

Douglas Ross MSP
Convener of the Education, Children and Young People Committee

30 July 2025

Dear Mr Ross,

Thank you for the Committee's enquiry regarding funding recovery and over-recruitment in the university sector over the last few years, following the evidence session on 4 June. I am pleased to provide a response on behalf of the Scottish Funding Council.

Planning and responding to under-delivery of funded places

Value for public money and fairness are at the heart of SFC's approach to funding recovery. SFC attaches terms and conditions (via our Financial Memorandum) to the funding we allocate to institutions, and, for universities, the consequence of under-delivery of learner places is recovery of funding in respect of those unfilled places.

We have started discussions with the college and university sectors about our plans to review our approach to funding recovery in the context of the challenging financial environment, and we will engage extensively with both sectors as we progress this work.

Funding recovery is necessarily retrospective because it is calculated using end-year final statistics collected by SFC following completion of the Academic Year. SFC then validates this data with institutions directly, which can result in some changes to the figures. Once the data is validated, SFC can assess any funding to be recovered. Universities are aware of SFC's conditions of grant and the funding recovery process, and they routinely plan and budget for this.

SFC routinely engages with institutions, both individually and at a sector level, on a range of matters, including financial health, changes in demand, and our funding allocations. There have been changes to demand for funded places in recent years, with both the UK's exit from the EU and the Covid-19 pandemic being significant factors. SFC is responsive to this changing environment, for example, we have adjusted funded places to reflect clearly evidenced under-delivery. We make these adjustments in a managed way and in consultation with the sector, to minimise the impact on the financial sustainability of institutions, and to ensure the sector continues to deliver for learners and employers.

Funding recovery for under-recruitment of non-controlled places

SFC allocates funding to universities for Scottish-domiciled student places. It is a condition of grant each year that where universities do not fill these places, we will consider recovering the associated funding. Funding recovered from non-controlled places is retained within the system for the benefit of the sectors.

We are reasonable in our approach to recovery: we have a 2% tolerance for under-delivery, and we consider appropriate and valid mitigations. We must take a fair and reasonable approach to our



consideration of mitigations to ensure value for public money and fairness across the sector, particularly in the current challenging financial environment. For example, a change in learner demand may not in itself be a sufficient mitigation because all universities should update their forecasts and review their curricula on a regular basis to respond to changing demographics and the demands of learners, industry, and employers.

SFC's approach to funding recovery in the college sector operates using this same fundamental principle as in the university sector, i.e. SFC will consider recovering funding when the college does not deliver the level of student activity it was asked to in return for the funding it received. SFC made several changes to the college sector funding model in AY 2023-24, and taken together, these changes resulted in colleges having an overall reduced risk of exposure to funding recovery compared to previous years. Some of these changes were in recognition of the college sector's more limited ability to generate other sources of income due to their public sector status; other changes brought the college sector into line with the university sector for the first time, for example, the introduction of a 2% tolerance for under-delivery in the college sector. (SFC's [previous written submission](#) to the committee sets out a detailed explanation of the changes we introduced to the college funding distribution model in AY 2023-24.)

We continue to engage extensively with both sectors to review our funding distribution model and ensure it remains fit for purpose and supports institutions through this challenging financial context.

Funding in relation to under-recruitment of controlled places

On behalf of Scottish Government, SFC also has a role in managing funding in relation to under-delivery of controlled places. Scottish Government provides SFC with additional ring-fenced funding for additional 'controlled' funded places, i.e. Medicine, Dentistry, Nursing & Midwifery, Paramedic Education, Optometry, Prosthetics & Orthotics, and Teacher Education.

Funding in relation to under-delivery of controlled places is generally managed through the Scottish Government's Budget Revision process via the Autumn and Spring Budget Revisions (ABR/SBR) to SFC's grant, i.e. where there has been under-delivery (beyond Scottish Government's 3% tolerance threshold), Scottish Government can choose to reduce the level of grant it provides to SFC for controlled places.

SFC administers this adjustment in line with Scottish Government's 3% tolerance for controlled places. Scottish Government also considers mitigations; for example, in AY 2022-23 and AY 2023-24, Scottish Government chose not to reduce its funding to SFC at the ABR/SBR related to under-delivery of students eligible for funding in Nursing & Midwifery in recognition of recruitment challenges. SFC engages regularly with Scottish Government, institutions, and, where relevant, organisations such as NHS Education for Scotland, regarding controlled places, including issues such as recruitment.

Funding recovery in the university sector over the last three years

SFC's funding recovery from the university sector is reported each year in our Annual Report and Accounts (this information is set out on a financial year basis, whereas institutions will record this information on an Academic Year basis in line with their budgetary processes). SFC's funding



recovery in the university sector over the last three financial years is set out in the table below. Our next Annual Report and Accounts for FY 2024-25 is scheduled to be published in autumn 2025.

Financial Year	Recovery (£m)
2023-24	4.6
2022-23	1.6
2021-22	0.1

The level of recovery will vary year-on-year depending on delivery levels at universities. In recent years, delivery levels have been impacted by the unique challenges of the Covid-19 pandemic and the UK's exit from the EU.

Over-recruitment

There has been no material over-recruitment, above tolerance thresholds, by universities over the period 2020-2023.

I trust this information is helpful, and please do let me know if there is anything further that I can assist with.

Yours sincerely,

Tiffany Ritchie
Acting Director of Finance