

**THE SCOTTISH AGRICULTURAL COLLEGE**

**OBJECTIVES, MARKETS AND SERVICES FOR SAC**

**REPORT TO THE BOARD OF DIRECTORS OF SAC**

**Final Report, October 2002**

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## 1. EXECUTIVE SUMMARY

This report was commissioned by the Chief Executive of the Scottish Agricultural College (SAC) in late May 2002 in order to assist the Board of Directors in responding to a request from the responsible Scottish Executive Minister that there should be a further review, incorporating independent consultation with stakeholders, on appropriate objectives, markets and services for SAC in future. That request itself followed a period of intense debate on earlier proposals by SAC in 2001, based on an internal review and options appraisal, to restructure its services in order to address significant financial deficits over recent years.

### 1.1 Independent Consultation

Deloitte & Touche was asked to design and conduct a programme of independent consultations with stakeholders so that all who wished to express a view on SAC's stated strategic objectives directly to the consultants would be able to do so. The methods adopted for consultation had to be appropriate for the varied circumstances of the respondent categories, encouraging breadth and balance of response but also facilitating in-depth discussion with key informants and groups. The overall consultation programme aimed to achieve both a reliable quantitative over-view and a deeper understanding of specific issues. The timetable set for consultation also influenced the means adopted which were:

- a questionnaire, available by web or paper copy on request and publicised by a variety of means including advertisements in the farming and general press, posters, letters of invitation to participate<sup>1</sup> to key clients, sponsors and partner organisations, and internally by letter, e-mail and notices on the campuses. The questionnaire analysis was based on the 388 returns by 26 July 2002 which matched the target stakeholder categories of clients, staff, students, sponsor and partner organisation and key others (which included government agencies, universities and colleges and research collaborators). All returns were read by the consultants;
- focus groups, by invitation to clients, research and education partners, students and staff, and using a consistent prompt to set the context for discussion of SAC's stated mission, vision, objectives and other key strategic statements. In all, 13 focus groups were held by Deloitte & Touche to provide qualitative understanding, allowing groups scope to register their specific concerns within a consistent overall framework. Deloitte & Touche also convened a meeting of student representatives from all SAC campuses;
- interviews with 24 key informants, face-to-face where possible but by telephone where (for reasons of distance or convenience) that was not possible. Interviews were also undertaken with senior SAC and SEERAD staff for familiarisation and direct consultation; and

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<sup>1</sup> Deloitte & Touche wrote directly on 20 June to 514 key clients, sponsors and partner bodies, and the Chief Executive of SAC wrote separately to 7,000 clients and all students to invite returns. Deloitte & Touche also invited 95 MPs and MSPs by letter to contribute but received only two completed returns from this category.

- correspondence and e-mail where that was appropriate.

The outcomes of this consultation programme were both quantitative (ratings by respondents of the degree of appropriateness of sixteen key statements from the earlier SAC Strategic Review) and qualitative (a considerable volume of evidence and opinion on SAC's strategies and services).

The graph at section 4.1.9 below gives a condensed view of the overall profile of agreement with key statements of strategic objective in SAC's Corporate Strategy Review document, by the various main stakeholder categories. A reference level of zero represents neutrality and that level is labelled for reference on the graph. A level of one represents an aggregate respondent view that the particular statement of mission, vision, objective or other strategic parameter was 'broadly appropriate', and it will be seen that the average indices of appropriateness cluster around that level. A level of two would represent that the strategic statement was considered 'entirely appropriate'. On no statement of forward strategy by SAC was there an aggregate view in any stakeholder category which was less than positive.

The indices of agreement with specific strategic statements by the stakeholder categories vary quite noticeably around the line which represents 'broadly appropriate' in this analysis. They also show significant variance in the spread of aggregate views of the different categories in respect of the different strategic statements. A generally high 'appropriateness' rating - as for SAC's mission and vision statements - can nevertheless be consistent with a noticeable difference in aggregate scoring across the stakeholder categories, which itself indicates that there is likely to be some issue of differential perception or interest.

Positive ratings for statements of intent do not preclude a more critical view of past performance, and it has to be recorded that SAC's record in partnership working and in providing a rewarding environment for staff and students were amongst the subjects of critical comment. Clients of SAC - whether farming or non-farming - generally expressed appreciation and a degree of loyalty to the organisation, though the degree of awareness of the overall scope of SAC's services and markets was, in most cases, restricted largely to the respondents' own area of concern.

## **1.2 Wider Review**

In addition to the consultation programme, the consultants also considered and commented on a total of ten recent major reports by others on various aspects of SAC's strategies, markets and operations, and reviewed the available evidence on SAC's advisory and consultancy, research and development and education services.

SAC's advisory services, at 39% of income in 2000/01, constitute the largest of the three areas, and are widely recognised as a unique contribution to the agriculture and related industries in Scotland, and a resource for research by SAC and others. Within this area, the veterinary services for disease surveillance are particularly valued. Though there are particular issues, such as the charging regime and concern to maintain services to vulnerable areas, these services appear to have sound and continuing markets and to articulate directly to SAC's overall mission and purposes.

SAC's research services, at 28% of income in 2000/01, constitute the second largest of the three areas, and are also widely appreciated, especially in applied animal and

crop science. There are some concerns in respect of the alignment of SAC's environmentally-relevant research with general government policy on sustainable land use, but overall this service area also appears to have sound and continuing markets and to link directly to SAC's mission and objectives for the future.

SAC's education services, at 20% of income in 2000/01, are the most problematic. The consultants sought particularly to identify the trends in student numbers in SAC against wider trends in agricultural education, as this has been identified in successive SAC and external strategic reviews as a cause for concern.

The graph at section 5.4.2 shows the pattern of change in size and composition of SAC's student body over a 12-year period since its inception in 1990. Understanding the scale and composition (in terms of subjects and course levels) of the SAC student body, and interpreting the causes of change, are critical in considering the realistic prospects of SAC in the future education 'marketplace' for a declining overall number of students in Scotland and the UK wishing to study relevant subjects by conventional courses.

The consultants consider that the combination of an overall decline in student numbers on conventionally-taught courses in Scotland and the UK and the scale and dispersion of SAC's educational activities on three main campuses gives rise to particular problems for the organisation, and that addressing these effectively will require consideration of structural as well as policy and operational matters.

## **1.3 Conclusions and Recommendations**

### **1.3.1 Statements of Strategic Objectives**

The wording of the present statements of mission, vision and objectives should be revised to take account of the many comments made in this consultation.

#### **SAC's Mission Statement**

The mission statement of SAC is "*to enhance the sustainability of rural areas and communities and the viability of the industries on which they depend*" and the four key issues on which its activities are focused:

- ⇒ *“providing knowledge to assist the competitiveness of the food and agricultural industries;*
- ⇒ *providing research and advice on rural development;*
- ⇒ *promoting the conservation and enhancement of the environment and national heritage of Scotland through education, research and consultancy; and*
- ⇒ *encouraging best practice in the areas of health and biosecurity”.*

The Mission Statement was viewed as 'broadly appropriate' or better by all categories in our questionnaire, but an element of scepticism was evident in individual reviews across all categories. Deloitte & Touche would not propose any change to the wording, but would comment that many respondents found the statement rather too ambitious and all-encompassing.

#### **The Vision Statement**

The vision statement of SAC is that it: "*will be the nationally acclaimed Centre of Excellence for knowledge transfer to the rural communities, and to the industries on*

which they depend, working in a business-like and professional manner, so as to best serve the needs of its stakeholders, to achieve sustainable growth, and to meet the aspirations of its staff". This proved more contentious in the questionnaire responses and also in qualitative responses, especially in the Education Focus Group. There is clearly a major difficulty for SAC in motivating and mobilising its staff behind its vision, and this will need continuing attention. Again, we would not suggest any alternative wording, but comment that SAC managers and Board need to take account of the weakness of staff 'buy-in' to SAC's stated vision at this point. The vision statement also found little acceptance from a number of educational, research and other 'partner' institutions because of its perceived excessive ambitions. SAC's Achilles' heel with the agencies in its area of interest is the common perception that it has wished to control (the FE Colleges and SABRIs) for its own purposes rather than a genuine commitment to sourcing the most appropriate skills and provision in partnerships. Again, SAC's Board and managers should address the reasons for such perceptions, even though they lie largely in the past.

### **Objective One**

Of the six objectives of SAC specified in the questionnaire, the first "*To promote the competitiveness of SAC's clients in the rural industries*". divided the stakeholder categories most, again and not surprisingly with clients showing most agreement in both the questionnaire and qualitative consultations. The major sensitivity here is whether SAC gives as much priority to environmental sustainability as to competitiveness and development, as government policy would wish. There is, in any case, unease as to whether SAC has the balance of its client focus right in its dual commercial and public good work, and in its prioritisation of the top 20% of producers. SAC could usefully redraft this statement to make its commitment to balanced and sustainable development quite clear. We do consider, however, that SAC's future will rely in large part (but by no means exclusively) on commercially provided services, and in this a statement of this general nature is essential.

### **Objective Two**

Objective Two is "*To enhance rural diversity and opportunity*", and is one of the more consistently approved objectives. Comments, however, reveal concern by respondents that this might mask an inability or unwillingness to prioritise, as already noted. It might usefully be redrafted to specifically include innovation.

### **Objective Three**

There is little dissent from SAC's statement of principle on environmental sustainability, but significant underlying scepticism, especially from partner bodies, that it has sufficiently assimilated these matters into its day-to-day operations and commitments. This is not a matter for rewording, but, like partnership issues, for noting the unease which exists and earning trust in future. The commercial implications of this scepticism have been noted in this report.

### **Objective Four**

SAC's objective of "*Safeguarding crop, animal and human health*" is one which could particularly benefit from rewording. The benefits of SAC's work certainly extend to human health, but it is not seen as a direct provider of services in this area. In our view this particular reference is inappropriate in a statement of objective, though the commentary could usefully draw out the substantive point here.

### **Objective Five**

Objective five is stated as *“To work in partnership with others where this will achieve improved service delivery”*. The aspiration found general favour with sponsor and partner bodies, though there was a worrying perception that SAC had much to prove in this respect to overcome a strong legacy of scepticism. In our view, SAC should not alter the wording, but rather consider what is actually required for it to work effectively and productively with its major partners in the SABRIs, Colleges and Universities, the Enterprise Network (especially in the overlapping provision of public good or supported advice) and government agencies.

### **Objective Six**

Objective six is stated as *“To generate surpluses and secure funding for investment”*. This is an important – even essential – statement, but it is not a strategic objective. It should be recorded elsewhere in SAC’s business plan as a managerial and operational imperative.

### **1.3.2 Summary of Key Recommendations**

1. **Central Focus:** SAC should seek its major markets in land-based industries and communities, and exercise caution in diversifying too far beyond that, at least in the short term.
2. **Scope of Future Research Services:** SAC should continue to offer research services subject to the observations above. These services should concentrate on applied research, and SAC should seek a dialogue with the SABRIs and university departments to scope appropriate strategic areas on which each type of agency might concentrate (though this should not be used to impede competition in provision of these services). SAC should review the policy content of its research in environmentally-sensitive matters to ensure that it fully complies with ministerial policy on sustainable land use and projects an appropriate image to the range of potential clients.
3. **Scope of Future Advisory and Veterinary Services:** SAC’s major service offerings should continue to be in these services, subject to the observations above. The issues of appropriate company delivery vehicles (and partnerships in delivery) and difficulties at the boundary between commercial and ‘public good’ charging regimes should be considered further.
4. **Scope of Future Educational Provision:** SAC should consider carefully the extent to which it wishes to remain a provider of agricultural and related courses by its own hand. Decisions on whether to continue to provide specific courses, and the retention of education work directly by SAC or through partnerships, should be seen as matters to be decided on the twin grounds of SAC’s own assessments of closeness to its mission and cost-effectiveness of potential modes of provision. This consideration should encompass a market analysis of the subjects and levels of courses to be provided in future, based on the best available evidence of demand.
5. **Options Appraisal for Delivery Modes and Estate Configuration:** Deloitte & Touche should incorporate SAC’s decisions on the scope of its future educational services into the planned Phase II options appraisal of delivery modes and estate configuration, making appropriate use of partnership models in providing SAC’s vocational experience in agricultural courses and

using best available practice in learning environments (including collaboration through LTSN and other appropriate partnerships for digital delivery). Though the clearest sequence of decision-making in the options appraisal would require finalisation of SAC's views on course offerings and delivery modes before undertaking the review of estates configuration, it is recognised that there will inevitably be some degree of iteration in this process. The options appraisal should address the long-standing difficulties SAC has faced in the scale and dispersion of its educational estate. These difficulties are referenced in a succession of reports and action to resolve them is now imperative if undue cost and inefficiencies are to be minimised.

6. **Strategic Objectives:** SAC should adjust its statements of strategic objectives as recommended above.

## **2. INTRODUCTION AND CONTEXT**

This is the report from Deloitte and Touche to the Board of the Scottish Agricultural College Limited (SAC) from stage one of our work with SAC to assist it in its current corporate strategy review. This report summarises recent strategic reviews and records the outcomes of an independent consultation programme with SAC stakeholders undertaken by Deloitte and Touche in July and August 2002. The report advises the Board on appropriate objectives, markets and services for it to address, given its current and likely future circumstances.

Deloitte and Touche acknowledges the benefit of discussions with the project steering group, composed of Executive Directors of SAC and senior representatives of the Scottish Executive Environment and Rural Affairs Department (SEERAD) during the review. However, the conclusions and recommendations in this report are entirely those of Deloitte and Touche.

### **2.1 Origins, Nature and Scale of the Scottish Agricultural College**

SAC was created by the merger of the three main agricultural colleges in Scotland in 1990 on the basis of the recommendations of the Williams' Committee<sup>2</sup> of the previous year, and has continued its services since then in land-based research, advisory services and education. SAC is a company limited by guarantee<sup>3</sup> with charitable status which receives grant in aid from SEERAD amounting to some 40% of its current annual expenditure which was £46.464m in 2001/02. The balance is funded by commissions and fee-earning from public and private sectors clients for its various services.

Staff numbers have fallen in recent years, as the organisation has sought to manage growing financial difficulties and an accumulated deficit, from just over 1300 in 1995/96 to around 960 in 2001/02<sup>4</sup>.

Full-time-equivalent (FTE) funded student numbers<sup>5</sup> across all course levels and subjects were 485 in the first year of SAC's operation 1990/91, peaking at 1092 and 1091 in 1995/96 and 1996/97 respectively and have since fallen to 737 in 2001/02. SAC provides courses at further and higher education levels (HNC, HND, undergraduate and taught postgraduate). The pattern of change has varied across particular student groups and levels but in aggregate shows growth in the first half of the 1990s and declining numbers in courses since 1997<sup>6</sup>. SAC also provides research postgraduate places and (from 1997/98) contracted training. Whilst its research postgraduate places have fallen from a peak of 95 in 1994/95 to 42 in 2001/02, its FTE numbers in contracted training have grown from 102 in its first year (1997/98) to 205 in 2001/02. Figures for FTE student numbers for 2001/02 provided directly

<sup>2</sup>Report of the Committee of enquiry into the future of the Scottish Agricultural Colleges, Chairman Sir Alwyn Williams, 18.09.1989.

<sup>3</sup> The company was first incorporated as PLC 103046 on 5 February 1987 in the name of The Scottish Agricultural Colleges. It formally changed its name to The Scottish Agricultural College on 18 May 1990.

<sup>4</sup> SAC Corporate Strategy Review 2002/03 to 2004/05 – a Report to the SAC Board, 20 April 2002. (S1.1.4.)

<sup>5</sup> Except where noted the original figures given here were provided by SEERAD.

<sup>6</sup> See the graphs of trends by subject areas, and of projections against actuals in Section 5.5.2. and Appendix 3.

by SAC<sup>7</sup> are consistent in showing the numbers of funded students in courses and research postgraduates at 737 and 42 respectively, but record trainees at 190 FTEs with an additional 130 supported by distance learning, 123 up on 2000/01.

SAC's operations are widely dispersed across Scotland, with the main locations being the three campuses at Craibstone, north of Aberdeen, Kings Buildings in Edinburgh and Auchincruive by Ayr. These locations were inherited from SAC's three predecessor colleges and their retention was recommended by the Williams Committee on the grounds of the local provision of agricultural education. Recruitment to SAC's educational courses retains a strong 'local' footprint at Auchincruive (where 43.3% of the student intake has an Ayrshire (KA) postcode) and Craibstone (where 43% of the intake has a Grampian (AB) postcode<sup>8</sup>) campuses, but this is typical of the non-university tertiary sector<sup>9</sup> and even of some universities.

The three main campuses are primarily used for education, research and administrative functions. Most veterinary and advisory staff are located in offices and centres throughout Scotland: SAC maintains such eight veterinary centres and twenty-three area offices. SAC also maintains six farms and a major location for research and advisory operations at The Bush Campus near Edinburgh.

## **2.2 Services Provided by SAC**

SAC aims to provide a comprehensive range of services to the rural community, summarised as a mission:

*“to enhance the sustainability of rural areas and communities and the viability of the industries on which they depend”* with its activities focused on four key issues:

- ⇒ *providing knowledge to assist the competitiveness of the food and agricultural industries;*
- ⇒ *providing research and advice on rural development;*
- ⇒ *promoting the conservation and enhancement of the environment and national heritage of Scotland through education, research and consultancy; and*
- ⇒ *encouraging best practice in the areas of health and biosecurity.”*

## **2.3 The Uniqueness of SAC**

SAC's research services are significantly wider than those of the Scottish Agricultural and Biological Research Institutes (the SABRIs) and it is further differentiated from them by providing research which is more orientated towards practical application. SAC has a strong and valued base of direct agricultural clients for advisory services from which - it is widely agreed - its research and education

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<sup>7</sup> Please note that the basis of calculation of an FTE student in accounting for part time and distance learning student numbers is currently a matter of discussion between SAC and SEERAD. We understand that it is proposed that 400 hours should be used, as this is taken as consistent with SHEFC usage in higher education.

<sup>8</sup> Source: PEC Review of Educational Marketing 1999-2001. For comparison, 31.7% of SAC's students at its Edinburgh campus have an Edinburgh postcode.

<sup>9</sup> See in particular the mapping of college student recruitment patterns provided by the Scottish Further Education Funding Council in its 'Review of the Supply of and Demand for Further Education in Scotland', (December 2000) and subsequent 'Statistical Update' (August 2001), both available on CD ROM.

functions benefit greatly in a sense of relevance and awareness of current agricultural practice.

SAC's advisory services to the rural sector are not matched in their comprehensiveness by any other agency, though a range of public and private providers offer specialist services in estate management and crop and animal production. SAC has sought to meet the segmentation of the advisory market between core, publicly funded advice and a growing demand for specialist commercial advice by establishing fully commercial units such as Scottish Agronomy. SAC also has interests in specialist companies such as Adgen, which provides plant diagnostics, which allow it to realise the benefits of commercialisation of its research and to further diversify its market penetration.

SAC's education courses have been diversified since the early '90s in pursuit of student numbers and income, while still retaining a link to its core purposes, variously described as rural, agricultural or land-based vocational education. SAC differs from the land-based further education colleges such as Elmwood in Fife or Oatridge in West Lothian in that research and advisory services are proportionately much more important in terms of staff time and organisational income than is the case with the colleges, and that it provides undergraduate and postgraduate courses as well as postgraduate research opportunities<sup>10</sup>. SAC is the largest single provider of full-time higher education courses for the rural sector in Scotland.

The most distinctive characteristic of SAC is its intention to provide integrated advisory, research and education services to its clients in the agricultural and related communities - the 'Collegiate System'. Elsewhere these are provided separately.

### **2.3.1 Research and Development Services**

SAC's research services are largely, but not exclusively, focused on applied research for land-based activities and are provided to SEERAD, as the main commissioner of 'public good' work, and to clients in government, executive agencies and commercial organisations which commission research for their own purposes. Commissioned or commercially contracted research also creates knowledge within SAC which is then used, directly or indirectly, in educational and advisory services.

Government policy in the 1980s and early 1990s of removing public support for 'near-market' research, leaving such funding to agencies in the particular marketplaces, created difficulties for SAC as a provider of near-market research because of the increasing inability of the majority of agricultural clients to pay for such services. Since the establishment of the Scottish Executive, funding of SAC has been the responsibility of SEERAD and the Scottish Ministers and funding is now more readily available for applied research which serves the public interest. SAC is still expected to earn the greater part of its research income from traded services for the public and private sectors and this creates a mix of funding mechanisms within SAC. Research and Development together currently constitute approximately 30% of SAC's income, varying a little from year to year.

SAC's researchers are active in many liaison bodies including the Farm Animal Welfare Council, Breed Society Technical Committees, the National Animal Disease

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<sup>10</sup> As, indeed, do the SABRIs, in collaboration with universities in Scotland and elsewhere in the UK.

Surveillance Group and the Veterinary Products Committee. Its research projects are organised into programme clusters, usually with steering groups made up of stakeholders in order to facilitate the transfer of results into practice. Over the past five years, SAC's research and development team has produced 1,192 refereed publications, an average of 2.5 per annum per full-time equivalent scientist, and 1,661 other publications, averaging 3.5 per annum per full-time equivalent scientist. 41% of the referee had publications and 31% of the non-referee to publications were in collaboration with industry or academic partners.

Research and development income from SAC's activities in 2000/01 was £13.2m, or 28% of its total income in that year of £46.6m. Over the five years up to and including that year, SAC won a total of £31.3m of research income competitively compared to a total of grant in aid funding of £28.7m.

The numbers of SAC staff involved in research has reduced by 27% over the five years to 2001, to a total in that year of 114<sup>11</sup>. In terms of full-time equivalent researchers, the drop over the same period was 23% to 82 FTE researchers. SAC's policy is to concentrate its research and development efforts in a smaller overall team with each person having a higher percentage time commitment to research and development.

Overall co-ordination and research management was provided by a Vice Principal (R&D) and a research manager through matrix-management of staff located within five of SAC's Divisions: Animal Biology, Plant and Crop Sciences, Environmental Science, Management and Veterinary Science. The former post has now been replaced by a post of Head of Research.

### **2.3.2 Advisory and Consultancy Services**

SAC's advisory services to farmers and land-based businesses are its core business at just under 39% of its current income, and also constitute its most distinctive contribution to land-based businesses and communities. Advisory and consultancy work is primarily delivered through the Farm and Rural Business Division, supported by specialist staff in the Animal Biology, Plant and Crop Sciences, Environmental Science, Management and Veterinary Science Divisions. The SAC Veterinary Science Division provides passive animal disease surveillance services which are seen as essential for public health by SEERAD, as well as a range of commercial services. Overall, SAC's advisory services are highly valued and trusted by its rural clients and their focus on development issues leads to a more general appreciation of SAC than of other 'countryside' agencies, some of which are perceived to be more concerned with environment and regulation. SAC's closeness to its rural clients is also helpful both in informing the teaching of its staff, where they fulfil dual functions, and in facilitating access and collaboration in research.

SAC's wide range of clients include farmers, companies of all sizes, and government agencies and departments. As measures of scale, in 2000/01 SAC's 'rural diversification' web site generated 16,554 requests for further information, and SAC estimates that it delivered services (across all sources of funding) to 9,906 clients. In 2001 fully commercial services were provided to 3,154 clients and the organisation

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<sup>11</sup> For comparison, one of the SABRIs, the Moredun Research Institute, had 40 'Post-Docs' in that year, and was much more concentrated both in terms of research focus and geographical location - both issues for SAC.

had direct contact with a substantially larger number of farmers in its live-stock welfare campaigns, conferences and organic production meetings.

SAC's policy and public good outcomes in advisory services were supported by SEERAD by grant in aid to the sum of £5.662m in 2001/02, or £25.4m over the five years including that year. The latter figure compares to total income from commercial consultancy services over the same five-year period of £59.3m.

### 2.3.3 Education Services

In education, SAC is a recognised Central Institution for Higher Education and the majority of its course provision is at higher education level, but is not authorised to award degrees in its own right. Its higher education students at first degree (BSc and BTech) and postgraduate level (MSc and PhD) receive awards validated by the Universities of Aberdeen, Glasgow or Edinburgh. The majority of SAC's students take courses under the auspices of SQA (including SVQ levels two and three, certificate, Higher National Certificate – one year - and Higher National Diploma – two year - courses). SAC also provides specialised or customised training courses on a commercial basis.

The average number of students registered for PhDs over the five years to 2001 was 51. That number had been decreasing, reflecting general difficulties in obtaining sponsorship for research studentships in the applied sciences, but acceptances for the coming (2002-03) academic year show an increase again to 34. There may be an issue - especially if the educational functions of SAC are more closely aligned to the policies of the Funding Councils for further and higher education in future - in that the definition of research used by the higher education Funding Councils in the UK has not always been seen by university researchers to be applied in a way which is wholly appropriate for applied research<sup>12</sup>, though the terms themselves appear open.

Training is increasingly important in SAC's customer base and (especially) in generating a surplus over the cost of provision. Provision of training has grown substantially in recent years, to a total of 2,606 persons receiving training in 2001, or 205 FTE students and an income contribution to SAC of £0.674m.

SAC has established a dedicated Distance Learning Group to help harness the potential of digital delivery and this Group has created many course modules and five complete digitised M.Sc programmes.

SAC's policy and public good outcomes in educational services were supported by SEERAD to the sum of £6.552m in 2001/02. Education is the smallest of the three activity and income areas of SAC, at 20% of overall income in 2001/02, reinforcing the widely held view that the word 'college' in its title is an inappropriate legacy from its origins.

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<sup>12</sup> The definition of Research used by the Funding Councils in RAE 2001 is: "... original investigation undertaken in order to gain knowledge and understanding. It includes work of direct relevance to the needs of commerce and industry, as well as to the public and voluntary sectors; scholarship; the invention and generation of ideas, images, performances and artefacts including design, where these lead to new or substantially improved insights; and the use of existing knowledge in experimental development to produce new or substantially improved materials, devices, products and processes, including design and construction.

## 2.4 Strategic Considerations in Establishing SAC

There had been formal structures to co-ordinate the work of the three centrally-funded Agricultural Colleges since 1974 when the Council of the Scottish Agricultural Colleges – COSAC – was established. Consideration of merger was driven by a:

1. phased reduction in public funding which was implemented from 1987/88 onwards<sup>13</sup>, and which was most severe in R&D and A&C services but also significant in Education, at 39.4%, 25.4% and 11% of the planning totals respectively over a three year period. A charging regime for advisory services was required, and was instituted from 1<sup>st</sup> April 1987; and
2. significant but uneven declines in student numbers at the three colleges in the later 1980s<sup>14</sup>.

The underlying strategic considerations in establishing SAC in 1990 were predominantly educational and are clearly stated in the majority and minority Reports of the Williams Committee (*op cit*).

The majority view was summarised by the Chairman, Sir Alwyn Williams, thus:

*“This network of agricultural education, research and development and advisory services is the Scottish System which won parliamentary praise .... It is now under threat for various reasons, all reducing to ... cuts in the public funds which have been allocated annually in support of the system for the past 80 years.”*

*“... the very strength of the Scottish System, the interdependence of all its activities, suddenly became its greatest weakness as work promoting private gain had to be disentangled from that leading to public good.”*

*“... so many new dangers lie ahead that the future remains ominously uncertain. .... Even (after) further economies, attempts to launch new courses, to familiarise the farming community with the relevancies of the continuing scientific and technical revolutions, will coincide with a precipitate fall in school-leaver numbers and a sharpening competition for those seeking places in tertiary education. The most profound change challenging the Scottish System, however, is that arising from the revolution in farm practices....”*

*“In addressing problems of such ... complexity, proposals for their resolution can never be final. That is all to the good as some of the proposals in this Report are founded on optimistic forecasts and few are likely to meet with universal approbation. But our aims will have been realised if the recommendations buy enough time to enable the ... system to survive the present crisis.”*

The dissenting Minority Report stated:

*“... (a) reduction (in funding) must lead to changes in the present College structure, including the number of outlets for courses. However, the Committee has seen fit to do little more than tinker with the existing structure. In my opinion this is a major error and will not, by itself, cope with the problems of ... reductions in government funding.”*

<sup>13</sup> See Williams (*op cit*) section 2.16.

<sup>14</sup> See Williams (*op cit*) section 3.10.

*“During its deliberations the Committee considered a number of alternative structures to that which exists at present, but discarded some on the grounds that they would be politically unacceptable. In my opinion it is for the Government, not this Committee, to decide what is politically acceptable.”*

In taking an overall view in 1989 of the future configuration and operation of SAC, the Majority Report of the Williams Committee<sup>15</sup> considered three core options:

- a federated structure of two or three campuses;
- a lead campus with one or two satellite campuses; and
- the closure of two campuses.

The Minority Report<sup>16</sup> proposed two further options for the three colleges:

- Continuation of all functions of the colleges on two sites, with a wider review of the provision of R&D in the colleges, SABRIs and universities in Scotland; and
- Winding up the colleges, moving all craft and technician courses to the (then) education authority agricultural colleges (with one other formed from the West of Scotland College at Ayr), subsuming all higher level courses into the Departments of Agricultural Science of the Scottish universities and moving the advisory services of the colleges to *“a co-ordinated system of Scottish Agricultural Research Institutes”*.

Having accepted that:

- the ‘Scottish System’ of integrated advisory, research and educational services was, in principle, valuable and worthy of retention; and
- that the three campuses of the merging agricultural colleges should be retained, essentially to ensure sensitivity in local service delivery;

the report concluded<sup>17</sup> that the critical question that remained to be asked was whether such a structure could be financially viable in future. The judgement made then by the Committee was that it could:

*“Cumulatively our judgement is an optimistic one and, in this regard, mirrors SAC’s commercial performance to date and its cautious confidence for the future. ... our balanced judgement is that current and future financial stringencies do not call for the closure of a campus. Accordingly, we recommend that the three campuses should continue to be supported....”<sup>18</sup>*

The implementation decisions taken following this and other recommendations of the Williams Committee shaped SAC’s formation and major characteristics to the present date though, of course, adjustments of operations, policy and personnel have continued throughout SAC’s existence.

It is notable that the forward projections of student numbers at SAC from 1988 to 1998 given to the Williams Committee by SAC were very different from those made at that time by the Scottish Education Department (SED). Whilst the joint colleges

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<sup>15</sup> *Op Cit*, at paragraph 7.5.

<sup>16</sup> *Op Cit*, Minority Report, section 5.3.

<sup>17</sup> *Op Cit*, at paragraphs 7.14 to 7.17.

<sup>18</sup> *Op Cit*, paragraph 7.17.

estimated a rapid and then more gradual increase after merger, which would increase the student body by some 60%, SED projected a gradual decline and subsequent slight up-turn to a 1998 figure some 5% below the initial total<sup>19</sup>. In the event, the *aggregate* FTE student numbers at the newly formed SAC did increase markedly between 1990/91 and 1995/96, exceeding even the original growth predictions made by SAC<sup>20</sup>, only to plateau in 1995/96 and 1996/97 and subsequently decline. It is also notable that the predominant element in overall FTE growth to 1996/97 was a very rapid expansion of the numbers of students in HND/HNC courses, in which there were over twice as many students in this period as in undergraduate courses at SAC. The *composition* of the student body, therefore, differed significantly from that projected at SAC's origin.

## 2.5 Drivers for This Review

The major driver for this review is the financial position of SAC which has moved, in recent years, into significant deficit<sup>21</sup>. SAC Executive Directors undertook a review of relevant matters during 2001 and concluded that this now requires a reconfiguration of the scope and focus of SAC's activities and of the infrastructure required to support those activities. They summarised their views in an earlier report to the SAC Board<sup>22</sup>, but the options contained in that report proved controversial and, following the debate of 21 March 2002 in the Scottish Parliament on the future of the Auchincruive campus of the College, the Executive Minister, Ross Finnie, specifically requested that the Chief Executive of SAC should conduct a major review of the College's objectives, in conjunction with its stakeholders. The present paper is the report of a review of these matters, incorporating independent consultation with stakeholders, undertaken by Deloitte & Touche for SAC.

The present Chief Executive took up post on 12 February 2002 and other changes at Executive level have included that of a new Director of Finance in 2001, the recent appointment of a Director of Consultancy and Business Development and the pending appointment of a Head of Education as recommended by Her Majesty's Inspectorate of Education. The Executive Directors and Board of SAC have seen this reconsideration of SAC's strategic planning as a priority.

A further important driver for this review is concern at the difficulties revealed by a report in September 2001 of a review of planning and management in the education function of SAC<sup>23</sup>, by Her Majesty's Inspectorate of Education on behalf of SEERAD. In response to that report the SAC Board had commissioned an earlier report from the consultancy KPMG, with a remit to advise on means of rectifying these matters. KPMG reported on 22 March 2002, confirming that there were indeed weaknesses in SAC's educational planning, management and management culture and proposing an action plan to address these. KPMG also advised that, in its

<sup>19</sup> See Williams (op cit) figure 6, section 3.10 and section 3.51.

<sup>20</sup> Op cit Para 3.58 and Annex 3.9. See Section 5.4 below and the graphs in Appendix 3, which trace the scale and composition of the student body since 1990 by subject (table 1) and compare projections against actuals by course levels (table 2). ( Source figures for projections *op cit* annex 3.9, and for actuals provided by SEERAD.)

<sup>21</sup> Of £2.5m in 2000/01. Its target is a surplus of £2.0m by 2004/05.

<sup>22</sup> 'SAC Corporate Strategy Review 2002/03 to 2004/05'.

<sup>23</sup> 'A Review of Planning and Management in the Education Function of the Scottish Agricultural College' HMIE September 2001.

opinion, the options appraisal in the SAC report to its Board had not been robustly based and in particular lacked input from external bodies.

A precis of these and related reports can be found in section three below.

## **2.6 Structure of This Report**

This section (2) provides a factual introduction to the nature, scope and origins of SAC, and records the drivers for the present review.

Section 3 contains synopses of the findings of recent and relevant reports.

Section 4 contains a summary of the methodology and findings of Deloitte & Touche's independent consultations.

Section 5 contains analysis and comment on objectives and future markets and services for SAC.

Section 6 contains our conclusions and recommendations.

Appendix 1 contains a list of organisations which completed and submitted a questionnaire, and a list of 'key informants' as suggested by SAC, who were interviewed by the consultants.

Appendix 2 contains graphs of student numbers and composition by subject area and by course level 1990/01-2001/02; and

Appendix 3 contains SAC's analysis of shifts in its grant funding.

### 3. SUMMARY OF FINDINGS OF PREVIOUS RELEVANT REPORTS

The increasing financial and operational difficulties experienced by SAC over recent years have prompted the commissioning of a number of strategy reviews, both internal and external. Most of the reports produced seek to implement, rather than to reflect upon, SAC's stated objectives and the majority of the external reviews concentrate on the Education function as the major area of difficulty for SAC. We conclude each summary with a brief commentary on each report.

#### 3.1 SAC Corporate Strategy Review 2002/3 – 2004/5 (SAC)

This major report to the SAC Board reviews the functions of SAC and recommends re-structuring of the organisation to meet current strategic and financial constraints. It contains a detailed review of the organisation's finances.

The role of SAC is defined as "*a knowledge transfer organisation for the rural sector*" and two key drivers for change are identified:

- the restructuring and worsening finances of agricultural clients as traditional markets decline; and
- direct financial pressures on SAC as core SEERAD funding is constrained, student numbers fall and unit costs increase.

The review identifies five key strategic and financial objectives, to:

1. return SAC to financial viability from a loss of £2.5m in 2000/01. (It is proposed that staff numbers at SAC will drop to 809 by April 2005 (117 less than in April 2002) with 55% of these posts going at Auchincruive;
2. align SAC's Education function with that of a major University;
3. ensure that SAC's Research and Development (R&D) base is of relevance and international quality;
4. establish SAC as a core delivery vehicle for the Executive's Forward Strategy for Agriculture; and
5. provide staff with personal development opportunities.

The fundamental principle of SAC is the integration of education, research and advisory functions and the report outlines strategies for each in turn.

In **Education**, SAC is the leading vocational course provider for rural communities and constitutes a 'bridge' between further and higher education. SAC recognises that, in future, it needs to forge partnerships with other academic institutions, to rationalise course provision and achieve full accountability in education. The future strategy has five core elements:

1. increase student numbers from 1,100 to 1,500 FTEs by 2004/5;
2. modularise courses and reduce the course catalogue to 500 units, reducing 40.5FTE staff and saving £1.3m by 2004/5;
3. rationalise course provision at each of the three centres;
4. develop distance learning techniques; and

5. share facilities and resources with local academic partners.

The Aberdeen campus would be the core teaching facility with outreach course provision at Edinburgh and Ayr, sharing the overheads of teaching at Aberdeen with Aberdeen University and in Ayr with Paisley University.

In **Research and Development (R&D)**, SAC aims to be the leading centre for rural science and technology in Europe. It currently has a strong focus on applied R&D but resources cannot be sustained at current levels and two solutions are considered:

1. concentrate resources on one site to reduce overheads and enhance operating efficiencies; and
2. limit the scope of the grant in aid programme (from SEERAD) as it does not permit SAC to make a ‘profit’ margin or even full recovery of overheads.

Future strategy is to capitalise on strengths at the Edinburgh Bush campus, to refocus R&D activities in Aberdeen to emphasise Environmental Studies, maintain the current crop and plant science split and the location of veterinary science. The R&D focus will concentrate on four themes in order to provide critical mass:

1. efficiency of agricultural production;
2. impact of agricultural production on public good matters;
3. rural development; and
4. biosecurity.

In **Advisory and Consultancy Services**, SAC aims to be the pre-eminent consultancy organisation for rural communities in Scotland, exploiting its knowledge base to sustain rural development in five main areas aligned with its R&D strengths:

1. farm business support;
2. environmental consultancy;
3. rural development;
4. animal health, welfare and biosecurity; and
5. public good services for remote and disadvantaged communities.

Income from SEERAD and other commissioners is expected to increase over the next three years from £18.3m to £18.9m. SAC proposes to diversify into non-farm rural business, liaise more fully with Local Enterprise Companies and target specialist services at the top 20% of producers. To deliver this, SAC intends to reorganise its management system to bring all consultancy services under a single line of control.

Market surveys indicate high levels of client satisfaction with advisory services but highlighted three specific issues:

1. clients are unaware of the full range of SAC’s services;
2. clients value independent consultants more for specialist services; and
3. SAC is regarded as reliable, but traditional and unexciting.

To address these issues SAC has reviewed its business and concludes that it must market and sell SAC’s services better.

**Deloitte & Touche** regard this document as thorough and well-researched, with a strong basis of evidence and a realistic analysis. The specific wording of SAC’s

proposed strategic statements could be improved to enhance clarity and understanding, and we make suggestions for this in the final section of this report. From the evidence in the report we understand why the authors should perceive that the causes of SAC's current difficulties lie primarily in its activities as a provider of courses in agriculture and their concern to achieve greater efficiency in this aspect of SAC's services. More generally for SAC's traded services there is the problem that most sector clients have weak purchasing power. Greater focus on SAC's own viability may require a more selective approach to service specialisation and advisory services may be the core of SAC's offerings in future, supported by applied research. We are sympathetic to the implication in this review that the core issue for the future of SAC is whether, how and to what extent it should continue to provide educational courses, and (as a consequence) whether and how its estate should be consolidated.

### **3.2 Perceptions of SAC (George Street Research Ltd)**

This report is based on semi-structured telephone interviews with a weighted sample of 732 actual or potential clients for agricultural consultancy, and aims to provide information on the state of the Scottish market and opportunities for SAC in future.

The key results were:

- 54% of respondents who took external advice (88% of the sample) used SAC regularly - the next most frequent advisers were independent consultants;
- of respondents paying for advice, 65% used SAC (at an average fee of £311) 35% used the National Farmers' Union (NFU – at an average fee of £315) and only 8% an Independent Consultant (IC - at an average fee of £952);
- clients used SAC for a wide range of advice but most frequently on grants and subsidies, analytical services and crop services;
- some clients were unaware of the full range of services offered by SAC;
- clients valued the rapport with the SAC advisor, his or her independence, local presence and technical quality of advice;
- 87% of respondents thought SAC was “quite or very good” value for money but it is notable that 97% thought this of independent consultants, despite charges being three times as high as those of SAC;
- respondents reported high levels of satisfaction with SAC's services, but not as high as for ICs (at 90% as against 97%);
- in general, there was a perception that SAC consultants were less pro-active and responsive than ICs; and
- reasons for not buying SAC's advisory services were often stated as a lack of perceived need for advice or of awareness that SAC could provide the advice. The availability of free advice *inter alia* by internet also influenced demand.

In the perceptions of the majority of clients, SAC's consultancy services are currently positioned in value below those of ICs and above those of the NFU. SAC is seen as providing a well established national network with sensitive local delivery. Clients also valued the ability to access specialists, independent advice and a wide range of services from one organisation. Clients prefer face-to-face and telephone contact. 38% of the respondents in this study reported a possible increase in their demand for SAC's services.

**Deloitte & Touche** regard this report as a reasonable basis of evidence on clients and potential clients for advisory services. The exploration of market positioning and client perceptions is useful and the theme of a general but not uncritical client loyalty to SAC is consistent with our own findings in section 3 below.

### **3.3 Research and Development Functional Strategy 2000-2004 (SAC)**

This strategy paper was prepared by SAC for submission to the Visiting Group in the 1998 Research Organisation Assessment Exercise. It outlines the future R&D strategy for SAC, concentrating on key research themes.

R&D has always been a key function of SAC and its predecessor colleges and its integration with advisory and educational services was a major issue in the Williams Report. The review confirmed that SAC's should continue to provide R&D, subject to periodic external review. The Visiting Group made a series of recommendations on the management of the SAC programme, the setting of priorities, the balance of effort and the detailed science within individual programmes. The most important issue identified was the need to develop a more focused programme of research by concentrating resources in areas of existing or emerging strengths.

SAC is not a typical Higher Education Institution (HEI), research institute or consultancy business but combines elements of all three. Its R&D programme is, therefore, driven by issues wider than simple R&D opportunities and was closely aligned with its Advisory and Consultancy services. SAC also provides postgraduate places, and this was facilitated by a continuing and balanced programme of research.

The primary drivers of research funding are numerous but include the availability of external funding and the potential to generate commercial developments. SAC actively seeks excellence in its R&D programme. Consequently, its intention is that the research programme will focus on areas in which SAC aspires to achieve international or national standing. To achieve this, a 'critical mass' of scientists in key areas is essential and is a key consideration in forward planning.

SAC organises its research into Programme Units, of which there were 36 in 1989 reducing to just eight by 2000, with an additional ninth containing miscellaneous research projects. The units are organised into thematic clusters, some of which overlap. The main clusters are as follows:

- Economics and Social Science;
- Farming Systems;
- Soils & Environmental Science;
- Animal Health & Welfare;
- Animal Behaviour & Welfare;
- Animal Genetics, Reproduction & Development;
- Animal Nutrition & Food; and
- Plant & Crop Science.

SAC intends to achieve a balanced 'matrix management' between Divisions (which operate across SAC) and the R&D clusters.

**Deloitte & Touche** regard this report as a useful but ageing statement of SAC's research structure and priorities. Its key emphasis, with which we agree, is consistent with the first and most general report reviewed here and is that it is necessary for SAC to concentrate its research efforts both in subjects and location. Because of the age of this source we have also reviewed the much more recent briefing document for the 2002 Research Organisation Assessment Exercise and have incorporated evidence from that document in this report.

### **3.4 SAC Research End-User Survey**

This is an internal report of May 2002 which reviewed the pattern of usage, desired format, future requirements and satisfaction levels of 400 selected users for SAC's research services. Short written questionnaires were sent to 400 known and selected research end-users and a return rate of 29% was achieved. Key findings were that:

- fewer than half (49%) of the respondents were able to allocate themselves to one of the SEERAD-defined end-user 'communities'; and
- the most common stated information need was in Sustainable Agriculture, instanced by 30% of respondents.

Most end users used information more than once a year but a large minority had not used SAC information in five years. Those who use information, use it intensively, especially in Sustainable Agriculture. The balance of information provided is appropriate for market demand. End users in research institutes, universities and government agencies make intensive but selective use of research information. These categories of users usually have multiple sources of available information.

There was a wider range in research end users' intentions to use SAC research information in future, with 70% intending to use more and 2% likely to use it less. The present formats of technical notes, project reports and presentations was seen as appropriate, though some wished more information distributed on a searchable internet site co-ordinated by the Scottish Research Information System which, the authors recommend, SAC should join.

**Deloitte & Touche** considers that this small survey was generally positive in respect of client satisfaction with SAC's services in research information, but notes the wishes for regular client support and network provision in partnership with other agencies.

### **3.5 Advisory and Consultancy Services – Strategic Plan 2002/03 (SAC)**

The document describes key markets, revenues and management issues for SAC Advisory and Consultancy (A&C) services based on a vision "*to be the pre-eminent consultancy organisation to the food, land and environmental industries in Scotland and beyond*". Fundamental to achieving this is integration of research with the R&D and Education functions to achieve knowledge renewal, transfer and exploitation.

The vision is translated into a number of strategic objectives, to:

- work with SEERAD to provide and develop, at cost, public good services;
- grow commercial income by 3.5% per annum, ensuring a margin of 15%, and eliminate loss making businesses;

- concentrate service provision – except where particularly attractive commercial or commissioned opportunities exist - within Scotland;
- develop systems for active surveillance of zoonotic diseases;
- enhance branding and delivery of ‘select services’ to specialist agri-businesses, targeted at the top 20% of producers;
- develop and implement a business plan for rural development services, aimed at non-farming rural sectors; and
- gradually introduce e-business services.

The primary objective is to provide A&C services efficiently and with appropriate margins.

SAC currently provides advisory services through its Farm and Rural Business Division (FRBD) and the Veterinary Science Division (VSD). In the future this may be changed and themes aligned with research activity. Marketing will be funded at 2% of turnover and focused on achieving four main marketing objectives:

1. repositioning of as a technology transfer unit;
2. increasing brand awareness of SAC amongst current and potential clients;
3. expanding existing Scottish markets; and
4. developing new markets aligned to SAC’s core strengths.

SAC has a strong brand identity in its core market but is facing competition in niche markets from independents and specialist advisers of the feed and agri-chemical producers. Its pricing policy will be changed in future so that minimum return of 15% is achieved and no ‘loss leader’ work will be conducted.

A&C services are sold into a number of key markets:

- **Farm and Rural Business:** the largest segment worth £6.1m but, with high market penetration and falling farming numbers, will be difficult to grow despite new initiatives to expand the client base and services. Growth is estimated at 3.5% per annum;
- **Rural Development:** is part of SAC’s diversification strategy, with a target for 2004 of £2m, 40% from training;
- **Environment Sector:** the SAC Conservation Unit was established in 1999 and has a market share of 15-20% of agri-environmental schemes in Scotland. The UK and Scottish environmental consultancy market is potentially large and SAC considers it can expand provision here;
- **Animal Health and Welfare:** the recent Foot and Mouth outbreak has radically changed this market as there will be fewer farm animals, so concentration will shift to disease surveillance, biosecurity and health schemes;
- **Food Services:** SAC and the Hannah Research Institute have merged their food interests into CHARIS, a company focused on opportunities in the food market;
- **Public Good Services:** growth in SEERAD-funded work will be delivered by focusing on delivering work at ‘cost’.

To remain competitive in its markets SAC is committed to maintaining and extending accreditation of its services, especially its internal laboratory services and to the application of a ‘client manager’ approach.

In **Deloitte & Touche’s** view this strategic plan appears sound, with appropriate targets, but does not extend the analysis (at least in this relatively public paper) to the identification of profitable and unprofitable business areas.

### 3.6 Review of Planning and Management in the Education Function (HMI)

This review by HM Inspectorate of Education was commissioned by SEERAD and implemented in September 2001. It focused on policies, strategies, consultation, communication and planning and monitoring within the Education function.

**Corporate Management** (rated ‘Good’ by HMIE): The Board of Directors made appropriate demands on SAC’s senior managers and provided a valuable source of expertise. There was a clear commitment to improve access to education and improve the efficiency of delivery, demonstrated by progress in modularising the curriculum, developing flexible learning materials and financial review. SAC’s devolved management structure was seen by HMIE as the basis for more effective and efficient management. Managers and staff generally demonstrated high levels of enthusiasm and commitment. Some managers were, however, unclear on their roles and responsibilities, and not all skills were appropriately used. SAC was working towards financial systems which could analyse the elements of education (and other) income and expenditure in the greater detail needed for effective management.

**Educational Planning** (rated ‘Unsatisfactory’ by HMIE): The Principal had a clear vision of developing a Rural University for Scotland, but achievement of that had not progressed to the necessary discussions and co-ordination with essential educational partners. The vision received only partial support from SAC’s own managers.

SAC had established few appropriate strategic priorities in education and some key strategies were insufficiently supported by evidence. There were few examples of planning which led to measured and phased development and insufficient opportunities for senior managers to contribute to planning. Most strategic aims were not supported by adequate operational plans. As a result, managers and staff were unsure of prioritisation, uncertain of their roles in implementing decisions and unclear on progress towards the achievement of targets.

SAC lacked procedures for monitoring, defining or improving efficiency. Despite identifying a need to assess the cost-effectiveness of educational programmes and units, SAC did not set and communicate criteria for such assessments. Monitoring of progress towards strategic goals was hampered by a lack of SMART targets.

**The Management of Staff** (rated ‘Good’ by HMIE): The Board and Executive had introduced efficiency measures such as staff time sheets but no firm guidance was given on key aspects such as class contact hours or class sizes. Job descriptions were mostly generic and provided appropriate scope for flexibility and staff roles were clearly defined. SAC had achieved an Investor in People Award and operated a comprehensive annual staff development review and appraisal scheme, but there was no systematic programme to help staff cope with devolved management and the modularisation of the courses.

**The Management of Change** (rated ‘Fair’ by HMIE): The many weakness in strategic and operational planning compromised the effective management of change in the education function. A number of major changes had been communicated to staff and some had been made quickly, though with little consultation. The operational implications of the vision for change were insufficiently clear to most senior managers and key staff. Many education managers felt dis-empowered due to exclusion from early discussions on changes to policies and strategies and often insufficient or late explanations of the reasons for change and the detail of proposed strategies. Key questions remained unanswered, increasing staff resistance to change. There were, however, some good examples of option appraisals and transparent reviews of divisions in SAC.

**The Management of Marketing and Recruitment** (rated ‘Fair’ by HMIE): SAC had recognised a weakness in the marketing of its courses and had commissioned external consultancy on this and appointed to a new post of Head of Recruitment and Admissions. Responsibilities for marketing were clearly defined and allocated, but HMIE considered that arrangements for co-ordinating marketing remained weak.

Student recruitment was monitored and some initiatives (such as modularisation) taken to increase student numbers in specific courses. Other strategies to improve access (such as the provision of part-time programmes) had not been adequately explored. SAC used existing collaborative relationships to improve access and progression for students and was exploring the potential of enhancing its partnerships with other providers.

Broad recruitment targets had been set for courses but were not demonstrably realistic or achievable. HMIE recommended that:

1. SAC should discuss its vision with partner organisations to ensure it is realistic and achievable.
2. All major changes should be supported by:
  - robust market research or evaluation of options;
  - early discussions with senior managers and key staff;
  - consideration of the impact on student recruitment; and
  - appropriate staff development.
3. SAC should develop policies and strategies for:
  - discontinuing courses where there is little student demand; and
  - increasing recruitment through part-time learning and improved progression from SAC’s lower-level courses and other colleges.
4. SAC should improve its strategic and operational planning processes by:
  - using a simple, comprehensive framework with SMART objectives;
  - involving senior managers in all major strategies and decisions;
  - identifying intermediate stages to meet long term goals; and
  - establishing clear efficiency targets.

In **Deloitte & Touche’s** view the HMIE review provides an authoritative analysis of difficulties in SAC’s education provision, and requires to be addressed. The specific

difficulties identified here (and in the subsequent KPMG review below) are consistent with our findings, summarised later in this review, from an independent consultation with SAC ‘insiders’ and external key informants.

### 3.7 Report on Planning and Management of Education Function (KPMG)

KPMG was appointed in March 2002, following the HMIE review above, to conduct a high level review of the Education function of SAC by examining existing policy documents and meeting key individuals in a programme of meetings, interviews and workshops. KPMG was not asked to conduct substantive original research, but in proposing an action plan to meet the HMIE recommendations, noted that implementation would be a significant task involving “*full-scale cultural change*”.

KPMG’s review of existing market research concluded that the recommendations in successive reports had not been implemented.

KPMG considered that the option appraisal process for the future of SAC’s Education function had not been sufficiently documented and lacked robust evidence to inform decisions. The options were cost-driven rather than market-led, were not fully defined or costed, and lacked evidence of consultation.

KPMG suggested (at section 5.4 of its report) that four strategic options be considered for future provision of education by SAC:

- the status quo;
- an enhanced status quo;
- rationalisation of provision on one campus (“*a one-campus solution*”); and
- rationalisation of provision on two campuses (“*a two-campus solution*”).

A number of action points for SAC’s future education strategy were identified:

- responding effectively to the difficulties identified in the HMIE Review;
- developing a new and more effective management structure for Education;
- developing potential joint initiatives with the University of Aberdeen;
- rationalising education provision, using appropriate modes of delivery;
- developing stronger collaborative links with other FE and HE providers; and
- developing a new management culture which embraces change.

KPMG recommended the use of benchmarking and improved systems for financial transparency to improve efficiency in the Education function. It also recommended a clearer divisional structure in place of the existing and complex matrix structure, and that senior executives should be more involved in strategic planning in future.

Overall, the report considered that the vision for the Education function contained in SAC’s Corporate Strategy Review (the first paper summarised in this section) was appropriate and achievable. The report suggested five key strategic aims with a number of proximate objectives underpinning them, that SAC should aim to:

- be the lead provider of education and training for the rural economy in Scotland;
- improve the efficiency and effectiveness of its Education function;

- improve the quality of education provision offered;
- widen access to its courses; and
- improve the planning and management capabilities in its education function.

**Deloitte & Touche** agree with KPMG's view that SAC's then objective of acquiring HEI status (a 'University College') was not and is not achievable in SAC's foreseeable circumstances. We note that this objective has been dropped by the current Chief Executive and SAC Management Team.

The KPMG report is, in our view, sound in the analysis and recommendations within its remit, and we particularly agree with its (and indeed the SAC Board's) stress on the need to improve efficiency in the Education function by addressing the rationalisation of scale and location of its educational estate. The strategic options which it suggests for consideration in this respect (at section 5.4) are in all essentials the same as those first considered by the Williams Committee thirteen years earlier (at sections 7.5 to 7.13 of its report).

Reflecting on this and previous reports we would stress that clarity on SAC's strategic offerings to the rural community and the wider public interest is an essential first step in addressing SAC's long-standing problems with efficient provision of courses, which is becoming ever more pressing with current trends in student numbers. Once the issue of strategic positioning of SAC's offerings is agreed (and this present report has that as its central concern) the secondary issue of the particular option for estate and operational rationalisation can be addressed.

### **3.8 Education Function Strategy Plan 2001/02 (SAC)**

This is an internal planning paper for the Education function and updates plans from previous years. It records that SAC is a distinctive, specialist institution which provides vocational courses at higher and further education levels and aspires to become an international leader in education for the rural and land-based sector by combining this provision with specialist research and consultancy. SAC's education and training programme is commissioned by SEERAD as eleven programme units, seven of which constitute taught course provision in subject areas<sup>24</sup>. The remaining four are research, taught postgraduate education, flexible learning and training.

Until the mid 1990s SAC pursued a growth strategy by diversifying its course portfolio and adopting structures for HNC and HND courses which enabled progression to degree level. However, since the later 1990s a number of difficulties have arisen in the Education function, including:

- a need to clarify the appropriate focus of education provision at SAC;
- a trend of falling student numbers and hence higher fixed costs per student;
- an 'image' problem in the increasingly competitive educational market for students, with *inter alia* new universities providing courses which attract those who might otherwise have taken one of SAC's non-agricultural courses; and
- maximising its potential as a specialist education provider.

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<sup>24</sup> See also the SEERAD letter of 12 April 2002 which specifies the distribution of the £6,552,000 grant in aid to SAC for Education and Training in 2002-03 across these programmes, and identifies relevant issues.

The report records SAC's views on key matters to be addressed if it is to retain and strengthen its position in education:

- **Recruitment:** one third of SAC's applicants are from rural communities and these are experiencing demographic and economic restructuring. Rural businesses are losing profitability, reinforcing a drop in interest in courses specifically designed for the rural sector. SAC's mission to serve such communities may stall unless it adopts more effective recruitment strategies to compete with weakening specific demand and increasing competition.
- **Flexible and Distance Learning:** this will be particularly appropriate in addressing remoteness issues in education. SAC is developing its offerings with financial support from SEERAD.
- **Strategic Alliances:** these should be developed with organisations possessing complementary expertise or the ability to assist SAC in developing courses for the rural sector.
- **Degree awarding powers:** degree awarding powers were seen as critical to establishing the independent identity of SAC as a Higher Education provider.
- **Education delivery in the workplace:** SVQs, delivered in the workplace, are gaining credibility in the industry and constitute a potential area of growth.

The key issue for SAC is cost-effectiveness in course delivery. A number of specific goals and targets were set for the period to 2003:

- improved recruitment;
- appointment of a Head of Recruitment;
- extending the geographical range of existing courses;
- introducing new subjects and types of courses, short courses and SVQs;
- increasing the number of part-time students and developing flexible learning;
- increasing the provision of training; and
- integrating training and mainstream course materials where appropriate;

**Deloitte & Touche** considers that this strategy paper generally continues previous themes but is, in retrospect, too sanguine in its views of diversification (and the potential weakening of focus on core purposes which it brings). We do not agree that degree awarding powers were or are a realistic objective for SAC.

### **3.9 Education Marketing 1999-2001 (PEC)**

This report summarises the findings and recommendations of a two-year marketing study using external marketing specialists, incorporating fifteen primary research projects and reviewing all available and relevant reports.

Key findings in respect of SAC's specific market environment are that in 1997/98:

- students studying agriculture or forestry degree level courses in Scotland were split between three main providers: SAC with 24.7% of such students, the University of Aberdeen, 33.1% and the University of Edinburgh, 22.9%. No other provider of land-based HE courses in Scotland also provided FE courses;

- amongst Higher Education Institutions in the UK, SAC ranked :
  - ⇒ 1<sup>st</sup> for relevant **sub-degree** level courses, with a 14% share of the market;
  - ⇒ 13<sup>st</sup> for **degree** level courses in agriculture and related subjects, with 3% of the market, the same as Aberdeen University;
  - ⇒ 12<sup>th</sup> for relevant **postgraduate** level courses, with 2% of the market compared to the University of Aberdeen which is 3<sup>rd</sup>, and the University of Edinburgh which is 4<sup>th</sup>, both with 11% of the UK Postgraduate market;
- SAC lagged behind its main English competitors (Harper Adams and Writtle Colleges) in the proportion of its students on **degree** programmes;
- within the Scottish **FE** sector SAC's main competitor is Oatridge Agricultural College, which has some 25% of the Agriculture and Horticulture FE market; and
- HESA figures for unit costs per student across **UK HE** in 1997/98 showed agriculture to be the 6<sup>th</sup> most expensive subject area at £6,366, and average staff/student ratios to be the 5<sup>th</sup> highest of 34 subject areas at 1:12.

More generally, SAC's enrolments peaked in 1995 and have since been falling. SAC's share of the total HE and FE student market in Scotland is small at 0.2% and even within subjects provided by SAC constitutes only 0.8% of the students enrolled in Scottish FE and HE courses.

SAC's overall recruitment is predominately from Scotland, at 85% and increasing as overall numbers decline, and it attracts very few overseas students (the largest group being from Ireland).

Not only are the clear majorities of students at each campus from Scotland, but also SAC recruits a very high proportion of its students locally at its three campuses. The figures for recruitment to each campus from within its local postcode area are:

<b>CAMPUS</b>	<b>LOCAL POSTCODE</b>	<b>PERCENTAGE OF RECRUITMENT FROM LOCAL POSTCODE AREA</b>
<b>Craibstone</b>	AB - Grampian	<b>43%</b>
<b>Auchincruive</b>	KA – Ayrshire and Arran	<b>43.3%</b>
<b>Edinburgh (Kings Buildings)</b>	EH – Edinburgh and the Lothians	<b>31.7%</b> (50% from within a 60-mile radius)

SAC has a strong base in local schools and colleges and has the highest conversion rate of UCAS applications, compared to its main HE competitors, at 44%.

The largest proportion of SAC students were at HNC/HND level (50%) with 42% at degree level. At diploma level, SAC's main Scottish competitors are exclusively in the FE sector. SAC's provision of Higher National level courses is probably an adverse factor with students who are also considering university entrance.

A high proportion of new SAC entrants were aware of SAC from recommendations, underlining the support for SAC in its 'traditional' markets. However, recruitment may have been hindered by a lack of general awareness of SAC and the range of

courses that it offers, and perceptions of worth against universities are not assisted by the title ‘Scottish Agricultural College’. The ‘SAC’ title has poor recognition in the student market place and amongst the Scottish public generally.

The report notes SAC’s stated aim of increasing student numbers but considers that it will remain a relatively small institution. It recommends that SAC should make a virtue of this by emphasising:

- i) the ability of staff to give individual attention;
- ii) the good track record of SAC in placing graduates in their chosen field of employment; and
- iii) the quality of the research and consultancy base that underpins education.

The report recommends an urgent review of SAC’s strategic objectives in the fields of flexible learning and training and *inter alia* makes the following proposals for SAC’s education marketing strategy from 2001-02 onwards:

- that the new Head of Student Recruitment and Admissions should lead the consolidation of market research into a clear and unified recruitment strategy;
- SAC should pursue partnerships with other FE/HE providers, cater for flexible learning and establish a postgraduate school;
- all educational promotional activities should promote the SAC brand; and
- SAC must monitor its local market closely and improve communications with local feeder schools.

**Deloitte & Touche** considers that this review of marketing is generally realistic, and indeed many of its themes were echoed in our own consultations. It does not, perhaps, fully acknowledge the many issues raised by SAC’s difficulties in growing in scale (to achieve economies) and in its positioning increasingly as a locally-based provider of agriculture and related courses in FE, with a smaller proportion of HE than its UK competitors and a smaller postgraduate complement than projected. We agree with the advice to adapt SAC’s marketing messages to its difficult but actual circumstances, and with the stress on the need to improve SAC’s image in order to strengthen its recruitment potential against its competition.

### **3.10 Strategic Review (Riley Consulting)**

This report provides a review of the Education function of SAC, identifying potential marketing approaches without developing ‘full scale’ strategies. It draws on an earlier review by Riley of research data and evidence on marketing issues and emphasises the familiar themes of SAC’s difficult position as a specialist provider faced with long-term decline of numbers and profitability in its core market, its small size, and its particular problems of sustaining three large and dispersed campuses. Riley reinforces the messages that:

- acceptances to agricultural programmes across the UK have fallen, and this is reflected in SAC’s difficulties in growing its numbers;
- the total number of applications to SAC is small compared to its Scottish and UK competitors; and adds that
- SAC has experienced a dramatic fall in applications to business courses compared to the UK average.

Riley considered that SAC should be more market-led in its product and service offerings, by updating existing courses and addressing new and emerging markets. Specifically, SAC should try to develop a ‘supply-chain’ from sub-degree provision at other institutions into SAC, and develop additional programmes for ‘lifelong’ or ‘repeat’ consumers. Market opportunities for SAC may be found in future demand for competencies related to food science and engineering.

SAC’s historical reliance on traditional recruitment pools for students is no longer viable in the increasingly competitive markets at local, regional, national and international market levels. Riley also stressed a need for SAC to define its brand in educational marketing and to differentiate itself from other providers.

In delivery methods, Riley suggested development of web-based access and examination of the potential for re-location in south-west Scotland - to a shared site in Ayr to facilitate synergies with other organisations (specifically Ayr College and/or The University of Paisley) and some activities to the multi-agency campus at Crichton in Dumfries - but emphasised the political and presentational difficulties which would accompany any proposal which envisaged significant relocation.

**Deloitte & Touche** considers that this review is particularly strongly based on evidence and its recommendations are realistic, though its remit was to focus on educational marketing rather than the wider concerns of SAC. Whilst the Riley reports may be seen as adding relatively little to the range of information and recommendations contained in other reports, they can be taken as further confirmation that the perception of independent reviewers are essentially consistent in identifying the main causes of difficulty for SAC as:

- located in its positioning as a small, specialist provider of education;
- characterised by systemic, long-term weaknesses in its core markets; and
- exacerbated by its large, dispersed estate, which is in turn a product of the reluctance of decision-makers since its foundation to depart from the paradigm of SAC as a provider of local agricultural education at three specific centres.

## 4. INDEPENDENT CONSULTATIONS WITH STAKEHOLDERS

Deloitte & Touche was asked to conduct an independent consultation with SAC's stakeholders to inform advice on appropriate objectives, markets and services for the future.

### 4.1 Methodology

#### 4.1.1 The Stakeholders

The categories of stakeholder<sup>25</sup> which were used to structure this consultation were:

- Clients – users of SAC's services, further analysed into farming and non-farming clients, and individuals and organisations;
- Sponsors – funders of SAC's services to clients;
- Partners – organisations with which SAC does, could or should collaborate in delivering services to clients, but which are not sponsors as defined;
- SAC staff<sup>26</sup> who deliver services to clients; and
- Students<sup>27</sup>, whom SAC was concerned to consult at an early stage as course examinations were ending just as the consultancy was commissioned.

It was also agreed that SAC's Directors and relevant parliamentary representatives at Scottish and UK level should also be invited to contribute views in the consultation, should they wish<sup>28</sup>.

#### 4.1.2 Methods and Scope of Consultation

The purpose of the consultation was to obtain and record responses to the stated draft objectives of SAC, in a consistent and coherent manner. The linked issues of appropriate methods of consultation to achieve that and the numbers of stakeholders to be consulted in each category were discussed and agreed. The methods adopted and the scope of the consultation programme were both informed by a shared commitment to achieve the best possible quality and volume of response in the time available for the exercise.

The methods adopted for consultation had to be appropriate for the varied circumstances of the target respondent categories, encouraging breadth and balance of response but also facilitating in-depth discussion with key informants and

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<sup>25</sup> 'Analysis of SAC's Stakeholders' by Professor Chris Doyle, which lists 16 specific Sponsor bodies and 30 specific Partner bodies in its analysis. A list of 413 key Clients to be consulted was provided by SAC. The Chief Executive of SAC also wrote separately to 7,000 clients and 800 students, notifying them of the pending consultation and requesting that they contribute.

<sup>26</sup> SAC Staff numbered 'around 925 in April 2002' (paragraph 4.2.1 of SAC Corporate Strategy Review).

<sup>27</sup> Students numbered 'around 1100 FTEs in 2000/01' (paragraph 4.4.2 of SAC Corporate Strategy Review).

<sup>28</sup> In the event, of 95 MPs and MSPs invited to do so, only 2 returned a completed questionnaire or agreed to express a substantive view by other means at this stage. The Consultants understand that parliamentary representatives considered it inappropriate to express further views until other stakeholders had commented on these matters. The Consultants were asked in writing by an MSP to 'take account' of the Parliamentary debate.

groups<sup>29</sup>. The overall consultation programme aimed to achieve both a reliable quantitative over-view with a deeper qualitative understanding of specific issues.

The agreed consultation programme comprised:

- a core questionnaire, available by web or paper copy. The lists of key clients, sponsors and partners for this purpose were provided by SAC, and were agreed by the consultants to reflect selection on the basis solely of their significance to the organisation. All SAC staff were notified of the web questionnaire and invited to contribute by internal SAC e-mail, and students were invited to contribute by poster and notices on the campuses<sup>30</sup>. The questionnaire provided the scorings which are the source of the quantitative analysis in this report;
- focus groups, by invitation from Deloitte & Touche and using a consistent prompt to set the context for discussion of SAC's stated mission, vision, objectives and other key strategic statements. The focus groups were intended to provide qualitative understanding, allowing groups scope to register their specific concerns within a consistent overall framework;
- interviews with Deloitte & Touche consultants, face-to-face where possible but by telephone where (for reasons of distance or convenience) that was not possible. Interviews were undertaken with senior SAC and SEERAD staff for familiarisation and direct consultation, and in addition the consultants sought the views of key respondents identified as having particular understanding or in a position to give a particularly informed view of relevant issues in this review; and
- correspondence and e-mail where that was appropriate.

#### **4.1.3 The Core Questionnaire.**

In order to achieve efficiency in dispatch, completion, lodging and analysis of responses, and consistency of format, a web questionnaire was used as the standard response mode, with a postal version available on request in cases where – for whatever reason – access to an internet-linked computer was not readily available. Deloitte & Touche notified each of the target respondent categories shown in the table below in writing of the web address of the questionnaire, and offered the paper version in return for a telephone call. In all, just ten paper questionnaires were requested and dispatched, and eight returned. In all cases the contents were then input by the consultants so that ratings and comments could be incorporated and analysed in a consistent form.

Letters of invitation to contribute were sent by Deloitte & Touche on 20 June and notified a closing date of 15 July. This was later extended by agreement to allow

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<sup>29</sup> Please note in this respect that the statement of objectives in Section 2 of the original SAC Strategy Review document includes as number 6 the provision of a professionally rewarding environment for staff. This objective was addressed through focus groups with staff but was not included in the general questionnaire.

<sup>30</sup> It should be recorded, however, that the timing of the consultation posed difficulties in notifying the general student body as the end of term was imminent as consultations started. A special meeting of student representatives from all campuses and a focus group on each of the three were arranged as a matter of urgency in order to gain qualitative views from students. These four discussions were conducted by the consultants.

additional responses to be lodged where the timescale had proved difficult. In the event, the analysis was taken on 26 July 2002.

The questionnaire asked for ratings by respondents of the degree of appropriateness of sixteen key statements from the SAC Strategic Review and invited comment on each. The questionnaire yielded, especially from organisations, returns of considerable quality.

There were shared concerns that the timing and relative complexity of the questionnaire, together with possible ‘consultation fatigue’ on the part of many clients (who had already that spring been consulted by SAC on related matters and by SEERAD on the use of SAC and SABRI services) would depress response rates.

The table below shows the relationship between invitations and responses, after filtering for multiple responses:

Stakeholder Category	Recipients of Deloitte & Touche Invitation to Complete Questionnaire	Questionnaires Returned by 26.07.02. (self-assigned categories.)
Farming Clients	Letter to 413 ‘key clients’ identified by SAC.	88
Non- Farming Clients		13
Sponsor & Service Partner Bodies	Letters to: Research S/Ps: 21 Education S/Ps: 27	19
Other Interests <sup>31</sup> .	Council / LEC: 27 FE College: 10 Professional body: 16	56
Current or Former SAC Student	(Notices)	38
Staff Member of SAC	(Staff on SAC system invited by SAC e-mail )	158
Nominees Invited to Contribute	514	176
Staff and Students (general notices)		196
Total of questionnaires analysed		374
Total of questionnaires returned by 26 July, inc. categories not analysed		388

Source: Deloitte & Touche. In addition the Chief Executive of SAC also wrote separately to 7,000 clients and 800 students to request that they participate in the consultations.

We were concerned - most particularly in respect of clients of a market-facing organisation - to achieve a rate and number of returns which could fairly be used as a basis for generalisation. We therefore sought to benchmark the returns against appropriate comparator studies, and to examine the internal consistency of the returns within each respondent category in order to ascertain whether:

<sup>31</sup> 56 respondents classified themselves as ‘Other Interests’ rather than accept the pre-set categories of Clients, Partners, Sponsors, Staff, Students, MPs or MSPs or SAC Board or Council Members. Of these, at least 23 could have responded as ‘Partners’, including SNH, a SABRI Director, a University, 3 Colleges, 2 Professional Bodies, a research collaborator and an external examiner. Similarly, at least 6 could have chosen to respond as ‘Clients’, including 2 Local Authorities, a representative body for Scottish Farmers and Growers, a ‘Farming Organisation’, a ‘Crofter and Crofting Representative Body’ and an Estate.

1. the basis of generalisation was broadly comparable to that in similar studies; and
2. there was enough consistency to demonstrate that additional returns would not materially change the distribution of responses.

#### **4.1.4 Benchmarking the Questionnaire Returns**

The ratio of invitations to returns for clients here bears comparison with return rates of paper questionnaires (with SAEs) in a recent conventional survey of SAC clients. A ‘short written questionnaire’ of 9 April 2002 from SAC to ‘400 known research clients’ achieved a return rate of 29%.

We were able to ‘benchmark’ the numbers of web questionnaires returned by organisations in this consultation against those returned by organisations in previous similar web-based consultations by us for public bodies in Scotland. Based on that experience, the level of questionnaire return here (despite a markedly shorter time allowed for response) is, at 51 after elimination of all duplicate and other unwarranted entries, comparable in volume and proportionate terms to comparable consultation exercises, for example:

1. consultation for the Scottish Executive (on Options for a Transport Authority for the Highlands and Islands) which obtained responses from 63 organisations of a wide variety; and
2. consultation for the Scottish Arts Council (on Perceptions of Grant Procedures) which obtained a total of 53 organisational responses from a larger and more financially-interested organisational universe.

The 51 returns made on behalf of organisations in this consultation are listed in Appendix 1.

#### **4.1.5 Consistency of Responses within Stakeholder Categories**

The tables of scores given in response to each question by each stakeholder category – used to construct the graph of responses across stakeholder categories in section 3 below - show some internal variation in cell numbers and ‘scatter’, but an overall pattern of general consistency and ‘clustering’. We calculated the means of the distributions of responses by question by group (plus a simple weighted mean across all groups) and standard deviations, and also used the more appropriate chi-square and Krusal Wallis rank sum tests to identify any significant ‘scatter’ within groups.

From these analyses we are confident that the scoring data used in this report are generally consistent.

#### **4.1.6 Focus Groups**

Focus groups were considered an appropriate method for pursuing specific questions on SAC’s mission, vision and objectives - questions predicated on a level of understanding and prior reading which simply could not be assumed across the variety of respondents to a wider consultation. To obtain an appropriate level of qualitative detail we used focus groups and a pre-circulated ‘prompt sheet’, containing extracts from SAC’s Corporate Strategy Review Report and key questions on each major statement of strategy.

We aimed to allow prior briefing, interaction to confirm shared understanding of what was said and an opportunity to challenge and test the robustness of information and views. Originally we planned seven such focus groups, including four regionally based meetings with clients, but eventually undertook thirteen focus groups comprising:

- Regional Client Groups at the SAC offices in Inverness, SAC Auchincruive Campus in Ayr, Deloitte & Touche offices in Edinburgh and Deloitte & Touche offices in Aberdeen, making four in total;
- Staff Groups at the SAC campuses in Ayr, Edinburgh and Aberdeen and one for non-campus-located advisory and veterinary staff at the SAC office in Perth, making four in total;
- Student Representatives separately at each of the three main SAC campuses, and timed as a priority before the students left for the summer holidays;
- a Research Group, in the Deloitte & Touche offices in Edinburgh; and
- an Education Group, in the Deloitte & Touche offices in Edinburgh;

The conduct of the focus groups and reporting of their views was the exclusive responsibility of Deloitte & Touche.

Stakeholder Category	Persons in Focus Groups
Clients	8
Staff	37
Students	42
Sponsors and Partners	17
<b>TOTAL</b>	<b>104</b>

#### 4.1.7 Interviews with Key Informants.

Deloitte & Touche undertook structured interviews with key informants and representatives who were identified as having themselves, or in their organisations, particularly developed understanding of matters relevant to SAC’s recent concerns. The interview format allowed us scope to explore the many issues in this review to deepen our understanding of objectives, markets and services for SAC in future, in preparation for the main report of this stage of the review. These interviews were particularly useful for the consultants in understanding the context within which SAC had developed the Corporate Strategy Review Report.

The consultants interviewed prominent informants in partner and other bodies from a list of 28 ‘Key Informants’ provided by SAC. In some cases the individual originally identified or his or her organisation subsequently nominated a colleague who was considered better able to assist in these consultations. A list of those interviewed in this category is attached as table 2 in Appendix 1.

The consultants also interviewed several senior staff of SAC and SEERAD – some on more than one occasion.

#### **4.1.8 Other Methods of Consultation.**

##### **Meeting with Student Representatives**

SAC was particularly concerned to facilitate an early meeting between the consultants and student representatives in order that student concerns could be heard at an early stage of the consultation. This meeting was held on Thursday 13 June 2002 in the Edinburgh offices of Deloitte & Touche with 12 student representatives from all three campuses in attendance.

##### **Telephone interviews**

These were a useful supplement to the core methods of consultation which was used specifically to ‘follow-up’ those clients who were invited to attend focus groups but who were unable to do so.

(These telephone interviews are in addition to the discussions with ‘Key Respondents’ in section 1.4.3. above. Only substantial interviews have been counted, and no discussion of less than 20 minutes.)

Stakeholder Category	Phone Interviews
Clients	16
Staff	9
Students	-
Sponsors and Partners	7
Other Key Respondents	6
<b>TOTAL</b>	<b>38</b>

##### **Correspondence and e-Mail**

The consultants also received 32 letters or other written observations from identified respondents – some of which were very substantial – and a large number of e-mails. All submissions to date have been read.

The following sub-section comprises an overall analysis from the questionnaire returns of the degree of agreement with the stated strategic objectives of the college, across stakeholder categories. This is shown numerically in a graph derived from the scoring by respondents to the questionnaire of the degree of appropriateness of key statements in the SAC's Corporate Strategy Review.

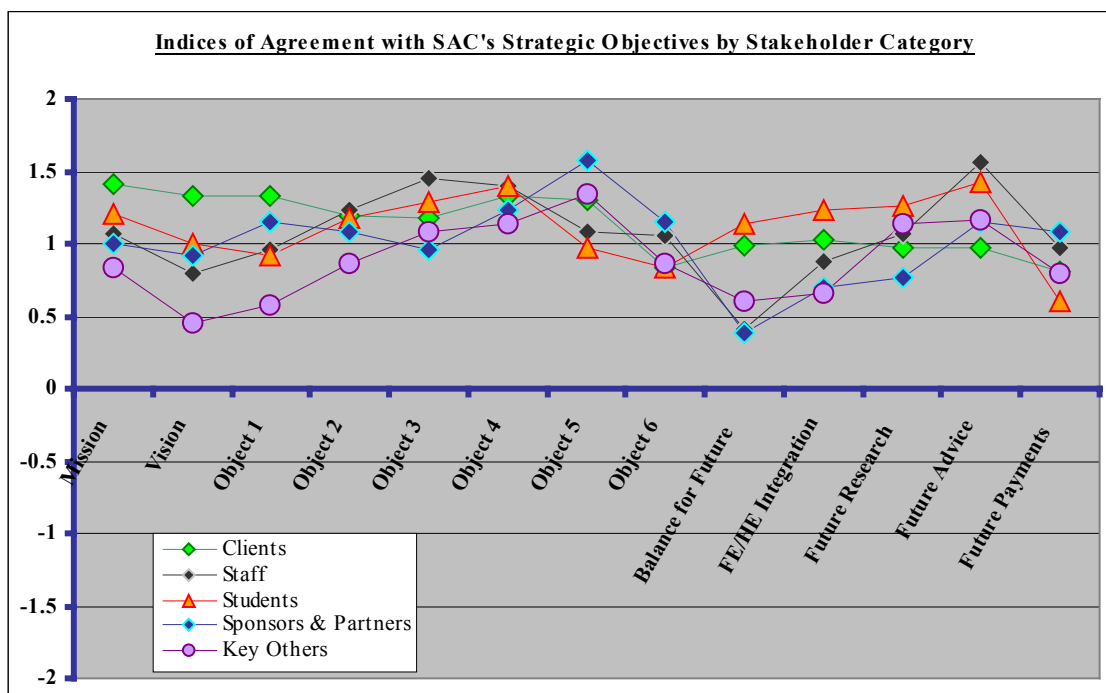
#### **4.1.9 Issues from the Questionnaire**

For each of the thirteen key parameters in the questionnaire (derived in turn from the Corporate Strategy Review – the first paper reviewed in the previous section) an average index was calculated<sup>32</sup> of the level of agreement by each of the stakeholder categories in this analysis.

<sup>32</sup> The scoring tables from the questionnaire shown at the head of each section in volume two were the basis of this calculation. These show the numbers within each stakeholder category who considered the various statements of objectives entirely appropriate, broadly appropriate, neutral, broadly inappropriate or entirely

The graph below gives a condensed view of the overall profile of agreement with key statements of strategic objective in SAC’s Corporate Strategy Review document, by the various main stakeholder categories. A reference level of zero represents neutrality and that level is labelled for reference on the graph.

A level of one represents an aggregate respondent view that the particular statement of mission, vision, objective or other strategic parameter was ‘broadly appropriate’, and it will be seen that the average indices of appropriateness cluster around that level. On no statement of forward strategy by SAC is there an aggregate view in any stakeholder category which is less than positive.



Source: Deloitte & Touche Questionnaire, results weighted and aggregated as described.

The indices of agreement with specific strategic statements by the stakeholder categories, however, vary quite noticeably around the line which represents ‘broadly appropriate’ in this analysis. They also show significant variance in the spread of aggregate views of the different categories in respect of the different strategic statements.

The corollary is that where the index of agreement is particularly high or low for any particular stakeholder category, it was instructive for the consultants to refer back to the verbatim statements of views in the appropriate section of the questionnaire returns. Where there is most ‘scatter’ the comments by the different stakeholder categories could help to identify the reasons for this difference of perception.

A generally high ‘appropriateness’ rating - as for SAC’s mission and vision statements - can nevertheless be consistent with a noticeable difference in aggregate scoring across the stakeholder categories, which itself indicates that there is likely to be some issue of differential perception or interest.

inappropriate. The returns were weighted at a value of +2 for ratings of entirely appropriate or –2 of entirely inappropriate, +1 for ratings of broadly appropriate or –1 for inappropriate, and 0 for neutral. The weighted scores were aggregated and divided by the numbers of respondents to give an average index of agreement with the particular statement of objectives across each category.

There are some general points which should be made:

- respondents were asked to score the appropriateness of specific statements of objectives or strategic intent by SAC. It is quite possible for them to approve of the intent or the direction indicated, but yet to remain agnostic or worse on the track record of the organisation in implementing specific aspects of strategy in the past. The overall impression gained from comments on each question is more negative in most respects than would be expected simply from the scoring shown here. A good example of this is **objective five**, which commits SAC to partnership working in future. Comments which accompany this, even from the sponsor and partner organisations which most strongly approve of this intent, nevertheless contain criticism of SAC's record in partnerships over the twelve years of its operations to date;
- again, **objective four** on the safeguarding of crop, animal and human health and welfare is itself generally well scored, but many comments imply that it is not well formulated. In principle the objective of safeguarding human health is shared with many health service bodies. This objective is understood - especially the critical importance of the run-through from animal and crop health to human health - but a distinctive statement of objectives for SAC would more appropriately concentrate on the former two elements. It should be stressed that SAC's work in animal disease surveillance was very well regarded and appreciated by all respondents. This was seen as a vital contribution by the organisation to the public good, and there would be concern if there was any lessening of activity in this area. Though some informed respondents considered that there could be alternative means of delivering animal health surveillance, we heard no arguments that it should be provided by any organisation other than SAC;
- there is a major and underlying issue (especially in the integration of Further and Higher education) which relates to the assumption in the 'Scottish System' of Agricultural Education that integration of Advisory, Research and Educational functions is mutually enriching and constitutes a model to be cherished and retained. There are strong echoes of this in the parliamentary debate on SAC in March of this year, and most respondents agreed in principle that it was a desirable model for SAC. Negative consequences of an adherence to the 'Scottish System' are seen by some respondents in a wish of SAC to do things by its own hand, in its belief that it can provide a one-stop shop on its own, and in a style which assumes that SAC should normally lead in joint working. Both government policy on partnerships, and an objective necessity to recognise and source expertise in other bodies, have changed markedly since this model was articulated and this may be a source of perceived difficulties in achieving effective partnerships with relevant bodies;
- there is a general perception, related to this, that SAC is attempting to do altogether too much and is excessively thinly spread in terms of staff in a number of areas, especially in research and education. Informed and friendly commentators have expressed a level of concern in respect both of the consistency of quality (in research these concerns were expressed in relation to environmental research only) and the potential fragility of service delivery by SAC. That has frequently been expressed to us as a scepticism which

views the ‘Scottish System’ as primarily a refusal to prioritise in line with current market circumstances and diminished resources;

- the fundamental definition of SAC’s market offerings - as agricultural or rural, or land-based - continues to trouble both internal and external respondents. Given increased ease of travel there is a growing holism of issues for the agricultural community - fewer problems or solutions can be defined as wholly rural or agricultural. A good example of this for sustainable communities is the problem of rural housing for young people, faced by purchasing competition from affluent city-dwellers. Similarly, there are potential markets for SAC’s services in urban tree parkland management. The general view of respondents – especially clients for SAC’s commercial services – is that SAC’s focus on its primary markets has tended to weaken as it sought increased revenue through service diversification. On balance, we prefer the basic characterisation of SAC’s market as ‘land-based’;
- again from informed and friendly commentators there is a strong perception that SAC’s problems of being spread too thinly over too many ambitions, and a reluctance to commit to prioritisation, is most strongly reflected in its retention of an unnecessarily large and dispersed estate which derives from the 1990 merger which brought it into being. We are aware that this is a matter of considerable contention;
- a positive element of comments across the majority of respondents is that there is clearly a great deal of loyalty to SAC, especially on the part of its agricultural clients and many of its partner bodies.

#### **4.1.10 Additional Issues from the Focus Groups**

This section records additional issues raised by respondents in the fourteen focus groups undertaken, and any difference from the general views above are noted.

##### **Views from Client Focus Groups and Telephone Follow-up**

Four client focus groups were arranged by Deloitte & Touche at Inverness, Aberdeen, Edinburgh and Ayr, but attracted small attendances for the half-day sessions. A follow-up telephone programme was therefore initiated in order to broaden the base of qualitative discussion with clients. Some ‘clients’ indicated that they did not think it appropriate to respond to the consultation as their organisations competed directly with SAC for business and a few even suggested that it was unfair for a government-funded organisation to compete directly with private-sector firms receiving no government subsidy. In all, substantive discussions were held with 19 clients in this element of the consultation, to supplement client responses in the wider questionnaire and interview programme.

Client responses were usually strongly related to specific business interests and experiences of the SAC services directly used. None of the client respondents were able to provide substantive feedback on the totality of SAC’s objectives across service areas, though clients agreed with the general principle of integrated services and saw research underpinning education and advisory services. In general, SAC’s clients expressed a loyalty and respect for the organisation and appreciation of its services, whilst acknowledging the problems facing it at present. Loyalty appeared to be strongest in the producer client groups and to be independent of the degree of

actual usage of services. There was virtual unanimity on the need for SAC to adapt to changing circumstances in its markets.

One of the key reported strengths of SAC in this client consultation was its range of independent and impartial services. The majority of clients consulted indicated that, all things being equal, they were likely to continue to use SAC's services. Increases in fees and subscription rates, however, were now testing that loyalty. Mixed commercial and 'public good' funding was also seen as confusing for clients. Conflicts of interest could exist in advisory and research services, for example where SAC was advisor to a large agricultural producer and simultaneously to a smaller agricultural sub-contractor to that large producer.

The focus in SAC's strategy review on services to *rural communities* was considered to be inappropriate by the majority of focus group participants and clients and to be a misplaced market objective. As the sustainability of rural areas and communities depends on addressing a wide variety of issues (e.g. social, housing and transport problems), it was not considered possible for SAC to have the remit or skills required to address the wider issues relating to rural communities. Whilst *rural industries* was considered to be a more appropriate overall market definition for SAC, concern was raised that the market, even by this definition, was too wide for SAC to address on its own.

The consensus of most clients was that SAC should focus on improving the competitiveness (at least initially) of primary agriculture where it had the skills and experience to assist. This role could be further but cautiously developed over time to include the creation of employment, some of which may be outwith primary agriculture. A focus on primary agriculture would provide greater clarity as to the client group SAC were seeking to support and would alleviate possible concern that it wished to be a Rural Development Agency.

Clients generally perceive that they obtain good value for their subscription or fee in current **Advisory and Consultancy** services, though many (understandably) expressed a wish for more 'public good' provision at no charge to the recipient. However, beyond this safe, solid advice SAC was seen as semi-commercial and unable to respond in a proactive or timely manner. Clients would ideally like to see SAC take a clearer lead in bringing best practice models to the farming community. If it is to expand its advisory and consultancy services it requires better quality assurance processes, investment in staff development and laboratories for testing. Any expansion of services should be in partnership with organisations such as Scottish Enterprise wherever appropriate. The vision for Advisory and Consultancy services was considered to be over-ambitious compared to what SAC could actually deliver. In respect of delivery of advisory services there were many grounds for scepticism that electronic delivery modes would be widely taken up in the short term.

SAC's intention to focus on the top 20% of producers could exclude smaller businesses that still need support. Smaller organisations are still essential for the competitiveness of rural industries and better employment prospects in rural areas.

Some clients expressed the view that the accounts management system operated by SAC was inadequate and often caused unnecessary work for the client. There was a more general view that SAC's administrative costs might be excessive, implying that SAC *should* be seen to be competitive in all of its internal functions, but *was* not.

It was stated that SAC had, in the past, been very successful in helping farmers to complete statutory returns to government (for farm subsidies etc.) and other clients expressed appreciation of the farm management computer program offered by SAC. Other respondents considered that successful producers were increasingly inclined to use non-SAC service providers where specialist skills (such as accounting in farm management) were required.

In horticulture, it was stated that SAC's advisory services had deteriorated, reflecting the decline of the horticultural industry in Scotland.

In **Education** the client groups all agreed that ideally SAC should deliver agricultural courses but accepted that it was unlikely to be able to increase student numbers in the current competitive market for students. Although a recruitment target of 1,500 full time students was considered to be unrealistic given low unemployment and increasingly flexible alternative provision, clients considered that partnerships could enhance educational demand and delivery to rural areas.

There was specific discussion at the Ayr client group on local wishes that SAC should retain a presence in Ayr, perhaps sharing the Auchincruive campus with Paisley University or a research institute, or relocate to a central campus in the town. The view was also expressed (by several respondents, not all from the north-east) that the historic link between Aberdeen University and SAC had been beneficial to all parties. Agricultural students at the University had benefited greatly from being taught by SAC staff with 'hands-on' experience and it was regretted that this relationship no longer existed. In general, however, most of the clients consulted in this element of the programme were agnostic on the future geographical location(s) of SAC and accepted that SAC may have to change its pattern and/or scope of service provision.

Some disagreed with the comment in SAC's 'vision for education' that "*SAC is the lead vocational education provider for rural communities*", pointing to a number of alternatives for students wishing to undertake vocational programmes. Clients wished SAC to meet market demand in campus location (i.e. to stay local) and to ensure that its education programmes linked to the objective of increasing the competitiveness of businesses.

Whilst the client groups acknowledged that clients received indirect benefit from the outcomes of the SAC **research** programmes, participants commented that the views of client stakeholders on potential areas of research were not always sought. It was asserted that, as a consequence of this, SAC had not pursued commercial opportunities to undertake research for the horticultural industry as strongly as it might. Clients generally did not, however, believe that they had sufficient knowledge of the research services to provide more detailed comments on the proposed research strategy.

The client groups and interviews discussed the seven corporate objectives for SAC. One group considered seven objectives to be too many and several queried the appropriateness of objectives 6 and 7. Key comments on each of the specific objectives from the client focus group sessions are summarised below:

**Objective 1:** (To enhance the viability and competitiveness of rural industries.) This objective was considered to be central for SAC but it should initially address the competitiveness of primary agriculture rather than the wider market of rural industries.

**Objective 2:** (To enhance rural diversity and opportunity.) Diversification is not the only option for rural industries - business process re-engineering or even winding-up the enterprise might be more appropriate. Reference was needed in SAC's strategy statements to 'innovation' and 'new businesses' rather than simply to diversification.

**Objective 3:** (To promote care and protection of the environment) No specific comment was offered from the client focus groups or interviews on this objective.

**Objective 4:** (To safeguard crop, animal and human health and welfare.) Where comment was made on this there was some doubt that SAC should assume such a wide set of responsibilities.

**Objective 5:** (To work in partnership with others where this will achieve improved service delivery.) Clients strongly supported this statement and wished SAC to align its services with other agencies' provision for rural industries and communities in areas such as economic development, marketing and tourism. SAC was viewed as excellent when advising on farming production and farm methods but not on general business matters. There was a danger of duplication of services which required SAC to better define its market if this objective is to be successfully delivered.

**Objective 6:** (To provide a professionally rewarding environment for staff.) There was some scepticism on SAC's ambitions to be a knowledge transfer organisation, but otherwise little additional comment from most clients.

**Objective 7:** (To generate surpluses and secure investment for funding.) The client groups did not generally understand why academic excellence and high quality education should be linked to the generation of surpluses and investment funding in SAC's strategy statement, rather than be a separate corporate objective.

### **Views from the Staff Focus Groups**

All four staff groups commented on the inappropriateness of the name 'Scottish Agricultural College' or even 'SAC', believing that the terms in the name no longer reflected the actual activities of the organisation and wrongly emphasised location, agriculture and any similarity with a conventional college. The market view of SAC was seen as confused and lacking a clear identity.

Staff generally considered the **mission statement** to be too limiting and wished the fewest possible constraint on the scope of SAC's activities in the future. Groups also commented that staff tend to work in isolation, with limited integration of activities and knowledge of other elements of the business. SAC was viewed as being a disparate organisation that had rather lost its focus. Deloitte & Touche consider that there is some potential tension here between a general staff support for a less constrained definition of mission, and their wish for clarity of focus.

With respect to the **vision** staff believed that knowledge transfer was most applicable to research. Advisory and Consultancy services were viewed as the provision of services to rural communities and land-based industries. Staff considered that senior managers were not always clear on the priorities and performance targets for SAC. It was clear to us that many staff had become discontented, critical and uncertain of their future in the organisation and did not fully share ownership of current issues and strategy. There was a general perception that the influence of staff and the degree of delegation of responsibility they were allowed should be increased. These sentiments undoubtedly reflect the very difficult and worrying recent experiences of staff.

SAC's stated **corporate objectives** were not perceived as fully reflected in its operation, and the need to develop a 'proper' business culture was often stressed.

In terms of specific corporate objectives staff particularly commented as follows:

- **Objective 5:** partnerships have generally only been entered into where there is benefit to SAC;
- **Objective 7:** SAC needs to focus on addressing underlying inefficiencies – high overheads and infrastructure costs were recognised as key problems; and
- staff generally recognised the need for integration and believed that this already operated effectively in particular areas. However, in order to realise the full benefits of skills in SAC it needed to be structured and links created to enable the transfer of skills and knowledge across the organisation.

In terms of the Advisory and Consultancy strategy, disease surveillance was viewed as being the most important activity. The focus of advisory and consultancy services should be more pro-active and diversified outwith agriculture. Staff generally were unhappy with the policy of focusing on the top 20% of producers as this could exclude many existing clients. Staff also expressed some disappointment that the SEERAD Forward Strategy for Scottish Agriculture contained few direct references to SAC and were concerned that this reflected a judgement on the perceived quality of their work.

There was a general staff view that SAC should reconsider and perhaps reconfigure its provision of Education. It was accepted that postgraduate education (even taught courses) could be readily linked to research but non-degree education had to be reconsidered in view of declining student numbers and the 'FE' image it created of SAC.

Research was considered to require a stronger 'teamwork' approach. Most staff agreed with the SAC strategic objective to have greater concentration of research in order to achieve both economies of scale and generate the critical mass required to share knowledge and develop the research capability of the organisation. Whilst relocation may present short term staffing problems, staff generally believed that a single site option was one which *inter alia* needed to be evaluated.

### **Views from Student Focus Groups and Representative Meeting**

A total of 42 students were consulted directly in three focus groups on the campuses and a meeting with student representatives from across SAC.

There was a concern in the student representative meeting that campuses may be rationalised to the disadvantage of students currently studying locally, and some accompanying discussion on the comparative advantages of retaining specific campuses. There was also a more general concern that student qualifications may be devalued in the eyes of potential employers if SAC retrenches, even after they individually graduate. A general view was expressed that the three campuses - indeed SAC as a whole - were/was not as well integrated as might be. Efficient use of SAC's staff and fixed resources were seen as legitimate concerns of management. The 'course modularisation' process was criticised by some for what they saw as weak implementation, which might reduce efficiency gains from the exercise. There was a great deal of respect and appreciation of staff and their dedication to SAC and its students.

A general theme throughout discussion in the **Student Focus Groups**<sup>33</sup> - and which was particularly prominent in the Education section - was that SAC needed to improve its advertising and its image if it was to match its competitors. SAC's image was perceived by students, and, they believed, the outside world, as poor and focussed more on higher national than on undergraduate work. As with the staff, there was a general belief that the name was a major factor in SAC's general image problem. Advertising and marketing was seen as particularly poor in respect of student recruitment, with a general consensus that most students "came across the college by accident", or through family connections.

Students generally approved of the **mission statement** of SAC or considered it unproblematic but 'idealised', in part because it allowed full scope for subsequent diversification which was seen (as with staff) as essential for future viability. Some considered that it should be phrased in more specific terms.

The **vision statement** of SAC was perceived to be too static and lacking a sense of partnership or reciprocal influence. It was commented that SAC itself should acknowledge an openness to influence from bodies such as SEPA and SNH as this would increase the credibility of its courses and the employability of its students. The vision statement could also usefully refer to SAC's role as an intermediary between land-based businesses and government agencies where, it was believed, SAC staff generally acted to interpret SEERAD policy. Students generally believed that staff motivation had been affected by the current stalemate in which unsettling proposals for change had been blocked, but no alternative resolution of SAC's difficulties had been proposed. A general appreciation of staff did not extend to a belief that staff research always supported and enriched teaching - it was often the case that pressures of time meant that research was prioritised to the detriment of teaching time.

In respect of **objectives** students generally:

- queried whether competitiveness (**Objective one**) was the right ethos for land-based industry and for SAC;
- regretted the absence of any statement of objectives which clearly referenced Education;
- were sceptical on the present emphasis simply on rural interests; and
- considered that **Objective seven** (generating surpluses) was of a different order from the others and that it was in itself an obvious requirement.

Integration of function in SAC was seen as variable and patchy. Students considered that SAC claimed expertise in too many areas and might usefully be more focused and selective. Even where it had its nodes of expertise it did not always ensure that it maintained a high enough profile or advertised its services effectively. The general view was that where integration of function was real it enriched the experience of students. A minority and more sceptical view was that integration was an often-remarked aspiration within SAC and was "read about more often than seen".

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<sup>33</sup> Please note that as the Focus Groups were held at the end of the academic year, participation by trainees and distance learners was precluded. In this respect the Focus Groups could not be fully representative of the overall student body.

Students at Auchincruive were (perhaps understandably) concerned that there should not be a separation of the three main functions of Research and Development, Advisory and Consultancy services and Education by campus.

Students at Craibstone considered that there were real issues and problems in integration, with teaching too often subservient to staff research and advisory commitments. There was a general view that not enough staff time was devoted to education, that courses could be poorly planned and executed, and that education activities could sometimes be set aside by staff in order to address other priorities. Again, and notwithstanding these difficulties, there was a general appreciation of the personal commitment and warmth of most staff members.

The group believed that SAC needed stronger partnerships or alliances with external bodies such as SEERAD, SEPA and SNH.

Few comments were made by students on **Advisory and Consultancy** services.

There was, as might be expected, considerable discussion on the strategy for **Education** and in particular on:

- cost variances between campuses;
- the differential attraction of the campuses and in particular (except at Auchincruive) a claimed richer student experience and resource base at Edinburgh and Aberdeen;
- variable class sizes; and
- the wisdom of a course diversification policy in SAC which meant that staff often spent considerable periods of time travelling between campuses.

The Auchincruive group wished to see a continuation of existing forms of face to face teaching and did not wish to see an increased element of videoconferencing or remote digital delivery to the campus. Members of academic staff, both individually and collectively, were referred to with warmth and appreciation.

The Craibstone student group identified a number of areas for improvement in educational provision by SAC at Craibstone:

- a weakness of SAC's image and marketing, both to recruit students and to assist them in gaining subsequent employment, was again noted. The image of the college was seen as static, "*set in its ways*" and needing more application of vision and innovation;
- scepticism was expressed on SAC's diversification into new subject areas, and also in respect of whether this was an appropriate strategy to increase the efficiency of the college in its educational function - in particular, doubt was expressed on the perceived advantage in increasing course sizes;
- concern was expressed at weak course planning. Students believed they were insufficiently briefed on course requirements from the start.
- the focus group believed that close co-location of postgraduate and graduate student group with the generally younger HND/HNC students was a disincentive in degree and postgraduate level recruitment to the campus;
- in similar vein, the degree of success of modularisation was viewed with scepticism, with several students expressing the view that mixed class abilities created motivational and behavioural difficulties;

- the facilities on campus (bar and gym) were considered to be poor. Though there was an understanding of the reasons why cottages were left empty, this was regretted, as was the perceived high level of student rents.

The consultant's general view was that the student environment at Craibstone needed to be improved.

Students had little comment on the strategy for **Research and Development**.

### **Research Focus Group**

The Research Focus Group was held in Deloitte & Touche's Edinburgh Office and was attended by 10 eminent individuals representing, inter alia, the Macauley and Rowett Research Institutes, the University of Edinburgh, SEERAD, SNH, SAOS, Forestry Commission, RSPB and Zenica Crop Protection Ltd. A SEERAD observer also attended.

The views of the group were strikingly consistent, with all agreeing that it was the responsibility of SAC as a corporate entity to define its own vision and objectives, and again none dissenting from a view that the present formulation of SAC's strategic objectives was less precise than it could and should be. Detailed views (by strategic statement) were, in summary as follows.

**Mission Statement:** this is generally too broadly stated and is not (as formulated) unique to SAC – many other agencies could subscribe to the statement and yet the need for partnership in delivery is not clearly identified in the Strategy Review. The relationship with the SABRIs in particular needed to be clearly stated in the strategy – though not with SAC as the sector leader. Farming should appropriately be included in the graphic, and more reference should be made to the policy context, especially the Forward Strategy for Agriculture.

SAC's commentaries on 'knowledge transfer' were questioned in respect of both mission and vision statements. The strategic objective here was considered to be the facilitation of change, rather than knowledge transfer *per se*, and the process also required to be set in a partnership and interactive context rather than seen as SAC originating all knowledge and disseminating it. The group would also have been happier with a reference to SAC as *a* rather than *the* nationally acclaimed Centre of Excellence in the **vision statement**.

The seven objectives reviewed by the focus groups were seen as too imprecise and requiring focus and prioritisation. Their ambiguous and imprecise formulation was said to be 'at the heart of the SAC dilemma' over whether to maintain a comprehensive remit in the face of declining resources or to specialise. Again, the achievement of these objectives required a much more explicit recognition of need for partnerships. **Objective 3** should be amended to "*promote care, awareness and protection of the environment*".

The great strength of SAC has been and remains its closeness to practical issues in farming (animal breeding was specifically referenced: "*a bright farmer collaborating with researchers gives mutual benefit*") and this is particularly useful for synergies where it works with university researchers. Its synergies with the SABRIs were not seen to be as effective, and (furthermore) the useful circulation of staff between SAC and the SABRIs was tending to diminish, leading to less cross-fertilisation of research ideas. Individual staff collaborated, but there was a decreasing focus on

collaboration at institutional level. There was a general agreement that the ‘universe’ of research collaboration in agriculture-related fields between the universities, SAC and the SABRIs needed to be ‘mapped’ better (perhaps by the Scottish Science Advisory Committee) and collaboration encouraged.

Integration of SAC’s three functional areas – research, advisory work and education – was said to be “*no longer as appropriate to the specific circumstances of agriculture at UK and global level*”, with increased service provision by specialist organisations and digital or remote delivery of expertise. The SABRIs considered that they had changed with globalisation and commercialism, but that SAC had been less successful in this<sup>34</sup>. Integration as a principle may also hold SAC back from following market opportunities appropriately and acting as an effective change agent – it may be just a rationale for the avoidance of prioritisation and service focus.

SAC in future should show greater modesty, selectivity and innovation in its research activities, and a genuine willingness to work in partnership. It needs to be more outward-looking than it has been in recent years. It cannot presume to be ‘omni-competent’, especially where its resources are so thinly-spread and there is variation in quality of its research work.

There was again a general view that SAC’s strategy for **R&D** was too broadly stated (it was said verbatim to constitute “*motherhood and apple pie*” and to be “*all things to all men*”). Consistent with the group’s comments on SAC’s relative reluctance to use partnerships effectively, SAC’s placing in the spectrum of relevant R&D providers should also reference other bodies such as SNH and SEPA. The SABRIs had their own ‘mapping’ of these relationships. SAC was said sometimes to be less than professional in dealing with clients and partners, and not sufficiently focused on the specification of its work for clients.

### **Education Focus Group**

The Education Focus Group was held in Deloitte & Touche’s Edinburgh Office and was attended by six eminent representatives of education partners and competitors.

As with the Research group, the themes of:

- SAC’s tendency to immodesty;
- imprecise formulation of its mission, vision and objectives; and
- the need for a genuine commitment by SAC to partnership working in future;

ran throughout the discussion, in the various elements of SAC’s activities.

On the ‘four key issues’ related to its **mission** the first and third (competitiveness and conservation respectively) were considered to have the potential for conflict, and the fourth – health and biosecurity – to be excessively broad as an area of ambition. It was noted that fishing was an area of relative weakness in the food industries. Rural development should, perhaps, be cited as a better focus for SAC.

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<sup>34</sup> Please note, however, the data on the balance of SAC’s income from competitively-won R&D work compared to income from grant in aid of R&D, given at section 5.2.2 below.

In knowledge transfer, SAC should acknowledge that it may not always play the lead role, but rather needs support and partnerships both in the capture and the transmission of knowledge.

The **vision statement** was (as stated) seen as somewhat immodest and insular. SAC does not necessarily have to be a holistic provider to have influence and show excellence of provision in what it does. In some areas it should lead and in others support other providers. It could see itself as a ‘hub’ for agricultural development.

The stress on integration of the three activity areas was seen by the group as “*hedging their bets*”, avoiding prioritisation and difficult choice, and as a rationale and self image rather than an accurate description of actual ways of working. The three activity areas are all important, but SAC should fully acknowledge that all are not equally viable.

A particular concern of the competitor colleges was that SAC occupies a privileged position in **Education**. It has diversified into areas which are indistinguishable from those in other institutions, but has the unfair benefit of premium funding. There was not a “*level playing field*”. Teaching and research in and for rural communities was undertaken by many other bodies as well as SAC. The Education Focus Group believed that SAC could gain by sharing others’ expertise in remote digital delivery. Deloitte & Touche agree that increased collaboration in digital development would be useful and accord with best practice, but note that SAC has already developed digital courses and capabilities of its own, and has contributed to LTSN subject centre development.

**Objective four** – to safeguard crop, animal and human health – was seen as too ambitious in its statement, and **Objective five** was noted as providing an arguably unnecessary qualification on SAC’s acceptance of partnership working. SAC’s strengths in advisory services were seen as very valuable – indispensable - but its work in education and research was seen as less strong (though research on zoonotic diseases was well regarded). SAC’s ‘proposed knowledge transfer vision and seven objectives were referred to as “*aspirational, rather than real corporate objectives*”.

In SAC’s strategy for **Education** the statement that ‘SAC is the leading vocational education provider for rural communities’ was challenged. Participants thought that the issues in the Williams Report of 1990 (of limited resources and a problematic balance with ambitions to holistic provision) were re-emerging and would need rather more robust resolution now. This section of SAC’s strategy document was strongly challenged in that participants believed SAC had no clear statement of business drivers and no monopoly on the ‘knowledge economy’ for rural dwellers. The statement (foot of page 12) that ‘SAC is distinguished from most H&FEIs by being a mission-directed organisation’ was particularly provoking. The **statement of objectives in education** were said to lack evidence, to less than fully reference the declines in leisure and other courses and to require fundamental review and rethinking of which courses should be provided, and why SAC specifically should provide them. The second and fourth objectives – to reduce the costs of delivery and to develop strategic alliances – were approved, however.

The education partners present concluded that the **Strategy for Education** required a fundamental re-write to emphasise the need for partnership if an effective and efficient overall provision was to be maintained for rural communities. The case for

SAC's sole provision should be clearly argued in terms of its uniqueness, especially where the costs of provision could be demonstrated to be excessive. Future collaboration with the land-based colleges is still a viable option for SAC, though partnership had been relatively poor in the past.

#### 4.1.11 Additional Issues from the Interviews with Key Informants

Deloitte & Touche was specifically asked by SAC to interview 'key informants' from a list provided, and achieved discussions (sometimes more than once and/or with additional nominees) with twenty four of the twenty eight persons or organisations specified. The names are noted in appendix 1 and are in addition to interviews and discussions undertaken on the consultant's own initiative. Respondents were assured that their views would not be individually attributed and, therefore, we report the additional points raised by category of respondent. Many useful points of guidance were offered by individuals with often quite different concerns, and are acknowledged in general to avoid prejudicing that anonymity.

**Educationalists:** There was understanding and concern for SAC's financial and service delivery difficulties, and a general willingness to plan for greater partnership working in Education in future, should that be wished, though some noted that SAC had not been an exemplar of partnership working in the past.

No educationalist in this category (but this also extends to the College Principals, Directors and others in the Research and Education focus groups who continued a subsequent dialogue with Deloitte & Touche) wished to be seen to influence SAC's approaches to its present problems, but all were prepared to envisage a radical restructuring of SAC's educational activities, both in location and in form. Specifically, all considered that SAC must now, in view of weak and declining student demand for its specialist offerings, achieve a rationalisation of its excessive educational estate and significant consolidation of its activities from the present (and problematic) multi-campus operation. Discussions with representatives of key educational agencies left us in no doubt that all options originally identified by the Williams majority and minority reports, and reflected by KPMG in its recent report, are feasible in principle.

Our 'educationalist' respondents clearly could not commit their organisations to any course of action on the basis of a discussion but SAC could, with some confidence, seek partnership solutions linked to any option within the range envisaged in these reports (and also including partnerships in digital delivery). No compelling case was put to us for the retention of all of the current educational provision at SAC, and advantage was seen in consolidating agricultural and related courses at all levels, in the face of a general decline in demand for conventional courses. Bringing SAC's current operations within the planning and reporting framework of the tertiary education Funding Councils was perceived as potentially useful to SAC and to the wider educational sector.

The educationalists provided data on demand trends and confirmed their organisations' views and policies in respects relevant to SAC's concerns.

The key informants with a background in **Food and/or Research Agencies** all stressed the vital importance of SAC's animal disease surveillance work for public health, and none saw any reason to change the pattern of provision of this or other

veterinary services. There was a strong theme of concern that (following the outbreaks of foot and mouth disease and BSE) there may be animal health problems in Scotland or the UK which escape identification, in part because the charging regime for farmers acts as a disincentive for them to obtain veterinary advice from SAC (or any other source). There are again issues in this for SAC and SEERAD in respect of maintaining an appropriate balance of commercial charging (in a context of market weakness or even failure) and ‘public good’ funding. There seems, at the least, to be strong support for the retention of SAC’s activities in animal health research and advice, however funded, and potential demand for an expansion of activities here.

SAC’s contributions to crop research and advice were seen also to be very valuable but (despite controversies over GM crops) to be of less immediate concern to public agencies and quality regulators. It was generally assumed that SAC’s work in crop research and advice had strong demand and would continue, though the increasing influence of independent and company-based advisers in the market for crop advice was noted. Respondents trusted and appreciated SAC’s work in this field.

Other developed perceptions from respondents in this category were that SAC’s closeness to the farming and related industries was a major strength for SAC and also a very important asset for public agencies and external researchers, who varied in the focus of their work but shared a need to understand evolving practice in food production. SAC also had a vital role to play as a ‘conduit’ for best practice and policy advice to the producers. In these respects, SAC’s advisory services, informed by applied research, were seen as pivotal.

Respondents in this group understood and sympathised with SAC’s current financial and organisational difficulties, but had less interest in the educational and estates issues facing the organisation as agricultural and related course provision was less central – in some cases peripheral - to their concerns.

A respondent with a particular knowledge and interest in land-based research emphasised his agreement with SAC’s current intention to consolidate its research activities in terms of staffing and location. From his own considerable understanding of the provision of such research, he saw this as essential to maintain ‘critical mass’, keep abreast of developments in science and compete effectively with other research providers in the universities, public agencies and commercial companies.

The key informants with a background in **Land Management or Food Production** expressed more varied views, some critical of SAC’s perceived inability to change with markets and changing circumstances, though primary responsibility for this was not held to be exclusively SAC’s. Some expressed impatience with SAC and government in respect of their lack of decisive action to resolve long-term and well-known difficulties in SAC’s pattern of activities. All believed that SAC had proved itself of great value to land managers and the land-based industries, and that there was a continuing need and effective demand for its research and advisory services. SAC’s education provision was of some, but limited, interest to these respondents, and most did not wish to take a view on whether or how these should be provided in future.

These respondents echoed many of the more general concerns recorded by clients in the questionnaire – especially the understandable and general client wish for more

services provided by public funds, and a confusion as to the boundaries of the charging regime for SAC's advice. A further aspect of real concern to some in this category also related to the issue of the appropriate mix of 'public good' and commercial funding. This was a strong concern to ensure that small (and mostly impoverished) farmers and crofters in areas which are remote from markets and services and have difficult growing conditions can nevertheless obtain vital advisory services. SAC maintains a network of offices in the Western Isles and other remote areas, and continuation of this provision (perhaps with adjustment to the pattern of delivery) was seen as vital to land managers and producers there. We understand that this perception of 'public good' in the delivery of advisory services in such areas and circumstances is shared in SAC and in SEERAD.

The key informants with a background in **Environmental or Voluntary Conservation Agencies** were again generally sympathetic to SAC's difficulties but otherwise expressed varied views. The most important matter in relation to the issues under consideration here which was raised by informants in this category was a general scepticism – in some cases criticism - of SAC's level of commitment to current environmental and sustainability policy as expressed *inter alia* in 'Custodians of Change' (*op cit*).

SAC's positioning as the agricultural producers' friend and champion was perceived by two key agencies – one in the government and the other in the voluntary sector - to cause difficulties for SAC in its full acceptance of the integration of environmental and production issues in sustainable agriculture. This issue clearly needs to be examined and assessed by SAC, and a balance set: the very factor which may restrict SAC's market here is also a strength in the wider market of producers and most land managers.

A further concern was expressed that SAC's environmentally-based research showed variations in quality – some was excellent and generated willing repeat sales, whilst some was said to be 'uninspired', whether or not it genuinely incorporated environmental policy. Consistency and quality control here is clearly desirable for professional and commercial reasons<sup>35</sup>.

Though key informants with a background in **Government Agencies** were again supportive and appreciative of the work of SAC, and confirmed our interpretation of key points there were no significant additional issues raised beyond those already noted in this consultation.

## 4.2 Levels of Approval of SAC's Strategic Statements

### 4.2.1 SAC's Mission Statement

The mission statement of SAC is "*to enhance the sustainability of rural areas and communities and the viability of the industries on which they depend*" and the four key issues on which its activities are focused:

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<sup>35</sup> The view that these were matters of balance and consistency rather than fundamental issues with all of SAC's environmental research was supported by comments from key respondents. Market evidence to this effect includes a recent award (subsequent to these consultations) by the Scottish Executive of a £600,000 contract to a consortium led by SAC with FWAG and the Macaulay Institute to research and design pilot schemes to investigate solutions to the problem of livestock pollution of the water environment in Scotland.

- ⇒ *“providing knowledge to assist the competitiveness of the food and agricultural industries;*
- ⇒ *providing research and advice on rural development;*
- ⇒ *promoting the conservation and enhancement of the environment and national heritage of Scotland through education, research and consultancy; and*
- ⇒ *encouraging best practice in the areas of health and biosecurity”.*

The Mission Statement was viewed as ‘broadly appropriate’ or better by all categories of questionnaire respondents except ‘other key respondents’, a category which includes executive agencies such as SNH, universities and colleges. The stakeholder category best disposed to the mission statement was that of clients. An element of scepticism in respect of this (and often all) mission statements was evident in individual reviews across all categories.

Those respondents who were actually critical of the mission statement thought it reflected the generally perceived reluctance of SAC to prioritise – it still smacked too much of immodesty.

#### **4.2.2 The Vision Statement**

The vision statement of SAC is that it: *“will be the nationally acclaimed Centre of Excellence for knowledge transfer to the rural communities, and to the industries on which they depend, working in a business-like and professional manner, so as to best serve the needs of its stakeholders, to achieve sustainable growth, and to meet the aspirations of its staff”* proved more contentious, with a greater spread of views and generally lower perceptions of appropriateness. Again, SAC’s clients are best disposed towards the statement, and staff and ‘other key bodies’ least so. The vision statement is overall less well approved than is the mission statement, perhaps because it implies specific choices.

There is clearly a major difficulty for SAC in motivating and mobilising its staff behind its strategy when a statement which ostensibly offers them special consideration is least approved of by staff. Throughout this consultation, however, it has been clear that staff have been profoundly unsettled by past difficulties and proposals for change, and their frustration at the lack of resolution. The paradox in this pattern of scoring across stakeholder categories is that almost without exception staff (and internal interests more generally) see the inevitability of change more clearly than do the majority of SAC’s farming clients.

#### **4.2.3 Objective One**

Of the six specified objectives of SAC, the first *“To promote the competitiveness of SAC’s clients in the rural industries”* divided the stakeholder categories most, again and not surprisingly with clients showing most agreement. Other key bodies were least enthusiastic about this stated objective, reflecting a general unease as to whether SAC had fully accepted a holistic agenda for agriculture which gives as much priority to environmental sustainability as to competitiveness and development.

In more detailed discussion it is evident that, even in the core SAC advisory services, there is unease as to whether SAC has the balance of its client focus right in its dual commercial and public good work, and in its prioritisation of the top 20% of producers.

#### 4.2.4 Objective Two

Objective Two is “*To enhance rural diversity and opportunity*”, and is one of the more consistently approved objectives. Comments, however, reveal concern by respondents that this might mask an unwillingness to prioritise, as already noted.

#### 4.2.5 Objective Three

There is little dissent from SAC’s statement of principle on environmental sustainability, but underlying scepticism, especially from partner bodies, that it has sufficiently assimilated these matters into its day-to-day operations and commitments.

#### 4.2.6 Objective Four

Comment has already been made on the objective of “*Safeguarding crop, animal and human health*” and the concerns that exist on the formulation – not the substance – of this. Human health was not seen as an appropriate *direct* objective.

#### 4.2.7 Objective Five

Objective five is stated as “*To work in partnership with others where this will achieve improved service delivery*” and found a generally higher level of favour. It was particularly strongly approved of by sponsor and partner bodies, though across the categories there was a perception that SAC had been difficult to work with in the past and needed to improve its abilities in, and commitment to, partnership working.

#### 4.2.8 Objective Six

Objective six is stated as “*To generate surpluses and secure funding for investment*” and was an interesting one: views within all stakeholder categories generally clustered around seeing this as ‘broadly appropriate’, with sponsor bodies marginally stronger in their approval and students, clients and other key bodies least enthusiastic. Across all respondents, though, the view was frequently expressed that this was not really an objective but either a common-sense statement of what any well-run organisation required or a statement of means rather than ends.

#### 4.2.9 Balance of Services in Future

Ratings of the appropriateness for the future of SAC’s current balance of services in aiming “*to deliver education, research and consultancy services to the rural community*” were problematic in that three of the five stakeholder categories rated the present balance of services midway between ‘neutral’ and ‘broadly appropriate’ for the future. This was, overall, the lowest-rated of all the thirteen strategic statements within this review. Comments on the related theme of integration between the three key service areas were broadly supportive in principle – delivering research, advice and education services with as much integration as possible was generally thought by respondents to be advantageous.

#### 4.2.10 Synergies in Further and Higher Education

The appropriateness in future of SAC’s ‘integrated’ approach to education – stated as “*SAC strives to be a ‘bridge’ institution, linking the further and higher education sectors in the delivery of vocational courses to the rural sector*” was rated overall as

the lowest of its three service areas, with ‘sponsors and partners’ and ‘other key organisations’ least impressed, staff rating it marginally below ‘broadly appropriate’ and students on average being the most favourably disposed towards this approach. That, however, has to be seen within the context of the dissatisfaction reported by students in the conduct of courses, both in the questionnaire and in the focus groups. It should also be noted that, at 50%, it is not at all unusual for FE course participants to continue their studies at HE level – what is unique about SAC is that they can in principle do so within the same institution.

#### **4.2.11 Future Research Objectives**

The appropriateness in future of the college’s view of research - stated as “*SAC’s research work is necessarily broad, covering a range of rural issues, with a particular focus on applied research*” attracted ratings clustered around an index of 1, interpreted as ‘broadly appropriate’.

There were many substantive comments to us, both written and oral, by clients, partner and other key organisations, that SAC has not yet resolved issues of prioritising and funding its research efforts in the critical area of near-market research, but we understand that increasingly SAC and SEERAD are finding a consensus on a focus on applied research in future. Concern was also expressed by those partner agencies with environmental responsibilities that SAC may not be fully effective in incorporating environmental concerns into its relevant research. SAC’s animal research was generally appreciated and valued.

#### **4.2.12 Advisory and Veterinary Services**

The appropriateness in future of the college’s view of the balance of its advisory services - stated as “*‘Public good’ advisory work (including veterinary disease surveillance services), together with commercial consultancy, makes up a large part of SAC’s business*” was the highest rated of their three service areas. Interestingly, however, staff and then students were the strongest partisans for the appropriateness of the current balance of advisory services in future, with clients the least enthusiastic, showing an average index of marginally less than one or ‘broadly appropriate’.

In our consultations it has been clear that there are real problems in achieving a comprehensible division between services which are provided free for public good and those which are provided on a commercial basis, with a further difficulty being whether or not SAC should focus on the largest 20% of producers. These are matters of current contention and may inform the somewhat paradoxical low rating by clients of the balance of services which are often free.

#### **4.2.13 Future Payment Regime**

This relates directly to the scoring of SAC's statement on funding, which was that “*SAC has to charge for most of its advisory services to the rural sector, though some are subsidised in part by government grants.*” When asked whether respondents “*consider(d) that such a mixture of wholly, partly and unsubsidised service delivery is appropriate in SAC’s future funding regime*”, only sponsors and partner organisations (taken together) returned an average index of agreement which was marginally above ‘broadly appropriate’.

### 4.3 Implications of these Consultations

To conclude this section we reflect on the implications of our consultations for objectives, markets and services of SAC. A summary of overall findings and conclusions can be found at section five.

#### 4.3.1 The Sustainability of the ‘Collegial System’

The most important long-term issue for SAC remains that of the sustainability of the Collegial (within SAC or, with other agencies, Scottish) System of agricultural research, education and advisory services, in the face of persistently low and declining student demand for all except SAC’s core agriculture and land use management courses. Linked to this are the second-order issues of disproportionately high staff/student ratios and direct on-costs from an educational estate which has, from the creation of SAC, exceeded its real needs but has never been significantly reconfigured, and the inefficiencies of staff deployment which arise from small numbers deployed across dispersed sites.

In our view, and that of many informed observers, the core principle of integration of research, education and advisory services in the ‘Scottish System’ remains attractive in principle, though evidence for or against is weak<sup>36</sup>. We consider that the choice for the future should not be between service integration on the one hand, and fragmentation on the other, but between different means to achieve service integration in Scotland. The Williams Committee focussed on one means - that of providing all relevant services by the hand of one agency - but circumstances have changed since in ways that are actually helpful. Since the Williams Report, academic collaboration and the pursuit of synergies in estates and other assets through partnership have become core tenets of tertiary educational policy, and shared ‘best practice’ digital course creation through the learning and teaching support network (LTSN) of the universities Joint Information Systems Committee has been driven by the increasing globalisation of course offerings. Deloitte & Touche recognises that SAC has ongoing involvement in LTSN but wishes to stress that such involvement should, in its view, be sustained and even increased in future. SAC sees digital (and, more generally, outreach) course delivery as critical to its plans for educational services in future, whatever the scale and form those might take. Partnerships with academic institutions with established skills and experience in content creation and/or delivery mechanisms will be vital in an academic world which is increasingly global and digitally-driven.

We consider that the persistent and projected weaknesses of demand for conventional courses at SAC’s campuses have exacerbated the inefficiencies inherent in its three-campus configuration. Together, these factors have weakened the apparent viability of the educational component of an integrated entity, and require a fundamental reconsideration of the extent and appropriate delivery modes for SAC’s educational services in future and of the consequences of decisions here for its ‘knowledge transfer’ mission. We believe that SAC should offer the range of agricultural education which it considers appropriate in future through a contemporary ‘best practice’ model which emphasises flexibility (through digital, part-time and outreach

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<sup>36</sup> Deloitte & Touche was not asked nor resourced to undertake a comparative study, but we understand that some such studies of the system of agricultural education in the USA indicate that the ‘Scottish System’ shares many key characteristics with the US system.

delivery) and partnership working. Some of the courses currently provided at SAC - not all of them unique - could be provided efficiently and even locally by further and higher education partners who are themselves large enough to gain economies of scale from staff deployment. We are encouraged in this view by the expressed willingness of the key potential partners for SAC in future, in consultations, to consider new arrangements for the delivery of educational services. In this scenario, SAC would continue to offer the fruits of its practical experience in farm advisory services and applied research both in advising on agricultural education and in providing staff to enrich the direct design and provision of courses. Those courses which SAC decides to deliver mainly or solely itself in future should be delivered by modes which are more cost-effective and more universal in their availability across Scotland than at present.

The consequences of maintaining the delivery of conventional courses of agricultural education through a multi-campus model (especially where numbers at each site are low) would inevitably be continuing diseconomies of scale. We consider it axiomatic that SAC should be allowed to configure its businesses to maximise efficiency and service integration as much as possible, while responding to defined and financed service demands.

#### **4.3.2 SAC's Statements of Mission, Vision and Objectives**

The precise terms of the statements of mission, vision and objectives in SAC's strategic review need to be reconsidered in the light of this consultation.

The first objective – *“To promote the competitiveness of SAC's clients in the rural industries”* should be reconsidered to emphasise that this focus does not exclude balancing considerations for the environment or for smaller producers. The major contextual difficulty is not any distaste for commercialism – SAC must live in the world as it is – but rather the linked issues of:

- clarity of the boundaries between chargeable and public good services;
- ensuring service delivery to clients in vulnerable, remote but fundamentally uncompetitive contexts; and
- the selectivity implied in SAC's prioritisation of the top 20% of producers.

The fourth objective – *“Safeguarding crop, animal and human health”* should be rewritten to emphasise that, although human health is the ultimate beneficiary of SAC's work to safeguard crop and animal health, these two are the central foci of SAC's unique contributions. Other agencies contribute in other and often more direct and comprehensible ways to human health, and retention of the present wording would simply serve to cause confusion and accusations of hubris.

The sixth objective – *“To generate surpluses and secure funding for investment”* should not be listed as a defining objective at all, but as an essential condition of financial viability in any organisation.

We consider from these consultations that SAC should continue to provide its core services in advisory and veterinary services and applied research, as noted above, into its present markets, where they are both in demand and financially viable for the organisation, but should now be supported in its wish to reconfigure its educational services – and its educational estate – for current circumstances. The options appraisal in stage two of this review should take as its starting point a range of

options which address this central area of difficulty for the organisation by providing solutions appropriate to present circumstances and policy, but which continue as far as possible the valued legacy of service integration.

## 5. FUTURE MARKETS AND SERVICES FOR SAC

### 5.1 Policy Positioning of SAC

It is helpful to consider SAC's overall position in policy terms within the organisational universe of agencies with agriculture, land use and food science responsibilities, using a bi-polar framework in which the dimensions are 'development – environment' in respect of key concerns and 'applied – basic' in respect of the nature of the science and knowledge generated. This is essentially what is usually meant by the 'Scottish System' – the distribution of agriculture and related services in Scotland across the various key providers, acting in collaboration, rather than the 'Collegial System' – the integration of three particular service areas within SAC.

In this mapping, SAC dominates the 'development focus / applied science' quadrant, with no other major player and only a minor overlap with the SABRIs. The SABRIs themselves are concentrated in the 'basic science' half of the graphic with the only overlap being slight and with the Macauley Research Institute, which lies predominantly in the 'environment focus / basic science' quadrant. University research teams even more strongly tended to the 'basic science' dimension.

This mapping exemplifies general perceptions of SAC which are consistent with many observations to us by informed observers and partner organisations in this review, in particular that SAC is:

- both wider in the focus of its research and more commercially-oriented in winning research contracts than are the SABRIs, which concentrate on longer-term strategic research and are principally funded by SEERAD;
- not perceived by its environmentally-focused partner organisations as yet fully engaged with the environmental aspects of current policy as articulated *inter alia* in 'Custodians of Change'<sup>37</sup>; but
- for this reason, more trusted by producer clients than are most other public agencies with land-use responsibilities and activities; and
- seen as strongly and uniquely committed to blending applied research and land-based development.

SAC's relationship to its sponsor department, SEERAD, is close in terms of joint working on policy matters but may change in form in that SEERAD seeks the creation of a clearer customer-contractor relationship.

### 5.2 Research and Development Markets and Services

#### 5.2.1 Rationale for SEERAD Funding of R&D at SAC

SEERAD provides public funds in support of SAC's research activities through a process of commissioning research projects which are perceived to be in the public interest. These are the subject of extensive prior discussions and are specified in an annual letter which offers grant in aid funding for SAC's core research programme.

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<sup>37</sup> The Report of the Agriculture and Environment Working Group set up at the launch of 'A Forward Strategy for Scottish Agriculture' on 26 June 2001.

The most recent offer, for 2002/03, offers a total of £5,631,000 in new and continuing research projects over eight Programme Clusters:

1. Economics and Social Science (13 projects at a total of £440,303);
2. Farming Systems (10 projects at a total of £1,093,681);
3. Soil and Environmental Science (6 projects at a total of £621,269);
4. Animal Health and Welfare (4 projects at a total of £390,066);
5. Animal Behaviour (6 projects at a total of £481,932);
6. Animal Genetics, Reproduction and Development (6 projects at a total of £898,144);
7. Animal Nutrition and Food (3 projects at a total of £396,354); and
8. Plant Science (8 projects at a total of £863,361).

SEERAD also provides for that year £445,880 under the head of ‘non-commissioned research’ (NCR) which is used by SAC for that purpose and to support studentships.

The rationale for that public funding is to underpin the agricultural industry, related environment and other aspects of public policy such as rural development and tourism. In Deloitte & Touche’s view this is particularly necessary where the earlier policy of disengagement from ‘near market’ research has had to be revised to take account of the significant market failures in agriculture. SEERAD acknowledges SAC’s ‘particular niche’ in applied research, linking this to its strong client focus and ‘mission’ for technology transfer through education and advisory services.

### **5.2.2 Aligned Funding in R&D**

SAC calculates that the competitively-won elements of its R&D income over the five years to 2000/01 amounted to £31.3m compared to total grant in aid funding of £28.7m<sup>38</sup>.

For the future, SAC’s profit centre and project accounting for its budget for 2002/03 incorporates an income projection for R&D of £13,205k, leaving a net figure over SEERAD funding of £7,574k to be found from other commissions, including those awarded competitively. Aligned R&D funding is therefore expected to be 134.5% of SEERAD funding in the current financial year.

### **5.2.3 SAC’s Contribution to Agricultural R&D**

SAC’s own planning for research is wider and encompasses both research commissioned by other bodies, whether public or commercial, and the matrix of relationships between its research function on the one hand and its advisory and education functions on the other. These are mapped by SAC in its periodic reviews of R&D strategy<sup>39</sup> and show strongest links between SAC’s:

- Farming Systems research area and its Agricultural Environment and Disadvantaged Areas Advisory Programme Units;

<sup>38</sup> Figures contained in a briefing document for the Research Organisation Assessment Exercise, provided to the consultants by SAC.

<sup>39</sup> The most recent available to us being ‘The SAC R&D Function Strategy 2000-2004’ of October 2000.

- Environmental Science research area and its Agricultural Environment and Disadvantaged Areas Advisory Programme Units;
- Animal Science research area and its Animal Health and Welfare Advisory Programme Units;
- Social Science research area and its Business Management, Countryside and Tourism Management and Leisure Management Education Programme Units;
- Farming Systems research area and its Agriculture Education Programme Unit;
- Environmental Science research area and its Environmental Management Education Programme Unit;
- Animal Science research area and its Science Education Programme Unit; and
- Plant Science and its Horticulture and Science Education Programme Units.

All research areas were seen as relevant to SAC's postgraduate work.

R&D commissioned competitively, whether by public or commercial agencies, has slightly exceeded the direct SEERAD-commissioned research programme in value over the five years to 2000/01, at £31.3m compared to a comparable total of £28.7m.

It is clear from the evidence and these consultations that SAC is seen as an established and major provider of applied research in the sector and we have heard no suggestion from commissioning bodies or clients that that might change significantly. The recent survey of 'Research End-Users' by SAC (see section 2.4) showed that 70% of clients surveyed envisaged greater use of SAC's research services. We believe that SAC's market position here is strong and that it has a good marketing image, secure demand base and a 'niche' position – a unique selling point.

There are potential difficulties, however, in the evident concern of some of the environmental agencies in respect both of the policy sensitivity of SAC's environmentally-relevant research and its quality consistency in particular cases. SAC should review these matters carefully as it needs to maintain its image and focus on production and efficiency to maintain its sector-leading role with industry clients.

There is no evident difficulty in respect of animal research.

#### **5.2.4 Other Potential Providers**

The SABRIs are obvious competitors as well as partners and collaborators, but they are focused, as are university departments, on research with (generally) a longer timespan. The SABRIs concentrate on strategic or policy-relevant research, and the universities on basic or fundamental scientific research (e.g. in molecular biology, genomes or cell structures). Direct and commissioned research by and for the environmental agencies (Scottish Natural Heritage (SNH), the Scottish Environment Protection Agency (SEPA) and the Forestry Commission (FC)) is applied, but tends much more strongly to concentrate on environmental rather than production and

development issues. A provider of environmental research<sup>40</sup> to the agencies which is preferred for some sensitive environmental commissions is the Farming and Wildlife Advisory Group (FWAG) which was formed originally from SAC and with which SAC has a memorandum of understanding. FWAG is now directly funded by SNH, but also seeks commissions from SNH and other agencies.

Commercial firms are increasingly providing research to the largest producers, and we believe that this trend will continue. Such services are aimed only at the top of SAC's market and also do not always have the same degree of perceived reliability as SAC enjoys for its services. Nevertheless, commercial providers of applied agricultural research – in the chemical and feedstuffs area – pose a potential threat to SAC's traded, if not publicly commissioned research. The views of SAC staff on the vulnerability of the organisation to such competition were somewhat mixed in our consultations – advisory staff reported this concern but a senior manager believed that an agri-chemical industry which is increasingly globalising would commission increasing volumes of research and crop trials work from SAC. This market aspect needs to be kept under review.

### 5.2.5 Conclusions on Future Services and Markets in R&D

SAC should be able to continue to satisfy its proven markets for applied research in agriculture and related areas, which appear stable or even growing, with the caveat noted. If so, it can expect to maintain its income in this service area. It should focus its efforts on applied rather than basic (or fundamental) research *inter alia* because of the salience of applied research to its mission, the more appropriate staffing and funding arrangement that university departments normally have for basic research and the scale and expense normally required for success in competitive basic research. SAC should concentrate on direct responsiveness to client needs for applied research and not compete unnecessarily with the SABRIs in strategic or policy-focused research in their specialist areas – its R&D should be 'end-user led'. SAC should join with these two types of agency and SEERAD in 'mapping' the research and development capabilities for which there is both need and effective demand in future, and the broad roles of each type of potential provider.

Environmental research will require particular consideration by SAC in future to ensure that the organisation is positioned to best advantage in terms of the commercial attractiveness of its research to the range of its potential clients, and that its work is compliant with ministerial policy on sustainable food production.

SAC will have to scan the markets and potential competitors periodically for opportunities and threats for its R&D services.

## 5.3 Advisory and Consultancy Markets and Services

SAC has reviewed and refined its commercial offerings over the twelve years since its creation, with the assistance of market research. It sees its current foci as:

### In Scotland on:

- farm business advice;

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<sup>40</sup> Deloitte & Touche is aware that FWAG is not viewed by SAC as a research organisation of a similar nature to university units or SABRIs, but includes these comments here for the sufficient reason that the commissioning agencies themselves identified FWAG to our staff as a provider of environmental research.

- veterinary diagnostics, surveillance and advisory support;
- corporate businesses and government; and
- specialised technical advice, especially in the arable, sheep and beef, dairy, land-related buildings and environmental sectors.

**Elsewhere in the UK on:**

- agribusiness and corporate business consultancy;
- government and policy support; and
- veterinary diagnostics and consultancy.

**Internationally on:**

- support for the development and implementation of national policies for rural areas and businesses;
- agribusiness and corporate business consultancy; and
- veterinary diagnostics and consultancy.

This prioritisation of markets represents a concentration by SAC on end-user needs where there is strong and accessible demand which can be met cost-effectively.

**5.3.1 Rationale for SEERAD Funding of A&C at SAC**

SEERAD provides public funds in support of SAC's veterinary and advisory services as annual allocations of grant in aid to SAC's services in four Advisory Programme Areas. In the most recent letter of Offer of Funding, for 2002/03, SEERAD offer a total of £5.662m in grant against the Programme Areas as shown:

- Animal Health and Welfare (7 specific programmes at a total of £2.798m);
- Economic and Rural Development (3 programmes at a total of £0.322m);
- Environment and Conservation (5 programmes at a total of £1.247m); and
- Support to Disadvantaged Areas (1 programme at £1.295m).

Programmes have agreed descriptors to specify them in detail. These sums include an element of Remoteness Allowance which totals £0.713 across all programmes.

The rationale for this public funding is to underpin 'public good' advice to the agricultural industry and communities, where there is a genuine general interest, for example in animal welfare, conservation or crop health. Advisory services which assist specific individuals or bodies are provided by SAC on commercial terms. SEERAD also provides a subsidy to enable SAC to meet the costs of provision in remote areas of Scotland (in particular the crofting areas) where its services are in demand, but cannot realistically be provided on a fully commercial basis. The service area which SEERAD most particularly needs to procure on public good grounds, however, is the national Animal Disease Surveillance Service which is provided by veterinarians at SAC and undertakes 'passive monitoring' of animal products on a regular basis. The importance of this service in preventing threats to

human health has been consistently emphasised to us throughout these consultations, and we have yet to hear any suggestion that another agency should provide it<sup>41</sup>.

### **5.3.2 Aligned Funding in A&C**

SAC calculates that the competitively-won elements of its A&C income over the five years to 2000/01 amounted to £59.3m compared to total grant in aid funding of £25.4m<sup>42</sup>.

For the future, SAC's profit centre and project accounting for its budget for 2002/03 incorporates an income projection for A&C of £16,793k, leaving a net figure over SEERAD funding of £11,131k to be found from other commissions, including those awarded competitively. Aligned A&C funding is therefore expected to be 196.6% of SEERAD funding in the current financial year.

### **5.3.3 SAC's Contribution to Agricultural A&C**

It is clear from our consultations and discussions with knowledgeable informants that SAC is perceived as a trustworthy advisor in rural development and has a large and very loyal base of farming and land-based business clients. Independent market research for SAC shows that, of 700 farmers selected randomly, over 55% had used SAC services in the last year, and over 95% of veterinary practices in Scotland use SAC as their primary point of second opinion support. SAC's veterinary services provide the core of passive animal disease surveillance in Scotland, an essential function which would have to continue (perhaps in adjusted form) whatever the future of SAC itself. The evidence from our consultations with informed observers was strongly that this service is essential and appreciated, not least for public health reasons. There was no suggestion in our consultations that Scotland should follow England and Wales in the creation of a new agency to undertake such surveillance work.

SAC's commercial advisory and consultancy services earned it rather over twice the income which it derived from SEERAD grant in the five-year period to 2001/02, at £59.3m compared to £25.4m respectively.

### **5.3.4 Other Potential Providers**

Independent consultants, and those working for foodstuffs and chemical providers, are a real and increasing threat to the top end of SAC's market, and are seen (in the main) to provide excellent services, albeit at much higher cost on average. SAC has responded by targeting the top 20% of the market, and in creating separate companies – such as Scottish Agronomy – to address it. This is a market area with different requirements, being focussed on mono-cultures rather than mixed farming, and where the 'expert' in the particular crop needs direct access to large producers. The normal SAC model of area-based advisors able to harness specialised skills at need, is not well adapted to this so the strategy of splitting provision seem to us sensible. The role of IC's, and that of the NFU in providing lower-level advice, will need to be monitored.

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<sup>41</sup> The parallel service in England and Wales is provided by a contract which DEFRA has with the Veterinary Laboratories Agency.

<sup>42</sup> Figures contained in a briefing document for the Research Organisation Assessment Exercise, provided to the consultants by SAC.

We have not heard any suggestion that the Animal Disease Surveillance Service should be relocated. All involved respondents stressed the critical need for this and general satisfaction at the quality and reliability of the service provided. There is, though, considerable apprehension that the charging regime for commercial veterinary services is leading to under-reporting of animal mortality and potential animal health problems. This will, no doubt, be the subject of ongoing discussions.

### **5.3.5 Conclusions on Future Services and Markets in A&C**

In Deloitte & Touche's view advisory services will provide the core of SAC's offerings in future. They need to be informed by applied research, but SAC clearly has a dominant position in general advisory services to the agricultural industries and communities in Scotland. Clients are loyal, but not always able to pay for the services they want and need, and there are continuing difficulties in maintaining the boundaries between commercial and 'public good' services. Moreover, there is some unhappiness amongst advisory staff and the less affluent clients with the (commercially-necessary) policy in SAC of targeting services at the top 20% of producers, as the sector most capable of paying. The use of separate company vehicles rather than the general area-based advisory service to provide services to important commercial clients has disadvantages as well as advantages, but from our consultations and review we consider that this model, on balance, is the best available to manage the mix of charging regimes and client types.

Delivery of non chargeable advisory services – especially farm business advice – should make appropriate use of the specialisms and resources (including offices and staff) of potential partners. These will include enterprise and tourism agencies and local authorities.

SAC's veterinary services are particularly valued by SEERAD and by commercial clients, and these consultations have not given us reason to envisage any decline in demand in this area in the foreseeable future. There may be an increase in 'public good' work if concern at market weakness in practices for farm fallen stock grows.

These and other matters in this section will require ongoing attention, but we believe, on the basis of these consultations and evidence, that SAC's advisory services should continue in strong demand (albeit supported in appropriate sectors and areas by public good funding). A business culture and periodic market and competitor scanning will be essential for continued success.

## **5.4 Educational Markets and Services**

This is the most problematic area for SAC as it is the least commercial area of its activities, and is the key area of difficulty in reconfiguring its large and dispersed estate. It warrants, therefore, more extended consideration.

### **5.4.1 Initial Projections and Actual Out-turn by 1998/99**

The projection of total student intake for the new SAC was constructed by the aggregation of individual course projections in the three colleges over the period 1988/89 to 1998/99 as provided by the colleges themselves<sup>43</sup>. The overall projection

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<sup>43</sup> Paragraphs 3.58-3.63, Figure 7 (page 29) and Annexes 3.8 and 3.9 of the Williams Report.

was of an initial reduction of numbers in certificate courses (at Auchincruive) but thereafter steady growth from a total of 747 students of all types in 1990/91 to 894 in 1998/99.

We compared the projection with the actual out-turn in the last year of the projection, 1998/99, assuming that the ‘Williams’ projections are in FTEs<sup>44</sup>. The figures are:

<b>STUDENT NUMBERS BY LEVEL – 1998/99</b>	<b>Projection in 1989 of SAC’s 1998/99 Numbers</b>	<b>Actual 1998/99 Student Numbers at SAC in FTEs</b>
<b>Certificate Courses</b>	25	11
<b>Diploma Courses</b>	198	40
<b>HNC/HND Courses</b>	287	493
<b>BTech etc.</b>	63	337**
<b>Other UG Courses</b>	176*	47
<b>Postgraduate (All)</b>	145	35 Taught + 53 Research
<b>TOTALS in courses grant-aided by SEERAD</b>	<b>894*</b>	<b>1016</b>

*\*There appear to be arithmetic errors in Annex 3.9. The accurate figures may be 166 and 884.*

*\*\*BTech only.*

*Please note that these figures do not include students on training and distance learning courses. This element has been growing since the mid-1990s and reached 320 FTEs (SAC’s figure, based on 400 qualifying hours per FTE) by 2001/02.*

*Sources for table: Williams Report (op cit) Annex 3.9 and SEERAD.*

The evidence is, therefore, that the ‘Williams’ strategic projections for 1998/99 under-estimated the overall student numbers at SAC, and especially those in the core HNC (one year) and HND (two year) courses and the Bachelor of Technology (four year) courses, but over-estimated markedly those in the more conventionally-titled Bachelor of Science courses. The figures for postgraduates are less clear in that Williams aggregated taught and research students. The overall projection was not achieved, at 88 actual taught and research students (there were also 12 staff registered for postgraduate degrees that year) against 145 projected. Taught Postgraduate courses<sup>45</sup> peaked in 1995/96 and have shown a clear downward trend since then.

Whilst the overall numbers of students in this year exceeded the Williams’ projections, the nature of the student body has been shaped by the lower than expected proportions of undergraduates in more general (non-BTech) subjects and to some extent) by the lower than expected number and proportion of postgraduates.

#### **5.4.2 Subsequent Trends**

SAC’s overall FTE funded student numbers matched or exceeded the initial projections but have been falling since course diversification created a peak of 1,062

<sup>44</sup> The Report is silent on whether they are FTEs or raw numbers. Similarly, the Report uses the term student intakes and student numbers interchangeably. We assume from the context that the latter is intended. The figures for projections are taken from the sources cited. Actuals are taken from SEERAD’s figures.

<sup>45</sup> See section 2.4 above and Appendix 3: graphs of projections against out-turn numbers by course levels, and size and composition of student body 1990/91 to 2001/02.

and 1,061 FTEs in 1995/96 and 1996/97 respectively to stand at 737 in 2001/02. Compared to funded student numbers in programme areas in the 'peak' years, falls have been experienced in all areas except agriculture and countryside management and have increased with the withdrawal of small (and often) uneconomic courses. Commercial training has, to some extent, substituted for this decline in funded student numbers but, even including the peak of 205 FTEs generated by training activities in 2001/02, SAC remains unusually small as a provider of tertiary education, and the issues of scale are compounded by multiple and distant sites.

The *composition* of SAC's student population was, however, very different from the projections as noted, with HND/HNC numbers in the growth period of 1990/91 to 1995/96 twice as high as projected and twice as great as undergraduate numbers, and postgraduate numbers below projections. Composition of the student body has been a factor in shaping the image of SAC and its market profile compared to its major competitors in the specialist English colleges<sup>46</sup> and Scottish Universities, with a student body more like that of a further education establishment in terms of its course mix and local recruitment pattern. The image of SAC created in this initial six-year period of expansion based on HND/HNC numbers - to 1995/96 and 1996/97 - probably endures and was, and is, a factor in student choices since. There is some encouragement, though, to be drawn from the fact that undergraduate numbers at SAC also rose from 1990/91, albeit more slowly, and this continued into the period of decline of HND/HNC and overall student numbers from 1996/97 onward, again changing the mix of courses at SAC towards a pattern more like those of SAC's English competitor colleges.

The pattern of student numbers in course areas over time is shown in the graph below and can usefully be considered against three key reference points:

- the original forecasts provided by SAC the Williams Committee (and the dissenting view in the minority report (section 1.4) based *inter alia* on the much lower SED projections of students numbers);
- the strategic target of '2000 (FTE students) by 2000' adopted in SAC educational planning from the mid-1990s; and
- the current SAC strategic objective to increase student numbers to 1,500 FTEs by 2004/05.

SAC's strategic objectives for education included, until the appointment of the present Chief Executive, the achievement of "status akin to 'University College'"<sup>47</sup> This is no longer an objective which SAC is pursuing.

We assumed initially that SAC's growth strategy in its early years would have, in common with those we have seen elsewhere, been at the expense of unit costs. We expected to find the common pattern of an expansion of course offerings and a consequent drop in numbers in individual courses and programmes, and thereby a trend of increasing unit costs. We are assured, however, that this was not the case at SAC in the 'growth period' - because growth was so strongly concentrated in specific (HND/HNC) courses the average class size actually increased and SAC managers are confident that real unit costs fell until 1996/97. SAC lacked, and still

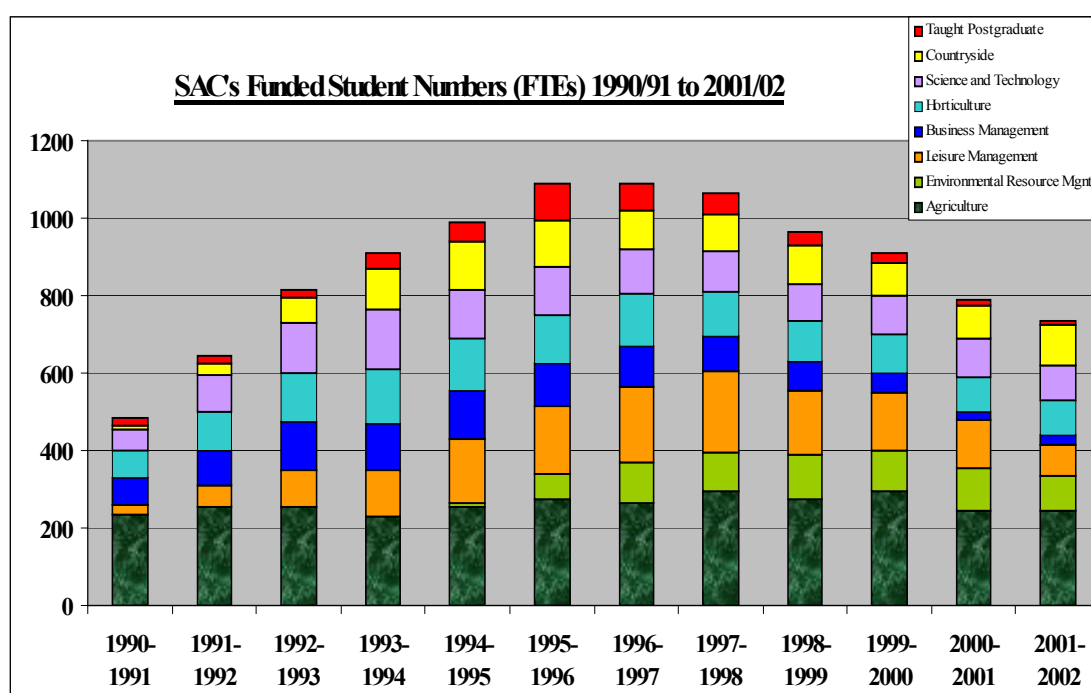
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<sup>46</sup> See section 5.4.5 below.

<sup>47</sup> This objective was noted in the February draft of the 2002 SAC Corporate Strategy Review at section 5.2.3.

lacks, however, the cost centre approaches to financial reporting which would allow its managers to be more definitive on this point.

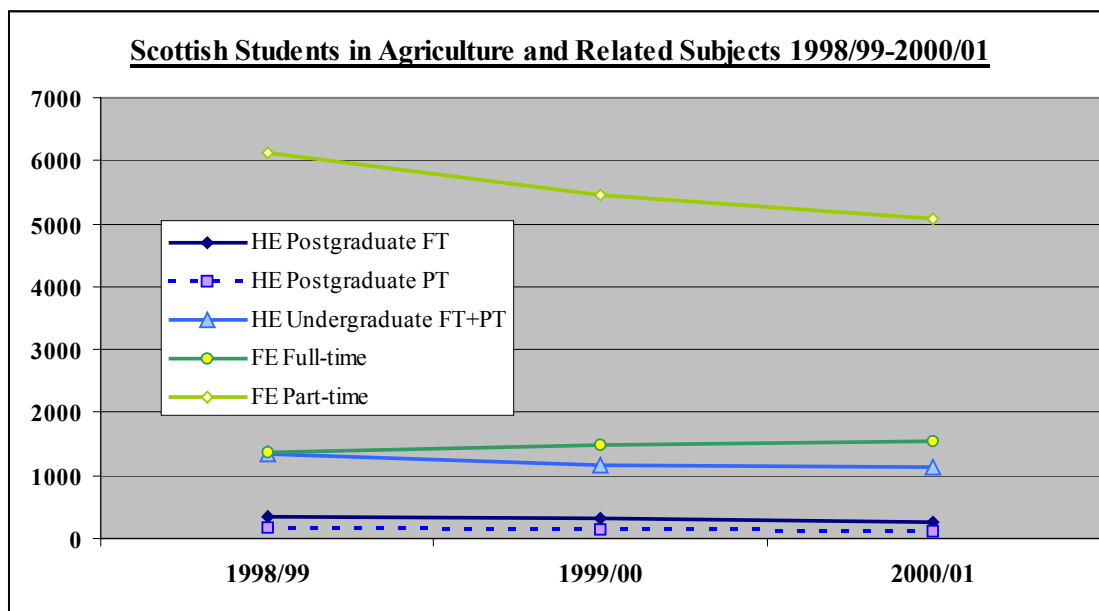
The ‘growth period’ of FTE student numbers from 1990 to 1996 – against the trend of SED projections - can be seen simply as a successful demonstration that the falling trend in student numbers before and since could be, and was, reversed, given the right objectives and approaches. Alternatively, and somewhat more sceptically, it can be seen as the outcome of a strategy which gave priority to growth in numbers, in a context of declining general student demand, and which shaped the student body in ways which may not ultimately have been helpful to SAC. Deloitte & Touche’s view is that the current decline in funded student numbers at SAC is due largely to long-term structural factors, which need to be recognised and addressed whatever objectives and policies are now agreed.



Source: figures provided by SEERAD.

Trainees and students undertaking short courses and flexible and/or distance learning are excluded from this analysis.

The graph above shows the pattern of change in size and composition of SAC’s student body over a 12-year period. The more recent position should be considered within the context of declining overall student numbers in Scotland in agriculture and related subjects, with declines in all types of courses - except for full-time FE courses - in these subjects, as shown in the graph below.



Source: HESA and Insight Data provided by the Scottish Funding Councils.

The financial difficulties arising from SAC’s problems in student recruitment have been further exacerbated by its provision for them on an unusually large and dispersed educational estate, imposing fixed costs directly in property and services and reducing the efficiency of staff deployment by requiring unproductive travelling time<sup>48</sup>. Partly in consequence, unit costs in education at SAC remain significantly higher than in comparator courses elsewhere.

SAC’s persistent financial and operational difficulties arise essentially from its activities in education as a direct course provider in a context of:

- weak and falling student demand in Scotland for courses in its specialist area of agriculture and related subjects (see 2.4);
- provision elsewhere in higher education (undergraduate and post-graduate) courses in agriculture and related subjects in Scotland, primarily at SAC and the University of Aberdeen, and in the UK at Harper Adams, Writtle, the University of Wales and Newcastle upon Tyne;
- provision elsewhere in further education (SVQ Levels 2-3, National Certificate, Higher National Certificate and Higher National Diploma) courses in agriculture and related subjects, at SAC, Oatridge Agricultural College, Elmwood College (National Certificate) and Barony College in

<sup>48</sup> Road distances and (optimistic) driving times are calculated by Microsoft’s Autoroute Express software as:

- Auchincruive to Craibstone (Aberdeen Airport) - 185.4 miles and 3 hours 20 minutes;
- Craibstone (Aberdeen Airport) to Edinburgh – 129.9 miles and 2 hours 18 minutes;
- Edinburgh to Auchincruive – 80.3 miles and 1 hour 30 minutes.

Scotland and at Harper Adams, Writtle and Wye Colleges elsewhere in the UK<sup>49</sup>;

- an educational estate which is large and dispersed, imposing disproportionate direct costs and inefficiency in the deployment of staff across sites; and
- overall costs per full time student calculated by SAC at £10,067<sup>50</sup> per annum in 2000/2001 (though there are difficulties in allocating costs to specific centres in education in SAC). This average figure across further and (more expensive) higher education courses at SAC compares to the general resourcing per student in higher education in Scotland in the same year<sup>51</sup> of:
  - ⇒ £6,272 for Science subjects;
  - ⇒ £6,595 for Technology subjects; and
  - ⇒ £3,952 for Business and Administrative Studies.

The cost of £10,067 for a full-time student in FE and/or HE should also be considered in the context of the value of SEERAD support. The letter which offers SAC grant in aid funding for education and training for the coming academic year allocates support on an indicative basis rather than on forecast costs because of difficulties in establishing these, and also without revised programme descriptors. Assuming that SAC's core programmes at FE, HE and postgraduate level attract a total of 750 FTE students in 2002-03, the average value of SEERAD Grant-in-Aid per FTE<sup>52</sup> would be some £7,700. This will be in addition to direct tuition fees.

These inter-related problems in education have been an enduring source of difficulty for SAC since it was established and, in the view of Deloitte & Touche, must now be addressed as a matter of priority. In this we agree with the essentials of SAC's approach to the current review.

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<sup>49</sup> The consultants were assured by senior staff of other providing institutions that falling numbers across all agriculture-related course areas had created a significant over-capacity across both FE and HE. We believe that to be the case, though we recognise that some informants will have a particular interest in that issue.

<sup>50</sup> SAC Corporate Strategy Review 2002/03 to 2004/05 Appendix 6.

<sup>51</sup> Table A1 of the SHEFC Circular Letter of 22 March 2000 on The Main Grant for Teaching 2000-01. The figures given are for the respective Units of Resource, which include Main Teaching Grant paid to institutions by the Funding Councils and an assumed £1,050 per annum per undergraduate in tuition fees.

<sup>52</sup> Please note that this calculation only encompasses FTEs on conventional courses. It takes no account of short course provision by SAC which has no dedicated funding from SEERAD. If the same sums were applied to the student body including these additional FTEs, the equivalent figure would be some £5,400 per FTE.

### 5.4.3 Rationale for SEERAD Funding of Education at SAC

Core Programmes	No	Total SEERAD GiA (£k)
Agriculture	110	1,304
Business Management	120	278
Countryside & Tourism Management	130	875
Environmental Resource Management	140	718
Horticulture & Landscape Management	150	630
Leisure Management	160	621
Science & Technology	170	915
Research Postgraduate	180	170
Taught Postgraduate	190	264
<b>Core Programme Total</b>		<b>5775</b>

Source: SEERAD grant letter for 2002/03

SEERAD also offers to provide £390k for development work by SAC in Flexible Learning, £342k in support of Training Programme developments, and £45k for the retraining budget in 2002-03.

Funding of tertiary education in Scotland is now, apart from that at SAC, through the agency of the Funding Councils, which are able to apply quality procedures, reporting arrangements and subject number planning across Scotland and (in association with their counterparts elsewhere) the UK. Funding of SAC by another agency - SEERAD - is exceptional in itself and also in the higher level of funding for a mixed FE/HE provision.

The rationale for continuing a different mechanism and level of funding for education at SAC needs to be considered.

SEERAD's funding of SAC has been based on the policy, recommended by the Williams Report, of an integrated three-function system, with advisory services and education being a route for knowledge transfer from research into the rural communities. SEERAD is very clear in respect of the 'public good' benefits of funding SAC's advisory services, especially in respect of services to the remoter and less affluent sectors of the rural community, and the national Animal Disease Surveillance Service, but is much less clear in respect of any specific public good benefit from its funding of education at SAC.

Similarly, SEERAD has hitherto followed the recommendation of the Williams Report that SAC has a niche role in education and training for the rural sector, which traditionally has a low record of progression through to degree level, and therefore has some consumer interest in the SAC education programme. We note, however, that SAC has a lower proportion of its students at degree level than do its competitor colleges (as identified by the PEC report discussed above) elsewhere in the UK, and is not the only Scottish or UK provider of specialist education to the rural communities. SEERAD recognises that SAC's courses could, in principle, be funded through the normal tertiary Funding Council route but is concerned that the funding of research might also then have to transfer to the Funding Councils, potentially

weakening or breaking SEERAD's strong customer role for SAC's research and changing its focus. We do not see this as an insuperable problem as we consider that means could be found to facilitate continuing SEERAD sponsorship of relevant research within this arrangement. These matters, and the possible impact of the SHEFC definition of RAE-relevant research, could and should be explored directly with the Funding Councils.

SEERAD's rationale in funding the SAC education and training role, therefore, rests primarily but not exclusively on its interest in the research programme and that programme's integration with education and training. SEERAD's strategic objectives in its relationship with SAC include ensuring:

- a linkage between FE and HE provision in land-based education;
- that education is planned and managed in integration with SAC's other functions;
- that SAC's education provision is adequately linked to the wider FE/HE systems; and
- that SAC education provides good value for money.

Deloitte & Touche concludes that, if means could be found to continue SEERAD's 'public good' interest in the research programme of SAC, there would be little strategic rationale for SEERAD funding of SAC education.

#### **5.4.4 Aligned Funding in Education**

SAC's profit centre and project accounting for its budget for 2002/03 incorporates an total income projection for education of £8,625k, a net figure over SEERAD funding of £2,073k to be found from fees, training courses and other sources. Aligned education funding is therefore expected to be 31.64% of SEERAD funding in the current financial year.

#### **5.4.5 SAC's Contribution to Agricultural Education**

It has been the view of key 'educationalist' informants in this consultation, especially in discussion in the education focus group and individual interviews, that there is no reason in principle for the maintenance of a parallel system of funding of educational provision for land-based communities and businesses.

Deloitte & Touche specifically asked the external education specialists in these consultations whether the provision of education by SAC gave any unique public benefits that could not be obtained elsewhere, either immediately or by a planned building of capacity over a period of two years, but none was identified. It could, of course, be objected that some external observers have organisational interests which could influence their perceptions, but Deloitte & Touche concludes that the only coherent strategic arguments for the unique value of direct educational provision at SAC would be that:

- the quality of agriculture and related courses is higher there because course design and teaching is enhanced by the link to advisory and research services and staff; and/or

- providing courses is essential in underpinning SAC’s overall viability and ability to deliver the services which are of direct and unique value – the advisory, applied research and veterinary services.

Students at SAC benefit from a uniquely high staff/student ratio of 1:7, and have stressed in this consultation that they value highly the direct experience of those teaching staff members who are active in practical advisory services. Against that potential advantage we would have to balance the negatives, especially the:

- problems described in the HMIE Report;
- student dissatisfaction and disaffection expressed in our consultations; and
- vulnerability of staffing and resourcing of courses for small student numbers over a dispersed estate.

We do not consider that there is any convincing strategic or other rationale which would *require* the continuation of direct educational services by SAC in current circumstances.

#### **5.4.6 Other Potential Providers**

The PEC Report on Educational Marketing at SAC identifies several market weaknesses of SAC compared to its primary competitors in respect of its image, increasingly localised student recruitment and the balance of its courses across FE and HE. In degree and diploma provision, SAC has a much smaller percentage of first degree students than its main competitor agricultural colleges and a higher than average percentage of diploma students:

<b>College</b>	<b>Total no of Students</b>	<b>% of First Degree Students</b>	<b>% of HND/HNC/Dip Students</b>
Harper Adams	1597	59	34
<b>SAC</b>	<b>1040</b>	<b>37</b>	<b>54</b>
Writtle	1097	57	37
Wye	1021	48	0

*Source: HESA 2000 statistics, quoted in PEC Report, op cit at section 1.1.2, Table 2.*

*(Please note that the percentages of undergraduates and HND/HNC/Diploma students in the total student body do not add up to 100% as there are other courses provided which are not listed here.)*

Amongst students who applied to SAC for entry in 2000, the PEC Report shows the main competitors to SAC at degree and diploma level in agriculture to be:

<b>Institution</b>	<b>Number of Applications from the 218 who Applied to SAC</b>
Harper Adams Agricultural College	53
The University of Aberdeen	42
The University of Wales, Aberystwyth	18
The University of Edinburgh	17
The University of Newcastle upon Tyne	12
Writtle College	11
Queens University, Belfast	9

*Source: PEC Report, op cit.*

In Scotland, provision of agricultural education at degree and postgraduate level is now predominantly by the University of Aberdeen, with veterinary science and ecology also available at the University of Edinburgh.

The only alternative provider in Scotland at present of HND and HNC courses in agriculture and related areas is Oatridge Agricultural College near Edinburgh. Examination of the possibility of Oatridge (or some other institution) assimilating SAC's HND/HNC courses (in full or in part) was beyond the remit for this review, but the material factors in such a review would include those of scale and of specialist laboratory and technical facilities needed by the courses.

Alternative providers of national certificate and SVQs in agriculture and related areas in Scotland are Oatridge Agricultural College, Elmwood College, Cupar, and Barony College, Dumfries.

Given that Scotland has generally poorer conditions for agriculture and that some issues and patterns of land use are distinctive, there may be perceived strategic issues if the educational market in Scotland became more strongly influenced by Colleges and HEIs elsewhere in the UK.

#### **5.4.7 Conclusions on Future Services and Markets in Education**

We consider that:

1. there is no convincing 'public good' or other reason which *requires* the provision of educational courses directly by SAC, but alternative provision may be difficult and/or expensive to make;
2. SEERAD can and should continue to fund 'public interest' research and advisory work at SAC whatever the level of continuing course provision or course funding arrangements;
3. alternative course provision in agriculture is available or could, within the medium term, be made in both the FE and HE sectors in Scotland and the UK;

4. the balance of SAC's provision of educational courses differs from earlier projections and is continuing to change, in response to the changing patterns of student and employer demand, more towards part time and distance learning and training. The consideration of options for the future must incorporate an appreciation of the implications of these changes for modes of delivery and configuration of the staff and estate resources which SAC will use for course delivery. SAC will also need to consider how it will facilitate further adjustments of its services to address changes in demand in future: the key rationale of the options appraisal should be to develop an appropriate and flexible form of educational delivery for the future;
5. local delivery of agricultural and related courses in future is likely to be better addressed by effective models of outreach on an all-Scotland basis rather than by a multi-campus based approach. This is increasingly a matter of concern, given the relatively small 'footprint' of student recruitment around SAC's campuses which was identified in recent market research<sup>53</sup>;
6. arrangements could be made – similar to those in the new teacher development partnerships – for SAC advisory specialists to contribute their contemporary practical experience to agricultural courses provided in partner institutions;
7. the decision on whether to continue to provide specific courses, and the retention of education work directly by SAC should be seen as matters to be decided on the twin grounds of SAC's own assessments of closeness to its mission and cost-effectiveness of potential modes of provision.

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<sup>53</sup> See section 3.9 above.

## **6. OVERALL CONCLUSIONS**

### **6.1 Conclusions**

SAC's largest, unique and most valued provision to the well-being of rural communities and businesses in Scotland lies in its advisory services – directly for farmers and other land-based businesses and as basis for research collaboration with its internal researchers and those from other agencies.

Within its advisory services, its veterinary services in animal and food chain disease surveillance and direct assistance to farmers are the most valued, and indeed are indispensable in current circumstances. If these services were not currently provided by SAC they would have to be provided for public health reasons by some other agency, and there has been no suggestion in our consultation programme that there is any benefit in changing the pattern of provision of passive surveillance of animal products. These services alone generate a larger income for SAC than do all of its courses across three campuses.

Applied animal and crop research constitutes the second core service area which we see for SAC in future. In this, it would again build on an established reputation and a proven demand for its services. SAC's environmental research should also continue but needs to articulate more closely to 'Custodians of Change' and a 'Forward Strategy for Agriculture' as well as 'A Science Strategy for Scotland' if it is to address reservations from some of its environmentally-conscious clients in future.

Difficulties with SAC's educational services are endemic and stem from objective long run factors as well, no doubt, as from short term policy and financial decisions. The HMIE Report of 2001, the subsequent KPMG Review and our own consultations all revealed significant discontent and difficulty in the operation of courses on the SAC campuses. After reviewing the relevant documentation and undertaking an independent consultation with many diverse interests and individual stakeholders we must agree with the general thrust of policy of the SAC Board: the time has come for fundamental reconsideration of SAC's role in the direct provision of agricultural and land-based education.

### **6.2 Key Issues from the Consultations**

The consultations showed, in the view of the consultants, that the majority of stakeholders in SAC broadly approved of the principles and purposes of the organisation and especially approved of the model of integrated service delivery which underlies its operations – the 'Scottish' or more properly the 'Collegial System' of linked advisory, research and education services. This approval in principle, however, is strongly conditioned by concern with weaknesses and difficulties of practical implementation in a context of persistent financial constraint and lower than hoped demand for educational services. The fundamental issue

remains that of the financial viability in current and foreseeable circumstances of a model of operation which is, in principle, attractive<sup>54</sup>.

There is no doubt that SAC's staff and students are, in the main, unhappy at the impacts which the past and present difficulties in SAC have on them. Both categories of respondent appear to be deeply concerned at the continuing uncertainty in respect of the shape and scope of the organisation in future. Clients – especially farming clients – have their own concerns on the charging regime and service delivery but are generally loyal to the organisation and its key purposes, and value the advisory services highly. Though usually somewhat removed from direct involvement in the controversies over estates, we found a sympathy for SAC's predicaments and a general understanding that it had to adjust (as most clients themselves had) to changing realities. The consultants consider that much of the critical comment in the consultations is soundly-based and arises from experience of the real difficulties of sustaining a range of services and a model of operations for SAC in circumstances which may be increasingly difficult.

During our consultations the Executive Directors of SAC have stressed that many of the criticisms made by stakeholders of the operation of SAC are justified and need to be addressed. Resolution may not always be easy, as some policies which are unpopular with staff (for example, the prioritisation of the top 20% of clients for commercial services, or close restrictions on the authority of staff to incur expenditure) are nevertheless judged necessary for SAC's financial viability. The central issue for the Board and for decision-makers is whether SAC's current difficulties are capable of resolution within the basic pattern of ambitions, operations and locations inherited from SAC's creation in 1990 or require a more fundamental reconsideration in the light of experience in operating the model over the intervening twelve years. It has become increasingly clear to the consultants that that is the central question in considering SAC's future objectives, markets and services.

### **6.2.1 Advisory Services**

SAC's advisory services are both financially viable for the organisation and very much appreciated by clients. This is true both of the general Farm Advisory Service and of the veterinary services, especially that of disease surveillance. Advisory services should continue to be the largest and core service offerings of SAC. This review has confirmed, however, that there remain matters to be addressed in SAC's provision of advisory services, and especially in managing the mix of funding regimes. This requires careful joint consideration by SAC and SEERAD, to ensure that the balance of funding regimes nevertheless allows access to essential best practice advice by crofters and farmers in the less profitable areas of Scottish agriculture. There is also a real concern, which should be considered, that the present pattern of charges for veterinary inspections may be causing under-reporting of the incidence of diseases in farm animals, and this may be seen as an area of increased demand for SAC's services.

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<sup>54</sup> Levels of public funding can, clearly, either ameliorate or exacerbate the structural problems SAC has in operating three types of services over a dispersed estate. See Appendix 3.

## 6.2.2 Educational Services

The most striking characteristic of SAC's delivery of educational services is its dispersion over three main campuses. We consider this to be a relatively inefficient model for course delivery, and the locations and modes of future educational provision are the core matters which we believe require re-consideration within this strategic review and options appraisal.

We have stressed throughout that we see a clear need for SAC to consider the configuration of its educational provision, using an appropriate mix of direct service and provision through partnerships (including partnerships in digital delivery) for those aspects of its educational services which are of continuing and particular public benefit. In retrospect the projections of student numbers in the early years of SAC were achieved in overall terms but not in composition, and the organisation moved in the mid- and later 1990s further away from the expected proportions of postgraduate and non-BTech undergraduates. Though we accept SAC's view that unit costs (per student) probably did not increase (and may well have fallen) in the 'growth period' because growth was concentrated on HND/HNC level courses at SAC in these years, subsequent reductions of student numbers in courses will have increased unit costs. We believe that diversification of course offerings in the mid 1990s created difficulties and confusions in terms of SAC's focus and may well have been a factor in increasing unit costs subsequent to 1996/97. We do not, however, have definitive evidence on trends in unit costs.

The market for education services is different at the various qualification levels. SAC, in our view, has to consider the full range of options outlined in the majority and minority Williams Reports of 1989 and subsequently. We have recommended a full consideration by SAC at the start of Stage 2 of this review of the courses which it wishes to continue in order to serve its strategic objectives. We would not wish to pre-judge the outcomes of that consideration but it would clearly be the case, if changes in course provision were to be made, that there would be further reason for considering significant adjustments in educational estate, staffing and skills to fit it for a new role as the leading provider of practical advice to agriculture and land-based industries. SAC would also have to adjust to an increasingly competitive market by further developing its capabilities and offerings in remote and digital delivery.

As a small but specialised institution, SAC could gain particular benefit from extending its active collaboration with others in digital content creation and sharing through the Bioscience Subject Centre of the Learning and Teaching Support Network (LTSN)<sup>55</sup>, which encompasses most relevantly:

- Agriculture;
- Animal Science and Management;
- Crop and Grassland Science and Management;
- Ecology;
- Food Science and Technology;

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<sup>55</sup> See [www.ltsn.ac.uk/index.asp?id=9](http://www.ltsn.ac.uk/index.asp?id=9). LTSN Bioscience is described as the Subject Centre for the life, biomedical, food and agricultural sciences.

- Forestry;
- Genetics;
- Horticulture;
- Plant Sciences;
- Soil Science and Management; and
- Virology.

We understand that SAC is already involved in LTSN, and this involvement should (and most likely will) develop further in future. Potential partners in digital delivery include, in Scotland, Heriot-Watt University, through their ‘Scholar’ digital outreach and web-testing capabilities and developed links into the Borders area, and University of the Highlands and Islands Millennium Institute, with its rapidly-growing experience of digital content creation and mixed forms of delivery (UHI MC also has strengths in marine biology and applied fisheries science, should SAC decide to explore that area of food production.)

### **6.2.3 Research Services**

SAC should continue its current provision of research and development services, with a strong emphasis on its distinctive applied crop and animal research. Its animal research has been particularly appreciated by respondents in our consultations.

SAC needs to review its environmental research to ensure that it is fully compliant – in spirit as well as wording – with the Executive policies on sustainability in agriculture and especially as stated in ‘Custodians of Change’, and consider the consequences of its policy positioning in this area.

### **6.2.4 Commercial Necessity and the Public Good**

Given the requirement for SAC to generate its own income streams in order to maintain its viability, there are unavoidable tensions between its commercial drivers and its own (and its staffs’) sense of public good or ‘mission’. This is evident in a number of service areas but perhaps most pointed in:

- farm advisory services, where much of the agricultural ‘market’ cannot afford to pay the real costs of provision of a network of advisors – a particularly pointed difficulty in the hill farm and crofting areas of north and west Scotland and the Western Isles. More generally in farm advisory services, the weakness of the agricultural market has led SAC to adopt a policy of focusing its commercial services on the top 20% of producers in order to generate the returns it needs for viability. Although apparently unavoidable in commercial logic, this prioritisation creates inefficiencies in the deployment of staff and ‘skews’ the nature of the farm advisory services away from a pattern of area-based generalist advisors (albeit with their own particular areas of expertise) towards one of direct involvement of SAC sector specialists in competition with private-sector specialist providers of advice to monocultures. This prioritisation is disliked by SAC advisory staff who perceive it as an impediment to their efforts to raise the level of practice in agriculture generally, in the public interest, and who would wish to see higher level of public funding in the current circumstances of Scottish agriculture. The

tensions inherent in this dualism of funding can be partly addressed by the division of advisory services between a publicly-funded core by SAC, and a fully-commercial service to larger producers provided through spin-off companies such as Scottish Agronomy;

- veterinary services, where SAC’s own vets and eminent external observers are agreed that current levels of charges for veterinary services in a depressed market for livestock act as a major disincentive to producers’ use of veterinary services – as it was put to us – “*until they have buried a few animals*”. There is a general apprehension that animal disease surveillance in Scotland is currently weakened by this failure of the market, albeit SAC’s ‘passive’ surveillance of carcasses and animal products continues as a publicly-funded activity; and
- research services, where it is evident that many businesses which could benefit from knowledge transfer deriving from SAC’s research and development cannot themselves fund it.

These tensions reinforce the requirement for SAC to be clear on whether it is undertaking specific services in order to preserve its own viability or out of a sense of ‘mission’. If it is the latter, SAC needs to be able to convince its sponsoring Department, SEERAD, of the rationale for proposed levels of public funding for the service and to accurately cost it, including an appropriate allocation of corporate overheads. Deloitte & Touche believes that this clarity on appropriate funding routes has not always been evident in past delivery of advisory services, and that SAC has also lacked the ‘cost-centre’ methodology it requires to identify net costs of services.

These matters are being addressed within SAC, as is the creation of a more entrepreneurial culture by becoming clearer on the place of public-interest and commercial considerations in its activities and restructuring its support services to be more effective in a commercial context. Intellectual property, promotion and market liaison are key matters being considered and progressed as resources allow.

The balance that is struck between activities undertaken for ‘public-interest’ (in a context of market difficulty or even failure) and those which are fully commercial will fundamentally shape SAC in future. It is helpful in this that SEERAD has expressed a willingness to increase public-interest support for applied research in agriculture and food production in future, to allow SAC to commit itself to a configuration of research services which is strongly wished by client and partner organisations.

### **6.2.5 A ‘Collegial System’ for Current and Future Circumstances**

The advantages of ‘the Collegial System<sup>56</sup>’ - of integrating research, advisory and education functions in one body – are assumed rather than established in the Williams Report. The Report stated that “*the vast weight of evidence submitted to us supported (a) favourable view of the Scottish System...*” and continued “*Claims that the ‘Scottish System’ is more effective than those of comparable scope elsewhere are,*

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<sup>56</sup>The Williams Report uses the terms ‘The Scottish System’ and ‘The Collegiate System’ without always making the distinction drawn in S2.33: that the ‘Collegiate System’ refers to the integration of three functional areas within SAC, whilst the ‘Scottish System’ is the close integration of education, research and advisory services in co-operation with the Universities, other Agricultural Colleges and Research Institutes in Scotland.

*of course, subjective but we have been convinced that there are distinct advantages in the full integration of agricultural education, advice and R&D operating through a country-wide network.”* The Committee recommended “*the perpetuation in Scotland of such a system*”.

‘The Collegiate System’ (and externally the ‘Scottish System’) has been the established paradigm for the operation of SAC since its inception and this is strongly reflected in the many review reports and in both internal and external debates on the future of the organisation. Though we can readily understand the assumption that integration of functions *per se* will be likely to enrich each area of operation we are not aware of any comparative study which demonstrates the assumed advantages compared to other patterns of agricultural research, advice and education, nor of studies which test the actual degree of integration achieved across functional areas within SAC. More generally, the view that research necessarily enriches teaching may be laudable and prevalent but is by no means always supported by empirical studies<sup>57</sup>. Studies on these specific issues are beyond the scope of our present remit and timescale, but we can say that our consultations with students, staff and managers revealed a degree of scepticism that such assumed advantages were fully achieved in practice by SAC, and examples of occasions when research or advisory activities actually detracted from the provision of educational services.

We have no doubt that SAC’s advisory and consultancy services align closely with, and enrich, its own and related agencies’ research in areas as diverse as animal breeding or crop disease, and that applied research can be disseminated (SAC’s ‘knowledge transfer’) through advisory services and education. Whilst SAC’s agricultural education is widely reported to be enriched by the experience of teaching staff who have advisory and/or research responsibilities<sup>58</sup>, we have heard little to establish that SAC’s education functions have a reciprocal benefit for its advisory or research activities. SAC’s agricultural courses are primarily oriented outwards, towards the public good of supporting a long-term improvement in farming practices. There seems to us an uneven synergy between these three elements, with education being the net beneficiary of the provision of SAC’s other services. In this, SAC simply demonstrates what seems to us to be a common characteristic of the relationship of courses to research in tertiary education.

SAC is considering a possible consolidation of its research activity in fewer staff, with a lower level of commitment to non-research activity, as a potential strategy if it is subject in future to a peer review process like the general Research Assessment Exercise (RAE) in higher education. Such a consolidation may assist research productivity but could be expected to impact on the achievement of the (assumed) benefits of integration across functions. We believe that SAC would gain significant benefit from the greatest possible consolidation of researchers *in locational terms*, but should give careful consideration to the extent of consolidation in terms of the *proportions of time* which individual members of staff are expected to devote to research. If the policy and resourcing environment within which SAC works in

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<sup>57</sup> See, for example, Anthony Smith and Frank Webster’s paper ‘Changing Ideas of the University’ in the report of the Office of Science and Technology ‘Foresight’ Programme: ‘Universities in the Future’ (ed: Thorne, DTI/ Pub 4263/5k/7/98/NP.URN 99/982).

<sup>58</sup> Though the research and advisory responsibilities of teaching staff can and do increasingly cut across scheduled teaching responsibilities as the staffing cover within SAC falls. Absences of staff from scheduled courses (to provide time-limited research or advice) have caused difficulties for students preparing for exams.

future facilitates applied research funded outwith the Funding Councils' disciplines, it will wish to limit the degree of consolidation.

For these reasons, we believe that the assumed advantages of integration within one organisation should be treated with some caution<sup>59</sup>. At minimum there may well have been unevenness in the synergies achieved by SAC in implementing the 'Collegial System' in the past, with education gaining disproportionately. We consider that, in future, there will be other and more appropriate ways, including digital facilitation, to achieve benefits of integration and collaboration, but this has to be sensitive to decisions on objectives and scoping of SAC's activities still to be taken.

Seeking new modes for the provision of agricultural education need not mean the end of service integration. We believe there are models of the delivery of services through academic partnerships - including the provision of contemporary vocational experience, such as is envisaged in teacher education partnerships. SAC could and should have a continuing contribution to make, based on its unsurpassed experience of advisory services and applied research for the sector.

Our perceptions are that the benefits of synergies from the 'Collegial System' were largely brought into education from the other services, which are also the more financially viable. If this is accepted by SAC, though the process will not be easy, it can reconfigure itself in a more appropriate form for current circumstances.

### 6.2.6 Partnership Working

SAC has not always proved an easy partner for other agencies over the twelve years of its existence, due in part, perhaps, to an interpretation of the 'Collegial System' as meaning that it should provide a 'one stop shop', or even a monopoly in services to the rural or agricultural sector. The strongest single motif running through our consultations has been the phrase "*SAC can't continue to be all things to all men*". It needs to learn to trust other agencies to work to a common agenda, whether or not the overall scope and pattern of its service provision is changed.

### 6.2.7 Estates and Resources.

The underlying causes of financial insecurity for SAC are structural changes in its traditional markets for countryside services and constraints on the 40% of its income received through commissions from its sponsor and funding body, the Scottish Executive Environment and Rural Affairs Department (SEERAD)<sup>60</sup>. These developments *inter alia* require SAC to examine the business case for its existing and proposed activities and to clarify its strategic direction in the light of current circumstances and client needs.

Compounding the difficulties faced by SAC in managing with reducing real income due to a reduced demand for its education and some other services has been the legacy of a large and dispersed estate which makes the achievement of matching economies very difficult. The present physical configuration of SAC is little different now from its inheritance in 1990 when it was created by a merger of three agricultural colleges. In addition to these campuses, SAC retains 37 operational

<sup>59</sup> See footnote 36.

<sup>60</sup> SAC's analysis of the trend of its public funding from 1990/91 is contained in Appendix 3.

locations spread across the Scottish mainland and islands. It is highly unlikely that an educational planner would have deliberately created a small specialist educational institution in this form, not least because of the inherent inefficiencies in operation.

Local delivery of educational and other services to rural businesses and communities was seen as important by the Williams Committee which set the initial shape of SAC, and this localism has remained a strong theme in the views of decision-makers to the present. No other conventional tertiary education provider in Scotland, however - even those with much larger student numbers – maintains such a dispersed pattern of operations. The only comparators in this respect are the Open University in Scotland or the Highlands and Islands Millennium Institute, which both use (largely but not exclusively) remote delivery methods and academic partnerships as well as face-to-face discussion.

Functionally, location is only a practical consideration for specific types of research allied to local patterns of land use (especially dairying in the south west and crop research in the east) but it is recognised that local loyalties remain strong in other activity areas and it remains the case that the educational estate which SAC inherited on its creation has not been re-configured for its actual pattern of need.

In 2001 the Board of SAC accepted the advice of its Executive Directors that there should be a re-configuration of SAC’s assets and operations, and considered options for reducing the cost of SAC’s physical estate to a level commensurate with its actual operations. Those consultations proved, however, to be contentious and SAC was requested to reconsider the basis for its strategy.

Deloitte & Touche believes that current circumstances (and especially the financial difficulties of SAC) make a fundamental review of estates and locations now highly advisable, and many informed observers would see this as long overdue.

We consider that SAC must respond to the reduction of demand for its educational services by a service review – of the profile of the educational services it offers and its modes of delivery. This has to take priority in sequence over the review of estates and resources as the scoping of its of services for the future will inform the review of estates and resources.

### **6.2.8 Statements of Strategic Objectives**

The wording of the present statements of mission, vision and objectives should be revised to take account of the many comments made in this consultation.

#### **SAC’s Mission Statement**

The mission statement of SAC is “*to enhance the sustainability of rural areas and communities and the viability of the industries on which they depend*” and the four key issues on which its activities are focused:

- ⇒ *“providing knowledge to assist the competitiveness of the food and agricultural industries;*
- ⇒ *providing research and advice on rural development;*
- ⇒ *promoting the conservation and enhancement of the environment and national heritage of Scotland through education, research and consultancy; and*
- ⇒ *encouraging best practice in the areas of health and biosecurity”.*

The Mission Statement was viewed as ‘broadly appropriate’ or better by all categories in our questionnaire, but an element of scepticism was evident in individual reviews across all categories. Deloitte & Touche would not propose any change to the wording, but would comment that many respondents found the statement rather too ambitious and all-encompassing.

### **The Vision Statement**

The vision statement of SAC is that it: *“will be the nationally acclaimed Centre of Excellence for knowledge transfer to the rural communities, and to the industries on which they depend, working in a business-like and professional manner, so as to best serve the needs of its stakeholders, to achieve sustainable growth, and to meet the aspirations of its staff”*. This proved more contentious in the questionnaire responses and also in qualitative responses, especially in the Education Focus Group. There is clearly a major difficulty for SAC in motivating and mobilising its staff behind its vision, and this will need continuing attention. Again, we would not suggest any alternative wording, but comment that SAC managers and Board need to take account of the weakness of staff ‘buy-in’ to SAC’s stated vision at this point. The vision statement also found little acceptance from a number of educational, research and other ‘partner’ institutions because of its perceived excessive ambitions. SAC’s Achilles’ heel with the agencies in its area of interest is the common perception that it has wished to control (the FE Colleges and SABRIs) for its own purposes rather than a genuine commitment to sourcing the most appropriate skills and provision in partnerships. Again, SAC’s Board and managers should address the reasons for such perceptions, even though they lie largely in the past.

### **Objective One**

Of the six objectives of SAC specified in the questionnaire, the first *“To promote the competitiveness of SAC’s clients in the rural industries”*. divided the stakeholder categories most, again and not surprisingly with clients showing most agreement in both the questionnaire and qualitative consultations. The major sensitivity here is whether SAC gives as much priority to environmental sustainability as to competitiveness and development, as government policy would wish. There is, in any case, unease as to whether SAC has the balance of its client focus right in its dual commercial and public good work, and in its prioritisation of the top 20% of producers. SAC could usefully redraft this statement to make its commitment to balanced and sustainable development quite clear. We do consider, however, that SAC’s future will rely in large part (but by no means exclusively) on commercially provided services, and in this a statement of this general nature is essential.

### **Objective Two**

Objective Two is *“To enhance rural diversity and opportunity”*, and is one of the more consistently approved objectives. Comments, however, reveal concern by respondents that this might mask an inability or unwillingness to prioritise, as already noted. It might usefully be redrafted to specifically include innovation.

### **Objective Three**

There is little dissent from SAC’s statement of principle on environmental sustainability, but significant underlying scepticism, especially from partner bodies, that it has sufficiently assimilated these matters into its day-to-day operations and commitments. This is not a matter for rewording, but, like partnership issues, for noting the unease which exists and earning trust in future. The commercial implications of this scepticism have been noted in this report.

#### **Objective Four**

SAC's objective of "*Safeguarding crop, animal and human health*" is one which could particularly benefit from rewording. The benefits of SAC's work certainly extend to human health, but it is not seen as a direct provider of services in this area. In our view this particular reference is inappropriate in a statement of objective, though the commentary could usefully draw out the substantive point here.

#### **Objective Five**

Objective five is stated as "*To work in partnership with others where this will achieve improved service delivery*". The aspiration found general favour with sponsor and partner bodies, though there was a worrying perception that SAC had much to prove in this respect to overcome a strong legacy of scepticism. In our view, SAC should not alter the wording, but rather consider what is actually required for it to work effectively and productively with its major partners in the SABRIs, Colleges and Universities, the Enterprise Network (especially in the overlapping provision of public good or supported advice) and government agencies.

#### **Objective Six**

Objective six is stated as "*To generate surpluses and secure funding for investment*". This is an important – even essential – statement, but it is not a strategic objective. It should be recorded elsewhere in SAC's business plan as a managerial and operational imperative.

### **6.3 Summary of Key Recommendations**

1. **Central Focus:** SAC should seek its major markets in land-based industries and communities, and exercise caution in diversifying too far beyond that, at least in the short term.
2. **Scope of Future Research Services:** SAC should continue to offer research services subject to the observations above. These services should concentrate on applied research, and SAC should seek a dialogue with the SABRIs and university departments to scope appropriate strategic areas on which each type of agency might concentrate (though this should not be used to impede competition in provision of these services). SAC should review the policy content of its research in environmentally-sensitive matters to ensure that it fully complies with ministerial policy on sustainable land use and projects an appropriate image to the range of potential clients.
3. **Scope of Future Advisory and Veterinary Services:** SAC's major service offerings should continue to be in these services, subject to the observations above. The issues of appropriate company delivery vehicles (and partnerships in delivery) and difficulties at the boundary between commercial and 'public good' charging regimes should be considered further.
4. **Scope of Future Educational Provision:** SAC should consider carefully the extent to which it wishes to remain a provider of agricultural and related courses by its own hand. Decisions on whether to continue to provide specific courses, and the retention of education work directly by SAC or through partnerships, should be seen as matters to be decided on the twin grounds of SAC's own assessments of closeness to its mission and cost-effectiveness of potential modes of provision. This consideration should

encompass a market analysis of the subjects and levels of courses to be provided in future, based on the best available evidence of demand.

5. **Options Appraisal for Delivery Modes and Estate Configuration:** Deloitte & Touche should incorporate SAC's decisions on the scope of its future educational services into the agreed Phase II options appraisal of delivery modes and estate configuration, making appropriate use of a partnership model in providing SAC's vocational experience in agricultural courses and using best available practice in learning environments (including collaboration through LTSN and other appropriate partnerships for digital delivery). Though the clearest sequence of decision-making in the options appraisal would require finalisation of SAC's views on course offerings and delivery modes before undertaking the review of estates configuration, it is recognised that there will inevitably be some degree of iteration in this process. The options appraisal should address the long-standing difficulties SAC has faced in the scale and dispersion of its educational estate. These difficulties are referenced in a succession of reports and action to resolve them is now imperative if undue cost and inefficiencies are to be minimised.
6. **Strategic Objectives:** SAC should adjust its statements of strategic objectives as recommended in 6.2.8 above.

## **7. APPENDIX 1: CONTRIBUTORS TO CONSULTATIONS**

### **7.1 Table 1: Organisations Completing the Questionnaire**

Scottish Executive  
 SEERAD Water Environment Unit (Liam Kelly, Science Advisor)  
 SEERAD (Andrew Voas, Veterinary Advisor)  
 SEERAD (W L Gardiner, Assistant Chief Veterinary Officer)  
 Scottish Environment Protection Agency (SEPA)  
 Scottish Natural Heritage (SNH)  
 Forestry Commission  
 Farming and Wildlife Advisory Group  
 Dept. of Agriculture Isle of Man Government

South Ayrshire Council  
 North Ayrshire Council

Scottish Enterprise Ayrshire  
 Scottish Enterprise Dumfries and Galloway  
 Scottish Enterprise Lanarkshire  
 Highlands and Islands Enterprise  
 Small Business Gateway Clydesdale

University of Aberdeen  
 University of Edinburgh Institute of Ecology & Resource Management  
 University of Paisley  
 Macaulay Institute  
 Oatridge Agricultural College  
 Elmwood College  
 Barony College  
 Banff and Buchan College of FE  
 James Watt College of Further and Higher Education  
 Kilmarnock College

National Farmers' Union, Scotland  
 Scottish Landowners' Federation  
 Scottish Crofting Foundation  
 Crofters Commission

Ardkinglas Estate  
 Auch Estates (Bridge of Orchy) Limited  
 The Buccleuch Estates Ltd  
 Lochnell Estate (Jersey) Ltd.  
 Smiths Gore Farm Management Ltd  
 Pentland Hills Regional Park

LINKS veterinary group  
 Institution of Agricultural Engineers

Suffolk Sire Reference Scheme Ltd  
National Sheep Association  
British Potato Council

RSPB Scotland  
British Trust for Ornithology

Aviagen Group  
ABN  
Elanco  
ADAS Consulting Ltd

Curtis Fine Papers Ltd Guardbridge Mill  
Aromatherapy Trade Council

Not given (Farming Client)  
Not given (Non-Farming Client)

**7.2 Table 2: Key Informants from SAC’s List who were Interviewed**

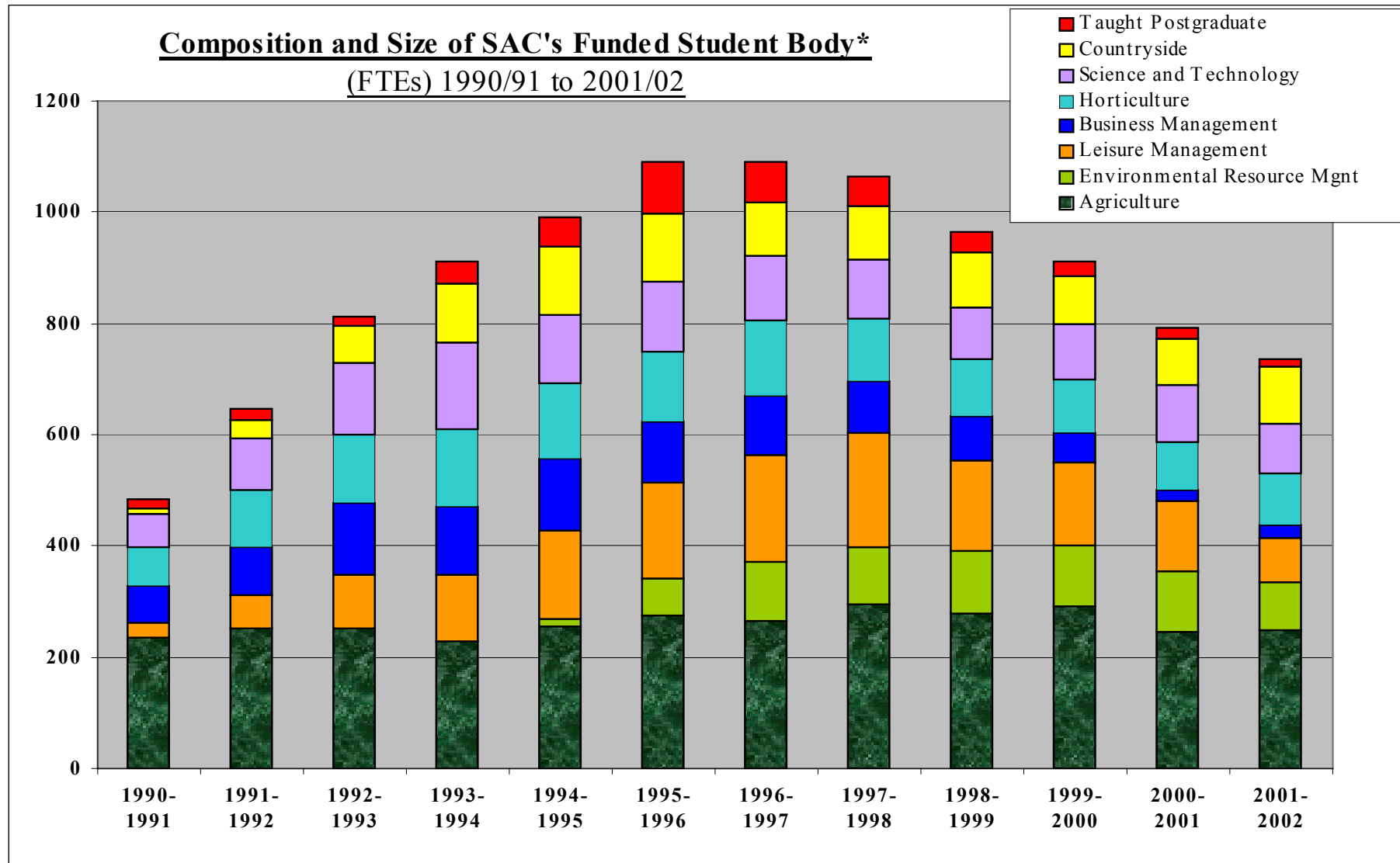
<b>‘Key Informants’</b>
<b>Andrew Campbell (COSLA)</b>
<b>Jim Walker (NFUS)</b>
<b>Jonathan Hall (SLF)</b>
<b>Ian Rideout, (SCF)</b>
<b>James Graham (SAOS)</b>
<b>Ray Jones (RHAS)</b>
<b>David Henderson-Howat (FC)</b>
<b>John Sproat (BVA)</b>
<b>Bob Bansback (MLC)</b>
<b>Paul Biscoe (HGCA)</b>
<b>Donald Biggar (QMS)</b>
<b>Jonathan Tait (SE)</b>
<b>Sandy Cumming (HIE)</b>
<b>David Gass (SEB)</b>
<b>Jane Clark and Colleagues (SNH)</b>
<b>Tricia Henton (and discussions with a colleague) (SEPA)</b>
<b>Michael Williams (FWAG)</b>
<b>Stuart Housden (RSPB)</b>
<b>William Donnaghie (CHABOS)</b>
<b>Howard Dalton (DEFRA)</b>
<b>George Paterson (FSA)</b>
<b>Duncan Rice and Steve Cannon (Aberdeen University)</b>
<b>Tom Kelley (ASC)</b>
<b>David Wann (Funding Councils)</b>
<b>(Patrick Holden of the Soil Association offered views on specific aspects of SAC’s research.)</b>

**8. APPENDIX 2: GRAPHS OF STUDENT POPULATION 1990/01-2001/02****8.1 Graph 1: Composition and Size of SAC's Funded Student Body**

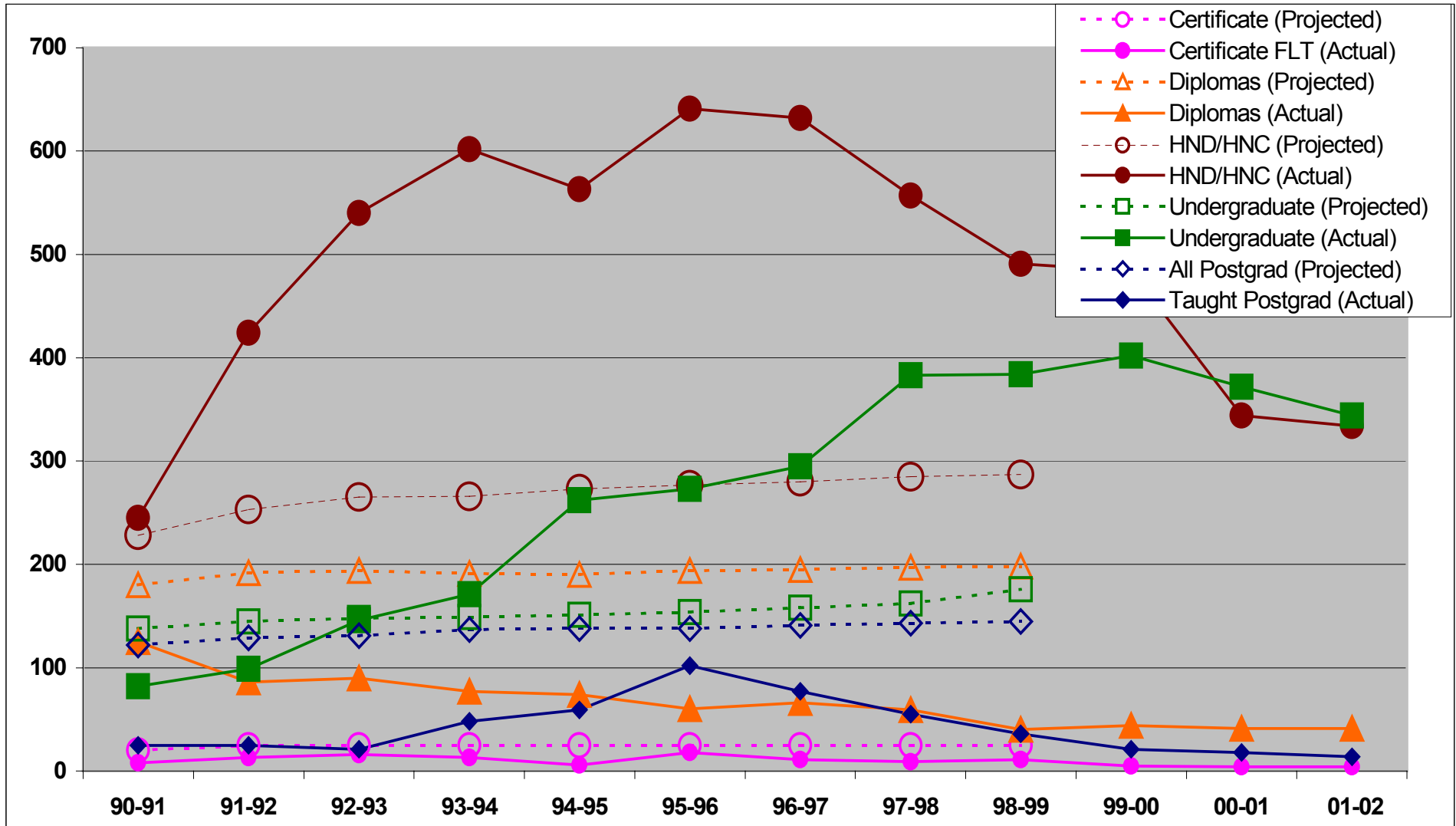
(Source data for the graph of funded courses were provided by SEERAD. Data on the FTE numbers in short courses were provided by SAC.)

**8.2 Graph 2: Projected and Actual Funded Student Numbers by Level**

(Source data on projections from Williams *op cit* Paragraph 3.58 and Annex 3.9, and on actual funded student numbers from SEERAD, re-analysed into course levels by Deloitte & Touche.)



\*Please note that these figures do not include students on training and distance learning courses. This element has been growing since the mid-1990s and reached 320 FTEs (SAC's figure, based on 400 qualifying hours per FTE) by 2001/02.



Please note that the Projections for Postgraduates are for the aggregate of research and taught students, whilst the Actual refers to taught students only. Numbers of research postgraduate students are also tending to decrease, with spot values of 53 in 1998/99 and 42 in 2001/02.

**9. APPENDIX 3: TRENDS IN GRANT INCOME TO SAC**

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
											<b>£k</b>
<b>Education</b>	5,009	5,385	5,539	6,772	7,422	7,335	7,136	6,860	7,295	6,903	6,629
<b>R&amp;D</b>	6,772	5,975	6,517	6,102	6,031	5,954	5,476	5,762	5,965	6,080	5,777
<b>Advisory</b>	6,576	6,851	6,718	6,419	6,479	5,873	5,287	4,399	4,531	5,003	5,478
<b>TOTAL Paid to SAC</b>	18,257	18,211	18,414	19,293	19,932	19,162	17,899	17,021	17,791	17,986	17,884
<b>Value of 1995/96 grant if adjusted for inflation</b>						20,445	21,156	21,590	22,155	22,655	22,892
<b>Superannuation paid by SAC</b>									216	300	600
<b>Capital Grant</b>	929	1,495	1,733	3,627*	2,387	1,006	664	823	1,450	1,511	2,104
<b>Pension Payments</b>						4,169	4,560	4,921	5,973	5,674	
<b>Lump Sums</b>						653	685	423	570	968	
<b>To Support Restructuring</b>						547	1,177	467	319	1,624	
<b>Note</b>											
<b>King St, Aberdeen Compensation</b>				2,400*							
<b>RPI March</b>					151.5	155.4	160.8	164.1	168.4	172.2	174.0

1. Education – Role of training funds

R&D – Introduction of FFS and new FFA

Advisory – Superannuation Funding

2. Superannuation – up to 1998/99 17% was paid on every employee not undertaking SOAEFD funded work, the amounts paid varied monthly