

Item: 8

College Management Council Sub-committee: 7 February 2022.

Academic Partner Outcome Agreement.

Report by Executive Director of Education, Leisure and Housing.

1. Purpose of Report

To consider the Academic Partner Outcome Agreement between the University of the Highlands and Islands and Orkney College for the Academic Year 2021/22.

2. Recommendations

It is recommended:

2.1.

That the Academic Partner Outcome Agreement between the University of the Highlands and Islands and Orkney College for the Academic Year 2021/22, attached as Appendix 1 to this report, be approved.

3. Outcome Agreement Information

3.1.

The University of the Highlands and Islands fulfils the role of Regional Strategic Body, on behalf of the Scottish Funding Council, for the Academic Partners who form the university. An annual agreement is entered into by each college, which is in addition to the partnership agreement and the financial memorandum between the university and Orkney College UHI. The annual agreement describes the funding and expectations for this specific year and is underpinned by these documents that set out the general requirements in return for funding.

3.2.

The letter and Outcome Agreement, attached as Appendix 1 to this report, outlines funding allocations to Orkney College that are currently known and, as in previous years, there may be some changes in allocation that could occur.

3.3.

Further Education allocation is based on the targets agreed between Academic Partners, and additional credits can be bid for if Orkney College reaches its targets and other Colleges fail to do so. If Orkney College were to fail to meet its credit target there is potential for clawback. However, at present Orkney College is on target and in most recent years has surpassed, or been very close, to the targets and therefore has not suffered clawback.

3.4.

For Higher Education funding the allocation is associated to the number of students taught by Orkney College, either placed with the college or those supported within other colleges, with funding following each student's teaching.

3.5.

There is an allocation of funding for Foundation Apprentices for each student taught by Orkney College. The College also has a small allocation of Graduate Apprenticeships for which it is funded in the Outcome Agreement.

3.6.

The College receives funding for Research and Knowledge Exchange, which consists of the following:

- Research Excellence Grant.
- Higher Education Research Capital.
- Research Innovation Funds.
- Research Covid Uplift.
- Global Challenges.
- Research Fund.
- Research Knowledge Exchange Funds.

3.7.

The University of the Highlands and Islands is currently undertaking a review of the funding model, and the letter and Outcome Agreement, attached as Appendix 1 to this report, outlines the areas in which discussions are ongoing for future years. It further explains that signing the agreement does not commit the College to these indicative areas used in the current modelling process.

3.8.

There are some areas of concern within the future modelling, which will be subject to further discussion by Partnership Council and Academic Partners of the University of the Highlands and Islands, which will be reported to the relevant Council Committee(s) for their consideration, prior to the model being adopted. In particular the institutional element and the external funding proposals give rise to concern, depending upon the outcome of discussion between Academic Partners and the Executive Office of the University of the Highlands and Islands. These discussions are still in process, and the Principal of Orkney College is a member of the work stream involved in the ongoing discussions.

4. Corporate Governance

This report relates to the Council complying with governance and scrutiny and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

5. Financial Implications

This report provides detail of the indicative income from the Scottish Funding Council, as allocated by the University of the Highlands and Islands as the Regional Strategic Body.

6. Legal Aspects

There has been concern that the annexes to the agreement formed part of the agreement, which may have limited future funding, however the covering letter from the Vice-Chancellor of the University of the Highlands and Islands now confirms that this is not the case.

7. Contact Officers

James Wylie, Executive Director of Education, Leisure and Housing, Email james.wylie@orkney.gov.uk.

Edward Abbott-Halpin, Principal, Orkney College, Email edward.abbott-halpin@uhi.ac.uk.

8. Appendix

Appendix 1: Academic Partner outcome agreement between the University of the Highlands and Islands and Orkney College for the Academic Year 2021/22.



6 December 2021

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Dear Eddie

Academic Partner outcome agreement between the University of the Highlands and Islands and Orkney College UHI for AY 2021-22

This letter specifies the funding that Orkney College UHI will receive from the University in academic year 2021-22 for further and higher education and research. The letter also describes aspects the activity that Orkney College UHI will deliver with that funding.

This annual agreement will be linked to delivering the aspirations in the outcome agreement (or its successor mechanism) with the Scottish Funding Council. For academic year 2021-22 it is not possible to do this as at the time of writing the university has not yet finalised an agreement with the SFC. The priorities for funding, as described in the funding letter from the SFC, are described in annex A. These priorities should be reflected in your use of this funding.

Specific funding

The funding for academic year 2021-22 is described in annex B

The agreement covers funding that has been announced and allocated by SFC at the time of writing. Any allocations that are announced subsequently will also be covered by this agreement. The background to the agreement is described in annex C. For transparency and to aid planning, that annex also describes the University's future plans for these agreements. For the avoidance of doubt, acceptance and signing of this letter does not indicate acceptance, approval or agreement to these future plans.

Further Education

The allocation of further education credits for 2021-22 is based on discussions between your college and the University as the regional strategic body. It is important to the region and to the partnership that each partner is able to deliver the volume of activity covered in its agreement. In order to ensure that this is the case, we will consider progress against the target both in the year and at the end of the year.





The default position is that the figures in this agreement will remain for the whole year. Where there appears to be significant risk that a target will not be met early in the year, the University will discuss this with the academic partner involved and may remove funding within the year where it is more likely that another partner may be able to meet the target. In 2021-22 the University has retained centrally a proportion of the funding allocated by the SFC. This is intended to assist in matching demand for places and supply of credits. The University will consider distribution of these credits in response to monitoring of applications and enrolments. If your college wishes to receive any of these credits, you should contact the Vice Principal FE as soon as possible.

Where the agreed number of credits is not delivered, the University will consider clawback of funding. Orkney College UHI should assume that, unless there are compelling reasons otherwise it will only be funded for credits delivered.

The processes by which the University will allocate credits and the accountability mechanisms we will use are described in annex D.

Higher Education

For 2021-22, student number targets, have been collated and agreed at the Partnership Planning Forum (PPF) and approved by the University Court. As in previous years, the combined target will be used to determine the unit of resource (UoR) for Higher education students captured as full-time equivalents (FTE). Funding will be distributed to Academic Partners (AP) according to the number of FTE they enrol.

Subsequently, micro-RAM adjustments will be applied to reflect the teaching input from each AP based on the delivery 'splits' agreed by PPF.

Foundation and graduate apprenticeships.

For Foundation Apprenticeships new starts in the 2021-22 AY, SFC credit targets have been agreed between the University and Orkney College UHI following the same process as described above for further education credits. An indicative budget for the SFC credit funded element of Foundation Apprenticeship has been set based on the agreed target and will be reviewed following FA student enrolment prior to making arrangements for payment. An additional balance of unallocated SFC credits ringfenced for Foundation Apprenticeship delivery has been retained centrally and will be available for distribution in response to demand over and above your agreed FA target.

In addition to the SFC funded element of Foundation Apprenticeships, Skills Development Scotland will administer an additional funding element to support student travel and subsistence. At the time of this agreement the University is still waiting for formal confirmation of funding and reporting arrangements, however it is expected that £1,000 per FA student will be awarded by SDS using a milestone reporting and payment schedule similar to previous SDS contract arrangements. Arrangements for SDS funding and reporting



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will be managed by the University's Work-based Learning Hub team as with existing SDS apprenticeship contract funding.

For Graduate Apprenticeships new starts in the 2021-22 AY, SFC credit funding will be ringfenced and allocated separately to core HE funding. The university's Work-based Learning Hub will act as the central liaison between GA Programme Leaders, delivering academic partners, PPF and University finance team to ensure funding is allocated appropriately in line with the number of enrolled students and partnership delivery arrangements.

Research and knowledge exchange

Funding for a number of aspects of REF 2014 are distributed according to the agreed internal formula which was created once the REF 2014 outcomes were known. (The first two bullet points in the list below.) Not all academic partners and EO research areas received funding for research and knowledge exchange. 2021/2022 is the last year of the current REG cycle, as it is anticipated that funds for 2022 and onwards will reflect the REF 2021 outcomes and a revised and agreed internal funding distribution formula. Only the Research Excellence Grant (REG) income is subject to a University top-slice, set at 20% for the current REF cycle.

In relation to research and knowledge exchange funding there are six elements for distribution:

1. Research Excellence Grant (REG) funding. Academic Partners and Executive Office research areas must use REG funding in such a way that meets the SFC condition of grant for REG, notably "for research purposes only; targeting their grant allocations predominantly on world leading and internationally excellent research."
2. Higher Education Research Capital (HERC) grant funding from the Department for Business, Energy & Industrial Strategy (BEIS) and SFC. Academic Partners and Executive Office research areas must use BEIS/SFC Research Capital Grant in such a way that meets the SFC condition of grant. "This should be used to enable universities to focus on maintaining excellent departments with the critical mass to compete globally and the expertise to work closely with business, charities and public services. Funding should be used solely for capital investment in the physical infrastructure for research. All expenditure should be aligned to a university's estate strategy. It is recognised that some infrastructure is often used for both research and teaching purposes. BEIS/SFC HERC funding may be used on such infrastructure so long as spend is proportional to the percentage that is used for research."





3. University Innovation Fund (UIF). Where an academic partner or a EO research area receives UIF funding as agreed by the cross academic partner UIF steering group and the University's Research, Knowledge Exchange Committee, funding must be used to support the fulfilment of one or more of the seven SFC objectives underpinning the UIF.
4. COVID-related research uplift funds. Noting that some of the COVID-related research uplift funding is available until December 2021, where an academic partner or executive office research area is in receipt of COVID-related research uplift funds, it must ensure that these align with the conditions of grant, including funded extensions for PhD students, COVID impact related research projects, and support for staff costs for staff directly impacted by COVID changes, for example funding for staff where projects have been unable to progress.
5. Global Challenges Research Fund (GCRF). There is no allocated GCRF funding for 2021/22 due to the decision of UK Government to cut ODA funding. However, there is flexibility to carry forward 2020/21 GCRF funding until December 2021, and academic partners involved in core GCRF projects will need to ensure that any GCRF projects which carry forward activity and funding into 2021/22 spend funds in ways which meet the SFC condition of grant.
6. In addition to core SFC funding there are a large number of research and knowledge exchange projects where the University is the contracted entity, but all of the funds are distributed to individual academic partners or EO research areas. It is the responsibility of academic partners and EO research areas in receipt of funds for specific projects, including part-funded PhD students, to ensure that funds are spent in line with any conditions of grant for individual projects.

I would be grateful if you could return a signed copy of this letter to me to confirm your acceptance of the funding for 2021-22 and the associated terms and conditions.

Yours sincerely,

Professor Todd Walker
Principal and Vice-Chancellor



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Acceptance of grant

Funding agreement between the University of the Highlands and the Islands and Orkney College UHI

I, on behalf of Orkney College UHI, agree the requirements described in this letter associated with the funding from the university for academic year 2021-22.

Name:

Position:

Signed:

Date:





SFC priorities

Further education funding

- To provide learning opportunities at a time of significant economic and social turmoil – in these emergency years, to sustain a pipeline of educated and skilled people who will be critical to our recovery and to upskill the existing workforce.
- To ensure that students, who may be at risk of not completing their qualifications or failing to progress to further study or employment because of the practical or placement requirements in their courses during AY 2020-21, are supported to succeed. Meeting this objective may involve a combination of one-off funds, bringing forward allocations, increased credit targets and flexibility in our credit guidance.
- To support the financial sustainability and stability of colleges by providing a general uplift in teaching funding for AY 2021-22, alongside one-off funding for education and skills gaps in AY 2021-22.
- To protect and promote Foundation Apprenticeships, and for the first time deliver these opportunities through SFC's funding lines, working closely with Skills Development Scotland and local authorities.
- To provide sufficient student support funding to meet demand and the needs of deferred students.

Higher education and research

- To provide additional funded places for Scottish students to support productive learning opportunities at a time of significant economic and social turmoil – in these emergency years, to sustain a pipeline of educated and skilled people who will be critical for our recovery, and to respond to increased demand from school leavers in the period 2020-22.
- To protect and promote the Graduate Apprenticeship programme, and for the first time deliver this programme through SFC's funding lines, working closely with Skills Development Scotland (SDS) in this transitional year.
- To recognise the financial uncertainty and sustainability challenges facing the university sector by securing a general uplift in teaching grants for all universities. Given our collective national endeavour, we will expect universities to increase, or at least maintain, student intakes, particularly for school leavers.
- To secure wider socio-economic impacts through our widening access funding, our funding for small specialist institutions and our programmes for minority cohorts of students with particular needs.
- To move towards a fairer and more transparent methodology by abolishing the complex validation and threshold model, as part of the reforms outlined in our phase one Review report.



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- To protect the university research base, including through a specific increase in research funding, but also, indirectly, through the increase in teaching grants, given the level of cross-subsidisation within the higher education system.



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Annex B

Funding for Orkney College UHI in AY 2021-22

	Academic Partner	
	Orkney College UHI	
	£	FTEs/Credits
HE RAM (UGT)	562,918	141
REG	134,933	
Capital Maintenance	24,551	
BIS/SFC Research Capital	28,108	
FE RAM	2,259,794	3,710
Student Support	33,918	
Capital	96,775	
FA's (indicative)	50,224	178



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Background to this agreement

This agreement is being introduced as part of a suite of changes to the university's Resource Allocation Method (RAM) for higher education and the way that the university funds further education. Implementation of the full review of RAM will be over two years (2021-22 and 2022-23). This is the first year of these annual agreements. As the curriculum review and other developments within the university progress, these agreements will develop. In future years the university intends that these agreements also cover an institutional element of its funding that is not directly related to the volume of activity.

This annual agreement augments the partnership agreement and the financial memorandum between the university and Orkney College UHI. This annual agreement describes the funding and expectations for this specific year and is underpinned by these documents that set out the general requirements in return from funding.

Engagement between the university and the academic partners

In future years the agreement will be based on discussions between the university and the academic partner covering all aspects of the funding. For academic year 2021-22 these discussions covered only the further education elements of the funding. For subsequent years the university will establish a timetable of meetings over the year to agree future funding and monitor progress.

Future funding method

In future years, the university envisage that planning will increasingly reflect the three categories of curriculum (Local, Regional Core and Inward Attractor) the university is using in the curriculum review with the likelihood for differential funding arrangements for these categories. As part of the next phase of the RAM review, the university will consider the future of the micro-RAM. Changes will be consulted and approved through the established planning and governance processes.

External funding

The university consulted on changes to the Resource Allocation Method and took decisions on implementing elements of the review. As part of that the university agreed to introduce a contribution to the partnership from some elements of non-SFC income. The university also agreed that this contribution would be used to support growth in our external income. The partnership has not yet agreed the detail of this contribution. The university intends to carry out further work on defining the types of funding this will apply to, the proportion of income sought and the use of the resource it funds in the 21-22 academic year. Subject to that further work, where it generates external income from sources that are supported by the university systems, or which have been generated in cooperation with the university an appropriate proportion of that funding will be paid to the university. We intend that this will apply to funding for teaching, research, training, consultancy, and knowledge exchange but not other sources of income.



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Institutional element

We intend to increase the proportion of the funding that is covered by an institutional element. For 2021-22 this only covers the specific funding from SFC relating to deprivation, access and inclusion, English as a second or other language (ESOL) Rurality and national bargaining. The university is not applying any specific requirements on these this year beyond these set by the Scottish Funding Council.





Protocol/process for allocation of and accountability for funding for further education

The Regional Strategic Body (RSB) has a responsibility under the 2013 Act to secure the coherent provision of high quality fundable further education in the region. It has the power to make grants to its assigned colleges and the power to attach terms conditions to those grants as it may consider it appropriate to impose. Among these terms and conditions are repayment of grants in such circumstances as the RSB may specify.

This protocol sets out how the University intends to apply these powers for further education funding in academic year 2021-22 and beyond. We recognise however that external circumstances – including Scottish Funding Council or Government policy – may materially affect some of the issues covered by this protocol. We reserve the right to amend this in the light of changed circumstances.

Allocation of credits

Allocations of credits for 2021-22 were agreed between the academic partner and the regional strategic body based on the maximum number of credits that the management of the academic partner realistically thought that it could deliver.

Over the last year or so the calendar of activity for our regional FE curriculum planning and reporting has been disrupted, because of COVID-19. Similarly, the SFC calendar, including their outcome agreement activity and reporting, has been significantly disrupted, both by COVID-19 and their ongoing review process, leading to late and interim arrangements for ROAs focussing only on current academic year activity.

The University, as the Regional Strategic Body, intends to establish a proactive, forward planning focus and supporting calendar of monitoring activity for future years. This reflects the overall responsibility of the regional strategic body to secure coherent provision and to plan to use funds as economically, efficiently and effectively as possible.

This intention was reinforced by a recent internal audit of FE recruitment, credit target planning and monitoring arrangements, which including the following recommendations for improvement:

- The allocation for Credits for future years should include greater scrutiny of trends in Credit delivery and ensure that trends are projected beyond the Covid emergency years to determine the medium to long term trajectory for each college, overall and at a programme level. Where downwards trends in Credit delivery are identified assigned colleges' initial Credits allocations should also be revised downwards.
- Reports summarising each college's recruitment strategy for achieving Credits targets and the local and national priority commitments outlined in the ROA should be presented by each Principal to the University annually. In year recruitment data should then be reported which measures recruitment performance against recruitment strategies and forecasted Credits at key milestones in the year.
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- Assigned colleges should submit Credits delivery data which allows in-year monitoring of Credits delivery to include a review of actual credits delivered against expected Credits (planned delivery) at regular reporting intervals in the year, in addition to the fixed quarterly FES reporting dates. Reports should also include forecast outturn Credits data.

The university has introduced annual funding/outcome agreements. For the 2022-23 academic year and beyond it will establish a series of engagements with each partner to develop an individual agreement that combines delivery of regional strategic objectives and our SFC outcome agreement – including the activity targets – with the college’s aspirations. These discussions will inform recommendations to the University Court on allocations. In making these recommendations the University will consider:

- The need for and demand for Further Education in the areas served by the partner and contributions to the regional core curriculum
- Performance against previous activity targets (with due consideration of evidence on any exceptional circumstances such as the current pandemic)
- Future plans by the academic partner
- Financial stability

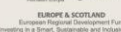
To support the strategic planning process, we will analyse annually student and programme data and trends, both at the regional and academic partner level, highlighting areas of growth and decline, and associated opportunity and risk, and identifying any necessary actions within a curriculum planning and target setting context.

Whilst the calendar for undertaking this work is currently still disrupted and challenging, this will normally be undertaken annually during the autumn period to coincide both with the established calendars of curriculum planning at the academic partner level, and – pending the outcome of SFC review – timescales for Regional Outcome Agreement development and submission.

Monitoring of credits

The University has asked academic partners to set out a plan for how they will utilise their credit target across the year for 2021-22. It intends to continue to do this in future years. The University will monitor data on applications, enrolments and delivery at appropriate times of the year. These will include, but not be limited to, the key deadlines for uploads to the SFC FES system. The University will meet with partners throughout the year to discuss progress. It is likely these meetings will follow each FES deadline.

Ahead of these deadlines, any academic partner that anticipates that their performance against the credit target will be significantly different from that they have discussed with the RSB should inform the RSB of the change without delay.





Allocation of 'reserved credits' in 2021-22 (or other year in which this system is used)

Partners can submit a request for additional credit allocation at any stage where there is evidence of additional demand/requirement over and above existing targets. In the first instance this should be raised directly with the Vice Principal FE. Any request can be linked to evidence at the review points referred to above, but can also be made at any time where the academic partner feels it has evidence of demand it cannot meet from its existing target.

For 2021-22, it looks unlikely that there will be competing requests for these credits that cannot be accommodated. If there are multiple requests, the University would consider the evidence on demand and potential use of the credits for each partner and consult all partners on the proposed allocation.

Reallocation within the year

Where, as a result of the monitoring of FES data or other data available to the University, it is evident that there may be a situation where one or more partners is very unlikely to meet its agreed credit target by a material amount and other partners have potential to exceed theirs, the University will consider in-year reallocation of credits within an academic year. This will only be considered where the likely under recruitment at a partner is greater than 5 per cent of the activity target, and there is strong evidence of demand elsewhere. The university does not anticipate using this measure frequently and anticipates that a robust allocation system should mean that imbalances of the kind it would address will be infrequent, if they occur at all. Where an academic partner anticipates being significantly over or under their activity target it should inform the University as soon as possible.

Underdelivery against the agreed credit target

Partners should assume that, unless there are compelling reasons otherwise, they will only be funded for credits delivered. The reasons that may lead the University to wholly or partially move from this principle would normally be related to major business continuity incidents or other major changes that are outwith the control of the college.

Once the FES data is finalised (usually the October following the end of each academic year) the University will consider whether individual academic partners have met their agreed target and will usually clawback funding for any activity that was not delivered. Prior to any clawback, we will consult with the academic partner involved on whether there are any circumstances that should influence the decision to recover funding. Before making any final decision, the University may consult with SFC on its intentions on clawback from the region as a whole.

We anticipate clawback will not apply for academic year 2020-21 as SFC have indicated that there will no clawback for underdelivery where this is related to the pandemic. SFC has not yet said how it will assess whether underdelivery is related to the pandemic or not.

We are assuming that the SFC will clawback funding for underdelivery against credit targets in 2021-22 and beyond. If the SFC changes its position on clawback from 2021-22 or beyond,



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the University will reconsider its approach to clawback in the light of that change for the years to which that change applies.

In circumstances where there is no clawback from the region because the regional target has been met, or the clawback from the region by SFC is smaller than the clawback from academic partners by the region (likely if some partners exceed targets and others do not) the University will consult through the Partnership Council on how to use the recovered funding.

