



Scottish Funding Council
Comhairle Maoineachaidh na h-Alba

SFC CALL FOR INFORMATION

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College Financial Forecast Return (FFR) 2025–26 to 2028–29



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Issue Date:	8 June 2026
Reference:	SFC/CI/05/2026
Deadline	30 June 2026
Summary:	This Call for Information requests colleges and University of the Highlands and Islands as the Regional Strategic Body for the Highlands and Islands, to provide a medium-term Financial Forecast Return for the period 2025–26 to 2028–29.
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.
Further Information:	EMAIL: isg-returns@sfc.ac.uk

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Financial Forecast Return (FFR) for Colleges: 2025-26 to 2028-29

Purpose

1. This Call for Information requests colleges and University of the Highlands and Islands (UHI) as the Regional Strategic Body (RSB) for the Highlands and Islands to provide a medium-term Financial Forecast Return for the Academic Years (AY) 2025-26 to 2028-29. It includes indicative funding assumptions that will assist colleges in their financial planning.
2. Regional colleges and non-assigned non-incorporated colleges should send their returns to the Scottish Funding Council (SFC). UHI should provide SFC with assigned colleges' spreadsheet returns and associated documents.
3. Returns should be sent to SFC no later than **30 June 2026**. Earlier returns are encouraged where this is possible. Colleges assigned to UHI should submit the returns to UHI no later than **22 June 2026**.

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 the RSB for the Highlands and Islands requires colleges to plan and manage their activities to remain sustainable and financially viable.
6. 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. It is important for colleges to present a balanced budget and clearly outline mitigating actions that they would need to take to deliver a break-even position across the next three years, including any that may result in reduced delivery of strategic objectives.
7. The colleges should also present an alternative scenario indicating how their break-even position would change if some or all mitigating actions required to achieve a balanced budget could not be delivered. In this alternative scenario, where a deficit is forecast in any year, colleges should provide a narrative which clearly sets out the mitigating actions that will be required to achieve a break-even position and address financial sustainability challenges, including any resulting in adverse impact on staff and students.
8. Please also provide copies of relevant Board or Finance Committee papers. If these papers include the narrative requested a separate commentary is not required.

9. We expect colleges to continue reviewing their business models and strategic plans. Please provide a summary of changes made and/or under consideration. If no review has taken place, please provide the reason for this.
10. It is important to note that we have no information on Scottish Government funding beyond Financial Year 2026-27 (year to 31 March 2027) so these assumptions are indicative.
11. This year's return follows the same format as last year's FFR and 2024-25 annual accounts return. In line with last year, we have added a sheet to the return to capture the impacts of an alternative funding scenario that we are asking colleges to model. If colleges wish to capture more than one alternative scenario, please do so using the blank FFR template provided on the SFC website. The basis of the alternative scenario is the decision of the college.

Arms-length foundations

12. 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.

Guidance and Format of the Financial Forecast Return

13. Finance Directors will receive an individual spreadsheet which we have pre-populated with the 2024-25 annual accounts figures. For assigned colleges in the Highlands and Islands region, we will send the pre-populated return to the RSB. Colleges should not change or amend the pre-populated figures or formulas.
14. 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 request that colleges complete the pre-populated return provided for submission to SFC.
15. Colleges are required to complete the forecast figures for the period 2025-26 through to 2028-29. 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.
16. Please also include commentary on any additional scenario planning, working through a range of assumptions and options to show choices you could make to reach an optimal position for your college.

17. Please enter explanations for significant variances (+/- 5% or over 2% of total income/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.
18. If sections of the return are incomplete or partially complete, we will request an updated return. For example, if the breakdown of staff costs does not match total staff costs, colleges will be asked to update the return so that these align.

Information requested

19. Please provide the following information by **30 June 2026** (as noted earlier, colleges assigned to UHI should submit their returns to UHI no later than **22 June 2026**):
 - An electronic copy of the return in Excel format and the financial commentary.
 - Copies of the relevant Committee and Board papers, which should include details of any additional planning scenarios that have been considered by the Board.
 - If the schedule of Committee/ Board meetings makes it difficult to achieve this deadline, please provide a draft return, the dates of the Committee/ Board meetings, and the proposed date for the submission of the final approved return.
 - Where staff restructuring costs are included in 2026-27, a copy of the proposed voluntary severance scheme and details of planned restructuring (where not already submitted to SFC). Colleges should also outline in the financial commentary any restructuring plans beyond 2026-27.
20. It is important that returns are submitted to SFC by the deadline to allow SFC to monitor colleges' financial health and report to the SFC Finance Committee in the required timescales. The returns should be completed fully, and the forecasts should be as accurate and dependable as possible.
21. Electronic copies of the return and supporting documents should be sent to isg-returns@sfc.ac.uk.

Further information

22. Please contact Institutional Financial Health, tel: 0131 313 6500, email: isg-returns@sfc.ac.uk, to discuss any aspects of this letter.

Annex A: Key FFR Planning Assumptions

1. We have worked with the College Finance Development Network Lead Group and the Technical Accounting Group in developing income and expenditure assumptions that should be used in preparing the FFR. These assumptions are provided to support planning consistency across the sector.
2. We have no information on Scottish Government funding beyond Fiscal Year 2026-27. These assumptions are therefore indicative, and, as noted above in paragraph 7, colleges should develop any additional planning scenarios with alternative assumptions they consider appropriate for their operating environment/circumstances.
3. Forecasts should be prepared in line with the Statements of Recommended Practice (SORP). The most recent SORP, effective for financial periods beginning on or after 1 January 2026, was published on 3 November 2025 and incorporates recent changes to the underlying FRS 102 standard. [Statement of recommended practice 2026 edition](#)

SFC grant assumptions

4. Guidance on SFC grant funding assumptions reflects Scottish Government funding for the college sector confirmed at the time of writing. SFC will notify colleges separately if any further funding is allocated.

Credits and teaching income

5. Core funding for AY 2026–27 should be based on the [final college sector funding allocations](#) for AY 2026–27, announced on 3 June 2026. Forecasts should factor in the uplift in funding for AY 2026–27. For AY 2027–28 and AY 2028–29, institutions should assume no further uplift in funding. 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. If it is anticipated that core credit thresholds will not be met, funding should be reduced accordingly, after mitigations of a 2% tolerance and recovery based on 80% of teaching funding permitted to reduce planning volatility. Funding does not need to be reduced for the approved reduction in credit thresholds under the agreed College Transformation Framework.
7. The Regional Strategic Body for the Highlands and Islands region must advise its assigned colleges of their funding assumptions over the forecast period to AY 2028-29.

Capital maintenance

8. SFC Capital Maintenance funding should be based on the AY 2026–27 [final funding allocations](#) announced on 3 June 2026. For AY 2027–28 and AY 2028–29, institutions should assume no further uplift in capital maintenance funding for the purposes of planning. Unless previously agreed, support for the highest priority capital/estate needs

should not be included in funding assumptions as it will be allocated through a separate process.

9. Colleges should assume that this funding must be used for capital expenditure only. The Scottish Government has confirmed that, given the increased resource budget for 2026-27, colleges should no longer seek to switch funds from capital to resource. Colleges should therefore prepare forecasts based on the allocated capital and resource funding.

Other assumptions

Non-SFC income

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

Student support funding

11. As part of the Post School Education and Skills Reform programme announced by the Scottish Government, responsibility for student support will transfer from SFC to Student Awards Agency Scotland (SAAS) for AY 2026-27.
12. College student support funding allocations for AY 2026-27 have been announced by SAAS and are available here: [College Student Support Indicative Funding Allocations 2026 to 2027](#).
13. Student support funding requests will continue to be met where possible. However, as in previous years, there may be a shortfall in available funds at a sector level. This may mean that the amount of funding allocated to individual colleges is capped. This will continue to be the case when responsibility for student support transfers to SAAS from AY 2026-27. However, for planning purposes, colleges should assume that student support funding requirements will be met by SAAS.

Staff costs

14. Colleges should factor in cost of living pay award increases for all staff.
15. 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.
16. 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 the following pay awards for teaching and professional services staff:
 - 2026-27: 3.4%.

- 2027-28: 3.0%.
 - 2028-29: 2.6%.
17. Colleges should demonstrate how they plan to generate the savings required to implement the above pay guidance. Colleges should assume that funding will not be provided for severance costs.
 18. Pension cost forecasts should reflect any known or expected changes to employer contribution rates. FRS 102 pension adjustments should be excluded from the forecasts.
 19. No assumption should be made for additional funding for future pay awards or National Insurance changes unless formally confirmed.

Non-staff costs

20. Non-staff cost projections should be prepared taking account of local circumstances. Colleges should use actual expenditure to date and extrapolate costs for the remainder of the academic year as appropriate.

Estates

21. Estates-related cost projections should be prepared taking account of local circumstances and should be in line with any planned costs. No additional funding should be assumed for estate costs (including RAAC) unless previously agreed.
22. Forecasts regarding disposals should reflect the revised SFC guidance available here: [Guidance for the disposal of publicly funded land and buildings and the retention of proceeds by colleges - Scottish Funding Council](#).

College Transformation Framework

23. College Transformation Framework funds that have been approved should be reflected in forecasts.

Cash forecasting

24. Colleges are required to provide high-level cash balances as part of the balance sheet projections for all years in the planning period. Forecasts should assume that any SFC cash advances are repaid within 12 months.

Cost savings

25. Forecasts should reflect cost savings required to bring income and expenditure into balance and the resultant strategic priorities which the college may no longer be able to afford to deliver within the assumed flat-cash funding envelope. 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.

26. The baseline for measuring staff and non-staff cost savings should be the prior year (e.g. 2024-25 actuals for 2025-26, 2025-26 updated forecast for 2026-27).

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 do not alter any figures that are pre-populated.

7. Please enter explanations for any significant variances (+/- 5% or over 2% of total income/expenditure) where appropriate.

Commentary

8. 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 fuller 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 to reach a more optimal position for your college.
9. 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.
10. The following areas should be covered by the commentary:

Introduction

11. 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.
12. 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 2025-26

13. Discuss the key features of the latest forecast financial performance in 2025-26, highlight positive and negative variances from the 2024-25 annual accounts and 2026 Mid-Year Return forecast and the main reasons for these variances.

SFC recurrent grant

14. You should confirm that SFC grant income for 2026-27 is in accordance with the AY 2026-27 [final college sector funding allocations](#) issued on 3 June 2026.

Changes in tuition fee income and other income

15. 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

16. 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

17. 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.
18. 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

19. 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.
20. If the July 2026 cash balance does not align with the most recent cash flow return submission to SFC, please provide brief commentary on reasons for the variance.

Cash forecasting

21. As outlined in paragraph 24 of Annex A, forecasts should assume that any SFC cash advances are repaid within 12 months.

Contingency planning

22. 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

23. 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

24. Details of financial and non-financial impacts of the alternative funding scenario, as outlined in paragraph 7 and paragraph 2 of Annex A, should be provided in the commentary.
25. 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.
26. There are no assumptions for the alternative funding scenario as the planning scenario is the decision of the college. Any assumptions/planning details should be provided in the commentary.

Any other information

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