

Public Audit Committee

5th Meeting, 2022 (Session 6), Thursday, 10 February 2022

Planning for skills

Introduction

1. At its meeting today, the Public Audit Committee will take oral evidence from the Auditor General for Scotland (AGS) on his [Planning for skills report](#), which was published on 20 January 2022.
2. The AGS has prepared a note on the key messages from the report which, along with a copy of the report, can be found in the Annexe.

Clerks to the Committee
7 February 2022

Annexe

BRIEFING PAPER BY THE AUDITOR GENERAL FOR SCOTLAND

Planning for skills

1. The Auditor General's report on Planning for skills was published on 20 January 2022. It looks at how effectively the Scottish Government, Skills Development Scotland (SDS) and the Scottish Funding Council (SFC) are working together towards a more integrated approach to skills planning and provision (known as 'skills alignment'). The audit assessed progress to the end of November 2021.
2. The report's overarching message is that the Scottish Government recognises workforce skills are central to the economy, but it has not provided the leadership needed to achieve the intended benefits from joint working in skills planning and provision. Many obstacles remain and present risks to progress.
3. The three key messages in the report are:

- **In 2017, the Scottish Government committed to improving skills planning to make it more effective.** The Scottish Government recognises that skills are crucial to inclusive and sustainable economic recovery and growth. It established the Enterprise and Skills Strategic Board to coordinate the activities of the enterprise and skills agencies. The Scottish Government, SDS and the SFC agreed to work towards skills alignment – a more integrated approach to skills planning and provision.
 - **The Scottish Government has not provided the necessary leadership for progress.** SDS and the SFC started to work together on skills alignment but a lack of consensus emerged. The Scottish Government did not provide the necessary leadership or oversight, with insufficient clarity on what it wanted to achieve and what success would look like. As a result, the benefits anticipated from skills alignment have not been realised.
 - **Current arrangements are unlikely to achieve the ambitions for skills alignment at the pace required.** The Scottish Government set up the Skills Alignment Assurance Group in 2021 to drive progress, with a different focus than was originally set out in 2017. Differences between the Scottish Government, SDS and the SFC on the revised approach have prevented effective joint working. Pathfinder projects have been slow to start, and there are no timescales for achieving their planned outcomes. The capacity of the SFC continues to limit its contribution to skills alignment. Existing obstacles continue to pose a risk to progress, and the Scottish Government now needs to take urgent action.
4. The report states that the Scottish Government needs to take urgent action if it wants to realise the expected benefits of skills alignment at the pace required. SDS and the SFC also have leadership roles in working together to deliver shared outcomes for skills. The report recommends that:
- **The Scottish Government should:**
 - clearly set out its strategic intent for skills alignment, the outcomes it aims to achieve, and how it will measure progress – ensuring that this is consistent with relevant objectives and outcomes in its national strategies and plans
 - clarify the governance and oversight arrangements for skills alignment activity
 - through its letters of guidance to SDS and the SFC, clearly articulate what it expects of them in working together to implement skills alignment, ensuring the letters to both agencies are consistent and complementary.
 - **The Scottish Government, SDS and the SFC should:**
 - agree how they will work together to deliver shared outcomes for skills.
 - **SDS and the SFC should:**

- implement solutions to overcome obstacles to joint working, including collectively using data to inform skills planning
 - provide timely, regular reports about their progress on skills alignment to the Scottish Government and others with governance and oversight responsibilities.
5. It will be important for the Scottish Government to ensure that its strategic direction to SDS and the SFC reflects relevant objectives and outcomes in the anticipated National Strategy for Economic Transformation, as well as the Climate Emergency Skills Action Plan and the SFC’s review of tertiary education and research.
6. The report notes that the Scottish Government plans to monitor progress with skills alignment, and a range of other collaborative projects, through a shared outcomes framework that it is developing with SDS and the SFC. It plans to use this framework at regular joint meetings between the Minister and the chief executives and chairs of SDS and the SFC to measure progress against agreed shared priorities and outcomes.

Planning for skills



Key messages

The Scottish Government recognises that workforce skills are central to the economy, but it has not provided the leadership needed to achieve the intended benefits from joint working in skills planning and provision. Many obstacles remain and present risks to progress. The Scottish Government now needs to take urgent action to realise its ambitions for skills alignment.

1. In 2017, the Scottish Government committed to improving skills planning to make it more effective

The Scottish Government recognises that skills are crucial to inclusive and sustainable economic recovery and growth. It established the Enterprise and Skills Strategic Board to coordinate the activities of the enterprise and skills agencies. The Scottish Government, Skills Development Scotland (SDS) and the Scottish Funding Council (SFC) agreed to work towards skills alignment – a more integrated approach to skills planning and provision.

2. The Scottish Government has not provided the necessary leadership for progress

SDS and the SFC started to work together on skills alignment but a lack of consensus emerged. The Scottish Government did not provide the necessary leadership or oversight, with insufficient clarity on what it wanted to achieve and what success would look like. As a result, the benefits anticipated from skills alignment have not been realised.

3. Current arrangements are unlikely to achieve the ambitions for skills alignment at the pace required

The Scottish Government set up the Skills Alignment Assurance Group in 2021 to drive progress, with a different focus than was originally set out in 2017. Differences between the Scottish Government, SDS and the SFC on the revised approach have prevented effective joint working. Pathfinder projects have been slow to start, and there are no timescales for achieving their planned outcomes. The capacity of the SFC continues to limit its contribution to skills alignment. Existing obstacles continue to pose a risk to progress, and the Scottish Government now needs to take urgent action.

Recommendations

The Scottish Government should:

- clearly set out its strategic intent for skills alignment, the outcomes it aims to achieve, and how it will measure progress – ensuring that this is consistent with relevant objectives and outcomes in its national strategies and plans
- clarify the governance and oversight arrangements for skills alignment activity
- through letters of guidance, clearly articulate to SDS and the SFC what it expects of them in working together to implement skills alignment, ensuring the letters to both agencies are consistent and complementary.

The Scottish Government, SDS and the SFC should:

- agree how they will work together to deliver shared outcomes for skills.

SDS and the SFC should:

- implement solutions to overcome obstacles to joint working, including collectively using data to inform skills planning
- provide timely, regular reports about their progress on skills alignment to the Scottish Government and others with governance and oversight responsibilities.

Background

1. Scotland's skills system needs to operate effectively for individuals and employers, and to add value to the economy. The labour market faces a combination of skills gaps, skills shortages and skills underutilisation. For example, there are gaps in social care and demand for new skills in digital and responding to the climate emergency. Withdrawal from the EU and Covid-19 have further sharpened the focus on workforce skills.

2. The main public bodies responsible for providing access to post-school skills and knowledge are Skills Development Scotland (SDS) and the Scottish Funding Council (SFC). Together, they spend over £2 billion each year on training and post-school education, although it is not possible to identify how much of the SDS and SFC expenditure specifically relates to skills alignment activity:

- SDS supports people and businesses to develop the skills they need through careers advice, apprenticeships and other work-based learning. As at November 2021, it had 1,536 full-time equivalent (FTE) staff, inclusive of 73 FTE shared services staff who also support other agencies. The Scottish Government's draft budget for 2022/23 includes a total of £225.6 million for SDS.
- The SFC funds further and higher education and research through colleges and universities. As at November 2021, it had 109 FTE staff. The Scottish Government's draft budget for 2022/23 includes a total of £1.974 billion for the SFC.

3. Skills can be provided through:

- **apprenticeships**
(modern apprenticeships, foundation apprenticeships, graduate apprenticeships)
- **college courses**
(including higher national certificates and higher national diplomas)
- **university courses**
(such as undergraduate and postgraduate degrees)
- **upskilling and reskilling of people currently in work**
(for example through on-the-job training and retraining).

About this report

4. This report summarises the findings of an audit that assessed how effectively the Scottish Government, SDS and the SFC work together to ensure that Scotland's skills system responds to individuals' and employers' needs. It focuses on the extent to which the Scottish Government supports an integrated approach to skills planning. The audit's objectives are explained in the [audit scope](#) on our website. The audit assessed progress to the end of November 2021.

5. By 'skills alignment' we mean the objectives of a project originating from the Enterprise and Skills Review in 2017, which involves SDS and the SFC working together on skills planning, provision, review and evaluation. The audit did not aim to assess the effectiveness of the work that SDS and the SFC undertake separately. Neither did it analyse the effectiveness of individual skills initiatives or the organisations delivering them. Many other organisations have a role in funding and developing workforce skills including colleges, universities, employers and private sector training providers.

The audit team consisted of Rebecca Seidel, Douglas Black, Corrinne Forsyth and Lynsey Davies, with support from other colleagues and under the direction of Gordon Smail, Audit Director.

In 2017, the Scottish Government committed to improving skills planning to make it more effective

The Scottish Government established the Enterprise and Skills Strategic Board to coordinate the activities of the enterprise and skills agencies

6. Scotland's skills system involves a range of bodies and governance structures ([Exhibit 1, page 6](#)). The Scottish Government is ultimately responsible for securing the skills the country needs. Its Fair Work, Employability and Skills Directorate oversees SDS, and the Advanced Learning and Science Directorate oversees the SFC. In May 2021, responsibility for skills changed from two ministers to a single minister – the Minister for Higher Education and Further Education, Youth Employment and Training.

7. In 2016, the Scottish Government started a review of the working arrangements among the enterprise and skills agencies – Highlands and Islands Enterprise, Scottish Enterprise, SDS and the SFC. The review recommended a national board to help coordinate the activities of the agencies, and the Enterprise and Skills Strategic Board (ESSB) was formed in November 2017. Our 2019 briefing paper [Enterprise and Skills Review: Core areas of audit interest](#) has more information on the review and the ESSB. The ESSB developed collective actions and recommendations for the agencies on several projects, including skills alignment.

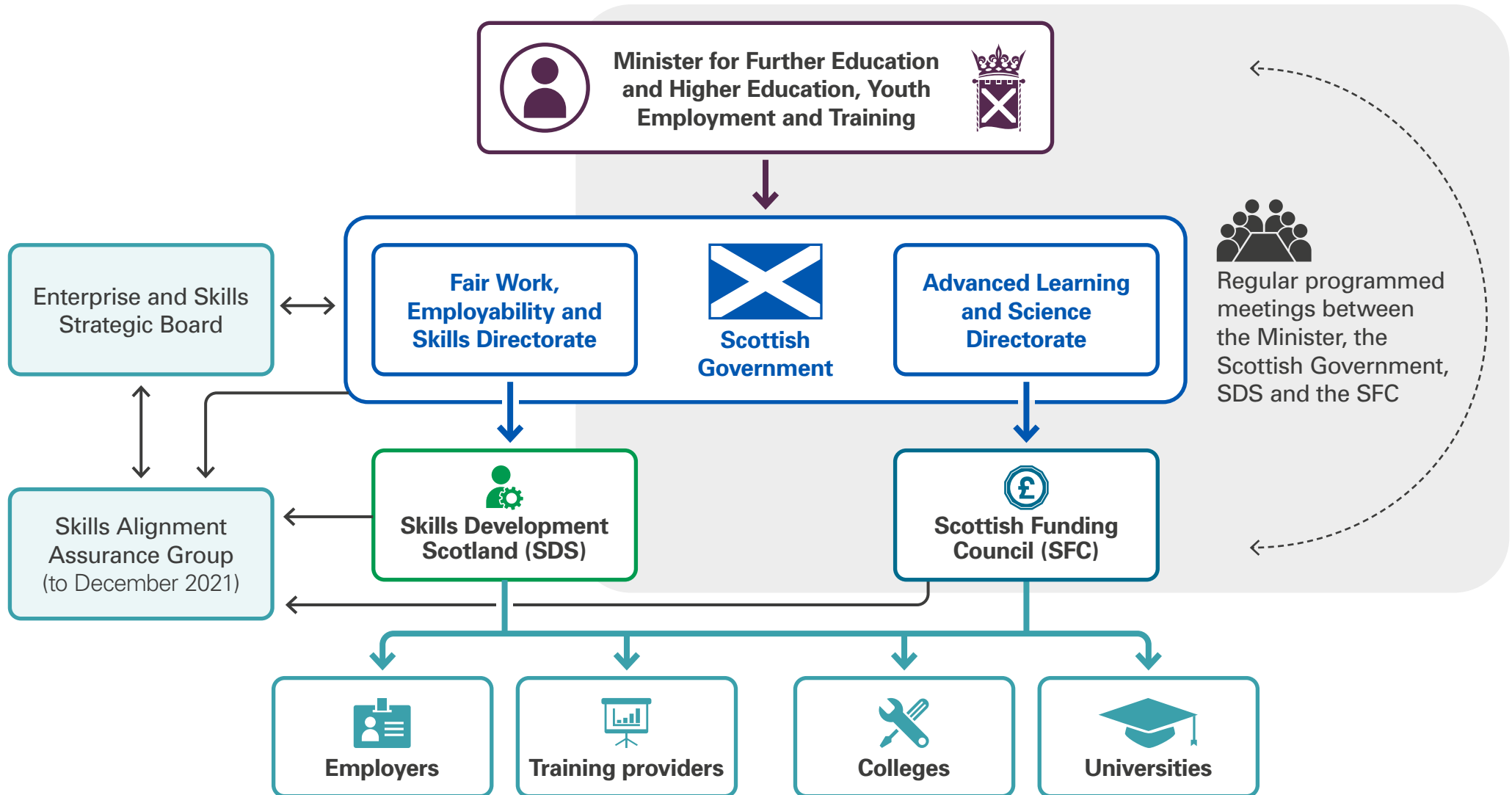
8. Skills alignment was intended to 'align the relevant functions of the SFC and SDS to ensure that... the agencies are able to equip Scotland's people and businesses with the right skills and experience to succeed in the economy, not just now but in the future'. The Scottish Government expressed the intended benefits of skills alignment as follows:

- Learners will be able to access provision which enables them to develop the skills required to contribute to a highly productive workforce.
- Employers will experience reductions in skills gaps and improvements in the skills of their workforce.
- Through collaboration, the capacity of colleges, universities and training providers will be developed and deployed to maximum effect.
- Duplication in public funding will be addressed, leading to more efficient investment in human capital through the education and skills system, and the upskilling and reskilling of existing workers.

Exhibit 1.

The post-school skills system in Scotland

A range of bodies are involved in skills planning and provision.



Source: Audit Scotland

9. The skills alignment work involved developing a five-stage model for skills planning and provision, to be delivered jointly by SDS and the SFC ([Exhibit 2, page 8](#)). This required them to agree what skills Scotland requires and to then develop a plan for providing them. The purpose of the plan was to help the Scottish Government make evidence-based decisions on what skills provision to invest in nationally. The last three stages of the model involved having systems to ensure the skills planned for were provided and to assess whether delivering these skills had achieved the intended benefits. In 2021, the Scottish Government decided the five-stage model was no longer working as a means of progressing skills alignment, and the approach changed to focus on three strands of activity ([paragraph 30](#)).

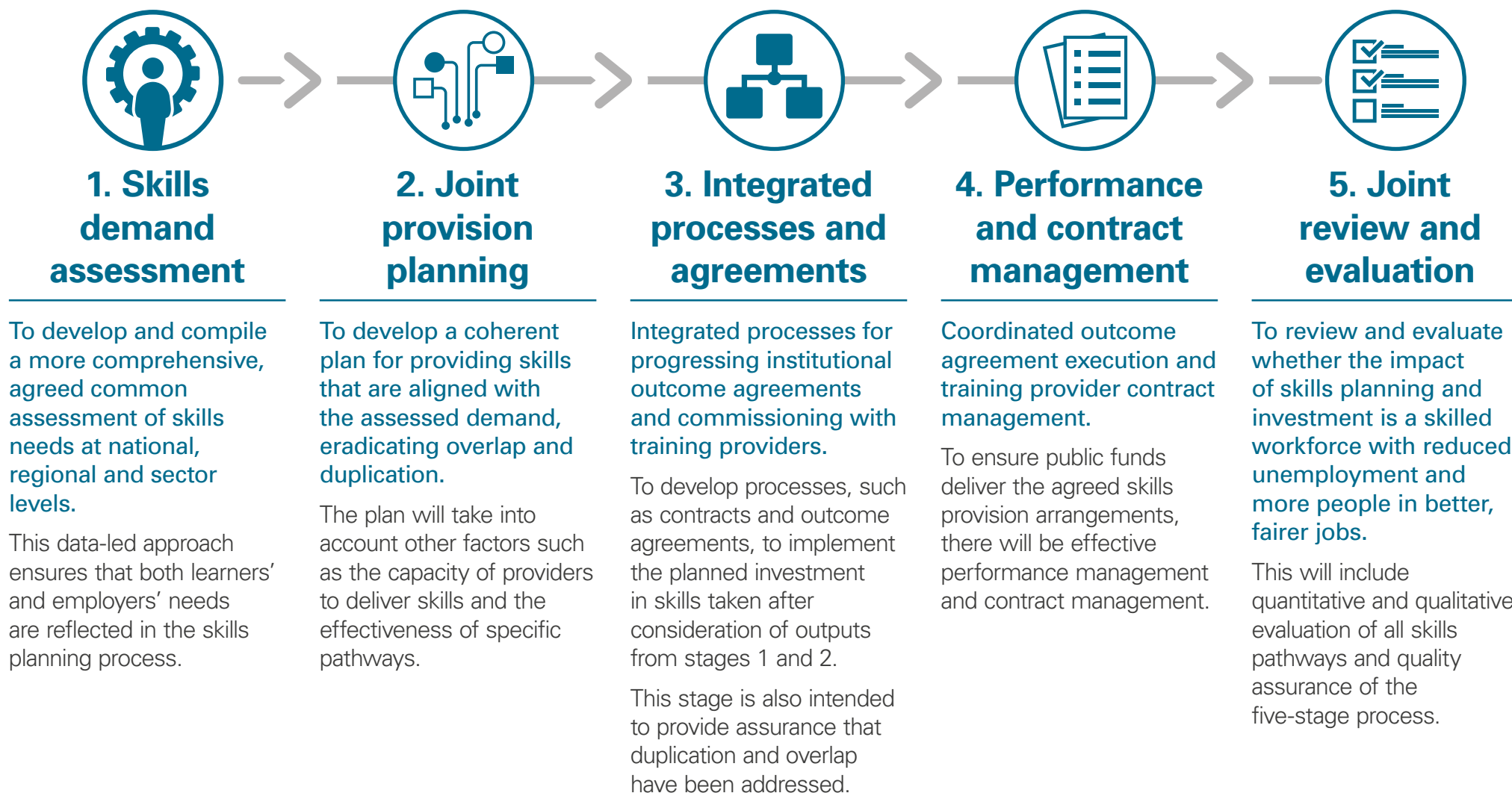
10. In 2017, the Scottish Government set out three actions to ensure there would be appropriate guidance and oversight of skills alignment:

- From 2018/19 the Scottish Government was to issue the same strategic skills guidance through letters of guidance to the boards of SDS and the SFC, to support the delivery of the ESSB's strategic plan, once published.
- The joint SFC and SDS Skills Committee, which provided advice on skills to the boards of SDS and the SFC, was to become the Skills Committee of the ESSB. It was to take on a new role as a joint decision-making forum for the boards of SDS and the SFC on issues affecting both agencies. It was also intended to provide detailed oversight of skills alignment on behalf of the ESSB.
- A skills alignment director was to be appointed in 2017/18. The post was to be jointly appointed and funded by SDS and the SFC and report to both chief executives. This appointment was to be at a sufficiently senior level to allow the director to influence the strategic and operational decisions of SDS and the SFC. The director was to be supported by staff from SDS and the SFC.

Exhibit 2.

SDS and the SFC's five-stage skills alignment model

The five-stage model begins with assessing the demand for skills in Scotland.



Source: Scottish Government

The Scottish Government has not provided the necessary leadership for progress

SDS and the SFC began to work closely on skills alignment but a lack of consensus emerged

11. SDS and the SFC have collaborated well to implement some actions arising from the Enterprise and Skills Review, including piloting the five-stage model in specific sectors. However, progress was impeded as a range of obstacles emerged, including a lack of consensus between SDS and the SFC about what skills alignment should involve. As a result, skills alignment has not followed the intended pathway set out in the Enterprise and Skills Review.

[Exhibit 3 \(page 10\)](#) outlines the key developments in the skills alignment workstream from 2016 to 2021.

Delays in recruiting a permanent skills alignment director contributed to slow progress

12. The Scottish Government stated that a skills alignment director should be appointed in 2017/18 to support joint working between the two skills agencies. Recruitment started in February 2018 and an interim director took up the role between October 2018 and March 2019. A permanent director did not start work until August 2019, much later than the Scottish Government had initially intended. Delays in appointing the permanent director limited the extent and pace of progress that could be made on skills alignment. Activity increased after the appointment of the director, until much of the work was paused from March 2020 due to Covid-19.


13. Prior to the skills alignment director taking up post, the Scottish Government, SDS and the SFC worked together to develop actions and milestones to support the implementation of the five-stage model, and the agencies agreed a high-level roadmap with the Scottish Government in May 2018. In 2019, SDS and the SFC progressed three pilot projects to test the five-stage model. Two of these covered specific sectors (early learning and childcare, and financial and professional services) and one covered the Glasgow College Region. An interim evaluation of the pilots in April 2020 found better collaboration between SDS and the SFC, and a clear link to changes in provision from the early learning and childcare pilot ([Case study 1, page 11](#)). But it also flagged challenges such as varying degrees of understanding of skills alignment, including what the process should be, who was to lead it and who should be involved.

Exhibit 3.


Key skills alignment developments between 2016 and 2021

There have been many significant developments within the skills alignment workstream.




2016

- May The First Minister announced a review of the enterprise and skills agencies
- October [The Enterprise and Skills Review: Report on phase 1](#) was published 




2017

- June [The Enterprise and Skills Review: Report on phase 2](#) was published, including a specific [report on skills alignment](#) 


2018

- February Recruitment of a skills alignment director began 
- May The Scottish Government, SDS and the SFC agreed a 'roadmap' for skills alignment
- October An interim skills alignment director took up post 
The ESSB published its strategic plan – [Working collaboratively for a better Scotland](#) 




2019

- March The interim skills alignment director's term ended 
- August The permanent skills alignment director took up post 
- September The Scottish Government published [Scotland's Future Skills Action Plan](#) 
- October The Scottish Government instructed SDS and the SFC to work on a new model for providing foundation and graduate apprenticeships

2020

- March The Covid-19 pandemic began disrupting activity and agencies focused on their emergency response
- June The Scottish Government commissioned the SFC to conduct a review of the tertiary education system
The first Covid-19 labour market insights publication was produced by the skills alignment team 
- December The Scottish Government advised the ESSB that it would take forward a reinvigorated approach to skills alignment

2021

- February The skills alignment director tendered their resignation 
The Skills Alignment Assurance Group met for the first time
- March The skills alignment director left post 
- May The Scottish Government proposed a new three-strand approach to skills alignment
- June The SFC published its [review of tertiary education and research](#) and the Scottish Government [responded](#) in October 
- November The Scottish Government indicated its intention to wind up the Skills Alignment Assurance Group

 Skills alignment director  Publication

Case study 1.

Early Learning and Childcare (ELC) pilot project

SDS and the SFC collaborated to help increase the supply of skills to meet the needs of employers providing early learning and childcare.

- In April 2019, joint SDS/SFC work to expand the supply of skills needed by ELC providers became a pilot project for the five-stage skills alignment model.
- A key objective for the pilot was to ensure that skills training funded by SDS and the SFC became more collaborative, coordinated, complementary and focused on achieving common aims and outcomes for the ELC sector.
- Pilot work focused on developing a comprehensive understanding of demand and of what skills were being funded through college, university and work-based learning provision, and then assessing whether there was a gap between skills demand and planned skills provision.
- Activity built on an evidence base set out in an ELC skills investment plan and involved collaborative work with the Improvement Service, Scottish Qualifications Agency and Scottish Social Services Council.
- The pilot helped the understanding of the demand for skills from ELC employers and how the provision put in place by institutions and independent training providers was responding to this demand. It guided planning and investment in skills to meet the needs of employers.
- An evaluation of the pilot in April 2020 said that it had improved collaboration, communication and information flows between the agencies.

Sources: Skills Development Scotland and the Scottish Funding Council



Policy context

- ELC describes the care and learning services that children receive before starting school. It can be funded by parents or carers themselves, or by councils.
- From August 2014, entitlement to council-funded ELC rose from 475 hours a year to 600 hours a year, for all three- and four-year-olds and for eligible two-year-olds.
- From August 2021, the entitlement rose to 1,140 hours. That equates to about 30 hours of funded ELC per week during school terms.

An extra skills alignment project on apprenticeships created significantly more work for the agencies

14. A new project was added to the skills alignment workstream in October 2019. The Scottish Government instructed SDS and the SFC to implement a new model for funding and delivering foundation apprenticeships (FAs) and graduate apprenticeships (GAs) in response to the removal of European Structural Funding, which SDS had previously used to fund FAs and GAs. This was a significant and urgent development for the two agencies, with funding for 2021/22 intended to come largely from the SFC's further and higher education budgets and partly from SDS's budget. Progress stalled at the start of the Covid-19 pandemic. Work resumed and this became the Scottish Government's skills alignment priority in the latter part of 2020, although uncertainty remains about sustainable funding for FAs and GAs from 2022/23 onwards.

Staff capacity constraints within the SFC created tensions between the agencies

15. Strains on the SFC's staffing capacity, including at senior level, are recognised across the SFC, SDS and the Scottish Government. Staffing constraints created tensions between SDS and the SFC and limited the SFC's involvement in skills alignment. While SFC staff had been involved in skills alignment between 2018 and 2019, a report to the Skills Alignment Joint Programme Board in February 2020 highlighted that the SFC then had no dedicated resource assigned to skills alignment. In June 2021, the SFC's report [Coherence and sustainability: a review of tertiary education and research](#) restated a need to invest in the SFC and its capacity. In its [response to the SFC's report](#) in October 2021, the Scottish Government said it would work with the SFC to explore the capacity it needs to fulfil its mission now and into the future. The Scottish Government has made a commitment to increase the resourcing of the SFC and the Advanced Learning and Science Directorate in 2022/23.

A lack of detailed timely data became a barrier to progress

16. SDS and the SFC collect data for different purposes, which presented challenges in using the data collectively. The skills alignment director updated a data-sharing agreement between the agencies for skills alignment work but the agreement did not commence until March 2020, just as the Covid-19 pandemic started. In March 2021, SDS highlighted issues that it felt were impeding progress with implementing the five-stage model. These included data gaps; time lags in the publication of data on colleges and universities; and issues with the availability of data at the level of detail required. Examples of specific data gaps reported included an absence of leaver data for part-time college students, and a lack of data on the industry classification and location of employed modern apprentices. It will be important for SDS and the SFC to agree what data is required for future skills alignment work and, together with the Scottish Government, agree how data will be used to inform decisions about skills provision.

SDS and the SFC lack consensus on how an integrated approach should work

17. Over time, the views of SDS and the SFC have diverged over what skills alignment should involve. SDS has remained committed to implementing the original five-stage model. The SFC considers the five-stage model in practice is too simplistic to reflect how further and higher education contribute to the skills system. It also feels that the meaning of skills alignment has shifted over time from what was originally set out in the Enterprise and Skills Review. The two agencies' differing perspectives pose a continuing risk to progress unless they are addressed.

The pandemic – and its impact on the Scottish Government, SDS and the SFC – has exacerbated the challenges

18. From March 2020, much of the skills alignment work was paused to allow staff in the Scottish Government, SDS and the SFC to focus on the emergency response to the Covid-19 pandemic. For SDS this included supporting apprentices and training providers, and for the SFC it meant supporting learners and ensuring the financial sustainability of colleges and universities. In June 2020, the Scottish Government asked the SFC to review the tertiary education system in recognition that funding, governance, partnership work and service delivery would need to adapt to the impact of the pandemic. The review, coupled with the SFC's response to the pandemic, led it to deprioritise its role in skills alignment. At this time, the focus of the skills alignment director and SDS staff turned to understanding the pandemic's impact on the labour market.

The Scottish Government did not provide the necessary leadership for progress

19. There is evidence of the Scottish Government's initial involvement in skills alignment, such as its participation in joint workshops with SDS and the SFC in 2017/18 ([paragraph 13](#)), and programme management provided by officials within sponsor teams. However, over time, the Scottish Government lacked clear oversight of progress. This was partly due to changes in senior management in its Fair Work, Employability and Skills and Advanced Learning and Science directorates, and weaknesses in reporting. Overall, the Scottish Government has not provided sustained leadership and sufficient scrutiny of the progress of skills alignment.

At the outset, the Scottish Government was unclear about what it wanted to achieve and what success would look like

20. After the Enterprise and Skills Review, the Scottish Government, SDS and the SFC all committed to skills alignment. The ESSB published its first strategic plan in October 2018, setting out four 'missions' including one on future skills needs. It contained an immediate action to implement the five-stage skills alignment model. In September 2019, the Scottish Government published Phase 1 of its [Future Skills Action Plan \(FSAP\)](#) in which it endorsed the skills-related actions and recommendations from the ESSB, including implementing the five-stage model.

21. However, the Scottish Government did not clearly set out its strategic intent for skills alignment, nor did it explicitly identify the issues that skills alignment was trying to address. The Scottish Government stated that it would rely on the five-stage model to inform the balance of skills provision between work-based learning and college and university courses, to maximise the value of its investment in skills. In its [2018 strategic plan](#), the ESSB had been more specific, asserting that it would encourage a shift towards expanding work-based learning and providing more support for people who are upskilling and reskilling. This aim was echoed in the ESSB's foreword to the FSAP in 2019 but not by the Scottish Government within the FSAP itself.

22. Linked to a lack of clarity about strategic intent, the Scottish Government did not clearly set out what successful skills alignment would look like. Although the intended benefits ([paragraph 8](#)) indicate what it was aiming to achieve, they are not specific or readily measurable. For example, there was no indication of the percentage reduction in skills gaps the Scottish Government was aiming for or what level of duplication in public funding it believed needed to be addressed. It was therefore unclear how the Scottish Government would know if skills alignment had been successful.

There was weak governance and a lack of effective oversight by the Scottish Government

23. Ultimate responsibility for monitoring the progress of skills alignment rests with the Scottish Government. It sets out its high-level expectations for skills alignment in letters of guidance to SDS and the SFC. Work on skills alignment started in 2017 but the Scottish Government has not provided regular, clear updates on progress. In the Enterprise and Skills Review, the Scottish Government stated that it would establish outcome-focused, common monitoring criteria with SDS and the SFC. By the end of November 2021, these were still not in place. The FSAP is the primary strategic plan for skills but the Scottish Government has not finalised arrangements for monitoring the FSAP, and the programme board created to oversee the FSAP has yet to convene.

24. The joint SFC and SDS Skills Committee was intended to become the Skills Committee of the ESSB, to provide detailed oversight of skills alignment. However, 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.

25. The ESSB lacks the authority to hold the skills agencies to account, limiting its ability to support progress by SDS and the SFC on skills alignment. The ESSB committed to monitoring and reporting on the progress of actions and recommendations included in its 2018 strategic plan. There is evidence of some reporting on skills alignment progress to the ESSB between 2018 and 2020, but this was not as comprehensive or frequent as anticipated in the performance framework in the ESSB's strategy. Reporting lacked specific details on what progress had been achieved and whether it was as originally intended. In January 2020, the ESSB's first annual review (on progress during 2019) included only a small amount of unspecific information on the progress of skills alignment, while its annual review of 2020 included no information at all. Progress updates were insufficiently frequent or detailed to enable the ESSB to assess the pace of change; to highlight areas requiring greater oversight by the ESSB; or to steer interventions by the Scottish Government. The Scottish Government takes part in ESSB meetings, but it did not identify and attempt to address slow progress on skills alignment until late 2020.

Current arrangements are unlikely to achieve the ambitions for skills alignment at the pace required

The Scottish Government signalled a change in approach to skills alignment in December 2020

26. Slow progress was highlighted to the ESSB in September 2020, when the SDS chief executive advised that the skills agencies were not making as much progress as they would have liked. The ESSB agreed to have a substantive item on skills alignment at its November 2020 meeting, covering progress, challenges and funding issues. However, no paper was produced for ESSB members in advance of the meeting, limiting effective scrutiny. The ESSB chair tasked the Scottish Government, SDS and the SFC with jointly producing an implementation plan for the December 2020 meeting. A skills alignment implementation plan was not produced for the December 2020 ESSB meeting. Instead, the Scottish Government presented a report seeking a fresh approach to skills alignment in light of changes in the economic environment. It highlighted the context as including the introduction of the Young Person's Guarantee, the increased importance of regional economic development and sectoral skills plans, and the SFC's review of tertiary education and research. The Scottish Government did not consult the ESSB, SDS or the SFC on this changed approach in advance, and the ESSB did not receive the Scottish Government's report until the day before the meeting.

The Scottish Government set up the Skills Alignment Assurance Group to drive progress in skills alignment, with a different focus than was originally set out in 2017

27. At its December 2020 meeting, the ESSB supported the Scottish Government's proposal that a new Skills Alignment Assurance Group (SAAG) should be set up to support skills alignment by replacing the governance arrangements originally envisaged. The SAAG's proposed remit ([Exhibit 4, page 16](#)) was narrower than the original intentions for skills alignment as set out by the ESSB in 2018. Terms of reference for the SAAG said it was to: 'Work with the [two skills] agencies and the Scottish Government to drive progress and provide assurance to Ministers and the ESSB that progress is being made towards skills alignment outcomes and benefits as set out in the Enterprise and Skills Review: Report on Phase 2.'

28. The SAAG comprised the Scottish Government, SDS and the SFC. It was co-chaired by the chair of the ESSB and alternating directors of two Scottish Government directorates: Fair Work, Employability and Skills, and Advanced Learning and Science. The SAAG's progress was reported to the ESSB. At the SAAG's first meeting in February 2021, it noted that 'almost four years had passed, and progress should have been more in this [skills alignment] area.' Nearly three years after the Scottish Government, SDS and the SFC agreed a roadmap

for skills alignment in 2018, one of the SAAG’s initial objectives was to ‘Agree a definition of skills alignment and its strategic outcomes.’ In March 2021, the SAAG sought further direction and clarity from the Scottish Government on the intended outcomes and objectives of skills alignment and what it aims to achieve.

29. The skills alignment director resigned in February 2021 after less than two years in post. The Scottish Government decided the post should not be re-filled because its context had evolved. While the SFC supported that decision, SDS was disappointed that the post was not retained to help maintain the momentum of skills alignment. SDS staff working under the direction of the skills alignment director returned to their previous posts. Although the SAAG facilitated direct communication between the Scottish Government, SDS and the SFC, the progress of skills alignment has remained at risk.

Exhibit 4.

The Skills Alignment Assurance Group’s remit and objectives

The SAAG had a central role in coordinating the skills alignment activities of the Scottish Government, SDS and the SFC.

Remit and objectives



Agree a definition of skills alignment and its strategic outcomes



Agree a series of pathfinder projects on which SDS and the SFC will work collaboratively – together with other partners – to deliver skills alignment outcomes



Support SDS and the SFC to finalise implementation plans for the pathfinder projects that identify key outputs, outcomes, timescales and deliverables against which progress will be evaluated



Ensure effective progress is being made in line with the implementation plans



Ensure progress on wider skills alignment activity including:

- foundation and graduate apprenticeships
- new programmes and funding to support economic recovery, including the Young Person’s Guarantee, Flexible Workforce Development Fund and National Transition Training Fund
- the SFC’s outcome and impact framework, to provide accountability and measure impact in return for public investment



Work to identify new opportunities for collaboration between the agencies in pursuit of outcomes



Agree clear success measures for skills alignment and at what point progress would be sufficient for the assurance group to cease

Source: Skills Alignment Assurance Group

Differences between the Scottish Government, SDS and the SFC on the revised approach have prevented effective joint working

30. SDS favoured retaining the original five-stage model for skills alignment, but the Scottish Government considered it had become an obstacle to progress and the SFC found it to be too simplistic in practice ([paragraph 17](#)). By March 2021, the different perspectives of SDS and the SFC on skills alignment persisted. The Scottish Government considered it lacked assurance that the agencies would

be able to find consensus in their approaches to applying the five-stage model and that it was therefore no longer a workable proposition for progressing skills alignment. In May 2021, the Scottish Government proposed a new approach focused initially on a set of projects developed within three strands of work: sectoral and regional projects; national initiatives; and analytics and evaluation ([Exhibit 5](#)). These projects are intended to identify best practice in ways of working and the use of resources, and to develop a robust framework for performance management and evaluation.

Exhibit 5.

The three-strand approach to skills alignment

This replaced the five-stage model in 2021.

1 Regional and sectoral projects

SDS and the SFC are to work together on sector-based and regional alignment projects that demonstrate the benefits of skills alignment, as well as highlighting the challenges and learning opportunities.

2 Alignment of national initiatives

SDS and the SFC are to work together, or collectively with the Scottish Government and other partners, on national programmes that will deliver important outcomes for learners and the economy. This strand will include foundation apprenticeships and graduate apprenticeships, the Young Person's Guarantee and the National Transition Training Fund. This supports people and sectors disproportionately affected by the Covid-19 pandemic, and the future skills transition.

3 Analytics and evaluation

There should be a continuing focus on the development of a common set of metrics to evaluate skills programmes and optimise the skills alignment programme in future. This should build on the review and evaluation work – alongside other data and analysis – that has already been developed by the skills alignment team. The development of more comprehensive outcome and impact agreements should provide the principal focus of this work, to develop analysis and indicators to drive improvement in the context of the SFC's review of coherent provision and sustainability. This will include an evaluation framework and the Education and Skills Impact Framework (ESIF). The ESIF tracks the economic and social outcomes of a cohort of people who have come through the post-school education and training system and graduated between three and seven years ago.

Source: Scottish Government

31. SDS and the SFC agreed to progress three regional and sectoral ‘pathfinder’ projects under the first strand of the new approach. However, many of the existing obstacles to progress are still prevalent. Progress on developing project initiation documents for the pathfinder projects has been slow. SDS and the SFC have not yet explored options for data sharing to support this new approach to skills alignment. By the end of November 2021, timescales and success measures for the projects had not been agreed. These factors collectively present further risks to progress.

32. Differences between the agencies’ approach to skills alignment do not support effective partnership working and present risks to the delivery of the Scottish Government’s strategic objectives for skills alignment. Two Scottish Government directorates issue letters of guidance to the agencies: Fair Work, Employability and Skills to SDS, and Advanced Learning and Science to the SFC. It will be important for the Scottish Government to set out explicitly its strategic priorities, desired outcomes and objectives for partnership working for skills alignment, ensuring the letters to both agencies are consistent and complementary.

Existing obstacles continue to pose a risk to progress, and the Scottish Government now needs to take urgent action

33. The Scottish Government identified several intended benefits of skills alignment ([paragraph 8](#)). However, over four years since the Enterprise and Skills Review concluded, they have not been realised and the opportunity for more efficient and effective investment has been missed.

34. The Scottish Government, the ESSB, the SAAG, SDS and the SFC have all recognised that skills alignment has made slow progress since 2017. The new pathfinder projects have been slow to gather momentum and to identify dates for achieving tangible target outcomes and the staffing resource to deliver them.

35. In November 2021, the Scottish Government indicated its decision to wind up the SAAG after a final meeting in December 2021, less than a year after it was formed. The intention was to sign off the pathfinder project initiation documents at the final meeting. The Scottish Government plans to monitor progress of the pathfinder projects, and a range of other collaborative projects, through a shared outcomes framework that it is developing with SDS and the SFC. It plans to use this framework at regular joint meetings between the Minister and the chief executives and chairs of SDS and the SFC to measure progress against agreed shared priorities and outcomes. The ESSB is also to be kept updated on progress routinely.

36. Many of the obstacles that have prevailed during the past four years remain significant challenges and present risks to progress. The Scottish Government therefore needs to take urgent action if it wants to realise the expected benefits of the revised approach to skills alignment at the pace required. This will include setting out its strategic intent for skills planning and alignment, and the outcomes it wants to achieve, and providing the necessary leadership to address existing challenges and drive progress. It will be important for the Scottish Government to ensure that its strategic direction to SDS and the SFC is consistent with relevant objectives and outcomes in its national strategies and plans, including the new National Strategy for Economic Transformation, the Climate Emergency Skills Action Plan and the SFC’s review of tertiary education and research. For their part, SDS and the SFC have leadership roles in working together to deliver outcomes set out in the Scottish Government’s letters of guidance, and evaluating and reporting on progress.

Planning for skills

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