

By email:

Douglas Ross MSP
Convener
Education, Children and Young People Committee
The Scottish Parliament

23 October 2025

Dear Convener,

Thank you for the opportunity to give evidence as part of the Committee's pre- budget scrutiny 2026-27. During the session, I offered to follow up with the committee in writing and would also like to take the opportunity to clarify a few points.

Scottish Government Budget 2026-27

Committee members asked how much funding the sectors require from the 2026-27 budget settlement. As I explained, SFC provides regular advice to the Scottish Government, based on the evidence we gather through our ongoing financial monitoring of the sectors, to inform budget considerations. Although this advice is privileged, we do make information publicly available at a sector level via our Financial Sustainability reports.

To provide further assurance on this: SFC engages intensively with the Scottish Government in the months before the budget, and we model a range of scenarios, setting out the impacts of these options on the sectors. These scenarios are informed by a range of factors, such as the forecasts we have received from institutions, inflationary assumptions, and the Scottish Government's estimate of the funding settlement it will receive from the UK Government. The level of funding required by the sectors is therefore a complex and evolving picture, dependent on both the changes in the external environment and progress made on sector transformation initiatives, as well as individual institutions' transformation plans.

As I explained to the Committee, it will be important to support institutions both to manage inflationary pressures and to enable transformation. It is, however, ultimately a matter for Scottish Government to decide the quantum of the budget for the college and university sectors. Once the budget is confirmed, SFC's responsibility is to allocate this funding to the sectors to best effect, fairly and transparently, and we do this working closely with the sectors.

Tertiary Education and Training Bill

Financial Memorandum Costs

Committee members asked whether SFC's costs changed from the Financial Memorandum to the updated costing information provided in the Scottish Government's response to the Committee's Stage 1 report. SFC provided the Scottish Government with costs for its Outline Business Case, which formed the basis of the Financial Memorandum. The costs we provided then have not materially changed. However, since the Financial Memorandum was published, and subsequent to the Committee's Stage 1 evidence sessions, SFC, SDS and Scottish Government have worked together to narrow the range of costs associated with the pension transfer and to provide clarity on the potential financial implications of the Bill. The Scottish Government shared this information in its response to the Stage 1 report.

Stage 2

SFC Funding for Research

SFC was asked about funding for research, with specific mention of the fact that research funding accessed by universities only covers 69% of the costs. Research in universities across the UK is generally loss-making, as the level of investment does not cover the full economic costs associated with this activity. This is also the case across many international comparators. In Scotland, England, Wales, and Northern Ireland, funding arrangements for research are provided via the UK's "dual support" system, comprising (i) project funding for specific research projects and (ii) block grant funding, from the respective UK funding bodies, which supports universities to secure the capacity and capability needed to deliver these projects.

To be clear, therefore, SFC's Research Excellence Grant (REG) does not provide funding for specific research projects. That funding is provided by other bodies, including UKRI Research Councils, industry, charities, and other partners, including European and global partners. These bodies do not cover the full cost of delivery, with the proportion of cost recovery ranging from 60% – 80%. SFC's REG funding, i.e. the "block grant" funding, enables universities to do the following:

- supplement the competitive project funding where it does not meet the full economic costs of the activity
- fund key overheads and infrastructure costs, including the professional support required by researchers and their projects
- leverage new investment and bring in new partners
- explore the unpredictable or difficult-to-fund research, which can lead to ground-breaking progress.

College Infrastructure Investment Plan

The Minister was asked what the publication date is for SFC's College Infrastructure Investment Plan. SFC worked in partnership with the college sector to publish the College Infrastructure Strategy at the end of 2022. Since then, together we have achieved significant milestones, including the first ever strategic baseline survey for Scotland's college estate including digital and net zero. We published a [progress report](#) in July 2025, a copy of which was shared with Committee members.

The knowledge we now have will allow us to begin discussions with colleges to consider prioritisation, rationalisation, shared services and collaboration in a strategic and coherent way as we consider the investment required for the college estate of the future, moving from place-based provision to outcome-based provision and deliver the first iteration of the College Infrastructure Investment Plan, recognising that it will be an iterative process. The project will be delivered under six workstreams and we are committed to providing regular updates at milestones along the way as we work towards delivery of the first edition of a comprehensive College Infrastructure Investment Plan which is scheduled for autumn 2026.

In the meantime, SFC increased sector capital maintenance funding by £1.5m (4.9%) in AY 2025-26. With agreement from the college sector, we have ring-fenced £2.5m for high priority estates needs. However, we recognise that this funding is insufficient to meet demand, therefore, colleges unable to address high priority estates needs within existing capital maintenance funding are encouraged to notify SFC as soon as possible. Committee members will also be aware from our update in July that we published updated Disposals Guidance which allows colleges to retain a greater proportion of the receipts from any sales of assets, thereby providing a real boost for our collective long-term approach to infrastructure investment.

University of Dundee

Recovery Plan

There was discussion about roles and responsibilities regarding the University's Recovery Plan. The University of Dundee is an autonomous institution, and the University's Court is responsible for accepting and approving its Recovery Plan. SFC's role is to provide advice to Ministers on the release of the public funding made available by the Scottish Government via the Section 25 direction, including the conditions attached. In order to have assurance that the investment of public funds will secure the long-term sustainability of a thriving and successful institution, we have asked the University to provide further evidence of its underpinning strategy; its plan to have in place a stable leadership team; and evidence of staff engagement and consultation. This has been a longstanding request but reiterated more formally following receipt of the University's recovery plan in August. SFC has since

had, and continues to have constructive engagement with the University, and the University is already taking positive steps to progress these points.

Interim Principal

SFC was asked about the arrangements the University had in place to cover the short period between the Interim Principal's initial contract concluding and the next University Court meeting when Court would formally consider the proposal to extend his contract by 12 months.

The Interim Principal's employment contract is a matter for the University of Dundee, and SFC was aware of the proposal to extend the Interim Principal's contract until September 2026, a position Richard Maconachie outlined during the Committee session. During the session, it was explained that the University's Resilience Plan was the mechanism to bridge the gap between 30 September, the date the Interim Principal's contract was scheduled to conclude, and 13 October, the date of the University Court meeting.

However, SFC was not in receipt of the Chair's letter to the Interim Principal formally outlining this arrangement, therefore it was not appropriate for SFC to comment further. SFC is now in receipt of this letter, in which the Chair confirms the Interim Principal's contract has been extended for the intervening period, using that mechanism, until the Court considered the position formally at its meeting on 13 October. You will be aware that the Court has now approved the extension of Professor Seaton's contract for a period of six months with an option for a further six months. If you require any more information on this appointment, the University will be best placed to provide this.

I trust this information is helpful.

Yours sincerely,

Tiffany Ritchie

Acting Director of Finance