

**Pack of written submissions received on the
University of Highlands and Islands in advance of
the meeting due to take place on 24 March 2026**

This meeting was subsequently cancelled due to lack of time.

Written submission from SFC

Context

1. The University of the Highlands and Islands (UHI) and its partner colleges deliver further education and higher education including apprenticeships, research and innovation, to broad and dispersed communities. This provision is vital to communities, employers, and the local, regional and national economy of Scotland. SFC values the further and higher education delivered by UHI and its partners and is committed to finding sustainable ways to protect locally delivered provision that is essential for learners in rural and island communities.

UHI Governance Structure

2. The Post-16 Education (Scotland) Act 2013 introduced regional strategic bodies (RSBs) for colleges in multi-college regions to support a regional approach to the planning and funding of college provision.
3. In the Highlands and Islands, the UHI Court is the RSB, and the UHI Principal and Vice-Chancellor also serves as Chief Executive Officer of the RSB. This arrangement reflects the integrated partnership model within the region.
4. Where a college is assigned to an RSB, the accountability and funding relationship for the assigned college is with the RSB. There is therefore no direct accountability or funding relationship between SFC and an assigned college; instead, the RSB's relationship with its partner institutions broadly mirrors SFC's relationship with its fundable bodies.

Expectations and Monitoring of Good Governance

5. A Financial Memorandum (FM) sets out the formal accountability relationship between SFC and the bodies it funds, and the requirements with which they must comply as terms and conditions of grant. These requirements include compliance with the Code of Good FE Governance. SFC has an FM with UHI, and UHI has an FM with its partner institutions, i.e. the assigned colleges.
6. SFC launched a new approach to outcomes and assurance in 2024 via our [Outcomes Framework and Assurance Model \(OFAM\)](#). The Outcomes Framework sets out SFC's expectations of colleges and universities in return for the funding that they receive, and the Assurance Model is the mechanism by which SFC is assured that the outcomes are being delivered so that the things that matter to students, employers, Scottish Government and other stakeholders are in place.
7. 'SFC's Expectations of Good Governance' was published in September 2025. This publication announced changes to the activities we will undertake in relation to monitoring governance, including additional monitoring to gain ongoing assurance that governance in institutions is adequate and effective. In response, UHI RSB set out its approach to good governance monitoring and assurance which is monitored by the UHI Court. This includes:
 - A governance effectiveness survey of assigned colleges.
 - The requirement for annual compliance certificates.

- The implementation of a formal notification procedure for weaknesses in governance.
- Internal and external audit processes, including a RSB audit of assigned colleges.

Financial Health Monitoring

8. Financial sustainability is a condition of grant set out in the FM as well as an outcome in the Outcomes Framework. Institutions' governing bodies and management teams are therefore responsible for their institutions' financial sustainability and are required to notify us, or UHI in the case of assigned colleges in the Highlands and Islands, if they identify material risks to their financial viability or sustainability.
9. SFC monitors the financial health of institutions via regular financial returns and a programme of regular engagement. UHI undertakes this data collection and engagement in relation to its partner institutions. UHI routinely shares this information with SFC for our sector-level analysis of the financial position of colleges; for example, our Financial Sustainability reports include the position of UHI's partner institutions.

Interventions

10. There is a range of interventions SFC can take to support institutions that are experiencing financial difficulties, and we tailor these to each institution. For example, we can provide grants or cash advances to support liquidity challenges and allow time for issues to be addressed. UHI manages this responsibility in respect of its partner colleges.
11. SFC can also take interventions to address non-financial issues in line with the outcomes identified in the OFAM, for example to address issues of governance or quality. SFC would engage with an institution facing financial or other challenges as per the FM. However, UHI engages with SFC, rather than the assigned colleges engaging directly, when support is required.

Funding

12. SFC welcomes the 2026/27 Scottish Budget that provides the college sector with a combined increase of £70 million in resource and capital funding, equivalent to a 10 per cent uplift on last year's budget. SFC further welcomes the short life workstream recently announced by the Minister for Higher and Further Education. Its aim is to design and deliver a college sector suitable to support the skills needs of Scotland, economically and socially, both in the shorter term and in the future. This workstream has been co-designed with Colleges Scotland and SFC.
13. SFC has also worked with the college sector and Scottish Government to introduce new measures to support colleges. For example, in the last year, we have made further changes to our college funding distribution model that bring greater transparency, comparability, and flexibility; we published new guidance that enables colleges to retain the first £1m of any asset disposal and then 70% of any value over this; and we launched a College Transformation Framework, which provides a mechanism for colleges to undertake curriculum transformation and transition to a more sustainable footing from within existing budgets.

UHI Transformation and Target Operating Model

14. In our 2020 review of the UHI RSB, SFC concluded that the regional governance arrangements had delivered clear benefits, but that the RSB had not yet realised the wider aims of regionalisation, including stronger curriculum planning, regional coherence and strategic alignment. Since then, we have seen the merger of Lewis Castle College, North Highland College and West Highland College to create UHI North West and Hebrides.
15. UHI has been considering a range of options to deliver transformation with a view to developing a Target Operating Model (TOM) for the future.
16. The TOM is a matter for UHI and the academic partner colleges and any model will need to be agreed by UHI College Boards and the UHI Court before being subject to public consultation. There is considerable engagement by UHI with senior management, boards of management and staff including trade unions of the partner colleges, as they together explore options for their transformation; the resulting proposal will be submitted to Scottish Ministers in due course
17. The Full Business Case (FBC) for the resulting proposal will set out the costs of delivering on the TOM. The FBC will be shared with SFC to inform our advice to Scottish Ministers and our assessment of the proposal's impact, viability and value for money, including any associated funding considerations.

Partner contributions

18. UHI partner institutions make a financial contribution to UHI in its role as RSB (referred to as the UHI Executive Office (EO)). UHI retains around £15m of SFC funding (sometimes called the 'topslice') to deliver shared services on behalf of partner colleges. These services include, for example, student services and support, higher education programme delivery, HR, and digital services.
19. Both the UHI Executive Office and partner colleges agree that the current approach to these contributions requires reform, which is being considered through the TOM. UHI is reviewing partner contributions as part of its transformation work with partner colleges.
20. SFC does not control or allocate these funds. Partner contributions are an internal UHI mechanism used to fund partnership-wide services, including governance, academic and quality assurance functions, and student support.

Submission from UHI

Dear Convenor and Members of the Education, Children and Young People Committee

The University of the Highlands and Islands (UHI), serving as the Regional Strategic Body (RSB) for the Highlands and Islands, Moray and Perthshire, is grateful for the invitation to attend the meeting of the Education, Children and Young People Committee on 24 March 2026. We welcome the opportunity to participate and to contribute to the Committee's programme of work.

In advance of the meeting, we thought it would be helpful to provide a submission offering further background information about UHI and an overview of our current activities, successes, challenges, and priorities, including UHI's Transformation Programme.

In doing so, we recognise the statement set out by the Convenor of the Public Audit Committee in the letter of 9 February 2026 regarding both the timing of UHI's consultation on the proposed new operating model, (particularly the risk that this may limit the ability of the Parliament and its committees to contribute meaningfully), and the need to ensure transparency and accountability for those in receipt of public funds.

Against that backdrop, we welcome the opportunity to highlight the significant work taking place across our tertiary university partnership, and the significant progress we continue to make including our sustained efforts to deliver an excellent student experience within a very challenging funding environment. UHI is regionally critical and nationally important, with a fundamental commitment to strong and improving student satisfaction outcomes to support our growth in student recruitment. Our ongoing transformation is focused on ensuring long-term sustainability and academic excellence.

Yours sincerely

Alastair MacColl
Chair of Court

Vicki Nairn
Principal and Vice-Chancellor

1. Introduction

UHI was created to provide a university which would deliver high-quality education tailored to the unique needs and characteristics of the Highlands and Islands, Moray and Perthshire, fostering economic, cultural, and social development, and stemming depopulation.

As one of Scotland's nineteen universities, and Scotland's youngest university, UHI is a tertiary university partnership with research and degree awarding powers. However, UHI is very different to a traditionally structured university. The scope of the university partnership also includes further education (FE) as a major and important component of its education provision.

The UHI partnership today is a complex and diverse network of 10 independent academic organisations plus the university, including FE colleges (both incorporated and non-incorporated under the Further and Higher Education (Scotland) Act 1992), research institutes, specialist learning centres, a local authority partnership and a university.

UHI in 2026

- + We are a tertiary institution, the only one in Scotland and one of only a few in Europe
- + UHI is an integrated university encompassing both further and higher education
- + 10 partners, with 48 campuses and learning centres, across the Highlands and Islands, Moray and Perthshire
- + We offer flexible and supported learning from access level to PhD, to upskilling and cross skilling
- + We are proud of our unique place and connections with our communities and industry which makes our teaching and research more connected to their needs

UHI



2. Governance and structure

The University of the Highlands and Islands is an autonomous institution, it is a Scottish company (limited by guarantee), a registered Scottish charity, and a Regional Strategic Body (RSB). The university achieved university status in 2011 and receives funding from the Scottish Funding Council (SFC) in accordance with The Fundable Bodies (University of the Highlands and Islands) Order 2011.

The Post 16 Education (Scotland) Act 2013 defines the University of the Highlands and Islands as an "other Regional Strategic Body" and Scottish Ministers may by Order assign colleges to a Regional Strategic Body (RSB). The university

receives funding from the Scottish Funding Council and serves as the Fundable Body for 10 academic partners plus the university itself.

The university and the Scottish Association for Marine Science (SAMS) deliver higher education (HE) and research activity only, with all other academic partners delivering FE, HE and research.

The UHI academic partners are:

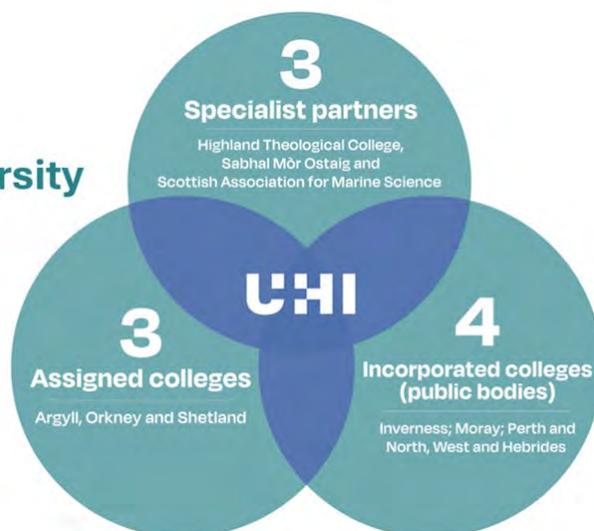
1. UHI Argyll
2. Highland Theological College UHI
3. UHI Inverness
4. UHI Moray
5. UHI North, West and Hebrides
6. UHI Orkney
7. UHI Perth
8. Sabhal Mòr Ostaig UHI
9. Scottish Association for Marine Science UHI
10. UHI Shetland.

The academic partners form part of UHI along with the university itself.

The university includes:

- the university Executive Office;
- significant HE academic delivery provision (nursing, optometry and history);
- central university services such as partnership IT, residences, governance, HE student recruitment, academic quality and assurance, research, and other services.
- The university also provides the statutory RSB function across the entire partnership.

UHI Tertiary University



UHI

Since being awarded university title in 2011, UHI has continued to ‘punch above its weight’ as Scotland’s youngest university, delivering high quality teaching and student support, impactful research and knowledge exchange, and an innovative model of tertiary education that serves communities across the Highlands and Islands, Moray and Perthshire.

Importantly, UHI serves over two thirds of Scotland’s landmass, from city locations to rural and islands locations spread across Scotland, often with areas of sparse population. The scale, scope, size, diversity and complexity of UHI geographical spread and structure is unprecedented in Scotland and the UK, and we welcome the committee’s recognition and appreciation of this.

3. UHI academic and student success

Our student and academic success continue to grow. The partnership’s progress is reflected across excellent FE and HE student satisfaction results.

Our students consistently tell us that they are receiving an excellent educational experience. In 2025, independent polls recorded 96.2% overall satisfaction among FE students, 86% overall satisfaction among HE students placing us 4th in Scotland, and an overall post graduate satisfaction rate of 91%, making UHI first in Scotland for the fourth-year running. This is combined with 72% of our research being classed as excellent and world leading in the 2021 Research Excellence Framework.

4. UHI as a place based tertiary institution

UHI is a unique tertiary institution, delivering further education, higher education and research to approximately 32,000 students. We are proud to celebrate our exceptional partnership of colleges, internationally recognised research institutions and specialist teaching centres. Our students and communities are at the heart of everything we do. We work collectively to enable diverse provision to all areas of the regions we serve and support students to remain in our regions to achieve their potential whether through further education, work-based learning, apprenticeships, higher education or research degrees.

UHI's distinctive tertiary model enables us to provide further and higher education across all parts of our region through local campuses, learning centres and networked provision, supporting unique learner journeys from FE to doctoral research degree across a wide range of subject areas.

Beyond academic achievement, UHI plays an important role as an anchor institution, driving economic growth across one of Scotland's fastest growing regions. Independent analysis by BiGGAR Economics (2020) underscored our impact; finding that for every £1 invested in UHI, £4 is returned to the regional economies we serve. As a large, regionally dispersed but strongly connected partnership, UHI continues to deliver substantial educational, social and economic benefit, both within our communities and nationally.

5. Tertiary student recruitment

Further Education

- UHI is already close to surpassing its SFC credit threshold of 101,632 credits and is forecasting to reach almost 103,000 credits by the end of the 2025-26 year, exceeding our teaching funding by almost 1,200 credits, despite having to significantly reduce teaching capacity. Applications for FE study at UHI have continued to increase and the university has identified approximately 22,000 credits of regional demand for 2025-26 that we will not be able to deliver, equivalent to almost 380,000 learning hours.
- FE applications are expected to rise again for 2026-27, demonstrating the continued strength of applicant demand for UHI's provision. Currently the university is forecasting circa 15,000 additional, unmet credit demand for 2026-27, based on a combination of sector and applicant demand.
- There is simply not enough funding available to meet demand for FE provision across our region to meet the replacement skills needs of existing sector workforces, let alone plan to meet the significant additional needs associated with emerging sectors. Courses and/or cohorts have been removed, applicants turned away, and staff levels reduced. Highlands and Islands Enterprise have estimated a £1bn of economic growth and investment in the UHI regions over the next few years and UHI needs the credit funding to be able to deliver this.

Higher Education

- UHI currently has approximately 10,500 to 11,000 HE enrolments every year, around 55% of which are in full-time study.
- 83% of all HE full time equivalent (FTE) in 2025-26 is in undergraduate study (63% full-time, 37% part-time), and the remaining 17% in postgraduate study.
- Whilst UHI experienced a serious post pandemic decline across a range of traditionally higher volume full-time undergraduate programmes, significant recovery towards previous FTE levels in the last two years has been driven by graduate apprenticeship and transnational education provision, alongside strong performance in areas such as nursing and specialist degrees.
- Dedicated resources have been put in place within UHI within the last 18 months to drive student recruitment forward as part of the growth strategy. This is having

a significant positive impact on generating more applications and enrolments despite a very competitive recruitment environment.

- The 2025-26 academic year is not yet ended, but so far UHI's total HE FTE for 2025-26 sits at just over 7,180 (including SFC funded and non-funded).
 - For SFC funded non-controlled FTE we are currently at 5,165 FTE - an 8% increase on data from March 2025.
 - For controlled subjects, UHI is currently at 480 FTE, with a significant rise in nursing enrolments (+9% increase on March 2025).
- For 2026-27 UHI is currently showing a 9.7% increase across all active applications compared to the same time last year with broad-based increases across undergraduate, postgraduate and international categories. We are currently working with UHI academic partners to finalise their forecast predictions and confirm total numbers for the planning process. Numbers will not be able to be fully confirmed until the end of the recruitment cycle.

6. Tertiary operating environment and opportunities

UHI's tertiary colleges continue to operate within a highly challenging financial environment shaped by long-term flat cash settlements in both FE credits and HE grants, which have created sustained real term pressures despite recent reductions in inflation. These pressures have required significant reductions in staffing and operating costs, further compounded in 2023/24 and 2024/25 by the settlement of long running pay disputes that created liquidity challenges for several academic partners, necessitating loan and grant advance support from the SFC.

The UHI regions have an almost unprecedented landscape of opportunities for the populations served. These are reflected in Scotland's National Strategy for Economic Transformation (NSET), launched in March 2022 which sets out a bold ten-year vision to build a prosperous, fairer, greener "well-being economy" despite UK-wide constraints. Over the next 15 years, it is anticipated that the Highlands and Islands regions will see a total investment of over £100 billion.

Between 2025 and 2040, planned and proposed strategic projects and investments across the Highlands and Islands are expected to generate over 114,000 FTE job-years in construction and around 18,000 additional direct FTE roles by 2040, generating more than £76.6 billion in gross value added.

Growth areas are predominantly linked to renewable energy projects, whilst also relating to engineering, space, marine biotech, life sciences, natural capital and critical infrastructure developments such as electricity grid upgrade improvements to ports and harbours along with research and creation of innovation facilities.

One targeted opportunity is the Inverness and Cromarty Firth Green Freeport selected in 2023 by the Scottish and UK Governments to become one of Scotland's first Green Freeports "driving collaboration between industry, academia and the public sector to stimulate transformational regeneration through economic activity, investment, innovation and skills development". Significant other regional investments include the Moray Growth Deal, Islands Growth Deal and Tay Cities Region Deal. Repeated requests have been made for additional credit funding to

match economic demand, and we look forward to continuing a productive conversation about this matter in the future.

7. Funding climate

Structural pressures, including the historic non-payment of the distant islands allowance for Shetland, Orkney and the Hebrides, imposes a recurring annual burden of around £1m with some academic partners in financial deficit who continue to face operating cash deficits despite aggressive cost saving measures. However, rural and island colleges within UHI operate within a funding system that does not adequately recognise structural disadvantage and diversity. Delivering education across dispersed communities carries inherent inefficiencies, smaller class sizes, high travel, accommodation and utility costs, weather-dependent logistics, recruitment challenges, and the need to maintain a distributed college estate so that people can learn where they live.

As the committee have previously noted, single year funding settlements are especially challenging when trying to manage institutions, working to three-to-five-year budget cycles. This builds in uncertainty about what budget settlements will look like from year to year and does not allow institutions to strategically plan for investment and growth.

In 2025-26, the university/RSB was awarded £102.1m of grant funding from the SFC, for both HE and FE provision. On average, SFC grant funding provided via grants for teaching; research; capital and student support, representing 65% of total partnership income, split between HE £40.7m and FE £61.4m.

Each SFC grant is distributed to the “Highlands and Islands Region” academic partners based on previously agreed methodologies which have been in place for many years.

The partnership contribution mechanism (sometimes referred to as the ‘top slice’) is a mechanism to provide funding for core university functions and the functions of the Regional Strategic Body and services provided to academic partners as outlined in section two.

The quantum of the partnership contribution is largely determined by the number of SFC fundable HE undergraduate students delivered across the partnership (94% of the £15.7m in 2025-26). The total university charge (£15.7m) in 2025-26 is 15.4% of the total SFC grant award and 11.7% of total partner income (£133.9m).

While this mechanism has provided a consistent method for sharing central service costs across the partnership, it is widely agreed that this needs to change. However, it needs to change across the entire partnership as part of a tertiary institution approach. This includes addressing legacy and outdated mechanisms such as the partnership contribution model, currently capped at 35% of an academic partner’s HE teaching grant and is supplemented by a historic fixed sum for RSB responsibilities and a share of the Research Excellence Grant.

The current partnership contribution mechanism is not a levy applied for the university’s benefit; rather, it is how critical and essential central tertiary university services are funded, similar to the overhead structures in more traditional

universities. The partnership collectively recognises that the current model embeds duplication and inefficiency across all areas of the partnership. As part of UHI's transformation work, this mechanism will be fundamentally reviewed within the development of a new operating model, with a full business case (FBC) due for submission to the SFC later this year, subject to partnership agreement.

As a result of the overall funding climate, reserves have reduced across several partners as they have supported deficits or invested in growth activity. The loss of EU funding streams such as the Structural and Investment Fund and Horizon 2020 has removed a major source of research and development income. UHI unlike many traditional institutions, is not currently in a position to cross subsidise research and teaching with international income and therefore had to fund these activities through core funding grants, which is problematic, especially given single year funding settlements.

The reduction in international students more widely across the sector has also placed significant pressure on the 'home' market, meaning that more Scottish institutions are pursuing the same Scottish students as they struggle to tackle deficits and replace international student numbers.

Taken together, these factors present significant risks to course availability, student support, and infrastructure investment, particularly in rural and island areas.

8. UHI transformation

The UHI Strategic Plan 2030, agreed by the partnership in 2023, committed the partnership to "think, plan and act as one" in delivering its mission "to have a transformational impact on the people, communities and economy of our regions" and vision, "to attract and retain talent through innovative lifelong learning and impactful research". The greater integration of FE and HE institutions within UHI aligns with the public sector reform agenda by creating a more unified, efficient and sustainable tertiary system. This integration is central to the Scottish Government's goal of simplifying the public body landscape and improving outcomes for learners and the economy.

UHI has a critical role in Scotland, and the reasons for its founding remain as relevant today as they were at inception. We hope that transformation will:

- Enable the university to deliver on our mission: to have a transformational impact on the people, communities and economy of our regions.
- With Scottish Government support, secure financial sustainability and position UHI to seize the economic opportunities on our doorstep.
- Enhance and maximise the proportion of spend on education – securing excellent learning and research outcomes across our regions.
- Deliver better value for money.
- Create a resource-optimised, economical, efficient, and effective framework for public funding.
- Position UHI to realise its full potential as a regional anchor institution.

The partnership is actively scoping a wide-ranging transformation programme to ensure long-term sustainability, efficiency and enhanced value for learners and

communities. Since academic year 2021/22, the university has achieved £5.5m in recurring central cost savings, with a staffing reduction of circa 19% from 309 FTEs reported in the 2021/22 annual accounts to 251 FTEs in year 2024/25, mirrored by substantial reductions made by academic partners (who are separate legal entities and employers) responding to unprecedented sector wide pressures.

Engagement through the process has been key. The transformation programme is a partnership wide initiative and has involved UHI Court, academic partner Boards of Management, chairs, principals and colleagues drawn from across the partnership across all the workstreams that we have taken forward. In addition, there has been significant engagement with staff and trade unions including:

- 15 written staff communications since February 2025 including monthly updates and bespoke communications and an open SharePoint site (intranet).
- Five 'Let's Talk Transformation' videos shared.
- Hosted 19 locally led staff meetings with 42% of staff attending at least one session.
- Public survey received 551 responses.

Together, these activities generated around 1500 text-based comments. Staff engagement on developing the draft FBC (December to January 2025):

- Eight staff meetings held which around 940 staff members attended.
- 140 questions and comments during session.
- Over 200 comments in staff survey following sessions.

The university has also engaged with trade union colleagues. The UHI partnership has five recognised trade unions; EIS, FELA, UCU, UNISON, GMB and UNITE. During the development of the FBC UHI hosted monthly meetings (excluding the summer break) and since its distribution we have been meeting weekly to run through each of the FBC cases in turn.

Those discussions are now complete, and we are agreeing how national engagement and consultation should be conducted alongside local engagement and consultation with lay members. These arrangements will provide the backbone of trade union engagement and consultation through the next phases of the development of the FBC and onwards through the implementation of the programme.

UHI transformation summit

As part of this commitment on Wednesday 11 March, senior leaders from across the UHI partnership came together to discuss the significant and constructive feedback received in relation to the draft FBC.

Attended by UHI Court members, the Highlands and Islands Students' Association (HISA), staff representatives and all academic partners, it was a positive day of

discussion, which focused on exploring the benefits and challenges associated with the greater integration and alignment of the UHI partnership.

Leaders acknowledged the complex legislative and governance frameworks within which UHI operates and agreed to work together over the immediate future on consolidating proposals for a new, more integrated, efficient and community based operating model that is financially sustainable, with an accompanying commitment to update legacy financial mechanisms. The partnership is due to meet again in early May to review progress and agree next steps.

Transformation is always a complex topic and especially so in UHI given its historical structure, governance and legacy mechanisms, however the UHI partnership's ambition is to design a more streamlined and transparent system that reduces unnecessary administrative cost, removes duplication, and ensures that a greater proportion of funding reaches frontline educational delivery across our dispersed communities.

9. Conclusion

We would like to reiterate our sincere thanks to the Committee for its interest in UHI and for the opportunity to inform members about our work, our progress, success and the opportunities ahead.

We greatly value constructive engagement and welcome the opportunity to discuss how the Scottish Government, as a key stakeholder, can continue to support the university to thrive for the benefit of the learners, communities and wider population we serve across the Highlands and Islands, Moray and Perthshire. We would be pleased to provide any further information the Committee may find helpful, or to expand on any area of our submission during or following the session.

Submission from UHI Inverness

Introduction

Since being called to the ECYP Committee, a workshop (11th of March 2026) has been held to discuss the transformation process to date. The meeting was positive but at the time of writing, the outcome, as is also the case with the FBC, remains confidential.

It is hoped the information below, becomes an historic record and lessons learned that provide a framework for a more efficient and more effective UHI Partnership. An institution that is critically important to the communities of our region.

This pack is made up of this short narrative that is intended to give context to the annexes attached.

It is my understanding that the Committee is seeking information and clarification specifically referenced in paragraphs 204 – 209 in the 14th of November 2025 report from the Pre-Budget Scrutiny ECYP committees in relation to UHI and –

- UHI RSB and governance
- A 'no longer fit for purpose' funding mechanism
- A transformation programme
- Duplication of functions
- The 'outdated top slice funding mechanism'

Annex 1

UHI Executive Office Growth and the 'outdated top slice mechanism'

UHI Executive Office's staffing has grown/remained high at a time of declining HE students and consequently a reduction in the available HE top slice. The 2012 Capita and the 2022 Rockborn reports on UHI both recommended a reduction in the staffing of Executive Office.

FE students have remained stable and have seen the introduction of an FE slice. Whilst all federally structured universities need a centre to hold the degree awarding powers, act as a central registry and carry out other key functions, the number of staff in the Executive Office and the lack of a 'catalogue' of functions needs to be addressed.

Despite a key and necessary challenge within the transformation process being the identification and reduction of duplication through shared or 'common' services, staffing appointments continue to be made being made without reference to or across the partnership.

The attached graphs represent –

- Staffing at UHI Executive Office taken from end of year audited accounts and reported staffing averages.

It is believed that the current staffing has risen since the end of 2024/2025 and is circa 280.

Early indications following the 11th of March 2026 workshop outcomes is that staffing will be a key consideration as a part of transformation.

Annex 2

Top slice, additional costs and the funding mechanism

The attached table is a breakdown of the current 2025/2026 top slice, additional costs driven by the funding mechanism and further consequential additional cost to support teaching through staff back fill. **As applied to UHI Inverness only, the cost is circa £8m**

The table is made up of –

- The HE top slice as applied to core HE grant funding and assumed HE fees
- The FE top slice as applied to all FE credit-based activity
- Top slice on (earnt) research income – Research Excellence Grant
- Lost FE credit funding through unmet demand. UHI Inverness currently turns away circa 600 students per annum because of too few FE credits being available. Removal of the FE top slice would enable UHI Inverness to ‘over-trade’ and teach circa 100 of these students per annum.
- HE Module Leadership cost to provide quality assurance to UHI’s Executive Office
- Additional cost to support UHI research activity
- HE Programme Leadership costs to provide quality assurance to UHI’s Executive Office

In table 2 -

- Additional teaching costs to UHI Inverness to backfill the lost teaching capacity in supplying Module and Programme leadership (as above).

There is widespread agreement that the funding mechanism must be reviewed.

Note. Executive Office has reported that the total top-slice is 11.6% against total income. Such a calculation has yet to be presented and independently verified as being a transparent reporting mechanism and what impact such a substantive change might have upon the partnership if it were to be adopted as a funding mechanism.

Annex 3

Principal’s Report to the February 2026 UHI Inverness Board of Management.

This report (available on the UHI Inverness website with the annex redacted) was written to provide the Board with information on the transformation programme and the top slice. It includes –

1. A context for UHI Inverness' growth and success, specifically in HE funded activity such as locally driven Graduate Apprenticeship provision
2. References concern that Option 3 (a redesign of the federal nature of the UHI Partnership) along with review/revision of the top slice has not been fully implemented
3. A conclusion that the current top slice and associated funding mechanism, with its additional cost is no longer sustainable for UHI Inverness

Annex 4

Data derived from HESA and demonstrating the need for locally driven curriculum development for sustainable growth.

Internal and external monitoring/reporting demonstrating that UHI's (traditional) HE market is changing. Where there has been locally driven activity targeted at supporting business and economic requirements, there is stability and significant growth. A comprehensive Curriculum Review in 2022 demonstrated that markets were changing and the whole of UHI needed to respond.

There has been a long-term and steady decline in UG students at UHI, which is also true of many Scottish institutions for several reasons. However, the UHI decline has stabilised this year with the growth of work-based programmes, Graduate Apprenticeships in particular, with UHI now offering 334 across the partnership.

The data sheets demonstrate the change in student demand and are made up of –

1. UHI Undergraduate enrolments (including Degrees, HNCs, HNDs and Graduate Apprenticeships) as a percentage of our local market
2. UHI (traditional) Degree enrolment by number from our local market showing falling numbers
3. HE growth (excluding Post Graduate Research) which is driven by local work-based courses at all HE levels
4. Cumulative change in HE activity by partner from 2022/2023, driven by work-based courses
5. UHI Inverness growth data representing a move from (traditional) Degree study to applied HE study, particularly Graduate Apprenticeships

Annex 5

RSB, data, governance and the relationship with the SFC

The 2020 SFC Review of Regional Strategic Bodies reported the costs applied by the (then) three RSBs (with retrospective financial data).

Since the report, the Lanarkshire and the Glasgow Boards were disbanded for reasons including value. At the time of the report, the costs or top slice per average (17 credit) student were as follows –

- Lanarkshire, £62,000 total – around £5.77 per average FT student
- Glasgow, £445,000 total - around £19.61 per average FT student
- UHI, £247,000 total – around £38.04 per average FT student

UHI operated a FERB (Further Education Regional Board) which oversaw the distribution, governance and compliance with the Post 16 Education Act (2014) of the FE allocation. FE delivery accounts for around 70% of the UHI Partnership's activity.

FERB had cross partnership representation, with principals in attendance and reported to Court. SFC were in attendance and each partner had an assigned SFC Outcomes Manager as their direct point of contact to the SFC.

The FERB was reformed in 2019/2020 into a Regional Strategic Committee and coincided with the removal the SFCs Outcome Managers with partners. Principals were instructed that contact with the SFC had to be via the UHI RSB.

Lack of direct contact between the partner and the SFC is now having impact upon partner responsibilities such as quality assurance. Under the new Tertiary Quality and Enhancement framework led by QAA – all colleges, including UHI Inverness, are responsible for the entirety of their quality assurance and enhancement activity. This represents an increase in the scope of quality assurance for Inverness since under the previous arrangements with Education Scotland, we were only reviewed on our FE provision.

The Regional Strategic Committee was replaced by a Partnership Forum in 2022. No minutes are currently available on the UHI website.

The cost of the top slice for the RSB has risen from –

- £247,000 pre the RSB review
- £346,000 in 2019/2020
- £2,192,611 in 2024/2025

The cost or top slice per average FT student has risen from -

- £52.78 in 2019/2020
- £366.76 in 2024/2025

The data attached demonstrates –

- The comparative positions of the RSBs in the 2020 report
- The UHI RSB cost/top slice over a 6-year period

Annex 6

Addressing a transformation proposal comprising –

- UHI Federal+ paper

In 2022, as a part of an earlier transformation process, a number of Principals, Chairs and others produced a paper that outlined the case for a decentralised federated structure designed to be efficient, remove service duplication and respond to local community, business and individual need across our large and diverse region.

The paper was based upon research that examined federal university models, past and present and provided an evolutionary and consequently low cost and low risk route to an institution that could eventually become one, addressing duplication and responding to local/regional need.

Under the current transformation process, the Federal+ model as Option 3 has been offered to the Transformation Team with proposed structures that have been developed with input from senior staff from across the partnership. To date, this work has not been accepted for consideration.

The development of Option 3 as a transformative process remains the preference for many and it is thought that this (as an enhanced version) will be revisited.

Annex 7

HE top slice, concerns and impact

The 35% HE top slice has long been challenge over a number of years. It is a direct charge against the HE student with a value that has yet to be fully quantified against a 'catalogue' of services provided by UHI's Executive Office.

Whilst it is accepted that a top slice must exist as in a conventional university, the cost and services of that top slice should be quantified. A conventional university will include all costs/charging in a top slice, sometimes as high as 50% for services as broad as academic management and governance to all overhead costs such as salaries, estate and energy charges. UHI Inverness' fixed overhead cost is circa 40% (salaries, estate, energy etc) which, when coupled with the level of the top slice means that HE teaching resource is restricted.

Concern over the level of the HE top slice have been expressed and documented through a number of forums and the current leadership of UHI has committed to address the issue in various forums from 2022. In December 2022 a proposal for an incremental top slice based upon student cohort size and the then (but only partially adopted) commitment to curriculum reform was proposed to the leadership. The proposal sought to incrementally reduce the impact of the top slice on all students and was designed to ensure smaller partners were not disadvantaged. However, this discussion was prevented with an assurance that top slice review would begin in August 2023.

Attached is –

- An illustrative series of FFRs demonstrating the positive impact of a 5%, 10%, 15% or 20% reduction in the top slice on UHI Inverness' core HE grant and assumed HE fees income.

Note, the assumed HE fees income is not clear within the current funding mechanism which is referred to above as the 'no longer fit for purpose' funding mechanism. Many universities target 100% of the student fee directly to the student, in the case of UHI Inverness, we believe the top slice on the fee income to be circa £625,000.

In Conclusion

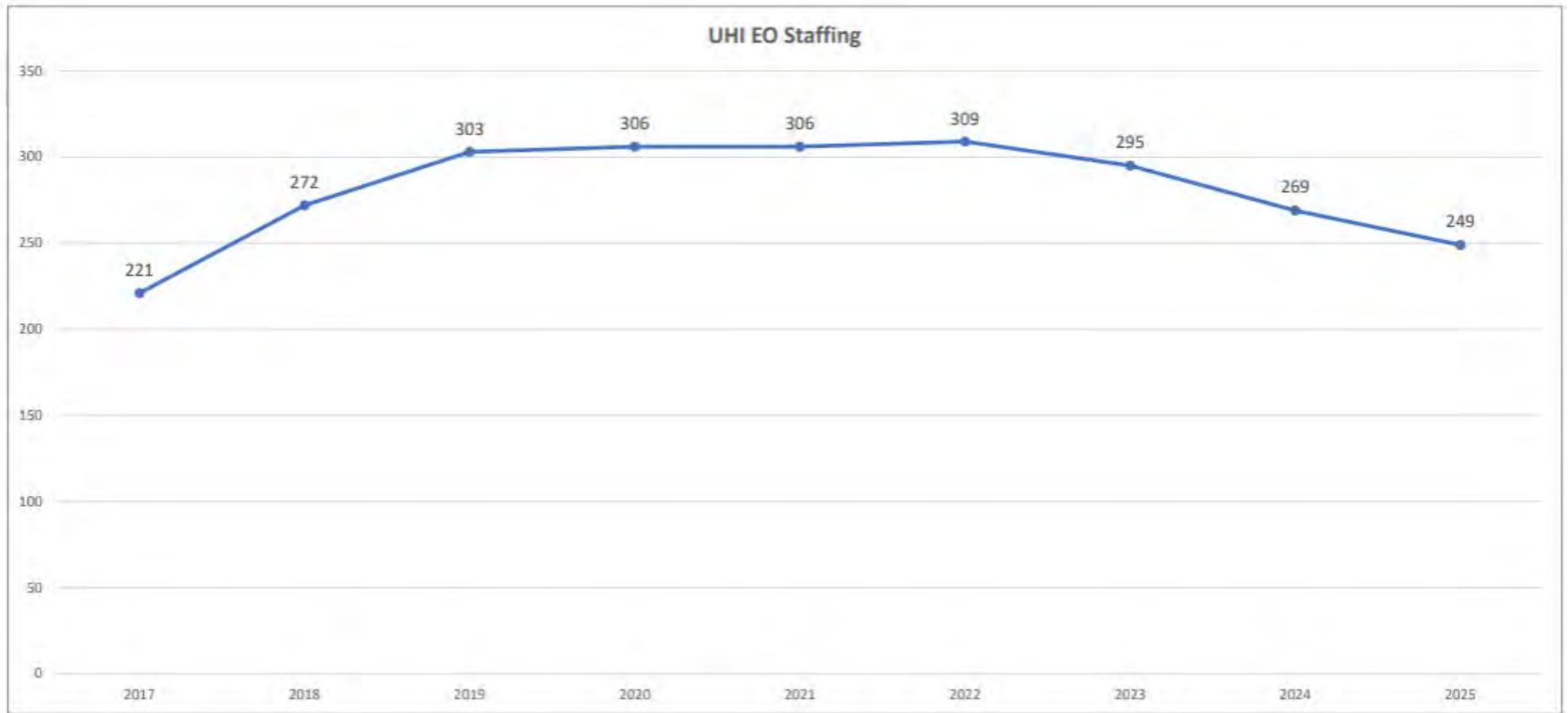
UHI Inverness seeks a form of transformation for the partnership that –

- Targets the maximum available resource to the student, in particular value through the top slice with the opportunity to engage directly with the SFC
- Recognises the local and regional significance of the partners and their leadership in addressing the needs of communities, the economy and stakeholders
- Empowers the student by giving access to the combined capacity of the partnership.

Within this context, assurances were set and sought by UHI Inverness ahead of the Transformation Project's Full Business Case and confidential/restricted publication that addresses –

- A clear financial picture and understanding of impact upon UHI Inverness
- Costings, transitional impacts, and sustainability modelling
- Demonstrable benefits for students, staff and stakeholders
- Implementation planning
- Considered alternative solutions to recommendations made if not carried forward
- Green Book compliance

Annex 1: UHI Executive Office growth and the outdated topslice mechanism



Annex 2: Top slice, additional costs and the funding mechanism

Table 1 – UHI EO Topslice and other costs as applied to UHI Inverness (only) 2025/26.

UHI ISSUES	AMOUNT	COMMENT
	£	
UHI EO HE topslice	4,000,000	Actual reduction in HE grant
UHI EO FE topslice	600,000	Actual reduction in FE grant
UHI EO REG topslice	33,000	Actual reduction in HE grant
Lost FE credit funding	3,000,000	Estimated underfunding of FE grant
Lost Module leadership (ML) funding – direct costs	298,000	Actual loss of HE grant funding
Forecast research annual deficit	250,000	Estimated deficit for research activity
Lost Programme Leadership (PL) funding	29,000	Actual loss of HE grant funding
Total	8,210,000	

EO- Executive Office
 FE – Further Education
 HE – Higher Education
 REG – Research Excellence Grant

Table 2 – UHI other impacts UHI Inverness (only) 2025/26

UHI ISSUES	AMOUNT	COMMENT
	£	
Additional teaching costs to cover lost capacity for ML and PL support	880,000	Estimated loss of HE grant funding
Total	880,000	

Annex 3: Principals Report to the February 2026 UHI Inverness Board of Management

Board of Management

Subject/Title:	Principal Report
Author: [Name and Job title]	Chris O’Neil Principal and Chief Executive UHI Inverness
Meeting:	Board of Management
Meeting Date:	February 2026

Date Paper prepared:	28 th January 2026
Brief Executive Summary of the paper:	<p>This report summarises our position about -</p> <ul style="list-style-type: none"> • Our Institutional Health • Our Finances • Our Balanced Budget Plan • The UHI Transformation Exercise <p>...and so, create a short amount of time ahead of the Board Away Day to consider and contextualise how we might use some of our time.</p> <p>This report must be considered within the context of the presentation to the Board and the Executive FBC response, which is the EMT response requested by BoM to the December FBC document, and is attached as an annex.</p>
Action requested: [Approval, recommendation, discussion, noting]	Discussion
Link to Strategy: Please highlight how the paper links to, or assists with: - compliance - partnership services - risk management - strategic plan - new opportunity/change	
Resource implications:	If yes, please specify:
Risk implications:	If yes, please specify:
Equality and Diversity implications:	If yes, please specify:
Consultation:	

[staff, students, UHI & Partners, External] and provide detail	
--	--

Status – [Non confidential]	Non-Confidential		
Freedom of Information Can this paper be included in “open” business* [Yes]	Yes		
*If a paper should not be included within “open” business, please highlight below the reason.			
Its disclosure would substantially prejudice a programme of research (S27)		Its disclosure would substantially prejudice the effective conduct of public affairs (S30)	
Its disclosure would substantially prejudice the commercial interests of any person or organisation (S33)		Its disclosure would constitute a breach of confidence actionable in court (S36)	
Its disclosure would constitute a breach of the Data Protection Act (S38)		Other (please give further details)	
For how long must the paper be withheld? (express either as the time which needs to pass or a condition which needs to be met.)			

Further guidance on application of the exclusions from Freedom of Information legislation is available via

<http://www.itspublicknowledge.info/ScottishPublicAuthorities/ScottishPublicAuthorities.asp>

and

[http://www.itspublicknowledge.info/web/FILES/Public Interest Test.pdf](http://www.itspublicknowledge.info/web/FILES/Public%20Interest%20Test.pdf)

Introduction

I am deliberately keeping this report very short to summarise our position about -

- Our Institutional Health
- Our Finances
- 1. Our Balanced Budget Plan
- The UHI Transformation Exercise

...and so, create a short amount of time ahead of the Board Away Day to consider and contextualise how we might use some of our time.

This report must be considered within the context of the presentation to the Board and the Executive FBC response, which is the EMT response requested by BoM to the December FBC document, and is attached as an annex.

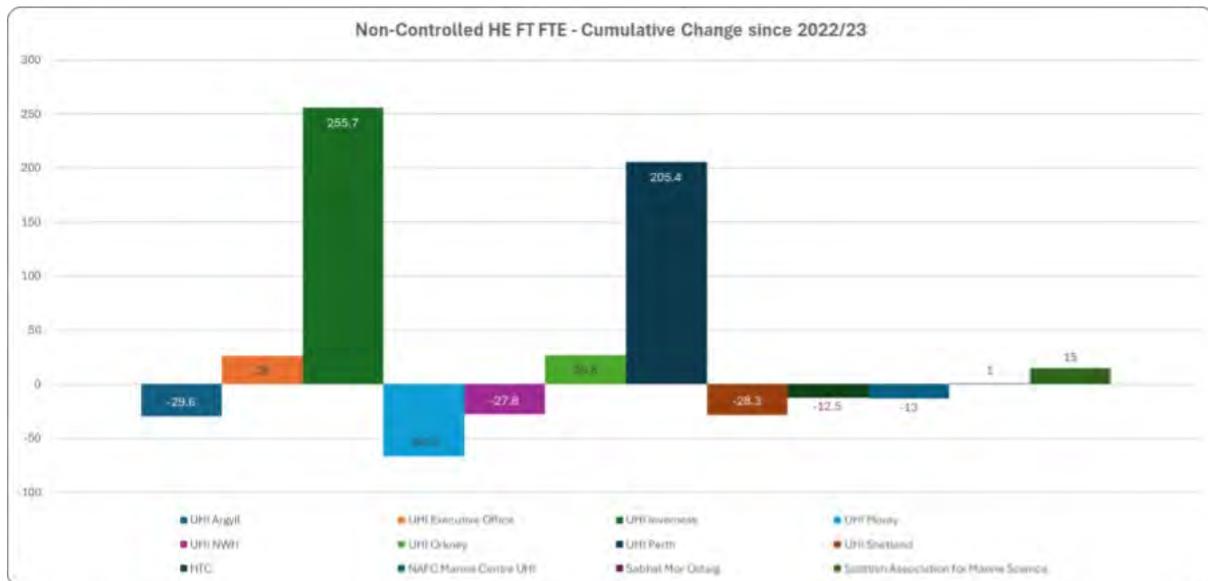
Institutional Health

The presentation led by X and X, demonstrates the rigor with which we consider and respond to the needs of our communities and students. The presentation demonstrated the rigorous and reflective process we have developed to map external need, imperatives and demand onto our capacity.

The presentation and the EMT FBC response provide evidence of the efficiency and effectiveness driven by this approach. The comparative data within the presentation shows the high level of value the students receive against the benchmarks within and out with the partnership. Within the EMT FBC response, the HE enrolment data, and partner by partner HE student profiles demonstrate our growth.

The EMT FBC response also contains two charts presenting HESA data that demonstrates the flat and declining numbers of UHI students from the UHI region's postcodes in degree related study (HNCs to Degree) and Degree study. A very worrying indication that the UHI mission is not being delivered across the partnership at HE levels.

The chart below shows the HE full-time FTW cumulative change since 2022/23, showing significant growth at Inverness and Perth, both of whom are growing and mitigating against a potentially significant decline in UHI's overall HE students.



It must be noted this is not the case at FE level with all FE delivering partners expected to meet demand and credit allocation. Many partners, including Inverness have exceeded their FE allocations over recent years, with no funding available to support any over performance, particularly since the introduction of the FE top-slice which removed over £2.3 million from the available FE credit funding across the partnership (over £600K for UHI Inverness).

Having recently joined the ETIO Scottish Colleges Benchmarking group, we are expecting the first set of comparative data at the end of January 2026. Further work is being done through the ETIO process which will help us identify any further efficiency improvements, but given our position within the national Performance Indicators, we do know our impact is highly effective. The data presented by X and X, indicates that we have an efficient staffing model, but the ETIO process will provide a wider range of more detailed comparative data than that sourced from the financial statements.

Our Finances

As the Board is aware, we have run an investment/deficit budget for two years to grow and improve our provision. This approach was an opportunity for investment given our strong cash position and that any available funding within the RSB or EO, including non-clawback funds were committed to deficits within the rest of the partnership in the form of loans, grants or direct/in kind support.

Investment in reconfiguring our main campus estate has led to new larger and more flexible teaching and IT spaces (formerly G1), a purpose built and expanded Arts studio, a much-needed dedicated student leisure space, and the creation of the Sustainable Construction Centre at Harbour Road. These investments, together with external funding secured, have enabled us to grow the Graduate Apprenticeship (GA) provision including Civil Engineering and construction to deliver Scottish Government's expectations regarding construction and sustainability,

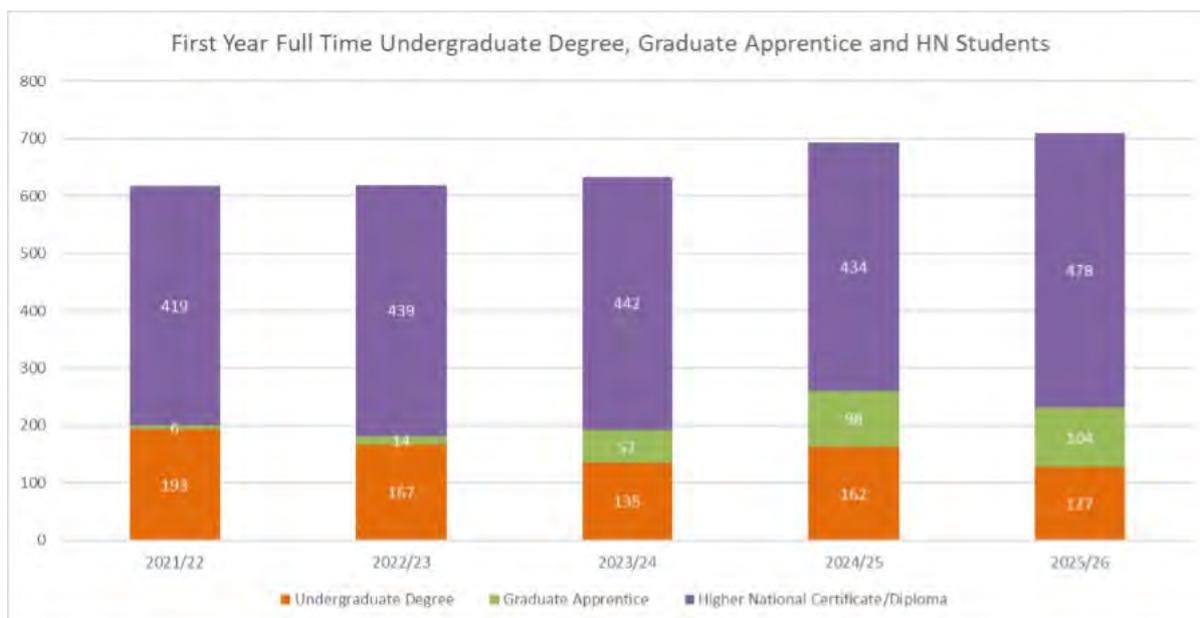
alongside growth in Modern Apprenticeships. We initiated this investment in 24/25 and GA growth in Civils and Construction alone is as follows –

Year	Civil Engineering and Construction GA Enrolments
2023/24	55
2024/25	110
2025/26	145

For context, the chart below shows overall GA growth across all frameworks since 2019/20 to this current academic year.



Despite the above, and as we have discussed with Chairs, we are now concerned that although we have achieved year on year growth in HE for the past three years and our demonstrable efficiency, this has not been sufficient to meet our forecasted budget forecasted budget income increase. There have also been some interesting movements, for example we have seen growth in the GA Business and Management programme but a reduction in the traditional degree route. Traditional courses in arts and humanities are also underperforming against target with most of the growth in GAs and HNs. This suggests that demand is increasing for applied courses, arguably due to high employment rates and the cost-of-living pressures, which has reduced demand for traditional undergraduate degree.



Coupled with a long-standing period of flat (therefore reducing in real terms) funding NI and costs in addition to the top slice and additional charges, our financial position is challenging. [Audit Scotland \(2025\)](#) reported that funding to the FE sector has been cut in real terms by 20% over the past 5-years term. They report that ‘most institutions are not financially sustainable with many facing insolvency due to reduced funding, lower student numbers and increased operational costs’.

Against this backdrop, the trend data demonstrates that we have done all we can to improve efficiency, grow our student numbers where funding is available, hold down operational costs whilst increasing our student satisfaction and outcomes. However, unlike all other colleges out with the UHI partnership, we are subject to our allocated funding being significantly reduced by funding top-slices and other UHI related costs as shown in the presentation by X and X. These include Programme Leadership, Module Leadership, Personal Academic Tutors and investment in research on already heavily top-sliced funds.

The Scottish Budget has indicated a 10% uplift to college funding. This is welcome but we await further details. Part of the uplift, for example will be targeted at the poor estates in some regions and the early indication is that targeted capital investment will make up circa 10% of the uplift, specifically aimed at colleges with estates challenges.

But it must be noted, and as demonstrated in the [EMT FBC response](#), the SFC HE allocation to the UHI partnership is a long way from delivering to target and, by default, the funding allocation. HE curriculum reform is the responsibility of EO as the ‘owner’ of the degree awarding powers.

Despite this, HE level developments are generally led by partners such as GA’s which have all been instigated and developed by UHI Inverness. UHI Inverness has also led the growth of Modern Apprenticeships at FE level.

Our, and the wider UHI HE curriculum, needs to be more relevant to our region and thus become more attractive. The SMRS Curriculum Review, which recommended applied course development to EO has not been instigated. As

already mentioned above, UHI Inverness students want applied learning, and we believe this still to be the case across the partnership.

Balanced Budget Plan

We are developing a Balanced Budget Plan. We are examining all revenue budgets and making reductions, we are continuing tight vacancy management, ensuring that delivery is as efficient as it can be and are assessing the cost and impact of initiatives such as free breakfasts and lunches for students. However, given our staffing costs account for almost 70% of our expenditure, we have taken a VSS proposal to the PR&R Committee and have prepared an associated business case for submission to the RSB and the SFC.

As we finalise the above and as UHI's and the SFCs funding and allocations are confirmed, the Balanced Budget Plan can be fully written up and presented to the Board.

But the impact tough budgetary savings will, most likely have a negative impact upon our effectiveness at a time when we are demonstrably efficient and staffing levels are already tight. We anticipate the consequences impacting upon many areas of our work including Quality Enhancement, Teaching and Learning, Retention, Early Withdrawals, Student Outcomes, Student Satisfaction and Staff Development. Assessing the levels of impact and reputational harm is difficult to predict, but we will do all we can within the Balanced Budget Plan to mitigate the impact which might be reputational and financial.

The UHI Transformation Exercise

The EMT FBC response to this paper outlines the concerns that we have had collectively with the process, assumptions and management of what should have been an engaged and transparent process leading to a compelling FBC. Having developed an Option 3 proposal that sought to address the current and ongoing funding issues and create an evolutionary route to Option 6 for our successors and looked at where and how efficiencies should be made to support the student in the short to medium term; it is disappointing that option 3 was not collectively discussed.

Our conclusion was and remains that EO's level of top slicing direct and additional charging is damaging to UHI Inverness and the partners and has not been fully justified.

Commitments made by EO to the Board and Partnership Council to review and reduce the top slice have not been forthcoming. But as the data within the EMT FBC response demonstrates, the unprecedented top slicing of FE credits, currently at a level of over 66 times that of the Lanarkshire RSB before it was disbanded must be examined as a matter of urgency, although the FE top slice represents a small part of the wider top slicing and charging.

Our analysis shows that even a moderate adjustment of 10% on the HE 35% top slice will lead UHI Inverness to a balanced budget. This would bring UHI Inverness

costs line with the SFC funding model for associate student costs and the expectation that colleges will receive at least 75% of funding (Annex C: Conditions of university funding AY 2025/26).

In addition, the reinstatement of the full FE credit value and the removal of an assumed HE top slice on student fees would bring this aspect of our funding in line with the Scottish sector and make a significant difference to UHI Inverness.

We would also like to explore the ability for us to opt into or out of the services which EO deliver. For this we need a service catalogue, something which has been requested previously to enable us to quantify the top slice charges and identify the multiple areas of duplication for Inverness. For example, we do not rely on student support services, estates services, most aspects of quality assurance and enhancement, out with the degree awarding process, and we are fully accountable for all of our provision under the new Tertiary Quality Enhancement Framework.

We believe that the funding model across the partnership needs to be properly reviewed a new model devised which fairly remunerates partners for the work that they undertake on behalf of the university, outlined above.

Whilst some smaller colleges may need and choose to use some of the services which EO could provide, the current blanket approach leads to duplication for colleges which already provide these services on-site to our students and employers. There is also no transparency in relation to the distribution of UHI research funding to partners.

In conclusion

We are strongly committed to a tertiary provision for our region that transforms the region and creates opportunities and successes for our communities. To achieve this, the provision must be excellent and efficient.

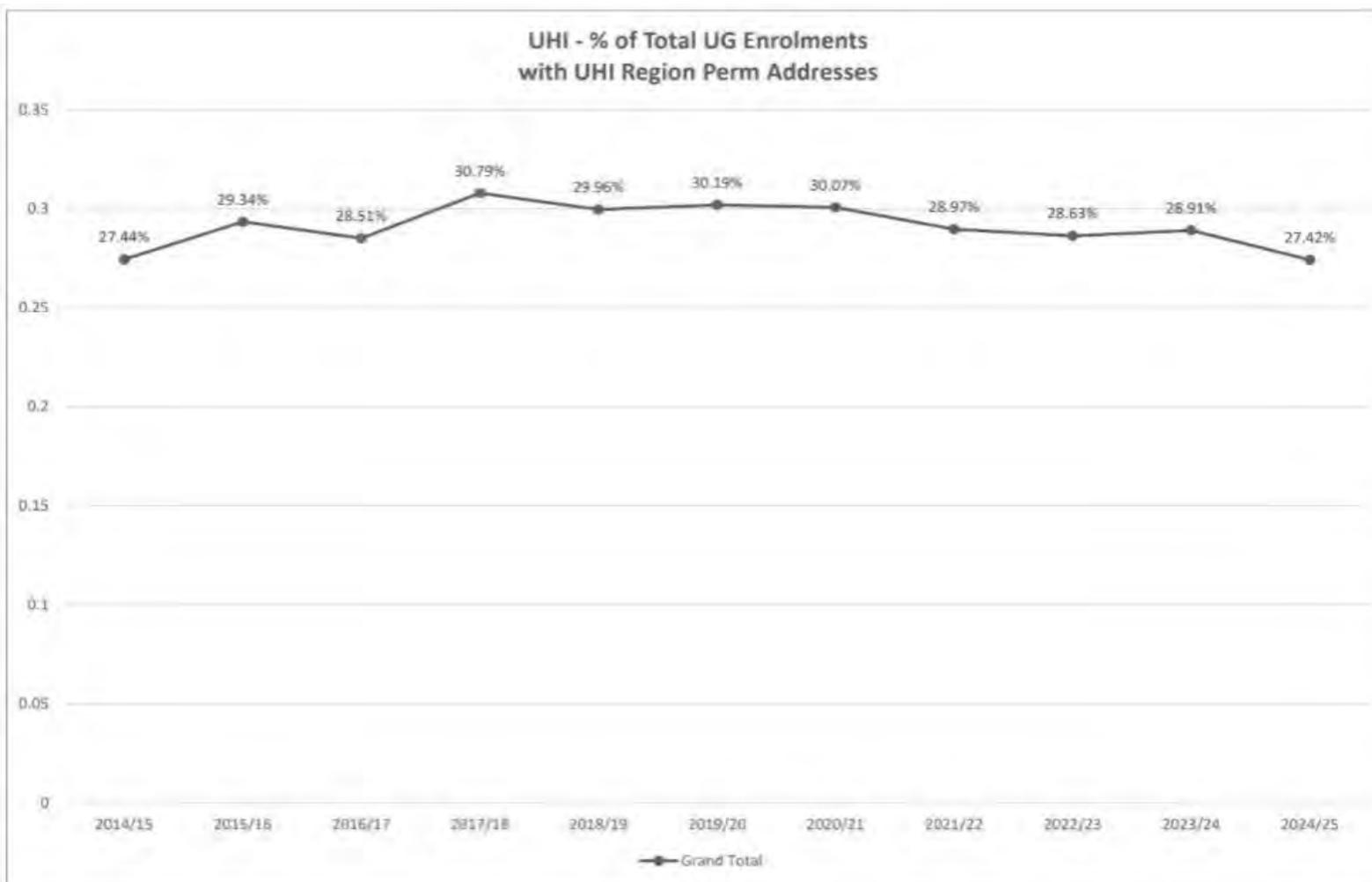
We have worked ceaselessly to create an effective and efficient UHI Inverness, and this is widely recognised. The benchmarking work we have done to date confirms this and we hope that the ETIO benchmarking work will further confirm this, albeit with insights as to where we can further improve.

Our KPI matrix, our student outcomes, and student satisfaction surveys all confirm the strength of our performance and our reputation both locally and nationally is excellent. We are increasingly asked to lead national initiatives.

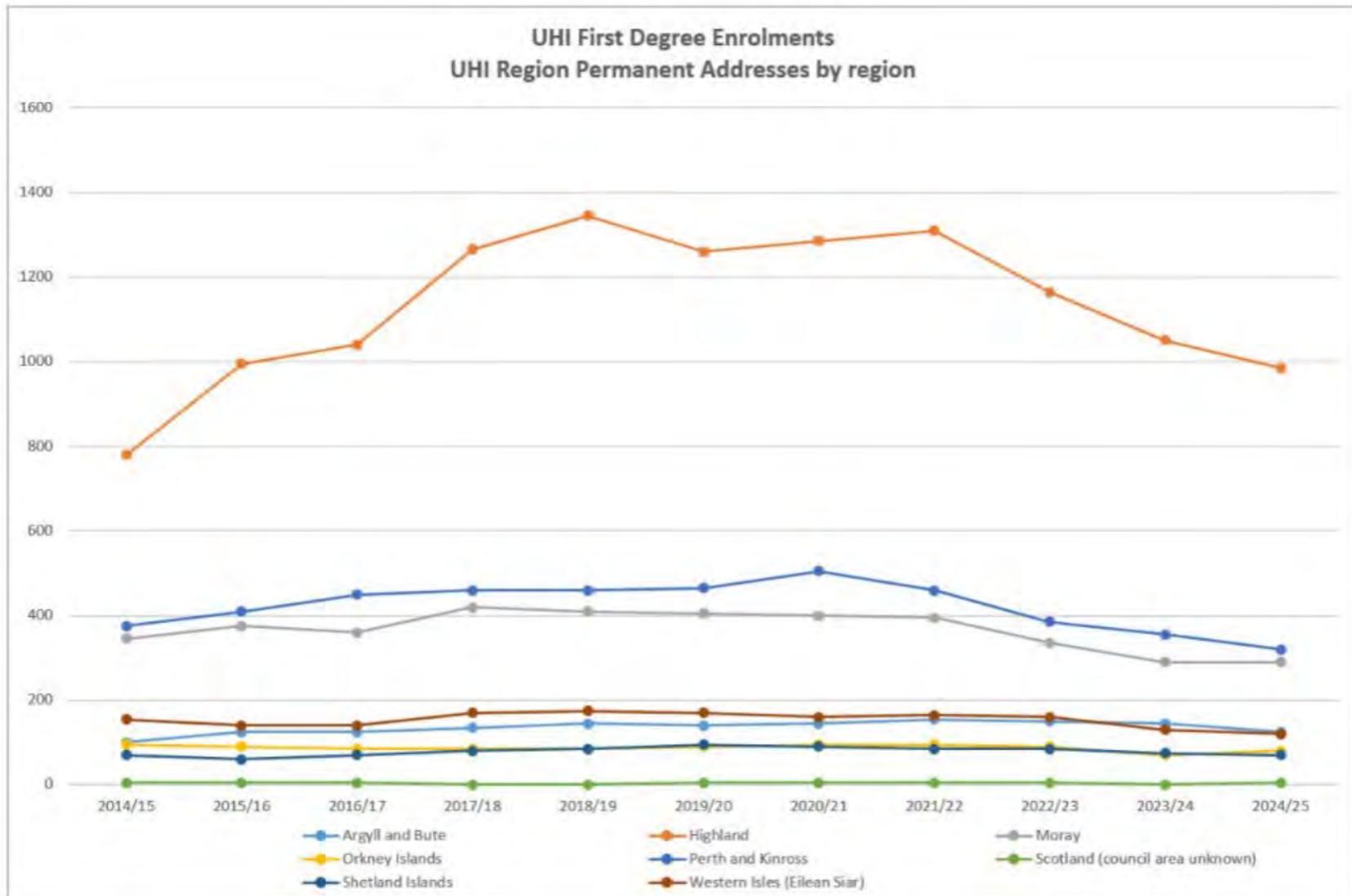
But the business model is failing and does not work. We cannot sustain our current work and pay top slices and charges to EO given that the value of the cost cannot be quantified. We had hoped that the Transformation process was an opportunity to create a sustainable UHI partnership that delivered excellence but cannot see how the FBC represents this.

Professor Chris O'Neil
28th January 2026

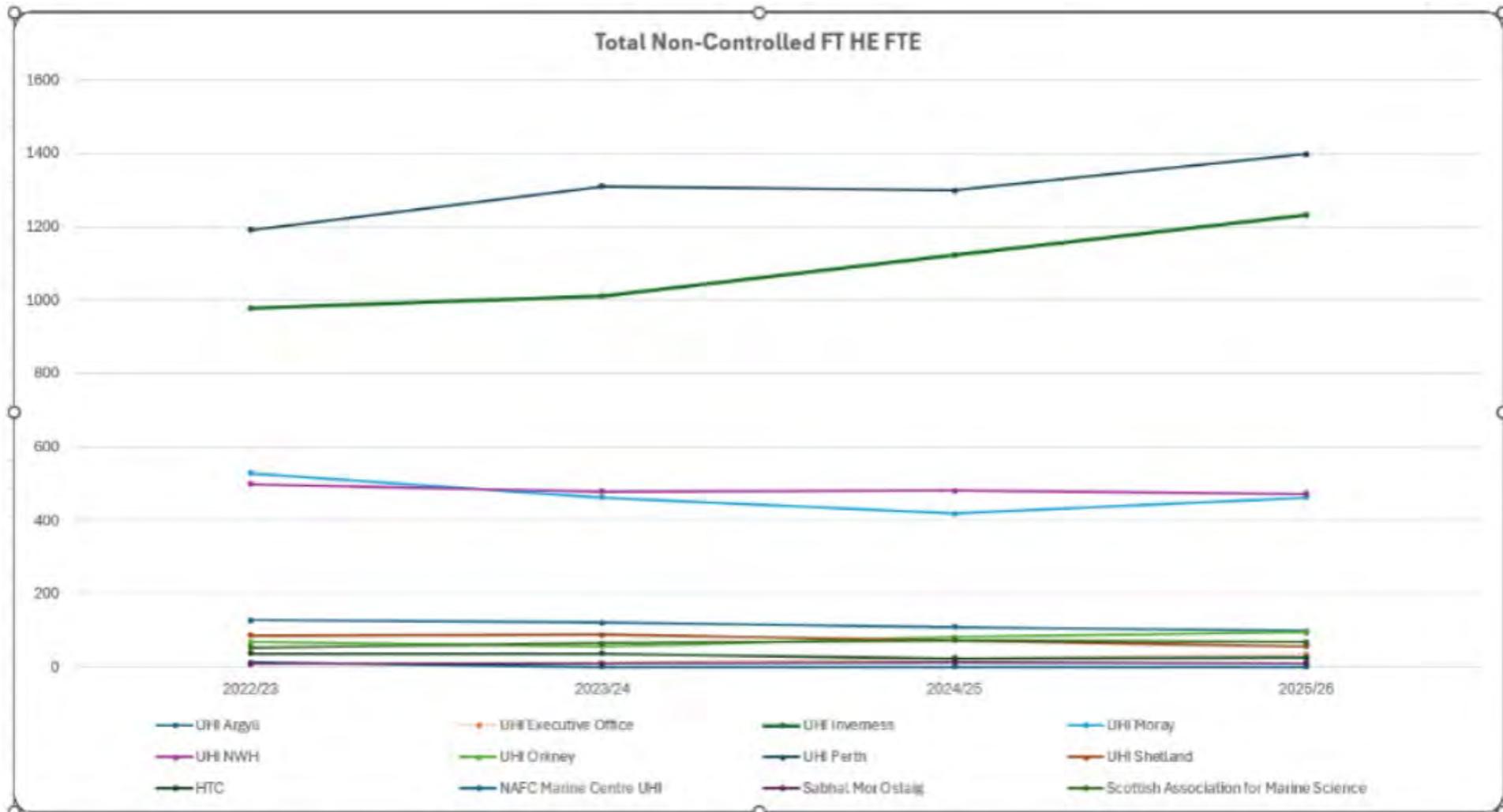
Annex 4: Data derived from HESA and demonstrating the need for locally driven curriculum development for sustainable growth.



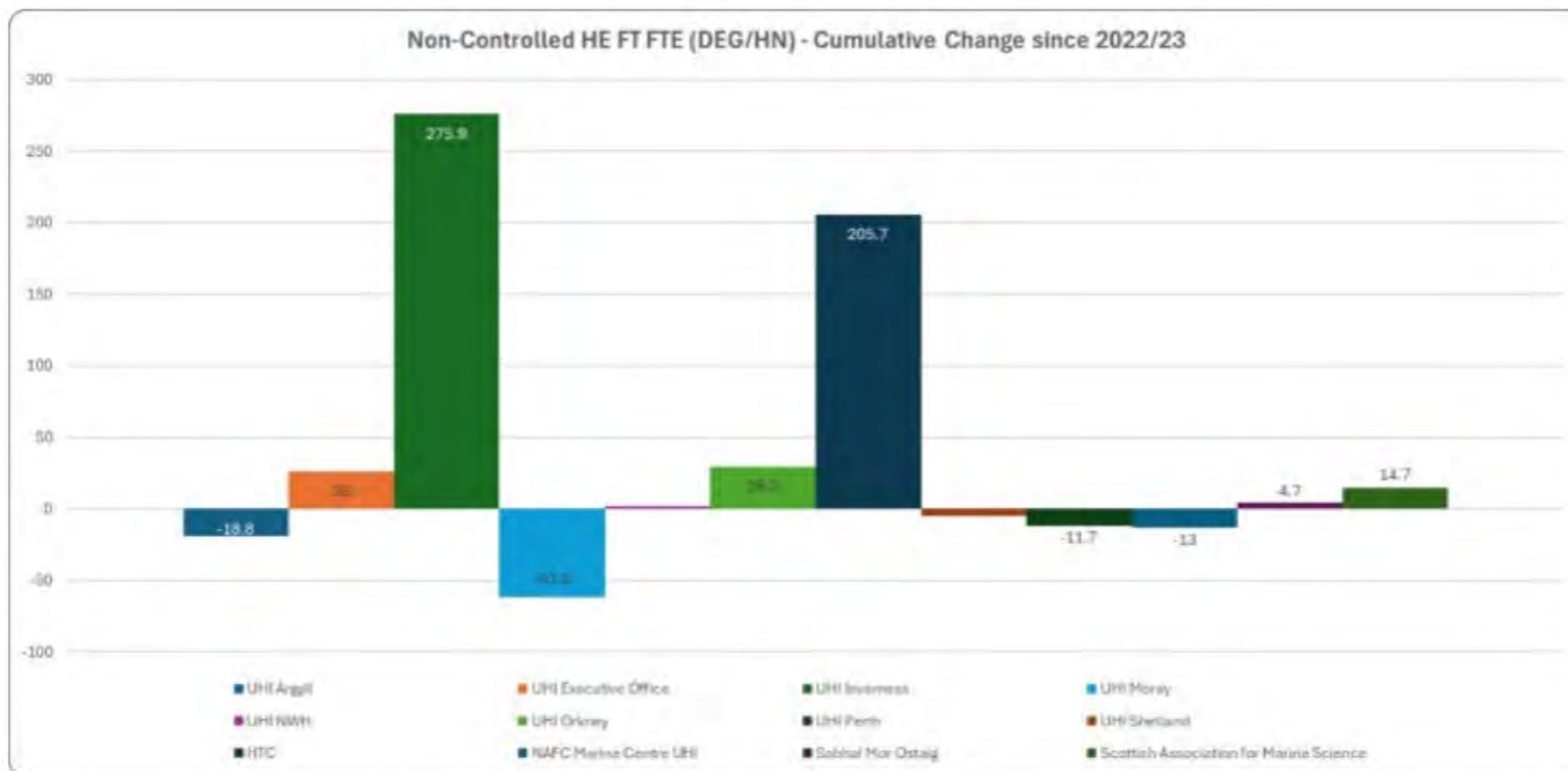
1 UHI Undergraduate enrolments (including Degrees, HNCs, HNDs and Graduate Apprenticeships) as a percentage of our local market



2. UHI (traditional) Degree enrolment by number from our local market showing falling numbers



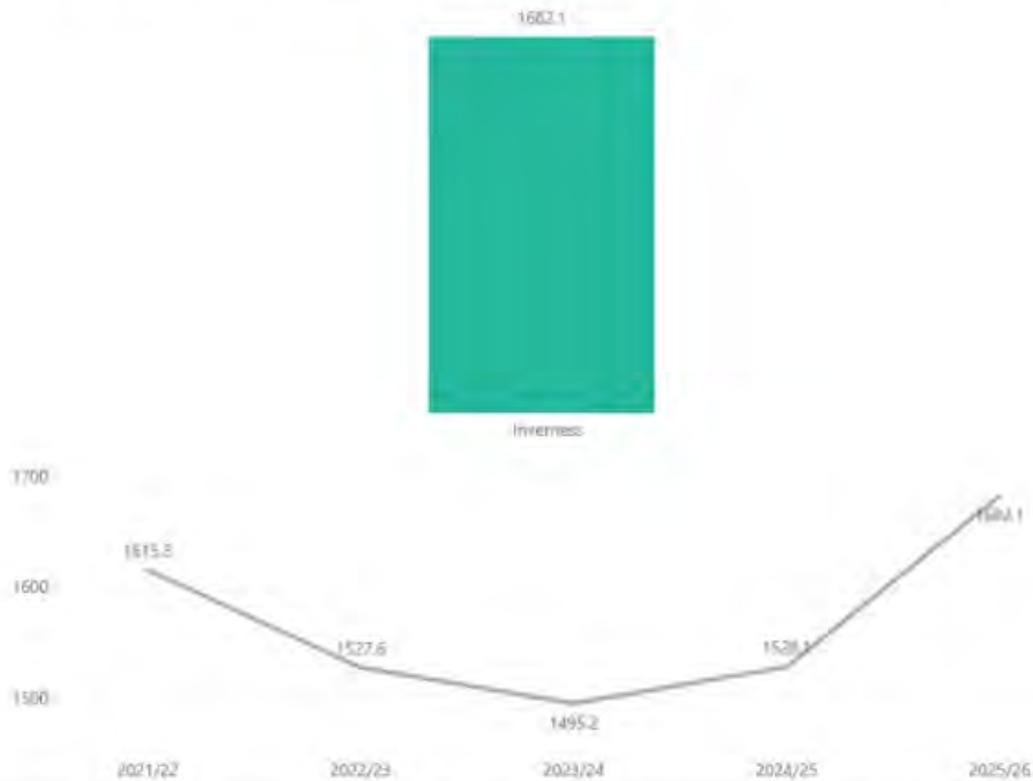
3. HE growth (excluding Post Graduate Research) which is driven by local work-based courses at all HE levels



4. Cumulative change in HE activity by partner from 2022/2023, driven by work-based courses

HE FTE at Inverness: 2025/26

Navigation icons: back, forward, search, refresh, print, zoom.



5. UHI Inverness growth data representing a move from (traditional) Degree study to applied HE study, particularly Graduate Apprenticeships

Annex 05: RSB, data, governance and the relationship with the SFC
RSB, data and governance.

2020 SFC Review of Regional Strategic Bodies	RSB Cost 2019-20* (£)			
		FE Credit Allocation (No.)	RSB Cost/Credit (£)	Cost Per FE FTE ** (£)
RSB				
The Lanarkshire Board	62,000	182,516	0.340	5.77
Glasgow Colleges' Regional Board	445,000	385,860	1.153	19.61
UHI	247,000	110,382	2.238	38.04

* Reported cost declared for running RSB
 ** FE FTE Based on 17 Credits

UHI RSB Top-slice Trend					
Ac. Year	RSB FE Top-slice*	Inverness Proportion of Top-slice	Inverness Credit Target**	Cost Per FE Credit	Cost Per FE FTE
2019-20	£ 346,205	£ 90,692	29,211	£ 3.10	£ 52.78
2020-21	£ 345,205	£ 90,690	29,439	£ 3.08	£ 52.37
2021-22	£ 2,467,885	£ 663,625	30,677	£ 21.63	£ 367.76
2022-23	£ 2,440,349	652,787	29,620	£ 22.04	£ 374.66
2023-24	£ 2,200,882	£ 588,713	26,442	£ 22.26	£ 378.49
2024-25	£ 2,192,611	£ 570,460	26,442	£ 21.57	£ 366.76

* Full partnership FE Top-slice
 ** UHI Inverness Credit Target Allocated by RSB

Annex 6: Federal Plus Paper

UHI, Federal+

The case for a decentralised and federal structure

'Three colleges assigned to UHI – Lews Castle College and North Highland College (both incorporated) and West Highland College (non-incorporated) – are considering a merger (from 2023 at the earliest). Several other larger colleges in the UHI region are facing significant financial challenges, which this proposed merger will not address. Wider-ranging changes to the regional college structure may be needed to address the financial risks facing the other incorporated colleges.'

Audit Scotland, 2022

Introduction

The overarching context and principles for this short paper on the development of UHI into a properly constituted tertiary federal partnership are built upon the following principles –

Collective responsibility, articulate leadership, strong and democratic governance and accountability.

Entitlement – each student receiving a full and comparable share of the resource provided and to which they are entitled.

Equity of student and staff experience – whilst local conditions vary, experience and opportunities will be built and measured through our innovative tertiary approach to access and personal development; underpinned by knowledge acquisition, application and generation.

Effectiveness – each element fulfilling its role and being accountable and scrutinised by the partnership and RSB via agreed KPIs and benchmarks.

Efficiency – each element working to both financial and agreed KPIs/targets which are cognisant of 'local' conditions/variations.

Diversity – each element fulfilling the UHI commitment to a tertiary vision and to ensure this is contextualised and accessible to our communities, Scotland and our international ambitions.

The creation of an accessible and vital offer for student and staff opportunity with a commonly owned and annually appraised curriculum.

UHI will define a non-hierarchical tertiary university by generating the maximum income and the maximum possible spend per student and contribute to Scotland's evolving positioning as an integrated tertiary provider with a single funding body and a single quality agency.

The precepts of a decentralised federal model

The model will have –

A governance and accountability model underpinned by a binding agreement, a democratically representative executive authority (The Senate), executive scrutiny (Court/Boards) and public accountability (RSB).

A common commitment to the tertiary vision and local delivery of UHI values, networked academic/research provision, common and shared services and corporate provisions.

A common commitment to the tertiary vision and local delivery of UHI values, networked academic/research provision, common and shared services and corporate provisions.

Common, shared and accountable standards, processes, structures, systems and KPIs.

A small and focused Vice-Chancellor's Office and Secretariat to lead strategic development, plan, hold to account and be accountable. To co-ordinate, review and to target actions.

A (potentially reducing) number of locally engaged and locally defined partners acting within UHI's internationalised mission.

A general understanding of our combined value, the power and significance of a large and effective university and the discipline to 'manage up' to the highest institutional standards.

Please note - that whilst there are examples of long standing federated and federal universities there are also examples of universities using federation as a stage in their development to single or core and associate institute model. This proposal should be regarded as a means of UHI focusing effort, defining itself and the 'glue' that defines us whilst creating a stable and ambitious base for our successors to make their own decisions.

Entitlement and the student, proposal for future financial arrangements...

All figures are indicative.

A barrier to parity of a UHI student's experience with other institutions is an overly high combined overhead and top slice. A UHI undergraduate student is subjected to a local overhead of circa 40%-45% (some are at 40%, others may be as high as 50%) to cover essential delivery support and resources. The student is also subject to a central top-slice of 35% to cover the costs of EO and central activity. Circa 25% is spent on direct teaching/academic costs.

This contrasts with other universities who typically work to a combined overhead and top slice of circa 50% with 50% being spent on direct teaching/academic costs. English Universities are tasked to achieve 48% against all overhead/top-slice with 52% spent on direct teaching/academic costs. Poor performance is regarded as 55%/45% with institutions being placed in special measures around 60%/40%.

Please note – this paper is not suggesting a 'one fit' model. Issues such as rurality or Island locations will need to be reflected in an appropriate RAM.

A typical UHI UG student has a 'value' of between £6,118 - £9,552 pa so, using £8,700 as an illustrative example, after a combined overhead and top-slice of 75% the remaining 25% of direct teaching/academic cost is only £2,175.

A reasonably well performing university elsewhere would expect to spend £4,350pa, or twice as much as UHI on direct teaching/academic costs whilst an inefficient university would spend £3,915.

Therefore, it is proposed we move to combined UHI overhead of 50% with a target of 48% by rapidly reducing the central top slice to 15% and the local overhead to 40%, the 2% difference being a targeted 2% surplus. There should be two significant steps to this position with a 12-18 month target of achieving a combined overhead of 55%. Once achieved, further work on efficiencies (corporate costs, services, outsourcing...) and 2nd and 3rd stream income should move and maintain the partnership in its desired position.

Such a reduction would move UHI to a position of offering comparable levels of teaching with UK universities, a better than average position around FE college teaching. The targeted 2% would build funds (a typical post '92 targeted surplus) and the potential for further staff investment in areas from apprentices to research and knowledge transfer and application and position the Vice-Chancellor's Office as a 'central bank'. The 'central bank' function within the university would provide or leverage capital investment and be a key element in providing assurance and support for bids, diligence and project management.

The impact on the 22/23 position of the partners would be as follows –

	<u>Gross income</u>	<u>Net Income @35%</u>	<u>Net Income @15%</u>
	£	£	£
Inverness College	21,733,796	17,796,138	20,001,704
Outer Hebrides	5,452,554	4,667,096	5,106,792
Moray	13,036,659	10,814,518	12,059,009
North Highland	8,839,217	7,586,805	8,287,866
Perth	23,716,459	18,806,587	21,557,485
Orkney	3,606,223	3,198,464	3,426,548
Shetland	3,378,671	2,993,891	3,209,127
West Highland	6,728,333	5,931,555	6,382,750
Argyll	6,483,411	5,755,478	6,162,644
SAMS	731,454	509,115	633,766
SMO	1,088,401	757,562	943,041
HTC	466,241	324,518	403,973
EO	384,575	267,677	333,214
	<u>95,655,996</u>	<u>79,409,001</u>	<u>88,507,918</u>

With a specific HE stop slice impact as follows, but please note, the figures reflect a RAM driven 85% HE and 15% FE apportionment. Therefore, the HE top slice is expressed as 30.4% with the remaining 4.6% being top sliced from the FE allocation. An additional complication is the HE top slice being applied to the HE regional grant funding at 50% leaving the partners to pursue and carry the risk and impact of student fee debtors. In the instance of a student debt, the top slice is 50% against an individual

with consequential impact. It is evident that the RAM, as is already intended, needs to be reviewed and become a more transparent tool as a matter of urgency.

	FTE	2022-23	RAM 22-23	Fees	Existing Top Slice	Pro Rata by		
	£	Nos	£	£	Calculation	AP less FE	15% Top Slice	Variance
						Top Slice		
Inverness	3,953.47	1,441	5,696,944	2,167,656	3,429,919	30.4%	1,694,178	1,735,741
Lewis Castle	4,704.15	219	1,030,208	391,989	620,250	30.4%	306,367	313,883
Moray	3,785.09	830	3,141,626	1,195,372	1,891,457	30.4%	934,268	957,188
North Highland	4,241.85	384	1,628,871	619,777	980,683	30.4%	484,400	496,283
Perth	3,955.83	1,877	7,425,091	2,825,207	4,470,372	30.4%	2,208,100	2,262,272
Orkney	4,044.77	114	461,104	175,448	277,614	30.4%	137,125	140,489
Shetland	4,166.00	105	437,430	166,440	263,360	30.4%	130,085	133,276
West Highland	3,643.01	261	950,825	361,784	572,456	30.4%	282,760	289,697
Argyll	3,808.53	215	818,833	311,562	492,989	30.4%	243,508	249,481
SAMS	4,552.99	81	368,792	140,323	222,036	30.4%	109,673	112,363
SMO	4,690.26	117	548,761	208,801	330,389	30.4%	163,193	167,196
HTC	3,093.08	76	235,074	89,444	141,529	30.4%	69,907	71,622
UHI EO	5,386.08	36	193,899	73,778	116,739	30.4%	57,662	59,077
Total		5,756	22,937,458	8,727,578	13,809,793		6,821,224	6,988,569
			AP HE Funding	31,665,036				
			Existing Top Slice HE	13,809,793				
			15% Top Slice HE	6,821,224				

A 15% top slice would generate £7,148m for the Vice-Chancellor’s office rather than £16,146m (having re-added the FE top slice). All funding streams need to be assessed and apportioned against agreed overheads. The urgency of this assessment is driven by the forthcoming period of SFC ‘flat cash’ settlements and potentially high public sector wage settlements which can only be funded through efficiencies.

Inverness’ staff costs budget on 31 July 2023 is forecast at £17.6m with a settlement based on 3%. If national pay bargaining settles on 5% it would rise to £17.9m and at 7% would be £18.2m. In England, the teachers have agreed a sliding scale settlement from 5% to the highest grades and 8.9% to the lowest grades.

The Model.

For any model to work there needs to be suitable clarity and consistency in role definitions, overhead definitions and reporting to ensure there are no hidden, mistaken or overstated costs. The same is also true regarding 1st, 2nd and 3rd stream income definitions and the associated overheads and contributions or returns. Within this context and the reduction of overhead and the top-slice, the following are presented as indicative.

The Centre, or Vice-Chancellor’s Office and Secretariat will be a focused, small and effective unit responsible for defining the partnership and holding the key levers that define and promote the work of a university.

The Centre will be responsible for leading and/or monitoring the dispersed delivery of services and will lead and manage the combined leadership of the partnership whilst supporting our vision and strategy; and engaging in vital environmental scanning and high-level, data driven planning.

- High level political liaison and co-ordinated ‘local messaging’
- Industrial Sector liaison
- Degree awarding powers – RDAPs and TDAPS
- Registrar - coordinated quality enhancement, records and compliance

- Data management, centralised planning SFC engagement
- Central bank – building a 2% surplus fund to replace ALFs
- Monitoring financial strategy/operation -RAM (as per RSB agreement)
- Monitoring student experience enhancement
- Monitoring research/knowledge exchange development
- Monitoring HR with long term goals around PAS
- Supporting leadership via Senate (formal) and Partnership Council (informal)
- Co-ordination/quality for SLAs for each dispersed/distributed service
- Monitoring of KPIs and performance data (MIS).
- Monitoring 1st, 2nd and 3rd stream income generation

Such an office would require a small and focused EMT with dotted lines to the EMTs across the partnership. There would be clear responsibility to manage and oversee SLAs in the partnership or to define and deliver initiatives in areas such as HR or Finance. The Centre would not be a teaching or student facing service unit but would orchestrate and lead. In the role of 'monitor', the Centre would have the critical (and sector standard role) of observing, checking and benchmarking progress and quality against agreed targets over time.

The Academic Units will be bound to the centre by a binding agreement that recognises the authority of the Centre and the RSB and any SLAs for services to the partnership, whilst the Centre will recognise the primacy of local conditions for employment and delivery.

The Academic Units will most likely be made up of a small number of specialists, (post-mergers) four large partners and several smaller partners. The agreement must recognise that financial distribution will be driven by the principles above and the principle of student equity and parity of experience. The KPI matrix and the further development of common costing and management tools will be critically important and there will need to be an appropriate mapping to ensure information, actions, dotted lines and structures can be aligned.

The Academic Units will be responsible for student-facing activities, including -

- Local school, community and industry liaison
- Local political liaison
- Specialist liaison including outreach
- Student experience and support
- FE
- Foundation Apprentices
- Modern Apprentices
- Graduate Apprentices
- HE UG

- HE PG (taught)
- HE PG (research)
- Research and Knowledge Transfer
- Full cost, 1st, 2nd and 3rd stream income generation

Success rates and indicators will continue to be locally driven but learning and enhancement would be co-ordinated via the centre and the expectations of the current FE and HE quality organisations and the potential single quality tertiary agency. Equally, local curriculum planning will respond to the local conditions or environment whilst the centre would enable both local and internationalised curriculum to be reviewed and developed in a timely, data informed and regular manner.

The case for partnered networked delivery at a 'local' level is that as teaching units they are close to local schools, employers, stakeholders and highly sensitive to sector need. The centre will enhance this alignment through its environmental scanning, use of comparative data and targeted curriculum, knowledge transfer and research strategies.

Effectiveness and Efficiency

Dispersed and distributed services.

Previous reports and assessment of UHI have consistently demonstrated high levels of duplication and unnecessary multi-layered process. There is capacity across the whole of the UHI Partnership to decentralise and further cement an equitable, democratically accountable and supportive federal structure. Transactional activity should be based at the point of greatest impact and efficiency.

For example, Inverness and North have a shared finance function that was built upon the pragmatic premise of HR cost saving, software savings, enhanced capacity and resilience. Should the finance service be developed as a service for Inverness and the merger of Hebrides, West and North, (under consideration) it will be responsible for managing 45% of the UHI partnership's operating finances. The management of the unit is via North with staff in Thurso and Inverness making use of UHI's network capacity.

The HR savings to date on the shared service are £150k and rising. Savings have also been achieved on finance software with the additional benefit of resilience and cyber security.

In reducing the complexity of the service and increasing resilience this model should be extended across UHI with all operational finance managed by this or such a unit albeit with a dotted line to the centre and to the Academic Units who would need a local 'specialist' rather than a department and additional software.

This distributed/dispersed model applied to several corporate functions will support the Units in achieving a 40% top slice and drive overall savings on corporate expenses such as software/IT support. Functions to be (and have in some instances been) considered would include –

- H.R.

- Finance
- H&S.
- Estates and asset management
- Registry
- Curriculum unit
- Marketing
- Student experience
- I.T.
- Learning Services
- International

An additional benefit to this model is that some of the smaller partners could be built and enhanced as service centres, as per the HIE model with the benefits of positive local community impact.

Summary.

This short paper lays out a case for a federal structure and in so doing raises several significant questions that are yet to be addressed in detail (legal, charitable, employment...) but the paper lays out a route to our stability.

The paper has received several inputs and attempts to present a plan that can be delivered in stages over a three-year period whilst -

- Embracing the current mergers and creating the environment for further mergers
- Creating a future platform for a single entity or a single core and specialist institute entity, if so desired
- Distributing commitment and democratising accountability
- Building a sustainable business model
- Creating capacity for investment and income diversification
- Targeting the maximum possible spend on the student body and our academic commitments
- Equity of experience for students and staff

And, most importantly, it is an opportunity to build trust, regard and mutual reliance as the corporate transactional work or 'glue' that will help us to further define and deliver an innovative tertiary university that is rooted in the needs of our region and able to educate and inform the communities in matched and targeted similar global regions.

████████████████████

██

And further contributions from Partner Chairs, Principles and

Professional Services 27 July 2022

Annex 7: HE Topslice, concerns and impact

INVERNESS COLLEGE

ANNEX 7: HE top slice, concerns and impact

YEAR ENDED 31 JULY 2026

CURRENT FINANCIAL FORECASTS

FORECAST INCOME AND EXPENDITURE - 2025/26 TO 2029/30

	Note	Budget 31-Jul-24 £	Budget 31-Jul-25 £	Budget 31-Jul-26 £	Financial Forecast 31-Jul-27 £	Financial Forecast 31-Jul-28 £	Financial Forecast 31-Jul-29 £	Financial Forecast 31-Jul-30 £
Income								
Scottish Funding Council FE Grants	1	9,885,000	10,148,000	10,309,761	10,309,761	10,309,761	10,309,761	10,309,761
UHI	2	6,010,788	6,324,580	7,408,700	7,823,700	8,238,700	8,549,950	8,861,200
Tuition Fees	3	2,877,127	3,038,450	3,131,189	3,206,189	3,281,189	3,356,189	3,431,189
Other Grants - Research	4	1,424,254	1,332,090	1,246,037	1,246,037	1,264,037	1,289,037	1,314,037
Refectory and Training Restaurant	5	653,700	591,000	634,217	634,217	643,217	651,217	658,217
SDS	6	1,731,307	2,099,400	2,142,725	2,142,725	2,193,725	2,223,725	2,253,725
Commercial	7	442,500	147,500	-	-	12,500	12,500	12,500
Miscellaneous	8	515,480	592,740	876,887	726,887	754,887	764,387	773,887
Unitary Charge	9	4,903,884	4,903,884	4,903,884	4,903,884	4,903,884	4,903,884	4,903,884
		28,444,040	29,177,644	30,653,400	30,993,400	31,601,900	32,060,650	32,518,400
Staff Costs	10	18,225,593	19,553,731	21,078,972	21,348,972	21,739,441	22,141,624	22,545,873
Premises	11	1,963,771	1,935,590	1,924,909	1,935,590	1,940,590	1,940,590	1,940,590
Other Operating Costs	12	7,972,950	7,741,822	7,741,342	7,691,342	7,691,342	7,691,342	7,691,342
		28,162,314	29,231,143	30,745,223	30,975,904	31,371,373	31,773,556	32,177,805
Non RDEL								
Deferred Grant Release		300,000	300,000	300,000	300,000	300,000	300,000	300,000
Depreciation		(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
		(700,000)	(700,000)	(700,000)	(700,000)	(700,000)	(700,000)	(700,000)
Operational Deficit		(418,274)	(753,499)	(791,823)	(682,504)	(469,473)	(412,906)	(359,405)
Year-end Cash Balance		8,619,000	3,100,000	2,117,000	1,443,000	982,000	565,000	210,000

INVERNESS COLLEGE

YEAR ENDED 31 JULY 2026

FORECAST INCOME AND EXPENDITURE - 2025/26 TO 2029/30

REDUCTION IN EO TOPSLICE OF 5% TO 30%

	Note	Budget 31-Jul-24 £	Budget 31-Jul-25 £	Budget 31-Jul-26 £	Revised Financial Forecast 31-Jul-27 £	Revised Financial Forecast 31-Jul-28 £	Revised Financial Forecast 31-Jul-29 £	Revised Financial Forecast 31-Jul-30 £
Income								
Scottish Funding Council FE Grants	1	9,885,000	10,148,000	10,309,761	10,309,761	10,309,761	10,309,761	10,309,761
UHI	2	6,010,788	6,324,580	7,408,700	8,843,700	9,258,700	9,569,950	9,881,200
Tuition Fees	3	2,877,127	3,038,450	3,131,189	3,206,189	3,281,189	3,356,189	3,431,189
Other Grants - Research	4	1,424,254	1,332,090	1,246,037	1,246,037	1,264,037	1,289,037	1,314,037
Refectory and Training Restaurant	5	653,700	591,000	634,217	634,217	643,217	651,217	658,217
SDS	6	1,731,307	2,099,400	2,142,725	2,142,725	2,193,725	2,223,725	2,253,725
Commercial	7	442,500	147,500	-	-	12,500	12,500	12,500
Miscellaneous	8	515,480	592,740	876,887	790,887	818,887	828,387	837,887
Unitary Charge	9	4,903,884	4,903,884	4,903,884	4,903,884	4,903,884	4,903,884	4,903,884
		28,444,040	29,177,644	30,653,400	32,077,400	32,685,900	33,144,650	33,602,400
Staff Costs	10	18,225,593	19,553,731	21,078,972	21,348,972	21,739,441	22,141,624	22,545,873
Premises	11	1,963,771	1,935,590	1,924,909	1,935,590	1,940,590	1,940,590	1,940,590
Other Operating Costs	12	7,972,950	7,741,822	7,741,342	7,691,342	7,691,342	7,691,342	7,691,342
		28,162,314	29,231,143	30,745,223	30,975,904	31,371,373	31,773,556	32,177,805
Cash Position		281,726	(53,499)	(91,823)	1,101,496	1,314,527	1,371,094	1,424,595
NPD Capital		(897,592)	(897,592)	(897,592)	(897,592)	(897,592)	(897,592)	(897,592)
Cash Position after repaying loan capital		(615,866)	(951,091)	(989,415)	203,904	416,935	473,502	527,003
Non RDEL								
Deferred Grant Release		300,000	300,000	300,000	300,000	300,000	300,000	300,000
Depreciation		(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
		(700,000)	(700,000)	(700,000)	(700,000)	(700,000)	(700,000)	(700,000)
Operational (Deficit)/ Surplus		(418,274)	(753,499)	(791,823)	401,496	614,527	671,094	724,595
Year-end Cash Balance		8,619,000	3,100,000	2,117,000	2,317,000	2,717,000	3,117,000	3,617,000

INVERNESS COLLEGE

YEAR ENDED 31 JULY 2026

FORECAST INCOME AND EXPENDITURE - 2025/26 TO 2029/30

REDUCTION IN EO TOPSLICE OF 10% TO 25%

	Note	Budget 31-Jul-24 £	Budget 31-Jul-25 £	Budget 31-Jul-26 £	Revised Financial Forecast 31-Jul-27 £	Revised Financial Forecast 31-Jul-28 £	Revised Financial Forecast 31-Jul-29 £	Revised Financial Forecast 31-Jul-30 £
Income								
Scottish Funding Council FE Grants	1	9,885,000	10,148,000	10,309,761	10,309,761	10,309,761	10,309,761	10,309,761
UHI	2	6,010,788	6,324,580	7,408,700	9,363,700	9,778,700	10,089,950	10,401,200
Tuition Fees	3	2,877,127	3,038,450	3,131,189	3,206,189	3,281,189	3,356,189	3,431,189
Other Grants - Research	4	1,424,254	1,332,090	1,246,037	1,246,037	1,264,037	1,289,037	1,314,037
Refectory and Training Restaurant	5	653,700	591,000	634,217	634,217	643,217	651,217	658,217
SDS	6	1,731,307	2,099,400	2,142,725	2,142,725	2,193,725	2,223,725	2,253,725
Commercial	7	442,500	147,500	-	-	12,500	12,500	12,500
Miscellaneous	8	515,480	592,740	876,887	790,887	818,887	828,387	837,887
Unitary Charge	9	4,903,884	4,903,884	4,903,884	4,903,884	4,903,884	4,903,884	4,903,884
		28,444,040	29,177,644	30,653,400	32,597,400	33,205,900	33,664,650	34,122,400
Staff Costs	10	18,225,593	19,553,731	21,078,972	21,348,972	21,739,441	22,141,624	22,545,873
Premises	11	1,963,771	1,935,590	1,924,909	1,935,590	1,940,590	1,940,590	1,940,590
Other Operating Costs	12	7,972,950	7,741,822	7,741,342	7,691,342	7,691,342	7,691,342	7,691,342
		28,162,314	29,231,143	30,745,223	30,975,904	31,371,373	31,773,556	32,177,805
Cash Position		281,726	(53,499)	(91,823)	1,621,496	1,834,527	1,891,094	1,944,595
NPD Capital		(897,592)	(897,592)	(897,592)	(897,592)	(897,592)	(897,592)	(897,592)
Cash Position after repaying loan capital		(615,866)	(951,091)	(989,415)	723,904	936,935	993,502	1,047,003
Non RDEL								
Deferred Grant Release		300,000	300,000	300,000	300,000	300,000	300,000	300,000
Depreciation		(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
		(700,000)	(700,000)	(700,000)	(700,000)	(700,000)	(700,000)	(700,000)
Operational (Deficit)/ Surplus		(418,274)	(753,499)	(791,823)	921,496	1,134,527	1,191,094	1,244,595
Year-end Cash Balance		8,619,000	3,100,000	2,117,000	2,717,000	3,517,000	4,317,000	5,217,000

INVERNESS COLLEGE

YEAR ENDED 31 JULY 2026

FORECAST INCOME AND EXPENDITURE - 2025/26 TO 2029/30

REDUCTION IN EO TOPSLICE OF 15% TO 20%

	Note	Budget 31-Jul-24	Budget 31-Jul-25	Budget 31-Jul-26	Revised Financial Forecast 31-Jul-27	Revised Financial Forecast 31-Jul-28	Revised Financial Forecast 31-Jul-29	Revised Financial Forecast 31-Jul-30
		£	£	£	£	£	£	£
Income								
Scottish Funding Council FE Grants	1	9,885,000	10,148,000	10,309,761	10,309,761	10,309,761	10,309,761	10,309,761
UHI	2	6,010,788	6,324,580	7,408,700	9,883,700	10,298,700	10,609,950	10,921,200
Tuition Fees	3	2,877,127	3,038,450	3,131,189	3,206,189	3,281,189	3,356,189	3,431,189
Other Grants - Research	4	1,424,254	1,332,090	1,246,037	1,246,037	1,264,037	1,289,037	1,314,037
Refectory and Training Restaurant	5	653,700	591,000	634,217	634,217	643,217	651,217	658,217
SDS	6	1,731,307	2,099,400	2,142,725	2,142,725	2,193,725	2,223,725	2,253,725
Commercial	7	442,500	147,500	-	-	12,500	12,500	12,500
Miscellaneous	8	515,480	592,740	876,887	790,887	818,887	828,387	837,887
Unitary Charge	9	4,903,884	4,903,884	4,903,884	4,903,884	4,903,884	4,903,884	4,903,884
		28,444,040	29,177,644	30,653,400	33,117,400	33,725,900	34,184,650	34,642,400
Staff Costs	10	18,225,593	19,553,731	21,078,972	21,348,972	21,739,441	22,141,624	22,545,873
Premises	11	1,963,771	1,935,590	1,924,909	1,935,590	1,940,590	1,940,590	1,940,590
Other Operating Costs	12	7,972,950	7,741,822	7,741,342	7,991,342	7,991,342	7,991,342	7,991,342
		28,162,314	29,231,143	30,745,223	31,275,904	31,671,373	32,073,556	32,477,805
Cash Position		281,726	(53,499)	(91,823)	1,841,496	2,054,527	2,111,094	2,164,595
NPD Capital		(897,592)	(897,592)	(897,592)	(897,592)	(897,592)	(897,592)	(897,592)
Cash Position after repaying loan capital		(615,866)	(951,091)	(989,415)	943,904	1,156,935	1,213,502	1,267,003
Non RDEL								
Deferred Grant Release		300,000	300,000	300,000	300,000	300,000	300,000	300,000
Depreciation		(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
		(700,000)	(700,000)	(700,000)	(700,000)	(700,000)	(700,000)	(700,000)
Operational (Deficit)/ Surplus		(418,274)	(753,499)	(791,823)	1,141,496	1,354,527	1,411,094	1,464,595
Year-end Cash Balance		8,619,000	3,100,000	2,117,000	2,917,000	3,917,000	5,217,000	6,317,000

INVERNESS COLLEGE

YEAR ENDED 31 JULY 2026

FORECAST INCOME AND EXPENDITURE - 2025/26 TO 2029/30

REDUCTION IN EO TOPSLICE OF 20% TO 15%

	Note	Budget 31-Jul-24 £	Budget 31-Jul-25 £	Budget 31-Jul-26 £	Revised Financial Forecast 31-Jul-27 £	Revised Financial Forecast 31-Jul-28 £	Revised Financial Forecast 31-Jul-29 £	Revised Financial Forecast 31-Jul-30 £
Income								
Scottish Funding Council FE Grants	1	9,885,000	10,148,000	10,309,761	10,309,761	10,309,761	10,309,761	10,309,761
UHI	2	6,010,788	6,324,580	7,408,700	10,403,700	10,818,700	11,129,950	11,441,200
Tuition Fees	3	2,877,127	3,038,450	3,131,189	3,206,189	3,281,189	3,356,189	3,431,189
Other Grants - Research	4	1,424,254	1,332,090	1,246,037	1,246,037	1,264,037	1,289,037	1,314,037
Refectory and Training Restaurant	5	653,700	591,000	634,217	634,217	643,217	651,217	658,217
SDS	6	1,731,307	2,099,400	2,142,725	2,142,725	2,193,725	2,223,725	2,253,725
Commercial	7	442,500	147,500	-	-	12,500	12,500	12,500
Miscellaneous	8	515,480	592,740	876,887	790,887	818,887	828,387	837,887
Unitary Charge	9	4,903,884	4,903,884	4,903,884	4,903,884	4,903,884	4,903,884	4,903,884
		28,444,040	29,177,644	30,653,400	33,637,400	34,245,900	34,704,650	35,162,400
Staff Costs	10	18,225,593	19,553,731	21,078,972	21,348,972	21,739,441	22,141,624	22,545,873
Premises	11	1,963,771	1,935,590	1,924,909	1,935,590	1,940,590	1,940,590	1,940,590
Other Operating Costs	12	7,972,950	7,741,822	7,741,342	8,291,342	8,291,342	8,291,342	8,291,342
		28,162,314	29,231,143	30,745,223	31,575,904	31,971,373	32,373,556	32,777,805
Cash Position		281,726	(53,499)	(91,823)	2,061,496	2,274,527	2,331,094	2,384,595
NPD Capital		(897,592)	(897,592)	(897,592)	(897,592)	(897,592)	(897,592)	(897,592)
Cash Position after repaying loan capital		(615,866)	(951,091)	(989,415)	1,163,904	1,376,935	1,433,502	1,487,003
Non RDEL								
Deferred Grant Release		300,000	300,000	300,000	300,000	300,000	300,000	300,000
Depreciation		(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
		(700,000)	(700,000)	(700,000)	(700,000)	(700,000)	(700,000)	(700,000)
Operational (Deficit) Surplus		(418,274)	(753,499)	(791,823)	1,361,496	1,574,527	1,631,094	1,684,595
Year-end Cash Balance		8,619,000	3,100,000	2,117,000	3,117,000	4,317,000	5,617,000	6,917,000

Submission from UHI Moray

Introduction

This evidence has been submitted to provide additional context for Committee members prior to, and at, the meeting on 24 March 2026.

It includes an extract from the college's most recent Annual Report and Published Accounts presenting an overview of the current college situation.

A brief summary of the context and outcomes of the Moray Financial Recovery Plan 2024 is provided, including a chart summarising full-time equivalent staffing numbers at UHI Moray for the past eight years.

A midyear (Quarter 2) update on the college's current financial position and year-end forecast in terms of Adjusted Operating Position and Cash is provided to give the Committee the most up-to-date picture of the college's financial performance.

Summaries of the college's FE full-time student achievement rates against recent national averages, and its student satisfaction rates for FE and HE are also provided. A summary of the make-up of the college's HE funding is provided from notes to its Published Accounts for the year ending 31 July 2025.

An Outline Business Case for a new operating model for UHI, produced by CAPITA Consulting in 2012 is provided as the first formal attempt to review the UHI operating model.

A letter is provided from the former permanent Chair of UHI Moray in response to the Outline Business Case produced for the UHI Transformation project in December 2024, along with a follow-up list of Board concerns and requests regarding the OBC. An overview of feedback provided by Moray on the UHI Transformation Full Business Case released to partners on 19 December 2025 is provided.

The agreed statement on the outcome of discussions held at the UHI Court Summit for Chairs and Principals on 11 March 2026 is awaited.

Contents

UHI Moray Principal's submission to the Education, Children and Young People's Committee	49
Introduction	49
Contents	50
1. UHI Moray Performance Report Overview 2024/25	51
i. Extract from UHI Moray Annual Report and Financial Statements for the year ending 31 July 2025	51
ii. Appendix: Under the Scissors CEF Project	54
2. UHI Moray Financial Recovery Plan 2024	55
i. Appendix: Staffing full-time equivalents (FTEs) per annum	56
3. Finance update Q2 2025/2026	57
4. UHI Moray Student attainment and satisfaction results	59
i. Student attainment rates	59
ii. Student satisfaction rates (from the SSES national surveys)	60
5. UHI Moray Higher Education Income and Funding	61
6. CAPITA: 2012 Outline Business Case for new operating model for the UHI62	
7. UHI Moray Feedback to the UHI Transformation OBC published December 2024	63
i. Chair's letter to the UHI Vice Chancellor	63
ii. Summary of Board Concerns/Asks regarding the OBC by UHI Moray Principal to the UHI Director of Transformation	65
8. UHI Moray Board on UHI Transformation draft Full Business Case	67
Appendix: Joint Statement following UHI Court FBC Summit with Chairs and Principals (11 March 2026)	67

1. UHI Moray Performance Report Overview 2024/25

i. Extract from UHI Moray Annual Report and Financial Statements for the year ending 31 July 2025

This Performance Report for the year ended 31 July 2025 provides an overview of the College, its purpose and priorities, its performance over the year, and the risks it continues to face and address.

2024/25 was a year which saw the successful completion of both the college's Voluntary Severance Scheme ("VSS") and the Financial Recovery Plan ("FRP") in which those staffing reductions were framed. These combined measures saw the college secure a staffing reduction of over 20% by the end of 2024.

The college delivered 17,514 Further Education ("FE") funding credits (19,103 in the previous year) against its Regional Strategic Body ("RSB") target of 17,100. This represented an over-delivery of 2.4% on its target.

The College's Higher Education ("HE") enrolment for the year represented a planned reduction in its offer due to the FRP's reduced curriculum and teaching staff levels, delivering 581.7 full-time equivalent ("FTE") enrolments, below the previous year's total of 633.5. The HE enrolment figure delivered for 2024/25 however, exceeded the target of 560 FTE set in the FRP.

Having delivered FE full-time student attainment well above the Scotland average in the previous seven years, the college delivered a significantly increased level of full-time attainment this year of 72.9% (previous year was 65.9%), again above the latest national average of 64.2%.

The SFC announced a change in its methodology for counting student achievement in September 2024 which it then retrospectively applied to its published results for 2023/24 and previous years. Based on this new methodology, Moray's results for FE Full-time Attainment in 2024/25 increased from 72.9% to 75.4% against the restated latest available national average of 67.1%.

The College's overall student satisfaction rate in the year-end Scottish Funding Council ("SFC") national Student Satisfaction and Engagement Survey remained extremely high at 97.0% (up 1.0% on the previous year). Given the disruption and uncertainties created by the staffing reductions and changes in curriculum offer in the first half of the year, this Student Satisfaction (the highest in recent years) is a testament to the quality of teaching and support that staff have continued to deliver in this highly uncertain and difficult environment.

Throughout the year, the college continued to finalise arrangements for approval of the Business Enterprise Hub Moray Growth Deal (MGD) project, as well as hosting and participating in a number of community planning workshops to identify a new project (or projects) to utilise the final £21m of MGD capital funding available to support skills development in Moray.

The College also continued to be the host organisation and employer for the staff of Developing the Young Workforce Moray ("DYW") and to be a key partner of DYW Moray in the design and delivery of support for Skills Pathways (for ages 3-18). It worked closely with Moray Council and Moray's schools through the co-design of Senior Phase provision for secondary pupils in Moray, including Foundation

Apprenticeships. It also provided a range of Broad General Education introductions to curriculum, within the limit of 1.5% of credits set by the SFC.

The College continued to work with employers in Moray to grow its Modern Apprenticeships provision throughout the year, fully utilising its increased contract although there was still not sufficient funding to fully satisfy demand from local employers in Moray. The college also continued to work with local partners and businesses to deliver employability programmes to support those seeking to re-enter the job market.

Research activity continued to progress throughout 2024/25, coordinated by the College Research Impact and Knowledge Exchange (RIKE) Committee and, as a follow-up to its funded Just Transition project, the college secured funding from the Energy Skills Partnership to develop dedicated Offshore Wind Skills Portal resource, now hosted on the Offshore Wind Scotland website.

In terms of governance and management, the College maintained compliance with the Code of Good Governance, except for C3 and C22 (which relate to a failure to deliver a balanced budget at year-end), and D25 (which relates to board members being subject to an annual appraisal).

UHI Moray has also maintained a gender balance across its Board of Management. At the time of writing, an experienced interim chair is in place. A new permanent chair took up office in December 2024 but resigned in June 2025. A campaign to recruit a new permanent chair is underway. In addition, an on-going recruitment campaign to refresh the Board membership is also underway.

As a result of the successful completion of its FRP, the college is reporting an Underlying Adjusted Operating Position (“AOP”) deficit of -£833k for 2024/25 against its original Financial Forecast Return (FFR) forecast deficit of -£2,150k.

The SFC’s AOP measure allows the underlying financial position of colleges to be better understood by removal of non-cash items and extraordinary one-off events. However, for this year, the reported AOP deficit of -£833k includes one-off in-year VSS related costs of £1,054k (in respect of severance payments of £774k re departing staff and a £280k cost due to the scheme being delayed by 3 months into 2024/25), but does not include the one-off monies given to the college as a loan for pay for severance costs. Had the extraordinary one-off costs been adjusted for in the AOP calculation, then the underlying position would have been an AOP surplus of £221k.

Alongside colleges across Scotland, the college is also facing significant financial challenges going forward. These originate, and are potentially resolved, in three dimensions:

- Nationally, Audit Scotland recently identified 20% real terms cut in funding for Scotland’s colleges over the past five years. The SFC recently stated that nearly all colleges in Scotland are expected to be in deficit in 2024/25. While nationally agreed pay deals and other inflationary cost increases remain unconnected to the quantum of funding allocated by the Scottish Government to colleges, this remains a significant challenge across the sector.
- Regionally, the development work towards a potential new and agreed operating model for the UHI partnership proceeded to the development of a Full Business Case (“FBC”) which is now due for completion in January 2026. At the time of writing

there was not yet a preferred option agreed for this model and none of this work has yet given rise to any reduction in funding contributions by partners to the running of UHI Executive Office (funds that are withheld centrally from colleges' HE Teaching Grant). The college can neither afford, work to minimise, nor identify commensurate benefits from this "top slice" of the HE Teaching Grant (est. £1.8m in 2024/25). The rigidity of the separate FE and HE funding streams also has not allowed colleges in this region to offset more buoyant Level 4-6 FE provision against declining HE demand (unlike all other regions in Scotland).

- Locally, while FE enrolment is buoyant and exceeding the college's credit target, and demand for Apprenticeship places continues to exceed funding available, HE enrolment at the college has reduced significantly since before Covid. However, the college delivered its first upturn in full-time HE enrolments at the start of 2025/26 with a 12% increase in those enrolments on the previous year.

- The College's estate continues to require significant investment, and the Speyside wing of the Moray Street campus had to be closed in August 2023 due to the presence of reinforced autoclaved aerated concrete (RAAC) in that building. This need for investment in the estate was recognised by the SFC in 2016 when they identified that the estate required partial demolition, rebuild, and refurbishment, and for which the Funding Council then provided an outline business case although no budget subsequently materialised.

The college continues to make an important contribution, both to its local community, and to wider regional developments, and at its recent graduation event in October 2025, the outstanding achievements of its staff and students for the previous year were shared with its community.

I commend this annual report to you now and thank everyone associated with the College in this challenging time for their commitment, flexibility, and resilience to ensure the successful delivery of these outcomes in 2024/25.

Underlying Operating Position		
	2024/25	2023/24
	£'000	£'000
Deficit before other gains and losses	(1,650)	(2,513)
<u>Add back:</u>		
- Depreciation (net of deferred capital grant release)	806	642
- Exceptional non-restructuring costs (e.g. impairment)	-	-
- Pension adjustment - Net service cost (FRS102 Staff cost adjustment)	(107)	(232)
- Pension adjustment - Net interest costs	(8)	(338)
- Pension adjustment - Early retirement provision	(69)	6
- Costs of middle management job evaluation exercise not matched by revenue	242	1,432
<u>Deduct:</u>		
- Revenue funding allocated to loan repayments and other capital items*	47	47
Underlying Operating Surplus/(Deficit)	(833)	(1,050)

* This line eliminates the extent to which the Cash Budget for Priorities (net depreciation) is used for capital items otherwise the operating position is overstated.

Part of the College's Financial Recovery Plan involved a Voluntary Severance Scheme (VSS). As the College was unable to fund the cost of the VSS, an application for financial assistance was made to the SFC. When the SFC agreed to fund the cost of the scheme, it initially proposed that financing would come in the form of grant income. This would have resulted in a nil net effect on the Income & Expenditure Statement. Subsequently, the SFC advised that financing would be provided as a loan. The VSS was completed in December 2024 at a cost of £774k which is reported as expenditure in the current period but clearly with no income offset.

ii. Appendix: Under the Scissors CEF Project

Our Just Transition team worked with students on a climate conversation pilot project which connected technical, academic, and public spheres.

Students from UHI Moray's Hairdressing and Beauty & Aesthetic Therapies courses teamed up with staff and students from UHI partner, the Scottish Association of Marine Science, to empower the hair and beauty industry to talk climate change. A climate conversation is a peer-to-peer chat about our changing world. It can be difficult to have a conversation about climate change. Many people find it a big, confusing or anxiety-causing topic. However, just one climate conversation can help people feel less alone and feel more knowledgeable and hopeful about the future.

For this "Under the Scissors" project, flash cards with facts about climate change were created, which students could talk about with clients as they start their own climate conversations.

Read more about the project and the findings:

- [Download A Climate Conversation Handbook \(English\)](#)
- [Download A Climate Conversation Handbook \(Gaelic\)](#)

The 2023-24 Under the Scissors project was funded by The Scottish Government's Climate Engagement Fund.

2. UHI Moray Financial Recovery Plan 2024

CONTEXT

A number of significant factors mostly outside of the college's control had contributed to the college's financial position. These included:

- **The cost-inflation crisis:** The college had seen an estimated increase of its non-staff operating costs of 46% (£903,000) over the two years since the start of the 2021/22 session
- **Nationally agreed staff pay increases:** these were now unfunded and so had become unaffordable
- **Significant decline in HE enrolments since the start of Covid:** enrolments had declined by a third since before Covid.
- **Flat-cash funding and funding reductions:** Audit Scotland reported an 8.5% real terms reduction in funding over the previous two years
- **SFC HE Teaching Grant retained by UHI EO as a 'top-slice':** just over 50% of SFC HE Teaching Grant to the region was being released to partners for the teaching, support, and physical infrastructure required to deliver the learning for which the grant is given
- **Rigidity of the separate FE and HE funding streams:** did not allow colleges in this region to offset more buoyant Level 4-6 FE provision against declining HN demand (unlike all other regions in Scotland)

The Recovery Plan

The final version of the Recovery Plan was designed to return UHI Moray to a sustainable balanced budget position (exclusive of any deficit loan or severance scheme funding repayments) by July 2025. The Moray published accounts for that year-end reflected the achievement of that balanced position.

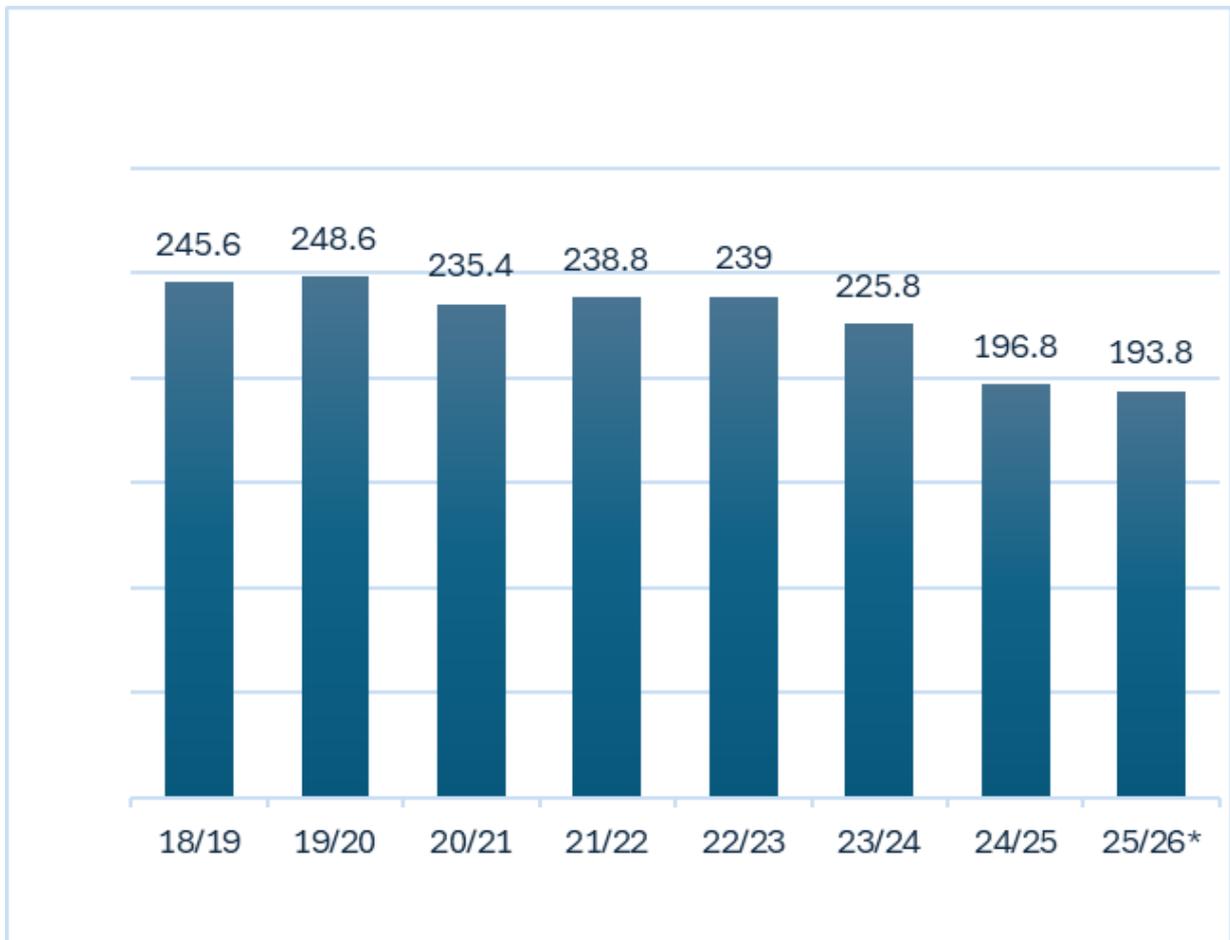
The Recovery Plan was modelled on current enrolment numbers, and from a starting position where an existing nuanced job freeze introduced by the college had generated 15.9 FTE (full-time equivalent) staff reductions in the 7 months since 31 March 2023. A further 44.9 FTE reductions were sought through a Voluntary Severance Scheme (VSS) for which SFC funding was required. These reductions were sought from all areas of the college, and from all levels of staff.

The adjustments required of the FRP were significant and challenging. They required a detailed curriculum review to support a significant reduction in staffing

costs, necessitating a stringent approach to staff vacancies, staffing deployment and two launches of a Voluntary Severance Scheme (supported by what became an SFC loan), with the scheme commencing on 3 June 2024, and the final staff departures being on 31 December 2024. Local employee relations were impacted with disputes being raised by both our recognised Trade Unions.

During that difficult and turbulent period, as the evidence here indicates, the college, thanks to the dedication and commitment of the remaining staff, was able to protect and even enhance student satisfaction and outcomes. The staff came together immediately after the final staff VS departure on 16 January 2025, in a College Development Day meeting to collectively examine how to move forward with reduced staffing. This collaborative work to protect staff wellbeing, and regular engagement with our staff to identify and review better ways of working has continued.

i. Appendix: Staffing full-time equivalents (FTEs) per annum



*25/26 mid-year figures

Staffing FTEs for the college are now running 20% below the mean of the five years prior to the Financial Recovery Plan Voluntary Severance Scheme and other staff reduction measures.

3. Finance update Q2 2025/2026

Despite starting this academic session with a forecast deficit Adjusted Operating Position of -£450k and a small cash balance at year end of £100k, the college is now forecasting a breakeven AOP at year-end following a review of its Second Quarter /Mid-Year Position.

OPERATING PROFIT		FFR (Budget)	2Q Actuals	Current Forecast
INCOME:				
SFC Funding:	HE	2,359	1,231	2,486
	FE	7,016	3,436	7,052
	- 23/24 re-allocation	0	0	93
	PGT	40	17	29
	Capital grant (Rdel)	0	93	458
Tuition Fees:	HE	840	484	880
	FE	105	53	105
Commercial Income		2,335	1,262	2,563
Deferred capital grants		510	265	510
Other Income/Recoveries		195	91	295
		13,400	6,932	14,471
EXPENDITURE:				
Staff payroll costs		(10,825)	(5,482)	(10,831)
- incremental HE/ Project resource		0	(90)	(185)
Operating costs		(2,470)	(1,307)	(2,470)
- project specific costs		0	(10)	(357)
Depreciation		(1,163)	(665)	(1,330)
Interest		(7)	(2)	(2)
		(14,465)	(7,556)	(15,175)
SURPLUS / (DEFICIT)		(1,065)	(624)	(704)
ADJUSTMENTS:				
Net depreciation		653	400	820
Loan repayments		(38)	(116)	(116)
ADJUSTED OPERATING POSITION (AOP)		(450)	(340)	0

CASH FLOW

	FFR (Budget)	2Q Actuals	Current Forecast
SURPLUS / (DEFICIT)	(1,065)	(624)	(704)
NON CASH ADJUSTMENTS			
Depreciation	1,163	665	1,330
Deferred Capital Grant Release	(510)	(265)	(510)
Working capital movements	(250)	(125)	(128)
- funding prepaid	0	906	0
	403	1,181	692
CAPITAL & FINANCING			
Capital grants received	643	347	367
Capital expenditure	(643)	(48)	(367)
- backlog mtce from prior years	0	(339)	(351)
Loan repayments (Moray Council)	(38)	(116)	(116)
	(38)	(156)	(467)
NET CASH FLOW	(700)	401	(479)
OPENING CASH BALANCE	800	1,079	1,079
CLOSING CASH BALANCE	100	1,480	600

4. UHI Moray Student attainment and satisfaction results

i. Student attainment rates

Over the six-year period shown below, UHI Moray has generated Further Education full-time student achievement rates of around six percentage points above the average for colleges in Scotland. It has been delivering full-time FE student achievements above the Scotland college average now since 2017/18.

Session	FE FT attainment % (sector)	FE FT attainment % (Moray)	Difference
2019/20	65.7%	74.3%	8.6%
2020/21	61.3%	68.9%	7.6%
2021/22	59.0%	66.7%	7.7%
2022/23	63.6%	66.8%	3.2%
2023/24	64.2%	65.9%	1.7%
2024/25	Not available yet	72.9%	8.7%

*Using SFC methodology in place up to September 2024

ii. Student satisfaction rates (from the SSES national surveys)

Student satisfaction rates for the past five years are shown below, with results graded green being above the national average. The satisfaction rates delivered for both FE and HE students last year were the highest achieved by the college post-Covid.

	Moray	Scotland		Moray	Scotland
	FE Full-time			FE Part-time	
20-21	92.4%	88.6%		94.9%	92.2%
21-22	93.4%	92.7%		96.7%	93.9%
22-23	93.8%	94.6%		97.1%	95.7%
23-24	94.9%	94.4%		97.6%	95.9%
24-25	96.0%	95.2%		98.2%	96.7%

	Moray	Scotland		Moray	Scotland
	HE Full-time			HE Part-time	
20-21	88.7%	80.3%		93.3%	84.4%
21-22	87.2%	85.7%		93.8%	89.4%
22-23	87.6%	89.1%		93.0%	91.7%
23-24	85.8%	88.2%		92.7%	89.2%
24-25	93.7%	93.0%		94.4%	92.3%

5. UHI Moray Higher Education Income and Funding

Notes to the Financial Statements

1. Funding body grants

	2025 £'000	2024 £'000
SFC recurrent grant (including fee waiver)	6,726	6,738
UHI recurrent grant – HE provision	2,445	2,595
Capital funding	316	159
FE childcare funds	104	144
Release of deferred capital grants (SFC)	297	296
Other SFC grants – FE provision	164	-
Other UHI grants – HE provision	119	128
	10,171	10,060

2. Tuition fees and education contracts

	2025 £'000	2024 £'000
FE fees – UK	679	458
HE fees	750	825
Skills Development Scotland (SDS) contracts	163	150
Other contracts	(3)	154
	1,589	1,587

	2025 £'000
HE Teaching Grant	2,445
HE Tuition Fee	750
Total HE Income	3,195
(of which)	
Degree Teaching Grant	1,063
Degree Tuition Fees	409
Total Degree Income	1,472

6. CAPITA: 2012 Outline Business Case for new operating model for the UHI

The CAPITA Consulting OBC for a new operating model for UHI was published in January 2012 and written to HM Treasury Green Book specifications.

Recognising that UHI was “not yet ready to move forward as a single institution and [that] the status quo is unacceptable,” it proposed putting in place a series of radical changes to the existing structures, systems and processes of the UHI partnership, including:

- multiple joint senior posts shared between the University and Academic Partners
- the development of a Shared Service Centre
- managed reductions in Academic Partner spending
- an Executive Office (‘EO’) that was both reconfigured and made leaner with a clearer delineation and justification of its activities

Academic Partners were urged to reduced their costs by 1-1.2% of turnover in each of the next three years.

The 2012 OBC also recommended that:

“EO should continue to increase the transparency of its running costs and also by means of the application of ‘lean’ principles to its University’s core processes secure further efficiencies in its operations. We suggest this comprises an efficiency programme, the objective of which should be to deliver annual cashable savings of 5% on existing running costs for each of the next 3 years, for re-distribution into direct HE provision by APs. In financial terms this equates to a redirection of funding of circa £2.2 million over the 3 year period.”

The work CAPITA undertook between July and December 2011 was probably the first (and to date only completed) review of the role, functionality and size of the Executive Office of the university, and its recommendations regarding the 15% reduction in existing EO running costs were never put in place. Annual EO staffing as part of those running costs in 2011/2012 was 188 FTEs.

7. UHI Moray Feedback to the UHI Transformation OBC published December 2024

i. Chair's letter to the UHI Vice Chancellor

29 January 2025

UHI: OUTLINE BUSINESS CASE (OBC)

Thank you for your letter of 20 December 2024 enclosing the latest version (v7.1) of the Outline Business Case (OBC), including the letter from [REDACTED], Scottish Funding Council.

This follows earlier communications and discussions around the OBC, including the meeting of 9 September 2024 between the UHI Moray Board and [REDACTED], Chair of Court and the UHI Moray Board's letter of 16 October 2024.

Following on from the circulation of the OBC on 20 December, the Moray Board met on 10 January to discuss, and subsequently with you and colleagues from the Executive Office and Transition Team on 13 January. On behalf of my fellow Board members and Senior Leadership team colleagues, I'm grateful to you, [REDACTED] for joining us and for your positive, open engagement.

Context

The UHI Moray Board is seized of the financial challenges which face us, the UHI partnership, and the wider Higher and Further Education sector, including in the context of Scottish Government funding. Financial sustainability, and the urgency of ensuring clarity around our future organisational structures and operational delivery is key – not only to UHI Moray and the wider UHI partnership and colleagues, but also to the students, businesses, communities and partners we work with. We will continue to work with, and support you, the Transition Executive Board, UHI partners and Court to develop the OBC in the spirit of openness and transparency to ensure the optimal outcomes we all want to see.

Ensuring continued access to quality education, delivering optimal learning outcomes, and which allow students to remain in their communities and securing opportunities for employment and career progression is key. UHI Moray also delivers strong outcomes against key academic metrics, supported by a team of skilled, dedicated and committed employees. We want to build on these outcomes and successes and assure the long-term future of UHI Moray as a core part of the communities we serve.

Communication

The Board found the presentation useful and, as I mentioned, it helped clarify some of the ambiguity in the OBC. It reinforced the importance of clarity of communication and progressing the business case together, with regular dialogue and engagement. To build on this engagement, I would be grateful if you would share details of the proposed timeline for the project, including decision points, engagement points and where there will be an opportunity to influence.

Key Issues

Following the presentation on 13 January there was the opportunity to raise some of the key issues we would like to see further clarity and detail on. Some of these are new, others have already been raised (including in the Interim UHI Moray Chair's letter of 16 October). These include:

- **Economic Context:** the local (and wider) economic context is key. Including future demographics, the broader economic landscape in the region and through a lens of opportunities for growth. It is fundamental that this is fully incorporated in the business case, supported by data and metrics. To ensure any assumptions are robust it is also vital that plans, data and evidence are robustly scrutinised. Boards and Senior Leadership teams are well placed to do this so we are keen to understand how and when this will happen;
- **Student Demand:** we noted that the current OBC is based on existing student demand data, but would stress the importance of further work on this to provide a body of data and evidence, including medium and longer-term forecasting, and which will underpin proposed structures and staffing. It is also important that the business case quantifies the non-financial benefits to students, business and the local community – all of which underpin wider Scottish government strategic plans and objectives;
- **Financial Information:** while the business case process is iterative and we appreciate the challenges of delivering a credible business case against challenging timelines, we remain keen to ensure that all relevant financial data and information is captured, shared, and open to scrutiny and challenge. We discussed concerns around Green Book compliance and Independent Peer Review, both of which are essential to provide the levels of assurance needed. It would be useful to understand at what points in the development of the business case which areas of Green Book processes will be addressed;
- **Governance and Oversight:** the Board was grateful to hear about the internal governance and oversight planned for the development of the business case. We remain keen to have clear visibility of both the process and the substance and detail. While there are multiple moving parts and we recognise that consultation will not be possible at each and every stage, it is important that Boards know where we will be included, both in terms of communications, but also more critically in decision making, including where this will directly impact our key stakeholders;
- **Future Governance and Structures:** you heard concerns from the Board around overhead costs (the “top slice”) and future governance and leadership structures. It is key that these are developed with UHI partners and that this does not impose expensive centralised oversight. This will be a balance between economies of scale, geography and local expertise. The latter being a critical part of the longer-term sustainability of local institutions within the

partnership structure. We welcome clarity on when further detailed proposals will be shared and how there will be an opportunity to shape these to ensure that governance is cost-efficient, robust and works for all.

We are conscious of the challenges which face us collectively, and you heard collective agreement on the necessity of change to secure the longer-term future and sustainability of UHI. You also heard about the importance of rebuilding trust. Our meeting on 13 January provides solid foundations to allow us to do this and we look forward to working with and supporting you and colleagues as this critical piece of work is developed.

Next Steps

We discussed the importance of continued communication to ensure that we, and other UHI partners have clear visibility of the process, timelines and decision points. Conscious that timelines are tight, so early sight of these would be helpful to allow dialogue, engagement and constructive challenge – all of which are key to ensuring the business case, and future size and shape of UHI is optimal and which benefits from the extensive experience and local knowledge of Board and SLT colleagues. Two-way dialogue is a fundamental pillar of this, so look forward to seeing what the planned structured engagement is to land this.

As we discussed, and in accordance with our values and in the spirit of constructive challenge, we are keen to see where UHI Moray Board and SLT are able to engage and influence. To ensure the success of the partnership it is fundamental that UHI Moray (and other partners) have a voice and are able to shape the future structure – and which will underpin the longer-term future of UHI.

In light of the ongoing meetings with UHI Boards of Management throughout January, I haven't copied this to other UHI Chairs and Boards. However, would be happy for you to do so at an appropriate time, in the interests of openness and transparency.

Thank you again, to you and colleagues for your constructive engagement with the UHI Moray Board and SLT, and we look forward to our next, in-person meeting in Elgin.

ii. Summary of Board Concerns/Asks regarding the OBC by UHI Moray Principal to the UHI Director of Transformation

12 March 2025

1.	The options currently being proposed to be modelled and evaluated in the OBC Financial Case.
2.	Would like a clear statement of where the 'control gates' for this project lie, and by which bodies will the OBC and FBC be formally taken to review and approval.
3.	Ask that urgent work now be undertaken to clearly define each of the options being taken forward to FBC.

4.	Concerned about the lack of detailed consideration of previous change 'showstoppers' including VAT, pensions, TUPE, and the impact of the suggested removal of staff from the public sector and National Bargaining. The Board urges that the differing impact of each of these within the three proposed options is modelled as a matter of urgency.
5.	Lack of visibility of any demand analysis to back up any income/growth assumptions and any proposed change in the FE/HE balance in the OBC.
6.	Importance of the wider economic context and stressed the necessity of seeing opportunities for growth developed, and that those opportunities should extend beyond the current focus on the Freeport.
7.	Concerned that four partners within the UHI partnership have been able to exclude themselves from this process and yet are able to play a full and equal role in shaping these proposals.
8.	Seeking assurance that any information sharing, engagement and consultation with staff and trade union reps will continue to have the involvement and oversight of local management.
9.	Visibility of partner Boards' involvement in the process.
10.	Need to understand the proposed model for leadership and governance being taken forward to FBC in each of the options.
11.	Concern over [June] timeline to complete FBC.

8. UHI Moray Board on UHI Transformation draft Full Business Case

The draft Full Business Case ('FBC') for the new operating model of UHI was shared with the Transformation Executive Board (Academic Partner Principals and EO Senior Executive Team) on 17th December 2025 and then with Academic Partner Boards on 19th December.

The UHI Moray Board's feedback on the FBC was collated and shared with the UHI Executive Office on 16th January 2026. A full Board meeting was convened on 19th January to discuss the FBC with the university's Senior Executive Team and the Director of Transformation. Comprehensive feedback on the Moray Board's 57 points of written feedback was provided in writing by the UHI Director of Transformation on 5th March 2026.

UHI Moray Board's main concerns centred around:

- clarity of decision points in the process
- the analysis and process leading to the 'preferred' option being chosen
- academic and professional services model benefits being realised and risks of implementation
- previous barriers to 'integration' raised at the OBC stage still being unresolved by the FBC
- the preferred option appearing to be currently legally and politically undeliverable
- KPMG risk assessment saying that the preferred option was likely to have a catastrophic impact on student achievement and satisfaction
- unrealistic timelines for delivery of the preferred option
- proposals for governance under the preferred option
- proposals for default on-line student services
- the investment ask and projected return on the investment both appearing to be unrealistic
- possible loss of local autonomy and impact on curriculum, local stakeholders, high value jobs and the Moray community
- possible University/RSB conflicts of interest

[Appendix: Joint Statement following UHI Court FBC Summit with Chairs and Principals \(11 March 2026\)](#)

At the time of writing this joint statement was not yet available.