

# Extraordinary Board of Management

## DRAFT Minutes

**Meeting reference:** Board 2023-24/04/E1

**Date and time:** Wednesday 05 June 2024 at 5.00pm

**Location:** Online

**Members present:** Graham Watson, Chair, Board of Management  
Jim Crooks, Vice Chair  
Jenny Hamilton, Chair, Strategic Development Committee  
Derek Waugh, Chair, Audit Committee  
Mary Fraser, Board Member  
Jenni Harrison, Board Member  
Chris Lusk, Board Member  
Debbie McIlwraith-Cameron, Board Member  
Elaine Piggott, Board Member  
Ian Robotham, Board Member  
Alistair Wylie, Board Member  
Margaret Cook, Principal & Chief Executive  
Patrick O'Donnell, Staff Board Member  
Fiona Smith, Student Board Member  
Ronnie Dewar, Trade Union Board Member  
Winston Flynn, Trade Union Board Member

**In attendance:** Lorenz Cairns, Depute Principal  
Lynn Murray, Depute Principal (Operations)  
Catherine Etri, Vice Principal (Academic)  
Gavin Stevenson, Interim Head of Finance  
Ian McCartney, Clerk to the Board of Management

**Apologies:** Rebecca Bond, Student Board Member  
Veronica Lynch, Vice Principal (External)

**Chair:** **Graham Watson**  
**Minute Taker:** Ian McCartney  
**Quorum:** 9

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**We will act with integrity in everything we do**

**Student Centred + Innovative + Ambitious + Respectful + Inclusive + Collaborative**

## **MINUTES**

<b>Item</b>		<b>Action</b>
<b>1.</b>	<p><b>Welcome and Apologies</b></p> <p>Chair welcomed all to the meeting and noted apologies.</p> <p>Chair noted that there was no specific expectation to reach any final decisions today, with the focus being on gaining a better understanding around the current status of the Sustainability Plan and potential financial solutions.</p>	
<b>2.</b>	<p><b>UHI Perth Sustainability Project</b></p> <p>Chair invited Principal to update the Board on the current position around the Perth Sustainability Project.</p> <p>Principal noted that consultation with the Trade Unions had now been ongoing since April, generally meeting twice a week, based on the original consultation paper and subsequent counterproposals from Trade Unions, staff and HISA. These discussions have been difficult but constructive.</p> <p>Principal noted that a key aspect of the consultations have focused on how much money is being taken out of the equation, with the initially figure being based on the agreed £4m per previous assumptions. However, since the funding position for 2024/25 has been clarified, management are seeking guidance on the Board's preferred position as a result of this new information.</p> <p>Chair queried what the landscape for future funding looked like. Principal advised that, in terms of the UHI Executive Office budget, the top-slice will remain as before as the UHI Outline Business Case for a single institution has not yet been published and this will take time to filter through. Principal also noted that the Academic Pay Offer for Year 4 is expected to be flat cash at best therefore there is no expectation of a dramatic improvement in the financial landscape locally or within the sector.</p> <p>Depute Principal (Operations) provided a brief update prior to introducing a range of scenarios for discussion, highlighting that a 3-year period had been looked at for both maximum and minimum savings positions, plus other options in between to provide 5 scenarios, and noted that the key assumptions provided had been applied with sensitivity analysis. Interim Head of Finance summarised the key points on Slide 1 of a brief presentation.</p> <p>Independent Board Member sought clarification on the reasons behind the assumptions applied. Interim Head of Finance noted that assumptions were based on prudence rather than just flat cash.</p>	

Independent Board Member queried why 2% was being applied given the massive fluctuations this year. Depute Principal (Operations) advised that the bottom line is the future is unknown therefore there was a need to adopt a reasonable assumption albeit with caveats.

Chair sought greater clarity around why the Grant Letter was so far adrift from previous assumptions as this gets to the heart of the previous questions. Principal advised that, when the Scottish Government provided figures at the end of 2024, they were predicting a significant reduction in student numbers; it had also been assumed that this would be of a level similar to the post-COVID drop since UHI had not delivered to target numbers; however, UHI ended up with a slightly higher allocation and UHI Perth received a larger slice of this allocation than previous. Principal further advised that FE income is likely to be flat, based on lower actual numbers but with a degree of flex permitted.

Chair queried the HE allocation from SFC/UHI. Principal clarified that UHI Perth had received more HE numbers from with UHI due to being more likely to deliver these than other Partners, however there was no guarantee that this position would be repeated in the longer term.

Board Member asked what assurances had been sought from UHI re the impact on income from changes made re cost-saving exercises. Principal advised there would be a resulting impact on deliverables, however a loss of income had been taken into account with a tolerance built into assumptions.

Chair queried why £4m and £2.7m options show same levels of income. Depute Principal (Operations) noted that the options showed a range between best case and worst case, but that there was no way to reliably predict the future. Chair noted that if £2.6m can be taken out of staffing costs yet still deliver the same income levels, then the college is clearly not particularly efficient. Principal responded that the model is currently inefficient due to the impact of teaching sizes of classes.

Board Member stated that it was still unclear how taking staff out of the organisation was not affecting income. Depute Principal (Operations) noted that the Workstreams had looked in depth at these outcomes and the figures provided were the conclusions that had come out of that process. The major difference between the savings figures provided is down to the Scottish Government's change of position with respect to their predictions of cuts across the sector.

TU Board Member queried whether assumptions had been based on trends and ratios after the VS process had been concluded.

Principal advised that the trend data is known for every course and is widely shared for planning and monitoring purposes, however the Scottish Government has moved quite a bit from their position at the end of 2023.

Staff Board Member noted Principal's reference to "constructive discussions" with the Trade Unions, however this doesn't seem to be reflected in the feedback from Unions, and the negative press surrounding the issue is not a good picture for the College. Principal noted that meetings with the Unions have been extensive with constructive debate around the proposals; while the meetings are difficult, they have been constructive. Trade Union Board Member added that the Unions' position had been based on numbers that did not turn out to be accurate which created tensions, however agreed that the meetings had been professional and constructive up to that point.

Board Member noted that income has both a volume and a price aspect therefore there is no guarantee that income will stay the same or increase as there are differences between the funding and the fee. Depute Principal (Operations) agreed, and added that there is a price attached which differs across the Partnership. Depute Principal (Operations) noted that UHI had listened around the deliverability of student numbers which is why figures have improved, however UHI could come back with a reduction from SFC that could be passed on or applied differently within the Partnership, which is why some assumptions have to be applied.

Chair queried whether there was 100% confidence that there wouldn't be a hit to HE numbers resulting in clawback. Depute Principal (Operations) advised that the projections were based on what is thought can be achieved, but 100% guarantees cannot be provided. Application numbers look positive but these still have to be converted.

Board Member appreciated difficulties around projections of numbers when so many parameters are out of the College's hands, however sought clarification that Table 1 means that savings will be made despite a reduction the numbers of staff and students. Depute Principal (Operations) confirmed this to be the case, based on Workstream analysis, meaning savings will offset any reduction in student numbers.

Board Member queried whether primary goal is to provide confidence to SFC that the College will break even within 3 years. Chair responded that this was partly the case, however there is also a need to look at the College's cash position. Board Member stressed that the numbers being defensible to SFC was a higher priority than them being 100% accurate.

Chair queried whether the cash position would be discussed during

this meeting. Depute Principal (Operations) advised that cash analysis would be provided within presentation being made to scheduled Board meeting tomorrow.

Board Member stated that it was a struggle from a business perspective to understand how there is an apparent overspend of £1.3m. Interim Head of Finance noted that the numbers are informed by assumptions from the Workstreams, however the proposed changes mean around £2.2m of staff cost savings could be delivered, albeit with a risk that if savings go deeper than this deliverability could suffer. Board Member noted that the Board require robust figures in order to reach an informed decision, and there were still concerns around inefficiencies.

Board Member queried that, given the figures presented and projected student numbers, should any thought be given to revisit those areas which may have further impact on student numbers, such as the Nursery. Principal reminded Board that these were proposals as opposed to final decisions, and advised that only a small number of UHI Perth students actually use the Nursery. Depute Principal (Operations) added that, depending on the savings figure opted for, there are some decisions that would have an Impact of student experience and possibly student numbers.

Board Member commented that a “best guess” with justifications for the figures is required to allow Board to reach a final decision. Board Member agreed that it would be useful to know the potential impact of operational decisions in order to make an informed decision at Board level. Depute Principal noted that the Workstreams had worked to a savings figure of £4m and had delivered their proposals based on this assumption.

Chair noted that the £2.7m figure now being in the public domain had made it more difficult for the Board to reach decisions as this affects the strategic oversight of the numbers.

Interim Head of Finance advised that the figures provided reflected the best assumptions that are currently available, and further explained that Scenario 1 delivers deficits of £300k in Year 1, and £1m in Year 2. Additional scenarios provide better pictures but are still subject to variations that might have an impact. In summary, Scenarios 1 and 2 are likely to require future reviews and Scenarios 3 and 4 will inevitably affect student numbers that may worsen the position over time, therefore the most beneficial option over the 3-year timescale is Scenario 3.

Chair queried, based on this explanation, whether the income figures for Scenarios 4 and 5 should effectively be ignored. Interim Head of Finance noted that the plans to completely deliver these scenarios haven't been fully developed. Board Member responded that this needs to be reflected in what is presented to the Board for

decision-making.

Board Member warned that joint courses never really work which has an impact on both student numbers and staff retention, which needs to be considered within the decisions being made, In addition, under a flat cash scenario, how does the College plan to generate additional income to avoid reviews such as these being a repeating issue. Principal advised that the Workstreams looked at International and other income-generating areas, but these may be a slow burn.

Board Member noted that it would be helpful to understand the process of assessing required student numbers across different programmes and markets. Principal noted that the College utilises trend data for student numbers for this purpose. Depute Principal (Operations) advised that there is a differential between student numbers and student experience and the focus was on making marginal gains without going over the tipping point. Depute Principal (Operations) also advised that there had been some staff cost savings made within Professional Services, therefore not directly impacting on student experience.

Board Member queried whether there had been discussion around internal assessment of the increase in suppliers' costs as opposed to using the 2% Bank of England rate. Depute Principal (Operations) noted that there had been no internal assessment as yet, therefore Bank of England assessments had been used.

Board Member noted the recent changes within Scottish Government which made it harder to predict what the future funding landscape may look like, and queried whether, to make any of the scenarios available, are VS savings and numbers achievable. Chair agreed this was an important point given the College has gone through VS processes already. Principal advised that VS applications continued to be received but agreed that the numbers would be challenging.

Depute Principal (Operations) noted that the focus to date had been on achieving break-even by July 2025 but not beyond, however there is also a need to consider beyond 2025. Chair agreed that there was a need to break-even by this time but did not want the College to go through this process every year.

Board Member noted that the top line in the scenarios were focused on maintaining income as opposed to maintaining student numbers and would feel more comfortable if information was available to help inform this area. Principal noted that student numbers and trends are available and have been used by the Workstreams in order to preserve the integrity of the curriculum with a focus on delivery rather than cutting courses.

Student Board Member queried whether the proposals' effects on student retention and student recruitment are being considered, noting the recent Education Scotland report which referenced the work of the PATs that are proposed to be cut. Principal advised that Workstreams addressed some of the risk elements in this regard, however there was acknowledgement that if there is a lower savings target then some of the risk areas will be re-examined.

Interim Head of Finance briefly summarised the key points on Slide 2 of the presentation, noting that many of the substantive issues had already been covered within the meeting.

Board Member noted that there appeared to be a recurring theme of insufficient resource within Finance that had been ongoing for some time, and queried why this had not been addressed. Depute Principal (Operations) noted this was not a new issue and has been highlighted several times. Depute Principal (Operations) summarised the challenges experienced in recruiting a permanent Head of Finance, but interviews were due to be held next week, and in addition it was hoped that other roles would also be resolved. A brief discussion around other options available to the College in terms of Finance resource then took place.

Chair sought to bring the meeting to a close by summarising the key points of the meeting:

- the numbers presented are not as robust as the Board would like;
- the discussion has been skewed by change in financial settlement being made public;
- the College still has to deliver on HE numbers;
- it is increasingly challenging to drive VS savings;
- it more likely than not that the Board will be returning to this issue in the future due to the volatility of the sector.

Chair noted that that the presentation provided makes it obvious that lower numbers does not translate into anything other than running out of cash, therefore there is a need to achieve balance and provide a structure that delivers on generating income and making appropriate savings.

Chair further noted that it would be difficult to seek to retain £4m in savings, but the £2.7m position does not look viable, therefore a scenario producing £3-£3.2m savings would seem most helpful in assisting management in balancing the books, but there is a need to articulate this scenario with additional information.

Chair proposed that SLT deliver additional information around the mid-point models, including cash implications, to allow a reconvened Board to make a final decision. This proposal was **AGREED** by the Board.

	<p>Trade Union Board Member requested that concerns around the Nursery be addressed within the mid-point scenarios due to reputational risk. Principal clarified that this was an operational decision for SLT to consider.</p> <p>Meeting closed at 6:45pm.</p>	
3.	<p><b>Date &amp; Time of Next Meeting</b></p> <ul style="list-style-type: none"> <li>Thursday 06 June 2024 @ 1:00pm</li> </ul>	
4.	<p><b>Review of Meeting</b></p> <p>Board confirmed that the meeting had been conducted in line with the Terms of Reference.</p>	

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Do the minutes contain items which may be contentious under the terms of the Data Protection Act 1998?      Yes ☐      No ☒