

## Meeting the Future Skills Challenge

### Discussion Paper – Ensuring financial sustainability for the skills system

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### Background

[Scotland's Future Skills Action Plan](#) (FSAP) recognises Scotland's skills system is among the world's most successful and that we benefit from more people with high level qualifications than any other Organisation for Economic Co-operation and Development (OECD) country. However, in a changing world, we have to be able to build upon our success to date to develop the system to deliver for the future.

Socio-economic trends, ranging from the global climate emergency to demographic changes (including the ageing workforce and rural depopulation), and the uncertain impact of technological advance mean that our skills system must evolve to become more adaptable.

The Plan provides a vision for our development of skills policies and programmes in the years ahead:

*Scotland's highly skilled workforce ensures we are an ambitious, productive and competitive nation. Scotland's skills system will be the foundation on which we will deliver these ambitions, supporting our people through-out their working lives, and empowering our business to take advantage of future opportunities. A culture of shared investment in Scotland's future workforce will unlock the potential of our people and businesses and deliver inclusive growth.*

The Plan has four themes aligned to the [Enterprise and Skills Strategic Board's Future Skills Mission's](#) recommendations. These are:

- Increasing system agility and employer responsiveness;
- Enhancing access to upskilling and retraining opportunities;
- Ensuring sustainability across the skill system; and
- Accelerating the implementation of the learner journey review.

It sets out the actions already underway to meet the challenges and opportunities we face. It also considers how the Scottish Government can work with system stakeholders, including employers and their representative bodies, to develop proposals for longer term change to re-orientate the skills system to be more agile, flexible and responsive to changing demand.

## **What the system currently delivers and Future Skills Action Plan work underway**

We must ensure that Scotland's skills system is efficient, sustainable and able to deliver value for individuals and employers of all sizes.

In 2019/20, the Scottish Government is investing £2.4 billion through the Scottish Funding Council (SFC) and Skills Development Scotland (SDS) to support an all-age careers information, advice and guidance service, apprenticeships, further and higher education, and a range of other skills/training interventions.

In the academic year 2017/18, 137,064 full time equivalent places were delivered by Scottish universities, while colleges delivered 118,684 full-time equivalent places.

In Skills Development Scotland in the last year, 28,191 apprenticeship starts including 921 Graduate Apprenticeships were delivered. In addition, over 9,300 people started on Employability Fund skills training, 1,260 people started a Certificate of Work Readiness, and over 21,000 applications for Individual Training Accounts were approved. Over 900 applications to the Transition Training Fund were also approved taking the total since its launch in 2016 to over 10,000.

A key element of future sustainability will be to enhance alignment between agencies and providers to minimise duplication. This work is already underway and while this is important, it can only be part of the response to achieving long term sustainability.

Other work underway as part of FSAP's first phase includes:

- aligning the £1.3 billion investment in City and Growth Deals with our ambitions to deliver digitalisation and technological development and increased in work upskilling and retraining;
- continuing to work to ensure that investment in skills and training is considered in the awarding of every grant, funding stream and business support budget available to us and every public sector contract awarded;
- working with our agencies to utilise data sharing across the skills and enterprise systems to improve how resources are allocated.

However, despite the success of our skills system we recognise that further development is needed to ensure that skills shortages are not a lag on Scottish productivity and growth.

As we move to ensure the availability of increased levels of upskilling and retraining for those at any age who are already in work while balancing the need to maintain a focus on outcomes for young people entering the labour market, it is clear that change will be required to what we deliver and how.

### **What does co-investment look like? - National Manufacturing Institute for Scotland (NMIS)**

The Scottish Government's vision for NMIS is to be an industry-led international centre of manufacturing expertise. Industry, research and the public sector will work together to transform skills, productivity and innovation. A Manufacturing Skills Academy is a key part of the overall NMIS facility.

The NMIS Industry Doctorate Programme has been an early success of the Manufacturing Skills Academy with 22 out of a planned 30 projects now approved or started. Six universities and 22 industry partners are involved, a quarter being SME businesses and a broad range of sectors being represented. The NMIS Doctorates show long term planning by companies to address their future skills needs and specific business challenges.

Importantly they are based on a co-funding model between industry and the public sector with industry cover at least 50 per cent of the costs for each project. While the public sector funding for this initial cohort of projects has been through grant funding it would be useful to explore how the principles of a co-funding approach to be utilised while reducing the requirement for grant funding.

### **Questions**

- How do we ensure public investment in skills has the maximum impact and is sustainable in delivering the change required through the vision and themes of the Future Skills Action Plan?
- How should this public sector investment be prioritised, across areas such as who can access support, what type of support should be available, and how can it help to deliver inclusive economic growth?
- How might this public sector investment need to diversify to encourage co-investment between the skills system and employers in Scotland to create a culture of shared investment in Scotland's future workforce?