

Financial Forecast Return (FFR) for Colleges 2024-25 to 2027-28



Financial Forecast Return (FFR) for Colleges: 2024-25 to 2027-28

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Summary:	This Call for Information requests colleges to complete a medium-term financial forecast return for the period 2024-25 to 2027-28.
FAO:	Principals, Finance Directors and Board Secretaries of Scotland's Regional Colleges, non-assigned non-incorporated colleges, and Regional Strategic Body for the Highlands and Islands; and the general public.
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Financial Forecast Return (FFR) for Colleges: 2024-25 to 2027-28

Purpose

1. This Call for Information requests colleges / Regional Strategic Bodies to complete a medium-term financial forecast return for the Academic Years (AY) 2024-25 to 2027-28. It includes indicative funding assumptions that will assist colleges in their financial planning.
2. Regional colleges, non-assigned non-incorporated colleges, and Regional Strategic Bodies (RSBs) should send their returns to the Scottish Funding Council (SFC) by 30 June 2025.
3. For colleges in the Highlands and Islands region, individual returns will be required from the RSB for each of the assigned colleges by 30 June 2025.

Financial forecast return

4. The financial forecast return (FFR) is an established part of SFC's financial health monitoring framework. Financial projections are a key source of information in enabling SFC to monitor and assess the medium-term financial planning and health of colleges.
5. SFC's Financial Memorandum with colleges and RSBs requires colleges to plan and manage their activities to remain sustainable and financially viable. It is therefore critical that colleges take the necessary actions to balance their adjusted operating position, reflect these actions in their FFRs, and provide a full description of their financial plans in the FFR commentary.
6. Colleges should aim to achieve a balanced budget each year. Where a deficit is forecast in any year, colleges must work towards bringing income and expenditure back into balance over the forecast period. Colleges should provide us with a narrative which clearly sets out the actions that will be required to address financial sustainability challenges, and any resulting adverse impact on staff and students. Please also provide copies of relevant Board or Finance Committee papers; if these papers include the narrative requested, a separate commentary is not required.
7. We expect colleges to review their business models/strategic plans in light of the tight financial environment. Please provide a summary of changes made and/or under consideration. If no review has taken place, please provide the reason for this.
8. **It is important to note that we have no information on Scottish Government funding beyond Financial Year 2025-26 (year to 31 March 2026) so these assumptions are indicative.**
9. This year's return follows the same format as last year's FFR and 2023-24 annual accounts return. We have added a sheet to the return to capture the impacts of an alternative funding scenario that we are asking colleges to model.

Arms-length foundations

10. Arms-length foundations (ALFs) were established to mitigate the impact of incorporated colleges' reclassification as arms-length central government bodies. Colleges are encouraged to maximise ALF funding to support their financial position, where appropriate. Any donations to ALFs should only be made where budget cover is available from net surpluses arising from commercial activity during the Financial Year to 31 March. Government funds cannot be donated in this way. Please contact SFC if your college is considering an ALF donation.

Return of the FFR

11. Finance Directors will receive an individual spreadsheet which we have pre-populated with the 2023-24 annual accounts figures. For assigned colleges in the Highlands and Islands region, we will send the pre-populated return to the RSB.
12. Guidance for completion of the return can be found in **Annex B** below. A blank copy of the spreadsheet return template is published on our website along with this Call for Information. The template is unlocked so that it can be used in preparing the figures for the return. We would request that colleges complete the pre-populated return provided for submission to SFC.
13. Colleges are required to complete the forecast figures for the period 2024-25 through to 2027-28. Please note that the guidance in **Annex B** requests a commentary on the financial forecasts which should cover the context in which the forecasts have been prepared. Your commentary will be as important as the figures you submit, as this will help us better understand the issues facing your college and will support follow-up engagement. Scenario planning is a normal part of financial planning. Please include commentary on any additional scenario planning, working through a range of assumptions and options to show the trade-offs involved, and choices you could make to reach an optimal position for your college.
14. Please enter explanations for significant variances (+/- 5% or over 2% of total expenditure) on the spreadsheet. As with previous forecast exercises, we may come back to colleges with queries and requests for further details following our analysis of the forecast information.

Information requested

15. Please email an electronic copy of the return in Excel format, and the financial commentary to SFC by 30 June 2025. Please also provide copies of the relevant Committee and/or Board papers. If the schedule of governing body meetings makes it difficult to achieve this deadline, please contact us as soon as possible. In that instance, please provide a draft return including the full commentary by 30 June 2025 with the final approved version to be provided as soon as possible thereafter.
16. Because financial returns are essential for SFC's institutional financial health monitoring and reporting, it is important that returns are submitted to SFC by the deadline and are

completed fully. Colleges should also ensure that the forecasts are as accurate and dependable as possible.

17. Where staff restructuring costs are included in 2025-26, colleges should provide a copy of the proposed voluntary severance scheme and details of planned restructuring (where not already submitted to SFC). Colleges should also outline restructuring plans beyond 2025-26, where applicable, in the financial commentary.
18. Electronic copies of the return and supporting documents should be sent to isg-returns@sfc.ac.uk.

Further information

19. Please contact Andrew Millar, Assistant Director, Finance & Funding (tel: 0131 313 6538; email: amillar@sfc.ac.uk) or Wilma MacDonald, Senior Financial Analyst, Finance & Funding (tel: 0131 313 6565; email: wmacdonald@sfc.ac.uk) to discuss any aspect of this communication.

Ursula Lodge CPFA

Deputy Director, Institutional Sustainability & Capital

Annex A

Key FFR planning assumptions

1. We have developed income and expenditure assumptions that should be used in preparing the FFR. These assumptions are provided for the purpose of supporting planning consistency across the sector.
2. It is important to note that we have no information on Scottish Government funding beyond Financial Year 2025-26, so these assumptions are indicative. **Colleges should therefore also develop any additional planning scenarios they consider appropriate for their operating environment/circumstances.**

SFC grant assumptions

Credits and teaching income

3. Core funding for 2025-26 should be based on the [final college sector funding allocations](#) for AY 2025-26 announced on 29 May 2025.
4. If it is anticipated that core credit thresholds will not be met in any year, funding should be reduced accordingly, after mitigations of 2% tolerance and decoupling of 20% of Teaching Funding credit value permitted to reduce planning volatility. All other SFC funds should also be considered as subject to recovery unless agreed directly with SFC.
5. As in previous years, we are providing colleges with guidance on assumptions in relation to SFC grant funding for 2026-27 and 2027-28 that should be used in preparing the FFR. To be clear, **this does not reflect SFC policy and is not an indication of future funding allocations.** These assumptions are provided to support sector-wide planning consistency.
6. In preparing the FFR colleges should assume that:
 - Total SFC core grant funding for the sector for 2026-27 and 2027-28, including funding for lecturers' pay, pension costs and National Insurance costs, remains unchanged from those set out in the 2025-26 final funding announcement.
 - The mitigations included in 2025-26 funding allocations will be unwound with equal annual adjustments over the three academic years 2026-27 to 2028-29. The 2025-26 mitigations are included in the additional table that was provided to colleges along with the indicative funding announcement.
7. Colleges are also requested to provide an alternative funding scenario, assuming SFC grant funding and related credit thresholds for 2026-27 and 2027-28 remain unchanged from those announced for 2025-26.
8. The **Regional Strategic Body for the Highlands and Islands region** will need to advise its

assigned colleges of their funding assumptions over the forecast period to 2027-28.

Student support funding

9. Colleges should assume that all student support funding requirements will be fully met.

Capital Maintenance

10. SFC Capital Maintenance funding should be based on the final 2025-26 funding allocations announced on 29 May 2025. Colleges should assume that this funding must be used for capital expenditure only. SFC continues to engage with the Scottish Government on this matter.

Other assumptions

Non-SFC income

11. Non-SFC income projections should be prepared taking account of local circumstances. Colleges will need to take account of the latest available information from staff with responsibility for securing and delivering non-SFC funded activity while taking account of anticipated levels of demand.

Staff costs

12. Colleges should factor in cost of living pay award increases for all staff.
13. For support staff, colleges should continue to account for job evaluation costs based on Colleges Scotland costings. Job evaluation costs should be included in the 'Other staff costs' line on the Expenditure sheet with a corresponding adjustment being entered in the Adjusted operating result sheet.
14. Public sector pay policy for the three financial years 2025-26 to 2027-28 was published by Scottish Government in December 2024. Colleges should therefore assume a total pay award of 9% over these three years. Incremental pay increases should also be reflected throughout the period, where appropriate. As the lecturers' pay has already been agreed, colleges should assume 4.14% for lecturers in AY 2025-26 with the pay increases in the remaining two years bringing the balance of the total pay award over the three years to 9%.
15. Colleges should demonstrate how they would plan to generate the savings required to implement the above pay guidance.
16. Pension cost forecasts should reflect any known or expected changes to employer contribution rates.
17. For this FFR, colleges should assume that additional funding will be provided to cover the cost of increased employer contributions to the Scottish Teachers Superannuation Scheme which have been implemented from April 2024. Colleges should note that

funding is likely but the Scottish Government has yet to finalise the Barnett consequential of the announced UK Government support for central government funded bodies.

18. Colleges should assume that funding will not be provided for severance costs.
19. FRS 102 pension adjustments should be excluded from the forecasts.

Non-staff costs

20. Non-staff cost projections should be prepared taking account of local circumstances.
21. Colleges should demonstrate where they plan to generate required savings, where applicable.

Estates

22. Estates-related cost projections should be prepared taking account of local circumstances. Forecast utility costs should be based upon local circumstances and latest APUC guidance.
23. For the purposes of planning, colleges should assume that no funding for RAAC remediation will be available.

Disposals

24. On 28 January 2025, the Minister for Higher and Further Education wrote to colleges regarding a new approach to the college asset disposal process. SFC will shortly publish updated disposals guidance, setting out in detail how this new approach will operate in practice. It is important to note that the Minister retains the right to direct use of any proceeds, regardless of amount, as set out in section 18 of the Further and Higher Education (Scotland) Act 1992.
25. Forecasts should reflect any planned property disposals and include both expected proceeds and costs of disposal. All proposed disposals, regardless of the level of anticipated receipt and the proposed use of the proceeds, must be notified to SFC who may direct how the proceeds are to be utilised.

Cost savings

26. Forecasts should reflect cost savings required to bring income and expenditure into balance. Colleges may wish to consider the College Transformation Framework as a tool to help bring budgets to balance. We appreciate that some of these savings will have already been identified, but there may be work ongoing to secure the remainder. We have included a text box in the 'Efficiencies' worksheet in the FFR template which should be used to add supporting narrative.
27. The baseline for measuring staff and non-staff cost savings should be the prior year (e.g., 2023-24 actuals for 2024-25, 2024-25 updated forecast for 2025-26).

Cash forecasting

28. Colleges are required to provide high-level cash balances as part of the balance sheet projections for all years in the planning period.

Annex B

Guidance for completion

Structure of the FFR

1. The FFR takes the form of an Excel spreadsheet which has fourteen worksheets. A copy of the spreadsheet is published along with this Call for Information.
2. Thirteen of the sheets require input by the college. We suggest the order of completion is:
 - (i) Pension assumptions.
 - (ii) Arms-Length Foundation (ALF) funding.
 - (iii) Income.
 - (iv) Expenditure.
 - (v) SoCIE.
 - (vi) Adjusted operating result.
 - (vii) Balance Sheet.
 - (viii) Liquidity analysis.
 - (ix) Cashflow.
 - (x) Capital expenditure.
 - (xi) Efficiencies.
 - (xii) Alternative funding scenario.
 - (xiii) Declaration.

Sheets not requiring completion

3. The Summary sheet does not require to be completed. This summarises various key figures from the spreadsheet and is calculated automatically.

Completion of the FFR

Input of financial forecast figures

4. The worksheets in the spreadsheet contain blue highlighted boxes for the input of the actual and forecast figures.
5. Please note that only whole numbers can be input into the return. Please do not link the spreadsheet to another document or change the formatting in the spreadsheet.
6. Please enter explanations for any significant variances (+/- 5% or over 2% of total

expenditure) where appropriate.

Commentary

7. Colleges should also provide a commentary on the financial forecasts. This serves five purposes:
 - To explain how the financial forecasts represent the college's strategic plan.
 - To enable a proper understanding of key aspects of the financial forecast.
 - To explain the actions taken by the college to remain sustainable and financially viable, including financial and non-financial impact of cost saving measures.
 - To explain the impact of any other scenarios considered by the college.
 - To explain any potential alternative options and trade-offs you could make, to reach a more optimal position for your college.
8. It is important that detailed commentaries are provided to support the financial forecasts. This will enable us to prepare a meaningful analysis of the underlying operations of the sector.
9. The following areas should be covered by the commentary:

Introduction

10. This should cover the context in which the forecasts have been prepared. It should include an explanation of how the elements of the college's strategic plan, human resource management strategy and estates strategy are reflected in the forecasts, and how these developments are to be financed.
11. We expect colleges will be reviewing their business models/strategic plans in light of the continuing tight financial environment. Please provide a brief summary of changes made and/or under consideration. If no review has taken place, please provide the reason for this.

Review of financial performance 2024-25

12. Discuss the key features of the latest forecast financial performance in 2024-25, highlight positive and negative variances from the 2023-24 annual accounts and 2025 Mid-Year Return forecast and the main reasons for these variances.

SFC recurrent grant

13. You should confirm that SFC grant income for 2025-26 is in accordance with the AY 2025-26 [final college sector funding allocations](#) issued on 29 May 2025.

Changes in tuition fee income and other income

14. This should include details of the assumptions made regarding student numbers and the reasons for year-on-year movements in other sources of income.

Commercial income

15. You should document plans for commercial income generation and any barriers. Please also confirm what this activity is, how it will be funded and confirm the expected net contribution from such activity.

Changes in staff and non-staff costs

16. Discuss the reasons for year-on-year movements in pay and non-pay expenditure and the impact on non-pay expenditure of price changes and changes in the level of activity.
17. In particular the following areas should be addressed:
 - Assumptions regarding pay awards and their impact on pay expenditure.
 - Assumptions regarding staff numbers.
 - Assumptions regarding staff restructuring including voluntary severance or compulsory redundancies.
 - Assumptions regarding future pension contribution costs.
 - Assumptions regarding inflationary pressures.

Balance sheet – cash position

18. Please provide detailed commentary about the college's operating cash position, especially if this position is deteriorating over the forecast period or in any one year. The commentary should also highlight any expected breach of loan covenants as well as details of negotiated repayment holidays.

Contingency planning

19. Colleges will have prepared contingency plans and potential mitigating actions to respond to adverse movements on income and expenditure. Please supply a copy of your financial contingency plans.

Risk management

20. This should provide details of the key risks identified when preparing the forecast and details of the risk management strategies devised to deal with them. Colleges should describe the corrective actions that would be taken to address identified risks.

Scenario planning

21. Details of financial and non-financial impacts of the alternative funding scenario, as outlined in paragraph 7 of Annex A, should be provided in the commentary.
22. Colleges should also provide details of any additional planning scenarios that have been considered by the college's governing body, and related financial/non-financial impacts.

Any other information

23. This should provide any other information which you feel should be brought to our attention.