

Dr Ian Mair
Acting Chair of Court
University of Dundee

26 November 2025

by email

Dear Ian,

UNIVERSITY OF DUNDEE; s25 CONDITIONS OF FUNDING

The Scottish Funding Council (SFC) continues to support the University of Dundee and recognises the distinctive and valuable contribution the University makes to the local community, national economy, and international reach of Scotland. We are committed to supporting the University's return to a sustainable financial position as a going concern.

To support this goal, and in addition to both the £10m grant previously provided and the offer of £12m of lending in financial year ending 31 March 2026, financial support of **up to** £40m of grant funding can be provided during the period up to the end of the 2026/27 academic year through a Scottish Government Section 25 (s25) direction to the Scottish Funding Council; this funding is subject to the required due diligence, compliance with the 'Conditions of s25 Funding', and evidence this funding is needed. In addition to funding, SFC will provide support and guidance, working with the University, to monitor closely the University's financial situation.

To protect a very significant amount of public funding, and to support the University in securing its long-term recovery, conditions of funding are required. This letter provides a strategic overview of the five areas where conditions will attach to all s25 funding, and the rationale for these conditions.

In setting these conditions, SFC is responding to the Scottish Government's exercise of its power under s25 of the Further and Higher Education (Scotland) Act 2005 which enables Ministers to direct SFC about the provision of financial and other support to a particular institution where there is the appearance of financial mismanagement. In exercising its power

under s25, for the first time, the Scottish Government is directing SFC to offer public funding to afford the University, as an autonomous institution, the time and resources needed to recover in a way that is financially sustainable into the long-term and to rebuild the culture of the University by improving engagement with its community of students, staff and external partners.

This letter provides a strategic overview of the five areas where conditions will attach to all s25 funding, and the rationale for these conditions. In developing these conditions SFC has been mindful of the progress that the University of Dundee has made and needs to make in relation to five key thematic areas:

- 1) Strategy for Financial Sustainability
- 2) Robustness and Transparency of Governance
- 3) Capacity and Stability of Leadership
- 4) Pathway to Access Commercial Lending
- 5) Delivery for Staff, Students, and the Wider Region

Plans to address all five thematic areas listed above will need to be evident within both medium- and long-term strategies for the University and in their underpinning enabling plans. The process of developing a coherent medium-term strategic plan will provide a timely opportunity to facilitate building trust with staff and students and developing further engagement with external stakeholders. In tandem with this medium-term strategic planning process, the conditions set in respect of the five thematic areas will enable the necessary progress to be made in the recruitment and appointment of effective permanent governance and leadership thus creating the foundations for future success within a long-term strategy.

SFC believes these elements are essential, not just for the long-term future of the University but also to: ensure that public money is properly spent; deliver a strategic recovery; and represent a fair response to a situation caused by financial mismanagement and poor governance by previous leadership. These conditions respect the autonomous status of the University and balance SFC's requirements for oversight and accountability for public money with the University of Dundee's strategic and operational direction being set by the University's Court and Executive respectively.

This letter and the conditions **do not yet** constitute a formal offer of funding. A formal offer of funding detailing the conditions applicable to the s25 monies will be sent to the Chair of the University Court once the conditions have been sent to Ministers and the funding under s25 has been confirmed. SFC will also send the University a letter as each tranche of funding is released, when the conditions to release the funds are met.

In addition, SFC requires any request for financial support to be underpinned by appropriate due diligence. The University must provide the information necessary to allow that due diligence to take place; this will include updated financial forecasts with supporting assumptions which align to the conditions of this letter. The Scottish Government's contracted advisor, Deloitte, will issue an information request list imminently to support this work and I would ask you to meet any requested deadlines to ensure a final agreement regarding s25 funding can be reached as soon as possible.

1. Section 1 - Financial Sustainability

The conditions aim to secure the long-term stability and recovery of the University through the development and delivery of a comprehensive medium-term strategic plan that establishes financial sustainability, aligns immediate actions with future goals, and lays the foundations for a longer-term university strategy.

The long-term stability and sustainability of the University require a clear vision and longer-term strategy to inform the future direction of the University. The SFC recognises the University's desire to wait until a permanent Principal takes up their post before initiating this longer-term strategic planning process. In the interim, however, a medium-term strategy is required to guide immediate decisions, to align immediate actions with future goals, and to ensure that short-term actions to make immediate savings do not risk undermining future recovery.

It is clear that the lack of a financially viable strategy and the University's inability to adapt adequately to changing external circumstances were contributing factors to the University's financial difficulties. While the immediate need is to balance the finances, decisions should be taken with a strategic view to the medium and longer term.

Opportunities must be taken to utilise the medium-term strategic planning process to rebuild a culture of trust and accountability across the University of Dundee. Clear measures must be taken to enhance staff engagement and enable staff and students the opportunity of contributing to shaping the University's future for both the medium- and long-term.

For this reason, this additional s25 funding will initially support the University to produce a three-year **Strategy To Recovery** to be approved by the University's Court by 30 June 2026. This period should be used to develop a medium-term (three-year) strategic plan, engage staff, and consider the longer-term vision for the University of Dundee. Strategic planning is a matter for the University, and it is the responsibility of Court to scrutinise and approve the strategic plan.

Scottish Government has directed SFC to ensure that s25 funding is used to afford the University of Dundee a period of time to develop a coherent strategy for the University's future and to address the shortcomings in governance, leadership and financial management identified in the Gillies Review. It is Scottish Government's clear instruction that until such a strategy (referred to above and in the Conditions of Funding as the **Strategy To Recovery**) has been developed and approved by Court there should be no new proposals for additional compulsory staff reductions. Bearing in mind that the University has already delivered c. 250 FTE job reductions through voluntary severance, making further staff cuts in the short term and in the absence of a strategic plan could risk undermining long-term sustainability and fail to use this pivotal moment as a means of rebuilding the culture, trust and confidence required to sustain the delivery of financial recovery.

The **Strategy To Recovery** must provide a clear and evidenced route map to long-term financial sustainability, considering both income and expenditure, opportunities for growth, and evidence supporting how any savings proposed are the most appropriate to deliver future success. SFC understands and accepts that the University may take operational decisions that mean voluntary staff reduction opportunities may support tackling urgent financial problems, and that some staff may welcome the opportunity to apply for and accept voluntary severance during this period of change.

SFC advises the University to keep staff fully informed, via regular, frequent and transparent communication, about the University's financial situation and to involve staff in the recovery process.

2. Section 2 - Robustness and Transparency of Governance

The conditions require the university to employ robust financial controls to ensure spending decisions are well-documented, prudent and informed by insights from both the Gillies Review and engagement with staff and students.

The *Gillies Review* provided clear evidence of poor financial controls; the governance of financial management within the University has exposed the institution to unnecessary risks and significantly undermined confidence in its financial stewardship. Strengthening financial controls and processes, and the governance relating to financial sustainability, is essential to safeguard the public funding offered under S25 to ensure that all spending is both prudent and transparent.

By implementing more rigorous controls, processes and accountability measures, the University will foster a culture of responsible financial decision-making, crucial for restoring

trust and securing future commercial funding. This will protect taxpayer resources and support the long-term financial sustainability and reputation of the institution.

The *Gillies Review* also highlighted serious concerns with the operation, culture, scrutiny and capacity of the Court. These weaknesses must be addressed with urgency to safeguard any public funding of the University. In improving the governance of the University of Dundee, Court Members should familiarise themselves fully with the *Scottish Code of Good Higher Education Governance* (2023) which requires that:

‘The governing body must take responsibility for ensuring the effective management of the institution, planning the institution’s strategic direction and future development and advancing its mission. The governing body has ultimate responsibility for all the affairs of the institution and must ensure that there are appropriate arrangements for financial management.’

Compliance with ‘The Code’ is a condition of all SFC funding, including that allocated under the remit of s25.

3. Section 3 - Capacity and Stability of Leadership

The conditions aim to establish a clear pathway to stable and effective Court oversight and appropriate capability and capacity of permanent executive leadership for all critical strategic and structural decisions.

Permanency and stability of leadership at both Court and Executive level is vital for future planning, institutional and stakeholder confidence, safeguarding of public funding, and securing future commercial lending; this must be a key priority for the University.

With 12 months elapsed since the emergence of the financial crisis and departure of the then Principal, the SFC remains concerned that there has been little progress made on the appointment of a permanent Principal. The process to elect a new Chair of Court has also been delayed after the previous Acting Chair stepped down in June 2025, although SFC understands that a new Chair will be elected imminently.

By requiring the University to develop and implement a **Leadership and Governance Development Plan** SFC seeks reassurance and delivery of key milestone actions to ensure permanent and effective leadership at both Court and Executive level is achieved as quickly as possible.

4. Section 4 - Pathway to access commercial lending

The conditions aim to ensure that the University is using best efforts to regain access to commercial lending.

The SFC recognises that it will take time for the University to be able to borrow money from commercial lenders again. The **Strategy To Recovery** should set out clear steps and goals for gaining access to commercial lending so that the University is able to pursue alternative funding when the Section 25 funding ceases in 2027.

Taking steps towards securing commercial lending will also demonstrate the University's commitment to responsible financial management and will build confidence among staff, students and stakeholders.

5. Section 5 - Delivery for Staff, Students and the Wider Region

The conditions aim to engage staff and students in the development and delivery of the University of Dundee's recovery.

The situation at the University of Dundee is unique in the history of Scottish universities and the s25 direction is unprecedented, reflecting the gravity of the previous financial mismanagement. The culture within the University has undoubtedly left many staff and students feeling disempowered; it is vital that transparency of decision-making is improved in ways that enhance staff and student consultation and engagement to ensure they are afforded meaningful opportunities to shape the future of their institution, as would be normal practice in any strategic planning process.

Universities are communities of people and those within Scotland's universities play a critical role in shaping our regions, our nation and our international reach and impact. It is vital that the University of Dundee develops its culture of governance and leadership to better serve its people: its staff, students and external stakeholders. To support the University in this endeavour, the conditions provide a framework to assist in the development of improved staff and student engagement. Additional support can be made available to the University throughout this process should such support be requested.

Conclusion

These measures collectively underscore a steadfast commitment to helping the University of Dundee, through substantial public funding and SFC support, to restore its financial health and develop the required stability of leadership and culture of trust.

By insisting on the development of strategic approaches to financial sustainability, good governance, stable leadership, and a defined pathway to future borrowing, the conditions

attached to the s25 funding provide both a safeguard for public funding and a foundation for renewal.

With continued collaboration and shared accountability among all stakeholders, the University is well positioned to emerge stronger, more resilient, and better equipped to serve its staff, students, and wider stakeholders for generations to come.

The SFC executive will be happy to discuss points of finer detail of the conditions with your team. On behalf of the Scottish Funding Council's Board, I wish you and your Board, together with the executive team, staff, students and wider stakeholders, the very best in delivering this renewal for the University of Dundee.



Professor Emerita Cara Aitchison

Chair SFC Board