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Comhairle Maoineachaidh na h-Alba

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College Indicative Funding Allocations AY 2025-26



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Summary:	Announcement of indicative funding allocations for colleges for Academic Year 2025-26.
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 2025-26

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) 2025-26.
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: 2025-26](#) which was approved by the Scottish Parliament on 25 February 2025.
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 2025.

Scottish Budget 2025-26

5. The Scottish Government's 2025-26 Budget set a college resource (revenue) budget for Financial Year (FY) 2025-26 of £656.2 million (m). This represents an increase of £13.2m (2.1%) from FY 2024-25.
6. The college capital (net) budget has been set at £64.8m; a reduction of £20.1m (-23.7%) from FY 2024-25.
7. We have also been allocated an additional £5.5m associated with increased National Insurance costs. This will be distributed through our final funding announcement.

Overview

8. We have sought 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:
 - protect frontline teaching and learning by maximising the core teaching budget;
 - set realistic targets for credit thresholds, including Foundation Apprenticeship opportunities;
 - ensure there are sufficient student support funds available to meet college/student demand;
 - retain sufficient capital funds to address very high priority capital maintenance/estate needs and ad hoc emergencies, including health and safety issues;

- consider the financial sustainability of colleges and their absorptive capacity in dealing with any shifts in funding allocations; mitigating impacts on individual institutions' viability as much as possible and taking account of cumulative impacts across the sector; and
 - continue to fund national infrastructure and specific programmes of national interest for the sector through strategic investment funds.
9. The key points in this indicative funding announcement for AY 2025-26 are:
- **We have increased our investment in teaching funding by £13.2m (2.6%) from AY 2024-25:** see [paragraphs 11-12](#).
 - **We have made changes to the teaching funding allocation model, with funding impacts mitigated for AY 2025-26:** see [paragraphs 14-15](#).
 - **We have maintained the lower credit thresholds that were introduced from AY 2023-24:** see [paragraph 13](#) and [paragraphs 20-21](#).
 - **The student support budget has been maintained at the same level as AY 2024-25:** see [paragraphs 31-33](#).
 - **We have increased capital maintenance funding by £1.5m (4.9%):** see [paragraphs 34-37](#).

Overall college funding allocated for 2025-26

10. [Table 1](#) provides a summary of the institutional funding announced in this publication.

Teaching funding

11. **Indicative core teaching funding for AY 2025-26 has been set at £522.5m, an increase of £13.2m (2.6%) from AY 2024-25.** Individual allocations are shown in [Table 2](#).
12. This increase incorporates funding for period products (£0.4m) which has been incorporated into our core funding, and additional funding for lecturers' pay (£4.5m) and pensions (£8.3m).
13. We have retained changes to the college funding model that we introduced for AY 2023-24:
- Lowered credit thresholds (and consequent price per credit increase) to reduce the risk of exposure to funding recovery for under-delivery, thereby enabling greater planning certainty.
 - A tolerance rate of 2% on the delivery of credit thresholds.
 - In recognition of fixed/sunk costs, 20% of teaching funding will not be associated with the delivery of credit thresholds.

- A change to the ‘required date’ when a full-time student can be counted for funding, in line with the university sector.

Further changes to the college teaching funding model

14. Following discussions with the sector, we are introducing changes to the teaching funding allocation model for AY 2025-26. The key changes are:
 - **We have calculated a core credit price for each college/region based on their actual split of activity across subject price groups.**
 - **We have grouped the colleges primarily based on size (in relation to student numbers) and taking into account geographical area.**
 - **We have removed the premiums from core funding and reallocated the associated funding resulting in a single premium rate applied to each group.**
15. The above changes address issues regarding transparency and funding comparability between learners on similar courses which have been raised by the sector. We will work with the sector on further refinements to the model during AY 2025-26.

Support for pension costs

16. Part of the increase to the Scottish Government’s college resource budget for FY 2025-26 was identified to support pension costs. This funding, which amounts to £8.3m, has been allocated separately from core teaching funding based on individual college data on pension pressures. Indicative allocations are shown in [Table 2](#).

Support for lecturers pay

17. Funding of £4.5m has been allocated to support lecturers pay. This has been allocated based on colleges’ share of credits, with an additional uplift for Sabhal Mór Ostaig and Newbattle Abbey College whose credit thresholds are not directly related to their funding allocation. Indicative allocations are shown in [Table 2](#).

Mitigations for AY 2025-26

18. We have mitigated the impact of the changes to the funding model for AY 2025-26 to ensure that all colleges receive an increase to their teaching funding. This means that colleges who would see an increase based on the change to the funding model will not see their full increase in AY 2025-26.
19. A summary of the indicative funding allocations for AY 2025-26, including the impact of the changes to the allocation model and mitigation is shown in [Table 2](#). Further detail will be provided to colleges at the same time as this publication, with a view to providing this detail in the final funding allocations.

Credit thresholds

20. **There are no changes to credit allocations for AY 2025-26.** As part of further refinement to our approach to funding, we intend 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 be with a view to working with colleges to reprioritise and/or redistribute credits to reflect areas of demand/low participation.
21. We are not planning any material changes to our Credit Guidance for AY 2025-26 but will engage as necessary with the sector prior to publication.

Foundation Apprenticeships

22. The Scottish Government remains committed to Foundation Apprenticeships as part of senior phase provision and the expectation is that the sector will deliver up to 2,500 opportunities in AY 2025-26. As in AY 2024-25, in setting college credit thresholds for AY 2025-26 we have not identified separate Foundation Apprenticeship credits.

College/university articulation places

23. 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.
24. 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.
25. We have reviewed the use of funded places provided in this area and will write further to the sector on the future of the Scheme during AY 2025-26.

Access to free period products

26. Funding (£0.4m) for colleges to provide access to free period products in AY 2025-26 has been embedded into core teaching grant allocations and therefore separate guidance/funding allocations will no longer be issued. Colleges will be aware of their legal duty to continue to provide access to free period products under [the Act](#).

Support for increase in National Insurance costs

27. The Scottish Government has notified SFC that we will receive £5.51m to allocate to colleges in AY 2025-26 to partially fund (approximately 60%) the increase in National Insurance costs. At this point the funding is shown at a sector level in [Table 1](#).

28. This funding has not been allocated to individual colleges at this stage. We have asked colleges to submit their expected total National Insurance costs for AY 2025-26. We will use this information to allocate this funding between colleges, which we intend to show in our final funding allocations.

Regional bodies

29. In December 2024, the Minister for Higher and Further Education confirmed the Scottish Government's decision to dissolve the Glasgow and Lanarkshire Regional Strategic Bodies (RSBs) by the end of AY 2024-25, subject to Scottish Parliamentary approval. From a funding perspective, this means that, from AY 2025-26, the colleges in these regions will no longer be assigned and will receive individual allocations, instead of a single regional allocation.
30. To support the residual costs of winding down and closure of business of the RSBs, a small top slice will be applied to the funding for the Glasgow and Lanarkshire Colleges as appropriate.

Student support funding

31. For AY 2024-25 we adjusted the student support budget to better reflect actual demand and recent trends in budget spend. **The indicative student support budget for AY 2025-26 has been maintained at the same level at £123.0m.** We have maintained individual allocations for AY 2025-26 as per AY 2024-25, given the large adjustments made for AY 2024-25. Indicative student support funding allocations for individual colleges/regions are shown in [Table 3](#).
32. We will, as in previous years, continue to conduct an in-year redistribution exercise where colleges will be asked either to relinquish funds that are not required or request additional funds. We continue to encourage colleges to carefully consider the funding they require as part of this exercise so that it is in line with our approach to reflect demand better.
33. Similar to AY 2024-25, the student support budget for AY 2025-26 continues to protect the significant increase to the bursary maintenance rates that was provided for AY 2023-24, but we are not able to provide any further uplift to the rate for AY 2025-26.

Capital funding

34. The Scottish Government's 2025-26 budget provides a college capital budget of £64.8m. Whilst this is an overall reduction of £20.1m from FY 2024-25, we have been able to increase the sector capital maintenance funding budget.

35. The overall indicative capital budget split for FY 2025-26 is summarised in the table below:

Capital budgets	£m
Capital maintenance	32.0
High priority needs, including health & safety issues	2.5
Fife College's new Dunfermline Learning Campus	30.3
Total college capital	64.8
NPD expenditure	31.6

Capital maintenance

36. The flexibility of combined backlog and lifecycle maintenance allocations has been maintained for FY 2025-26, **with an overall indicative budget of £32.0m. This represents a £1.5m (4.9%) increase from FY 2024-25.** Indicative funding allocations for individual colleges/regions are shown in [Table 4](#).
37. We have again retained £2.5m of the capital budget for FY 2025-26 to support the highest priority capital/estate needs. As was the case in FY 2024-25, we will write to colleges separately about the use of this funding.

NPD project expenditure

38. Funding for NPD expenditure in FY 2025-26 is £31.6m, an increase of £2.3m (7.8%) from FY 2024-25. 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.

Tables

39. We have attached the following indicative tables for AY 2025-26:
- [Table 1 - Summary of overall college budgets](#)
 - [Table 2 - Teaching funding allocations and credit thresholds](#)
 - [Table 3 - Student support funding allocations](#)
 - [Table 4 - Capital maintenance funding allocations \(FY 2025-26\)](#)
 - [Tables 1 - 4 combined](#)

Fair Work First

40. 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).
41. Recipients of public sector grants are expected to commit to working towards the remaining five desirable [Fair Work First criteria](#).

Further information

42. If you require any additional information, please contact Richard Maconachie, Director of Finance & Funding, email: rmaconachie@sfc.ac.uk or Gordon Craig, Deputy Director, Tertiary Education Funding, email: gcraig@sfc.ac.uk, in the first instance.

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