This guidance announces the Scottish Funding Council’s timetable and process for the negotiation of AY 2013-14 outcome agreements. It also sets out the process of the monitoring of the AY 2012-13 agreements.

FAO: Principals and directors of Scotland’s universities

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University Outcome Agreement Guidance for AY 2013-14

1. The following guidance explains the process of negotiating an outcome agreement with the Scottish Funding Council (SFC) in AY 2013-14. It also explains how previous years’ outcome agreements will be monitored.

2. It includes the following sections:

   • introduction;
   • core principles;
   • impacts and priorities for AY 2013-14;
   • priorities and additional investment in AY 2013-14;
   • outcomes and funding;
   • writing an outcome agreement;
   • explaining the negotiation process; and
   • monitoring outcome agreements.
Introduction

3. University outcome agreements were introduced in AY 2012-13 to assist the university sector\(^1\), to demonstrate better its contribution to the ‘something for something’ funding settlement as part of the Scottish Government’s 2012-13 to 2014-15 spending review.

4. Outcome agreements are intended to support:

- individual universities to demonstrate their fulfilment of Scottish Government priorities;
- improvement in the contribution of the university sector to Scottish Government priorities; and
- a way of funding the sector which supports the different missions of diverse, autonomous institutions.

5. Further to their introduction, SFC and Universities Scotland (US) have collaborated to review what was achieved in AY 2012-13 and to improve the outcome agreement process. This guidance is a consequence of that collaboration.

6. SFC is committed to further improvements so that;

- outcome agreements are more consistent;
- the sector delivers key government priorities; and
- strong and positive relationships are developed between SFC and the sector.

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\(^1\) The University sector includes the Small Specialist Institutions (SSIs)
Core Principles

7. Outcome agreements are multi-year in nature and demonstrate the return for public investment – that is, the overall impact SFC expects the university sector to deliver.

8. At institutional level, an outcome agreement establishes the contribution that an individual university will make to the overall impact expected of the sector in return for public funding. This contribution is captured with reference to the achievement of particular outcomes. We recognise that in many instances we are measuring progress at interim stages toward the achievement of an outcome. Therefore, for the purposes of this guidance, the word ‘outcome’ may refer to an interim measure or a contributory-outcome.

9. An outcome agreement is a strategic, rather than operational, document. However, it must also have attention to outputs – that is, the milestones which the university will use to chart its annual progress toward delivering its outcomes. Discussion about the achievement of these milestones will form the basis of the engagement with SFC.

10. The table below demonstrates the relationship between sector level impacts, and institution level outcomes and outputs.

11. The outcome agreement process is intended to support an institution’s responsible autonomy. Therefore, achievement of an outcome agreement is the responsibility of a university’s court / governing body. SFC has a role to play in supporting the university in its progress.
12. SFC’s ambition is to ensure outcome agreements in AY 2013-14 are simplified with a stronger focus on SMART indicators. In achieving this simplification, there is an expectation that universities will commit to establish a common set of quantified indicators, supplemented by their own metrics, to enable the sector to best demonstrate its impact.

13. SFC recognises the significant progress made in developing outcome agreements for AY 2012-13 and expects that, in most cases, outcome agreements will build on and revise those produced in AY 2012-13.

14. Since each outcome agreement will reflect the unique context of each institution, universities will be asked to provide contextual information alongside their outcomes and outputs. Universities, though, are not required to produce detailed lengthy descriptions of operational practice and inputs.

15. To support the sector to demonstrate its impact, the outcome agreement process will capture progress through the combination of national key indicators – which will be consistent for all universities – and by contextualised indicators – which will be tailored to institutions or groups of institutions. This is explained further in the next section.

16. It is an expectation of SFC that universities, as part of the engagement process, provide evidence of the existence of systems and structures that will help deliver particular outcomes. For example, where relevant, that they show that there are guaranteed progression routes for college articulation students. The clearer the structures, the less the requirement for additional evidence.

17. Finally, an outcome agreement does not replace a university’s existing strategic plan; rather the two should align so that the agreement enables individual institutions to negotiate their contribution toward sector level impacts according to their respective strengths.
Summary

<table>
<thead>
<tr>
<th>Level of engagement</th>
<th>Content of agreements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sector</strong></td>
<td>Outcome agreements are multi-annual. They demonstrate the impact to be delivered by the sector over a typical 3 - 5 year period.</td>
</tr>
<tr>
<td><strong>Institutional</strong></td>
<td>Institutional agreements demonstrate the outcomes to be delivered by a university toward achieving this impact. An outcome agreement includes contextual information to inform judgements made about outcome setting. Reporting is kept simple by focussing on quantified indicators.</td>
</tr>
<tr>
<td><strong>Engagement with SFC</strong></td>
<td>As part of the process of finalising an outcome agreement a university should discuss with SFC evidence of the systems that will help deliver its outcomes. The annual engagement with SFC will discuss progress on outputs as evidence toward the achievement of outcomes.</td>
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Impact & Priorities for AY 2013-14

18. Building on the Government’s pre-legislative paper *Putting Learners at the Centre*, published on 14 September 2011 and subsequent Ministerial letters of guidance, the priority areas for outcome agreements for universities are set out in the table overleaf.

19. In measuring progress, SFC wishes to reflect the diversity of the sector and avoid imposing a single framework of performance indicators across the sector as a whole. For this reason, universities will be asked to use the following key indicators, which build on existing well-defined data sources, supplemented by institution specific measures.

20. Where the table makes reference to national indicators this means a national performance measure is available and so must be used by a university to demonstrate progress. In contrast, an institution level indicator means a university will be asked to provide its own measures to demonstrate success. In certain outcomes, both types of indicators will apply. Institution level indicators make reference to existing HESA benchmarks and can be used by institutions as part of a range of measures to demonstrate impact.

21. Access, equality and diversity are horizontal themes running throughout an outcome agreement. SFC wants to improve people’s life chances ensuring all people of ability in Scotland, regardless of their background, are able to access the highest levels of educational provision and reach their full potential. Therefore, progress in access and equality and diversity should be embedded throughout an outcome agreement and considered, in relation to all of its key themes.

22. In addition to the themes described in the table overleaf, quality assurance and enhancement remain continuing requirements of institutions.

23. SFC will also wish to discuss an institution’s strategy on capital and estate management as part of a discussion of an institution’s overall sustainability plans.
Scottish Funding Council – Sector Impacts and Priorities for AY 2013-14 outcome agreements

<table>
<thead>
<tr>
<th>Theme</th>
<th>Aim</th>
<th>Impact</th>
<th>Outcome (AY 2011-12 baseline)</th>
<th>National measure used</th>
<th>Institution level measure used</th>
</tr>
</thead>
</table>
| Patterns of participation and Learner Journey | We want Universities to play their role in ensuring the efficiency and diversity of routes through the education system. We want universities to support all undergraduates to stay within the system and increase their chances of progression to attain their full potential. | More even patterns of participation by learners from areas of deprivation  
More even patterns of participation by learners from different protected characteristic groups (including those from care backgrounds)  
More even patterns of retention and achievement by different groups of learners  
More efficient learner progression from Colleges and accelerated entry into undergraduate programmes from school | To increase the proportion of entrants of Scottish domiciled learners from the 20% and 40% most deprived postcodes  
To increase, where they are under-represented, the proportion of entrants of Scottish domiciled learners by different protected characteristic groups  
To increase the retention rate of first year undergraduate full-time Scottish domiciled students from the above groups  
To increase the completion rates of Scottish domiciled students from the above groups  
To increase the number and / or proportion of Scottish domiciled learners articulating from college and from employer apprenticeships with advanced standing | •  
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•  |
| Pattern of Provision | Provision that best meets the needs of national, regional and local needs | To reduce inefficiencies in progression between SCQF level 7 and 8  
To increase the number of Scottish domiciled articulating learners that complete their degree level study |
|---|---|---|
| In line with its statutory obligation to deliver coherent provision, SFC wishes to ensure that learners have access to appropriate provision in appropriate places, with a view to maintaining the quality of that provision and ensuring both universities and colleges work towards efficiencies in delivery. | Different outcomes will be appropriate for different institutions. These might involve different universities being asked:  
how they contribute to meeting graduate skills needs for major employers in the relevant economic sectors for their institution (e.g. Energy or Life Sciences)  
to discuss and agree with SFC major changes to provision in response to employer or industry demand, whether regionally, nationally or by sector  
to discuss and agree with SFC major proposed changes to provision as a result of on-going lack of student demand, particularly in subjects which are specialist  
to ensure that unnecessary overlaps in provision, where these exist, are | • |
<table>
<thead>
<tr>
<th>Research Competitiveness</th>
<th>Scottish university sector to be world leading in research excellence</th>
<th>More even representation of staff from different protected characteristic</th>
</tr>
</thead>
<tbody>
<tr>
<td>SFC wishes to secure the world-leading and international excellence of the Scottish research base, focusing funding where it will lever-in the greatest resources from the Research Councils, the European Commission and other major research funders.</td>
<td>To secure the highest possible ratings in submissions to the Research Excellence Framework (REF2014)</td>
<td>To work toward increases, where there is under representation, in the proportion of staff by different</td>
</tr>
<tr>
<td></td>
<td>To increase the amount and percentage share of income from Research Councils, major research charities and the European Commission</td>
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<tr>
<td></td>
<td>To sustain the benefits of research pooling</td>
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<tr>
<td></td>
<td>To increase the diversity of the Scottish research base, including the proportion of women in professorial positions in SET subjects</td>
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</tbody>
</table>

addressed through discussions with other providers and that clear evidence exists of cohesion

To achieve efficiencies for the sector through a range of coordinated models with partners

To increase the provision of STEM places

To secure the highest possible ratings in submissions to the Research Excellence Framework (REF2014)

To increase the amount and percentage share of income from Research Councils, major research charities and the European Commission

To sustain the benefits of research pooling

To increase the diversity of the Scottish research base, including the proportion of women in professorial positions in SET subjects

To work toward increases, where there is under representation, in the proportion of staff by different

<p>| • | • |
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<thead>
<tr>
<th>University &amp; industry KE collaboration</th>
<th><strong>groups</strong> (extends to all staff within an institution)</th>
<th>protected characteristic groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>SFC wants to deliver a step-change in Scotland in the engagement of business and industry with universities, removing any barriers to the exploitation of research for economic and wider societal benefit.</td>
<td><strong>National and regional economic development resulting from university and industry collaboration on the application of research findings</strong></td>
<td>•</td>
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<tr>
<td>To deliver easy access IP</td>
<td>•</td>
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<tr>
<td>To continue to work with the Scottish KE organisation</td>
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<tr>
<td>To increase licensing income and industry investment</td>
<td>•</td>
<td></td>
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<tr>
<td>To increase the number and quality of CPD opportunities for business and industry</td>
<td>•</td>
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<tr>
<td>To increase the level and enhance the quality of engagement with business and industry and particularly Scottish SMEs</td>
<td>•</td>
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<tr>
<td>To increase the level and enhance the quality of engagement with public policy and service providers, third sector and Government</td>
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<tr>
<td>To enhance Scotland’s low carbon economy</td>
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<tr>
<td>To increase the engagement of research pools with KE activities</td>
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<tr>
<td>To engage actively with Interface</td>
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<tr>
<td>To enhance the contribution of the</td>
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<tr>
<td>Graduate skills</td>
<td>Scottish research base to the key sectors / to support the key sectors</td>
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<tr>
<td>SFC wants to ensure all graduates and postgraduates from Scottish universities are as well-equipped as any in the world to make their mark in business and industry and contribute to the sustainable economic development of the country by filling highly-skilled jobs or creating new jobs through their enhanced employability skills and entrepreneurial abilities.</td>
<td>To increase the number of undergraduates and postgraduates, regardless of their discipline, who are exposed to business methods, ideas and practices</td>
<td></td>
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<tr>
<td><strong>National and regional economic development through the utilisation of a highly skilled workforce</strong></td>
<td>To increase the number of undergraduates and postgraduates with substantial placements in business and industry</td>
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</tr>
<tr>
<td></td>
<td>To increase the number of undergraduate and postgraduate business start-ups</td>
<td></td>
</tr>
<tr>
<td></td>
<td>To increase and enhance the international experiences of Scottish undergraduates and postgraduates</td>
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SFC Priorities and additional Investment in AY 2013-14

24. To support the sector to impact upon Scottish Government priorities, SFC will commit additional investment in AY 2013-14 to deliver additional provision and time-limited investment in the key priorities of access, skills and knowledge exchange.

25. As part of an all-Scotland process, SFC will prioritise this investment to those institutions that can clearly demonstrate a commitment to, and progress in, existing relevant strategic themes.

26. Further detailed guidance in relation to this additional investment will be distributed in October. SFC outcome managers will discuss appropriate programmes and targets, for inclusion in agreements, with individual universities.
Outcome setting and funding

27. At institutional level the outcome agreement sets out the outcomes a university will deliver in return for SFC funding. SFC expects institutions to set achievable but stretching outcomes that enable the sector to deliver the impact expected of it in return for SFC funding.

28. SFC funding will be dependent upon the establishment of an outcome agreement and future funding could be varied depending upon delivery against the agreement.

29. The overwhelming majority of SFC funding will continue to be formula based. SFC will continue formulaic allocations in relation to teaching, research and knowledge exchange funding. At the same time, as with current strategic funding, specific sums of funding may be linked to the achievement of specific outcomes.

30. The outcomes SFC wishes to see universities deliver will be clearly defined so we will be able to measure progress and, where appropriate, claw-back funding or reduce future funding commensurate with progress towards agreed outcomes. To enable SFC to better understand progress, we will want to see evidence of milestones towards specific outcomes.

31. In cases where there is no specific element of funding associated with a specific outcome, a commensurate proportion of an institution’s funding could be at risk of claw-back. In such cases, the Council will consider and negotiate progress and the level of any potential penalty. However, SFC recognises that this must be operated in a way which supports universities in setting stretching ambitions for what they will achieve in return for SFC funding. To that end:

32. SFC will take full account of the degree of ambition and stretch in a university’s intended outcomes, and will ensure that universities are not penalised for setting and working towards ambitious outcomes.

33. SFC will take full account of changes in the external environment which impact on universities’ capacity to attain their projected outcomes.

34. Both SFC and universities will work together if there is a risk that SFC may need to impose claw-back. This will include universities informing their Outcome Agreement Manager early as they become aware of possible problems. If appropriate, targets, timescales and funding can be renegotiated. The key to making this work will be a strong and open relationship between universities and their Outcome Agreement Manager. Both SFC and universities will act to ensure the strength and quality of these relationships.
35. Any decisions to claw-back or reduce funding would be proportionate and based on holistic considerations of an institution’s performance rather than a mechanistic or formulaic reduction. SFC will undertake scenario planning with Universities Scotland to enable us to see how this might impact in practice.

36. Progress and funding will be discussed with individual institutions. Each year as part of the monitoring of progress, SFC will aggregate the impact of the outcome agreements, using existing metrics and data, and discuss this progress with the sector.

37. As part of its commitment to continuous improvement, SFC will build on existing data sets and establish better benchmarks to help contextualise the progress of the sector and individual institutions.

Writing an outcome agreement

38. Reflecting the wide diversity of the university sector, there is not a standard template for an outcome agreement. However, to achieve greater consistency in demonstrating impact, all outcome agreements will need common elements and so should be structured to include the following information:

- contextual information to aid the interpretation of the outcomes the institution has set for itself; and

- a one-page summary of the outcomes the university is to deliver over the 3-5 year period is required to aid the process of aggregating impact.

39. For each outcome, the university should provide:

- a series of contextual statements and establish the university’s baseline position; and

- the key annual outputs and milestones toward the achievement of outcomes.

40. Outcome agreements are not static documents but will develop over time as part of a continuous improvement approach. We expect universities and SFC to work together to discuss progress toward outcomes.

41. Outcome agreements should be precise documents, strategic in outlook and primarily made up of quantified outcomes and outputs. In this way, the administrative and reporting burden on universities will be kept to a minimum.
42. The production of an outcome agreement must involve representation from and engagement with the student body. An outcome agreement will need to provide a statement detailing how this has been achieved.
Explaining the negotiation process

43. To support the outcome agreement process, SFC has appointed Outcome Agreement Managers, who will work with universities to negotiate an outcome agreement. They will act as the central point of contact between a university and SFC and are empowered to make decisions where they can be made.

44. While outcome agreements are multi-annual in nature, they require an annual engagement with SFC to discuss the progress against outputs toward the achievement of outcomes.

45. SFC will discuss progress with universities throughout the year as specific issues arise. SFC will also organise sector wide events to support the sector to share practice to improve internal systems and to collaborate where common issues are identified.

46. The timeline for university engagement is as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Negotiation Activity OA 2013-14</th>
<th>Monitoring Activity OA 2012-13</th>
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<tbody>
<tr>
<td>October 2012</td>
<td>SFC issues guidance and priorities for AY 2013-14 outcome agreements.</td>
<td>SFC establishes with the sector the framework for the continuous improvement of the outcome agreement process – workshops to be timetabled on target setting, developing national measures and benchmarks.</td>
</tr>
<tr>
<td>October 2012</td>
<td>AY 2013-14 negotiations with SFC begin to establish relationships, expectations and the scope of the challenge ahead. Guidance on additional SFC investment issued. Universities review and prepare their systems and processes necessary to deliver their contribution to the impact expected of the sector.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Discuss annual summary with SFC.</td>
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<td></td>
<td>SFC provides update to</td>
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</table>
### Monitoring

47. The outcome agreement is the starting point for ongoing dialogue with SFC.

48. Together, SFC and each university will agree a schedule to review agreements. This will involve three things:

- the timing and content of the annual performance reflection, which in future years will take place in November (starts November 2013) and which will require the production of a written progress report – see below;

- a progress update review in February based on early data returns; and

- a schedule of meetings to discuss progress.

49. To ensure the brevity of approach, for future years at the annual performance review in November, universities will be asked to produce a short self-assessment report which takes account of the progress being made. The

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
<th>Council</th>
<th>SFC</th>
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<tbody>
<tr>
<td>December 2012</td>
<td>Student related content of AY 2013-14 outcome agreement developed and discussed with SFC. SFC agrees proposals for additional investment relating to student activity (including any additional places). SFC announces indicative funding.</td>
<td>Universities collect early data return on recruitment and retention statistics</td>
<td></td>
</tr>
<tr>
<td>February 2013</td>
<td>Output targets refined. Outcome agreement discussed with SFC. AY2013-14 Outcome agreement submitted to SFC for final sign-off.</td>
<td>Discuss progress on recruitment and retention targets</td>
<td></td>
</tr>
</tbody>
</table>
reporting of progress at this stage naturally supports the institution in refining its targets for the forthcoming academic year.

50. Building on this evidence base SFC will benchmark elements of performance against the national picture and will provide an assessment of performance for each institution, which will then be discussed with the university.

51. To better manage the time-lag in data in December universities will be asked to prepare an early data return in relation to student recruitment and retention. This data will be used in discussions with SFC from February to enable universities to refine their output targets for their forthcoming agreement. SFC will discuss with the sector the most effective way of collecting this information.

52. At appropriate points in the year we will want to discuss evidence of progress and will visit each university to meet staff and students. We will also meet key partners including Scottish Enterprise (SE), Highlands and Islands Enterprise (HIE), Skills Development Scotland (SDS), Research Councils UK (RCUK) and the Technology Strategy Board (TSB) at set intervals. The outcomes of these meetings will be shared with universities as part of the review process.