Documents:

- 1. Agenda circulation
- 2. Agenda Item Paper circulation and the paper
- 3. Chairs Brief to Chair
- 4. DFM Briefing
- 5. Briefing Covering Email to Private Office with Herald Article attachment
- 6. Meeting Readout to Ministers
- 7. Meeting Readout to Business Organisations with attached copy of presentation
- 8. Emails between external co-chair of NSET discussion and officials
- 9. Follow up email from SRC to DFM with an attached list of regulatory concerns

1. Agenda Circulation

From: [redacted]
Sent: 22 July 2022 15:10

Subject: DG Economy & Business Organisations meeting - 28 July 2022 - AGENDA

Location of meeting: virtual via Microsoft teams

Good Afternoon all

Please see below agenda for the next DG Economy & Business Organisations meeting on Thursday 28 July. The Deputy First Minister will be joining 16:00 – 16:30 and would welcome hearing your updates on business priorities. By close of play on Monday we will share a Skilled Workforce preparation paper which outlines the context of the programme and invites you to bring one specific question(s) of SG in relation to Skills.

Please let me know your availability to join this meeting also

- 16:00-16:05 Welcome and Introductions
- 16:05-16:30 DFM conversation on Business priorities
- 16:30-17:25 NSET discussion Programme Skilled Workforce (co-chaired Helena Gray & Sandy Begbie, SFE)
- 17:25-17:30 AoB and close

Many thanks

Email Sharing Paper in advance of NSET Skilled Workforce Discussion

Good afternoon,

Following on from the below email, please find attached Skilled Workforce preparation paper for Thursday's meeting. If you could please use the information contained in the paper to come prepared to share:

1. The key action business can take, and

2. the specific ask business has of Government, to deliver the ambition in each of these three areas and ensure we have a workforce across Scotland that meets our skills needs now and in the future.

Best wishes,

[redacted]

From: [redacted]

Sent: 22 July 2022 15:10

Subject: DG Economy & Business Organisations meeting - 28 July 2022 - AGENDA

Good Afternoon all

Please see below agenda for the next DG Economy & Business Organisations meeting on Thursday 28 July. The Deputy First Minister will be joining 16:00 – 16:30 and would welcome hearing your updates on business priorities. By close of play on Monday we will share a Skilled Workforce preparation paper which outlines the context of the programme and invites you to bring one specific question(s) of SG in relation to Skills.

Please let me know your availability to join this meeting also

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- 17:25-17:30 AoB and close

Many thanks

[redacted]

2. Email attachment - NSET workforce paper

Skilled Workforce Programme NSET Discussion – 28 July (55 minutes scheduled)

Summary

This is a background paper to support discussion on the development and delivery of the Skilled Workforce Programme of the National Strategy for Economic Transformation (NSET), and related activity.

The paper provides an overview of the NSET Skilled Workforce Programme and focuses on action underway in the following three key areas of reform that will impact on our skills agenda:

- Schools
- Post-school education, research and skills
- Lifelong learning

In addition to discussion on the actions underway, we would welcome dialogue on the: **key action** business can take, and the specific ask business has of Government, to deliver the ambition in each of these three areas and ensure we have a workforce across Scotland that meets our skills needs now and in the future.

Background: NSET Skilled Workforce Programme

A skilled population is fundamental to business productivity and economic prosperity. Ensuring that Scotland's education, skills and research ecosystem is capable of delivering this has never been more important in the face of:

- the ongoing labour market challenges as a combined impact of the pandemic, EU Exit and demographic changes
- the transition to net zero
- our response to the impact of the digital revolution accelerated by the pandemic and the seismic shifts in learning, teaching and working that we saw as a result; and
- the challenges for inclusion exacerbated by the cost of living crisis

We have a collective responsibility to ensure that people have the skills they need at every stage of life to have rewarding careers and meet the demands of an ever-changing economy and society, and that employers invest in the skilled employees they need to grow their business.

The Young Person's Guarantee has shown how the education and skills system, employers and the public sector can come together to deliver a joint aim – namely to provide every young person aged 16-24 with the opportunity of a job, apprenticeship, further or higher education or training. Employer engagement has been crucial in supporting the delivery of the Guarantee, with over 600 employers signed up to date and provides a useful model for tackling the big challenges we face, including climate change and skills gaps across sectors.

In the National Strategy for Economic Transformation (NSET) published in March, we set out a 'Skilled Workforce' as one of the 5 policy programmes of action.

The aim of the programme is: to ensure that people have the skills they need at every stage of life to have rewarding careers and meet the demands of an ever-changing economy and society and that employers invest in the skilled employees they need to grow their businesses.

To achieve this aim, we have committed to 3 projects:

- adapting the education and skills system to make it more agile and responsive to our economic needs and ambitions (project 11)
- supporting and incentivising people, and their employers, to invest in skills and training throughout their working lives (project 12)
- expanding Scotland's available talent pool, at all skills levels, to give employers the skills pipeline they need to take advantage of opportunities (project 13)

More information on the key actions under each of these projects is set out at **Annex A** and a Programme Delivery Plan will be published in the autumn.

A new Skilled Workforce Programme Board will provide leadership and direction to this programme. The Board will be co-chaired by the Director of Advanced Learning and Science and the Director of Fair Work, Employability and Skills. In addition to Government and agencies, the Board will include membership from employers and the education and skills system. Metrics for measuring success are currently being developed for the programme. These will be included in the NSET Accountability Framework expected to be published in Autumn 2022 and will also inform our approach with agencies.

Purpose of this discussion

The purpose of this NSET conversation is to explore the "asks" and "offers" between government and business and to agree how we will take these actions forward in the context of NSET delivery and wider reform and continuous improvement agendas.

After a brief overview of the progress and next steps on the NSET Skilled Workforce programme, we wanted to highlight action underway within three key areas of reform which will impact on our ambitions for skills:

- Schools
- Post-school education, research and skills
- Lifelong learning

In the remainder of this paper, we provide an overview of this action and plans for continued engagement with business on each of these areas of work.

Having considered this paper we are asking you to come to this session prepared to discuss:

- 1. The key action business can take, and
- 2. The specific ask business has of Government, to deliver the ambition in each of these three areas and ensure we have a workforce across Scotland that meets our skills needs now and in the future.
- 3. Agree what areas of this work you would like to continue to be involved with

Part 1: Schools

A considerable programme of reform is taking place across Scotland's schools including reforming and reimagining the agency landscape for education in our schools with the creation of a new national

agency for Scottish education, an independent inspectorate body and a new qualifications body to replace the Scottish Qualifications Authority. We are also building on the recent Careers Service Review to ensure that individuals considering their career choices at any stage of their lives can access the best information and advice.

i) National Discussion on Education

There have been numerous reports on education, skills and research in the past two years which have produced highly valuable insights, and the national discussion is an opportunity to carefully consider what we have already heard as well as reaching out to others over the course of the Autumn as we work together to build a compelling vision for the future of Scottish Education and Skills.

The outcomes from the national discussion will be the development of:

- Our vision
- Our mission
- Our values
- A compelling narrative for Scottish education and skills.

The outcome of the national discussion will inform how we deliver and future-proof education and skills in Scotland for generations to come. This work is being facilitated/guided independently by Professor Alma Harris and Professor Carol Campbell and will be co-convened by the Scottish Government and local government partners COSLA It will report in March 2023.

We will engage business in this work by:

[[redacted] to add, I am not sure whether this is factored in to your engagement plans at the moment – we can also look to do some collective stuff.]

ii) Curriculum Improvement

The OECD, in its <u>2021 report</u>, concluded that Curriculum for Excellence "continues to be a bold and widely support initiative" with its design offering "the flexibility needed to improve student learning further". Alongside recommendations being taken forward through structural reform, the national discussion and the independent review of assessment and qualifications, there were recommendations in the report pointing to how our curriculum could be strengthened further to continue to ensure that all learners are provided with a rich learning experience. These recommendations are being taken forward through The OECD Implementation Plan. **Employer voices are important amongst the numerous stakeholders in the sphere of education.**

A key element of Curriculum for Excellence is the role that teachers and school leaders have in developing their curriculum in the most appropriate way for their particular group of learners. This means that curriculum design happens at a very local level, encouraging the tailoring of local approaches and creating opportunities to involve local businesses. It also means that SG does not dictate a central approach to curriculum design, beyond the high level frameworks and guidance relating to Curriculum for Excellence.

We will engage business in this work by:

- Providing continued support for the regional approach to Developing the Young Workforce. This
 allows employers to help shape the agenda at a localised level in order to address skills gaps and
 cultivate learner pathways that meet the needs of local businesses.
- As part of the ongoing implementation of Curriculum for Excellence, consider how we can further share best practice of employer input to curriculum design.

iii) Independent Review of Qualifications and Assessment

In October 2021 the Scottish Government <u>announced the intention to reform exams and national qualifications</u>, to ensure learners' achievements are fairly recognised and to afford each of them an enhanced and fair opportunity to demonstrate the width, depth and relevance of their learning.

Louise Hayward, Emeritus Professor of Educational Assessment and Innovation at the University of Glasgow is leading an Independent Review Group (IRG) which brings together partners from a range of backgrounds including: young people; parents and carers; teachers; individuals involved in the delivery of qualifications and those that use qualifications for example colleges, universities and industry. IRG members are acting as facilitators by bringing together individuals from their respective field to form larger discussion groups known as 'Collaborative Community Groups'. The information gained from these engagements and others including directly with schools and colleges will inform the work of the IRG.

We will engage business in this work through a Community Collaborative Group being led by Tracy Black from the CBI. This group contains membership from a range of major employers including:

AGS Airports, Balfour Beatty, BT, KPMG, PWC, Scottish Power, Spirit Aerospace, STV, Tata, BP, GSK, Phoenix, RBS, Tesco, Amazon, Leonardo

As with other Collaborative Community Groups this group will be asked to consider three sets of questions as part of this process beginning with underpinning vision and principles before moving onto options for change and finally testing the direction of travel set-out in an interim report. The Review also expect to issue a public consultation in October. More information is available at Independent Review of Qualifications and Assessment - gov.scot (www.gov.scot)

You can contact Professor Hayward's secretariat at qualificationsreform@gov.scot

Part 2: Post-School Education, Research and Skills

We invest around £3.4bn a year in our education, skills and research ecosystem in Scotland with our colleges, universities and smaller, specialist institutions teaching and training around half a million people every year, providing a pipeline of skilled people across technical, vocational and academic disciplines.

While there have been multiple reports and studies into different aspects of Scotland's post-school education, research and skills ecosystem, a common thread amongst them is that there is no clear vision and set of principles that considers the system in the round and brings together and reflects back the totality of the ecosystem, the evidence that underpins it, the outcomes that we want from it and the roles and responsibilities of all of the actors within it. This also means that there is currently no clear and transparent framework for making future investment decisions.

As well as fulfilling the Scottish Government's commitment to publish a statement of strategic intent for the system following the Scottish Funding Council's (SFC) recommendations in its review "Coherence and Sustainability: A Review of Tertiary Education and Research". The development and publication of the Purpose and Principles (strategic intent) will represent the start of a wider period of change to ensure that our post school education, research and skills ecosystem is fit for the future.

Over the late summer and autumn we will stimulate debate and discussion on all aspects of our post school education, skills and research system. It is an opportunity to start to shift cultural expectations and challenge perceptions of what the system can deliver.

We will engage business in this work by:

- Taking the first cut of the strawman purpose and principles to Industry Leadership Groups and Business Organisation networks to test and refine and ensure it is capturing their views on the system.
- Inviting ILGs and Business Orgs to support us in convening and facilitating these discussions
- Including business voices in multi-party roundtables to discuss the development of the purpose and principles and to hear a range of voices and views in a single room.

You can contact the Purpose and Principles team at: Purposeandprinciples@gov.scot

Part 3: Lifelong Learning

Investment in skills over people's lifetimes is critical to our future productivity and success as the economy and labour market continue to evolve over the coming decades.

Through the NSET we have detailed commitments to develop a stronger, simplified lifelong learning system, including support targeted on those who need it most. Work has already begun with a programme of insights gathering underway including independent evaluations of our existing individual and employer-led training programmes. Following this phase of evidence building, we will be considering a number of options for simplifying and enhancing our investment in adult upskilling and reskilling. Throughout this work we will look to engage with key stakeholders, including business organisations, and are currently considering the options for conducting this engagement.

The Flexible Workforce Development Fund and Individual Training Account evaluations are due to publish in early autumn at which point we will consider revisions as part of the lifetime skills offer for 2023/24. Early findings indicate that both programmes are performing well against initial policy outcomes and are seen as important programmes for skills support.

A key focus of skills provision is the implementation of the Climate Emergency Skills Action Plan. This includes the Green Jobs Workforce Academy that was launched in 2021, and the development of a new industry facing Green Jobs Skills Hub to gather and cascade information on skills shortages and opportunities throughout the labour market, enhancing intelligence and promoting more effective responses. The current review of learning in land-based and aquaculture sectors aims to attract more people into these sectors, linking with the existing work of the Skills Action Plan for Rural Scotland and the Climate Emergency Skills Action Plan. The plan is due to be updated by the end of 2023 to better reflect the changed economic landscape since its publication.

Additionally we are working with partners to address inequalities in education and training. This includes tackling the under-representation of women in science, technology, engineering and maths (STEM) courses and careers, to ensure that Scotland's STEM sectors are diverse, equal and prosperous. Similar initiatives are addressing the gender gap within Scottish agriculture. Furthermore, we are reviewing and wish to adapt Scotland's apprenticeship system so that it is available for start-ups and early scale-ups to use; is embedding entrepreneurial learning into the system; and is increasing focus on providing opportunities for under-represented groups and on specific skills, such as digital.

We will engage business in this work by:

- Consulting with business organisations early and often regarding a lifetime skills offer to ensure it meets the needs of both individuals and employers.
- Engage with business and employers in 'carbon intensive' sectors to better understand what is "missing" from the skills landscape and therefore what isn't already offered in existing skills provision.

Annex A

The NSET Skilled Workforce Programme sets out a number of actions across three projects targeted towards delivering a skilled population in Scotland that is able to respond to the needs of the economy and its future direction.

Project 11: adapt the education and skills system to make it more agile and responsive to our economic needs and ambitions

Key actions include:

- deliver the forthcoming national strategy on adult learning that will ensure that community learning is more consistent and comprehensive
- deliver key actions from the Scottish Funding Council Review of Coherent Provision and Sustainability
- implement the next phase of the Green Jobs Workforce Academy and launch a new skills guarantee for workers in carbon intensive industries

Project 12: support and incentivise people, and their employers, to invest in skills and training throughout their working lives

Key actions include:

- implement a lifetime upskilling and retraining offer that is more straightforward for people and business to access and benefit from
- target more skills investment and support to working age people in poverty or at risk of moving into poverty
- develop a new Skills Pact to underpin our commitment to strong partnership working with both employers and unions

Project 13: expand Scotland's available talent pool, at all skills levels, to give employers the skills pipeline they need to take advantage of opportunities

Key actions include:

- implement a focussed Talent Attraction programme to attract key skills and talent from the rest of the UK
- progress the actions from Scotland's Population Strategy to help address rural and island population challenges and sectoral skills shortages in the labour market
- systemically address Scotland's labour market inactivity challenges
 As outlined in NSET, much work is already underway to deliver against these programmes.

The NSET Skilled Workforce Delivery Plan is currently in development and is due to be published in September.

3. Chairs Brief and attendees list

Hi Aidan

Welcome back, I hope you had a good holiday.

This is the agenda for this week's business organisation meeting, agreed by Joe in your absence although shaped by the scheduled NSET discussion. I am assuming that you will take up the mantle of chairing these meetings going forward.

Key points are: DFM will attend for the first 30 minutes to hear from business about their priorities (the standing item agreed with DGE) followed by the NSET Skilled Workforce discussion. Happy to arrange a short conversation before Thursday afternoon if that would be helpful.

AGENDA

- 16:00-16:05 Welcome and Introductions
- 16:05-16:30 DFM conversation on Business priorities
- 16:30-17:25 NSET discussion Programme Skilled Workforce (co-chaired Helena Gray & Sandy Begbie SFE)
- 17:25-17:30 AoB and close

Below is the related Chair's Brief. A paper was issued on Monday (25/7) to the main bus orgs to help prepare for the NSET Programme Skilled Workforce discussion. It aims to give the Group some context and asks them to come prepared with some thinking around business asks of SG and also a sense of what business could do in the Skills space. The paper is available at: NSET SKILLED WORKFORCE PROGRAMME - DEEP DIVE BACKGROUND DOCUMENT (A39405396)

Confirmation of all attendees will be provided by close Wed 27/7. I will confirm once all we are expecting are online. Please let me know if there is anything further you need in advance of Thursday's discussion.

Timing	Agenda Item	Officials/	Aim/ Actions for Chair	Outcomes/ Notes	
		Presenters			
16.00- 16:05	Welcome	Chair, Aidan Grisewood	You should outline today's discussion: Advise DFM will join to set his priorities and hear directly from business about their priorities Discussion on the next NSET pillar, Skilled Workforce co-chaired by Sandy Begbie (SFE) and Helena Gray (Director FWES)	 DFM has an opportunity to engage early with the main business organisations and hear their priorities first-hand Bus Orgs understand priorities and focus for the Skilled Workforce NSET programme and there are agreed actions to take forward (preferably in partnership), including further detailed conversations on specific areas. 	
16:05-	Conversation	Deputy First	Session aims to:	OUTCOME:	
16:30	with DFM on	Minister	Incorporate the	 Business Organisations 	
			standing item to enable	have the opportunity to	

40.00	business priorities	Discussion facilitated by Chair, Aidan Grisewood	business to open the meeting with their feedback and allows DFM/ SG to show they are listening by referring back to business feedback/ priorities throughout the meeting You should: Introduce DFM to highlight his economy and recovery priorities Invite business orgs to share the top 3 things they are hearing from members this week, or to report on some of the work they are taking forward. In summarising identify areas for future Group discussions	share their intelligence on priorities for their members and feel heard. DFM has the opportunity to engage early with the main business organisations, to set out his priorities while in the Cab Sec role and hear directly from business their priorities/ concerns
16:30 – 17:25	NSET Skilled Workforce Programme (agenda below): Intro/ context from Helena & Sandy (5 mins) Summary of projects and priorities (10 mins) Open discussion shaped around asks (30 mins) Summary of agreed actions and next steps (10 mins)	Co-chaired – Helena Gray (lead SRO) & Sandy Begbie (SFE) Supported by Helen Webster and Adam Reid	Session aims to: Outline summary of projects and priorities for Skilled Workforce Determine the bus orgs 'asks' of SG/agencies across schools, post-school education, skills and research and lifelong learning and what is our ask of them You Should: Introduce Sandy and Helena and note that the discussion has been shaped around the paper issued 22/7 Hand over to Sandy and Helena to facilitate this session Ensure there is a confirmed summary of the agreed actions business and SG will take away	Bus Orgs were sent a scene setting paper in advance of this meeting OUTCOME: Business Organisations understand current landscape of programme and the work streams to support delivery. Business Organisations can influence priority and identify opportunities where they can contribute to the work and help drive action A summary of agreed actions to be taken forward
17:25- 17:30	АоВ	Chair, Aidan Grisewood	take away You Should: Invite AoB from the Group Seek feedback on communications bulletin sent on 26/7 which aims to pull together into one place, updates on previous actions and advise on	OUTCOME: Continue to gather intelligence on business feedback/priorities DFM has engaged with Bus Orgs We have agreed joint actions for Skilled Workforce NSET programme

Cook/ Stephen O'Neil		•	other areas of interest to business. We're seeking feedback: Is the bulletin fit for purpose? Is there another preferred platform Eg Teams Reiterate we are keen to co-chair/fully hand over chair to the business organisations — currently no volunteers for 8 September NSET Fairer Society Programme discussion — can we get a volunteer agreed by end of meeting DONM: 18 August 2022 NSET Entrepreneurial People & Culture Colin Borland has agreed to Co-Chair with Colin	•	We have feedback on bulletin communications We have volunteers for co- chairing or chairing the remaining NSET programme sessions	
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[redacted]

4. Ministerial Briefing - Email attachment to covering email

What	DG Economy and Business Organisations Meeting
Where/ When	Thursday 28 July 2022 Time: 16:00 – 17:30 (DFM attending 16:00 – 16:30)
Key Message(s)	 Welcome the opportunity for early engagement with the Group ahead of any further individual conversations Business will continue to be a key partner in implementing and delivering on the National Strategy for Economic Transformation Recognise the significant pressures of the Cost of Doing business and that economic recovery from the impact of the pandemic is impacted by the cost of living/ cost of doing business. Note that most of the levers rest with the UKG
Who	 The main business representative organisations that cover the range of size, geography and main sectors across Scotland, including: Institute of Directors, Scotland (IoD) – Aidan O'Carroll Federation of Small Business (FSB) – Colin Borland, Andrew McRae Scottish Financial Enterprise (SFE) – Sandy Begbie Scottish Retail Consortium (SRC) – Ewan Macdonald-Russell Scottish Food and Drink (SFD) – John Davidson Scottish Chambers of Commerce (SCC) – Charandeep Singh, Liz Cameron Scottish Council for Development & Industry (SCDI) – Clare Reid Confederation of Business and Industry, Scotland (CBI)- Tracy Black Marc Crothall from Scottish Tourism Alliance (STA) sends apologies.
Why	This is an opportunity to give an overview of your priorities over the next few months as well as hear directly from businesses organisations about their priorities and focus.
Supporting officials	Aidan Grisewood, Director Economic Strategy
Briefing contents	Annex A: Purpose, Agenda and Suggested Lines to take Annex B: Background and Biographies of attendees Annex C: Business Priorities from 7 July meeting

PURPOSE, AGENDA AND LINES TO TAKE

PURPOSE

You agreed to join this 3-weekly meeting with senior officials and the main business representative organisations to give an overview of your priories in the coming months as interim Cabinet Secretary for Finance and Economy. This also provides an opportunity to hear directly from the business organisations about their priorities and focus and enable early engagement ahead of individual conversations.

The Group is made up of: CBI Scotland; FSB Scotland; IoD Scotland; Scottish Chamber of Commerce; Scottish Council for Development and Industry (SCDI) and Scottish Financial Enterprise (SFE) who make up the Group of 6. In addition Scottish Tourism Alliance (STA) Scotland Food & Drink (SFD) and Scottish Retail Consortium (SRC) represent the sectors most affected by Covid (the original focus of the Group since October 2020. See **Annex B** for attendees.

As we have moved away from the immediate crisis presented by the economic impact of the pandemic, the Group has been focusing on strategic economic matters, shaped by NSET. This meeting marks the second NSET programme discussion, this conversation on Skilled Workforce.

You will join the conversation at the beginning of the meeting to hear from business on their priorities (a standing agenda item). Over the last number of meeting the focus has been on the significant pressures experienced by the Cost of doing Business. The Business Organisations will be keen to hear from you about your priorities as you cover the Finance and Economy portfolio and specifically what plans you may have to ease the burden of the Cost of doing Business. **Annex C** offers a summary of the discussion at the last meeting (7 July)

AGENDA

- 16:00-16:05 Welcome and Introductions
- 16:05-16:30 DFM conversation on Business priorities (**DFM leaves at 16:30**)
- 16:30-17:25 NSET discussion Programme Skilled Workforce co-chaired Helena Gray (leading Senior Responsible Officer) & Sandy Begbie SFE
- 17:25-17:30 AoB and close

SUGGESTED LINES TO TAKE

- Welcome this early opportunity to speak with the main business organisation leaders
- Note your focus on implementation of NSET will be targeted on achieving the strategic purpose and intent of NSET.
- Recognise the significant pressures of the Cost of Doing business resulting from a 'perfect storm' of Brexit, Covid recovery and the war in Ukraine, and that recovery is significantly hampered by the cost of living/ cost of doing business.
- Note that the cost pressures arise from: direct energy and fuel cost increases; consequential
 impacts on supply chain/materials; rising staffing costs, exacerbated by some skills
 shortages/competition and employee inflationary pressures; emerging anecdotal evidence of
 rental increases for premises; and falling consumer demand.
- Recognise feedback from this Group that businesses are beginning to have conversations about trading down, including walking away from contracts and generally reducing production capacity.

- Within a limited budget, the Scottish Government has provided significant support for families and the most vulnerable. This financial support is expected to also indirectly support communities and local businesses.
- Business are seeking support that includes: Energy Price caps, particularly for micros and SMEs as well as VAT reduction on business energy bills; expansion of shortage occupation lists to enable improvements in filling vacancies from overseas; Support in handling business debt including extension of CBILS and other loans; set a lower overall level of VAT and delay the National Insurance increase and implementation of the Social Care Levy. These matters are reserved to UKG.
- Without additional support from the UK Government, the issues highlighted will be exacerbated and we are likely to see continued reduction in profits for businesses with reduced efficiency/ productivity unless increasing costs are passed on to consumers.
- We're already seeing growing pressure on cash-flow, leading to increased demand for external finance and less availability of funding for crucial investment in growth activities (R&D, innovation, company expansion). Without further intervention, we expect to see an overall rise in business failures where there are insufficient reserves to sustain operating at a loss, or whose business models become unviable because of the rapid increase in costs.
- **NB:** You may wish to consider offering to write to the Secretary of State for Levelling Up to ask the UKG to use the powers at its disposal to help with the Cost of Doing Business.

ATTENDEE BIOGRAPHIES

This group has been ongoing formally since November 2020 following request to First Minister by Business Organisations for a senior single point of contact around Covid and its impact on the economy. Until retirement, the Group was chaired by DG Economy Liz Ditchburn.



<u>Confederation of British Industry (CBI)</u> – Tracy Black was appointed Scotland Director of CBI in January 2018.



<u>Federation of Small Business (FSB) - Colin Borland</u> is Head of Devolved Nations and has been involved with FSB for 12 years. He was appointed Head of Devolved Nations in June 2008.



FSB Scotland – Andrew McRae has been Policy Chair since 2018



<u>Institute of Directors (IoD)</u> – Aidan O'Carroll was appointed Chair of IoD Scotland in 2018 and is a retired partner of EY.



<u>Scottish Chambers of Commerce (SCC)</u> - Dr Liz Cameron OBE is Director & Chief Executive of SCC.



<u>Scottish Chambers of Commerce (SCC)</u> – Charandeep Singh was appointed Deputy Chief Executive of SCC in March 2019. He has worked with SCC since May 2016.



<u>Scottish Council of Development and Industry (SCDI) – Clare Reid Policy Director, SCDI since November 2020, Clare leads on SCDI's policy, public affairs and research activity.</u>



<u>Scottish Financial Enterprise (SFE)</u> – Sandy <u>Begbie CBE</u> is Chief Executive of SFE.



<u>Scottish Retail Consortium (SRC)</u> - **Ewan Macdonald-Russell** is Head of Policy & External Affairs for the Scottish Retail Consortium.



<u>Scotland Food & Drink (SFD)</u> – **John Davidson** is SFD Deputy Chief Executive and Strategy Director

BUSINESS PRIORITIES FROM 7 JULY MEETING

- SCDI: members in rural Scotland particularly feeling pinch (oil/fuel costs, ferry issues).
 Skills shortage providers for further education feel they have critical role to play/needs further funding. Train disruptions causing issues. Reduction in productivity due to energy costs. Launched <u>Business Purpose Commission</u> report last week positive reception with case studies of how businesses are addressing issues.
- SCC: our recent survey backs up initial trends we previously shared majority have reduced cash flow and profit, SG and UKG need to coordinate actions to address issues individually. Geography of business having an impact. Great deal of pressure on managers and business owners who need more support. Plea that SG doesn't increase NDR poundage rate.
- IoD: cost, shortages of materials (global and UK wide supply chain) and staff shortages (lack of applicants) are biggest concern. Would like route map on NDR (poundage certainty for business). Suggested: tax reduction on investment as an incentive; Connectivity in terms of working in remoter locations and working from home R100 needs to be accelerated. Downsizing conversations happening due to high turnover and reduction in capacity due to energy costs
- **FSB**: fuel is affecting pricing of jobs (r.e. trades) and many restricting distance they will travel for a job. Concern that UKG seem to be suggesting business need to absorb costs. Train cancellations affecting night time economy.
- SRC: reinforced cost of business issues, <u>BRC price index</u> shows highest inflation since 2008, customers cutting spending and swapping to value ranges. Rail disruptions affecting city centre footfall (in current climate has greater impact). Large number of government policy interventions coming through (e.g. circular economy including deposit return scheme), so intervention to address the cumulative impact of regulation on business would be welcome.
- **SFD**: Reiterated trading down conversations, hearing businesses walking away from contracts and planning for reduced production. Need a conversation with UKG on immigration policy to address staff shortage. Big plea for sensitivity about regulatory interventions and their significant impact for business.

NB: Please note that this survey, conducted by Addleshaw Goddard and Fraser of Allander, suggests that 40% of firms in Scotland plan to reduce operations this year due to higher energy prices. This provides robust evidence to support the points business organisations have raised.

5. Briefing Covering Email to Private Office with Herald Article attachment

Good afternoon PO,

Please accept my apologies for the delay in getting the updated briefing across, the only changes are the highlighted lines on page 3 and 6. I have also attached a copy of the article published today which DFM may find useful.

Best wishes,

[redacted]

From: [redacted]
Sent: 27 July 2022 14:11

To: Deputy First Minister and Cabinet Secretary for Covid Recovery < <u>DFMCSCR@gov.scot</u>> **Cc:** Grisewood A (Aidan) < <u>Aidan.Grisewood@gov.scot</u>>; Brown J (Joe) < <u>Joe.Brown@gov.scot</u>>; [redacted] Communications Finance & Economy < <u>CommunicationsFinance&Economy@gov.scot</u>>;

DG Economy < DGEconomy@gov.scot>

Subject: Briefing - DG Economy and Business Organisations - 28 July 2022

Good afternoon PO.

Please find attached briefing for tomorrow's DG Economy Meeting and Business Organisations meeting at 4pm.

If the DFM requires any more information, please let me know.

Best wishes.

[redacted]

Email attachment - Herald Article

Herald Article: 28 July 2022

Scotland economy: 40% of firms plan to reduce operations because of

energy prices: Addleshaw Goddard and Fraser of Allander survey

By Ian McConnell@ianmcconnellHTGroup Business Editor

TWO-thirds of firms in <u>Scotland</u> now anticipate economic growth will be weak, 40% expect to reduce operations this year because of higher energy prices, and 86% of those with vacancies are struggling to fill them, a survey reveals.

The quarterly Addleshaw Goddard Scottish <u>business</u> monitor, produced in partnership with the University of Strathclyde's Fraser of Allander Institute and published today, also shows the most

common concerns among businesses continue to be the cost of energy, the price and availability of inputs, and the availability of staff.

In the previous quarter, less than half of <u>companies</u> had projected weak Scottish economic growth and the proportion expecting to reduce operations because of higher energy prices was 33%.

Of the firms reporting they currently had vacancies in the latest survey, 86% said they were finding them difficult or very difficult to fill. A lack of skills or experience was cited as the most common cause of this difficulty.

Mairi Spowage, director of Fraser of Allander, said: "There has been a significant rise in the number of firms expecting to reduce their operations this year due to rising energy bills, and there is now a stark majority of Scottish businesses anticipating weak growth in the Scottish <u>economy</u> over the next year. Scottish firms continue to face challenges attracting and retaining staff, with wage expectations increasingly making it difficult for businesses to fill vacancies."

She added: "It will be interesting to see how economic pressures and particularly wages impact businesses as we move into the second half of the year."

<u>Link to Full article: Scotland economy: 40% of firms plan to reduce</u> <u>operations because of energy prices: Addleshaw Goddard and Fraser of</u> <u>Allander survey | HeraldScotland</u>

6. Readout (to ministers)

From: [redacted]

Sent: 02 August 2022 11:15

To: Deputy First Minister and Cabinet Secretary for Covid Recovery < DFMCSCR@gov.scot>

Subject: READOUT: For Clearance: DG Economy & Business Organisations Meeting - Thursday 28 July

2022

Good Morning DFM PO,

Please find below a readout of the DG Economy & Business Organisations meeting on Thursday 28 July 2022 attended by SCC, SRC, FSB, STA, SFD, SCDI, CBI, IoD & SFE. Grateful if you can advise DFM is content for this to be shared with the business organisations;

Introduction from Deputy First Minister

- Recognised the pressure on business and the economy due to Brexit (labour market shortages); reduced public sector spend; recovery from Covid (particularly on supply chains); the conflict in Ukraine (displacing people and uncertainty in economy/investment markets), and the cost of living.
- outlined his commitment to dialogue and working collaboratively with business.
- Issuing letter to Chancellor regarding public sector spend
- Committed to achieving NSET outcomes and keen to have business input into that work.
 Conversations will be structured around the challenging circumstances the economy is
 facing as well as the opportunities such as Investments, building on the success of
 Beechwood Campus in Aberdeen and including Green Freeports, and how we can work
 together to leverage based on respective strengths.

Members discussion on their priorities

- **SCC**: Keen to work with DFM on a solutions-based approach to the economy. Seeing opportunities for trade and exporting internationally for SMEs. On the Labour market, Brexit is hitting hard, with non-EU workers failing to fill gap of EU workers.
- **SRC:** Shopping index at highest level in 18 years. Shopper footfall is smaller than prepandemic. Priorities include: Cost of doing business and supply chain issues with commodities largest costs; Regulation and other government policy interventions are adding pressure; Retail strategy engaging with SG around first meeting of new Retail ILG due on August. PfG responded on views about regulation with a plea for breathing space on this front. Interested in budget summary, will share members views on budget in early September.
- **FSB**: Small business index is down 32 points from previous quarter. 9 in 10 firms reporting increase in costs due to inflation. Access to skilled staff in a tight labour market was second barrier to growth behind the current state of economy. Tourism businesses who were struggling to hire staff in March now having to lay off staff due to lack of bookings (particularly in Highlands). SG stats show monthly increase in overheads, only a quarter are able to pass these onto customers.
- STA: Concerned about winter, strong evidence of decline in domestic market bookings affecting 75% of members. Businesses wanting to protect core staff meaning they are trading on reduced days. North and South of Scotland have much lower footfall, Glasgow and Edinburgh are varied, due to hybrid working and public transport concerns. Costs have increased for customers as have their expectations which is a pressure on business. Big gap in availability of skilled workers. A positive is the pound is weak, therefore strong spend from European and American visitors.

- SFD: Industry has been in recovery for 18 months, grateful for the support from SG. Currently refreshing national F&D strategy in line with NSET, hope to have this in place by end of the year. Positive news is the recovery of market (both domestic and internationally) export stats are back up to 2019 levels and demand for products is high. Challenge is how we take advantage of that. Labour shortage foresee challenges (particularly for manufacturing). 30% increase in cost of production. Plea that the additional cost impact on business of new regulation is considered. Second plea is to provide support for businesses to encourage investment business want to invest but their cash flows/ reserves are depleted.
- SCDI: availability of skilled staff and cost pressures are main concerns. Need for incentives
 to invest. The work of the Business Purpose Commission could be useful to support
 purposeful business. Tough for rural businesses, plea for support for them. Working with
 SG on Productivity Clubs a positive outcome of these is many businesses adapting in
 face of challenge.
- CBI: concerned about risk of technical recession need investment and growth, effect on larger members if US go into recession due to impact on investment. Generally positive for order books - manufacturing and professional services going strong. Summer looks slower but this is an annual trend so too early to comment on the cause. Lack of profits means companies don't have funding to invest in net zero. Suggested demand is there but capacity unable to match it.
- **IoD**: Availability of skilled people and investment in training are biggest concern, published an article (<u>IoD press release</u>: <u>Calls for a new Shortage Occupations Agency to advise on future skills needs | IoD</u>) calling for creation of shortage occupations agency which would pull together different strands, deduct costs of training and give opportunities to reskill existing staff. Need to engage with those currently not in the workforce there's not a shortage of demand for jobs but shortage of skills.

NSET discussion Programme Skilled Workforce (co-chaired Sandy Begbie, CE SFE and Helena Gray, SG Director for Fair Work, Employability and Skills

Overview

 Aim of the session is to understand and share views on what the current landscape looks like and to influence NSET. Preparation paper asked for what would your organisations one ask of SG be and what actions your organisations are currently focused on. Outputs and actions from the discussion will determine further discussions.

Summary of discussion highlighting activity focus for business and SG

- Businesses need to engage with schools to ensure the perception of some industries has a positive narrative. [Although this point came up a few times I think this was predominantly in relation to Tourism and a poor perception of career opportunities in the sector]
- Short term actions needed but need to focus on medium and long term to avoid firefighting.
- **Skills audit and forecasting future skills** businesses need to regularly do this and ensure plans are in pace to address future resourcing needs.
- **Need for careful language** (eg "Green Skills") that recognises many skills are transferrable and that the needs of SMEs are likely to be different. Also need to be clear on the differences between skills shortages, labour market shortages, skills gaps and skills underutilisation all of which require different interventions.
- **Life-long learning,** recognising the value of using, for example, skills wallets and removing age barriers for apprenticeships.

- **Colleges**, recognising that they offer a key support to the whole economy.
- Maximising Investment in the skills sector how do we get more out of the existing system.

Members key points:

- SCDI ASKS: Recognise small business needs will differ from large business. <u>Investment</u> in schools, particularly investment in <u>STEM</u> and <u>targeted to deprived areas or groups</u> that are less engaged like young women the developing Innovation Strategy should include skills and education sector supporting business to become more innovative. SCDI ACTION: can add value to delivering means of supporting lifelong learning, eg recommended in its Blueprint for the Economy, introduction of a <u>Skills Wallet</u>, further discussions that have taken place with interest from different parties since publication. SCDI will share information.
- STA ASKS: Industry image needs to improve and education sector, in particular, can help to make it more attractive with careful use of language [I thought there was a broader point here about languages in the round as something needed by the sector that there was a sense is less of a focus in schools or that pupils coming out don't have the languages needed by the sector] needed (to ensure translation from education to sector) and by allowing industry success stories to lead on framing the programmes. STA ACTION:

 Delivering on programmes like the £2m Tourism and Hospitality Talent Development Programme (funded by SG) which is working well for the sector.
- CBI ASKS: Radical investment in reskilling/upskilling and lifelong learning needed over next 20 years. Apprenticeships need more flexibility in system (types of courses offered, providers, etc.) and needs to be scaled up. Recognised different system to England on the Apprenticeship Levy and need to be cautious about unintentional consequences of any changes. Funding: £2 billion invested into HE/FE and keen to understand how that investment is best directed. Significant funding into universities through free tuition, but is this the right approach in light of what our economy needs? Is it being spent wisely? Green Skills Academy: need to ensure it understands the future skills for green economy. Keen to understand how radical/ controversial SG wants to be with the budget.
- SRC ASKS: <u>Business recent training budgets</u> have been taken up with Covid rules and regulations and a plethora of other statutory demands on Industry. Ask that these pressures are reviewed to allow more budget for skills development. <u>Apprenticeship Levy, FWDF</u>: are great initiatives and members are supportive, but the cap is too little and too restrictive. SRC ACTION: Retail Strategy includes plans for a skills audit and action plan with a commitment to an updated, improved learning offer.
- SFD ASKS: <u>Industry perception</u> mirrors STA challenge. Suggested advance paper focused on long term structural changes, however, some immediate actions needed, eg traditional skills while embracing upskilling for Net Zero: SFD ACTION: Currently in early stage of developing a <u>strategy</u> for F&D Sector with skills at its core
- FSB ACTION: Members running a Skills Academy, (e.g. a roofer taken on local school pupils, partnership with local colleges as well). Other members pulling together a Tourism Skills Academy demonstrating a willingness from business to tackle this. FSB ASKS: Could we accelerate this process to get more private sector involvement? The more we can weave in business and enterprise skills into qualifications/ education the better the outcomes for the economy. Programme needs to be designed around micro businesses.
- **IoD ASK**: Seeking a focus on Leadership, and leadership training with a need for good grounding/ training at all levels, from SME to big employers. How can we create a more partnership model on common themes between private/public sector on good leadership. Also, keen to look at how we attract talent back in to the labour market and re-engage with those who are currently defined as unproductive. Noted the importance of working with the

colleges and engaging with SMEs – small employers need the financial incentive to take the risk of adding the first one or two to their workplace. **IOD ACTION**: Currently building <u>cohort models around leadership</u> so that best practise can be shared. Setting up a <u>policy forum around skills development</u>. (IoD to share curriculum/session info).

• **SFE ACTION**: Launched skills plan for sector and shared with all colleges and universities with an invitation to join a webinar. Some responded that they don't deal with employability.

AoB

- Next NSET discussion is Entrepreneurial People and Culture on 18 August co-chaired with Colin Borland. Seeking a co-chair for Fairer Society on 8 September.
- Agenda on 18 August will also offer an update on Programme for Government
- Request to members to share any feedback on bulletin with SG.

Actions

- SG officials to engage with organisations individually to continue discussion on areas covering Skilled Workforce NSET discussion
- DFM committed to following up with the business organisations on the regulatory review. Officials will share a paper with DFM summarising the review to date on 2 August 2022.
- SCDI to share information on Skills Wallet
- IoD to share information on Leadership curriculum
- Identify co-chair for the NSET Fairer Society Programme discussion on 8 September 2022.

Many thanks

[redacted]

7. Readout to business organisations

Good Afternoon,

Please find below a readout of the DG Economy & Business Organisations meeting on Thursday 28 July 2022 attended by SCC, SRC, FSB, STA, SFD, SCDI, CBI, IoD & SFE. Attached are the slides that were due to be presented but due to time constraints were withdrawn.

Introduction from Deputy First Minister

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• **SFE ACTION**: Launched skills plan for sector and shared with all colleges and universities with an invitation to join a webinar. Some responded that they don't deal with employability.

AoB

- Next NSET Programme discussion is Fairer Society on 8 September seeking a co-chair
- Agenda on 18 August will also offer an update on Programme for Government and a fuller discussion on current Cost Crisis.
- Request to members to share any feedback on bulletin with SG.

Actions

- SG officials to engage with organisations individually to continue discussion on areas
 covering Skilled Workforce NSET discussion. Since the call there has been a session on
 skills with the ILG Chairs group, and SG will continue to work with employer organisations as
 we take forward the commitments in the NSET Skilled Workforce programme.
- DFM committed to following up with the business organisations on the regulatory review.
 Officials will share a paper with DFM summarising the review to date on 2 August 2022. SG continue to consider the issues raised by businesses around regulation and continue to engage with colleagues across SG on these
- SCDI to share information on Skills Wallet officials have followed up with SCDI
- IoD to share information on Leadership curriculum officials have followed up with IoD
- Identify co-chair for the NSET Fairer Society Programme discussion on 8 September 2022. –
 Grateful for a volunteer to co-chair the next NSET programme meeting on 8 September

Many thanks

[redacted]

Email Attachment: Copy of Presentation



NSET Programme 4 Skills - Presentation

8. <u>NSET Skilled Workforce Agenda Item – Preparation email exchanges with</u> external co-chair

Dear Sandy,

I hope that this finds you well and that you haven't been too disrupted by the heat today. As you know we are meeting tomorrow to prepare for the session with the business organisations the following week. As per your exchange with **[redacted]** below we have been in discussion on how we might be able to frame up a session to take a system wide approach, looking from school through further and higher education and on into lifelong learning.

As part of that we have extended participation in the prep meeting tomorrow and on 28th to include colleagues from Education Reform, Advanced Learning and Science as well as Fair Work, Employability and Skills.

The attached paper and presentation is a starter for ten for our discussion. I am sending this on today rather than the Glasgow based team who are, I hope, lapping up the sunshine on Fair Monday.

I look forward to meeting you tomorrow.

Best regards

[redacted]

From: Sandy Begbie < sbegbie@sfe.org.uk >

Sent: 14 July 2022 08:44

To: [redacted]

Subject: Re: SG and Main Business Organisations Conversation - 28 July 2022

Hi [redacted] and thanks for the email and offer.

I have considered this and on balance I am willing to Chair/Co-Chair the session. I can also attend the pre meeting on Tuesday.

I will however be focused on actions. The YPG team will tell you I focus mainly on actions, outcomes and impact. This skills challenge has been around for well over a year now and we still don't have a plan to deal with it. I would also suggest there should be someone from education as that is where some of the barriers remind in my opinion. I include secondary and further and higher education.

If this doesn't work for you/team then I am happy to let someone else Chair and I will simply contribute.

Thanks again.

Sandy

Sent from my iPad

On 13 Jul 2022, at 17:03, [redacted] wrote:

Hi Sandy,

I hope you are well and have some holidays planned over the summer.

I just wanted to pick up with you about the next business organisations meeting on 28 July and the NSET programme, Skilled Workforce discussion. We are really keen to have business leader co-chairs (or even chairs) and given your work on the Financials Services Skills Action Plan, your work on Young Person's Guarantee and Developing the Young Workforce we think you would have valuable insight that could help steer the conversation and identify some actions for co-delivery. We're aware of your attempt to seek improved engagement with the colleges on the Financial Services Skills Plan and perhaps that is one of the many insights you could bring to the table..

If you would be interested, we are holding a virtual pre-meet with the lead officials responsible for delivery of this NSET work programme, (Helena Gray, Director for Fair Work, Employability and Skills, Helen Webster, Deputy Director for Reform, Adam Reid, Deputy Director for Skills and [redacted]) on Tuesday 19 July, 11:30 – 12:00 and that would be an ideal opportunity for the chair- co-chair to shape the conversation.

And of course you are welcome to share the whole or future Business Organisations meetings.

Please can you let me know if you are interested by COP Friday 15 July

Many thanks, Sandy

[redacted]

Outline of session

Dear Sandy,

We are meeting tomorrow to discuss how we might frame a session on the Skilled Workforce delivery programme for NSET.

Our thinking is that we should set this in the wider context of the various education and skills reform programmes underway and through the lens of the Resource Spending Review which means we have an imperative to be making the whole eco –system work for everyone who has a stake – including learners, employers, business and the country as a whole. We might therefore look to design a session that allowed us to:

- look across the whole system, in particular from school, through assessment and
 qualifications, on to further learning in our colleges and universities and then (or even before
 then, recognising that these pathways are often not linear) on to lifelong learning including
 upskilling and reskilling
- consider the role of employers, the government and the wider ecosystem at large in supporting this.

Once we have done a bit of scene setting, we might move to an action focused discussion covering;

- **schools** including careers advice and guidance and the implementation of the careers review, the national discussion and independent review of qualifications and assessment;
- The development of the purpose and principles for Scotland's post school education, skills and research ecosystem and some of the questions and assumptions being explored through this work, including on further flexibility for colleges;
- **Lifelong learning and skills development** including the role of employers in both identifying and communicating future skills needs across the ecosystem and in collaborating and investing to upskill and reskill their workforce.

Indicative outcomes for the session could be to;

- Inform the span of education reform activity whilst it is still at an early stage;
- Identify actions for further exploration or inclusion within the NSET Skills Programme Delivery Plan.

We have prepared some outline slides for the session that could be used to guide discussion if you are content with the direction of travel. You will of course have your own views and we will gratefully take your steer on how to get the most value out of the time we have on 28th.

For tomorrow if we could cover;

Agenda

- Intros, scene setting and logistics purpose; approach; roles (co-chair with Helena Gray)
- Priority focus discussion to agree on areas to include in meeting
- Desired outcomes and outputs from the session
- AOB

9. Follow Up Email from SRC

List of Scottish regulations of interest/concern to retail

Dear Mr Swinney,

Further to our earlier discussion and your request for sight of the list of current/upcoming regulations of interest or concern to Scottish retailers, please find attached the list as shared with your officials earlier this week.

I hope this is of interest.

Kind regards,



Email attachment: SRC list of regulations of interest/concern to retail

