

# College Indicative Funding Allocations AY 2026–27



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Summary:	Announcement of indicative funding allocations for colleges for Academic Year 2026–27.
FAO:	Principals, Chairs, Finance Directors and Board Secretaries of Scotland’s colleges, and the general public.
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## College indicative funding allocations for AY 2026–27

### Purpose/background

1. I am writing to announce Scottish Funding Council (SFC) decisions on indicative funding allocations for colleges for the forthcoming Academic Year (AY) 2026-27.
2. SFC provides indicative funding allocations to help colleges plan for the forthcoming AY. We have engaged with the Scottish Government through the funding allocation process to ensure that our funding principles align with Ministerial policy priorities, including those set out in our Letter of Guidance.
3. The indicative allocations set out in this announcement are based on the Scottish Government's [Scottish Budget 2026 to 2027](#) which was approved by the Scottish Parliament on 25 February 2026.
4. We have engaged with several key sector groups in developing these indicative allocations and we will publish final allocations by the end of May 2026.

### Overview

5. We continue to seek to balance a range of priorities for colleges – fulfilling our statutory mission and duties, aligning with the Scottish Government's stated priorities, and taking account of sector and stakeholder feedback, including the need to:
  - Significantly increase the core teaching budget to protect frontline teaching - enhancing the quality of students' learning experience and to support them to succeed in their studies.
  - Consider the financial sustainability of colleges and their capacity to deal with any shifts in funding allocations, taking account of cumulative impacts across the sector.
  - Continue to set realistic student activity targets, including Foundation Apprenticeship opportunities.
  - Retain sufficient capital funds to address very high priority capital maintenance/estate needs and ad hoc emergencies, including health and safety issues.
  - Continue to fund national infrastructure and specific programmes of national interest for the sector through strategic investment funds.

6. The key points in this indicative funding announcement for colleges in 2026-27 are:
- **Teaching funding has increased by £42.5 million (m) (8.0%) from AY 2025-26:** see paragraph [15](#).
  - **Full implementation of the revised teaching funding allocation model introduced in AY 2025-26:** see paragraphs [13-18](#).
  - **No changes to credit thresholds:** see paragraphs [19-20](#).
  - **The student support budget has been maintained at the same level as AY 2025-26 (£123.0m) - college funding allocations will be announced by SAAS:** see paragraphs [25-27](#).
  - **Capital maintenance funding has been maintained (£32.0m), with an additional £8.2m allocated for high priority needs:** see paragraphs [28-31](#).

## Scottish Budget 2026–27

7. The Scottish Government announced a college resource (revenue) budget for Financial Year (FY) 2026-27 of £721.1m. This represents an increase of £61.4m (9.3%) from the FY 2025-26 budget of £659.7m<sup>1</sup>.
8. The college capital (net) budget has been set at £43.8m. Excluding funding for the new Dunfermline Learning Campus, this represents an increase of £8.2m (23.8%) from FY 2025-26.
9. The Scottish Government has indicated that, given the increased resource budget, colleges should no longer seek to switch funds from capital to resource. Please note, in order to ensure a distribution in line with the funding allocation model, teaching funding does not factor in previous levels of capital to resource switching.
10. In addition, the Scottish Government has indicated that the increase in budget should provide for transformational support in the sector. In these allocations, we have sought to balance this with a focus on increasing core funding for colleges to support stabilisation. We will contact the sector further on transformational support.
11. The Scottish Government has recently published its [Bringing Hope, Building futures: Tackling Child Poverty Delivery Plan 2026-2031](#). The plan announced additional college funding for 2026-27 with a focus on alleviating child poverty. We are currently developing options and guidance for the allocation of this funding and will work with the sector to agree our approach.

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<sup>1</sup> An FY 2025-26 budget of £656.2m was published in our [College Final Funding Allocations for AY 2025-26](#) in May 2025. This did not include an additional £3.5m relating to Off-Shore Wind and Skill in Care funding provided by the Scottish Government at the final budget stage in February 2025.

## College funding allocation for 2026–27

12. [Table 1](#) provides a summary of the indicative budget allocations for the college sector announced in this publication for 2026-27.

## Teaching funding

13. For AY 2026-27 we have fully implemented the revised teaching funding allocation model that was introduced last year.
14. We have also embedded the additional funding that was allocated separately to colleges in AY 2025-26 to support National Insurance (NI) costs, staff pay and pensions funding. We have done this by taking the total of these elements for each premium group and adjusting the premium rate accordingly. This splits the funding for these elements for each premium group across the colleges in that group.
15. Indicative core teaching grant for AY 2026-26 has been set at **£570.5m**. Using a starting point of teaching funding for AY 2025-26 plus the NI costs funding contained in the final funding announcement for 2025-26, this is **an increase of £42.5m (8.0%)** from AY 2025-26. Indicative funding allocations for individual colleges are shown in [Table 2](#).

## Further changes to the college teaching funding model

16. We introduced the following changes to the teaching funding allocation model for AY 2025-26 to address transparency and funding comparability issues:
- Calculated a core credit price for each college/region based on their actual split of activity across subject price groups.
  - Grouped colleges together, primarily based on size (in relation to student numbers) and taking into account geographical area.
  - Removed the premiums from core funding and reallocated the associated funding, resulting in a single premium rate for each grouping.
17. We put in place significant further amendments to funding to dampen the impact of the above changes to certain colleges. For AY 2026-27 these amendments have been removed.
18. The college model continues to incorporate:
- A tolerance rate of 2% on the under-delivery of credit thresholds.
  - A 'required date' for funding full-time students in line with the university sector.
  - Any recovery for under-delivery of credits limited to a maximum of 80% of associated teaching grant.

## Credit thresholds

19. **There are no changes to college credit thresholds for AY 2026-27.** We will continue to engage with the sector and individual colleges regarding additional demand and credits being claimed that do not align with our guidance/strategic priorities. This will form part of the work we are doing with colleges on a fundamental review of the teaching funding allocation model.
20. We are not planning any significant changes to our Credit Guidance for AY 2026-27 but will engage as necessary with the sector prior to publication.

## Foundation Apprenticeships

21. The Scottish Government remains committed to Foundation Apprenticeships as part of senior phase provision and the continued expectation is that the sector will deliver up to 2,500 opportunities in AY 2026-27. As in AY 2025-26, in setting college credit thresholds for AY 2026-27 we have not separately identified Foundation Apprenticeship credits.

## Additional college/university articulation places

22. Streamlining the learner journey by encouraging articulation between colleges and universities remains a priority for SFC and the Scottish Government. SFC's Additional Articulation Places ('Associate Student') Scheme continues to support this priority area.
23. Colleges (and universities) should continue with current arrangements to meet Ministerial priorities to expand articulation and ensure support continues for disadvantaged learners to progress to degree level study. SFC continues to expect at least 75% of additional articulation/Associate Student funding to be transferred to colleges from universities, for those years in which activity is delivered in colleges.
24. Refreshed guidance was [published](#) by SFC in December 2025.

## Student support funding

25. The overall student support budget for AY 2026-27 is **£123.0m**, which is unchanged from AY 2025-26.
26. As part of the Post School Education and Skills Reform programme announced by the Scottish Government, responsibility for FE student support will transfer from SFC to Student Awards Agency Scotland (SAAS) for AY 2026-27.
27. College student support funding allocations for AY 2026-27 have been announced by SAAS and are available [here](#).

## Capital funding

28. The Scottish Government’s budget for FY 2026-27 provides a college capital budget of **£43.8m**. Excluding ring-fenced funding for Fife College’s new Dunfermline Learning Campus (DLC), this budget represents an **increase of £8.2m (23.8%)** from FY 2025-26.
29. The overall indicative capital budget split for FY 2026-27 is summarised in the table below:

Capital budgets for FY 2026-27	£m
Capital maintenance	32.0
High priority needs, including health & safety issues	10.7
<b>Capital sub-total (excluding Fife College DLC)</b>	<b>42.7</b>
Fife College DLC	1.1
<b>Total college capital</b>	<b>43.8</b>
NPD expenditure	32.6

## Capital maintenance

30. The flexibility of combined backlog and lifecycle maintenance allocations has been maintained for FY 2026-27, with an indicative budget of **£32.0m (unchanged from FY 2025-26)**. Indicative funding allocations for individual colleges are shown in [Table 3](#).
31. We have put aside the increase in the overall capital budget to support the highest priority capital/estate needs. This provides a budget for FY 2026-27 of **£10.7m; an increase of £8.2m** from what was set aside in FY 2025-26. As was the case last year, we will write to colleges separately about the use of this funding.

## NPD project expenditure

32. Funding for NPD expenditure in FY 2026-27 is **£32.6m, an increase of £1.0m (3.2%)** from FY 2025-26. This is for major capital project unitary charges (under the Scottish Government’s Non-Profit Distributing model) for Ayrshire, Inverness and City of Glasgow colleges.

## College Employers Scotland

33. Funding for College Employers Scotland (CES) previously came from SFC Strategic Investment Funding and is being transitioned to a distribution through colleges. As part of this transition, for AY 2026-27 we will provide this funding to CES on the colleges’

behalf, with a view to funding being distributed directly to colleges via an agreed methodology from AY 2027-28.

## Tables

34. We have attached the following indicative tables for AY 2026-27:
- Table 1 - Summary of overall college funding.
  - Table 2 - Teaching funding allocations and student activity (credit) thresholds.
  - Table 3 - Capital maintenance funding (FY 2025-26).
  - [Tables 1 - 3 combined](#).

## Fair Work First

35. The Scottish Government expects that all public bodies and those in receipt of public funds should be exemplars, and be able to demonstrate practices, of [Fair Work](#). Recipients of public sector grants are required, as a minimum standard, to comply with the following mandatory criteria:
- Pay at least the Real Living Wage.
  - Provide appropriate channels for effective workers' voice, i.e. collectively (e.g. through trade union recognition) and individually (e.g. through staff surveys).
36. Recipients of public sector grants are expected to commit to working towards the remaining five desirable [Fair Work First criteria](#).

## Further information

37. If you require any additional information, please contact the Funding team, email: [funding@sfc.ac.uk](mailto:funding@sfc.ac.uk), in the first instance.

**Francesca Osowska**  
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