



# Financial sustainability of colleges in Scotland 2024-25 to 2028-29



Scottish Funding Council  
Comhairle Maoineachaidh na h-Alba

OCTOBER 2026



## Introduction

The Scottish Funding Council (SFC) has a key role in ensuring that the colleges we fund, plan and manage their activities in a way which ensures their financial sustainability and financial viability. This report provides an aggregate assessment of the financial health of Scottish colleges, based on their annual accounts for academic year 2024-25<sup>1</sup>, and the latest forecasts for the four academic years from 2025-26 to 2028-29.

Incorporated colleges, non-incorporated colleges and Glasgow Colleges' Regional Board (up to 2024-25)<sup>2</sup> are all included in the analysis<sup>3</sup>. The figures for 2023-24 differ from those previously reported because the 2023-24 UHI North, West and Hebrides annual report and accounts were finalised after the publication of SFC's previous report "Financial sustainability of colleges in Scotland 2022-23 to 2027-28", and due to a restatement of UHI Perth's 2023-24 financial statements.

An explanation of the college regional arrangements is provided in Annex B, and a map of the college regions is appended at Annex C.

The report also considers key risks that could have a significant impact on colleges' financial sustainability and mitigating actions colleges are taking to remain financially sustainable. In the context of our assessment of sector finances, SFC engages regularly with the Scottish Government, sector bodies and auditors.

SFC has previously reported on the financial sustainability of the college (and university) sectors in the [September 2025 College Financial Sustainability report](#). This year's report aligns with the commencement, on 1 October 2026, of Section 20 of the Tertiary Education and Training (Funding and Governance) (Scotland) Act 2026 which requires SFC to prepare and publish a report on the financial sustainability of the further and higher education sector.

<sup>1</sup> Figures are based on financial monitoring returns that colleges complete and submit to SFC.

<sup>2</sup> Glasgow Colleges Regional Board was dissolved as at 31 July 2025.

<sup>3</sup> Scotland's Rural College (SRUC) is classed as a higher education institution and is covered in the publication Financial sustainability of universities in Scotland 2023-24 to 2027-28.



## SFC monitoring and engagement

SFC monitors and assesses the financial health (sustainability and viability) of colleges and supports them in making the best use of their resources through regular engagement and analysis of financial returns colleges submit to SFC each academic year. SFC also considers colleges' individual circumstances and exposure to risk, capacity to respond to financial challenges and other relevant available information.

In summer 2026, SFC rolled out Finance Business Partnering for colleges (and universities). The new Finance Business Partnering approach forms part of SFC's wider transformation programme to strengthen financial engagement, assurance, and long-term financial health of the sector. It represents a shift towards a more proactive and collaborative engagement with colleges, adding qualitative insight to financial data and strengthening assurance over colleges' financial health. The new approach is part of the [Outcomes Framework and Assurance Model](#) which sets out SFC's expectations of colleges and universities in return for the funding they receive.

Financial sustainability is a condition of grant set out in SFC's [Financial Memorandum](#) with colleges. Colleges are responsible for maintaining their own financial sustainability and are required to notify SFC if they identify material risks to their financial health.

SFC increases levels of engagement and monitoring activity for those colleges facing significant risks to their financial health. SFC works closely with them to understand and assess the challenges they face and requires them to develop transformation plans to return them to a sustainable trajectory. This informs the Outcomes Framework and Assurance Model.

# Financial health of the college sector

## Key messages



### Colleges continue to operate in an extremely tight fiscal environment.

The increase in SFC funding for 2026-27 has partially and temporarily stabilised the sector position in 2026-27, but in a flat-cash funding scenario this is expected to deteriorate significantly in 2027-28 and 2028-29 due to increasing staff costs, general cost pressures and continued high energy costs. Increasing staff costs, driven by pay awards, National Insurance and pensions pressures, are the key reason for the projected deterioration. This suggests that the 2026-27 uplift provides short-term easing of pressure rather than a sustainable improvement in the sector's underlying financial position.



### The financial position of colleges continues to be extremely challenging, and some colleges are forecasting significant deficits for the next three years.

The actual 2024-25 adjusted operating deficit represents a deterioration of £2.9m (85%) against the 2023-24 deficit of £3.4m<sup>4</sup>. The 2025-26 adjusted operating deficit is forecast to deteriorate by a further £7.1m (112%) to £13.4m, against the 2024-25 deficit of £6.3m. **Seventeen colleges (71%) expect to report adjusted operating deficits in 2025-26, with only three colleges forecasting a breakeven position.**



**Sector cash balances are forecast to fall significantly, from £109.9m (2023-24: £132.4m) at the end of July 2025 to a deficit of £20.6m by July 2029 (119% reduction),** reflecting the weak operating position and inflationary pressures, and despite an uplift in 2026-27 SFC funding. **Insolvency remains an imminent risk, with four colleges forecasting negative cash balances at the end of 2026-27 and thirteen colleges (54%) by the end of 2028-29.** This is despite SFC providing liquidity support to a number of colleges in the sector. Without this support, the sector's cash position would be even weaker. Deteriorating liquidity combined with flat-cash funding assumptions makes it increasingly difficult for colleges to maintain sufficient cash for paying their staff, suppliers and other liabilities, and so to remain a going concern.



**Further substantial adjusted operating deficits are forecast over the next three years** with a £31.9m deficit expected in 2028-29. Eleven colleges (46%) are forecasting adjusted operating deficits in 2026-27 despite an uplift in SFC funding, and nineteen colleges (79%) in both 2027-28 and 2028-29. **These forecasts demonstrate that most colleges are not financially sustainable despite the increased 2026-27 funding.**



**Colleges remain highly dependent on SFC grant, which is forecast to account for around 78% of total income across the forecast period, an increase on 75% reported in 2024-25.** Whilst there was an uplift in SFC funding in 2026-27, assumed flat-cash funding allocations in 2027-28 and 2028-29, alongside the impact of pay awards and increasing National Insurance and pension costs, will further intensify financial pressures. Colleges reported that the large savings required to balance their operating positions would significantly affect curriculum delivery, student numbers, quality of teaching, staff numbers and morale, local communities and regional economic growth. Several colleges also indicated that savings of this scale would be unachievable, highlighting risks to their going concern status.



**Staff costs remain by far the largest element of colleges' spend at just under 70% of total costs** and are therefore the primary focus of savings as colleges urgently try to balance their budgets in the current fiscal environment. With limited flexibility over pay deals due to national bargaining and Public Sector Pay Policy (PPSP), colleges' staff savings are necessarily focused on reducing staff numbers. The sector reported staff restructuring costs of £8.1m in 2024-25, a reduction against the £11.2m reported in 2023-24. **The sector is forecasting staff restructuring costs of £4.4m in 2025-26, £2.2m in 2026-27 and a further £2m over the remainder of the planning period.** Across nineteen colleges, 437 FTE staff (equivalent to 4.5% of FTE staff in the sector) are expected to leave over the next three years through a combination of voluntary severance, vacancy management and, as a last resort, compulsory redundancy. The sector has already reduced its staffing numbers by around 1,300 FTE (12%) in the period from 2022-23 to 2024-25 with further reductions expected to have a significant impact on the student outcomes and experience, quality and volume of teaching, campus closures and colleges' ability to provide the skills their regions need.



**The sector's unrestricted cash position is also forecast to deteriorate significantly, moving from a cash balance of £6m at the end of July 2025 to a cash deficit of £115.5m by the end of the forecast period, a deterioration of £121.5m.** Fifteen colleges (63%) are projecting unrestricted cash deficits at the end of July 2026, increasing to twenty colleges (83%) by the end of 2028-29. Colleges' arms-length foundations (ALFs) balances are now almost exhausted, further reducing their flexibility to support revenue pressures, restructuring costs and estates and digital investment.



**The forecast net cash outflow from operating activities shows that most colleges do not anticipate generating cash from their core activities required for continued operations, investment in their estates and legacy debt repayments.** Only a small number of colleges forecast net cash inflows from operating activities: eight colleges (33%) in 2025-26 and six colleges (25%) in 2028-29.



As expected, sector borrowing is forecast to reduce from £197.2m at the end of July 2025 to £156.4m (21% reduction) by the end of July 2029. The borrowing figures exclude cash deficits projected by many colleges. Most of the sector's borrowing is in the form of Non Profit Distribution (NPD) commitments relating to three colleges. The remainder is legacy borrowing, in existence prior to the reclassification of colleges to the public sector, which has yet to be repaid. Colleges haven't been able to undertake any new external borrowing since their reclassification. **The weakening of sector liquidity and operating positions increases the risk of covenant breaches and heightens the risk of colleges defaulting on debt repayments with some colleges currently in discussions with their lenders.**



### Estates issues are directly driving financial issues in many colleges.

Issues such as extensive backlog maintenance, reinforced autoclaved aerated concrete (RAAC), and defective cladding are key drivers of costs in this area. However, the estates also require to be modernised and rationalised in some colleges to meet current teaching, curriculum and regional skills needs. The ongoing work on the College Infrastructure Investment Plan (College IIP), due to be published in autumn 2026, will enable SFC to better understand the estates investment needs of the college sector.

<sup>4</sup> Figures for 2023-24 differ from those previously reported as UHI North West and Hebrides has now finalised its annual report and accounts and due to restatement of UHI Perth 2023-24 financial statements



**The position beyond 2026-27 is uncertain** until more guidance is provided by the Scottish Government on future-year funding. The assumptions used for these forecasts included:

- Unchanged SFC grant (core teaching funding) for 2027-28 and 2028-29 (flat cash).
- Pay awards of 9% (in line with public sector pay policy) over the three years from 2026-27 to 2028-29.
- Local assumptions for non-staff costs.
- Colleges have also provided SFC with alternative scenarios showing that there would be a further deterioration in the sector’s financial position if the mitigating actions necessary for colleges to break even could not be achieved.



**It is important to note that:**

- **The sector is not homogeneous** and there is significant variation in the financial position of individual colleges that is not reflected in the aggregate indicators.
- **The financial sustainability of the sector remains extremely fluid with assumptions being constantly updated as circumstances change.** The results can only be viewed as a snapshot in time and are historic. Forecasts are not a guarantee of future performance and are highly likely to change over the planning period.



Audit Scotland published its Scotland’s colleges 2026 report on 10 September 2026<sup>5</sup>, also highlighting an extremely challenging financial position for the college sector.

5 [Briefing: Scotland’s colleges 2026](#)

Risks to colleges’ financial health

Colleges identified many risks in their returns which could adversely affect their financial health and ability to achieve student activity and other income targets. The most significant risk areas identified by colleges are listed below:



**Failure to maintain financial sustainability** due to forecast future flat-cash budget settlements or unanticipated reductions in funding and increasing cost pressures despite the uplift in 2026-27 funding.



**Increasing staff costs** despite planned restructuring activity. This is due to pay pressures such as cost of living pay awards and national pay bargaining, increases in employer contributions to National Insurance (NI) and pension schemes, and the still uncertain outcome of the job evaluation exercise for support staff.



**Difficulties in meeting activity thresholds** due to demographic impacts and prospective students securing employment or obtaining places at universities instead of going to college. This risk has been mitigated by SFC continuing the 2% tolerance on credit targets for colleges and the impact of College Transformation Framework for some colleges.



**The requirement for colleges to self-fund staff restructuring costs** with no funding available from SFC or Scottish Government to support these costs and very limited cash in the college sector.



**Industrial action** which could have adverse effects on student learning experience, college reputation and staff morale.



**The uncertain macroeconomic outlook, largely due to geopolitical uncertainty causing rising inflation.** Inflation remains at elevated levels due to higher energy costs and steady but persistently high interest rates.



**Energy costs remain high** against historic levels after substantial spikes in recent years and have been increasing further due to recent geopolitical tensions in the Middle East and continued conflict in Ukraine.



**The impact of cost efficiencies** (including reduced staff numbers, frontline student services and potential closure of campuses) on the quality of student experience, the health, wellbeing and morale of college staff, and breadth and depth of the curriculum offered to students.



The lack of ability to address **backlog estates maintenance and digital requirements** to deliver a 21st century learning and teaching requirement. This further impacts on student experience.



**The impact of RAAC** on the college estate with remediation and potential building closures required to make affected buildings safe for use.

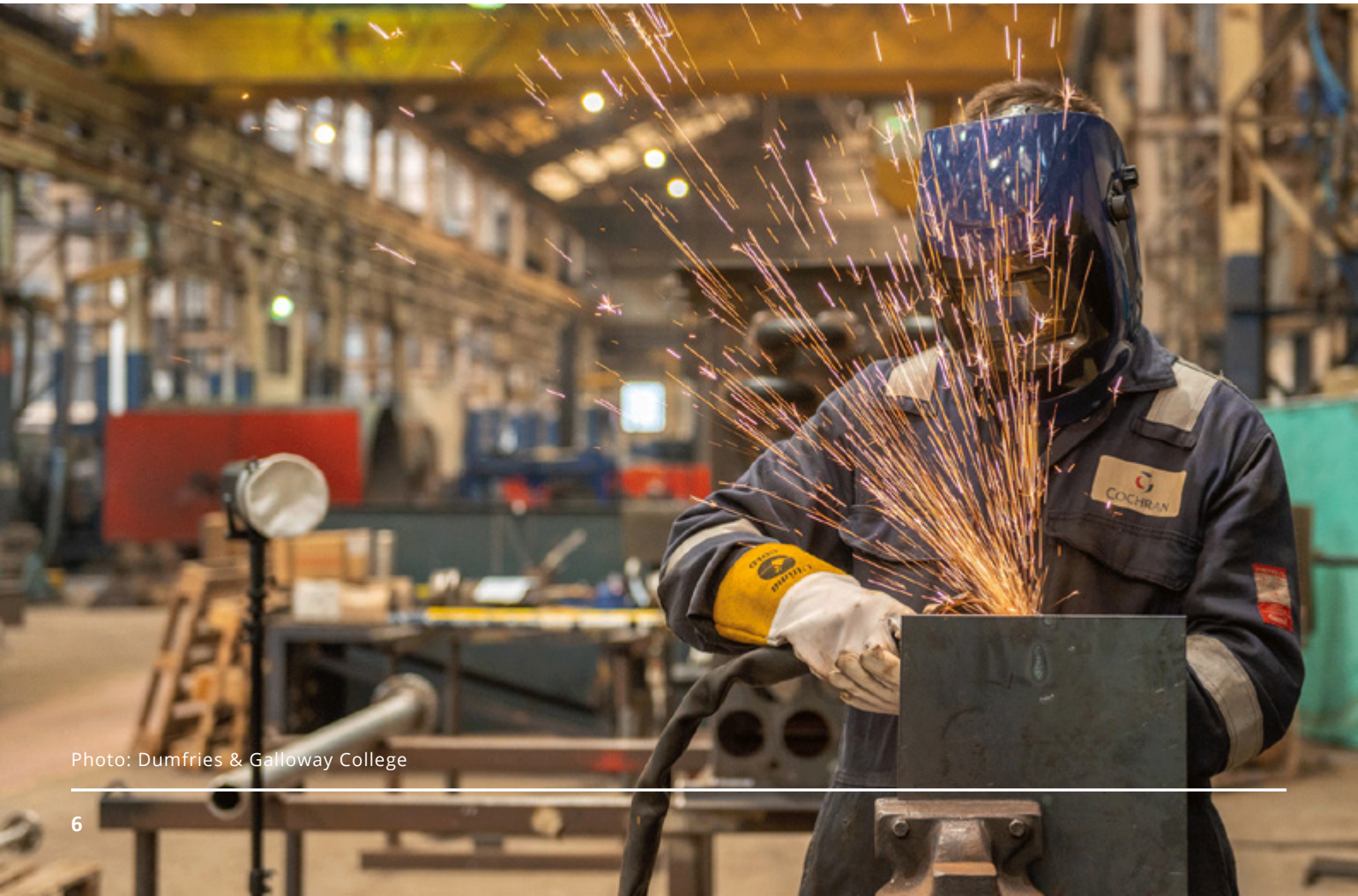


Photo: Dumfries & Galloway College



The requirement for colleges to invest in the **achievement of public sector net zero targets** with the costs of achieving net zero targets across the UK further education (FE) sector estimated previously at £6.7bn<sup>6</sup>.



**Diversifying income and generating commercial surpluses is difficult** due to increased competition from external providers with lower cost bases, which colleges are unable to match due to national bargaining. Forecast low cash balances and assumed flat-cash funding are also limiting the sector's ability to expand its offer requiring additional investment. Other factors influencing commercial income generation are the lack of fiscal flexibilities to borrow and exploit further commercial opportunities, and the requirement to deliver against fragmented funding streams and programme requirements. Additionally, the private sector training model tends to have a more flexible cost base using freelance tutors, which is not always an option for colleges.

Mitigating actions

As public sector bodies, colleges have fewer options than universities to manage financial risk and secure long-term sustainability. They remain highly dependent on SFC funding, have no borrowing powers, limited scope to diversify income, and face high staff costs, driven by national bargaining and recent pay awards. These constraints often make colleges less competitive than private sector providers and limit their ability to break even and build sufficient cash reserves.

Following an uplift in Scottish Government funding for 2026-27, SFC increased 2026-27 teaching funding to the sector by 8%. All colleges were provided with additional 2026-27 funding albeit the increases varied from 3% to 10% as this is the first year that the revised teaching funding model has been implemented without mitigation. The latest financial forecast returns assume flat-cash settlements for the remaining years of the forecast period (2027-28 and 2028-29), reflecting the fiscal pressures facing Scottish Government.

SFC has also extended the following flexibilities to colleges to help limit their exposure to recovery of funding:



A reduced credit threshold while maintaining broadly the same level of funding as in 2022-23.



A 2% tolerance on the reduced credit threshold.



The alignment of the required date with universities for claiming credits.



The decoupling of 20% of the value of credits to represent colleges' semi-fixed costs.

6 EAUC : The cost of net zero calculator

To support colleges in their transformation within the currently available funding, SFC launched the College Transformation Framework (CTF) in May 2025. Recognising the current fiscal pressures, the key focus of the CTF is to secure a sustainable college sector with a flexible funding model and curriculum. The CTF allows colleges to vary, for a fixed period, the delivery of credits from the thresholds set during the annual funding round, without impacting their core teaching grant. It provides a mechanism that could be used to support colleges to transition to a more sustainable model of delivery within existing budgets. Two colleges benefited from the CTF in 2025-26 and five so far in 2026-27, with discussions continuing with several other colleges.

In July 2026, SFC launched the Public Sector Reform (PSR) initiatives for the 2026-27 financial year ending 31 March 2027, for the college and university sectors. This programme is expected to support stabilisation and transformation across the tertiary system, reflecting Ministers' ambitions on Public Service Reform and supporting activity aligned to SFC's strategic priorities. SFC expects this to enable colleges and universities to progress shared ambitions through collaborative, regionally responsive approaches, while balancing ambition with affordability. Colleges are pursuing mitigations through SFC's CTF and PSR initiative, staff cost savings, teaching efficiency measures, freezing non-essential expenditure, delayed capital expenditure plans, restructuring and transformation activities. As options for non-staff cost savings in individual colleges have been mainly exhausted, some colleges are considering more significant transformation including partnerships and alternative operating models such as federations.

As outlined earlier in this report, staff costs are the main focus of savings as they represent the largest element of colleges' spend. Colleges have so far achieved significant reductions in staff numbers, largely through voluntary severance and vacancy management, but these have been offset by increasing pay deal costs. Several colleges have indicated that compulsory redundancies may be



Photo: City of Glasgow College

required as a last resort should they not achieve the required level of savings through voluntary severance and vacancy management to pay for future pay deals. Colleges have also highlighted the material impact of staff reductions on their reputation, student experience outcomes (quality, retention and other performance indicators) and on mental health, morale and turnover of the remaining staff.

Colleges are also implementing teaching efficiency measures such as online/ blended learning, more part-time and short courses in response to learner demand, curriculum rationalisation and consolidation (including removal of courses with low demand), reduced teaching time and larger class sizes. Furthermore, colleges are exploring options to increase demand through the development of new curriculum areas and closer engagement with local employers. Whilst these measures help support financial sustainability, some – such as reduced teaching time – may directly and adversely affect student experience and outcomes.

Mitigating actions also include active review of estates to identify disposals which could generate cash for reinvestment. Several colleges are considering whether campus closures may be required. SFC’s disposals guidance, published in July 2025, provides greater flexibility with colleges now able to retain a larger proportion of disposal proceeds. Colleges have also been delaying capital expenditure to conserve cash in the short term, but this only increases backlog maintenance and future remediation costs as their estate deteriorates further with construction inflation remaining high.

Colleges must continue to take timely, decisive action to address financial risks and uncertainties, supported by robust scenario and contingency planning and regular review of mitigation options. Financial challenges affect individual colleges differently, and each college has its own range of mitigating actions available. As pressures intensify and the scope for further short-term savings narrows, achieving savings without more significant strategic change is becoming difficult, with greater potential impact on student experience and outcomes, and the delivery of skills needed in a region.



Photo: West Lothian College

## Financial performance of the college sector

This section reports on the results of our analysis of data from colleges’ 2024-25 annual accounts returns and the forecasts for academic years from 2025-26 to 2028-29. The table below provides a summary of key financial information for the college sector over these five years. We have also included actual results for 2023-24 for comparison.

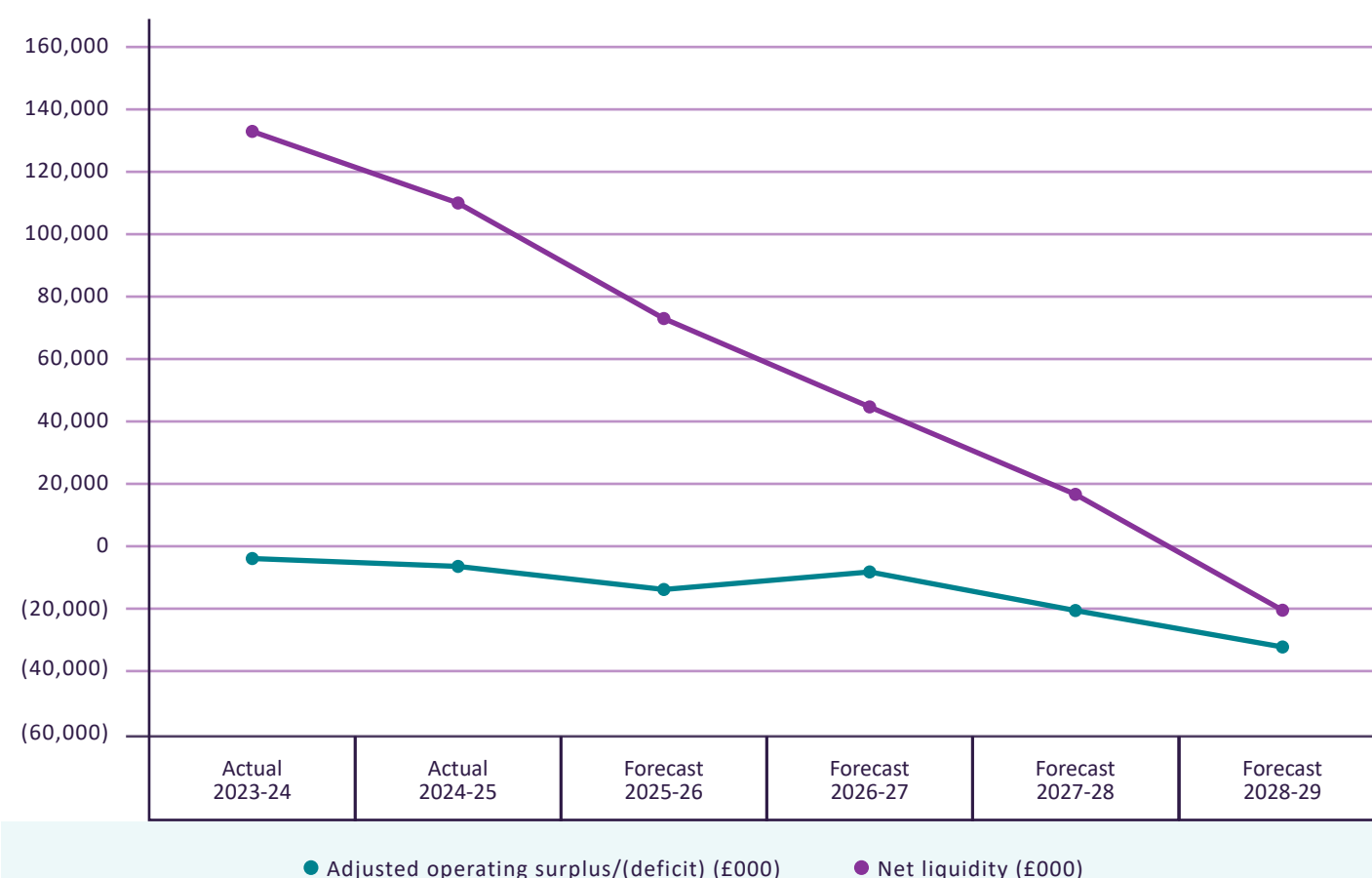
Many graphs in the following sections also include financial data for 2022-23 and 2023-24 (the period covered by our last year’s report) or earlier years. This allows the reader to see the general direction of change in financial performance over a longer period.

| Summary of college sector aggregate key financial health indicators |                   |                   |                     |                     |                     |                     |
|---------------------------------------------------------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
|                                                                     | 2023-24<br>Actual | 2024-25<br>Actual | 2025-26<br>Forecast | 2026-27<br>Forecast | 2027-28<br>Forecast | 2028-29<br>Forecast |
| Total income (£000)                                                 | 777,382           | 815,960           | 815,694             | 852,392             | 850,129             | 854,422             |
| Total expenditure (£000)                                            | 854,441           | 860,305           | 866,121             | 898,682             | 908,998             | 924,347             |
| Adjusted operating surplus/<br>(deficit) (£000)                     | (3,401)           | (6,349)           | (13,438)            | (8,334)             | (20,499)            | (31,870)            |
| Adjusted operating surplus/<br>(deficit) as % of total income       | (0.4%)            | (0.8%)            | (1.6%)              | (1.0%)              | (2.4%)              | (3.7%)              |
| Net cash flow from operating<br>activities (£000)                   | 28,077            | (317)             | (5,104)             | 2,942               | (1,540)             | (15,103)            |
| Net cash flow from operating<br>activities as % of total income     | 3.6%              | 0.0%              | (0.6%)              | 0.3%                | (0.2%)              | (1.8%)              |
| Net liquidity (£000)                                                | 132,422           | 109,857           | 73,174              | 44,681              | 16,771              | (20,577)            |
| Net liquidity days                                                  | 62                | 51                | 33                  | 19                  | 6                   | (11)                |
| Total borrowing (£000)                                              | 208,544           | 197,172           | 188,356             | 176,552             | 165,877             | 156,417             |
| Total borrowing as a % of total<br>income                           | 27%               | 24%               | 23%                 | 21%                 | 20%                 | 18%                 |

\* Figures for 2023-24 differ from those previously reported as UHI North, West and Hebrides has now finalised its annual report and accounts, and due to restatement of UHI Perth 2023-24 financial statements.

The table above and graph below illustrate the deteriorating financial health of colleges after 2024-25 as reflected in the trend of increasing deficits and deteriorating liquidity. Within the overall sector trend, there remains a significant variation in financial performance for individual colleges across all years.

College sector: adjusted operating position and net liquidity (£000)



\*Figures for 2023-24 differ from those previously reported as UHI North, West and Hebrides has now finalised its annual report and accounts and due to restatement of UHI Perth 2023-24 financial statements.

The substantial deterioration in the sector's operating position and liquidity over the next three years is largely due to increases in staff costs from pay awards agreed through national bargaining and increased employer pensions costs and National Insurance costs exceeding the savings generated through staff restructuring. The forecast deterioration is also due to self-financed severance costs, forecast flat SFC grants from 2027-28 onwards, and reduced other income. It is important to note that a portion of colleges' cost base is fixed or semi-fixed as it forms part of the infrastructure for curriculum delivery. This makes further cost reductions increasingly difficult for colleges to achieve. Increasing commercial income is also highly challenging for colleges as outlined earlier in this report.

A table showing 2023-24 and 2024-25 operating position, adjusted operating position, liquidity and borrowing for each college is at Annex A.



## Adjusted operating position

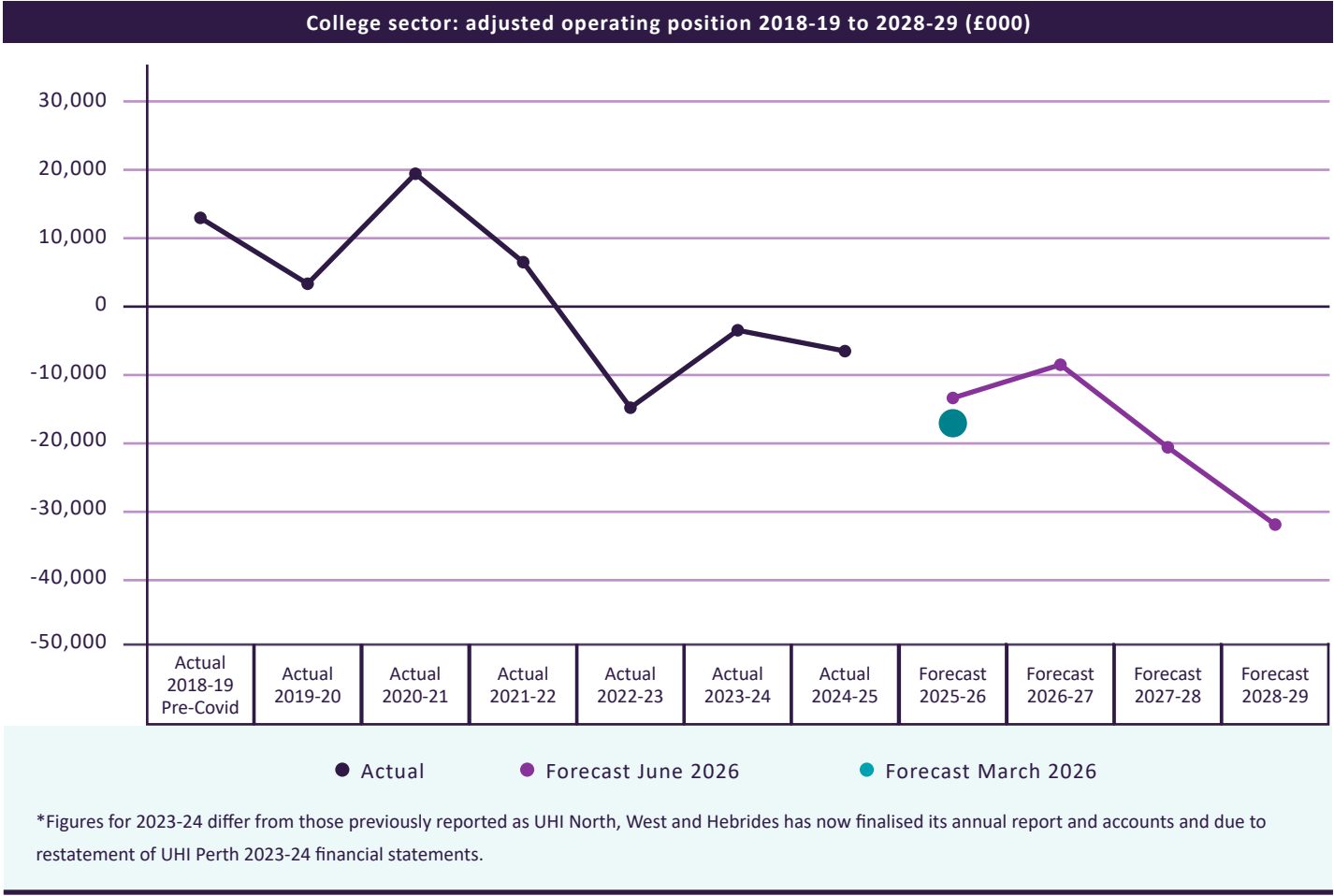
The adjusted, or underlying, operating position reports how colleges are performing financially after removing accounting adjustments that do not have immediate cash impacts and significant one-off items that could distort the reported operating result. These adjustments are required under the FE/HE Statement of Recommended Practice (SORP), including requirements linked to Financial Reporting Standard 102 (FRS 102). Removing these adjustments/items makes results easier to compare over time and provides a clearer view of colleges' day-to-day ability to generate cash and manage their financial health and sustainability.

The methodology for calculating the adjusted operating position, outlined in Annex D, has been agreed with the sector to ensure a consistency of approach in the interpretation of colleges' financial performance.

Depreciation and pension adjustments (non-cash items that are beyond a college's immediate control) account for most of the difference between the operating position and the adjusted operating position. Incorporated colleges receive a 'non-cash' budget to cover depreciation, but this additional budget is not recognised under the FE/HE SORP accounting rules. Annual Managed Expenditure (AME) pension adjustments may also impact on the reported operating position. Consequently, we expect to see continuing operating deficits reported across the college sector.

From 2017-18, colleges had been providing for the estimated costs of support staff job evaluation and associated SFC grant funding. The responsibility for job evaluation funding now rests with Scottish Government until the process is complete. Consequently, colleges have not disclosed the assumed SFC grant income supporting these future costs, with the current-year cost provision removed from the adjusted operating position. This is a further adjustment made to arrive at the adjusted operating position for individual colleges and the sector.

The graph below illustrates the marked deterioration in the operating performance of the college sector since 2018-19.



The sector reported an adjusted operating deficit of £6.3m for 2024-25, an 85% deterioration against the prior year's outturn (£3.4m deficit). This is mainly due to increased staff costs (through pay awards exceeding savings generated from restructuring and other savings activities) and continued staff restructuring costs, partly offset by increased SFC grants and other income. Staff restructuring costs of £8.1m were reported in 2024-25 (2023-24: £11.2m) as the sector took action to mitigate the impact of pay awards and other inflationary pressures. Other operating costs decreased by 2% and sector income increased by 5% on 2023-24 due to an increase in SFC grant and other income.

Income from tuition fees and education contracts increased by 1% with a rise in Skills Development Scotland (SDS) contract income and education contract income offsetting a reduction in FE and HE fees. Other operating income increased by 16% mainly due to an increase in grants from arms-length foundations (ALFs), other grant income, and residences and catering income.

The latest 2025-26 forecast shows a sector adjusted operating deficit of £13.4m, representing a deterioration of £7.1m (112%) against the 2024-25 outturn (£6.3m deficit). This reflects a combination of reduced tuition fees, reduced investment and other income, and higher than expected staff costs due to pay pressures, partly offset by reduced other operating costs and increased SFC grants. Further substantial adjusted operating deficits of £8.3m, £20.5m, and £31.9m are projected for the next three years.



Fifteen colleges reported an adjusted operating deficit in 2024-25, an increase on ten colleges in 2023-24. Seventeen colleges (71%) expect to report adjusted operating deficits in 2025-26, decreasing to eleven colleges (46%) in 2026-27 before increasing to nineteen colleges (79%) in both 2027-28 and 2028-29. These forecasts demonstrate that most colleges are not financially sustainable despite the increased 2026-27 funding due to the forecast flat-cash funding being outstripped by pay and other inflation.

Colleges have indicated that a SFC flat-cash funding scenario in 2027-28 would have a significantly detrimental impact on the sector with any further flat-cash funding settlements likely to weaken the position further. As detailed elsewhere in this report, colleges have limited scope to generate other income streams and are unable to borrow due to the lack of fiscal flexibilities. The efficiency measures, including voluntary severance programmes and other cost reduction measures, are not likely to be sufficient to bridge the gap between flat-cash funding settlements and inflationary pressures such as pay awards and non-pay inflation.

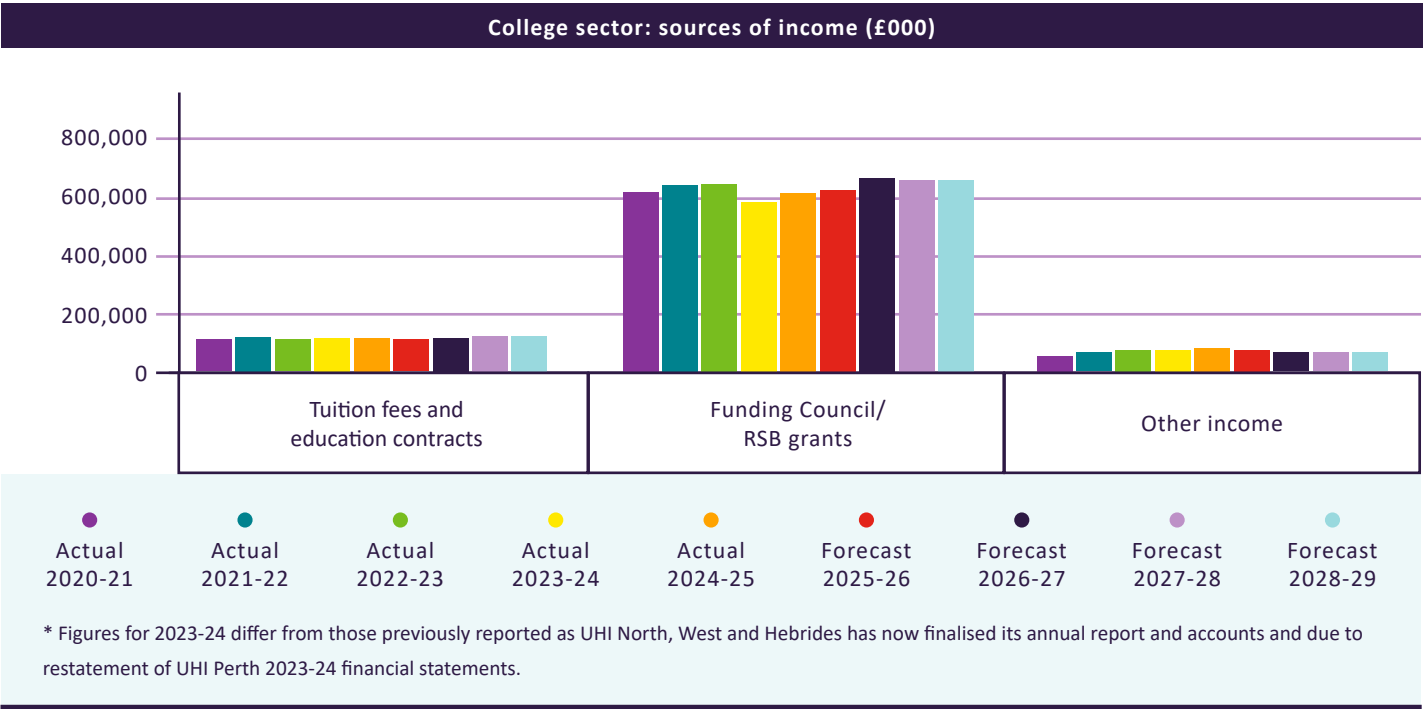
Flat-cash funding settlements are forecast to result in continuing adjusted operating deficits and negative cash balances. Colleges have advised that continued flat-cash settlements would necessitate further staff savings through both voluntary and compulsory severance, reductions in both the breadth and scope of the curriculum offered to students and possible closure of campuses. This would also mean that further real-terms reductions in funding would adversely affect colleges' ability to deliver against government priorities. For some colleges, the level of increasing operating deficits could result in the college closing its operations entirely.

We have previously reported that colleges take a cautious approach when forecasting, often resulting in better than anticipated results being achieved. Due to the challenging financial environment continuing, future improvements against forecasts are likely to become extremely difficult to achieve.

Recognising that forecasts reflect a snapshot in time, the number of colleges forecasting adjusted operating deficits is of real concern with most colleges not expected to be financially sustainable based on these forecasts. There would be an even greater deterioration in the sector's financial position should mitigating actions necessary for colleges to break even not be possible to achieve.

Income

The graph below shows the projected movement in sector income over the period from 2023-24 to 2028-29 with 2020-21 to 2022-23 added for comparison.



Total sector income increased by £38.6m (5%) in 2024-25 due to an increase in SFC grants, other income and tuition fee income. As noted above, the increase in tuition fee income was driven by increased SDS and education contract income offset by reduced FE and HE fees. Other income growth was driven by increased catering and residence income, other grant income and increased ALF funding.

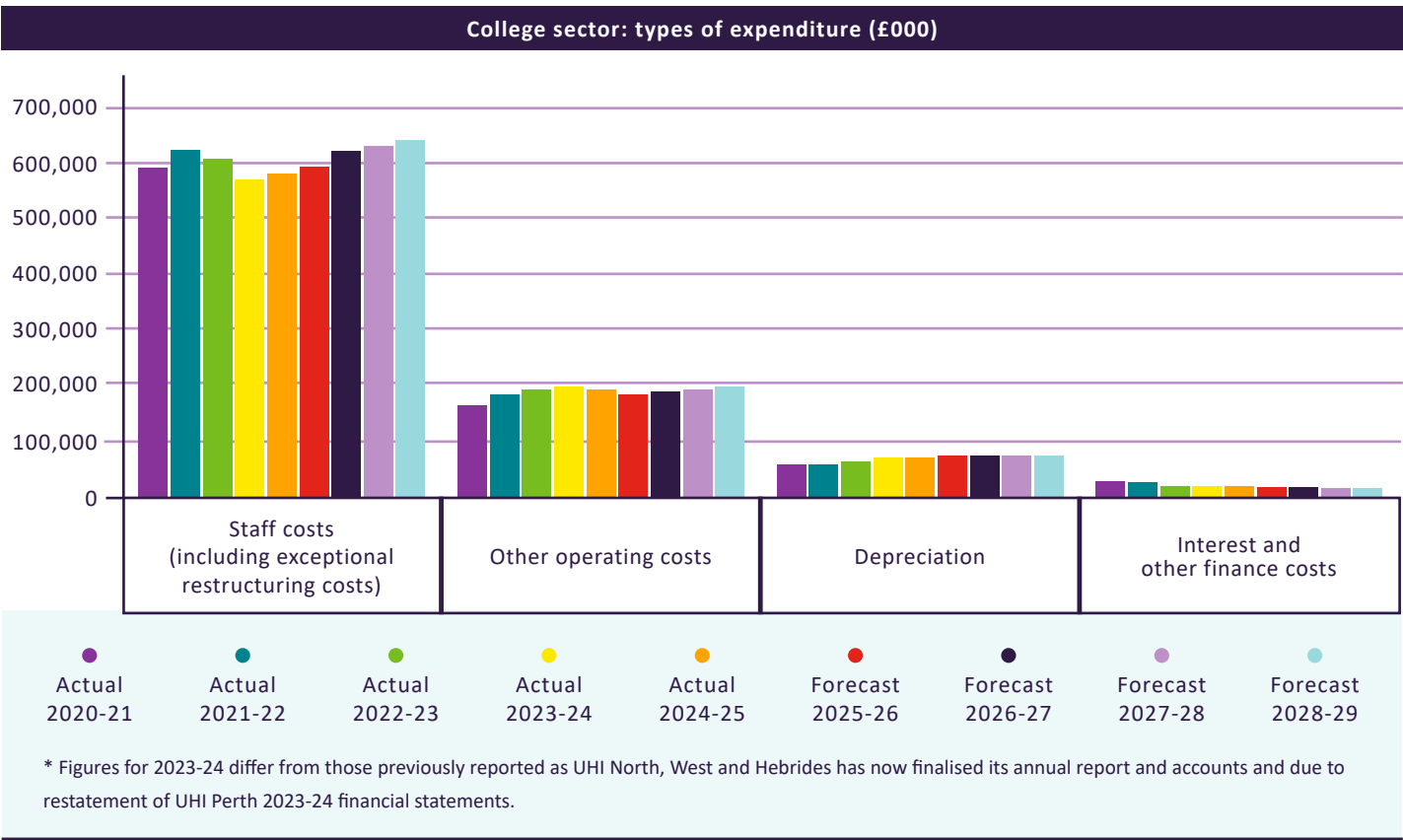
Income is forecast to remain broadly the same in 2025-26 with relatively modest increases projected over the next three years. In 2026-27, this is due to the increase in SFC grant as detailed in the 2026-27 Final Funding Allocations to colleges. The remainder of the period sees small, forecast increases in tuition fees and education contract income, which is the primary source of non-SFC income. Colleges received additional SFC funding to cover increased employer pension contributions to the Scottish Teachers Superannuation Scheme (STSS) in 2024-25, and additional funding in 2025-26 to cover a proportion of the costs arising from the increase in employer National Insurance contributions from April 2025.

Colleges remain heavily dependent on SFC grant. This is projected to remain at around 78% of total sector income throughout the forecast period although there is some variation in grant reliance across the sector. In 2025-26, all colleges forecast achieving their credit thresholds (within the 2% tolerance) and are therefore not expected to be subject to recovery of funds. This was also the case in the prior year.

Other operating income, including residences and catering income as well as income from trading subsidiaries and grants from other bodies, is expected to reduce from 2024-25 levels over the forecast period. Other operating income also includes grants from local ALFs of £2.8m in 2025-26 and £0.3m in 2026-27. The bulk of the grants provided by ALFs are expected to be used for funding revenue projects, for example covering salary costs of student mental health mentors, and severance costs. A lesser amount is expected to be used to support estates plans and refresh colleges' digital infrastructure. There has been a steady decrease in ALF balances over the last decade from £99m in 2014 to £6m in 2025. With a further forecast reduction to £5m in 2026, only 5% of the original balance is expected to remain after 12 years.

Expenditure

The graph below shows the projected movement in sector expenditure over the period from 2022-23 to 2028-29 with 2020-21 to 2022-23 added for comparison.



As mentioned earlier in this report, staff costs represent the largest element of expenditure for colleges at just under 70% of total costs, indicating a high fixed cost base for colleges. Staff costs are therefore the primary focus of savings as colleges urgently try to balance their budgets in the current fiscal environment. However, despite significant restructuring activity in the sector, staff costs are projected to increase further over the forecast period. This reflects the

continued impact of pay awards agreed through national bargaining and the rise in employer National Insurance contributions partially offset by continued savings generated from voluntary severance, vacancy management and a few compulsory redundancies.

The pay award for 2022-23, 2023-24 and 2024-25 was agreed by support staff with an average increase of £5,000 for staff over that period. In August 2024, lecturing staff reached agreement with the same pay award in 2024-25 but with an additional 4.14% agreed for 2025-26 (effective from 1 September 2025). Three percent of this increase is funded by Scottish Government.

Public Sector Pay Policy (PSP) for the three financial years 2025-26 to 2027-28 was published by Scottish Government in December 2024. Colleges were asked to assume a total pay award of 9% over these three years within their forecasts, in line with PSP.

Public sector pension costs for the STSS have increased from April 2024 following a rise in employer contribution rates from 23% to 26%. Employer contributions to the Local Government Pension Schemes (LGPS) have decreased slightly with some variations between individual schemes.

In May 2026, the UK government announced that Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate would increase from CPI +1.7% to CPI +2.0%. This change has already led to a reduction in employer contribution rates from April 2027 in the Teachers Scheme in England (from 28.7% to 17.1%). The new contribution rates for STSS have yet to be set for April 2027 but, based on the English experience, are likely to reduce in future years. As the change has not yet been confirmed, this has not yet been included in the colleges' forecasts.

Other operating costs decreased by £3.7m (2%) in 2024-25 against 2023-24, reflecting actions colleges are taking to mitigate continuing inflationary pressures. Other operating costs are forecast to reduce further by £7.2m (4%) in 2025-26 due to lower premises costs and other cost efficiencies which are being sought by colleges as part of their plans to reduce the cost base. However, achieving these efficiencies will be difficult considering current cost pressures. Other operating costs are then expected to increase by £4.7m (2.6%) in 2026-27, and with inflationary increases to 2028-29, reflecting continuing cost pressures and difficulties for colleges in achieving long-term savings from efficiencies.



Photo: UHI Shetland

## Staff restructuring plans

As highlighted earlier in the report, staff restructuring is the main route to achieving savings for colleges. Nineteen colleges spent £8.1m on staff restructuring costs in 2024-25 (2023-24: £11.2m across 19 colleges). Colleges intend to spend a further £8.6m on staff restructuring activity over the forecast period. This is expected to be funded from colleges' existing resources. Several colleges have indicated that they may have to resort to compulsory redundancies to achieve the level of savings required to rebalance their financial position.

In addition to voluntary and compulsory severance, colleges are also generating savings through vacancy management. Vacancy management savings can be permanent through the deletion of posts after a member of staff leaves, or temporary by delaying the recruitment of the post for a period. Some colleges continue to report difficulties in filling vacant posts in the current labour market.

Savings tend to be generated in the year after the voluntary severance investment is made due to departures occurring at or towards the end of the academic year. Voluntary departures are becoming more difficult for colleges to secure. This is due to the volume of severance activity previously undertaken and the perceived unattractiveness of the terms of schemes to those staff that remain. Some colleges are no longer able to afford voluntary severance. The compressed timeframe for achieving savings can also lead to institutions considering compulsory redundancies.

Colleges have already reduced their staff numbers by 1,300 FTE (12%) in the period from 2022-23 to 2024-25. A further reduction of 437 FTE is forecast for the next three years, equating to the removal of 4.5% FTE staff employed in the sector (2024-25: 9,775 FTE). Colleges have highlighted the impact of this level of staff reduction on student experience and colleges' ability to deliver both the breadth and quality of provision. There is also a risk to maintaining business as usual due to such fundamental restructuring, and a further risk to delivering government priorities.

The level of staff reductions, including the potential for compulsory redundancies, has already led to industrial relations challenges at several colleges, including industrial action.

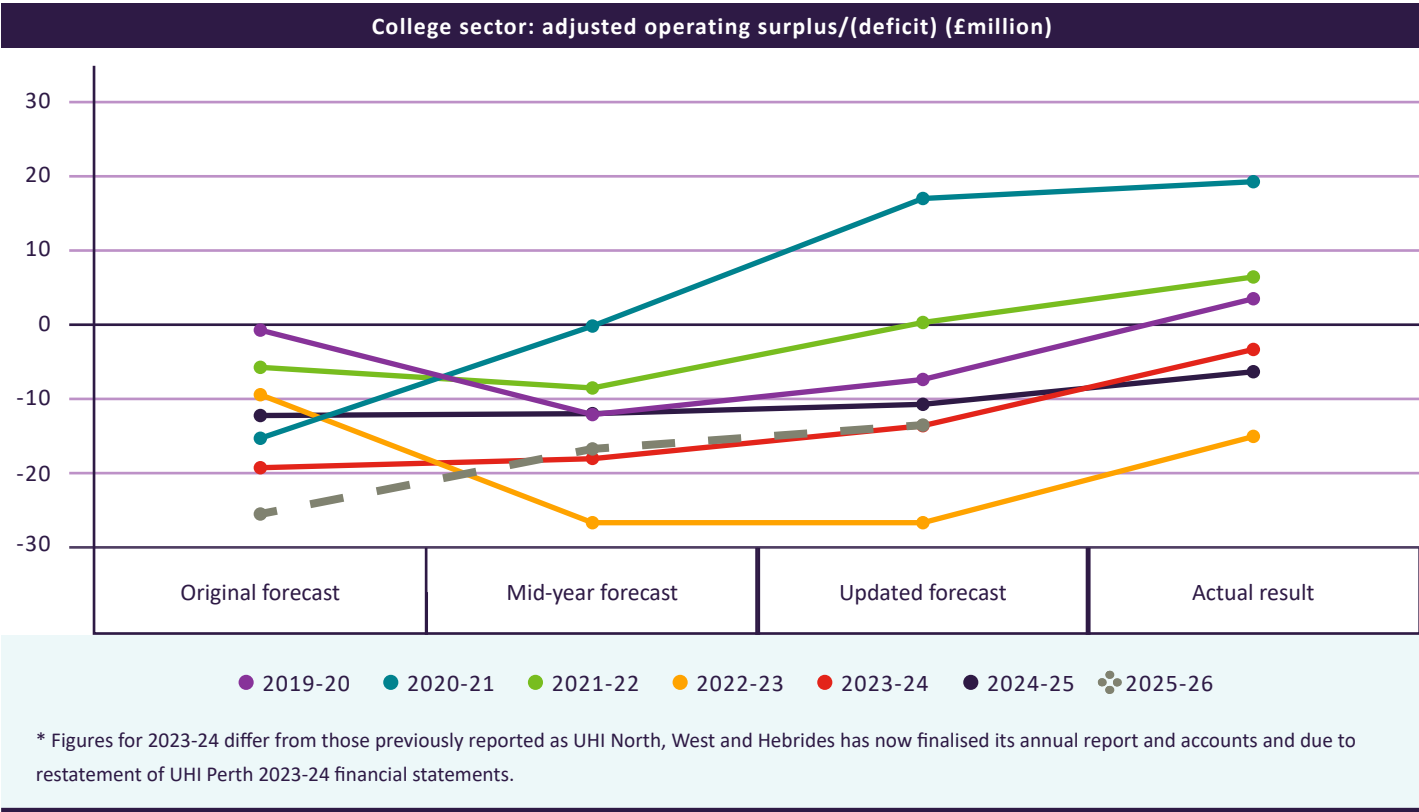


Photo: UHI Perth

Accuracy of forecasting

For most colleges, movements between actual and forecast figures can largely be explained by adjustments being made as colleges react to new information. In the last few years, forecasting was difficult due to the uncertainty surrounding the impact of the pandemic, coupled with economic and geopolitical uncertainty. To consider the accuracy of forecasting, we use historical forecasts and compare them to actual results. The actual 2025-26 outturns will not be received until financial statements are due on 31 December 2026.

The movements in the adjusted operating position for academic years from 2019-20 to 2024-25 and forecasts for 2025-26 are set out in the graph below.



Improvements in actual outturn against forecasts have occurred in most years as shown in the graph above. These movements can be explained by adjustments colleges make to react to new information. For example, in-year allocations of SFC income which colleges were unaware of at the time of the preparation of their forecasts, reductions in provisions for recovery of SFC funding due to the timing of SFC recovery of funds assessments and changes in restructuring costs only recognised at the year-end.

The graph shows that there have been some variances between the forecasts provided to SFC in June 2025, March 2026 and June 2026, particularly the original and the final forecasts. The final results, due at the end of December, will give us the complete picture on accuracy of forecasting for 2025-26.

As mentioned earlier in this report, whilst the college sector had previously taken a cautious approach to forecasting with the actual results in recent years much improved, the gap between forecast and actual results is now becoming narrower, and future improvements on forecasts may be highly challenging to deliver.

Financial position – financial strength and resilience

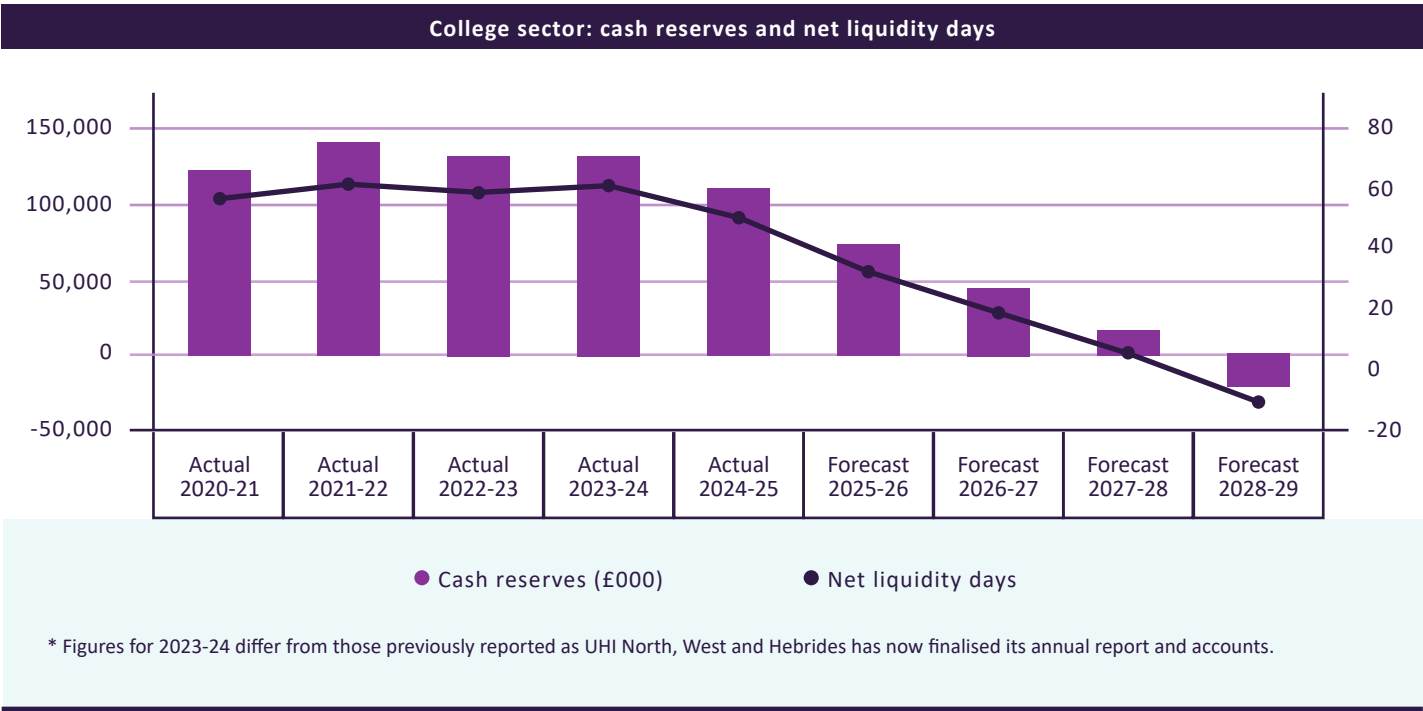
Liquidity

Adequate liquidity is vital for a college to remain solvent and continue its operations. It ensures the college has the necessary cash to cover short-term financial obligations, pay staff and manage any unexpected expenses. Limited liquidity can lead to a cash crisis and the inability to meet immediate financial needs, putting the college at high risk of insolvency when faced with unexpected costs or liabilities. It can also restrict a college’s ability to react quickly to market changes or seize new opportunities.

The liquidity position of the college sector is forecast to deteriorate significantly over the next three years to 2028-29.

Cash balances

Cash balances (including short-term investments and overdrafts) and number of days expenditure held in cash reserves are key financial health indicators. The graph below shows the trend in levels of sector cash reserves and days ratio of cash to total expenditure over the period from 2020-21 to 2028-29.



The sector reported a cash balance of £109.9m as at the end of 2024-25, a 17% reduction on 2023-24. Cash balances are forecast to significantly deteriorate over the next three years, from £109.9m at the end of 2024-25 to a negative balance of £20.6m at the end of 2028-29 (119% reduction), reflecting the forecast weakening sector operating position. This shows very weak liquidity with the sector forecasting net current liabilities of £66.3m at the end of July 2026, £88m (33% increase) by the end of July 2027 and £149.1m (125% increase on July 2026) at the end of July 2029.

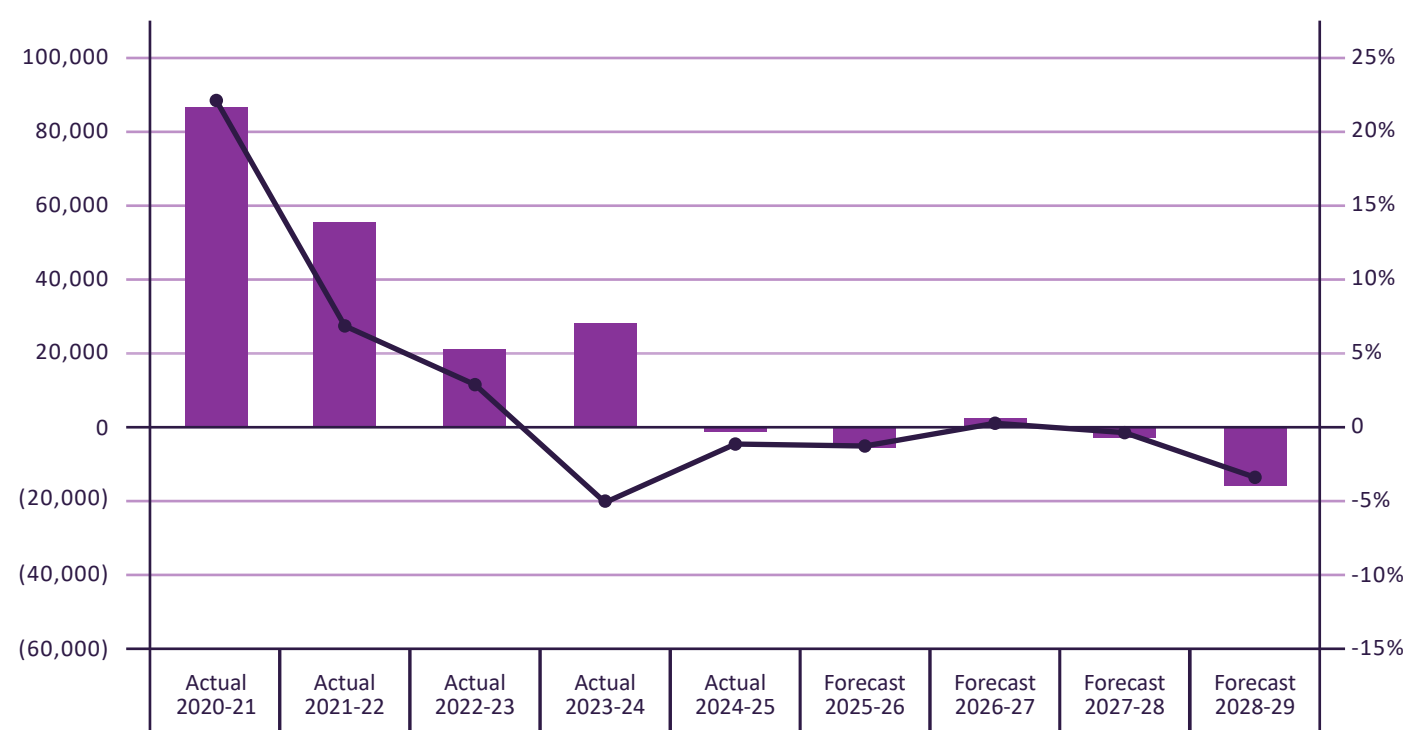
Ten colleges (42%) are forecasting less than 20 days' cash reserves at the end of 2025-26, increasing to fourteen colleges (58%) by the end of 2026-27. Twenty days of cash or lower is of concern to SFC as this leaves colleges with less than a month of operating cash buffer. No colleges reported a cash deficit at the end of 2024-25 but four colleges are forecasting a cash deficit by the end of 2026-27, increasing to thirteen colleges by the end of 2028-29.

Due to the sector's increasing cash deficit forecast from 2026-27 onwards, it will be increasingly difficult for colleges themselves, and SFC, to support colleges' financial sustainability and for colleges to self-fund staff restructuring activity. Several colleges have indicated they would require additional funding over the next three years to remain operational.

### Cash flow

Net cash inflow from operating activities is an important measure of colleges' financial health. It illustrates a college's ability to generate sufficient cash to sustain operations, repay debt and invest in its estates. The graph below shows the trend of the sector's net cash inflow and net cash inflow as a percentage of total income over the period from 2020-21 to 2028-29.

College sector: net cash flow from operating activities



● Net cash flow from operating activities (£000)

● Average net cash flow from operating activities as % of total income

\* Figures for 2023-24 differ from those previously reported as UHI North, West and Hebrides has now finalised its annual report and accounts.



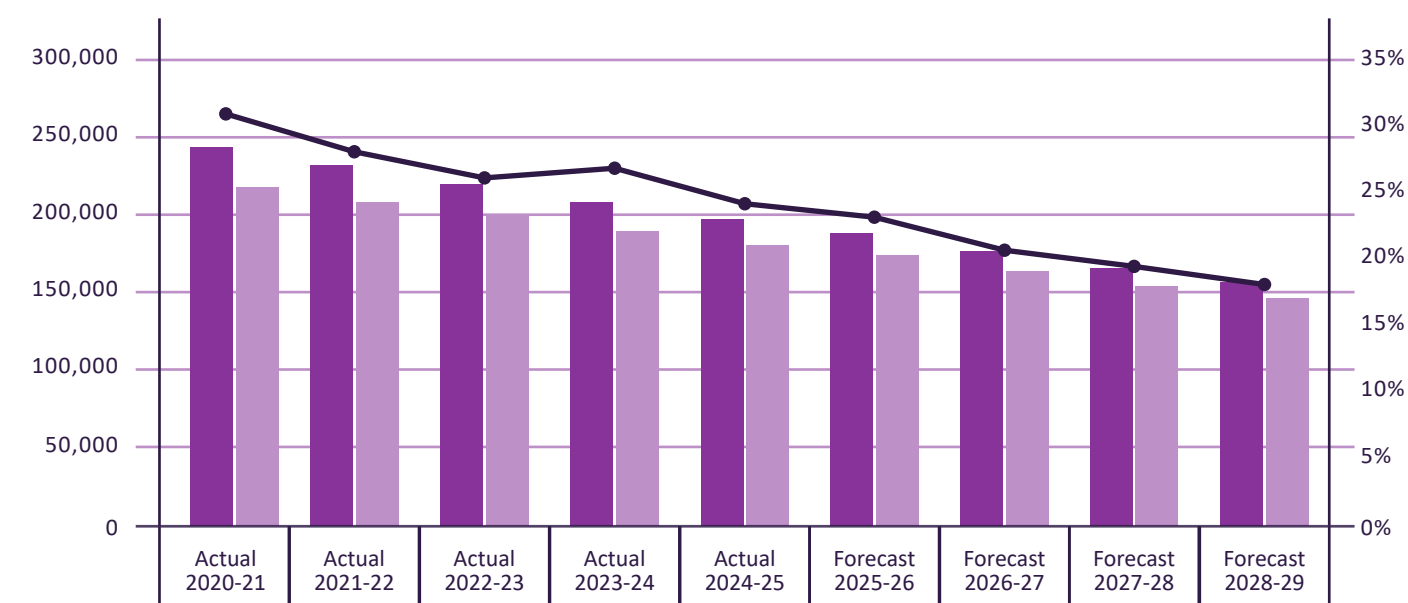
In 2024-25, there was an outflow of operating cash of £0.3m, equivalent to 0.04% of total sector income (2023-24: £28.1m cash inflow, equivalent to 3.6% of income). The forecast for 2025-26 shows a net cash outflow of £5.1m (0.6% of total income) with further substantial net cash outflows projected in 2027-28 and 2028-29. Fifteen colleges (63%) expect to report net cash outflows from operating activities in 2025-26, increasing to 16 colleges (67%) by the end of 2028-29. The marginal cash inflow of £2.9m in 2026-27 reflects the uplift in SFC funding.

This prolonged period of cash outflow in the college sector is unprecedented and indicates that most colleges do not anticipate being able to generate enough cash to sustain their operations, repay debt or invest in their estates on an ongoing basis.

### Borrowing

The graph below shows the trend in the college sector's level of borrowing and the ratio of borrowing as a percentage of total income over the period from 2020-21 to 2028-29.

College sector: borrowing



● Total borrowing (including NPD/PFI) (£000) ● Total NPD/PFI (£000) ● Total borrowing as % of total income

\* Figures for 2023-24 differ from those previously reported as UHI North, West and Hebrides has now finalised its annual report and accounts.



Photo: Newbattle Abbey College

In line with expectations, total borrowing (including legacy bank loans, finance leases and Non-Profit Distribution (NPD)/Private Finance Initiative (PFI) commitments) is expected to reduce by 21% from £197.2m at the end of 2024-25 to £156.4m at the end of 2028-29. The bank loans in the sector relate to borrowing which existed prior to the reclassification of colleges to the public sector. This borrowing is forecast to decrease by 42% from £16.9m to £9.8m over the same period. Colleges have not been able to undertake any new external borrowing since reclassification. Nine colleges (38%) are projecting outstanding borrowing at the end of 2028-29. It is important to note that the borrowing figures exclude any cash deficits projected by colleges in the forecast period.

The NPD model was used to procure buildings for three colleges (Ayrshire College, City of Glasgow College and UHI Inverness). The NPD model represented an alternative funding structure for public-private partnership projects that would previously have been carried out under the traditional PFI arrangement. Under the NPD model, colleges make monthly unitary charge payments which include the capital element of the loan together with interest, facilities management and building lifecycle costs. SFC provides the colleges with grants to fund the bulk of the unitary charge payments except for the facilities management costs and 50% of the building lifecycle costs.

There are no longer any PFI commitments in the college sector.

Given the forecast deterioration in the sector's forecast operating and cash positions, there is a heightened risk of colleges with commercial borrowing breaching their debt covenants and defaulting on debt repayments in the later years of the forecast. Some colleges are currently in discussions with their lenders.



## Capital Expenditure

Sector capital expenditure amounted to £78.2m during 2024-25, a 4% reduction on the prior year's total of £81.1m. A large amount of capital expenditure was on Fife College's Dunfermline Learning Campus.

Capital expenditure of £43.8m is projected in 2025-26 and a further £99.2m over the remainder of the planning period. SFC capital grants are forecast to fund £103.9m of this expenditure with the remainder being financed through a mix of diminishing grants from ALFs, non-SFC grants (such as City Deal funding) and colleges' own diminishing cash balances. The planning period also sees the final payments relating to the Dunfermline learning campus.

## College Infrastructure Strategy

In November 2022, SFC published the "College Infrastructure Strategy: The approach to delivering Scotland's College Infrastructure Plan". The strategy sets out the collective approach between SFC and colleges to develop a College Infrastructure Investment Plan (College IIP) for Scotland's colleges covering the period 2026-2036. The plan will identify infrastructure investment needs for the college sector, including investment in net zero, training equipment and digital infrastructure essential for a sustainable college estate.

In July 2025, SFC published the 'College Infrastructure Investment Plan: Progress Report' providing an update on the first phase of work in the development of a 10-year College IIP. It outlined the significant work done to that date and, at a high level, the work to be progressed at pace, prior to publication of the full College IIP in Autumn 2026.

The baseline data obtained from colleges during the first phase of work provides SFC, for the first time ever, with a single comprehensive dataset of the entire college estate. This was a complex exercise with significant work done by colleges, SFC and others.

SFC is currently finalising the second phase work which included:



Developing new guidance and templates to assist colleges complete infrastructure strategies and collect space utilisation data.



Completing the first annual update of college estate baseline data using the Navigator tool which included targeted support to colleges as required.



Rolling out the Scottish Capital Investment Manual (SCIM) processes for colleges including defining and testing objective evaluation criteria to progress and prioritise business cases and providing training for college estate teams in using the SCIM for colleges' documents.



Exploration of Future Operating Models work.



Continue research into alternative capital funding models with Scottish Government and Scottish Futures Trust (SFT).

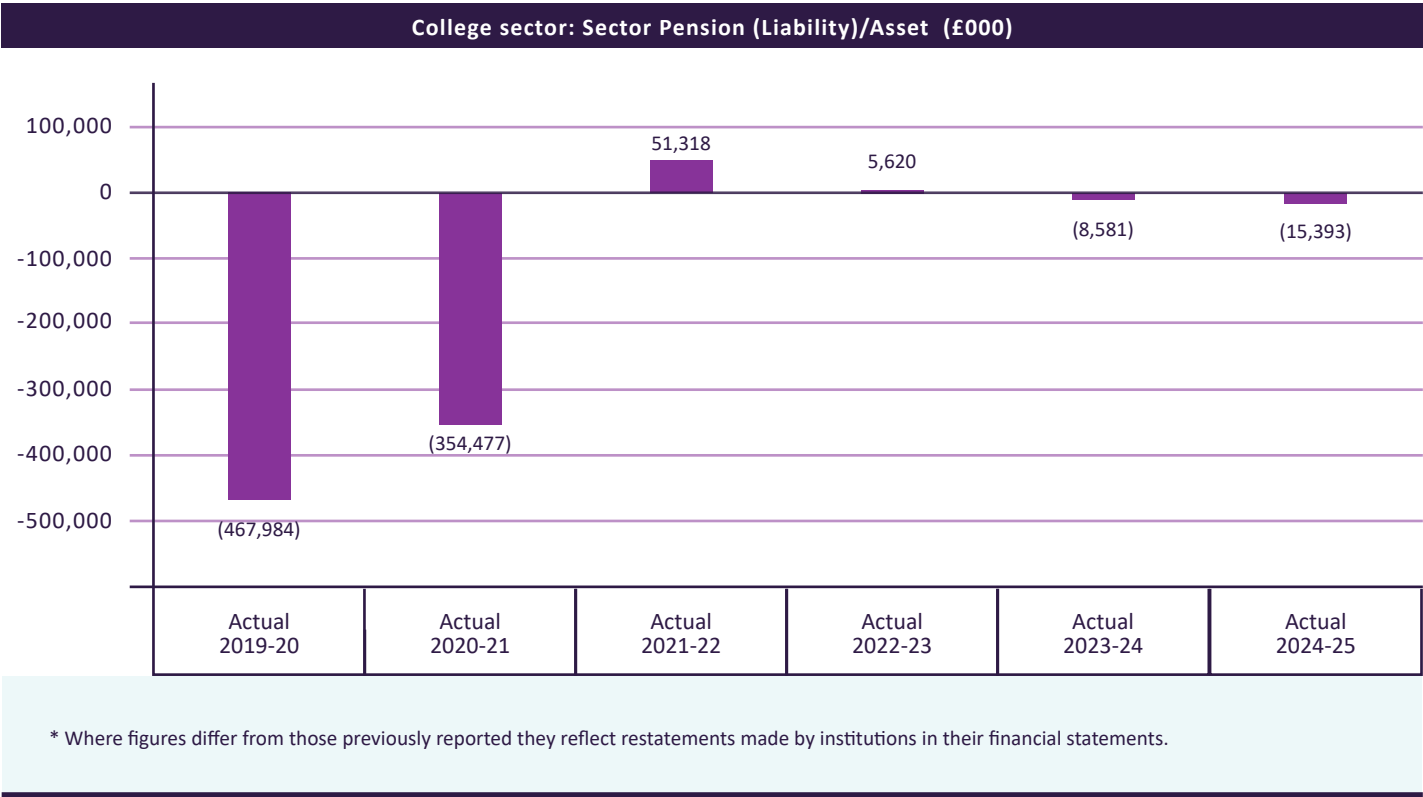
The full College IIP will be published in Autumn 2026.



Photo: Fife College

Pension Liabilities

Nearly all college staff belong to one of the two pension schemes: the STSS or the relevant LGPS. The STSS is a notional fund, so colleges are unable to identify and report their share of the underlying assets and liabilities. Pension liabilities reported in colleges' financial statements therefore relate to the LGPS multi-employer defined benefit schemes.



Pension liabilities are subject to often large fluctuations, caused by actuarial valuations of the pension scheme and underlying investment performance, as illustrated in the graph above. A pension liability is a future financial obligation to pay retirement benefits to current and former employees, not an immediate financial pressure.

However, it does impact on the operating position of the colleges as any increases in pension liabilities have to be funded by increases in employer contributions, alongside employee contributions and investment returns generated by the pension fund.

The sector moved from reporting a pension asset of £51.3m at the end of July 2022 to a £15.4m liability at the end of July 2025, illustrating the scale of movement in reported pension positions over a relatively short period.

**Annex A:** Summary: college sector operating position, adjusted operating position, liquidity and borrowing

\* Figures for 2023-24 differ from those previously reported as UHI North, West and Hebrides has now finalised its annual report and accounts and due to restatement of UHI Perth 2023-24 financial statements.

| College sector: adjusted position, underlying operating position, liquidity and borrowing (£000) |                             |                 |                                      |                |                                          |                |                 |                |
|--------------------------------------------------------------------------------------------------|-----------------------------|-----------------|--------------------------------------|----------------|------------------------------------------|----------------|-----------------|----------------|
| Incorporated colleges                                                                            | Operating surplus/(deficit) |                 | Adjusted operating surplus/(deficit) |                | Cash and cash equivalents less overdraft |                | Total borrowing |                |
|                                                                                                  | 2023-24 Actual              | 2024-25 Actual  | 2023-24 Actual                       | 2024-25 Actual | 2023-24 Actual                           | 2024-25 Actual | 2023-24 Actual  | 2024-25 Actual |
| Ayrshire College                                                                                 | (7,267)                     | (3,425)         | (336)                                | (1,000)        | 11,048                                   | 4,120          | 38,364          | 36,300         |
| Borders College                                                                                  | (1,226)                     | 1,587           | 65                                   | (363)          | 3,554                                    | 2,361          | 0               | 0              |
| City of Glasgow College                                                                          | (827)                       | (2,267)         | 130                                  | 59             | 12,363                                   | 5,346          | 117,283         | 111,206        |
| Dumfries and Galloway College                                                                    | (2,151)                     | (1,540)         | 7                                    | 10             | 1,120                                    | 966            | 31              | 0              |
| Dundee and Angus College                                                                         | (3,895)                     | (2,012)         | 1,869                                | (238)          | 6,777                                    | 4,076          | 1,819           | 1,366          |
| Edinburgh College                                                                                | (7,080)                     | (1,766)         | (495)                                | (494)          | 4,185                                    | 2,192          | 7,239           | 6,607          |
| Fife College                                                                                     | (5,643)                     | (1,262)         | 920                                  | 836            | 19,878                                   | 25,139         | 2,898           | 2,557          |
| Forth Valley College                                                                             | (3,862)                     | (4,869)         | 985                                  | (317)          | 4,446                                    | 2,596          | 2,772           | 2,550          |
| GCRB                                                                                             | (183)                       | (148)           | (193)                                | (149)          | 424                                      | 427            | 0               | 0              |
| Glasgow Clyde College                                                                            | (5,396)                     | (3,624)         | 192                                  | 74             | 11,617                                   | 14,367         | 0               | 0              |
| Glasgow Kelvin College                                                                           | (4,057)                     | (1,148)         | 426                                  | 240            | 3,493                                    | 4,022          | 227             | 227            |
| UHI Inverness                                                                                    | 158                         | (843)           | (621)                                | (1,092)        | 8,619                                    | 4,755          | 33,830          | 32,797         |
| UHI Moray                                                                                        | (2,513)                     | (1,650)         | (1,050)                              | (833)          | 1,460                                    | 1,352          | 166             | 116            |
| New College Lanarkshire                                                                          | (4,412)                     | (2,380)         | 284                                  | 180            | 4,593                                    | 5,460          | 0               | 0              |
| North East Scotland College                                                                      | (2,850)                     | 177             | 515                                  | 1,877          | 8,287                                    | 9,446          | 0               | 0              |
| UHI North, West and Hebrides                                                                     | (4,338)                     | (3,882)         | (2,525)                              | (2,188)        | 1,940                                    | 602            | 920             | 835            |
| UHI Perth                                                                                        | (3,996)                     | (3,713)         | (1,446)                              | (662)          | 1,833                                    | 1,717          | 0               | 0              |
| South Lanarkshire College                                                                        | (1,677)                     | (2,977)         | 378                                  | (1,454)        | 4,691                                    | 1,906          | 0               | 0              |
| West College Scotland                                                                            | (9,536)                     | (7,358)         | 56                                   | (611)          | 13,801                                   | 11,100         | 456             | 140            |
| West Lothian College                                                                             | (3,033)                     | (497)           | (532)                                | 431            | 185                                      | 549            | 2,211           | 2,211          |
| <b>Total incorporated colleges</b>                                                               | <b>(73,784)</b>             | <b>(43,597)</b> | <b>(1,371)</b>                       | <b>(5,694)</b> | <b>124,314</b>                           | <b>102,499</b> | <b>208,216</b>  | <b>196,912</b> |
| <b>Non-incorporated colleges</b>                                                                 |                             |                 |                                      |                |                                          |                |                 |                |
| UHI Argyll                                                                                       | (1,292)                     | 322             | 129                                  | 690            | 5,401                                    | 5,353          | 0               | 0              |
| Newbattle Abbey College                                                                          | 96                          | 160             | 117                                  | 202            | 649                                      | 625            | 0               | 0              |
| UHI Orkney                                                                                       | (831)                       | (860)           | (831)                                | (860)          | n/a                                      | n/a            | n/a             | n/a            |
| Sabhal Mòr Ostaig                                                                                | 36                          | (57)            | 36                                   | (57)           | 792                                      | 708            | 328             | 260            |
| UHI Shetland                                                                                     | (1,284)                     | (313)           | (1,481)                              | (630)          | 1,266                                    | 672            | 0               | 0              |
| <b>Total non-incorporated colleges</b>                                                           | <b>(3,275)</b>              | <b>(748)</b>    | <b>(2,030)</b>                       | <b>(655)</b>   | <b>8,108</b>                             | <b>7,358</b>   | <b>328</b>      | <b>260</b>     |
| <b>Sector total</b>                                                                              | <b>(77,059)</b>             | <b>(44,345)</b> | <b>(3,401)</b>                       | <b>(6,349)</b> | <b>132,422</b>                           | <b>109,857</b> | <b>208,544</b>  | <b>197,172</b> |

Annex B: College Regions

The college sector in Scotland comprises 19 incorporated colleges and five non-incorporated colleges<sup>9</sup>. Ten of the thirteen college regions consist of one college. The three remaining regions (Glasgow, Highlands & Islands, and Lanarkshire) had more than one college until 30 July 2025. Most of the individual colleges in the Highlands & Islands are assigned to the Regional Strategic Body (RSB), University of the Highlands & Islands<sup>10</sup>. Similar arrangements in Glasgow and Lanarkshire were removed by the Regional Strategic Bodies and Regional Colleges (Glasgow and Lanarkshire) Order 2025<sup>11</sup>, which came into force on 30 July 2025. The colleges formerly assigned to their respective RSBs are designated regional colleges. Details of all regions and colleges are set out on the next page.

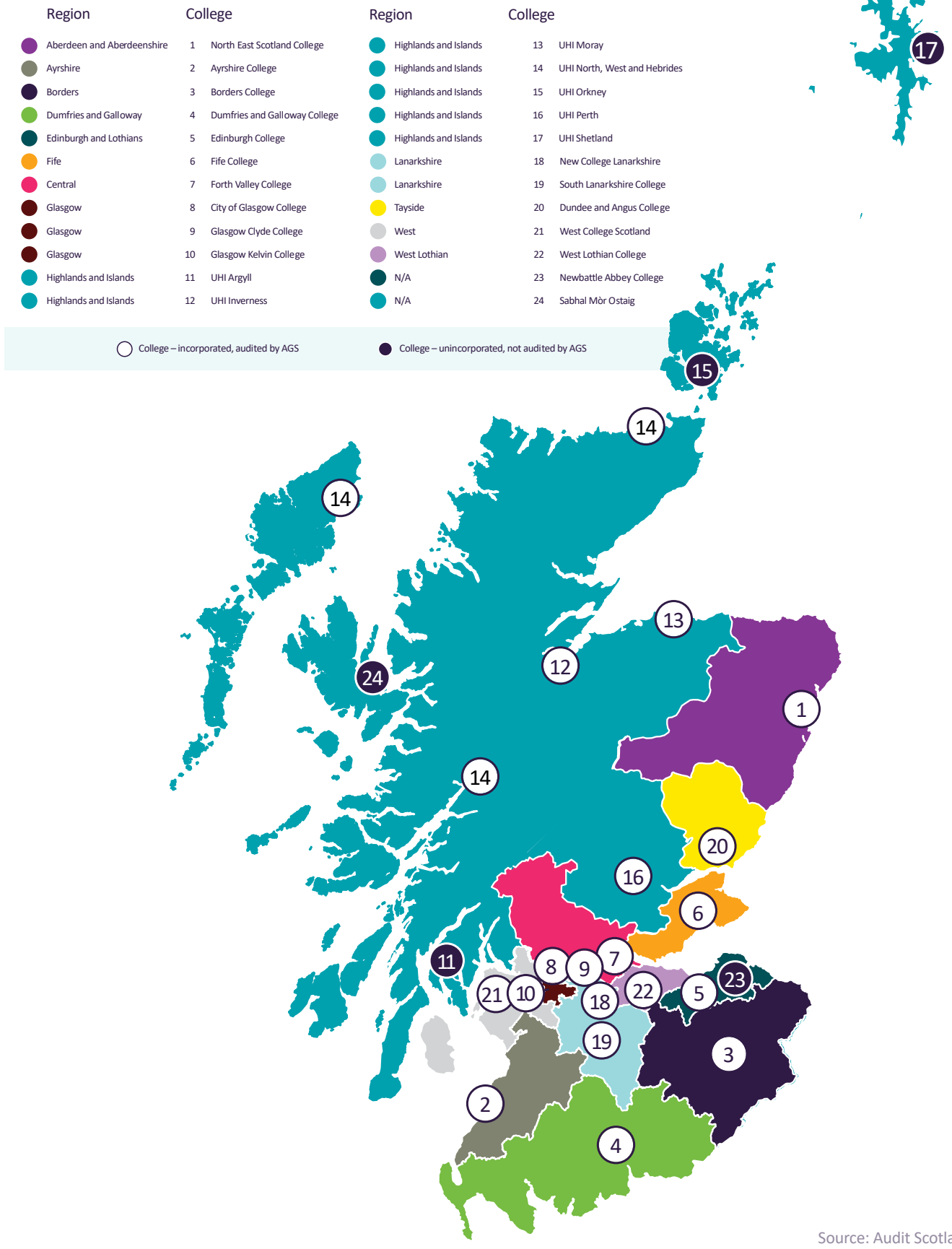
Fundable bodies in the college sector can be incorporated or non-incorporated. Before the Further & Higher Education (Scotland) Act 1992, almost all publicly funded colleges in Scotland were run by local authorities. In 1993, most of these colleges were established with boards of management constituted under the 1992 Act. Colleges with a board of management constituted under the 1992 Act are commonly referred to as incorporated colleges. Incorporated colleges were reclassified as arms-length central government bodies in 2014 and are subject to Government budgeting and accounting requirements and are required to comply with the Scottish Public Finance Manual.

The 1992 Act does not govern the non-incorporated colleges which take a number of different legal forms and/or have differing constitutional arrangements. One non-incorporated college, Orkney College, is run by its local authority.



9 UHI Outer Hebrides, UHI North Highland and UHI West Highland merged to become UHI North, West and Hebrides from 1 August 2023.  
10 Six colleges (UHI Argyll, UHI Inverness, UHI Moray, UHI North, West and Hebrides, UHI Orkney and UHI Perth) are currently assigned to UHI with UHI Shetland due to be assigned in due course.  
11 The Regional Strategic Bodies and Regional Colleges (Glasgow and Lanarkshire) Order 2025.

Annex C: Map of College Regions



Annex D: College adjusted or underlying operating position

The adjusted operating position is a better indicator of colleges’ operational cash-generating capacity.

The adjustments to the operating position to arrive at the adjusted operating position for the colleges:



Smooth the volatility in reported results arising from the FRS 102 accounting standard.



Recognise some of the reported costs do not have an immediate cash impact.

The reported operating surplus/(deficit) figures have been adjusted for:

|                                                                                                                                                                     |                                                                          |                                                                                     |                                                                                 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
|                                                                                   | Depreciation net of deferred capital grant (incorporated colleges only). |   | Exceptional non-restructuring costs (impairments and lease dilapidation costs). |
|                                                                                  | Non-cash pension adjustments.                                            |  | Donations to arms-length foundations (ALFs) (incorporated colleges only).       |
|                                                                                  | Non-Government capital grant (e.g. ALF capital grant).                   |  | Exceptional income.                                                             |
|                                                                                  | Loan repayments (incorporated colleges only).                            |  | Non-Profit Distributing Project (NPD) income applied to reduce NPD debt.        |
|  Costs of job evaluation exercise not matched by revenue (from 2023-24 onwards). |                                                                          |                                                                                     |                                                                                 |

Cover Photos:

UHI Inverness

Sabhal Mòr Ostaig

Forth Valley College

Dundee and Angus College



Scottish Funding Council  
Comhairle Maoineachaidh na h-Alba

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