Scottish Funding Council
Comhairle Maoineachaidh na h-Alba

SFC Guidance

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Public Service Reform Initiatives FY 2026-27

Public Service Reform initiatives FY 2026-27

Issue Date:	23 July 2026
Deadline:	21 August 2026
Reference:	SFC/GD/16/2026
Summary:	Guidance and invitation to submit applications for funding of the Public Service Reform initiatives FY 2026-27.
FAO:	Principals/Directors, Finance Directors and Board Secretaries of Scotland's universities and colleges.
Further Information:	**EMAIL:** PSR@sfc.ac.uk

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Public Service Reform Initiatives FY 2026-27

1. Scotland’s colleges and universities are facing significant financial pressure at a time when learners and employers are asking more of the system, and Ministers are clear on the need for sustained economic growth. In response, SFC is focused on delivering a programme of stabilisation and transformation across the tertiary system from 2026-27 onwards, reflecting Ministers’ ambitions on Public Service Reform and making the most of the 7% uplift to SFC’s budget in 2026-27. This provides a unique opportunity to drive meaningful transformation. This investment will support activity aligned to SFC’s strategic priorities, and enable institutions to progress shared ambitions through collaborative, regionally responsive approaches, while balancing ambition with affordability.

2. This forms a key part of Scotland’s wider Public Service Reform programme, which aims to deliver more efficient, sustainable and joined-up public services. The tertiary system has already begun this journey including though SFC supported programmes, including the College Transformation Framework (CTF), the College Infrastructure Investment Plan (CIIP), the Shared Services Collaboration Fund and the University Transformation Framework (UTF).

3. Alongside this, system-wide change is being explored through the Future Framework for the Sustainability and Success of Scotland’s Universities and the College Sector of the Future Workstream. While we support development of that work, we must now seek to support necessary foundational reform opportunities, including providing seed funding to initiate early-stage projects that can build capability and scale into regional or system-wide changes.

4. Our approach aligns with national priorities, including financial sustainability, employability, the Just Transition, and more efficient, collaborative public services, with a strong emphasis on collaboration, regional impact, shared delivery, and improved outcomes.

5. These initiatives support and complement existing programmes of work, and we will ensure strong join-up across these five areas:

   - More flexibility through modular learning and micro-credentials.
   - Shared services, centralised services and new operating models.
   - Income growth and income resilience.
   - Benchmarking and other cost efficiencies.
   - Student records system / unique student identifier.

Operation

6. SFC's approach throughout this work will be collaborative and ambitious – actively seeking input from stakeholders across the tertiary system and offering robust challenge to maximise the pace and scale of opportunities. SFC plans a variety of approaches to delivering these initiatives. In some cases, we will work with identified sector groupings to specify and procure expertise to take forward an agreed plan.

7. We also want institutions, or groups of institutions, to bring forward their own proposals based on their expertise, strengths and local needs.

8. Alongside this, we will actively convene the sector to explore ideas and shape projects and enable shared thinking across regions and institutions. Collaboration is a core expectation, with a strong emphasis on regional approaches and shared solutions to maximise impact and efficiency.

9. Our funding envelope for this work encompasses both the college and university budgets, including a small amount of capital funding, and therefore projects can address any part of SFC's remit. Projects will be funded from the relevant budget, but we also invite proposals that take a tertiary approach to deliver system benefit.

10. Our approach is focused on outcomes rather than inputs. We are open to innovation and managed risk where this supports more impactful and faster transformation, and we will draw on expertise from across the tertiary system, the Scottish Funding Council, the Scottish Government and wider UK and international experience.

11. Funding will be allocated via two routes – proposal submission; and commissioned activity, developed in collaboration, including through engagement with Universities Scotland and Colleges Scotland.

12. In three areas we will be inviting applications: diversifying income; modular learning and micro-credentials; and creating shared service models. We may also consider commissioning work in each of these areas.

13. We envisage that the remaining two – (i) developing systems to benchmark costs and identify areas for efficiency and (ii) improving student data systems through a unique learner identifier – will be progressed primarily through commissioned activity. Further information is provided in Annex A.

Criteria

14. Proposals should demonstrate how funding will drive transformation and innovation, support long-term sector stability, and actively advance the ambitions of public service reform. Proposals may include seed-funded activity that initiates or tests new approaches, provided it clearly contributes to long-term sector stability.

15. The focus of this exercise is on understanding the scale and nature of opportunities for transformation across the tertiary system, over the next three years. We aim to fund a

small number of initiatives in 2026-27, however equally this exercise will inform the strategic planning underway by SFC, feeding into Scottish Government's Public Service Reform agenda. While proposals over £1m in 2026-27 may be considered, we recommend you contact SFC before submitting a proposal of this scale.

16. The following broad criteria apply:

- Proposals are open to all institutions individually and collectively. Universities will be able to access university-specific funding, and colleges will be able to access college-specific funding. We also invite proposals that take a tertiary approach to deliver system benefit.
- Proposals should be consistent with strategies set out by SFC and the Scottish Government and should clearly demonstrate the economic benefit for Scotland.
- Projects should address at least one of the three SFC priorities of diversifying income; modular learning and micro-credentials; and creating shared service models.
- Proposals which demonstrate collaboration, enabling progress, regional delivery, or system-wide benefit, and support delivery of public service reform will be given priority. This collaboration could be with other colleges or universities, or to deliver benefit or enable reform with other public sector organisations. While we will consider exceptions, our expectation is that proposals in general will include at least three tertiary institutions or public sector partners.
- Institutions must demonstrate accountability for the use of public funds, ensuring all proposals align with clear transformation objectives, measurable outcomes, and the wider ambitions of public service reform.
- Proposals and actions should be transparent, allowing for effective oversight, monitoring and adjustment where necessary.
- Projects should clearly set out what can be delivered by 31 March 2027. Proposals may also set out a longer-term vision, including activity and indicative funding requirements beyond this date.
- An institution should submit one main proposal but may also be named in other bids where there are elements of collaboration (and each institution may be referenced in a maximum of three proposals).

Application

Submission deadlines

17. We invite expressions of interest using the outline proposal template at Annex B to be submitted **by 5pm 21 August 2026**. SFC will provide feedback on these by 7 September, release initial seed funding where appropriate, and agree timing for a full

proposal or business case as appropriate. We recognise the pressures that institutions face in developing and agreeing their submissions over the summer period. We are providing a full proposal template now (Annex C) so that applicants can understand the information we will need in due course.

18. Outline proposal and full proposal templates are available at Annex B. Please email proposals to PSR@sfc.ac.uk.

Support and engagement

19. SFC welcomes early discussion around outline proposals. Please contact PSR@sfc.ac.uk if you would like to arrange this.

20. As noted in paragraph 8, SFC will host a webinar and other discussions in August, where stakeholders can explore initiatives, ask questions and discuss their applications with SFC. Details of these sessions will be provided in due course. These sessions are intended to support high-quality, collaborative proposals.

21. Proposals will be considered on a case-by-case basis and, where appropriate, a meeting may be arranged to discuss individual proposals in more detail. SFC will need to consider the regional and national impact as part of the evaluation process, including how proposals enable progress and collaborative delivery.

Funding decisions

22. We will review the initial expressions of interest by 7 September 2026 and communicate our decision. This may include requests to work with other parties to develop a full proposal where the scope of projects overlap. Where proposals cover activity already underway, we will look to convene and shape these further.

23. Where appropriate, seed funding may be released to support the full development of proposals. SFC's Board will be presented with an overview of the project portfolio in late September, with final funding decisions expected in October 2026.

24. We may not be able to support all proposals. However, we will hold all proposals received and re-engage with the sector should additional funds become available.

25. We will provide details on all the activities being funded under the five PSR Initiatives in due course.

Data protection

26. Aside from contact details, no personal data should be included as part of your applications 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

27. If you would like any further information, please contact PSR@sfc.ac.uk.

Francesca Osowska
Chief Executive

Annex A: SFC's approach

1. Here we provide more detail of initial conversations that have taken place on the range of approaches we will use to deliver the five initiatives, enabling a range of different delivery options, partnerships, and methods.

More flexibility through modular learning and micro-credentials

2. This initiative focuses on the theme of "better meeting learner and employer demand, while supporting coherent place-based provision" and will consider how a step change in delivery of teaching could support:

   - Upskilling.
   - Reskilling.
   - Attracting people into training and education.
   - More efficient and effective use of funding (including enabling training more people).

3. It will also consider what is needed to enable this step change:

   - Supporting people into training and employment (e.g. toolkits for institutions), including just transition pathways for future skills needs.
   - Micro-credential framework finalisation, building on the draft framework from the sector-led Micro-Credentials Network to accelerate reskilling and training, including:
   - Stackability of micro-credentials.
   - Inter-institutional recognition of qualifications (portability).
   - Recognition of prior learning.
   - Recognition of prior experience.
   - Removal of barriers to delivering short courses and micro-credentials, including funding model, employer contribution.
   - Funding of learning and teaching differently using a micro-credential approach, including identifying the building blocks that would enable this step.

4. We will adopt a triple track approach to delivering this initiative:

- Commissioning consultancy support to work with members of the Micro-Credentials Network and with colleges and universities to take forward and complete the Micro-Credentials Framework.
- Following up with institutions directly who we know are interested in developing a more significant role for micro-credentials through their ongoing engagement with Outcome Managers and through recent University Transformation Framework, College Transformation Framework, or Shared Services Collaboration proposals. We will contact these institutions directly to discuss next steps.
- Requesting proposals from any institutions or other organisations to support the areas of work outlined above. We will be particularly interested in collaborative proposals in this space that enable new approaches to be adopted across the sector and can inform our funding models and related activities. This will support finalisation and implementation of the Micro-Credentials Framework.

Shared services, centralised services and new operating models

5. This initiative focuses on the theme of "improving the financial sustainability of the tertiary system as a whole" and we will adopt a triple track approach to delivering this initiative:

   - We will engage with the Scottish Universities and Colleges Shared Efficiency and Effectiveness Delivery (SUCSEED) catalyst to support the accelerated implementation of value adding shared services and related initiatives. We will also consider opportunities with CivTech.
   - We will follow up with institutions directly who we know are interested in developing a more significant role in the development of shared services through their ongoing engagement with Outcome Managers and through recent University Transformation Framework or College Transformation Framework proposals. We will contact these institutions directly to discuss next steps.
   - We are requesting proposals from any institutions or other organisations to support the areas of work outlined above. We will be particularly interested in collaborative proposals where five or more regional or academic partners work together to develop new approaches which can then be tested in other contexts and adopted across the sector, informing our funding models and related activities.

Income growth and income resilience

6. This initiative is focused on the theme of "stimulating economic growth". In this area we aim to:

- Support a small number of sector-wide initiatives to generate economic growth, create jobs, increase employment, and so generate additional tax income to the Scottish Government (which can then be invested in public services including the tertiary system).
- Support Scottish Government at a critical point in the development of the Public Service Reform programme, to invest in a prevention strategy enabled by education, research and innovation, so reducing demand and therefore costs in other parts of the public sector such as Health, Justice and Social Security. Here we will be commissioning work directly with sector specialists to produce a visualiser or model for investment. We will look to develop this through engagement with a sub-group of SFC Board and external specialists.
- Support colleges and universities to increase their income resilience by deepening partnerships with local and regional actors to increase skills, enable innovation and grow businesses. This may build on existing City or Regional growth deals, but other thematic partnerships across regions would be welcomed here.

7. SFC will be engaging directly with Universities Scotland and Colleges Scotland to discuss opportunities for sector-wide initiatives.

Benchmarking and other cost efficiencies

8. This initiative focuses on the theme of "improving the financial sustainability of the tertiary system as a whole".
9. We will work with Colleges Scotland's Finance and Technical Infrastructure Group to explore further the use of existing benchmarking models which have been utilised within the sector.
10. We will also commission work to understand the cost of provision, including the relative costs of delivery of different subjects. This work will also inform the College Funding Model Review.
11. We will also discuss with Universities and Colleges Scotland how to develop a common approach to assessing efficiency and benchmarking costs.

Student unique identifier / student records system

12. This initiative focuses on the theme of "better meeting learner and employer demand, while supporting coherent place-based provision".
13. A unique student identifier and / or a common approach to student records would be foundational, enabling work. It would support smoother learner journeys across the

tertiary system including articulation, credit transfer and recognition of prior learning while reducing duplication in how data are held and reported. A change of this nature is necessarily a multi-year undertaking, and our focus in the near-term is therefore on establishing the case for change and the right delivery model ahead of implementation. Done well, this early work will give SFC and the sector a clear, costed basis for any future investment decision.

14. We will commission a third party to undertake a feasibility study setting out the options, costs, benefits and risks of different delivery models, building on the data already held and collected across the system rather than duplicating it. We will invite Colleges Scotland and Universities Scotland to support engagement with institutions to inform this work as well as engaging with wider public bodies including Qualifications Scotland. Subject to the study's findings, we would expect to test a preferred approach through a pilot with one or more institutions.

Annex B: Public Service Reform Initiatives – outline proposal

Project title	
Lead institution **Contact name** **Contact job title** **Contact email** **Contact phone number**	
Project priority area	
[Delete as appropriate] Modular learning and micro-credentials Shared services, centralised services and new operating models Income growth and income resilience	
Project summary	
Please provide the following information: • A summary of the reform activity and any collaborative partners (such as other institutions). • Amount of funding required (including estimated payment profile). • Proposed start and end dates. • How the activity will be resourced (for example, the number of staff and readiness to begin). • The desired outcomes and impact on learners, staff, and your institution. • long-term sustainability of activity – funding sources for continuation of this activity once SFC funding ends (if applicable).	
How the activity will be managed and governed – who will be accountable for governance and identification of delivery risks	

Annex C: Public Service Reform Initiatives funding – full proposal

Key information

Project title	
Lead institution **Contact name** **Contact job title** **Contact email** **Contact phone number**	
Project priority area	
[Delete as appropriate] Modular learning and micro-credentials Shared services, centralised services and new operating models Income growth and income resilience	
Project detail	
Please provide the following information: **Activity and evidence of need** • A summary of the reform activity and collaborative partners (if relevant). • The evidence of need for this reform. • Why is your institution the right one to deliver the reform activity. • Proposed start and end dates. **Outcomes, impacts, and measuring success** • Major milestones. • The desired outcomes, impacts, and who benefits. • How you will measure and evidence the impact of the reform. **Funding and governance** • Amount of funding required (including estimated payment profile). • Partners and their contribution, funding or in-kind activity (if relevant). • What the funding buys (staffing, equipment, events etc – please provide a breakdown in the finance section). • Would SFC's funding help to leverage additional investment? • Who is accountable for overseeing the activity and the appropriate use of public funds (e.g. Vice-Principal, Department Head, Committee etc)?	
Legislative and public sector duty requirements	

You should provide evidence of your compliance with the following and attach relevant documentation. Please provide an explanation where you have been unable to attach supporting documentation or why it is not applicable.

We anticipate that institutions / organisations have their own templates, however, SFC can provide its own templates for DPIA, EQIA, and ICIA to you to use if required. The Climate Emergency Impact Assessment, however, is a must do and the template can be found at the end of the form.

- Climate Emergency Impact Assessment (CEIA) – As a public body, SFC is expected to consider how its investments are contributing to, and tackling, the climate emergency. Organisations in receipt of SFC funds are expected to demonstrate an understanding of how their activity will impact climate change. This template must be completed and returned with your proposal form. The CEIA does not replace the Environmental Impact Assessment, which will also be required, where relevant.
- Data Protection Impact Assessment (DPIA) – A DPIA should be completed for any new piece of work that involves collecting/processing/using personal data.
- Equality Impact Assessment (EQIA) – We expect bodies in receipt of SFC funds to ensure that equality, diversity, and inclusion are considered and supported. Institutions are required to comply with the Public Sector Equality Duty and the Scottish Specific Duties (Equality Act 2010), including the requirement for an equality impact assessment for a new or revised policy or practice.
- Fair Work – 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).

  Recipients of public sector grants are expected to commit to working towards the remaining five desirable Fair Work First criteria, i.e. investment in workforce development; no inappropriate use of zero hours contracts; address workplace inequalities; offer flexible and family friendly working practices for all workers from day one of employment; and oppose the use of fire and rehire practice. From April 2027, all SFC funded institutions are expected to meet all Fair Work First criteria. Where an institution feels it needs more time to transition towards meeting the criteria in full, we would expect the institution to outline the reasons behind this and the steps it is taking to meet expectations. We expect recipients of SFC funds to have a statement on Fair Work practices; the best practice is that institutions should make every endeavour to do this in agreement with their workforce, such as the relevant trade union where one is present, or workers' representative(s) where there is no union present. You should provide a statement verifying your Fair Work First commitment.

- Island Communities Impact Assessment (ICIA) – An ICIA should be completed when developing, revising, and delivering any policy, strategy, service, or legislation that could have an effect on island communities.
- UK subsidy controls – A subsidy is the use of state funding or resources (granted by public bodies such as SFC) to support businesses. The use of a subsidy (state funding) is unlawful if it involves the use of public funding that is selective and gives businesses an unfair advantage that could potentially distort competition and trade. The use of state funding must be compliant with the Subsidy Control Act 2022

Costs

Please provide a detailed breakdown of income and expenditure for the activity. Further information can be sent as an Excel spreadsheet.

Financial summary	FY 2026-27
Income [Add/delete rows as required]	
SFC funding	£
Institution/organisation funding	£
Partner/other funding	£
Total	£
Expenditure [example categories provided below, add/delete rows as required]	
Staff costs including number of FTEs	£
Training and development	£
Travel and subsistence	£
Administration	£
Marketing	£
Events	£
ICT/Software	£
Total	£

Climate Emergency Impact Assessment

As a public body, SFC is expected to consider how its investments are contributing to, and tackling, the climate emergency. Organisations in receipt of SFC funds are expected to demonstrate an understanding of how their activity will impact climate change.

This Climate Emergency Impact Assessment does not replace the Environmental Impact Assessment, which is required, where relevant.

This template must be completed and returned with your proposal form.

At a high level, please indicate how the activity supports the Scottish Government's ambition to tackle the climate emergency and support Scotland's adaptation to climate change? [200 words max.]

Does the organisation hosting the activity have a climate change, net zero or sustainability strategy or policy? Does the policy include carbon emissions reduction and adaptation to climate change? [100 words max.]
Please include a link to your organisation's climate change, net zero or sustainability strategy or equivalent, and indicate whether it covers emissions reduction and adaptation to climate change. If the organisation does not have such a strategy, you could indicate a timeline for development.

Annex D: Public Service Reform initiatives funding FY 2026-27 process and timeline

Month	Action
July 2026	**Call for proposals opens**
July-August 2026	Engagement with stakeholders – SFC facilitates discussions and hosts webinars to explore project ideas.
21 August 2026	**Deadline for expressions of interest**
24 August to 4 September 2026	Assessment of initial proposals, with further discussions as required
7 September 2026	**Initial proposals notified**
September-October 2026	**Full proposals developed**
24 September 2026	**SFC Board endorses portfolio**
October 2026	**Awards made**