



The Scottish Parliament
Pàrlamaid na h-Alba

Public Audit Committee

Douglas Ross MSP
Convener
Education, Children and Young People Committee

9 February 2026

Dear Convener

The 2023/24 audit of UHI Perth

The Public Audit Committee took evidence from the Auditor General for Scotland (AGS) on his [Section 22 report, The 2023/24 audit of UHI Perth](#) (the report) at its [meeting on 8 October 2025](#). The Committee took further evidence from former staff, including the former Chair and Principal, at its [meeting on 3 December 2025](#). It also took evidence from the current Interim Chair, Interim Principal, the University of the Highlands and Islands (UHI) and the Scottish Funding Council (SFC) at its [meeting on 7 January 2026](#).

The Committee closed its scrutiny of the report at its meeting on 7 January, and in doing so, agreed to write to your Committee to highlight the key issues arising from its scrutiny which may be relevant to your work.

Failure to set a budget in 2023/24 and financial challenges

In his report, the AGS identified that UHI Perth failed to set a budget for the 2023/24 financial year. In addition to this, there was no documented evidence to demonstrate that the Board had taken a decision to not produce a budget. From the evidence that we received from the former staff at the college, it appears that a budget was not produced as the college's focus was on actions to try and resolve a predicted £2 million deficit.

We also note from the report that the Board wanted to achieve a "balanced budget and that there was a degree of reluctance to agree a deficit budget and uncertainty over whether the SFC would permit it".

According to the evidence we received, during the period of the audit UHI Perth was focused on efforts to address the deficit that it was facing while the same time was dealing with ongoing capacity challenges within its finance team. However, the Scottish Public Finance Manual is clear that all public bodies should set a budget, and we agree with the AGS's view that—

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“...it is a basic, fundamental requirement that a public body needs to prepare a budget to evidence its intentions and deliver its strategy”.

In his report the AGS also confirmed that UHI Perth is facing substantial financial challenges. The report states that—

“The college is now working to build capacity in its finance team and address weaknesses in its financial management, including finalising a financial recovery plan”.

We note from the AGS’s report that a revised baseline budget for 2025/26 was provisionally approved by UHI Perth’s Board in June 2025, with final approval subject to a Financial Recovery Plan being agreed.

We understand that the Financial Recovery Plan has been submitted to UHI and the SFC for consideration and we welcome the progress that UHI Perth has made to date.

Further issues

The AGS also highlights in his report that a delay in the completion of the 2023/24 audit meant that a range of issues that impacted the college in spring 2025 were reported in the 2023/24 Annual Audit Report. These issues included around £1 million of errors in the 2024/25 budget and errors in cashflow calculations leading to a request for £1 million of additional liquidity support.

The report also confirmed that UHI Perth’s subsidiary, Air Service Training (AST), entered administration in April 2025. As a commercial activity, AST is not audited by the AGS, however the auditor will wish to be assured of the governance arrangements that were in place between the college and the AST.

A further issue identified in the report related to significant changes in senior staff and Board members and the destabilising impact that this may have had on the college.

Your committee may wish to note that these issues will be considered by the auditor as part of the forthcoming 2024/25 audit work and the AGS will consider the auditor’s findings before deciding if further reporting on the college is required.

Top slicing and new operating model for the Regional Strategic Body

The matter of ‘top-slicing’ was raised during the evidence session on 3 December 2025 and 7 January 2026. Specifically, the suggestion that funding retained by UHI to deliver shared services to all the colleges within the Regional Strategic Body, has a detrimental impact on the financial situation of the colleges.

We are aware that in June 2025, UHI provided written evidence to your committee that stated that “top-slice’ model of funding is no longer fit for purpose and will be reviewed as part of a full business case for a new operating model that UHI will

submit to the Scottish Funding Council in December 2025". We explored the progress of this work with UHI and SFC during our evidence session on 7 January 2026. SFC confirmed to us that—

“we received the draft full business case before Christmas; we are currently working through that, and we are not in a position to share our views on it at this time.”

UHI went on to confirm that it expects that its proposal for a new operating model will be open for public consultation in March 2026.

The Committee also drew UHI's attention to concerns that had been flagged by the Educational Institute of Scotland that the proposed new operating model potentially removes scrutiny of the individual colleges from the AGS and the Scottish Parliament. UHI confirmed that concerns had been raised by the trade unions on implications the new operating model may have on public and private sectors, terms and conditions and pensions and that it was “mindful and cognisant of these concerns, and we are engaging with them.”

This Committee has concerns that the timing of UHI's consultation on its proposed new operating model is likely to inhibit the ability of the Parliament and its Committees to contribute.

We are also clear that while shared services should be encouraged to make better use of public funds, it is important there is transparency and accountability for those in receipt of public funds. We firmly believe that this should be reflected in any new operating model to ensure that colleges remain accountable to the Scottish Parliament and to the AGS.

I hope that these findings are helpful in informing your future work and that of your successor Committee in Session 7.

Yours sincerely,

A handwritten signature in black ink that reads "Richard Leonard". The script is cursive and fluid.

Richard Leonard MSP

Convener