

Public Audit Committee
Wednesday 3 December 2025
32nd Meeting, 2025 (Session 6)

The 2023/24 audit of UHI Perth

Introduction

1. At its meeting today, the Public Audit Committee will take evidence from the former Principal /Chief Executive, former Chair and former Vice Principal (Operations) of UHI Perth on the Auditor General for Scotland's (AGS) section 22 report, [The 2023/24 audit of UHI Perth](#), which was published on 25 September 2025.
2. The Committee previously took evidence from the AGS on his report at its [meeting on 8 October 2025](#).
3. The Committee has agreed to take evidence from UHI Perth, the University of the Highlands and Islands and the Scottish Funding Council at a future meeting. The Committee has received a written submission from UHI Perth which can be found at **Annexe A**.
4. A copy of the AGS's report can be found at **Annexe B**.

Clerks to the Committee
December 2025

Annexe A: Written submission from UHI Perth, 21 November 2025



21 November 2025

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Scottish Parliament
Edinburgh

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2023/24 Audit of UHI Perth

1. Introduction

We are grateful to the Committee for allowing us to submit additional information to address some of the questions raised during your meeting of 8th October 2025. Our submission outlines some of the background to the issues that have been faced by UHI Perth over the past couple of years and the actions taken by the interim leadership since April 2025 to address them. In particular we have sought to outline key information in response to the governance and finance concerns raised in the Audit Scotland Section 22 report on the 2023/24 Audit of UHI Perth. We have also sought to provide the Committee with information about our current work on recovery and renewal to provide Members with assurance that significant progress is being made.

2. Interim leadership arrangements at UHI Perth

Following the departure of the previous Chair of the Board of Management, Graham Watson, in April 2025, former Finance Director, Gavin Stevenson, in April 2025, the former Principal & Chief Executive, Margaret Cook in May 2025, and former Depute Principal (Academic), Lorenz Cairns, in July 2025, interim leadership arrangements were established in key roles at UHI Perth as outlined below:

- Alistair Wylie was appointed as Interim Chair of the Board of Management at UHI Perth on 9th April 2025 by UHI University Court in their capacity as Regional Strategic Body (RSB). Prior to that, he had served on the UHI Perth Board as an Independent Board Member for approximately 2 years and has spent over 30 years working in education.
- Catherine Etri was appointed Interim Principal and Chief Executive by the Board of Management on 19th May 2025 and took up post on 29 May 2025. Ms Etri had taken early retirement from her previous role as Vice Principal Academic in July 2024 and has worked at UHI Perth for the last 35 years.
- Lynn Murray has served as Depute Principal (Operations) since February 2024 and following the departure of the former Principal and in the absence of the Depute Principal (Academic) temporarily led the College Management Team between 14th May 2025 and 28th May 2025 prior to Ms. Etri's appointment.
- Fiona Cameron has served as Interim Finance Director since 9th June 2025 and will remain in post until the new Chief Financial Officer takes up post to ensure stability in the finance team.
- Professor Jane Lewis, Principal of UHI Shetland provided temporary senior management cover in her capacity as UHI's Vice-Principal for Strategic Projects between 19th May 2025 and 30th May 2025 ahead of Catherine Etri taking up post.

3. Financial Oversight Arrangements

Following the implementation of the Post-16 Education (Scotland) Act 2013, UHI Perth no longer has a direct relationship with the Scottish Funding Council (SFC) and oversight now sits with the University of the Highlands & Islands (UHI) as the Regional Strategic Body (RSB). All dialogue with the SFC is required to go through the RSB and all reporting is initially made to the RSB.

Since December 2022, Alastair MacColl, the Chair of UHI University Court/RSB has attended UHI Perth Board of Management meetings as an official observer and in that capacity received copies of Board papers and minutes. Since June 2025, Liz Stewart, Independent Member of UHI University Court, has acted as the official observer from the RSB. Vicki Nairn, Principal & Vice Chancellor of UHI, is the Accountable Officer for the RSB and her powers are set out in the Post-16 Education (Scotland) Act 2013.

The RSB appoints the Chair and Members of the UHI Perth Board of Management to oversee the local governance of the college. The formal relationship between the RSB and UHI Perth, including the requirements with which the College must comply in return for payment of grant by the RSB, are laid out in a Financial Memorandum between the two parties. The Financial Memorandum also makes it a term and condition of grant from the RSB that UHI Perth complies with the requirements of the Scottish Public Finance Manual (SPFM) and sets out the special actions and derogations, which have been agreed with the Scottish Ministers.

The Depute Principal (Operations) and Interim Director of Finance attend fortnightly meetings with all the Finance Directors across the UHI Partnership, chaired by the Chief Financial Officer (CFO) of UHI/RSB where partner colleges provide updates on matters of interest and share information. There have also been several meetings with Finance Directors across the partnership on the UHI transformation project. In addition, there are regular meetings between the Depute Principal (Operations) and Interim Director of Finance of UHI Perth and the CFO and Director of Finance of the RSB, and since December 2024 a scheduled bi-monthly meetings between the Depute Principal (Operations) of UHI Perth and the CFO of the RSB.

The RSB acts as the interface between the SFC and academic partners. In June each year UHI Perth is required to submit a Financial Forecast Return (FFR) to the SFC via the RSB with forecast figures for the forthcoming academic year and the following two years while providing an estimated outturn for the current year. A Mid-Year Return (MYR) is due to be submitted to the SFC via the RSB in March each year to update on the forecasts included in the FFR. Funding is allocated to the academic partners from SFC via the RSB and the RSB require the academic partners to submit several financial returns to them during the year to allow them to monitor the financial position of the colleges.

The UHI Perth Board of Management has an Audit Committee which agrees an Audit Plan based on a three-year strategy that includes a schedule of individual internal audits for areas prioritised, based on an assessment of risk by management, the Audit Committee, and the internal auditor's observations or findings from previous reports. Henderson Loggie are currently our internal auditors. The Audit Committee reviews the strategy annually, which allows reprioritisation of audits to reflect any changes in the previous year.

Our external auditors are appointed by the Auditor General for Scotland for a five-year period, and this is currently Deloitte. Their responsibility is to independently examine the report and financial statements for the year just ended and provide an audit opinion on whether they reflect a true and fair view of UHI Perth's financial position.

4. Background to 2023/24 Audit of UHI Perth

UHI Perth is not immune to the funding challenges faced by the entire college sector which has seen a 20% real terms cut in funding since 2021/22 as outlined by Audit Scotland¹. Unfortunately, UHI Perth was not as prepared for these financial pressures as it could have been, and significant work was undertaken on financial recovery over the course of 2023/24 which saw significant numbers of staff leave the college through Voluntary Severance (VS). Management of these financial pressures and the subsequent organisational change process was given priority as the college sought to recover the financial position.

The failure to set a budget in 2023/24 then led to problems in the development of the 2024/25 budget where items were missed out due to significant changes in the Finance Team and a lack of baseline information that a previous year's budget would have provided. Capacity in the Finance Team has been an ongoing challenge in the college and external auditors identified as early as 2018 that there were insufficient staff resources in the Finance Team. While there had been additional resources allocated since then, the former Vice Principal (Operations) had identified that there was still not capacity to carry out the full remit required.

A new Depute Principal (Operations) with an expanded remit started in February 2024 and the then Vice Principal (Operations) left UHI Perth in March 2024. The new Depute Principal (Operations) raised the issue of resources with the Principal and Chairs of the Board, the Finance and Resources Committee and the Audit Committee. In June 2024 the Principal agreed that a new finance structure could be implemented that increased permanent resource by one post. In the space of nine months from December 2023, three out of four members of the Finance Team who provided accounting support had left. Due to difficulties recruiting to the posts, it took until February 2025 to have a full complement of staff and contractors were used at various points to provide capacity to provide essential functions. New staff did not have a background in the education sector, and it took longer for them to gain sector knowledge as there was a lack of documentation for handover and there was only a small number of team members with any corporate memory. The team hadn't previously been involved in all aspects of the Finance function, and this left significant gaps in knowledge. All this change in such a short period of time led to significant instability and lack of continuity within the team.

From a budget holder's perspective, there were also gaps in knowledge, as some had taken on new budgets and teams after significant numbers of colleagues left the organisation through VS. They had no historic knowledge of these budgets and did not receive the information they needed to effectively manage their budgets due to resource constraints and lack of knowledge in the Finance Team.

In addition to the resource issues, digital systems had not been sufficiently developed or integrated and there were many manual processes which led to the work of the Finance team being slow and labour intensive. The Finance Team has never had the capacity to make improvements to these underlying issues. A list of required improvements to systems, processes and procedures has been put in place and there is a focussed approach to build capacity in the Finance team to make these improvements. To support the development of digital capabilities the college has commenced discussions with other colleges to potentially share the costs and benefits collaborative work to improve and develop automated systems.

¹ https://audit.scot/uploads/2025-10/briefing_251002_scotlands_colleges_2025.pdf

5. Response to the 2023/24 Audit Findings and Financial Management Improvements

The Section 22 report highlighted the failure to formally approve a budget for 2023/24 and weaknesses in financial management. The Board and Management accept the findings and acknowledge that systems and processes required to be improved. In response and since April 2025 UHI Perth has:

- The Board undertook a retrospective review of financial oversight practices.
- A revised baseline budget for 2025/26 was approved in June 2025, subject to a Financial Recovery Plan being agreed, with full Board scrutiny.
- Documentation and minute-taking procedures were strengthened to ensure transparency and traceability of decisions.
- Improved the robustness of the budget process for 2025/26 and the Finance team has engaged extensively with budget holders to develop the budget.
- Enhanced the level of detail included in the analysis of budget variances to increase transparency.
- Introduced more regular financial reporting to the Board on forecast figures against budget after the first quarter of the 2025/26 financial year.
- Enhanced scrutiny through the Finance and Resources Committee.
- Collaborated with the RSB and SFC to build long-term financial resilience.

These measures provide the Board with more timely and accurate information to support effective decision-making and increase confidence. We acknowledge the seriousness of the findings and have taken steps to ensure they are not repeated.

6. Budget and financial forecasts

In 2024/25, the budget was prepared late due to the timescales in relation to ongoing organisational change work. At this point, only the new Director of Finance was able to work on the budget as the one other member of staff on the accounting side was dealing with other essential day-to-day financial matters. The new Director of Finance was new to the FE/HE sector, had never prepared a budget for UHI Perth before, was under pressure to put in place a budget for the October 2024 Board meeting and couldn't be directed by the previous year's budget as there hadn't been one. The Board didn't agree the draft budget in October 2024, primarily as it was in deficit, but reluctantly agreed a deficit budget in December 2024 and wrote to the RSB to express their concerns about the ongoing funding situation.

In the middle of March 2025, when preparing the half-year forecast to 31 January 2025, the Director of Finance advised the Principal and Depute Principal (Operations) that he had found a significant accounting error in the 2024/25 budget as £765k of catering costs had been missed from the budget. This was due to income and non-staff costs being budgeted independently of one another. This historic practice has now been changed.

The Depute Principal (Operations) and the then Director of Finance informed the RSB as soon as possible who in turn informed the SFC. The error was reported to the UHI Perth Finance and Resources Committee at their meeting on 19 March and then to the Board of Management on 16 April 2025 (rescheduled from 2 April). At this point the forecast deficit increased from £1.2m to £1.8m.

At the Finance and Resources Committee meeting of 19 March 2024, it was agreed to ask the Internal Auditor (Henderson Loggie) to review the Finance Team's approach to budgeting processes to ensure lessons would be learned. The scope of the internal audit was expanded to include review of processes and internal controls.

7. Financial Recovery Plan

A baseline budget was agreed by the UHI Perth Board on 30 June 2025, that showed a deficit of £2.4m in 2025/26 and forecast deficits of £3.3m in 2026/27 and £3.9m in 2027/28. The baseline budget was approved subject to a Financial Recovery Plan (FRP) being brought forward that would create a breakeven position over the three years.

The new interim Principal put in place emergency spending controls shortly after taking up post, with all spending now requiring to be authorised by her personally. The Interim Principal also established a 9-stage FRP process in June 2025, this included feedback from staff to generate income and saving ideas, an internal peer review process, independent scrutiny and challenge through a Budget Review Group that included external stakeholders. This process was positively supported by staff who submitted 89 individual suggestions and 100% of college teams making suggestions – with many of these forming the basis for the proposals in the FRP.

An independent financial consultant was engaged by the RSB to support the college in the development of the FRP and following data analysis advised that the college should pursue a significant reduction in staff particularly in professional services to address the deficit position. The Interim Principal and Board were keen to avoid large scale redundancies and to protect staff at all costs and sought to find non-staff savings wherever possible and undertook a line-by-line review of all budgets.

Prior to approval by the UHI Perth Board, the FRP was submitted for independent scrutiny to the college's internal auditors, Henderson Loggie. Following this independent review, the Board approved the FRP on 27 August 2025 and submitted it to the RSB on 2 September 2025 for approval and for submission to the SFC.

The FRP includes proposals to increase income and reduce spending to create a break-even position over a three-year period. The Board established a Recovery Plan Monitoring Committee, to oversee the progress and delivery of the FRP. The FRP is on track and a number of income targets/savings have already been delivered.

8. Cashflow and Liquidity Support Requests

One of the concerns expressed in the Section 22 report by the Auditor General was the request for additional liquidity support during 2024/25. We have provided the background to this below:

In October 2024 UHI Perth asked the SFC for liquidity support of £0.5m via the RSB and another £1.0m in November 2024. This support was required due to a combination of factors including a deficit being realised in 2023/24, three-year backdated pay awards for academic and support staff, one-off voluntary severance costs, and the impact of a deficit budget for 2024/25. SFC liquidity support of £0.650m was also provided in September 2024, UHI Perth paid it back in January 2025.

Due to approximately 200 fewer students being recruited than targeted UHI Perth saw reduced funding of £0.800m and this had to be paid back to the SFC (clawback) via the RSB in July 2025. This was not reflected in the budget and cashflow until March 2025.

In February 2025, cashflows submitted to the RSB/SFC had showed a positive cash balance forecast of £0.650m in July 2025. However, by March 2025 this changed the forecast to a negative cashflow of £1.0m. This change of £1.650m was due primarily to the £0.765m catering error and the failure to account for the £0.800m of HE grant funding clawback. UHI Perth highlighted this to the SFC via the RSB when this became apparent.

9. Administration of Air Service Training (AST) Limited

AST was a trading subsidiary of UHI Perth and, after a sustained period of financial challenges, the administrator was appointed on 10 April 2025. Board papers cited lack of investment in AST, Perth's location away from the main air transport hubs in Scotland, financial and regulatory constraints and poor condition of facilities at the training base in Scone, as impacting factors on AST's ability to attract students.

AST delivered the Part 66 element of the BSc (Hons) Aircraft Maintenance and Engineering Management course for UHI Perth students. Following the administration of AST there was a significant risk that this core element of the course could not be delivered if an alternative provider of the Part 66 could not be sourced.

During the summer of 2025 after months of discussions and negotiations Resources Group was identified as the only company in the UK that could provide the Part 66 to UHI Perth's requirements. Resource Group's fees were higher than that budgeted for delivery by AST and the SFC was approached and agreed to provide funding for additional cost to ensure current students could continue to achieve their award.

10. Board Leadership and Governance Improvements

Following the departure of the former Chair of the Board of Management, the new Interim Chair immediately initiated a governance reset, including:

- Commissioning an urgent internal review of governance arrangements.
- Reconstituting Board committees with clearer remits.
- Introducing a revised scheme of delegation and decision-making protocols.
- Enhancing Board induction and training for new and continuing members.
- Recruited new Board Members to fill identified skills gaps.

These reforms were carried out over three-month period and were designed to strengthen accountability, clarify roles, and ensure robust oversight of institutional operations.

To improve Board effectiveness, we have:

- Delivered structured training in governance, finance, and strategic oversight.
- Introduced Board self-assessment and 360-degree feedback mechanisms.
- Clarified expectations and responsibilities for board members.
- Engaged external support to mentor and guide board development.
- Carried out a culture reset, led by the Interim Chair, which has encouraged more open dialogue and communication.

- Introduced quarterly Board Development Sessions to focus on specific topics and areas of concern e.g. financial literacy, strategic planning.

These initiatives are fostering a culture of continuous improvement and shared accountability.

The Board has also read and discussed the findings of the Gillies Report to ensure members are aware of the important findings identified in it.

11. UHI Perth Student Success and Achievement Rates

Despite our financial challenges UHI Perth remains a high performing college with both success and satisfaction rates significantly above the sector average in both FE and HE.

According to the latest published *College Student Outcomes 2023-24* report by the Scottish Funding Council, UHI Perth has achieved at least its fourth consecutive year of outperforming the national average in key performance areas. We are almost 6% above the national average for full-time further education students.

The report also highlights that across all age groups, UHI Perth students are outperforming their peers:

- Under 18: 70% (+2.8%)
- 18–20: 77% (+7%)
- 21–24: 83% (+8%)
- 25–40: 81% (+4%)
- 41 and over: 87% (+8%)

UHI Perth continues to deliver strong results across a broad range of subject areas. Out of the 14 subject groups, we outperformed the sector in 11, with notable strengths in:

- Business, Management and Administration: 79% (+14%)
- Engineering: 85% (+7%)
- Languages and ESOL: 92% (+12%)
- Special Programmes: 88% (+11%)

We remain committed to promoting equity in education, achieving particularly strong outcomes for students from disadvantaged backgrounds and underrepresented groups:

- Students from the bottom 10% most deprived areas: 71% (+4%)
- Bottom 20% deprivation: 77% (+9%)
- Students with disabilities: 72% (+4%)
- Continuing students (beyond first year): 95% (+11%)

While SFC outcomes for 2024-25 have not yet been published, UHI Perth is already reporting further increases in student success rates. Full-time FE has risen by 2.3 percentage points to 75.1%, and part-time FE has increased by 4 percentage points to 84%

As with FE, UHI Perth is outperforming the sector with regards to full-time HE, and just slightly below the sector for part-time:

Full-time HE:

- AY 2023–24: 79.8% successful outcomes, 12.9 points above the sector average
- AY 2024–25: Increased slightly to 81%

Part-time HE:

- AY 2023–24: 70.9%, 0.8 points below the sector average
- AY 2024–25: Now 75.3%, an increase of 4.4 points

2024/25 Full-Time FE Student Satisfaction

- Satisfaction Rate: 97.5% (UHI Perth) vs. 95.2% (sector)
- Response Rate: 81.7% (UHI Perth) vs. 59.6% (sector)

NSS Higher Education Results

- 2025: 88% (UHI Perth) vs. 80% (sector)
- 2024: 80% (UHI Perth) vs. 78% (sector)

UHI Perth has improved significantly year-on-year and continues to outperform the sector in NSS results.

12. Renewal and Future Direction

Rebuilding trust has been a priority for the interim leadership, and we have taken a number of steps to restore confidence including:

- Being open about the challenges faced by the college at all staff meetings and through internal communications.
- Created a Board Chair email address and encouraged staff to communicate directly and in confidence if they wish.
- Engaging with student representatives and the Highlands & Islands Students' Association (HISA) to ensure that the student voice is heard, particularly at Board and SLT level.
- Working closely with UHI and external partners on strategic priorities.
- Working closely with our auditors to continue making improvements to our finance function and maintaining an open dialogue with the RSB and through them the SFC.
- Re-established the relationship with our local authority Perth and Kinross Council on a range of matters including: providing advice during our FRP development, our future estates strategy and strengthening skills development partnership working.

The UHI Perth Board have commenced a comprehensive recruitment process to appoint a new permanent Principal & Chief Executive. The Interim Principal will remain in post until Summer 2026 to ensure continued stable leadership of the college for the remainder of the current academic year and ongoing delivery of the FRP.

We have recently appointed a new Chief Financial Officer with experience of the college sector to strengthen the finance function. Our new Depute Principal will take up post in December 2025, and our new Estates Manager started in November 2025. Filling these key roles will allow us to move from a recovery phase to a renewal phase and allow us to strengthen key areas of delivery. The Interim Principal will continue to strengthen leadership capacity across the college in the coming months and to fill identified gaps in areas required to support delivery of our FRP and our key objectives.

13. Summary

We understand the Committee's concern in these matters and hope this additional information assists the committee in their review of this matter. UHI Perth has made significant progress since April 2025 in addressing the concerns raised in the Section 22 report. The interim leadership is committed to ensuring that the Board and management lead with integrity and transparency, with a clear focus on restoring confidence in UHI Perth for our students, staff and wider stakeholders. We remain fully engaged in the process of recovery and renewal, whilst continuing to deliver the best for our community.

Yours sincerely

Alistair Wylie
Interim Chair of the Board

Catherine Etri
Interim Principal and Chief Executive

The 2023/24 audit of
UHI Perth



AUDITOR GENERAL 

Prepared for the Public Audit Committee by the Auditor General for Scotland
Made under section 22 of the Public Finance and Accountability (Scotland) Act 2000
September 2025

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Accessibility

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Key messages

- 1** UHI Perth failed to set a budget for the 2023/24 financial year. There is no record of a formal decision by the board of management not to agree a budget. These absences represent weaknesses in the college's financial management and governance arrangements. The lack of budget significantly limited the ability of management and the board to actively manage the in-year financial position.
 - 2** The college is facing substantial financial challenges and recorded a £2 million deficit in 2023/24. 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.
 - 3** A delay to the completion of the 2023/24 annual audit of UHI Perth meant that a range of issues that impacted the college in spring 2025 were reported in the 2023/24 Annual Audit Report. These included the resignation of senior staff and board members, errors in the 2024/25 budget leading to a request for additional liquidity support from the Scottish Funding Council, and the administration of the college's subsidiary. These issues will be covered in more detail in the 2024/25 annual audit of UHI Perth.
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Introduction

1. I have received the audited annual report and accounts including the independent auditor's report for UHI Perth for 2023/24. I am submitting these accounts and auditor's report under section 22(4) of the Public Finance and Accountability (Scotland) Act 2000, together with this report that I have prepared under section 22(3) of the Act.
2. My report brings to the Scottish Parliament's attention the absence of a budget for UHI Perth for the 2023/24 financial year. It also highlights issues that have occurred in the period between the end of the 2023/24 financial year and the completion of the audit of the 2023/24 accounts. These issues will be covered in more detail in the 2024/25 annual audit of UHI Perth.
3. The auditor issued an unqualified opinion on the annual report and accounts of UHI Perth for 2023/24.

Background

4. UHI Perth is part of the University of the Highlands and Islands (UHI). UHI operates as a Regional Strategic Body (RSB) for several further and higher education institutions across the Highlands and Islands. It is responsible for the strategic oversight and funding arrangements for those institutions. UHI Perth's board of management is responsible for the financial management of the college.
5. UHI Perth has operated with significant financial pressures for some time, with deficits recorded over several years. In 2023/24, the college recorded a deficit **adjusted operating position (AOP)** of £2 million.

A college's **adjusted operating position (AOP)** reflects its underlying operating performance after allowing for material one-off or distorting matters outside its control (eg, pension valuations). This helps to assess a college's underlying financial strength and to provide figures which are readily comparable among colleges.

6. The college did not agree a budget for 2023/24. This report looks at the reasons for this and considers the impact on the college's financial position.
7. The college has taken steps to address the financial pressures it faces. These include scrutiny of vacancies and restricting recruitment, a review of

evening opening hours, and a review of estates strategy and student services. But the college continues to experience financial pressures.

8. Completion of the 2023/24 accounts was delayed. The auditor reported this was due to adjustments in the prior year and quality issues with the draft accounts. There were also changes and capacity challenges within the finance team, meaning the college was unable to service the audit in the original timescales. This meant that emerging issues identified in spring 2025 were referenced in the 2023/24 Annual Audit Report and these will be covered in more detail in the 2024/25 Annual Audit Report. This includes errors in the 2024/25 budget, the need for liquidity support from the Scottish Funding Council (SFC), the college subsidiary entering administration, and the resignation of senior staff and board members.

9. We have prepared this report based on the auditor's findings, documentation held by the college and information provided by current college staff.

The 2023/24 audit of UHI Perth

There was no clearly documented decision on the absence of a 2023/24 budget for UHI Perth

10. UHI Perth did not agree a budget for the 2023/24 financial year. Some initial work began in February 2023 to gather information for the budget. College management asked budget-holders to supply information to inform the preparation of a draft budget. The college is unable to explain what happened to that information and there is no evidence of it being collated or summarised.

11. In June 2023, the college board approved an enhanced voluntary severance scheme. It also agreed to develop a business case for compulsory redundancies, should the required savings not be achieved through the voluntary scheme. Analysis of board papers suggests the board anticipated that a budget would be produced following this restructuring.

12. The mid-range forecast presented to the college's finance and resource committee in September 2023, projected a £2.9 million AOP deficit for 2023/24. The committee was informed that it may need to consider a two-year solution to break even. In late 2023, the college put in place five workstreams intended to achieve financial sustainability. These covered:

- academic reorganisation
- professional services reorganisation
- estates
- continuous improvement
- additional profitable income generation.

The workstreams were intended to identify savings or potential income generation opportunities with an overall objective to achieve a break-even position by July 2025. The workstreams were ongoing throughout 2023/24 and no budget was put in place during the financial year.

13. The board's view on the absence of a budget is not documented in the minutes of relevant meetings. There is no evidence of the board taking a formal decision on whether to approve a budget.

14. The college expected restructuring plans and the workstreams initiated in late 2023 ([paragraphs 11. and 12.](#)) to have financial implications for any budget that would be set. Analysis of board papers shows that during 2023/24, board agendas moved towards discussions on the workstreams and away from agreeing the 2023/24 budget. We also know that capacity issues in the college's finance team restricted their ability to work on a budget. Current college staff suggested to us that the college prioritised resourcing work to address financial sustainability over setting an in-year budget for 2023/24.

15. Board papers show members discussed the possibility of agreeing a deficit budget and UHI confirmed it was an option that it would discuss with the SFC. The board wanted to achieve a balanced budget. There was a degree of reluctance to agree a deficit budget and uncertainty over whether the SFC would permit it. It is unclear from the board papers whether there was a resolution to those discussions. This was resolved for the 2024/25 financial year, for which the board did approve a deficit budget.

16. UHI Perth's appointed auditor informed the board that the preparation and monitoring of a budget is a crucial element of monitoring the financial position of the college. The auditor recommended that the college produce and monitor a budget each financial year.

The college monitored its financial position, but it was affected by capacity issues in its finance team

17. Although there was no budget for 2023/24, the college still monitored its financial position. The college produced forecasts that indicated a likely deficit for 2023/24, and these were presented to the board. The college monitored its financial position against the prior year outturn. The board received management accounts, which showed year to date spend compared with the prior year outturn and separately in comparison to forecasts made by the college.

18. The board did not receive a financial outlook to the end of the year, as part of the management accounts being presented to the board in June 2024. This was attributed to capacity issues within the college's finance team. The papers note that the outlook will be prepared as soon as possible, but the extent of the delay is unclear. These capacity issues in the finance team were also noted as contributing to delays to starting work on the 2024/25 budget. Finance team capacity has been an ongoing issue at UHI Perth for several years. It has been raised by auditors in the college's annual audit reports going back to 2018, but it has not been fully addressed by the college.

19. Recruitment and retention challenges mean that the college has a shortage of capacity and information for the board has been delayed as a result. It took longer than anticipated for the college to fill the Head of Finance post in 2024, alongside turnover of other finance staff during this

period. This reduced capacity is reflected in the absence of a budget, but also in monitoring where updated forecasts for the rest of the year have been delayed. UHI Perth's appointed auditor has highlighted that the high turnover in the finance function in 2023/24 and into 2024/25 creates a risk that knowledge gaps appear.

20. In June 2024, the board received an update on recruitment plans to increase finance team capacity. The board agreed that the capacity issues in the finance team should be addressed, and the principal should ensure this was fully implemented. It is not clear how the board expected to be updated or monitor progress around this.

The college had a deficit of £2 million in 2023/24

21. UHI Perth's AOP for 2023/24 was a deficit of £2 million.

22. One factor behind this is that the undergraduate higher education student headcount was lower than anticipated. The college's funded target was 1,674 undergraduate full-time equivalents (FTEs). The actual figure was 1,564 undergraduate FTEs in 2023/24. This resulted in an income shortfall versus target of approximately £0.5 million.

23. The college also reported that the staff pay award resulting from national bargaining, was higher than planned for, further contributing to the deficit position. It started a restructuring process that resulted in accruals for unbudgeted voluntary severance and pension strain payments. In addition, the college's Air Services Training subsidiary made a £0.3 million loss.

A delay in completion of the 2023/24 annual accounts for UHI Perth meant issues arising in 2024/25 were included in the annual audit report

24. The completion of the 2023/24 annual audit of Perth was delayed ([paragraph 8](#)). Before the accounts were finalised, several further issues arose during the 2024/25 financial year.

25. UHI Perth identified around £1 million of errors in the 2024/25 budget. The college also identified errors in cashflow calculations. As a result of both the errors to the budget and the cashflow calculations, the college has requested around £1 million of additional liquidity support. SFC approval of that request is subject to the college preparing a financial recovery plan. The request is in addition to £1.5 million of liquidity funding already agreed with the SFC to fund the deficit 2024/25 budget agreed by the college board. UHI has raised concerns with the college following the identification of these errors. It has asked the college to prepare a financial recovery plan and to put in place fortnightly financial recovery meetings to be chaired by UHI.

26. UHI Perth's subsidiary entered administration in April 2025. Air Service Training (AST) was a subsidiary wholly owned by the college. It delivered specific aspects of aircraft maintenance certification as part of the BSc (Hons.) aircraft maintenance engineering and management programme.

27. Several senior staff resigned from the college. The director of finance resigned in April 2025, and the principal resigned in May 2025. Five members of the board of management, including the chair, also resigned between April and May 2025. One board member who resigned in April 2025, was subsequently re-appointed in June 2025.

28. These developments and their impact will be covered as part of the forthcoming 2024/25 annual audit, and I will consider the appointed auditor's findings before deciding on further reporting on the college.

The college is beginning to take action to address weaknesses it has identified in its financial management

The budget-setting process was reinstated for 2024/25 and 2025/26

29. UHI Perth has taken steps to reinstate the budget-setting process. Its 2024/25 budget was delayed due to issues with capacity in the finance team but was agreed by the board in December 2024, five months into the financial year. A baseline budget for 2025/26 was provisionally agreed by the board in June 2025 with final approval subject to the development of the financial recovery plan.

A financial recovery plan is being finalised

30. The college is now finalising a financial recovery plan. UHI initially asked for sight of a financial recovery plan in May 2024, in response to the college's request for a loan at that time. In December 2024, the college's board agreed to ask for a financial recovery plan to be developed in response to agreeing a deficit budget for 2024/25. Following the college's request for around £1 million of additional liquidity funding in 2025, UHI wrote to the college board on 2 April 2025 to also request a recovery plan.

31. UHI has asked that the plan provides details of current cashflow, pressures, risks and recovery planning, together with detailed actions and timescales. It also asks that the plan makes clear where this includes use or anticipated use of SFC funding and an approved deficit budget.

32. The financial recovery plan was agreed by the college board in August 2025, subject to an amendment to the cashflow. Following this amendment, the report was submitted to UHI and will be subject to subsequent consideration by the SFC. UHI appointed a consultant to support the college with the development of the plan.

33. The college's board has established a new committee to monitor the progress of the financial recovery plan and provide it with monthly reports.

It has also asked the internal auditor to review and report on the financial recovery plan.

The college's internal auditor is reviewing budgetary controls

34. UHI Perth's internal auditor is progressing a review of budgetary and other financial controls, due to complete in September 2025. This work will address a recent request from the college board to review the financial information provided to the board.

35. The work is intended to:

- review what the college requires from the finance function and the statutory and regulatory requirements
- identify necessary actions around budget-setting and monitoring and any lessons learned from this
- identify areas for improvement in the financial systems and processes
- examine the management and governance arrangements for reporting the financial position to the senior leadership team, committees and the board
- recommend an action plan for the finance team, identifying skills gaps to be addressed.

Recruitment is under way to fill key senior roles

36. UHI Perth has taken steps to fill senior management and board vacancies following resignations in 2025 ([paragraph 27](#)). The college appointed a new interim principal in May 2025, and this appointment has been extended to the end of July 2026. The college also appointed an interim director of finance in June 2025. UHI's vice-principal for strategic projects joined the UHI Perth senior leadership team in a temporary, part-time advisory role for the month of June. The college is making changes to its leadership structure and is in the process of recruiting a new deputy principal and a chief financial officer to support this.

37. The board of management appointed an interim chair in April 2025, and this appointment has been extended to the end of July 2026. New appointments have been made to the board, subject to approval by UHI. The board has also appointed a new chair of the Audit Committee.

Conclusion

38. UHI Perth failed to produce a budget for 2023/24 and ultimately recorded a deficit of £2 million in that year. This is a matter of significant concern and served to undermine the college's financial management and governance arrangements. The reinstatement of the college's budget-setting process for 2024/25 was a necessary and fundamental step. This should facilitate stronger financial control, clearer accountability, more informed decision-making and increase the likelihood of effective use of resources.

39. The rationale for the absence of a 2023/24 budget for UHI Perth is unclear in the absence of a clearly documented decision on the matter. All colleges should ensure clear and informed decision-making and accurate recording of decisions taken at all levels, including the board.

40. Budgets are a fundamental part of an organisation's financial control and governance arrangements. They help inform decision-making and contribute to the efficient use of resources. The absence of a budget and regular reporting to college management and the board of in-year and forecast outturn against that budget, meant that there was no clear mechanism for identifying and remedying emerging issues or for holding college management to account for variances. This was particularly the case during the college's financial challenges.

41. Although UHI Perth has started to address weaknesses in the college's financial management, the college should continue to work with UHI and the SFC to strengthen its financial management and governance arrangements. It should also continue to finalise and implement a robust and deliverable financial recovery plan to meet the needs of learners and use public money effectively. I will keep the college's progress in these matters under close review.

The 2023/24 audit of UHI Perth



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