

# The 2023/24 audit of UHI Perth: Written submission from Iain Wishart, Former Vice Principal, UHI Perth, 14 December 2025

Dear Sirs,

Thank you for your time on Wednesday the 3<sup>rd</sup> of December 2025 and for extending an invitation to add further comment in writing.

Having reflected on our meeting I thought it would be worthwhile expanding on a couple of areas and adding a summary.

## 1. What Does a Perth Budget at Board Level Look Like?

The Board of Management (BoM) would receive the following information for a budget:

	22/23 Forecast	23/24 Budget	Change
Income	£	£	£
Staff Costs	£	£	£
Non-Staff Costs	£	£	£
Surplus/(Deficit)	£	£	£

The income statement would be accompanied by comments (written and verbal) detailing:

- Assumptions used e.g. rate of salary increase, inflation rate etc.
- A detailed split of income in the same format as above.
- An explanation of any changes (variances) shown between the two years.
- Any risks to achieving the budget.
- Normally a budget will roll up to within £100,000 of where we want it to be (breakeven) and so comments would be added on adjustments made to get to the breakeven budget presented to the BoM. This is a very important requirement as the BoM must have an understanding and confidence in how the Senior Management Team will achieve the budget.

## 2. What Did the Forecast Given to the Perth BoM in December 2022 Look Like?

The Board of Management received the following information in December 2022:

	22/23 Forecast	23/24 Forecast	Change
Income	£	£	£
Staff Costs	£	£	£
Non-Staff Costs	£	£	£
Surplus/(Deficit)	£	£	£

The income statement was accompanied with comments covering (written and verbal) the following:

- Assumptions used e.g. rate of salary increase, inflation rate etc.
- A detailed split of income in the same format as above.

- c) An explanation of any changes (variances) shown between the two years.
- d) Normally a budget will roll up at within £100,000 of breakeven. The forecast showed that the College were facing an operating deficit of around £2,000,000. This level of deficit would be catastrophic and mean that the college would run out of cash and be insolvent.

It is clear from above that, from a form a presentation and information perspective, there is no difference between a budget and a forecast at BoM level. The BoM have confirmed that the Forecast information they received in December 2022 gave them clarity around what would happen if action wasn't taken.

### 3. Why Didn't Perth Have a Budget?

Although this point was discussed in the meeting on December 3rd, I believe it is worth revisiting.

There was no decision point not to have a budget, it was simply a consequence of Perth not having a plan to allow a budget to be formed.

At a high level, the solution for Perth was straightforward. As over 75% of the costs were staff costs then at least 95% of the £2,000,000 would have to come from staff reductions (the 25% non-staff costs have limited scope for reduction as they are fixed cost or semi-fixed cost). As staff reductions, by department, could not be determined then a budget could not be created. However, staff reductions require significantly more steps than just adding them into a budget, you have to:

- a) Consult with Unions,
- b) Consult with staff,
- c) Prepare revisions,
- d) Go back through A and B again,
- e) Go through C again
- f) Present the budget, with the steps noted at 1 above to obtain BoM sign off.

In our meeting on the 3<sup>rd</sup> of December there was a question about why all other colleges had created a budget, but Perth had not. The answer to this question could be varied and while I set out some of the possible reasons below, they are not exhaustive:

- a) Some colleges did not see a deficit to the catastrophic level of Perth as they had made cost reductions in the years leading up to the cut in college funding. This allowed them to create a budget in the normal way.
- b) Not all colleges have a UHI model where millions of funding is "top-sliced" to fund a headquarters.

- c) Budget methodology. Budgets can be created in a number of ways. A “top-down” budget is created the same way as a forecast. This would be a very easy way to balance the books as you don’t need a plan of action, you just reduce the staff cost value at BoM level until the Surplus/Deficit shows zero. However, the BoM would probably not have a clear plan of how the Senior Management Team planned to achieve this type of budget and there would be no ownership from budget holders. Perth prepares their budget using “bottom-up” methodology which takes four months to complete (due to non-finance staff capacity).
- d) Union participation/intervention may be very different from college to college which could have an impact on how quickly a solution can be found.

For me the key question isn’t why Perth didn’t have a budget but “why has it taken Perth, UHI and the SFC three years, and counting, to find a solution to the financial challenges set out in the December 2022 forecast?”

#### 4. How Useful is a Budget?

Despite the December 2022 accurately setting out what would happen at Perth if a solution was not found I felt like there was a leaning towards a budget being a more informative tool. I would add the following thoughts for your consideration.

- a) The budget would have rolled up at the same numbers as the forecast.
- b) The budget would have identified the issue five months LATER than the forecast. This is due to the budget timetable and how long it takes to pull together.
- c) While I fully support doing budgets, they are only one tool within financial planning and do have weaknesses e.g. imagine you are one month into the new academic year and your actual results are 10% worse than budget, what do you do? Do you a) start taking action to get back on plan or b) “forecast” out until the end of the year to see if month one is a timing blip and no action needs to be taken or whether things could get better or even worse? At the BoM level the answer would always be “b” and you can see that it is the forecast that is providing BoM level information as the budget cannot answer questions about the future once it has been set. This scenario would be the same for month’s two through month eleven.

#### 5. Having no 23/24 Budget Created Errors in the 24/25 Budget

It wasn’t discussed in our meeting but in the paperwork, there was a suggestion that not having a 23/24 budget may have caused errors in the 24/25 budget. I have never heard of a budget being created from the prior year’s budget. For me:

- a) Budgets are created from the prior year actuals plus information available for the next year e.g. legislation change, SFC guidance etc.

- b) Extensive budget models were available at Perth that staff have used for a number of years.
- c) The staff member who looked after staff and non-staff costs was still in the organisation.
- d) There is a network of FD's within UHI who are very happy to offer support and help.
- e) There is a wider College FD network who are also happy to lend support and recommendations.

#### In Summary

1. Perth clearly had a strong "compensating control" in place in the form of a forecast process. The forecast:
  - a) Identified the catastrophic to Perth risk five months ahead of when the budget would have come up with the same conclusion.
  - b) Eighteen months after the forecast was presented to the BoM, Perth UHI recorded a £2 million operating loss and ran out of cash, albeit they were able to secure funding. These results are exactly what was predicted by the December 2022 forecast.
  - c) The BoM and Principal agreed that the forecast gave them complete clarity of the situation.
  - d) An updated forecast was given at each BoM meeting.
2. A further financial control was the Management Book which continued to be created and issued to the BoM. This allowed the BoM to understand actual spend versus the prior year actual spend and how the 23/24 spend linked to the forecast.
3. Having no budget was a simple consequence of not having a plan of action. The key question, in my opinion, is not why there wasn't a budget but rather why it has taken Perth, UHI and the SFC three years, and counting, to find a solution to the catastrophic risk identified by the forecast in December 2022.

Thanks again for the opportunity to put some thoughts in writing. I hope you all manage to spend time with family and friends over the holidays and best wishes for the New Year.

Iain Wishart

