

University Outcome Agreement Guidance AY 2014-15 to 2016-17: Refresh

Annex D: SFC's Annual Outcome Agreement Cycle

Introduction

1. SFC has developed an annual Outcome Agreement funding cycle.
2. The cycle is summarised in **figure 1**. The cycle relates both to reviewing past activity and to negotiating future Outcome Agreements and decisions on funding allocations. Reviews of past progress inform decisions about the future outcomes SFC wish to achieve.
3. Each year we review progress. This review considers the Outcome Agreements that were recently approved alongside the progress that has been made by the sectors, based on available data. From this analysis SFC is better able to determine what now needs to be achieved.
4. The review helps to identify SFC's priorities for the next round of Outcome Agreements and provides scope for any decisions relating to funding recovery.
5. Following this, SFC can produce guidance which set out its plans for engagement with institutions in relation to Outcome Agreements. We can also then plan for engagement relating to on-going strategic projects.
6. This then allows Outcome Agreement managers to negotiate the outcomes SFC wants to achieve, concluding this phase with advice to SFC's board on individual Outcome Agreements and assessment of the total impact of the sector. The self-evaluation reports received in October are also important in this process. From this assessment, SFC can make its decisions on funding allocations.

7. Once indicative funding allocation decisions are made, the cycle begins again with the review of progress, which acts as a control mechanism to ensure SFC remains on course to deliver national aspirations. As part of the controls available to SFC, in spring each year, SFC will confirm the funding allocations and issue funding guidance to the sectors.
8. SFC and the Scottish Government will work together to agree dates for publication of key items such as sector guidance, as well as collaborating on decisions on consolidation limits and funded places for controlled subjects.

Funding recovery

9. SFC will consider situations where there is concern over a variation in delivery against Outcome Agreement commitments. This action would involve application of the process described in Annex B and would involve SFC considering - taking context and ambition into account - whether funding needs to be recovered, taking a holistic view of both good and unsatisfactory progress to arrive at its decision.
10. We will plan to take our main funding recovery decisions in the spring. This will allow sufficient time for data on progress to be compiled as well as time for SFC committees and the executive to fully review the progress delivered to date.
11. Funding recovery decisions will take place to ensure that the most effective use of the funding allocated in previous years has been made. To inform its decisions, SFC will consider institution governance and progress against:
 - Student numbers
 - Funded mix of provision
 - Deliverables related to strategic investments / projects
 - Compliance with legislation, regulatory frameworks and good practice
12. Importantly, as a result of the Outcome Agreement process, SFC will be able to review the progress being made by the sector on an on-going basis within the academic year and can raise issues with institutions as part of on-going engagement. This will also assist in the preparation of future Outcome Agreements.
13. Where SFC determines that funding recovery may be required, institutions will usually be informed shortly after. Outcome Agreement managers will support this process.
14. A spring announcement of funding recovery allows universities an opportunity for appeal and discussion. This also meets the preferred timescale for the

signalling of funding recovery in the accounts and allows sufficient time for the funds to be recovered before the end of the academic year. The existing rules of appeal will apply.

15. The Scottish Government's consolidation (over-recruitment) policy limits the number of full-time undergraduate students eligible for funding in the non-controlled subject areas across all years and limits the number of students eligible for funding and rest of UK students in the controlled subject areas across all years. These consolidation limits can be negotiated, as described in the main guidance, for cases where the breach is related to meeting a policy priority.
16. The regular review of Scotland-wide progress review will allow us to update our priorities, identify new priorities and revise existing aspirations. This information will be part of the published annual Outcome Agreement guidance available from July, allowing the process of developing next year's agreement to commence.

Funding allocation

17. In December - January, SFC will assess the newly submitted Outcome Agreements and agree indicative funding allocations.*
18. SFC will determine the funding to institutions based on the quality of the agreements submitted, existing formulaic allocations, and an assessment of the individual and collective progress being made to date against Scottish Government priorities.
19. In particular, we will assess Outcome Agreements for the extent to which they:
 - Contribute toward achieving Scottish Government priorities
 - Respond to the needs of learners, communities and employers
 - Improve Scotland's educational performance
 - Improve organisational efficiency
20. Progress against past Outcome Agreements will also be taken into account in both funding allocations and in developing future Outcome Agreements.
21. At its December and March board meetings, SFC will specifically assess past delivery against proposed activity and deliverables in relation to key strategic investments. The assessment of past delivery will be informed by statistical data and the self-evaluation reports submitted in October.
22. By drawing together all this information SFC will form a more complete

understanding of individual and collective progress to better determine institution and sector level funding allocations. The funding allocations for individual institutions will then be shared via Outcome Agreement managers.

*Depending on the timing of the Spending Review and draft Scottish budget

Further information

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Figure 1: Outcome agreement annual cycle

