SFC Guidance

University Outcome Agreement Guidance for AY 2015-16

Issue date: 6 August 2014

Summary: Announces process and timetable for negotiating AY2015-16 University Outcome Agreements, and monitoring of AY2014-15 agreements

FAO: University Principals

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Scottish Funding Council
Promoting further and higher education

Contents

Introduction

1.   This guidance explains the process of negotiating an outcome agreement with the Scottish Funding Council (SFC) for AY2015-16. It also explains how we will monitor previous years' outcome agreements. As the agreements which were signed in 2014 were generally for a three year period (2014-17) we anticipate that in many cases the agreements for 2015-16 and beyond will be refined versions of the 2014-17 agreement rather than completely new agreements.

2.   SFC introduced university outcome agreements in AY2012-13. They are intended to help Scottish universities[1] demonstrate and enhance their contribution to the *something for something* funding settlement agreed at the time of the last Scottish Government spending review.

3.   Outcome agreements have become a powerful tool in demonstrating what universities deliver in return for public investment. They can help:

   - Individual universities to show how they are fulfilling Scottish Government priorities
   - The overall university sector to improve its contribution towards Scottish Government priorities
   - SFC to fund the university sector in ways that support the different missions of diverse, autonomous institutions

4.   The outcome agreement process should enable:

   - Relationship-based engagements that ensure our funding decisions take account of the context within which universities operate. This helps us differentiate our approach where it is appropriate
   - Consistent methods of reporting through an outcome agreement document. This helps us to support the university sector to show impact at a national level
   - More transparency and accountability for public expenditure
   - Universities to discuss with us their broader aspirations, including collaborative approaches to strategic challenges.

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[1] Scotland has 19 higher education institutions of which 16 are universities and three are specialist higher education institutions. The term university is used interchangeably throughout this document with HEI as shorthand but should be understood to mean all 19 higher education institutions

Table 1: Key changes from 2014-15 guidance

Section	Change	Page in 2015-16 guidance	Page in 2014-15 guidance
Developing our approach	Removed	-	2-3
The outcome agreement process: relationship and reporting	Shortened. Outcome agreement process: relationships was called 'Negotiation and engagement'; streamlined and now incorporates text on Strategic Dialogue Meetings'. Outcome agreement process: reporting incorporates text from previous 'OA process' and 'The AY 2014-15 outcome agreement'	6-9	4-8; 14
SFC priorities and national measures	Specific information relating to gender and carbon; Clarification of the expectations relating to 'measures' and 'aspirations'; Clarification of what a 'three year' outcome agreement means	10-12	15
Table 5: SFC's national measures	Was previously called table 2. Some additional details added for clarification. 'Interpreting national measures' now incorporated into table. Details of changes to measures included below.	13-18	16-20
Additional information for the preparation of the outcome agreement	Contains additional information relating to: implications of the Post-16 Act; under-represented protected characteristics; culture; Gaelic.	19-21	New
Regional Coherence Funding	Clarification of expectations on universities receiving regional coherence funding	21	New
Financial Memorandum	Information on new Financial Memorandum	22	New
Strategic funding	More information for universities seeking strategic funding from SFC	22	New
Additional places	Shortened from last year; information on taught postgraduate places; and information on forthcoming discussions on Articulation places.	22-23	
Consolidation	Paragraphs on new process	23	New
Outcome setting and funding	Moved and shortened	24	11-12
Outcome Agreement and Policy Contacts	Comprehensive list of contacts	25-26	New
Annex B Funding and outcome agreements	Updated to reflect new Financial Memorandum		
Annex D Additional places	Removed; any information still required incorporated into main body of document		
Annex E SFC's annual outcome agreement cycle	Now called Annex D, tweaked to better reflect actual outcome agreement cycle		

Table 2: Changes to national measures

National measures		
Last year	**This year**	**Notes**
(7) The proportion of full-time students starting first degrees with projected outcome of "Degree"	Dropped	Measure removed as the outcome tracked with this measure is more helpfully tracked by the retention measure
(11)Ratings of submissions to the Research Excellence Framework	(10) added: relative to UK competitors	Change follows requests from universities for clarification of how the REF would be used.
(12) Number of research postgraduate students and research assistants	(11) Number of research postgraduate students	Reference to research assistants dropped from measure as this tracks research income without adding value
(13) Amount and percentage share (Scotland and UK) of income from the Research Councils, major research charities and the European Commission	(12) Added the following clarification: SFC has a particular interest in income from the three sources listed above and will continue to monitor income from these sources. Reflecting the different circumstances within different institutions, HEIs are welcome to indicate their institutions' aspirations for total research income, research income from these specific sources, or income from other specific sources such as government or industry.	
(14) Range of established Knowledge Transfer Grant (KTG) metrics and the Higher Education Business Community Interaction Survey (HEBCI)	(13) As 14, with addition of footnote re the KTG consultation	
(17) Operating surplus/deficit as % of total income	Dropped	Measures removed as the financial sustainability of institutions is already, and will continue to be, regularly monitored through the established financial forecast and annual accounts return.
(18) Non-SFC income as % of total income	Dropped	
(19) Current assets: current liabilities ratio	Dropped	
(20) Days cash to expenditure	Dropped	
(21) Earnings before interest, taxes, depreciation and amortisation	Dropped	

Table 3: Changes to institutional measures and commitments

Institutional measures and commitments		
Aim	**Additions**	**Changes**
1 Improve access to higher education for people from the widest possible range of backgrounds	….HEI's approach to contextualised admissions including measures and evidence of impact.	Update to information on care leavers following changes to Buttle UK.
	We are particularly interested in the steps being taken by institutions to promote access to high demand courses such as medicine.	
	Evidence that institutions (particularly those that are part of the articulation hubs and/or in receipt of additional places for articulation) are maximising opportunities for guaranteed progression from partner colleges.	
3 Right learning in the right place	Statement outlining what efforts the institution is making in relation to gender balance within their curriculum e.g. STEM, nursing etc.	Update on requirements related to nursing.
	Statement on steps being taken to grow the number of graduates with practical language skills.	
4 A developed workforce		Update to work-related learning measure.
7 Sustainable institutions	Institutions should provide a narrative: • Outlining progress with their Climate Action Plan targets • Describing their engagement with the EAUC • Evidencing their efforts to reduce greenhouse gas emissions.	
	In AY 2013-14 SFC allocated £20m under the HE Carbon Reduction Programme to three projects to support a step change in university carbon emissions. Institutions in receipt of this funding are expected to provide evidence of progress against the specified outcomes for their respective projects.	

The outcome agreement process: relationships and reporting

5.   The outcome agreement process is intended to complement and support an institution's autonomy and strategic ambitions. Achieving these ambitions is ultimately the responsibility of a university's court or governing body. An outcome agreement should align with an institution's strategy so that it enables the institution to negotiate its contribution toward sector level impacts according to its priorities and strengths.

6.   The outcome agreement process combines two elements -

- A **relationship** with a specified SFC outcome agreement manager who acts as the main contact for the HEI. Outcome agreement managers and their teams advocate on behalf of universities and *support* and *challenge* them to make effective contributions to Scottish Government priorities.

- Outcome agreement **reporting**. This is how HEIs demonstrate their commitment to meeting Scottish Government priorities through their stated ambitions.

The outcome agreement process: relationships

7.   Outcome agreement managers are expected to engage with a range of people across an institution. This includes those with strategic oversight and responsibility, such as planners, and those with a detailed understanding of the policies and processes being discussed. This breadth of engagement is intended to help develop relationships and build understanding between SFC and institutions.

8.   To build effective relationships and to support HEIs to achieve their ambitions, outcome agreement managers will work with universities in three ways.

a. They will meet institutions to discuss the outcome agreement process, including an initial discussion on interpreting this guidance. This will be followed by meetings to discuss the development, completion and submission of the outcome agreement.

b. They will discuss progress with universities. The focus of these discussions will be around evidence of impact. This also provides an opportunity to discuss any issues of uncertainty, help explain particular progress challenges, and support institutions in their interactions with stakeholders.

c. They will support HEIs to achieve ambitions in a variety of ways, including sharing good practice, encouraging and facilitating

cross-institutional collaboration, and brokering relationships with relevant stakeholders. They will also invite universities to discuss strategic funding for projects which are aligned closely with SFC key priorities. (See page 22 for information on strategic funding.)

9.   Another aspect of relationship building involves **Strategic Dialogue Meetings** which take place on a three year cycle. Their purpose is to enhance the relationship between the HEI and SFC and to give SFC board members direct contact with university court or board members, senior managers, staff and students. The meetings are kept as informal as possible and are an opportunity for institutions to demonstrate their impact and highlight their ambitions as detailed in their strategic plan and outcome agreement. One of their key functions is as a learning experience for SFC board members. SDMs are not held in lieu of outcome agreement meetings but are complementary to the outcome agreement process.

The outcome agreement process: reporting

10. Outcome agreements should be concise documents focused on SFC's key priorities as outlined in the section on outcome agreement priorities and national measures. If possible, they should be multi-year (three-year) documents.

11. HEIs should use the national performance measures (see below), as well as locally selected indicators, to help capture their ambitions and progress in their outcome agreements. Where appropriate, they should use SMART indicators, particularly in relation to the national measures. Qualitative information is also necessary to convey achievement in many cases. We therefore encourage institutions to provide a *brief* account of ambitions and achievements through qualitative information where it enhances understanding.

12. For institutions that produced a three year outcome agreement for 2014-15, we expect that minor revisions will be needed for 2015-16. These revised agreements should update the commitments in the previous version of the agreement based on progress and developing Scottish Government priorities. This is also an opportunity for universities to refine their agreements based on the changing context within their own institutions. At the start of this document there is a summary of key changes for 2015-16. HEIs are expected to revise their outcome agreement to address these new areas.

13. Many universities that produced a one-year outcome agreement for AY2014-15 have indicated they intend to move towards a three-year outcome agreement in 2015-16, building on their 2014-15 document. There may be circumstances in which it is more appropriate for an institution to produce another one-year agreement in 2015-16 or an outcome agreement that spans more than three

years. The decision on this is for the university to take.

14. The level of ambition in an outcome agreement should be reviewed on a yearly basis. This is to reflect the progress made and the fact that things may happen that are beyond an institution's control, or the contents of the agreement may be overtaken by events.

15. In recognition of the diversity of the higher education sector in Scotland, we do not have a standard template for outcome agreements; however, we do expect all outcome agreements to refer to each of SFC's key priorities. We encourage institutions to view the presentation and format of outcome agreements used by others, to help build good practice across the sector.

16. Please contact your outcome agreement manager for more information on the process, and to discuss the details of your institution's agreement.

Monitoring

17. Outcome agreements for AY2015-16 will be informed by the monitoring of progress and achievements from previous years. This will focus on the AY 2012-13 and 2013-14 agreements, and very early progress from the AY2014-15 agreements.

18. We will discuss progress with institutions throughout the year. The monitoring process includes a number of key stages, which are set out below.

Self-evaluation

19. All universities are accountable annually for the funding they received in the preceding year and submit an annual self-evaluation progress report in October. This applies regardless of the period covered by the outcome agreement, which may be one or three years. This self-evaluation will be used by outcome agreement managers in their monitoring of, and negotiations with, institutions.

20. Further information on how to complete a self-evaluation report is contained in **Annex A.**

On-going monitoring and early data returns

21. Building on this evidence base, we will provide an assessment of progress for each institution, which will then be discussed with the HEI.

22. We will continue to ask universities to report on take-up of additional funded places through the Early Statistics Return.

23. We will also carry out an in-year Early Access Return in November/December

for AY2014-15 onwards. We will develop this in consultation with the sector. This will be separate from the Early Statistics Return, as suggested by practitioners in the sector, and will look beyond the take-up of additional funded places to consider trends in widening access more generally. Given the statutory nature of the widening access elements of outcome agreements (following the Post-16 Education (Scotland) Act 2013) this in-year data is crucial to meeting some elements of SFC's duties under the Act, and will also be part of a wider effort to ensure we have the right data at the right time. It will also be helpful to SFC and universities in strengthening access negotiations and better judging the success of interventions. We expect that over time this exercise will develop in collaboration with the sector as our understanding of this area improves.

Quality arrangements

24. Quality assurance and enhancement underpin outcome agreements and remain continuing requirements and a condition of funding.

25. Universities must ensure they have effective arrangements for managing academic standards and enhancing the quality of the student learning experience. This is so that they continue to meet the requirements set by SFC in our guidance to higher education institutions on quality from August 2012: (http://www.sfc.ac.uk/newsinformation/Circulars/2012/SFC1412.aspx).

26. We will update the guidance related to quality during 2014-15, taking account of opportunities to improve alignment with outcome agreements.

Timeline

27. We intend to begin negotiating the content of AY 2015-16 outcome agreements in September 2014.   For those HEIs which already have a multi-year outcome agreement, the outcome agreement manager will discuss with the institution the minor revisions and additions necessary for 2015-16. Greater engagement may be necessary for those institutions moving from a one-year to a three-year agreement.

28. Outcome agreement managers will be available to assist with early drafts, discuss potential amendments and provide feedback on the first draft which is due 8 December 2014.

29. The final outcome agreement should be submitted by 28 February 2015.

Table 4: Key dates for outcome agreements AY2015-16	
Guidance updated and published	6 August 2014
Negotiations start	September 2014
Self-evaluation progress report on AY13-14 submitted	31 October 2014
Well-developed draft outcome agreement submitted	8 December2014
Final outcome agreement submitted	28 February 2015
Outcome agreements and funding allocations published	April 2015

Outcome agreement priorities and national measures

30. Building on Scottish Government priorities and Ministerial letters of guidance, the priority areas for outcome agreements for the three year period from AY2014-15 are set out below. These are structured around the strategic aims in SFC's strategic plan and now include areas underpinned by legislation associated with the delivery of the Post-16 Education (Scotland) Act 2013.

31. The key priorities for the three-year period from AY 2014-15 are to see:

   - An increase in the retention rate of full-time Scottish domiciled undergraduate entrants
   - An increase in the number of college students articulating from college with advanced standing
   - An increase in the proportion of Scottish-domiciled undergraduate entrants from the 40% most deprived postcodes
   - An increase in the percentage of Scottish-domiciled graduates entering positive destinations
   - An improvement in the sector's performance in REF2014 compared with RAE2008
   - Leverage of investment at the UK and European level maximised to enhance HEI/industry collaboration particularly for Small and Medium sized Enterprises
   - A more representative proportion of entrants from different protected characteristic groups and care leavers
   - Universities contribute to the delivery of Scotland's targets for significantly reduced greenhouse gas emissions.

32. In addition to the key priorities outlined above, we would like universities to consider carefully the need for actions to address gender balance, both in total participation and in particular subjects and consider setting aspirations for improvement. This area is one that will receive additional attention in school and college education as a result of the recommendations of the Wood Commission on Developing Scotland's Young Workforce. While those recommendations do not directly address the university sector, changes in the gender balance with vocational pathways in schools and college should be

something that affects university participation in the medium term. Some universities already have clear aspiration in this area. Universities should consider the extent to which gender balance is an issue and reconsider their existing aspiration, or potentially create a new one, in the light of the increased focus on this area.

National measures

33. We introduced national measures for outcome agreements in the 2014-15 round. Taking into account feedback from universities, we have reviewed the measures used in 2014-15, and adjusted them slightly. More detail on the changes is provided in tables 2 and 3 at the start of this document, and in the technical guidance at Annex C.

34. We are also grateful for the efforts of Universities Scotland and will continue to work with them in refining the measures, particularly in relation to widening access.

35. When setting out aspirations, HEIs are asked to use SFC's national measures (set out in Table 5), which build on existing well-defined data sources. Where appropriate, we encourage institutions to supplement these with their own measures (for example, to provide supporting evidence of progress and outcomes in relation to access, equality and diversity).

36. We will not ask institutions to express their aspirations in relation to every one of the national measures. We will ask institutions to tell us about their aspirations for achievement (by 2016-17) against those key measures starred in Table 5. Some institutions have already set out these aspirations in their outcome agreements for 2014-15, and in those cases we will simply ask institutions to confirm whether they need to be refreshed. Where institutions did not set aspirations for the key measures, we will require this in their 2015-16 outcome agreement. Aspirations for the key measures are expected to cover the period up to 2016-17. For other measures, SFC will continue to monitor institutional progress using HESA and other existing data sources, against the baseline we agreed with institutions in the 2014-15 round, and institutions can choose whether or not to set specific numeric aspirations against these measures.

37. Where progress on the measures is reported, for all measures this should be reported consistently with reference to the baseline agreed with SFC. Current progress and future ambition should be reported by year in terms of absolute numbers and by proportion, unless otherwise indicated in the table.

38. Where the table refers to an institution-level measure or commitment, a university can provide its own outcome measures and/or narrative to demonstrate success (in addition to the national measures). In certain cases,

both types of measures will apply. However, this should also outline an agreed baseline, current progress and a future ambition by year (both in absolute and proportion terms). We expect HEIs to discuss with their outcome agreement manager which commitments and measures are appropriate to their institution.

39. Institution-level measures can refer to existing measures produced by other agencies, if appropriate e.g. HESA. As outlined earlier, we will encourage institutions to use their own measures to supplement the national measures, particularly in relation to access.

40. Further information for reporting on certain measures is provided below. Further information on all *national* measures is provided in Annex C.

41. Finally, we recognise that not all of an individual institution's priorities will fit neatly into the aims and measures identified below, and that the HEI may want to include these in their outcome agreement document. While this is not obligatory, we want to continue to encourage this and invite universities to raise these ambitions in their discussions with their outcome agreement manager and to outline them in their outcome agreement.

Table 5: SFC's 2015-16 national measures

Aim 1: Improve access to higher education for people from the widest possible range of backgrounds		
Outcome	**National measure**	**Institution measures and commitments**
More even patterns of participation by different groups of learners, including those from areas of deprivation, from protected characteristic groups and care backgrounds. An increase in the number of students articulating with advanced standing from HNC/HND to degree level study. More institutions applying best practice in contextualised admissions.	**(1)*** The number and proportion of Scottish-domiciled learners articulating from college to degree level courses with advanced standing. **(2)*** The number and proportion of Scottish-domiciled undergraduate entrants from the 20% and 40% most deprived postcodes. **(3)** The number and proportion of Scottish-domiciled undergraduate entrants from the Schools for Higher Education Programme - SHEP (i.e. schools with consistently low rates of progression to higher education). **(4)*** (where under-represented) The number and proportion of Scottish-domiciled undergraduate entrants by different protected characteristic groups and care leavers.	**(a)** Evidence that steps are being taken to address any barriers to recruitment and progression for learners from deprived/ disadvantaged backgrounds including those who are or were looked after. This could include: • Contextual information, e.g. SAAS, EMA, first in family, care leaver, carer • Institution data on protected characteristic groups and ambitions for any area of under-representation • Promoting access and equalities legislation in a way that is consistent with the HEI's mission • HEI's approach to contextualised admissions including measures and evidence of impact. **(b)** We are particularly interested in the steps being taken by institutions to promote access to high demand courses such as medicine. **(c)** The Buttle Quality Mark will cease in July 2015, and for this reason, institutions are asked to provide a specific statement in their outcome agreements about how they recruit and support care leavers/young people in care. This should include the transitional arrangements the university has in place as well as support arrangements during their course and to assist them once they have completed their qualification. It should also outline what processes the university has in place to re-engage these students should they be at risk of dropping out, or have dropped out, of the course. **(d)** Evidence that institutions (particularly those that are part of the articulation hubs and/or in receipt of additional places for articulation) are maximising opportunities for guaranteed progression from partner colleges.

	(5)* The number and proportion of full-time first year Scottish-domiciled entrants from different protected characteristic groups returning to study in year two.	**(e)** Institutions in receipt of these and other additional funded places for widening access should refer to the contribution that these places will make to achieving their institutional targets under aim 1.

Aim 2: High quality, efficient and effective learning – learner journeys are short, efficient and effective as possible and learners experience the highest quality of learning and teaching and achieve successful outcomes

Outcome	National measure	Institution measures and commitments
An improvement in the retention and success rates of learners. Greater flexibility in entry and exit points, where appropriate, to reduce potential inefficiencies in the learner journey where this is of benefit to the learner. Quality of learning provision and learner outcomes assured and enhanced.	**(6)*** The number and proportion of full-time first year Scottish-domiciled undergraduate entrants returning to study in year two. **(7)** The difference from the individual institution's UK benchmark figure for students satisfied with the overall quality of their course of study in the National Student Survey.	**(f)** Evidence that institutions are identifying significant barriers to retention, and have in place strategies to reduce those barriers, drawing on good practice in their institution and elsewhere. **(g)** Statement of assurance that the institution has achieved 'effectiveness' judgment in QAA enhancement-led institutional review (ELIR) and is appropriately engaged in institution-led internal reviews (self-evaluation of quality).

Aim 3: Right learning in the right place – secure coherent provision of higher education in Scotland in line with SFC's statutory obligation

Outcome	National measure	Institution measures and commitments
Universities are responsive to current and future skill requirements of employers. More targeted recruitment to courses of national and regional economic significance. Nationally coherent and regionally aligned nursing provision.	**(8)** The number and proportion of Scottish-domiciled undergraduate entrants to STEM courses.	**(h)** Statement outlining how the institution is responding to evidence of current and future skills requirements of employers, as outlined in the Sector Skills Investment Plans and other available labour market information. **(i)** Statement outlining what efforts the institution is making in relation to gender balance within their curriculum e.g. STEM, nursing etc. **(j)** For Nursing providers: provide evidence of their plans to respond to the six

Implementation of the National Gaelic Language Plan.		strategic aims set out in "Setting the Direction for Nursing and Midwifery Education in Scotland". In particular, evidence of plans to develop an infrastructure to deliver an efficient, responsive and sustainable education through collaboration or other means. **(k)** Statement on steps being taken to grow the number of graduates with practical language skills. **(l)** Statement outlining activities in support of the National Gaelic Language Plan. **(m)** Statement outlining any other potential major changes to provision. **(n)** Institutions in receipt of additional funded places for undergraduate and/or taught postgraduate skills should make reference to the contribution that these places will make to achieving their institutional ambitions under aims 3 and/or 4.

Aim 4: A developed workforce – learners who have the skills, knowledge and entrepreneurial spirit to get a job and progress their career; and institutions that respond to the skills needs of the economy locally and nationally

Outcome	National measure	Institution measures and commitments
An increase in the proportion of graduates in work or further study six months after graduating, and of those in work, a reduction in the proportion in Non-Graduate (as opposed to Graduate) occupations, where these proportions appear to be particularly high. Graduates are well prepared for work and can utilise their skills effectively in the increasingly international labour market.	**(9)*** The number and proportion of Scottish-domiciled graduates entering positive destinations.	**(o)** Evidence of provision of work related learning demonstrated by: - Providing baseline of current provision in relation to placements and expressing ambitions for growth - University strategy for enhancing skills development and skills utilisation, particularly relating to groups of students with statistically fewer chances to progress into graduate level work. **(p)** Enhanced provision focused on internationalising the student experience demonstrated by providing baselines and expressing ambitions for growth in: - Opportunities to study abroad - Tackling barriers, perceived and real, to students taking up the opportunities offered abroad. **(q)** Statement outlining strategies/goals for reducing the proportion of graduates entering 'non-graduate' occupations (for those institutions with a high

		proportion of graduates in this category).
Aim 5: A research base that is internationally competitive and improving its reputation and standing in the world		
Outcome	**National measure**	**Institution measures and commitments**
An improvement in the sector's performance in REF2014 compared with RAE2008. Scotland maintaining its share (relative to the UK) of Research Council and research charity income; and increasing its share of income from European Commission programmes. Enhanced research and KE collaboration. An increase in the number of institutions and departments securing Athena Swan awards.	**(10)** Ratings of submissions to the Research Excellence Framework, relative to UK competitors. **(11)** Number of research postgraduate students **(12)** Amount and percentage share (Scotland and UK) of income from the Research Councils, major research charities and the European Commission.[+] [+]SFC has a particular interest in income from the three sources listed above and will continue to monitor income from these sources. Reflecting the different circumstances within different institutions, HEIs are welcome to indicate their institutions' aspirations for total research income, research income from these specific sources, or income from other specific sources such as government or industry.	**(r)** Statement outlining commitment to collaboration across the sector and with industry; ambitions and aspiration with respect to collaboration and the intended impact of these collaborative activities. **(s)** Statement of assurance that the institution has in place processes and structures to implement the principles and commitments in the Research Integrity Concordat. **(t)** Statement of ambition regarding Athena Swan awards.

Aim 6: University-industry collaboration – deliver a step-change in the engagement of business and industry with universities, removing any barriers to the exploitation of research for economic and wider societal benefit

Outcome	National measure	Institution measures and commitments
A step change in the engagement of business and industry through significantly enhanced HEI/industry collaborations including the establishment of Innovation Centres in sectors important to Scotland's economy and the establishment of the Innovation Scotland Forum. Maximise the potential for leverage of further investment at the UK and European level to further enhance HEI/industry collaboration, particularly for small and medium sized enterprises (SMEs).	**(13)** * Range of established Knowledge Transfer Grant (KTG) metrics$^+$ and the Higher Education and Business Community Interaction Survey (HEBCI). **(14)** The number of SFC innovation vouchers (IVs), Follow-on IVs and H2020 IVs. $^+$SFC is consulting over summer 2014 on how the KTG is allocated and monitored. This may result in changes to the metrics collection and to additional targets and measures around innovation and engagement. Further guidance will be issued following the consultation period. The consultation can be found online at: http://www.sfc.ac.uk/communications/Consultations/2014/SFCCN012014.aspx	**(u)** Statement of ambition in this area, including commitment to the delivery of easy access IP; to engage actively with Interface; and to support the strategy of Innovation Scotland and its implementation. **(v)** Priorities and goals for engagement with SMEs – in particular through the vehicle of innovation vouchers (IV), Follow-on IVs and the upcoming H2020 IVs. **(w)** Plans and ambitions for: • Engagement with UK and European initiatives (e.g. TSB catapults) • Collaborating with Innovation Centres.

Aim 7: Sustainable institutions – ensure high quality of governance and management for institutions delivering long-term and financial and environmentally sustainable interactions		
Outcome	**National measure**	**Institution measures and commitments**
Institutions contribute to the delivery of Climate Change (Scotland) Act 2009 targets for reduced greenhouse gas emissions. Institutions meet the principles of good governance set out in the Scottish Code of HE Governance. Institutions' governing bodies have clear ownership of institutional sustainability. Institutions have in place robust and coherent plans and processes for performance management and monitoring institutional sustainability Institutions explore and exploit opportunities to improve efficiency and effectiveness through collaborations and shared services. Institutions invest in their estates for teaching and research at a sustainable level.	**(15) *** Gross carbon footprint (3 year period). (16) Annual capital and maintenance spend on estates and buildings as a proportion of value of estate.$^{+}$ $^{+}$SFC's formula capital maintenance grant must be used for estates build, or maintenance and debt servicing associated with capital developments. As a general guide, best practice suggests that investing somewhere between 4-6% of total asset value is required to maintain the estate in good order. All capital spending must be aligned to each university's estates strategy.	**(x)** Institutions should provide a narrative: - Outlining progress with their Climate Action Plan targets - Describing their engagement with the EAUC - Evidencing their efforts to reduce greenhouse gas emissions. **(y)** In AY 2013-14 SFC allocated £20m under the HE Carbon Reduction Programme to three projects to support a step change in university carbon emissions. Institutions in receipt of this funding are expected to provide evidence of progress against the specified outcomes for their respective projects. **(z)** Statement on their efforts to explore and exploit opportunities to improve efficiency and effectiveness through collaboration and shared initiatives.

Additional information for the preparation of the outcome agreement

The Post-16 Act

Access

42. The Post-16 Education (Scotland) Act 2013 places a number of statutory duties on SFC in relation to access to colleges and universities. These include provisions that mean we:

    - Must have regard for the desirability of widening access among under-represented socio-economic groups
    - Have a duty to define what under-represented socio-economic groups are in the context of access
    - Must make provision for triennial reviews of access that monitor the extent to which progress is being made in enabling, encouraging and improving participation in fundable higher education by under-represented socio-economic groups
    - Must provide a report following the triennial review which explains and outlines our conclusions and makes recommendations to ministers and each HEI
    - Must require any HEI that we fund to comply with a widening access agreement which makes provision in relation to any socio-economic group under-represented in fundable higher education.

43. A widening access agreement is an agreement between a university and SFC under which the institution is to take specified actions to enable, encourage or increase participation by under-represented socio-economic groups. As outcome agreements already contain significant commitments on widening access, introducing a separate agreement would create duplication and place extra burden on universities. We are therefore implementing this by treating the access section of the outcome agreements as the 'widening access agreement'. The Act therefore places the widening access elements of outcome agreements onto a statutory footing.

44. Later in 2014, we will publish further plans for responding to these new legislative duties, and what this means for the sector. We will discuss these with the university sector.

Staff and student engagement

45. Under the Post-16 Education Act, HEIs are now required to consult with the institution's student association and the representatives of any recognised trade union in entering into a widening access agreement.

46. In line with this, we expect universities to evidence how, from the outset of the process, their outcome agreements have been developed in consultation with students, the university's students' association, and with trade union representatives.

47. This does not replace any interactions with staff and student union representatives at Strategic Dialogue Meetings.

More detail on the access and retention measures

48. In the evaluation of the 14-15 outcome agreement process we received feedback on the measures for protected characteristics and the lack of clarity on how these should be used. Our expectation is that universities will consider whether there are any protected characteristic groups that are under-represented in their student population – or on particular types of course – and set aspirations for improvement in representation. We expect universities to look at those protected characteristic groups for which data is widely available, and set aspirations for these where there is under-representation. Where universities have data on other groups, we would expect them to consider it in setting aspirations. Under-representation in this context may for example mean lower proportion of entrants compared against the population as a whole or against sector-wide averages for recruitment.

49. Measures 1, 2 and 6 listed under Aim 1 and 2 (articulation, SIMD entrants, and retention) must be included in your outcome agreement, with clear aspirations and descriptions of activity that will meet these aspirations. Measures 3, 4 and 5 should be included in your outcome agreements if protected characteristic groups (gender, disability, race, age) or care are under-represented within your institution. Where under-representation exists your outcome agreement should set clear aspirations and should outline the planned activity to meet these aspirations.

Culture

50. Scotland's HEIs have a significant impact on the cultural life of Scotland and internationally. Though not obligatory, universities and SSIs may wish to reflect on this important role and their goals and aspirations towards increasing this contribution in their outcome agreement. This is a cross-cutting theme and is therefore not specifically highlighted under any of the Aims above.

Gaelic

51. We are committed to supporting the development of the Gaelic language. We ask universities to consider how they can contribute to the aims of the National Gaelic Language Plan (NGLP) in relation to the key themes of the outcome agreement. This might include maintenance and development of provision for

Gaelic learners and for Gaelic speakers.

52. Outcome agreements should include reference to the National Gaelic Language Plan (NGLP) 2012-17[2] and universities are asked – where appropriate – to consider how they protect and build on their Gaelic provision. We recognise that some universities will have a far larger role to play in this than others. However, we expect all universities to demonstrate that they have considered the appropriate level of support for the language, including its use by staff, students and others, in their individual circumstances.

Regional coherence funding

53. In AY 2012-13, regional coherence funding merged several SFC grants into one fund of approximately £19m. This new fund recognised that some institutions – but not all – should be supported to deliver coherent provision to their area through articulation from local colleges, better retention and flexible forms of provision that serve people in work as well as full-time students. The funding also recognised the benefits of part-time provision in terms of widening access and improving economic development through workforce development.

54. At that time we informed institutions that regional coherence should deliver:

- Improved articulation and progression routes for students, including those already in work, which use the SCQF creatively to respond to the needs of the region
- Increased work-based learning and increased part-time provision that better meets the regional needs of learners and the economy. This might include considering the number of students whose studies are fully or partially paid for by their employers, or the number of Individual Learning Account (ILA) students enrolled, and changes to types of subject areas studied
- Improved and sometimes collaborative employer engagement to improve the relevance and supply of courses
- Innovation in curriculum design and delivery, through accelerated degrees and increased use of recognised prior learning (RPL)
- Fewer gaps in local and regional higher education provision.

55. Those universities receiving regional coherence funding should discuss with their outcome agreement manager the additional outcomes being delivered with this funding. We also expect these universities to provide a target for improving access for Scottish-domiciled undergraduate entrants from the 20% most deprived, in addition to the national measures outlined in this guidance.

56. We intend to review regional coherence funding, with the intention of

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[2] http://www.gaidhlig.org.uk/bord/en/national-plan-for-gaelic/

implementing changes in AY 2016-17.

Financial Memorandum

57. SFC will introduce a new Financial Memorandum with universities from summer 2014, which sets out the formal relationship between SFC and HEIs and the requirements with which HEIs are expected to comply in return for payment of grant by SFC. It is a condition of grant payment that a governing body and its designated officers comply with the requirements set out in the Financial Memorandum, which include the delivery of its outcome agreement with SFC.

Strategic funding

58. Institutions are invited to discuss with their outcome agreement manager proposals for priority projects and programmes that are closely aligned with, and aid in the delivery of, SFC's key priorities. There should be a *clear rationale* for such proposals and outcome agreement managers, as first point of contact for institutions, will take the decision whether the proposal ought to be developed fully for consideration by SFC's Strategic Funding Group. The Group, which is comprised of senior SFC staff, meets on a monthly basis to consider funding proposals. Institutions can expect to receive a decision, including feedback, from the Group via their outcome agreement manager. SFC staff from policy teams across the Council will continue to be involved in the development and assessment of proposals and there will be areas in which they lead the engagement, such as where projects involve collaborations between groups of HEIs.

Additional places

59. SFC committed additional places to support widening access, articulation and skills/developed workforce from AY2013-14. The distribution of these places in AY2014-15 was announced in the funding letter and no changes are planned to the allocation of or operation of these places for 2015-16. We have therefore not included Annex D, which last year described the allocation of places in some detail.

60. The only exception relates to taught postgraduate places for skills. These were originally allocated to specific courses. If, in the light of recruitment or course changes, universities want to change this SFC will consider allowing these places to be used for other courses in support of the same broad industry need; universities should alert the outcome agreement manager at the earliest opportunity to request approval of any change.

61. Institutions receiving additional places for our Associate Student articulation scheme are asked to provide evidence that they are implementing that scheme

in accordance with our guidance. Institutions should discuss any variance from that guidance with their outcome agreement manager. We would expect any variances to be short-term and temporary.[3]

62.   The achievement of the additional places is closely tied to the goals outlined in outcome agreements for AY2015-16. Outcome agreements for AY2015-16 are expected to continue to refer to the contribution they will make towards the targets outlined in earlier outcome agreements. Outcome agreement managers will discuss progress on these places as part of ongoing monitoring. We will continue to ask universities to report on take-up of additional funded places both through the self-evaluation and through the Early Statistics Return.

Articulation places

63.   SFC is particularly keen to explore the scope for further increasing the level of articulation from colleges to universities in 2015-16. Outcome agreement managers will discuss this with universities towards the start of the 2015-16 negotiations.

Consolidation policy

64.   The consolidation policy set by the Scottish Government limits the number of students a university can recruit. We recognise a university may sometimes feel constrained in its actions to address a Government and SFC priority because higher than expected recruitment can risk breaching this limit. For example, a university may seek to recruit more students from MD40 but will be uncertain about the conversion rate of the offers it makes to students into firm acceptances.

65.   To reduce these barriers we would, as a pilot, consider relaxing the consolidation limit on a university for any over-recruitment that is related to attempts to meet an aspiration addressing a particular priority. We are introducing this relaxation because we want institutions to set aspirational, stretching targets without fear that doing so will lead to potential breach of consolidation.

66.   We will shortly be writing with more details on this. Universities that want to be considered for such a relaxation should discuss this with their outcome agreement manager. For the relaxation to apply we will require that the

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[3] Articulation guidance can be found at this link -
http://www.sfc.ac.uk/web/FILES/Guidance/Guidance_06032013_Articulation_scheme.pdf
  Frequently Asked Questions can also be found here -
http://www.sfc.ac.uk/web/FILES/Guidance/Additional_articulation_places_scheme_Frequently_Asked_Questions.pdf

university agree with us, before the start of the academic year or years for which the relaxation is sought:

- The priority they are seeking to address
- The scale of potential over-recruitment
- The baseline against which recruitment should be judged so that we can be clear that any over-recruitment is related to that particular policy aim.

Outcome setting and funding

67. Annex B gives the full detail of the relationship between outcome agreements and funding.

68. In summary, outcome agreements set out the outcomes a university will deliver in return for public funding. We continue to expect institutions to set achievable but stretching aspirations.

69. SFC funding is dependent upon the establishment of an outcome agreement, and future funding could be varied depending on delivery against the agreement. A formula-based approach will continue to be used for the majority of our teaching, research and knowledge exchange funding. The outcomes laid out will, if necessary, be used to recover or reduce funding if progress towards these is not being made.

70. If we need to consider recovery of funding, we will work with universities to negotiate the related aspirations, timescales and funding. Any reductions or recovery of funds would be based on holistic considerations of an institution's performance rather than a mechanistic or formulaic reduction. Institutions will not be penalised for setting ambitious aspirations.

71. Further information on SFC's funding and outcomes can be found at Annex B.

Outcome Agreement and Policy Contacts

Contacts for policy areas and outcome agreements can be found on our website at
http://www.sfc.ac.uk/aboutus/Ourorganisation/OurOrganisation.aspx

At the time of writing, the contacts are as below.

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