Scottish Funding Council
Comhairle Maoineachaidh na h-Alba

SFC Announcement

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College Transformation Framework 2026–27

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Issue Date:	12 November 2025
Reference:	SFC/AN/20/2025
Summary:	Guidance and invitation to colleges to submit expressions of interest in the College Transformation Framework for AY 2026-27.
FAO:	Principals, Chairs, Finance Directors and Board Secretaries of Scotland's colleges and the general public.
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Table of Contents

College Transformation Framework 3

Introduction 3

Background 3

Operation 3

Process 5

Criteria 5

Call for Expressions of Interest 6

Data Protection 7

Further information 7

Annex A: Potential project scenarios 8

Annex B: CTF process 10

College Transformation Framework

Introduction

1. The Scottish Funding Council (SFC) is pleased to announce another round of applications for the College Transformation Framework (CTF).

2. We would like to invite colleges/college regions to submit expressions of interest for AY 2026-27 by 28 November 2025, although later proposals may also be considered.

Background

3. Within the context of a challenging fiscal environment, we have been working via the college Tripartite Alignment Group and sector groups, to identify ways to support a more sustainable college sector. The CTF proposal seeks to support transformation within the financial resources currently available, recognising that we are likely to have challenging budget settlements in future.

4. The key focus of the CTF is to secure a college sector that is front and centre of transformational change towards future financial sustainability, with a flexible funding model and curriculum.

5. By allowing colleges to vary, on a temporary basis, the delivery of credits from the thresholds set during the annual funding round, without impacting their core teaching grant, the CTF provides a mechanism that could be used to support colleges to transition to a more sustainable footing from within existing budgets.

6. The CTF recognises that no additional funding is available by offering flexibility to support college transformation by removing some of their delivery risks.

Operation

7. Colleges will be able to flex the credits delivered over an agreed period of transition. The released funding no longer associated with credit delivery should be available for transformation. An example of this is provided in the table below:

CTF worked example; medium-sized college	**£m**
Annual credit threshold: 98,000 credits (assumes no change to credit threshold over the period of the transformation)	31.40
Funding available for transformation	

Y1 up to 10% of credits	3.40
Y2 up to 5% of credits	1.70
Y3 up to 2.5% of credits	0.85
Move to agreed Y4 threshold	

8. After the transformation period funding will be adjusted accordingly based on the agreed credit threshold.

9. Although no formal threshold has been set for the maximum number of credits that can be flexed, colleges should consider the learner impact in their proposals.

10. Colleges can choose whether they wish to opt-in to this approach.

11. As the sector is not homogeneous and there continues to be variation between colleges in terms of financial performance, approaches to transformation will differ and will be unique to an individual college.

12. Colleges will have different transformation priorities. These could include the adoption of more cost-effective delivery models, cost reductions or the generation of alternative funding sources. For example, colleges could:

    - Consider how best to meet regional need and demand for greater agility, flexibility and responsiveness in the curriculum.
    - Look at co-creation of new curriculum to reduce cost and to collaborate to deliver more efficient class sizes in fewer locations.
    - Incorporate new delivery models to meet the growing need for people to be work-ready more quickly and so increasing bespoke, fast-track and part-time provision and increasing in-work upskilling and reskilling.
    - Consider curriculum transformation to better align the offer to learner/employer needs.
    - Transform and deepen industry engagement and investment in the vocational system, whereby colleges could also be developing capacity to access additional sources of funding.

13. There is no typical project, but as a minimum, projects will be expected to deliver cost savings or income generation benefits. Further examples of potential projects are provided at Annex A. These illustrative examples are by no means exhaustive, and we

will welcome submissions of diverse approaches not considered here.

14. It is expected that the average transformation will take two to three years. Failure to demonstrate sufficient transformation engagement or progress may lead to removal from the CTF. Transformation progress will factor into decisions to recover for under-delivery.

15. Funding may be varied each year should there be budget increases, reductions or in-year savings required by the Scottish Government, or changes to the funding model.

16. If a college requests an increase to its credit threshold, consideration may be given to how this impacts on eligibility for the CTF.

17. Given the relatively recent introduction of the CTF, we expect that the process will continue to develop and improve as feedback is gathered and incorporated. Although this is a formal call for Expressions of Interest, colleges will be able to note their interest at any time during the academic year.

Process

18. A two-stage process, outlined at Annex B, is planned.

Criteria

19. Following a review of the process and proposals for AY 2025-26 we have added an additional criterion regarding collaborative work to the list below.

20. Proposals should:

- Be consistent with strategies set out by SFC, the Scottish Government and the scheme principles noted below:
    - Skilled and enabled workforce: The goal of any changes should be to enable the development and delivery of a skilled and enabled workforce in response to key industry sector demand.
    - Long-term viability: Changes should assist colleges in achieving sustainable operations that will align with future funding pressures.
    - Agility: Through the transition support framework, SFC may provide colleges with the agility to use core funding to meet local opportunities and challenges without exposure to recovery of funds.
    - Accountability: Colleges must demonstrate accountability for the use of public funds, ensuring all proposals align with clear transformation objectives and measurable outcomes.

  - Planned transformation: Transformation should occur at a speed to mitigate disruption, allowing colleges to re-allocate a proportion of credit funding progressively over a defined period.
  - Stakeholder engagement: Maintain strong communication and agreement between SFC, Scottish Government, college leadership and other relevant stakeholders to ensure trust, collaborative alignment and support.
  - Collaborative work: Proposals should demonstrate how transformation will support collaborative work with other stakeholders (be that colleges, universities of other bodies) to enhance efficiencies in delivery and joined up thinking in the provision offered.
  - Transparency: All proposals and actions should be transparent, allowing for effective oversight, monitoring and adjustment when necessary.
- Advance long-term financial sustainability while delivering a fit for the future college.

Call for Expressions of Interest

21. SFC is inviting Expressions of Interest (EoI) in the CTF for AY 2026-27, which clearly demonstrates senior management support.

22. Colleges are invited to submit a short EoI and should include:

    - Contact details.
    - A summary of the project including proposed start date, and duration, and an assessment of the impact on the college and its learners.
    - Show how the project aligns with key strategies and objectives.
    - Status in terms of readiness to proceed in AY 2026-27.
    - Identification of delivery risks and how these will be mitigated and managed.
    - An estimate of the credit delivery impact by AY.
    - A summary of how the project will support the long-term financial sustainability of the institution.

23. Please email submissions to CTF@sfc.ac.uk.

24. SFC would welcome early discussion around potential proposals. Please contact CTF@sfc.ac.uk if you would like to arrange this.

25. EoIs will be considered on a case-by-case basis and a call will be arranged to discuss the

proposals in more detail. SFC will need to consider the regional and national impact as part of the evaluation process.

26. For those EoIs endorsed, SFC will arrange an initial meeting to agree on the next steps, which will include the completion of a standardised application form or submission of a more detailed transformation plan.

27. SFC recognises that there will be interdependencies for colleges with the level of funding available for 2026-27, and therefore the planned closing date for full applications will be in February, after the publication of the draft Scottish Budget.

Data Protection

28. Aside from contact details, no personal data should be included as part of your expression of interest submission and care should be taken to ensure that the identities of individuals are not inadvertently disclosed. For more information about how SFC uses personal data please see our Privacy Notice.

Further information

29. If you would like any further information, please contact CTF@sfc.ac.uk.

Francesca Osowska
Chief Executive

Annex A: Potential project scenarios

Scenario	Context	Proposal and Impact
Alternative revenue generation	Scottish Government and SFC have recently highlighted that the quantum of other income in the college sector has been fairly static for many years and have sought examples from the college sector around options for alternative funding.	To enable and facilitate an increase in agile and alternative revenue streams for colleges, using alternative cost-effective delivery models where appropriate, whilst potentially using already proven innovative delivery models with the sector.
Innovation	Colleges across Scotland welcome the opportunity to reform and enhance the sector using collective digital capabilities, improving effectiveness, but above all to unlock the potential and accelerate new and better ways of working in line with societal pace of change, whilst supporting the wellbeing of individuals. A revised National Digital Strategy has been developed and is ready for full scale adoption and implementation to provide lasting change.	To support colleges in streamlining and simplifying current operational elements and incorporating digital solutions where possible. This could be collaborative and/or individual institutional approaches.
Skills development	Recognition from Scottish Government, local government and Audit Scotland that there are significant workforce challenges in key sectors for Scotland that require responsive approaches. Several models already exist for supporting industry engagement and skills development in the college sector, including the Energy Skills Partnership, ensuring coherent approaches to	To facilitate groups of colleges collaborating around shared skills delivery development and delivery platforms, and to co-create offers on thematic skills delivery areas responding to regional economic need such as Net-Zero or Care.

	qualifications development and strategic focus on areas of skills shortage and job growth.	

Annex B: CTF process

