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Douglas Ross MSP
Convener
Education, Children and Young People Committee
By email: ECYP.committee@parliament.scot

22 October 2025

Dear Convener/Douglas,

PRE-BUDGET SCRUTINY 2026-2027

As I gave an undertaking to, I am submitting this additional evidence to support and expand upon the points raised during my initial appearance before the Committee on 1 October.

Additional funding

At the Committee, members asked if the Scottish Funding Council (SFC) had provided details of the funding required by the university and college sectors from the 2026-27 budget settlement.

In the lead-up to the Scottish Budget, the SFC engages closely with the Scottish Government, modelling a range of funding scenarios and outlining their potential impacts on the college and university sectors. These scenarios are shaped by a range of factors, including institutional forecasts, inflationary pressures, and the Scottish Government's projected funding settlement from the UK Government. As a result, determining the level of funding required is a complex and evolving process, influenced by external economic conditions, progress on sector-wide transformation initiatives, and the individual transformation plans of institutions.

The Scottish Government fully recognises the value that long-term planning brings to colleges and universities in enabling strategic, forward-looking decision-making. We are, however, preparing for a particularly challenging Budget and Spending Review process, which must take into account the savings measures outlined in the Fiscal Sustainability Delivery Plan to manage spending growth. Given the delay to the UK Government budget and the longstanding commitment not to provide financial details outwith the Scottish Budget process, we are not yet in a position to confirm the level of funding that will be available to colleges or universities for the 2026–27 financial year. Nonetheless, I want to reaffirm this government's strong commitment to supporting the sustainability of Scotland's college and university sectors. Please see more below regarding ongoing collaborative work on this.

Access to Financial Transactions (FTs)

The availability of Financial Transactions has reduced significantly in recent years with budgets of £124m in 2024-25 and £167m in 2025-26 available to the Scottish Government, a reduction from £394m in 2023-24. The Scottish Government has committed to providing the Scottish National Investment Bank (SNIB) with capital funding and to an initial £2 billion of funding over the Bank's first 10 years in operation. As a result, the limited FT resources have, by necessity, been allocated to the highest priority areas.

The recent UK Government Spending Review provided a welcome increase in Financial Transaction funding which rises to £360m in 2029-30 and the needs of the education and skills budget will be considered as part of corporate prioritisation for this funding.

Reinforced Autoclave Aerated Concrete (RAAC)

In response to members' questions around the issue of RAAC, this government is committed to ensuring the safety and sustainability of Scotland's college estate and we continue to work closely with the SFC to monitor the implications of RAAC-related issues across the sector. The Scottish Government recognises the significant pressures RAAC has placed on institutions, particularly in relation to remediation and mitigation efforts, and will continue to assess the financial and strategic implications of RAAC as part of our broader oversight of college sustainability.

To support strategic planning and long-term resilience, the SFC is developing a College Infrastructure Investment Plan (CIIP), to help prioritise investment in college estates. We are working to ensure this plan aligns with broader institutional sustainability objectives and supports colleges to maintain safe, fit-for-purpose learning environments. Further details on the CIIP are laid out in following paragraphs.

It remains the responsibility of individual institutions to manage and maintain their buildings, including addressing RAAC-related risks. Colleges are expected to take a risk-based approach to mitigation, guided by the Institution of Structural Engineers (IStructE) recommendations.

College Infrastructure Strategy (CIIP)

The SFC's *College Infrastructure Investment Plan: Progress*, published in July 2025 ([College Infrastructure Investment Plan: Progress Report - Scottish Funding Council](#)) confirms that updates on the development of the CIIP will continue throughout 2026. It also outlines the shared ambition of SFC and its key delivery partners to publish the final CIIP in Autumn 2026. This plan links in with SFC's framework for prioritising investment in college estates, as detailed in the previous paragraphs.

UHI 'top slice'

As noted by UHI in its evidence to the Committee earlier this year (<https://www.parliament.scot/-/media/files/committees/education-children-and-young-people-committee/correspondence/2025/uhi-supplementary-information-23-june-2025.pdf>), the University considers the 'top slicing' of higher education funding allocated to its academic partners to be no longer fit for purpose, and has therefore advised that this mechanism will be reviewed as part of its move towards a new Target Operating Model.

While UHI, as an autonomous institution and a Regional Strategic Body, is responsible for its own operational decision making, the Scottish Government welcomes ongoing work by the University to develop a final business case for its Target Operating Model, and both the SFC and Ministers will give this careful consideration once finalised. Any changes to the UHI partnership model must take into account the needs of learners across the Highlands and Islands, and the Scottish Government fully expects consideration to be given to the views of students, staff, employers, the local community, and all UHI partners.

Collaborative work with Universities Scotland

At committee, I mentioned that Scottish Government is collaborating with Universities Scotland to ensure ongoing and future sustainability and success of Scotland's Universities. Since becoming Minister, I have met with Universities Scotland twice to discuss skills reform and next steps to commence this collaborative work.

My predecessor met with a cross-party group of MSPs as well as trade unions and student representatives on 16 September to engage them in the development stage and we are working on the governance arrangements of that work ahead of a launch later this year.

I can reassure committee members of ongoing commitment by the Scottish Government and Universities Scotland to engage with MSPs, trade unions and student representatives to provide opportunities for feedback and discussion. This will be a truly collaborative process.

University of Dundee recovery plan

There was a request for further clarity on decision making around the University Recovery Plan. It is for the University Court to approve the University Recovery Plan. The University of Dundee, like all universities in Scotland, is an independent institution responsible for its own planning and governance.

What makes Dundee a special case is the use of powers under Section 25 of the Further and Higher Education (Scotland) Act 2005. This allows Ministers to direct the Scottish Funding Council about the provision of financial support to a specific institution if there is the appearance of financial mismanagement.

The Section 25 direction requires SFC to attach conditions to additional funding to the University of Dundee. It is for the University Court to decide whether to accept those conditions and if so, they must comply with the conditions in taking forward any recovery plan.

That is the process that the Scottish Government, SFC and the University are now working through, at pace. It is complex new territory – this is the first time Section 25 powers have been used. Ministers need appropriate assurances around the use of public money, but the clear autonomy of the institution must not be undermined.

Yours sincerely,

Ben MacPherson
Minister for Higher and Further Education