



**RESPONSE FROM SAC BOARD
TO
PHASE 1 DELOITTE & TOUCHE REPORT
ON SAC's OBJECTIVES, MARKETS AND SERVICES**

SUMMARY

This document has been prepared as a synopsis of the responses of the SAC Board to the conclusions drawn by Deloitte and Touche (D&T) from the Stakeholder Consultation which was undertaken to advise SAC on its future Objectives, Markets and Services.

D&T have completed a comprehensive review of our Stakeholders' views and have drawn from those consultations a number of useful recommendations. We are pleased that the views of respondents have been positive in terms of their support for SAC's overall objectives. D&T have concluded that SAC's core future business should concentrate primarily on advisory services for Scotland's land-based businesses, veterinary services, and applied research services which are directly aimed at end-user needs. The SAC Board welcomes the strong endorsement which stakeholders have given to these activities.

D&T have provided a number of tentative conclusions in relation to the education and training market which will require to be more fully explored following further market analysis. The market for SAC's traditional full-time campus-based education is declining whilst that for part-time and web-based learning opportunities is increasing rapidly.

The SAC Board is greatly encouraged by the endorsements in the D&T Report for its own internal Strategic Review which was carried out in early 2002. The overall conclusion by D&T is that the core issue to be addressed by the SAC Board, and by its major sponsor SEERAD, is the dispersed and inappropriately large estate associated with its education function. The D&T report provides evidence of Stakeholder support for such a fundamental review of SAC's infrastructure. Those issues are to be addressed in Phase II of the D&T study.

Section 1 of this document contains specific responses to the Key Recommendations from D&T. Section 2 contains more general comments on other issues raised in the Report.

**Professor W A C McKelvey
Chief Executive and Principal
28th October 2002**

1. Key Recommendations of the Report

1.1 Central Focus

The stakeholder consultation process has indicated that SAC should concentrate on **land-based** industries rather than rural industries.

The SAC Board believes that this recommendation is sensible and that it would provide an additional focus for our clients and staff. It **should be adopted** in our Mission statement.

1.2 Scope of Future Research Activities

Applied R&D

The D&T report concludes that, in accordance with SAC's own internal Strategic Review, the future focus of SAC's research activities should be at the applied end of the research spectrum, guided by market intelligence of end-user requirements, and geared towards providing practical solutions to the medium term problems of the Scottish land-based industries.

D&T also conclude that SAC should concentrate R&D resources to ensure the development of "critical mass" groups of scientists in specific geographical locations. This view again concurs fully with SAC Board policy, and will be further explored and costed in Phase II of the D&T project.

The SAC Board **has accepted** these recommendations and has asked the SAC Executive to indicate how the focus of SAC's current research programme will be adjusted to ensure that all components of that programme have:

- clearly defined routes for **knowledge transfer** to endusers;
- **stakeholder input** to research planning;
- defined sources of income from non-SEERAD sources which will **at least match** SEERAD funds.

The options for delivery of that programme, on the most **cost effective** basis for the taxpayer and for other research sponsors, will form an important component of the Phase II study to be carried out by Deloitte & Touche, working in close liaison with the SAC Executive and SEERAD officials.

Environmental R&D

D&T indicate that the main focus for R&D should continue to be on applied animal and crop research. They recommend that SAC's environmental research should articulate more closely with the Forward Strategy for Scottish Agriculture and with the "Custodians of Change" document recently published by SEERAD.

The SAC Board recognises the increasing need of the land-based industries for appropriate agrienvironmental advice, underpinned by an applied research base, aimed at addressing particular problems such as nitrate vulnerability, the bathing water directive and biodiversity. **It is accepted** that a proportion of the existing environmental research programme at SAC has not been appropriately focussed on the changing needs of endusers and steps will now be taken to ensure that it is appropriately redirected. In that respect SAC will wish to enter into broader discussions with the Macaulay Research Institute to ensure that a broad spectrum of enduser requirements for research is met, as far as possible, by SAC working in association with the Macaulay.

Research Assessment

The greater future emphasis in SAC on applied research and development work, which has more immediate application to enduser requirements, may require somewhat different assessment by peer review groups to that which would apply to the SABRIs or the University sector.

Therefore, in order for the SAC Board to fully endorse the Stakeholders' proposals that SAC's research base should be applied, and end-user driven, there will require to be a **clear understanding with SEERAD** that the research assessment exercise for SAC will be appropriately focussed.

The "Scottish System"

D&T comment on the support from stakeholders for the integration of research with consultancy and education within SAC. They propose that integration of research within the "Scottish System" (SAC and the SABRIs) could be improved. SAC agree with this and would suggest that a wider appraisal of the research and development work funded by SEERAD should be undertaken in order to better map out the relative contributions of the SABRI and SAC research programmes.

The SAC Board would stress that it wishes to work **in partnership** with these organisations and does not wish in any way to impinge on their core areas of expertise; the relationship should be complementary and symbiotic.

1.3 Scope of Future Advisory and Veterinary Services

D&T have indicated that SAC's largest, unique and most valued provision to the wellbeing of rural businesses in Scotland lies in its Advisory and Consultancy Services. Its Veterinary Services, in relation to animal and food chain disease surveillance and direct assistance to farmers, are "most valued" and indeed are regarded as "indispensable".

The SAC Board **concurs with** this steer from D&T and confirms that its primary business focus will be on robust delivery of consultancy and veterinary services to land-based businesses, underpinned by an appropriate applied research programme.

D&T have indicated that there is an issue for further discussion regarding the balance of **public good support versus commercial services**. This is particularly pertinent to the veterinary surveillance work and D&T indicate a concern on the part of Stakeholders that any charges for veterinary surveillance services in Scotland will deter submission rates and thereby potentially adversely affect the effectiveness of disease surveillance mechanisms for farm animals.

An associated issue is the alignment of public good advisory services with fully charged services for clients. In that respect D&T endorse the strategy of the SAC Board in splitting provision to clients through the creation of completely commercial consultancy units (such as SAC Scottish Agronomy) targeted at the top 20% of producers, whilst delivering a mix of publicly funded and commercial services to the broader spectrum of rural businesses through its Farm Advisory Service.

D&T confirm that the Advisory Services provided by SAC are **not matched by any other agency** in scope or geographical spread and arrangements for maintaining consultancy and advisory services in Scotland, especially to the Remote and Less Favoured Areas, should be supported via public funds. The Advisory Services are particularly commended on the independence and impartiality of their advice but require to deliver more innovative business solutions and also require a reduction in overhead structure in order to become more commercially competitive. The SAC Board **supports** this recommendation

D&T have indicated that the stakeholders wish to see SAC work much more actively **in partnership with other agencies** in the provision of advisory services. The SEERAD Forward Strategy for Agriculture provides a steer as to how these services should be provided in the future and SAC will increase its efforts to achieve strategic and operational partnerships with relevant organisations such as the Local Enterprise Companies, SNH, SEPA, RSPB etc., in taking forward the recommendations contained in the Forward Strategy document.

The SAC Board **fully supports** these recommendations.

1.4 Scope of Educational Provision

The D&T report recommends that “SAC should consider carefully the extent to which it wishes to remain a provider of agricultural and related courses by its own hand”. The report suggests that cost efficiencies may be gained by delivery of parts of the current education portfolio in partnership with other delivery agencies.

The delivery of degree level courses with HE partners (the Universities of Glasgow, Aberdeen and Edinburgh) is already firmly established through SAC’s existing degree validation systems. The SAC Board **accepts** however that the delivery of FE courses in partnership with FE Colleges, and the development of appropriate **progression routes** for students from FE colleges who wish to progress to higher level courses at SAC, could **be improved**.

The SAC Board believes that, whilst the delivery of education with a higher education partner aligns with the Board’s own Strategy for Education, it remains to be convinced that sub-degree level courses in agriculture and related subjects might be provided more cost effectively in Scotland by alternative routes.

The SAC Board **agrees** with D&T that some rationalisation of course delivery is necessary. The Board firmly believes that SAC should continue to be the primary provider of education for the land-based sector in Scotland and **rejects** the suggestion in the report that alternative provision in England, for Scottish students, might be a possible alternative.

The Board is disappointed that the D&T report has, by and large, failed to take into account the recent changes in the types of provision required by rural communities in terms of distance learning uptake.

Having said that SAC believes that Phase II must be undertaken with an **open mind** and the process leading to the development of a sustainable Education strategy for SAC will necessarily encompass a combination of considerations relating to market needs, partnerships for delivery and assessment of the most cost-effective infrastructure.

The Board firmly believes that the current curriculum offer, spread over three campuses, with duplication of provision and small class sizes cannot continue if **best value for government spend** is to be achieved.

1.5 Appraisal of Delivery Modes and Estate Configuration

D&T have recommended that the options appraisal in Phase II should address the “**long standing difficulties** which SAC has faced in the scale and dispersion of its educational estate.” They report that these difficulties have been referenced in a succession of reports and that action to resolve them is **now imperative if undue cost and inefficiencies are to be minimised.**

The SAC Board welcomes the clear steer from Deloitte & Touche that they view the rationalisation of SAC’s large and dispersed estates as **the crucial issue** for attention in Stage II of the review. The cost and overhead burden inherent in the current estate imposes a financial burden on all SAC’s services, whether provided for the public good or on a commercial basis, and thereby limits SAC’s ability to provide **best value for money.**

1.6 Proposals for Mission, Vision and Objectives

D&T have proposed a number of amendments to the overall Mission, Vision and Strategic Objectives which, by and large are **accepted** by the SAC Board. They provide greater focus for SAC’s activities for the future in response to stakeholder comment.

Initial proposed revisions to the Mission, Vision and Objectives for SAC are listed in **Appendix 1.**

2. General Comments

2.1 Stakeholder Review Process

The SAC Board is content that D&T have conducted a robust study which has taken into account the comments of clients, students, sponsors, public and professional bodies, potential partners and other significant organisations with an interest in Scotland's rural sector. Initial difficulties occasioned by the timing of the initial parts of the Consultation exercise during the summer vacation period, when a number of the Key Informants were unavailable, have been adequately addressed by an extension of the original timetable.

In terms of robustness it is pertinent to compare the extent of the current stakeholder consultation exercise with that conducted by the **Williams Committee** in 1989 whose report led to the formation of the current SAC. Comparative figures indicate that the current D&T report is based on a significantly wider consultation exercise than that of Williams; the latter Committee report that they consulted with 69 'Bodies' but only 25 individuals and with staff 'representatives' (number not defined).

There are a number of general issues which arise from the Report on which SAC would wish to comment as follows:

2.2 Partnership Working

Comment has been made by a number of potential partners and sponsors that SAC gives the impression that it tries to be a "one-stop shop" for the provision of many different services to rural clients and has been disinclined to work in true partnership fashion with other relevant agencies in the past.

The SAC Board understands these comments and agrees with the steer contained in the Report that greater focus on the **development of strategic partnerships** is appropriate for SAC in the future. To properly fulfil its role in assisting the development of Scotland's land-based industries it will require to work more closely with other bodies such as SAOS, SNH, the SABRIs and the Scottish Enterprise/Highlands and Islands Enterprise networks in future.

This new commitment is already evident in the recent signing of a Memorandum of Understanding with the Farm and Wildlife Advisory Group and in ongoing developments with SAOS, and similar developments will be actively explored in future. It is especially important, as noted in 1.2 above, that SAC and the SABRI's work in greater harmony in future to ensure a fully "joined up" Scottish System and SAC would look to SEERAD to facilitate that process wherever possible.

2.3 Stakeholder Involvement

D&T believe that a lack of Stakeholder Consultation by SAC has been evident in the past and the SAC Board are aware that more needs to be done to address these concerns.

This will happen through a widening of the SAC Board nomination system (already recently instigated through an openly advertised appointment process to the SAC Board), in a widening of the remit of the SAC Members (Council), and in the formation of additional Consultative Committees to provide specific stakeholder feedback to SAC in the areas of agriculture and cognate industries, environmental protection, rural development, animal health, and biosciences. “Horizon Scanning”, in consultation with Stakeholders, will be core to the development of SAC’s activities in future.

2.4 Core Services

SAC’s core mission is to support land-based industries and by definition this encompasses a wide range of responsibilities. Nevertheless the SAC Board concurs with the conclusion drawn by D&T that the core services which SAC provides in future should focus on technical and business advisory services for Scotland’s land-based enterprises, veterinary and disease surveillance services to protect the human food chain from zoonotic disease, and applied research services aimed at improving technical efficiency and innovation in the land-based industries.

The SAC Board believes that educational services should continue to be an activity which is a core function of SAC and has significant reservations regarding the inference contained in the D&T Report that SAC might consider an exit from direct educational provision at some levels. The Board believes that the strategy of **developing Educational partnerships**, as set out in SAC’s own Strategy Review, is the optimum way to support the needs of Scotland’s rural industries. The further development of part-time and distance learning provision will be vital to widening access to courses for rural learners.

2.5 Integration of Functions

The integration of advisory, research and educational functions within one organisation is strongly supported in the Stakeholder Consultation responses. We agree with the view put forward by Deloitte and Touche that education does not significantly inform the research function; neither, we would contend, does the education function inform the research activities of any other higher or further education establishment. Rather the research and consultancy expertise enriches the educational experience of students by using personnel directly involved in the consultancy and research programmes for education. The consultancy programme also informs the research base with regard to industry requirements.

The SAC Board therefore believes that integration of the three functions within one organisation, **the Collegiate system** remains the optimum model for properly supporting Scotland's land-based industries in future.

2.6 SAC Decision Making

A number of criticisms have been voiced by staff regarding the effectiveness of the Senior Management Team in SAC in establishing priorities for the business, and have commented on their slowness in "sorting-out" the current financial difficulties faced by SAC. The SAC Board believes that the frustration of staff with regard to decision taking in SAC has been greatly compounded by the public and political pressure for the retention of an infrastructure which is inappropriate for modern-day service delivery.

In that regard the SAC Board is particularly pleased to note that D&T regard SAC's internal "Strategy Review" to be "thorough, well researched and with a strong basis of evidence **a realistic analysis.**"

2.7 SAC's Infrastructure

A recurrent theme in the D&T Report is that SAC has an unnecessarily large estate. They conclude that the geographical infrastructure leads to an inherent overhead which **adversely impinges on the commercial and public good services** provided by SAC to its clients in Scotland. They recommend that this must be addressed if SAC is to effectively deliver competitive services to any of its constituent stakeholders in future.

The SAC Board **concurs** fully with the view expressed by Deloitte & Touche that "the SAC Board should now be supported in its wish to reconfigure its educational services and its educational estate for current circumstances."

The Board wishes to emphasise however that it will enter Phase II of this exercise with an open mind with regard to the configuration of those service delivery options in future and concurs with the steer provided by the Minister, and fully endorsed by D&T, that the options appraisal exercise must be conducted in a fully objective manner and should be fully auditable.

2.8 Environmental Awareness, Protection and Care of the Environment

A number of respondents have indicated that they feel that SAC has not taken appropriate cognisance of environmental issues in its advisory and research programmes. The SAC Board understand this point with the caveat that most of our clients are agricultural businesses, which until recently, have viewed increasing emphasis on

environmental issues as an additional burden on their already fragile businesses. Those clients regard SAC as their “good friend” in developing their business on a sound financial basis.

Nevertheless SAC, and indeed our clients, now increasingly recognise that environmental considerations will be a priority for the land-based industries in Scotland in future. We will therefore undertake to realign our advisory and consultancy services in an appropriate manner. This has been fully taken on board in SAC’s response to the recent “Custodians of Change” Report wherein SAC proposes that it should work in full partnership with other relevant agencies such as SNH and SEPA to ensure that **environmental compliance** becomes a major plank of agribusiness advice going forward. Furthermore two new Directors, one Executive and one Non-Executive, have recently been appointed with particular experience of environmental consultancy and environmental policy respectively.

The SAC Board is still of the view however that full adoption of agrienvironmental policies by the agricultural community will require the demonstration of financial benefits to the businesses involved. SAC will aim to be integral to that process.

APPENDIX 1

This Appendix contains SAC's current Mission, Vision and Objectives and proposed amendments resulting from the Stakeholder Review.

Current Mission:

"to enhance the sustainability of rural areas and the viability of the industries on which they depend".

The Vision is:

"to be the nationally acclaimed centre of excellence for Knowledge Transfer to the rural communities and to the industry on which they depend working in a businesslike and professional manner so as to best serve the needs of stakeholders, to achieve sustainable growth, and to meet the aspirations of its staff".

Strategic Objective 1

To promote the competitiveness of SAC's clients in the rural industries.

Strategic Objective 2

To enhance rural diversity and opportunity.

Strategic Objective 3

To promote care and protection of the environment.

Strategic Objective 4

To safeguard crop, animal and human health and welfare.

Strategic Objective 5

To work in partnership with others where this will achieve improved service delivery.

Strategic Objective 6

To generate surpluses and secure funding for investment.

Proposals for Amendment of SAC's Mission, Vision and Objectives

Mission

The word "land-based" should be inserted before "industries" to give a revised mission statement to read

"to enhance the sustainability of our land-based industries"

Vision

This needs to reflect innovation and knowledge transfer to a primarily Scottish client base.

"To be a focus in Scotland for innovation and the transfer of knowledge to the land-based industries".

Objective 1

"To inform the development of Scottish agriculture by promoting competitiveness and sustainability".

Objective 2

"To provide innovative thinking on land-based business opportunities".

Objective 3

"To promote awareness, care and protection of the environment".

Objective 4

"To promote crop and animal health, and enhance the quality and safety of our food chain".

Objective 5

"To do research of practical relevance to the development of the land-based industries".

Objective 6

"To educate and train people for our land-based industries".

Objective 7

"To work in partnership with others to achieve improved service delivery".

Objective 8

"To build a dynamic business environment in which individuals are developed, valued and respected".