): I think that covers it at a macro level. As Joe Griffin said, the meetings that are now established at official level will happen every six weeks and then there will be a report to the minister after two weeks, and the meeting with the agencies two weeks after that. In agreement with everybody who sits on the shared outcomes assurance group, we have mapped out a forward look at when we will do a deep dive on each of the projects that are captured in the shared outcomes framework and we will be seeking papers and reports from the agencies on progress on the activity in advance of that meeting. The shared outcomes assurance group, chaired on rotation by Helena Gray and by directors in advanced learning and science, will then use that meeting will do a deep dive on the issue in focus and integrate against the reporting outcomes that were agreed. If anything needs to

be escalated, that is where the accountability is for the ministerial meeting that follows.

Joe Griffin: Mr Coffey's point about intent is exactly right. The data that we want to collect here has to be meaningful. It has to reflect action on the ground and improvements in a way that further aligns skill provision, for all the reasons that we set out in 2017 and which we reiterated in the economic transformation programme. That is our aim. We are not there yet and I certainly hope that the data is in a format that could be accessible, for example, to this committee. That is absolutely the intent. We are not there yet. We need to show leadership in ensuring that there is pace behind that progress.

Willie Coffey: That is appreciated. I made that point because a report that is tabled for a ministerial meeting will probably not be the same as a report for constituency and regional members of the Parliament who are interested in how this is developing in their local part of Scotland. How will I be able to assess progress with this as an Ayrshire MSP over the coming years to see for myself whether I think you are making that progress? The information needs to be provided in a readable and digestible format for us, too. I hope that you will take that point on board and develop it in that way.

Joe Griffin: Absolutely, Mr Coffey. I completely take that on board. We can take away an action to write to you specifically about Ayrshire and the ways in which you, as a member of Parliament, can access the work that is already happening there, at a regional level. As I explained earlier, this is a dynamic system with activity at different levels. We are talking about measures to improve alignment being driven from the national level, but there will be plenty of vibrant work going on in Ayrshire as well. We can take away an action to write to you—and share with other members of the committee, because this will be an example for others to see as well—exactly how you would access data at the Ayrshire level.

Willie Coffey: That is great. Thanks very much for that.

The Convener: Thank you very much. That concludes our questions for this session. I think I said at the start that it was a section 22 report. It was a section 23 report, but contained some trenchant criticism nonetheless. Sharon Dowe referred to the fact that this is apprenticeship week and there have been numerous references to last week's publication of the national strategy for economic transformation, which said:

"A skilled population is fundamental to business productivity and economic prosperity."

For those reasons it is important that we get these things right and we do not preside over

some pretty fundamental—"systematic" is a word that has been used wisely this morning—failures.

The only other point I would make is that we will of course have an opportunity to look at the shared outcomes framework document in due course, and we shall do that. I am quite sure that the Auditor General will want to have a look at it as well. We will do that and we may well come back to you with further questions, Mr Griffin. That leads me to my final point: if we had known about the timing of this important document, which is absolutely central to the discussions that we have had this morning, we could have rescheduled this evidence session so that we could have taken full account of it. I hope that that is one of the things that you and your team will think about after leaving this meeting.

I will draw the public part of the meeting to a close and thank the director general for his evidence. I also thank Helena Gray and Adam Reid, and Helen Webster, who joined us online.

10:12

Meeting continued in private until 11:16.

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