UHI PERTH

Extraordinary Joint Meeting
Finance & Resources and Audit Committees

Agenda

Meeting reference: EJM_F&R_Audit2025-26/01
Date: Tuesday 13 January 2026 at 5:00pm
Location: Online
Purpose: Extraordinary meeting (rescheduled from 16 December 2025)

* Denotes items for approval or discussion.
Members should contact the Secretary in advance of the meeting if they wish to request an item be starred.

	Agenda Items	Author	Led by	Paper
1	Welcome and apologies		Chair F&R	
2	Additions to the Agenda		Chair F&R	
3	Declaration of a Conflict of Interest in any Agenda Item			
*4	Draft UHI Perth Group Report & Financial Statements for the Year ended 31 July 2025	Director of Finance	Depute Principal (Operations)	Paper 1
*5	Draft External Audit Annual Report 2024-25, including Draft Letter of Representation	External Auditors	External Auditors	Paper 2a Paper 2b
*6	Internal Audit Annual Report 2024-25, including Student Support Funds & Student Activity Data	Internal Auditors	Internal Auditors	Paper 3
*7	Draft Audit Committee Annual Report to the Board of Management	Clerk	Clerk	Paper 4
*8	**Review of Meeting** (Committee to check against the Terms of Reference to ensure all competent business has been covered)			
9	Date and time of next meetings: • Board: 19 January 2026 @ 5:00pm • F&R: 10 March 2026 @ 5:00pm • Audit:19 March 2026 @ 5:00pm	Clerk		

UHI | PERTH

Committee	Extraordinary Joint Finance and Resources and Audit Committee
Subject	**UHI Perth Report and Financial Statements for the year ended 31 July 2025**
Date of Committee meeting	18/12/2025
Authors	Lynn Murray, Depute Principal – Operations Fiona Cameron, Interim Director of Finance Yemi Orioge, Finance Manager
Date paper prepared	16/12/2025
Executive summary	UHI Perth's Financial Memorandum requires the Annual Financial Statements to be endorsed by the Finance and Resources Committee and approved by the Board of Management prior to submitting them to the Regional Strategic Body and to the Scottish Funding Council. The financial statements provide an assessment of UHI Perth's financial position for the year ending 31 July 2025 and have been completed in compliance with the Account's Direction for Colleges and with the Code of Good College Governance. The Committee is asked to: (1) consider and recommend approval to the Board of the report and financial statements for the year ended 31 July 2025 (Paper 1) (2) consider the report from Deloitte, external auditors (Paper 2) (3) consider whether it is content with the assurances provided in the letter of representation that the Chair will sign on behalf of the Board (Paper 3).
Committee Consultation Please note which Committees this paper has previously been tabled at, and a brief summary of the outcomes/actions arising from this.	The Finance and Resources Committee and Audit Committee separately considered a draft of the performance report at meetings held on 8 December 2025. The draft was changed to reflect the comments provided.

UHI | PERTH

Action requested	☐ For information ☐ For discussion ☒ For endorsement ☐ For approval ☐ Recommended with guidance (please provide further information, below)
Risk implications Does this activity/proposal come with any associated risk to UHI Perth, or mitigate against existing risk? Authors must identify: (a) the relevant risk(s) from the ERM Risk Register linked to the paper; and (b) the Board-approved risk appetite level for each associated risk. If yes, please provide details	Yes (a) Financial – UHI Perth must submit the report and financial statements to the Regional Strategic Body before 31 December each year. They will then submit to the Scottish Funding Council. (b) Minimal risk appetite.
Strategic Impact Please highlight how the paper links to the Strategic Objectives of UHI Perth or the UHI Partnership: Strategic-Plan-2022-27.pdf If there is no direct link to Strategic Objectives, please provide a justification for inclusion of this paper to the nominated Committee.	Financial sustainability
Resource implications Does this activity/proposal require the use of College resources to implement? (If yes, please provide details)	Yes Significant resources have been required from the Finance Team to prepare the financial statements. All Directors on the Perth Leadership Group provided information that was included in the performance report.
Equality and diversity Does this activity/proposal require an Equality Impact Assessment? If yes, please provide details.	No

Data Protection Does this activity/proposal require a Data Protection Impact Assessment? If yes, please provide details.	No Click or tap here to enter text.
Island communities Does this activity/ proposal have an effect on an island community which is significantly different from its effect on other communities (including other island communities)?	**No** If yes, please give details: Click or tap here to enter text.
Status (e.g. confidential/non confidential)	Non-Confidential

Freedom of Information

Please note that **ALL** papers will be included within 'open' business unless a justifiable reason can be provided.

Please select a justification from the list, below:

Its disclosure would substantially prejudice a programme of research	☐	Its disclosure would substantially prejudice the effective conduct of public affairs	☐
Its disclosure would substantially prejudice the commercial interests of any person or organisation	☐	Its disclosure would constitute a breach of confidence actionable in court	☐
Its disclosure would constitute a breach of the Data Protection Act	☐	Other [please give further details] Click or tap here to enter text.	☐

For how long must the paper be withheld? Until the OBC and FBC are approved and funding awarded to begin the project. This would be for an estimated 12 months.

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

Report and Financial Statements for the Year Ended 31 July 2025

Perth College is a registered Scottish charity, number SC021209.

Key Management Personnel and Professional Advisers

Key Management Personnel

Key management personnel are defined as members of the Senior Leadership Team and were represented by the following in the year ended 31 July 2025:

Name	Position
Catherine Etri	Interim Principal & Chief Executive and Accountable Officer (from 29 May 2025)
Dr Margaret Cook	Principal & Chief Executive and Accountable Officer (to 14 May 2025)
Lorenz Cairns	Depute Principal – Academic (to 31 July 2025)
Lynn Murray	Depute Principal - Operations
Jillian Elder	Depute Principal (from 11 December 2025)
Gail Dunn	Chief Financial Officer (from 8 December 2025)

External Auditor	Deloitte LLP. 8th Floor, The Silver Fin Building 455 Union Street Aberdeen AB11 6DB
Internal Auditor	Henderson Loggie The Vision Building 20 Greenmarket Dundee DD1 4QB
Bankers	Royal Bank of Scotland 12 Dunkeld Road Perth PH1 5RB
Solicitors	Thorntons Solicitors 17-21 George Street Perth PH1 5JY

Performance Report
Performance Overview

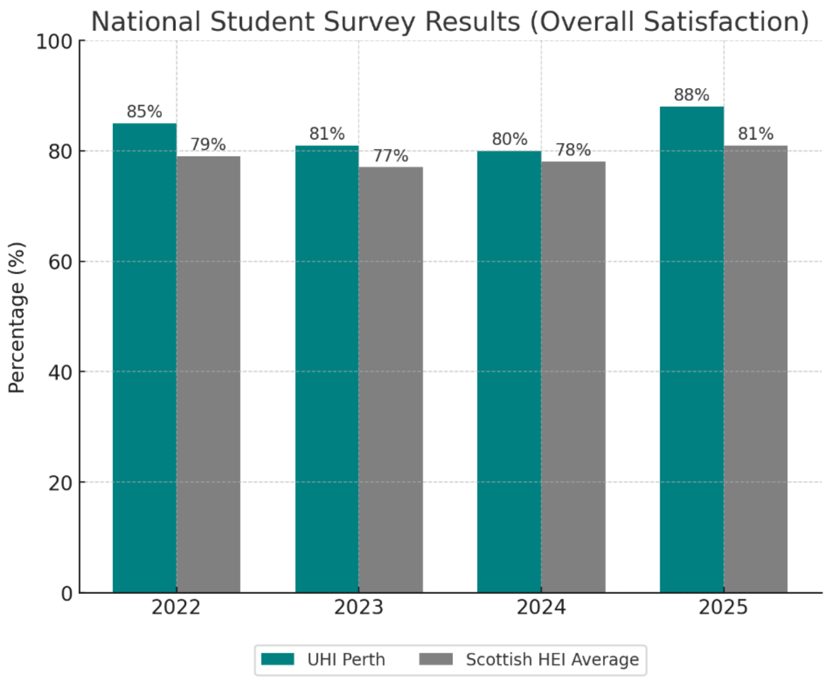
The Performance Report provides an overview of UHI Perth's (also referred to as the College) performance in the academic year to 31 July 2025 covering:

- the Principal's Performance Statement
- a statement of the purposes and activities of UHI Perth
- the key issues and risks that could affect UHI Perth in delivering its strategic plan and
- a performance analysis, financial review for the year, key risks affecting UHI Perth and social matters.

Principal's Performance Statement

Academic Year 2024/25

Although 2024/25 provided many successes it was another very challenging year from a financial perspective. Economic conditions and political decisions had a significant impact on our financial performance. However, despite the challenges, staff and students demonstrated dedication, resilience, commitment and innovation. A big thank you to everyone for continuing to make UHI Perth a success.



The National Student Survey (chart above) showed that UHI Perth scored 88% for overall student satisfaction and is 7 percentage points ahead of the Scottish higher education average.

UHI Perth was named as one of Scotland's top performing colleges in full-time further education in the latest published *College Student Outcomes 2023-24* report by the Scottish Funding Council (SFC). This marks the fourth consecutive year that UHI Perth has outperformed the national sector average in key performance areas.

Performance Report
Performance Overview

Other non-financial highlights included:

- We continue to provide free cost-of-living support to all our students, offering food, toiletries, and other essential items. These goods are available across all our buildings on campus, where students can help themselves from a mini model car, affectionately known as 'Project Caddy', designed and built by our automotive students. In addition, we still offer a complimentary breakfast for all students each day.

- We achieved Level 2 Disability Confident Employer Status.

- We were shortlisted for three prestigious categories in the Herald Education Awards for Further and Higher Education 2025:

    - Support Student Wellbeing Award

    - Outstanding Contribution from a Staff Member - Computing

    - Outstanding Contribution from a University Student – an aircraft engineering student.

- The powerful series of self-portraits by one of our lecturers (artist and therapist) was selected for feature by the British Association of Art Therapists (BAAT) as part of their online gallery initiative, Art Therapists Art.

- A talented apprentice from UHI Perth took top honours at the SECTT East of Scotland Apprenticeship of the Year competition.

- The First Minister John Swinney MSP joined students and staff to celebrate the winners of the OBI Awards (Outstanding, Best and Inspiring).

- Our ESOL (English for Speakers of Other Languages) provision received the highest possible rating of 'Excellent' following a recent inspection by Cambridge English, a global leader in English language assessment.

- Our Music Business Department, in collaboration with the Scottish Music Industry Association (SMIA), hosted a music industry event titled 'Pathways to Success'.

- One of our HNC Sound Production students was a 2025 Charles Parker Prize winner and had a feature broadcast in the New Storytellers Series on BBC Radio 4.

- Our BA Honours Art and Contemporary Practices and BA Honours Visual Communication and Design students showcased their work at the Creative Exchange and the open-air gallery at St Paul's Church in Perth City Centre.

- Our BA Honours Popular Music students took part in the Perth Festival of the Arts.

Performance Report
Performance Overview

- Our Theatre Arts students had sell-out performances of the Rocky Horror Show, and the first graduating degree cohort set up tour companies performing original productions across Tayside.

- Our Art & Design Department concluded the Remembering Together Project in partnership with Perth and Kinross Council, co-creating Covid memorials with communities across five localities.

- Our Sector Manager in Hospitality and Food Studies was invited onto the Board of Management for The Federation of Chefs Scotland as a College Membership Coordinator.

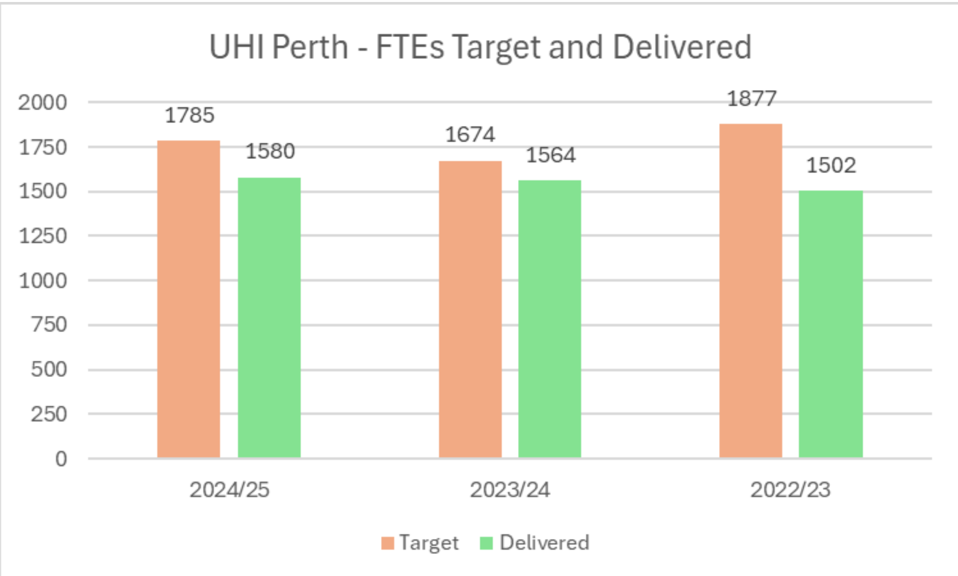
- Legendary Chef, Steven Doherty, the first three-starred Michelin Chef, hosted a Celebration Gala Dinner alongside Hospitality and Food Studies Students in the UHI Perth Treetops Restaurant.

- One of our HNC Professional Chef students travelled to London for the finals of the Nestle Toque D'Or competition.

2024/25 Financial Performance

The Adjusted Operating Position (AOP) for the College only was a loss of £0.5m (2023/24: restated AOP of £1.4m loss). Our aviation business, Air Services Training (Engineering) Ltd (AST), made a loss of £0.1m for the period up to 9 April 2025 prior to entering administration on 10 April 2025 (2023/24: £0.3m loss), resulting in a reported Group AOP loss of £0.6m (2023/24 £1.4m) as set out on page 17 under the Adjusted Operating Position calculation.

The key driver of the AOP loss is lower than target HE numbers, as detailed further below. However, the AOP has reduced in 2024/25 compared to the previous year due mainly to reduced staff costs.



Overall, our HE FTE numbers have increased compared to 2022/23 and 2023/24, although they have been below target as shown in the graph above. The University sector receive funding for controlled and uncontrolled numbers. Controlled refers to specific student places (e.g. teaching,

Performance Report
Performance Overview

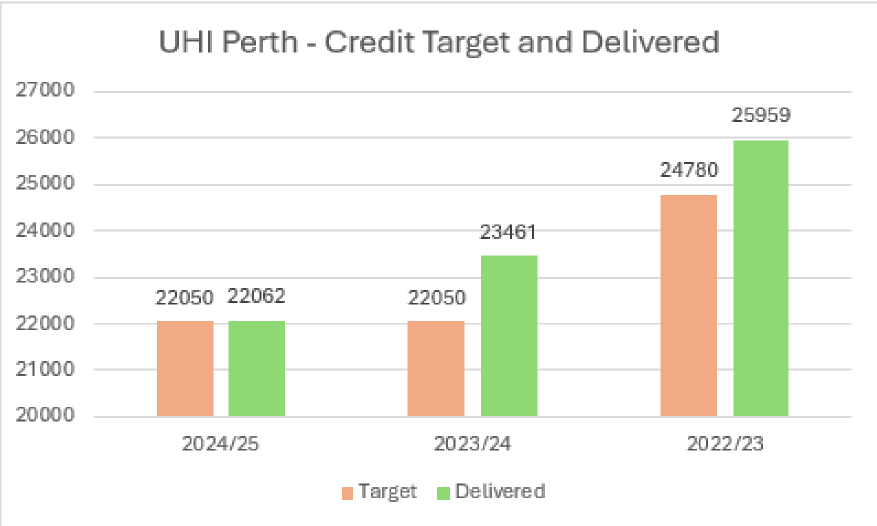
dentistry, medicine) which is distinct from general funds. These controlled numbers have strict caps and recruitment targets to manage quality, access, and finances, ensuring universities meet specific national priorities without over-recruiting to unsustainable levels. There are three categories within HE.

- **UG (Under-graduate) non-controlled**: This category continues to show steady growth, although we fell short of our ambitious target by 205.3 FTEs (see graph above).

- **UG controlled**: UHI receives an overall UG controlled target, which is then distributed across the partnership. In 2022/23, as other partners were unable to recruit to their allocated targets, we had the opportunity to recruit above our usual level and did so. This subsequently had the effect of creating an apparent 28% decline in enrolment in later years.

- **PGT (Post-graduate)**: From 2022/23 to 2024/25 there is an average of 84.6 FTEs across 10 different qualifications. Of these, five qualifications primarily attract home students, while the remaining five attract a mix of home, RUK (Rest of UK), EU (European Union) and International students. Notably, our Business Administration MBA sees enrolments through our partnership with Iceland.

We were overly ambitious in anticipating continued growth in new recruits and progression following the increase between 2022/23 and 2023/24; however, this growth did not materialise to the extent expected. In response, we have introduced more robust processes and enhanced reporting, including additional intelligent information, to strengthen the target-setting exercise, which has been implemented in time for planning for 2025/26.



The chart above shows our FE credit position over the past three years, with each year exceeding our funded target of 22,050 credits. However, due to UHI Perth's financial position, we were unable to continue delivering the curriculum without adequate funding. As a result, the FE curriculum plan for 2024/25 incorporated a managed process that involved stopping some provision.

We had assumed the Scottish Government recommendation for public sector pay increases in our plans. However, the sector offer, on national bargaining that was agreed during the 2023/24 financial year, was almost double the Scottish Government recommendation. Professional services staff were paid their back-dated pay awards in July 2024, and academic staff were paid in October 2024.

Financial Outlook

The financial outlook across UK Further Education (FE) and Higher Education (HE) is of continuing financial pressures, and government investment in Scotland's colleges is inadequate and inequitable with other parts of the education and skills landscape. The Scottish Funding Council (SFC) issued a report in September 2025 on the Financial sustainability of Colleges in Scotland 2022/23 to 2027/28 and Audit Scotland issued a report in early October on Scotland's colleges 2025. Both reports present a dire financial situation for the sector with colleges continuing to operate in an extremely difficult financial landscape with further substantial deficits forecast over the next three years and a high dependency on SFC grants. There has been a 20% real terms reduction in funding for colleges between 2021/22 and 2025/26 and work done recently by the Finance Directors Network for colleges in Scotland reports that only three colleges will break-even or better in 2025/26 reducing to two in the following two years. Reductions in funding from the Scottish Government since 2023/24 such as the Flexible Workforce Development Fund, Mental Health Counsellor and Digital Poverty Support, exert further pressure as services must be funded from existing budgets. Without changes to baseline funding, colleges will have to deliver even less to remain sustainable at a time when demands from students and employers are not being met.

Although full-year cost savings were achieved as a result of many academic staff and staff from professional services leaving through voluntary severance in 2022/23 and 2023/24, UHI Perth still had to budget for a financial deficit in 2024/25 as income from government funding and commercial activities was not sufficient to cover the increased staff costs from nationally negotiated pay awards and inflationary rises in non-staff costs.

The SFC provided advance funding totalling £1.5m in October and November 2024 as there was a shortage in cash resulting from various factors including a deficit in 2023/24, the three-year backdated pay awards being made to academic and professional services staff between July and October 2024 and one-off voluntary severance costs. The letter from the SFC set the condition that the advance of grant is repayable/recoverable from future grant-in-aid payments when college management accounts and cash-flow statements indicate these can be accommodated.

In March 2025 it was highlighted that cashflow forecasts identified liquidity support of £1m being required in July 2025. This prompted a request from the SFC via the UHI as Regional Strategic Body (RSB) for a Financial Recovery Plan (FRP) demonstrating when and how UHI Perth would achieve a break-even budget. The need for liquidity support was delayed by implementing the following measures:

- The RSB agreed that £700k clawback from reduced HE numbers could be delayed until later in 2025/26
- SFC agreed that we could draw down 2025/26 funding early.
- The Interim Principal instigated emergency spending controls ensuring only essential spend and deferring spend where possible.

Performance Report

Performance Overview

Deficits of £2.4m, £3.3m and £3.9m were forecast for the three years from 2025/26 and on 30 June 2025 the UHI Perth Board agreed a baseline budget for 2025/26 subject to a Financial Recovery Plan (FRP). The Interim Principal and Chief Executive instigated a 9-stage approach to developing an FRP involving staff members and external partners. The Board approved an FRP on 27 August 2025 to achieve a break-even position over a three-year period, depending on several assumptions in respect of income growth and staff and non-staff cost savings. The RSB and the SFC provided feedback on the FRP looking for assurance on delivery timescales and risk, which is being actioned. An FRP Monitoring Committee has been established that will report directly into the Board on progress and identify any mitigating actions if the assumptions are not realised within timescales. Good progress has already been made in 2025/26 in implementing proposals included within the FRP.

Financial risks

In our 2023/24 financial statements we underlined significant risks to the financial sustainability of UHI Perth in future years. These risks included:

- HE student numbers.
- A “flat cash” funding outlook.
- National Pay Bargaining outcomes.
- Job Evaluation.
- Inflation and especially the cost of energy.
- Continuation of the top slice payment to the University (UHI) (~£4.3m for 2024/25). The UHI does not receive direct funding for the services it provides. It is entitled to retain from SFC grant allocation to academic partners reasonable costs in providing RSB and other core services, which must equate to no more than 35% of HE funding each academic year, unless a higher sum is agreed by academic partners. This is referred to as the top slice. There is agreement between UHI and other academic partners that this mechanism is no longer fit for purpose and a Full Business Case for a new operating model is being developed in 2025/26.

All these risks, apart from Job Evaluation, materialised in 2023/24, and all continued to be risks during 2024/25.

The FRP identified financial risk associated with each cost saving and income growth assumption. Other key financial risks identified in the FRP are:

- SFC and UHI changes to the FE funding distribution methodology.
- Additional staff on-costs.
- Deterioration of infrastructure – estates and digital.

Performance Report
Performance Overview
Changes in the Board and Leadership Team

Between April and May 2025, the Chair, four Board members, the Principal and Chief Executive and Director of Finance resigned and left UHI Perth. The Depute Principal, Academic resigned and left in July 2025.

An Interim Chair was appointed in April 2025, the Board reached near full complement of independent Board members in September 2025, an Interim Principal and Chief Executive was appointed on 29 May 2025, and an Interim Director of Finance was appointed on 9 June. The Depute Principal, Operations gave six months' notice to leave by the end of January 2026, and a revised Senior Leadership Team structure was put in place with a new Depute Principal and a Chief Financial Officer having started in December 2025.

As part of the cost savings identified in the FRP, five managers left the organisation through voluntary severance by 30 November 2025.

Air Services Training (Engineering) Ltd Administration

Air Services Training (Engineering) Ltd (AST) was a charitable trading subsidiary of UHI Perth that delivered aeronautical courses that met the European Aviation Safety Agency (EASA) standards to UK and international clients. AST was a part 147 approved trainer and delivered part 66, which is an essential component of the BSc (Hons) degree in Aircraft Maintenance Engineering and Management programme provided by UHI Perth.

In 2023/24 and 2024/25, despite global demand for the training and significant efforts from the AST team, AST experienced financial losses impacting negatively on cashflow due to underperformance in training income from clients, and expenditure exceeding the plan. 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 on AST's ability to attract students.

On 10 April 2025 an administrator was appointed to AST following a worsening financial position. AST's financial position from 1 August 2024 to 9 April 2025 has been consolidated into these financial statements.

There is only one other provider in the UK that can deliver Part 66 training and the SFC has agreed to cover additional costs to ensure that existing students can complete their degree. Following the appointment of the new provider, UHI Perth were also able to extend the course to new students.

Performance Report

Performance Overview

Strategy

In 2022/23 we introduced our new strategy 2022-2027. Our strategy had significant staff involvement, and the output included the vision, pillars and values set out below.

Our vision is to empower our learners to achieve their full potential through a transformational student experience.

Our strategy was developed over four pillars:

1. College Growth and Ambition
2. Excellence in Learning and the Learner Experience
3. Partnerships and Collaboration
4. Sustainability

And supported by six values:

1. Student Centred
2. Innovative
3. Ambitious
4. Respectful
5. Inclusive
6. Collaborative

The FRP committed to reviewing the strategy during the 2025/26 financial year.

Areas of commonality between the Highlands and Islands Regional Outcome Agreement and the UHI Perth strategy:

- The need to increase the quantity and quality of local jobs.
- To create a culture of employer investment.
- To meet the skills needs of employers, including a need for workplace progression routes and pathways.
- A need for flexible skills provision.

Performance Report

Performance Overview

Regional Context of Our Strategy:

UHI Perth is one of the largest partners in the University of the Highlands and Islands (UHI).

UHI is an integrated university encompassing both further and higher education and part of a new breed of tertiary institutions, the only one in Scotland and one of only a few in Europe. It is a diverse and flexible partnership serving their local communities and connected to their needs offering flexible and supported learning from access level to PhD.

UHI has over 40,000 students at the heart of the partnership and in some areas exceeds student activity targets and surpasses many sector benchmarks of performance.

It is recognised that the UHI partnership is financially unsustainable in its current configuration and that opportunities for integration, such as joint professional services across all partners, could provide a pathway to addressing this instability.

An Outline Business Case (OBC) was developed during 2024 that considered six options, and agreement was reached amongst academic partners to progress to a Full Business Case (FBC) outlining three options – 1) single institution 2) mergers to deliver a smaller number of partners and 3) change/ transformation within existing constitutional structures. The second option has been discounted and KPMG has been appointed as consultants and are engaging with academic partners to complete a FBC by 31 December 2025.

The Tay Cities Deal incorporating Dundee, Angus, Perth and Kinross and North Fife, is taking forward regional investments to focus on inclusion, innovation and connectedness ensuring delivery of a smarter and fairer region. Within the Tay Cities Deal, the college is working on key projects in engineering, aviation, life sciences, hospitality, creative industries, and digital resilience. UHI Perth has secured significant streams of funding to date through the Tay Cities deals and have used the funds to purchase science laboratory equipment, 3D printers, a laser cutter, a robotic welding cell and peripheral equipment and a profiling and routing machine.

UHI Perth has also accessed funding from the Tay Cities SME skills fund which allows employers and industries to access £5,000 of funding within a three-year period. We are now in our second year of this funding stream and to date have secured over £100,000 to work with local employers to upskill their staff.

Digital Strategy

A successful digital transformation within UHI Perth involves the integration of digital technology into all aspects of the institution's operations, learning, and governance, fundamentally changing how the institution delivers education, engages students, and operates. It is not just about adopting new technologies but also about driving cultural, organisational, and operational change to improve efficiency, innovation and the educational experience.

All staff have access to a compliant, capable and secure digital mobile device affording flexibility and performance to support their digital journey, that has been further facilitated with a unified communications (UC) platform, which plays a crucial role in progressing UHI Perth's digital strategy by centralising communication and collaboration tools, enhancing productivity, and improving engagement. It streamlines our communication, integrates with other Microsoft 365 tools, and facilitates seamless teamwork diagnostic of locations.

Performance Report
Performance Overview
We have provisioned three smart laptop lockers across the campus to allow our students to access digital devices on demand. This is well-used, and capacity is particularly high mid-week in the Brahan building.

We have also created a warm, safe study area in the Academy of Sport and Wellbeing (ASW) to allow our students a 7-days a week, extended hours, digitally equipped learning space within a safe environment equipped with wide screen monitors and a smart cabinet of laptops for student use.

Artificial Intelligence (AI) is an area that has grown quickly in the sector. One key challenge we are facing when looking to adopt Generative AI relates to age restrictions and consent issues for learners under 18. Unfortunately, two of the most popular options (Microsoft Copilot with commercial data protection and Google Gemini) are not currently available to learners under the age of 18. Microsoft has expanded access to Copilot to users aged 13 and older with parental consent and a solution to record this will be rolled out by Autumn. Gemini is yet to create a solution. Some staff are trialling an AI platform called TeacherMatic to aid the creation of teaching materials such as worksheets, quizzes, and lesson plans.

Summary

In summary, 2024/25 delivered some excellent non-financial achievements despite a financially challenging landscape. Our AOP loss in 2024/25 was due to a combination of significant factors including the flat-cash funding model, the drop in the number of HE students and significant pay awards that were nationally negotiated. These factors are out with our control, although the staff are working hard to ensure that the student experience is second to none and that we continue to attract students to our courses and campus.

The members present their report and the audited financial statements for the year ended 31 July 2025.

Ms Catherine Etri
Interim Principal & Chief Executive

Performance Report
Performance Overview

Statement of Purpose and Activities

Legal Status

The Board of Management was established under the Further and Higher Education (Scotland) Act 1992 for the purposes of managing and conducting Perth College.

The Office for National Statistics reclassified colleges as part of Central Government for National Accounts purposes since 1 April 2014.

The College is correctly registered with the Office of the Scottish Charity Regulator (“OSCR”) for charity status and is recognised by HM Revenue & Customs as a charity for tax purposes.

The College is one of the 10 Academic Partners within the University of the Highlands and Islands (“UHI”) and forms part of the UHI FE Regional Strategic Body for reporting purposes to the Scottish Funding Council (“SFC”).

UHI Perth is one of the largest partners in the University of the Highlands and Islands (UHI).

UHI Perth delivers courses at its main campus in Perth and in secondary schools across Perth and Kinross. We support work-based learning across a wide area, as well as collaborating with UHI in the ongoing development of its use of digital technology, providing access to expertise and curricula across Perth and Kinross, the Highlands and Islands and to our national and international partnerships.

The City of Perth is located within 50 miles of 90% of Scotland’s population, in the local authority of Perth and Kinross. The population of Perth and Kinross in 2025 is approximately 153,800 and the estimated unemployment rate is 2.7%. The 2025 Annual Participation Measure showed that 93.3% of 16–19-year-olds were in education, employment or training. The proportion of 16–19-year-olds in employment saw a notable increase from 15.5% in 2021 to 20.7% in 2025.

UHI Perth is proud to serve the needs of its local area, as well as the wider Highlands and Islands Region and beyond. UHI Perth provides a broad curriculum base with access to study at SCQF levels 2 to 12 in areas of local, regional, and national need in subjects grouped into the following sector areas:

- Business, Science, Technology and Wellbeing
- Arts, Humanities and Education
- Centre for Mountain Studies.

UHI Perth also delivers a range of Modern Apprenticeship programmes supported by Skills Development Scotland (SDS), industry bodies and a range of commercial Vocational Qualifications (VQ). Graduate Apprenticeships are delivered in Accounting, Business and Early Years and Education.

School-college partnership provision is linked to relevant vocational pathways, and includes Foundation Apprenticeships in Business, Creative and Digital Media, Early Years, Engineering and Health Care.

Performance Report
Performance Overview

The Senior Leadership Team during the year comprised of a Principal and Chief Executive, Depute Principal Academic and Depute Principal Operations, although the Principal resigned and was replaced by an interim Principal during May, and the Depute Principal Academic resigned at the end of July. A new structure has been put in place in 2025/26 comprised of a Principal and Chief Executive, Depute Principal and Chief Financial Officer. The number of Directors in the Perth Leadership Group will be reduced from nine to six following the resignation of the Director of Estates and voluntary severance of the Director of Information Services and Director of HR and OD.

Our vision and values are set out in the performance overview above.

Key priorities

Our strategic aims drive forward the Highlands and Islands Regional Outcome Agreement as well as ensuring full participation in Perth & Kinross's Single Outcome Agreement Measures and Community Planning priorities.

UHI Perth continues to work in partnership with relevant local and regional stakeholders to ensure the provision of high-quality curricula and sector engagement within the Regional Skills Assessment area of Tayside but also shares common overall goals with the Regional Skills Assessment of the Highlands and Islands.

Key Risks & Uncertainties

The Board of Management has responsibility for overseeing that UHI Perth identifies, mitigates and monitors strategic risk. The Audit Committee has delegated authority from the Board of Management to manage this process on their behalf.

The Depute Principal Operations is responsible for developing and managing UHI Perth's strategic risk register while the Senior Leadership Team (SLT) is responsible for ensuring that appropriate risk mitigation actions are implemented to address significant risks to UHI Perth's operations and strategic objectives.

An Enterprise Risk Management (ERM) framework was adopted by the Audit Committee and has been exclusively used from part-way through 2023/24. The ERM merges the latest risk management frameworks outlined by the Committee of Sponsoring Organisations (COSO) and ISO30001. The risk categories identified in the ERM are product delivery, legal and compliance, financial, operational, people, reputational and strategy, and external. The Audit Committee has agreed to review the ERM as it doesn't effectively fulfil the intended purpose. The intention is to use a risk register in the same format as UHI and work will be carried out across the partnership in 2025/26 to put in place a revised format.

The Audit Committee received an updated ERM on a quarterly basis and the central focus for UHI Perth and across the sector are the current, heightened, risks to financial sustainability. The key financial risks identified in the performance report above are expanded on below.

- HE student numbers – while UHI Perth meets targets for FE credits, the number of HE students has not increased to pre-pandemic levels. There are many complex factors around this e.g. Universities lowering entrance requirements, and cost of living pressures meaning people look for paid work rather than entering further education. This is a significant risk to UHI Perth's funding entitlement, now and in the future.

Performance Report
Performance Overview

- A "flat cash" funding outlook/SFC and UHI changes to the FE funding distribution methodology – SFC has not provided additional funding to the sector for several years and there are no indications that this position will change soon. This is a significant risk to the financial sustainability of UHI Perth as income is not sufficient to cover increasing staff and non-staff costs due to the reasons set out below. SFC has proposed a new FE funding model to allocate funding across all Scottish colleges with some colleges benefiting and others worse off financially. UHI is considering adjusting the partner distribution model to align with the changes in the SFC model. It is unclear what the impact will be on UHI Perth for future years.
- National Pay Bargaining outcomes and additional staff on-costs – pay awards for academic and support (professional services) staff are negotiated nationally but are not funded by Scottish Government with colleges paying for additional costs. Based on recent increases, unfunded pay increases over the next two years are likely to be between 3% and 4%. There have been increases in employer national insurance costs and lecturer pension contributions that have been funded by the SFC in 2025/26 but there are no guarantees about funding in future years.
- Job Evaluation - National Job Evaluation across the College sector is a significant unknown risk factor. The review was started in 2018 but is still outstanding and any changes would be backdated to 2018. There are indications from College Employers Scotland that this could be implemented in the next two years. UHI Perth has provided based on the salary costs of staff employed in 2018 rather than current costs and there is uncertainty whether the costs associated with Job Evaluation would be fully funded by the Scottish Government.
- Inflation and especially the cost of energy – UK inflation has remained high post-pandemic and forecasts do not indicate that this position is going to change soon. UHI Perth's non-staff costs are high, particularly relating to energy, meaning continued cost pressure.
- Continuation of the top slice payment to the University (UHI) of ~£4.3m for HE & FE students – The UHI does not receive direct funding for the services it provides. It is entitled to retain from SFC grant allocation to academic partners reasonable costs in providing RSB and other core services, which must equate to no more than 35% of HE funding each academic year, unless a higher sum is agreed by academic partners. This is referred to as the top slice. There is agreement between UHI and other academic partners that this mechanism is no longer fit for purpose and a Full Business Case for a new operating model is being developed in 2025/26.
- Deterioration of infrastructure – estates and digital – there has been very little investment in estates and ICT over several years at UHI Perth meaning that our estate continues to deteriorate and we are not providing our students with up-to-date technology in teaching areas that they have come to expect in other learning establishments. There is a risk that students will go to competitors that have had sufficient funding to make these investments.
- Cyber-attack presents a significant risk to all organisations with some large multi-national organisations being targeted by criminals. UHI Perth is part of several groups comprised of institutions across the UHI partnership that are working together to mitigate risks. UHI Perth achieved cyber-essential and cyber-essential plus accreditation in 2024/25, which is an annual exercise to safeguard the College as far as possible.

Other risks identified in the FRP relate to:

- Reputation as financial difficulties impact on staff, students, stakeholders, and potential partners.
- Potential intervention and increased public scrutiny from the Regional Strategic Body, SFC, external audit and Audit Scotland.
- Staff morale issues and potential for industrial relations tensions.
- Inability to invest in strategic priorities, digital transformation, or economic development partnerships.

Performance Report
Performance Analysis

The purpose of the performance analysis section is to highlight some of the key metrics and indicators that demonstrate how UHI Perth is performing from a financial and non-financial perspective. Comparatives to the previous financial year are identified and explanations given, where performance is measured for key indicators.

Non-Financial Performance

Key Performance Indicators

Key Performance Measure	2024/25	2023/24		Percentage change
HE UG Recruitment FTEs	1,579.5	1,564.0	↑	1%
FE Recruitment Credits	22,062	23,461	↓	(6%)
NSS Overall Satisfaction	88%	80%	↑	8%
Student Satisfaction and Engagement Survey (SSES) Overall Satisfaction	95%	96%	↓	(1%)
Staff turnover	20%	26%	↓	(6%)
Staff absences days per head	6.5	6.2	↑	5%
Staff CPD days per employee	6.39	5.41	↑	18%
Percentage of permanent teaching staff with Teaching Qualification in Further Education (TQFE)	73%	67%	↑	6%

HE UG recruitment for non-controlled courses are slightly higher than last year, however still remain below pre-Covid and targeted levels. Through a robust and managed approached, FE recruitment credits decreased in 2024/25, however remain above targeted level.

Our sickness data shows a 5% increase when compared to the previous year. This can be attributed to an increase in sickness within the management staffing group and is being monitored within 2025/26.

We continue to support 10 members of staff to do their TQFE each year as can be seen by our increased percentage of staff with this qualification or equivalent.

Student Numbers

In a highly challenging recruitment environment, UHI Perth has seen an increase in HE Undergraduate FTEs, albeit below target, and a targeted reduction in FE credits. As set out in our key risks and uncertainties the target missed in HE numbers in previous years is partly due to universities changing their entry requirements which has increased their student numbers and impacted on college numbers.

UHI Perth achieved over 100% of its FE Credits and 88.5% of its HE Undergraduate FTE's. The credits and FTEs are set out in more detail below.

Performance Report
Performance Analysis

	Year ended 31 July 2025			Year ended 31 July 2024		
	Actual	**Target**	**Variance**	**Actual**	**Target**	**Variance**
Core FE Credits	22,062	22,050	12	23,461	22,050	1,411
Undergraduate HE FTE's	1,579.5	1,784.8	(205.3)	1,564	1,674	(110)
Postgraduate FTE's	41.1	41.1*	-	49.6	48.6	1.0

*There was not a target in place for postgraduate FTEs in the year to 31 July 2025, therefore target has been assumed to be the same as actual.

Financial Performance

Financial Results

These financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice 2019 ("SORP"): 'Accounting for Further and Higher Education'; the Financial Reporting Standards FRS 102 and the 2024/25 Government Financial Reporting Manual (FReM) and in accordance with applicable Accounting Standards.

They conform to the 2024/25 Accounts Direction for Scotland's Colleges ("the 2024/25 Accounts Direction") and other guidance issued by the SFC.

UHI Perth has achieved an operating deficit of £3.7m for the year ended 31 July 2025 and an Adjusted operating deficit of £0.6m.

	Year ended 31 July 2025	Restated Year ended 31 July 2024
	£'000	£'000
Operating deficit (Restated 2024*)	(3,712)	(3,996)
Variance from prior year	284	1,382
Adjusted Operating Position (Restated 2024**)	(594)	*(1,403)
Variance from prior year	809	(307)

*The previous years operating deficit has been restated to correct an error in the depreciation charge.
**The previous years AOP has been restated as provision for Job evaluation had not been excluded in the prior year calculation and a figure for unfunded pension payments had been included in error. The Adjusted Operating Position note on Page 16, show the detailed calculation.

The College recognises the risks posed by an increasing cost base, particularly staff costs, against changing demand and reduced central funding in real terms.

The current operating and funding model in place across the UHI partnership places a material risk on financial sustainability. The complexities of delivery across the region and accounting for this create a sizeable challenge in terms of efficient delivery and management.

The Statement of Comprehensive Income ("SOCI") presents the financial performance during the accounting period in accordance with the SORP.

Performance Report
Performance Analysis

The Adjusted Operating Position ("AOP") is intended to reflect the underlying operating performance after allowing for material one-off or distorting items required by the SORP or other items out with the control of the institution.

The AOP is therefore designed to smooth any volatility in reported results arising from FRS 102 and to recognise that some of the reported costs do not have an immediate cash impact on the institution.

Performance Report
Performance Analysis

Adjusted Operating Position

The adjusted operating position of UHI Perth, as set out below, has reduced from £1.403m deficit in 2023/24 to £0.594m deficit in 2024/25. The figure in 2023/24 was restated due to the reasons stated in the table below.

Adjusted Operating Position	**2024/25 £000**	**Restated 2023/24 £000**
(Deficit) before other gains and losses	**(3,712)**	***(3,996)**
Add Back:		
Depreciation - net of deferred capital grant release (Note 1)	1,886	*2,022
Pension adjustment – Net Service Cost (Note 2)	674	51
Pension adjustment – Net Interest Cost (Note 3)	48	25
Costs of support staff and middle management job evaluation exercise not matched by income (Note 4)	510	**495
Deduct:		
Non-government capital grants	-	-
Adjusted Operating (Deficit)	**(594)**	****(1,403)**

**The previous years operating deficit has been restated to correct an error in the depreciation charge.

** The previous years AOP has been restated as provision for Job evaluation had not been excluded in the prior year calculation and a figure for unfunded pension payments had been included in error.

Note 1: Depreciation does not have an immediate cash impact on the institution, and, in any case, capital expenditure will largely be funded by government or Additional Learning Fund grants, so the charge is taken out.

Note 2: The adjustments to the pensions charge represent the net service cost (i.e. the present value of projected benefits resulting from employee service in the current year less cash contributions paid).

Note 3: The net interest cost is the interest accumulated on the pension liability, and this is offset against the current year's interest earned on pension assets.

Note 4: A provision exists in relation to the ongoing 2018 National Job Evaluation exercise, which is an unrealised cost and not matched by income.

Performance Report
Performance Analysis

Financial Ratios

Our goal is to optimise financial stability through innovative and careful management. Every effort will be made to maximise the efficient and effective use of funds to support the academic aims and objectives of the College within the constraints of central government accounting rules. Scottish Government budgeting and accounting requirements require the College to at least break even on both an operational and resource basis in each fiscal year and to minimise cash balances.

The following table gives a summary of key financial and other operating ratios:

	2024/25	2023/24
Operating (Deficit) as % of Total Income	(14.0%)	*(14.6%)
Non SFC Income as % of Total Income	32.9%	*37.8%
Current Assets: Current Liabilities	0.49	0.64
Staff Costs as a % of Total Income	79.8%	80.0%
Ratio of days cash to total expenditure	21 days	*21 days
Trade creditor days	24 days	30 days

*****restated figure

Non SFC income as a % of Total Income has reduced. The main reductions relate to tuition fees for AST as it went into administration part-way through the year, skills contracts, international income, closure of the nursery and commercial income from the Academy of Sport and Wellbeing.

Cash Flows and Liquidity

Days cash has stayed the same at 21 days.

The current assets to current liabilities ratio reduced from 0.64 to 0.49. Key changes have been a reduction in trade debtor balances and a reduction in accrued charges.

Payment Performance

The College has a policy of paying its suppliers within 30 days of invoice unless other separate terms are in place, and excluding invoices held in dispute. Where possible, and in line with Scottish Government guidance, invoices are paid in the next available payment run following posting to the finance system. Creditor days (trade creditors divided by other operating expenditure) is 24 days in 2024/25 as against 30 days recorded in 2023/24.

The reduction in trade creditor days is due to continued implementation of the policy of ensuring suppliers are paid within 30 days.

Performance Analysis

Payment performance is shown in the below table:

	2024-25		2023-24		Variance	
	% by value	% by numbers	% by value	% by numbers	% by value	% by numbers
Less than 30	61%	64%	62%	65%	(1%)	(1%)
30-60	31%	31%	29%	28%	2%	3%
60-120	6%	3%	5%	4%	1%	1%
More than 120	2%	2%	4%	3%	(2%)	(1%)

There has been a negligible difference between 2023/24 and 2024/25 in the invoices paid within 30 days. This data includes all payments made during the year and includes invoices in dispute, those not provided in line with finance requirements and invoices not due within 30 days (such as business rates).

No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

Estates Strategy

In line with the UHI Strategic Plan 2022-27 UHI Perth has developed key objectives to achieve going forward, including:

- Develop the vision for the UHI Perth Estate to include a viable masterplan over the next 10–25 year period, building on the work undertaken through external consultations and the partnership with Perth & Kinross Council.
- Produce a report outlining the physical space requirements for classrooms, specialist facilities and common shared space aligned to UHI Perth current student numbers. Provide a comparison to current available space highlighting surplus or deficit in space available across each category with recommendations for improving utilisation.
- Produce a gap analysis report of where UHI Perth estate supports/ limits digital access for students and staff with recommendations on where investments require to be made with associated cost projections.
- Identify elements of estate that are not fit for purpose or surplus to requirements which may leverage capital value to support broader estate masterplan viability.
- Utilise energy usage data by building, identify approaches to reduce usage of energy, identify alternative sources of energy generation and where these could be deployed together with recommendations on investments required and funding sources available to reduce the investment cost to implement these renewable sources.
- Produce a report identifying no cost/ low-cost approaches to engaging staff and students in improving UHI Perth energy efficiencies while reducing carbon emissions overall. Develop a campaign to engage all key stakeholders, including timelines and targets.
- Produce a report outlining the demand for student accommodation including a gap analysis with recommendations on alternative approaches for consideration. Collaborative partnerships and alternative finance options should be developed for consideration.
- Undertake a review with the engagement of students to identify improvements to campus space and service provision for students and staff including catering, social interaction,

health and wellbeing, business engagement, enterprise and innovation. Recommendations for consideration with resource requirements, prioritisation and proposed timelines will be developed.

Work already undertaken includes:

- Established room utilisation and new systems are regularly monitoring that utilisation.
- Established historic utilities usage trends with a view to establishing more detailed analysis going forward.
- Facilities surveys issued to all departments to record current use, perceived condition and any future requirements.

During 2024/25 a short-life working group of Board members and senior staff was established to review options for the estate. The strategy was paused pending the FRP and initiatives have been included within the FRP that will be taken forward.

UHI Perth also confirms compliance with the Scottish Government sustainability reporting in line with the requirements of the Climate Change (Scotland) Act 2009 which sets out the required content for the report to Scottish Government.

UHI Perth has reported every year since the 2015 Schedule became active, including the initial voluntary year in 2015/16. UHI Perth is also an active participant in the Environmental Association of Universities and Colleges (EAUC) who provided training sessions for managers and staff in the summer of 2025.

Environmental Sustainability

Strategy and Governance around climate related issues

The Board of Management is responsible for oversight of the strategic direction of UHI Perth and agreed a Strategic Plan for 2022-27. Sustainability is a key element of UHI Perth’s vision and includes strategic objectives and key performance indicators in relation to financial management, reinvestment planning and environmental sustainability.

Regular reports are made to the Finance and Resources Committee on Estates, which include sustainability, which are then reported into the Board. In September 2024 a report was tabled which focussed on some of the initiatives that have been implemented in our journey towards net zero. This includes introducing new waste segregation areas, working with the catering provider to reduce food waste, programming the change of internal and external lighting to LEDs, replacing radiator valves so that they can be switched off when not in use, installing auto switch off software so that PCs and other equipment power down over night, closing part or full areas of buildings to reduce energy consumption, using an electric van, and changing to cleaning products that remove harmful chemicals and reduce packaging.

UHI Perth is one of the academic partners in the University of the Highlands and Islands (UHI). The UHI developed its first sustainability strategy 2023-30 and its first sustainability policy through external consultation with internal and external stakeholders. They were both approved by the University Court in June 2023 and UHI Perth aligns with them.

A Sustainability Strategy Implementation Group was formed in 2024 bringing together existing groups which oversaw strategy and policy drafting and development. This group has responsibility to drive compliance across the partnership to ensure strategic actions are progressed to meet objectives and targets. UHI Perth is a member of this group that meets quarterly and has been represented by the Director of Estates.

Management's role around climate related issues

The financial context facing UHI Perth and the College sector remains extremely challenging, reducing resources available for addressing climate change and investing in the College estates and other climate change / sustainability projects. There is a continued focus on reducing costs and carbon reduction.

The Principal has overall responsibility for management of UHI Perth as Accountable Officer, including sustainability. The Depute Principal Operations has responsibility for Climate Change and Climate Change reporting. The Director of Estates (replaced by the Estates Manager) has sustainability included in their remit and during 2024/25 a member of the Estates team was given responsibilities in relation to sustainability, which include developing staff and student engagement with environmental sustainability through a range of activities, and raising the profile of sustainability internally and externally.

The Depute Principal Operations also has responsibility for Procurement and Finance, which helps ensure sustainability is embedded in key corporate processes, procedures and strategies. Sustainability is included as a standing item at Perth Leadership Group meetings that take place every two weeks.

UHI Perth works closely with the Environmental Association for Universities and Colleges (EAUC) who recently ran workshops for the Perth Leadership Group and staff to raise awareness of the Climate Change (Scotland) Act 2009 and the duties placed on UHI Perth, emphasising that sustainability is everyone's responsibility. We have a network of Green Champions across the campus and have had a consultant working with us who has identified opportunities to improve sustainability at UHI Perth.

Risk management around climate related issues

UHI Perth's Enterprise Risk Management framework (ERM) identifies that the environment is a significant concern for staff, students and society. Governments set targets that, if not achieved, will impact on our reputation and income through lower student numbers.

A risk is included in the ERM that there is a lack of commitment to the investment required to achieve net zero. Pre-management of risk, the scores have been identified as:

- Likelihood 61-80%
- Impact Significant
- Risk score 12

Developing an environmental management system would mitigate these risks. Post-management of risks the scores have been identified as:

- Likelihood 10-30%
- Impact Minor

- Risk score 4

The environmental management system is still to be developed and will be considered in more detail during 2025/26 by the Estates Manager.

Metrics – climate related issues

In common with other public bodies, UHI Perth has a statutory duty to submit an annual return on Public Body Climate Change Duties (PBCCD) in November each year. The aim is to reduce greenhouse gas emissions for each of the areas shown below with examples for each scope of activity.

Scope 1: Direct Emissions
These are emissions from sources **owned or controlled** by the organisation.

Examples
- Fuel combustion in company-owned vehicles or machinery.
- Emissions from boilers, furnaces, or generators.
- Fugitive emissions from refrigeration or gas systems

Scope 2: Indirect Energy Emissions
These are emissions from the **generation of purchased electricity, steam, heating, or cooling** consumed by the organisation.

Examples
- Electricity used in offices or manufacturing facilities.
- District heating or cooling systems

Scope 3: Value Chain Emissions
These are **indirect emissions** that occur across the **entire value chain**, both upstream and downstream.

Examples
- Emissions from suppliers producing raw materials.
- Employee commuting and business travel.
- Customer use of sold products (e.g. fuel burned in vehicles).
- End-of-life disposal or recycling

The metrics that UHI Perth has included each year in its returns since 2015/16 are summarised in the table below. The balanced scorecard approach adopted by UHI Perth after the Strategic Plan was developed included a target to reduce emissions by 2% year on year. This target will be revisited as part of the review of the Strategic Plan during 2025/26 following the implementation of the financial recovery plan.

Performance Analysis

Reference year	Academic Year	Scope 1	Scope 2	Scope 3	Total tCO_2e
Year 1 carbon footprint	2015/16	576	1,017	271	1,864
Year 2 carbon footprint	2016/17	610	886	189	1,685
Year 3 carbon footprint	2017/18	667	740	126	1,533
Year 4 carbon footprint	2018/19	660	566	208	1,434
Year 5 carbon footprint	2019/20	574	473	191	1,238
Year 6 carbon footprint	2020/21	606	379	591	1,576
Year 7 carbon footprint	2021/22	571	381	256	1,208
Year 8 carbon footprint	2022/23*	537	380	2031	2,948
Year 9 carbon footprint	2023/24	707	413	5	1,125
Year 10 carbon footprint	2024/25	621	303	1,861	2,786

- 2022/23 restated on 2024/25 return to include FTE working hours in scope 3.

Digital Strategy

The ICT Department is focusing on themes to support the implementation of the ICT Digital Transformation Strategy to take UHI Perth, its staff and our stakeholders through a journey of digital confidence and competence that inspires and stimulates future thinking and innovation.

The themes are:

- Culture
- Service
- Sustainability
- Communication and Collaboration

Culture

By adopting a continual service improvement register and training to our staff, UHI Perth is embracing an opportunity to map out where we are, where we want to be, how we will get there and prioritise our lean improvement activities and their impact. A resource was allocated in 2025 to co-ordinate continual improvement across UHI Perth. However, this post was removed as it was not core business as part of our financial recovery plan.

We ensure that we offer equality of access, allowing our staff and students to thrive in a digitally enabled environment. All staff and students have access to a digital device on campus.

Service

A programme of works has commenced to ensure that ICT services and facilities are designed to support our stakeholders by being accessible, secure, and sustainable. An infrastructure review has been conducted, and a new teaching room standard has been agreed with internal stakeholders for the duration of the ICT Strategy. This standard will enable our academics to dynamically deliver the curriculum in high-quality, flexible, and innovative learning and teaching environments.

Over 60% of teaching spaces have been upgraded to this agreed standard. Progression has been paused due to financial challenges in achieving a balanced budget. The £2.9m Digital Poverty Support Fund from the Scottish Government to the College sector ended in 2023/24. This was provided to address digital access, equipment and skills which is seen as essential for students.

Windows 10 devices have been removed from our estate to ensure that we remain secure and compliant.

Sustainability

Through effective collaboration throughout the procurement cycle, our suppliers are all committed to delivering benefits through improved value for money and improved goods and services.

Energy management practices are implemented throughout our digital infrastructure. We employ energy-efficient hardware that consumes less power and generates less heat. Additionally, we have conducted a server consolidation exercise, resulting in the removal of all servers from the site, which contributes to our business continuity plan taking a cloud first approach to secure data storage.

Communication and Collaboration

This year we have maximized the use of Office 365 tools to enhance seamless communication and collaboration across our organisation into MS Teams. A key enabler of our digital transformation strategy has been achieved by providing a unified, cloud-based communication platform that integrates voice calling, video conferencing, chat, and collaboration tools, allowing us to replace legacy phone systems and foster seamless teamwork in a hybrid work environment. This also contributes to our business continuity planning.

These tools enable our staff to work smarter by leveraging innovative, flexible, secure and accessible platforms. We have established a SharePoint site to facilitate effective centralisation communication with our staff base.

While digital technologies have significantly enhanced our communication and collaboration capabilities, they also introduce risks to UHI Perth. These include potential disruptions to network provision and sophisticated cyber threats, particularly from threat actors leveraging AI (Artificial Intelligence) for automation. These high-risk threats are strategically significant as they impact the delivery of our core purpose of learning and teaching and the student experience. During 2024/25 UHI Perth achieved cyber essentials and cyber essential plus accreditation that helps protect the College from online threats. We are also part of a network of UHI academic partners that work together to secure the IT network and infrastructure.

Additionally, sector funding challenges have been identified as potential major disruptors to our replacement cycles creating a tiered classroom provision and learning environment, which inhibits academic confidence to embrace the efficiencies of timetabling adjustments that would allow us to maximise our learning spaces.

Performance Report
Performance Analysis

Equality & Diversity

Equality and Diversity Vision

At UHI Perth we have a passion for achieving more and an ambition to become the most inclusive college in Scotland.

UHI Perth is currently working towards meeting the following general duties:

- Eliminating discrimination and other unlawful conduct
- Advancing equality of opportunity
- Fostering good relations.

UHI Perth's organisational equality outcomes 2021-2025 were:

- More learners than before are disclosing they are Care Experienced. These learners tend to have additional barriers which negatively impacts attainment scores compared to their peers. We will work with the learners and other agencies to deliver interventions and support to narrow the attainment gap.
- There is an increase in learners disclosing mental ill health. These learners tend to have additional barriers impacting their attainment score compared to their peers. We will work with the learners and other agencies to deliver interventions and support to narrow the attainment gap.
- We recognise that there are gender imbalances across some areas of our curriculum. We will take active steps to promote accessibility of these programmes and challenge gender stereotyping.
- We are committed to being an anti-racist organisation and will seek to eliminate racism in all its forms throughout UHI Perth.
- UHI Perth has a declining proportion of staff disclosing a disability in comparison with the local population. We will look to ensure that our policies, processes and practices are supportive of recruiting and retaining disabled staff. We will focus on hidden disabilities and wellbeing at work.

Equality Reporting

We continue our journey of ensuring the student and staff experience at UHI Perth is excellent. We continue to mainstream equality and diversity into all aspects of our operations and in doing so provide a learning and working environment which is founded on the key principles of fairness, opportunities and respect for everyone.

Central to mainstreaming has been the gathering and consideration of further relevant data. This has involved assessing existing available evidence and considering what other evidence may be available to help us make progress in further meeting the general equality duties.

Reporting on this work continues to demonstrate to our staff, students and other stakeholders that we are taking steps to further mainstream equality across the organisation and the progress that has been made.

UHI Perth has complied with its numerous statutory reporting requirements for the year ended 31 July 2025.

UHI Perth published its Pay Gap Report covering Disability, Gender and Ethnicity in March 2025 and our Mainstreaming Equality, Equality Outcomes and Workforce and Student Profiles 2025 in April 2025 (available on our website). Our Mainstreaming report highlights our commitment to National Equality Outcomes and we have so far adopted 8, we are reviewing 7 and are monitoring 2. Further details are available in the main report.

We also published our Gender Equality Plan in September 2024 to meet European funded research requirements and participated in the production of the UHI British Sign Language Plan 2024-2030.

Fair Work Statement

Introduction

UHI Perth is committed to embedding the principles of Fair Work First across all aspects of our employment practices. We will achieve this by continuously reviewing and improving the way we work and ensuring our policies reflect our commitment to the principles of Fair Work First. We recognise that Fair Work is essential to creating a productive, inclusive, and sustainable working environment that benefits staff, students, and the wider community.

This statement confirms our commitment to ensuring fair working practices are in place in support of ‘Fair Work First’.

Fair Work First is the Scottish Government's flagship policy for driving high quality and fair work across the labour market in Scotland by applying fair work criteria to grants, other funding and contracts being awarded by and across the public sector, where it is relevant to do so.

Through this approach the Scottish Government is asking employers to adopt fair working practices, specifically:

- Payment of at least the Real Living Wage to staff including apprentices.
- Provision of appropriate channels for effective workers’ voice such as trade union recognition.
- Investment in workforce development.
- No inappropriate use of zero hours contracts.
- Action to tackle the gender pay gap and create a more diverse and inclusive workplace.
- Offering flexible and family-friendly working practices for all workers from day one of employment.
- Opposing the use of fire and re-hire practices.

We are working towards advancing the Fair Work First Criteria above. Our aim is to deliver good quality and fair work through continuous improvement.

Performance Report
Performance Analysis

Payment of the Real Living Wage

UHI Perth pays at least the Real Living Wage to all staff and ensures third parties contracted through UHI Perth procurement also meet the real living wage requirements

Appropriate channels for effective voice

- We recognise two trade unions EIS-FELA (Academic staff) and UNISON (professional services staff), meeting a minimum of 4 times per year to engage in constructive dialogue as well as holding a separate meeting each year to review the Staff Governance Standard.
- We provide multiple channels for staff engagement, including through our regular Perth Staff Group meeting, email communication channels, suggestion boxes and an open-door policy with senior leadership.
- We run an annual stress survey and completed a staff survey in 2025.
- During 2024/25 we also conducted 360° reviews for management and senior managers allowing feedback from different levels of staff to give a rounded view.
- We hold at least two all staff ‘conferences’ which allows for updates to all staff and opportunities for engagement with managers and Senior Leadership, which promotes a culture of openness and transparency
- Managers attend the Student Voice meeting to directly hear concerns from student voice representatives to help improve the services we deliver.

Investment in workforce development

Despite ongoing financial challenges across the sector, UHI Perth remains committed to investing in the professional growth of its staff. We continue to offer a range of development opportunities, including training and upskilling to ensure that our workforce remains skilled, resilient, and supported:

- UHI Perth encourages staff to access learning and development opportunities.
- Training requirements are identified during annual professional reviews and by individual development aspirations.
- Staff can request funding to complete courses relevant to their roles through our staff development fund. This ranges from specific health and safety training such as first aid through to professional updates.
- Staff are also able to request funding for academic programmes of study through the UHI Staff Development Fund.
- We support 10 members of academic staff each year to complete their Teaching Qualification in Further Education.
- We are currently supporting six members of staff to complete academic programmes of study.
- We support the young workforce through work and study placements and paid student internships.
- We encourage, support and provide opportunities to undertake formal and informal training as well as e-learning.
- We invest in staff wellbeing with 12 members of staff being nominated first aiders and we trained an additional 29 members of staff as Mental Health First Aiders during 2024/25.
- We have an active campus coordinator, mainly funded by Sports Scotland who organises events for staff and students, and we offer several informal initiatives to support staff engagement including staff climbing on our climbing wall, walking club, pickleball and a staff BBQ.

No inappropriate use of zero hours contracts

The majority of our staff are employed on standard salaried employment contracts although we do have a small number of zero-hour contracts which are used for additional or specific programme delivery. These are reviewed on a regular basis and UHI Perth has a process in place of permanising average hours worked after a specific time period which ensures we maintain fair and secure employment wherever possible.

Action to tackle the gender pay gap and create a more diverse and inclusive workplace.

- Mental and financial health and wellbeing is an important focus for UHI Perth, and we have put in place a range of initiatives to support employees including free access to an employee assistance programme.
- We monitor our gender, disability and ethnicity pay gap each year along with reviewing intersectionality, looking at what areas we can influence.
- Our mean gender pay gap has reduced to 8.6% when compared to the previous year and is lower than the local pay gap data for Perth and Kinross (12.6%).
- We moved from being a disability committed employer to a disability confident employer during 2024/25 and put in place reasonable adjustment passports to support staff to be able to enter and be retained within the workforce.

Flexible and family friendly working practices for all workers from day one of employment

- We operate a flexible hybrid working model.
- We have a Flexible Working Policy in place which offers options such as part time working, compressed hours, job share etc.
- We have a suite of family friendly policies to support our employees, and these policies are designed to adapt to the diverse and evolving needs of our workforce, promoting work-life balance and inclusivity.

Oppose the use of fire and rehire practices
We do not engage in fire and rehire practices and are committed to fair and transparent change management processes.

Workforce Engagement
We have commenced discussions with our recognised trade unions and staff representatives on fair work. We value the input of our workforce in shaping fair and progressive employment policies.

Monitoring and Review
We review our Fair Work practices annually and our Fair Work Statement is publicly available on our website and updated regularly to reflect ongoing improvements.

Conclusion
Fair Work is central to our mission at UHI Perth. We will continue to work collaboratively with staff, students, and stakeholders to ensure our workplace remains fair, inclusive, and empowering for all.

Performance Report
Performance Analysis

Non-Financial Issues

Reputation

UHI Perth has a good reputation locally, nationally and internationally. Maintaining a quality brand is essential for the College's success in attracting students and developing and maintaining external relationships.

UHI Perth has invested significantly in developing its reputation nationally with a particular focus on influencing policy and internationally by delivering quality programmes and by broadening the reach and strength of international partnerships.

Stakeholder Relationships

In line with other colleges and universities, UHI Perth has many stakeholders.

UHI Perth actively engages with Scottish Government ministers, senior civil servants and the SFC both independently and through the UHI as Regional Strategic Body and Colleges Scotland to update progress on delivery against key national priorities as well as influencing future policy. This includes within policy areas of Skills Alignment Strategy, Green Industrial Strategy, Economy, People and Skills May 2025, Scotland’s Labour Market Drivers October 2024, the Learner Journey Review and Developing the Young Workforce.

To ensure our curriculum continues to meet current and future regional and national industry needs, we will have continued engagement with Skills Development Scotland and industry bodies across our curriculum teams and directly into businesses. UHI Perth’s Foundation, Modern and Graduate apprenticeship delivery relies on these strong industry relationships to ensure skills demands are met and delivery compliance is achieved. UHI Perth has had strong performance in these areas historically and up to and including 31 July 2025.

UHI Perth also has strategic partnerships for our non-managed Modern Apprenticeship and stand-alone SVQ qualifications and contracts and works with SNIPEF, SECTT, CITB, Omexom and SSE to ensure their skills requirements are met so that these organisations continue to win contracts across Scotland.

UHI Perth’s relationship with Perth and Kinross Council and its other Tay Cities regional partners through the Tay Cities Deal HE/ FE Forum and the Tay Cities Skills Board, Perth Development Board, Perth and Kinross Community Planning Partnership and the Strategic Education Group has been crucial to ensuring the College continues to be well regarded for its influence in economic and social transformation.

This includes the role UHI Perth plays in ensuring there are suitable progression routes for all learners from the Senior Phase pathways through to vocational, degree and postgraduate provision.

UHI Perth’s role as one of the largest partners within UHI ensures that influence impacts the full Highland’s region with a range of networked provision delivered by UHI Perth or hosted on the Perth campus.

In partnership with our staff, trade unions and the Highlands and Islands Student Association (HISA), a greater focus on the student experience remains a high priority for UHI Perth. We are committed to investing in the Student Experience which is a core part of our forward strategy, and we are delighted to see the focus continues to show results.

Additional areas of focus are:

- A greater variety of student support and social groups.

- An ICT strategy that supports the aspiration to be a student-centred, digitally enabled college.

Alongside this, continued discussions have taken place with Trade Unions to ensure the health and safety and wellbeing of all staff groups including reviewing ourselves with our Trade Union colleagues against the Staff Governance Standard.

Human Rights

The College, as part of the University of the Highlands and Islands partnership, has published a Slavery and Human Trafficking Policy Statement as required by the Modern Slavery Act 2015. This statement is reviewed annually and the actions from it implemented in all purchasing activity by requiring all new suppliers to confirm that they have “effective procedures in place to comply with the Modern Slavery Act 2015” before any transaction can take place.

Details of our requirements have been incorporated into the College’s Standard Terms and Conditions upon which all purchase orders and local contracts are based. These requirements are also included in the many frameworks we utilise, awarded by centres of expertise such as Advance Procurement for Universities and Colleges (APUC), Scottish Procurement and Crown Commercial Service (CCS).

Where modern slavery, human rights or workforce matters are identified as a potential risk in contracting for goods and services, relevant and proportionate requirements are included within our specification of requirements and appropriately probing questions are asked of bidders to demonstrate compliance with applicable laws, regulations and policies such as International Labour Organisation standards.

As a Scottish Living Wage Foundation accredited employer, we also endeavour that all on-site contractors are paid at least the Real Living Wage, as set annually by the Living Wage Foundation. This also applies to our catering contract.

There have been no complaints of any breaches of human rights within our supply chain.

Anti-Corruption and Bribery

For regulated procurement, all suppliers are required to confirm that they are “in full compliance with and support the Bribery Act 2010” before any transaction can take place. Details of our anti-corruption requirements are stated in UHI Perth’s Standard Terms and Conditions upon which all purchase orders and local contracts are based.

These requirements are also included in the many frameworks we utilise, awarded by centres of expertise such as APUC, Scottish Procurement and CCS.

Performance Report
Performance Analysis

UHI Perth has a Fraud Prevention Policy and Response Plan which is included in our review plan and clearly details the requirements for staff members to adhere to as well as advising on how to report suspected breaches.

Our procurement and financial transaction processes ensure a clear separation of duties between requestors, budget approvers and payees to mitigate against potential risk or fraudulent activity. These processes are being continually reviewed to ensure they are fit for purpose and achieving their aims.

There have been no complaints of any breaches of corruption or bribery within our supply chain.

Disclosure of Information to Auditor

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which UHI Perth's auditor is unaware; and each member has taken all the steps that they ought to have taken to be aware of any relevant audit information and to establish that UHI Perth's auditor is aware of the information.

Approved by order of the members of the Board of Management on 19 January 2026 and signed on its behalf by:

Catherine Etri	**Alistair Wylie**
Interim Principal & Chief Executive	Interim Chair

Accountability Report
Remuneration and Staff Report

The Accountability Report has three sections and is signed by the interim Chair and the interim Principal:

1. The Remuneration and Staff report
2. The Corporate Governance report
3. The Parliamentary Accountability report.

Remuneration and Staff Report

Introduction

UHI is required to prepare and publish within its financial statements an annual Remuneration Report under the 2024/25 Government Financial Reporting Model (FReM) issued by HM Treasury.

The report sets out the remuneration and accrued pension benefits of the Senior Leadership Team members of UHI Perth.

Information on the number of UHI Perth employees (including Senior Leadership Team members) whose total actual remuneration was £60,000 or more is set out in Note 7 of the financial statements. The information is disclosed in salary bandings of £10,000 above £60,000. The following report has been prepared in accordance with the regulations.

All information disclosed in the tables in this report has been audited by UHI Perth's external auditor and all other sections of the Remuneration Report are reviewed to ensure they are consistent with the financial statements.

Remuneration arrangements (This information has been subject to audit)

Senior Leadership Team

The Remuneration Committee makes recommendations to the Board of Management on the service arrangements and remuneration of the Principal and determines the service arrangements and remuneration of the other senior post holders.

Remuneration of the Senior Leadership Team is as set out in Note 8 to the financial statements. In addition, the following table provides details of the remuneration and pension interests of senior management.

			12 months ended 31 July 2025		
Name	**Role**	**Salary £000**	**Pension Benefit £000**	**Other Benefit £000**	**Total £000**
Margaret Cook	Principal	110-115	10-15	60-65	185-190
Lorenz Cairns	Depute Principal - Academic	105-110	45-50	-	155-160
Catherine Etri	Interim Principal	20-25	5-10	-	25-30
Lynn Murray	Depute Principal – Operations	90-95	140-145	-	230-235
					12 months ended 31 July 2024
Margaret Cook	Principal	115-120	5-10	-	125-130
Lorenz Cairns	Depute Principal	90-95	0-5	-	90-95
Catherine Etri	Vice Principal – Academic	80-85	0-5	45-50	125-130
Veronica Lynch	Vice Principal – External Engagement	80-85	45-50	265-270	350-355
Iain Wishart	Vice Principal – Operations	55-60	55-60	-	100-115
Lynn Murray	Depute Principal - Operations	40-45	10-15	-	50-55

Resignations and Joiners in the year
1. Margaret Cook resigned on 14 May 2025.The final salary payment was processed as outlined in the table above. Additionally, a contractual obligation for PILON of £62,500 was made and recorded under the other benefit.
2. Lorenz Cairns resigned on 31 July 2025.
3. Catherine Etri left the business due to business efficiency on 31 July 2024. Catherine rejoined UHI Perth on 29 May 2025, as Interim Principal, following appropriate approvals being gained.

Senior Leadership Team members listed above are enrolled in either the Scottish Teachers Superannuation Scheme (STSS) or Local Government Pension Scheme (LGPS) pension schemes. These are both defined benefit schemes.

The pension amounts in the table above do not represent the pension contributions paid for the staff listed. The actual amount of pension contribution paid for senior post holders is shown in Note 8 of these financial statements.

Compensation for loss of office (This information has been subject to audit)

Thirty-seven employees left under a voluntary severance scheme during the year. In total they received compensation payments of £651,042.53. No employee left under compulsory redundancy terms. In the year, additional payments totalling £64,068.17 were made to the 50 employees who left in the previous financial year in relation to recalculated voluntary severance payments following agreement of pay awards. The total voluntary severance payments recorded in the year are £715,110.70.

The table below summarises the exit packages by cost band for those who left in the year to 31 July 2025.

Exit package cost band	Number of voluntary redundancies	Number of other departures agreed (including any compulsory redundancies)	Total number of exit packages by cost band
<£10,000	7	-	7
£10,000 to £25,000	22	-	22
£25,000 to £50,000	7	-	7
£50,000 to £100,000	-	-	-
Total number of exit packages	**36**	-	36
Total cost (£'000)	**651**	-	**651**

Pay Multiples

The College is required by the FreM to disclose the relationships between the remuneration of the highest paid official and the 25th, 50th and 75th percentile of remuneration of their workforce. The below figures are for UHI Perth only and not AST.

The mid-point of banded remuneration of the highest paid official in 2024/25 has slightly decreased due to a change in personnel. Percentile pay ratios have increased in 2024/25 due to cost of living and incremental pay rises as well as salary variances as a result of leavers and new starts during the year. This has resulted in the percentile pay multiples decreasing in 2024/25.

	% change	2024/25	2023/24
		£	£
Mid-Point of Banded Remuneration of Highest Paid Official	-4%	112,500	117,500
25th percentile pay ratio	7%	30,412	28,228
25th percentile pay multiple		3.7	4.16
50th percentile pay ratio	6%	43,637	41,096
50th percentile pay multiple		2.58	2.86
75th percentile pay ratio	10%	48,357	43,357
75th percentile pay multiple		2.3	2.7

Accrued pension benefits

Pension benefits for Employees are provided through the Scottish Teacher's Superannuation Scheme (STSS), a defined benefit scheme, which is externally funded and contracted out of State Earnings-Related Pension Scheme and the Local Government Pension Scheme (LGPS), Tayside Pension Fund.

Prior to 1 April 2015 both STSS and LGPS were final salary pension schemes. This meant that pension benefits were based on the final year's pay and the number of years that the person had been a member of the scheme. From 1 April 2015 both pension schemes became Career Average Revalued Earnings (CARE) schemes.

A CARE scheme means that pension benefits are now built up using an accrual rate of 1/57th of annual pensionable pay for STSS and 1/49th of annual pensionable pay for LGPS. Benefits built up prior to April 2015 will be protected and continue to be calculated on final pensionable pay.

The scheme's normal retirement age is now linked to the members own State Pension Age.

Contribution rates are set annually for all employees and are based on salary bandings. There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004.

Cash Equivalent Transfer Value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time.

The value of the accrued pension benefits has been calculated based on the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued within the relevant scheme and may not be reflective of their total Local Government service or current appointment.

In considering the accrued pension benefits figures the following contextual information should be considered:

i. figures for pension and lump sum are illustrative only considering the assumptions set out above and do not necessarily reflect the actual benefits that any individual may receive upon retirement.

ii. accrued benefits figures are reflective of the pension contributions that both the employer and the scheme member have made over a period.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Senior Leadership Team Pension (This information has been subject to audit).

Pension benefits are provided to Senior Leadership Team on the same basis as all other staff. The accrued pension benefits for Senior Leadership Team members are set out in the table below, together with the pension contributions made by UHI Perth:

	At 31 July 2025		1 August 2024 to 31 July 2025		At 31 July 2025	At 31 July 2024	
Name	Accrued pension at pension age	Accrued lump sum at pension age	Real increase in pension	Real increase in lump sum	CETV	Restated CETV*	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Margaret Cook	20-25	-	0-2.5	-	332	304	28
Lorenz Cairns	35-40	95-100	2.5-5	2.5-5	832	802	30
Catherine Etri	0-5	-	0-2.5	-	10	-	10
Lynn Murray	5-10	-	5-7.5	-	133	13	120

The 31 July 2024 CETV values for M Cook and L Cairns have been updated to reflect the inclusion of the CARE element of the pension scheme transfer value.

The pension benefits set out in the table above reflect the change in the real value of pension for each individual (less contributions paid by the individual). These pension benefits include additional pension accrued within the year, and any changes to the value of pension earned in all previous years due to salary increases.

Gender Split for UHI Perth Board of Management and Senior Leadership Team

The table below sets out the gender split of the Board of Management of UHI Perth based on all members who sat on the board during the year ended 31 July 2025.

Accountability Report
Remuneration and Staff Report

Margaret Cook (Principal of UHI Perth) and then her replacement Catherine Etri (Interim Principal of UHI Perth) are the only members of the Senior Leadership Team who also sit on the Board and are included in the Gender Split of both the Senior Leadership Team and Staff Board Members.

The noticeable variance around Staff Board Members is because there were two different Principals in post during the year (both of whom were female thereby changing it from 80:20 to 66:33).

Non-Executive Board Members are comprised of Independent and Student members and saw an overall increase in female members bringing the gender split to 50:50.

Board of Management				Senior Leadership Team	
Non-Executive Board Members		Staff Board Members			
Male	Female	Male	Female	Male	Female
50%	50%	66%	33%	25%	75%

Staff Numbers and Costs (This information has been subject to audit)

The table below sets out staff numbers and costs for UHI Perth. The figures below do not include staff costs for the subsidiary, Air Service Training (Engineering) Limited which had on average 24 FTE on permanent contracts and 1 FTE on temporary contracts until it went into administration on 10 April 2025. A full breakdown of staff numbers is set out in Note 6 of these accounts.

	Year ended 31 July 2025			**Year ended 31 July 2024**
	Permanent Staff	Other staff	Total	Total
Wages & Salaries (£’000)	13,913	954	14,867	16,120
Social Security Costs (£’000)	1,450	100	1,550	1,449
Other Pension Costs (£’000)	3,535	243	3,778	3,051
Total staff costs (£’000)	**18,899**	**1,296**	**20,195**	**20,621**
Average number of FTE	277	19	296	343

Based on headcount, UHI Perth employed 228 females (56%) and 179 males (44%) as at 31 July 2025.

Sickness Absence Rates

The following table provides the total sick days lost, average sick days per head and percentage of working time lost for the years ended 31 July 2025 and 2024:

	Year ended 31 July 2025			**Year ended 31 July 2024**		
	Total sick days	Average sick days per head	% working time lost	Total sick days	Average sick days per head	% working time lost
Total	2,706	6.5	3.5%	2,963	6.2	3%

Our sickness data has increased slightly when compared to the previous year mostly within the management staff group. However, our average sick days per head is less than the average of 9.4 days reported in the past year by the CIPD. We also saw two deaths in service during the 2024/25 financial year that were not work-related and followed periods of illness.

Policies in relation to disabled persons

UHI Perth's Equality and Diversity Policy sets the principles and values of equality and diversity for UHI Perth. These are implemented through UHI Perth's Equality Outcomes and associated action plan which are aligned to the UHI Perth Regional Outcome Agreement as well as the policies and procedures that guide the way in which people behave. Progress against the Equality Outcomes is reported on the UHI Perth website:

https://www.perth.uhi.ac.uk/about-us/policies-regulations-and-guidelines/equality-diversity-and-inclusion/

The policy is also implemented through several policies and procedures that concern the experience of staff and students. This includes:

- Mainstreaming Equality, Equality Outcomes, and Workforce and Students Profile 2025

We continued our commitment to the Disability Confident Scheme and in July 2025 achieved Disability Confident Employer status. We continue to embed our reasonable adjustment passport which is utilised by staff who have short- or long-term reasonable adjustment needs and provided training to managers across UHI Perth on how to utilise the scheme and continue to support staff who wish to make an Access to Work scheme application. We implemented a centralised reasonable adjustment fund managed by HR to ensure fair access to the funds.

We published our pay gap report as required which covers gender, disability and ethnicity pay gaps as well as our equal pay statement and mainstreaming report.

Recruitment and Selection

UHI Perth strives to be an excellent employer by adopting a principle of diversity and inclusivity to attract the highest calibre of staff in pursuance of UHI Perth's overall Vision and Values.

This principle includes a positive approach towards disability and ensuring that people with disabilities receive the necessary support through the recruitment and selection process. This includes the provision of any additional support required by candidates to ensure fair and equal participation throughout the process.

Applicants are also asked during the recruitment process if they require UHI Perth to make any reasonable adjustments to support them in the recruitment process giving due regard to their aptitudes and abilities.

UHI Perth also commits to ensuring that vacancies are advertised in a wide variety of digital and other outlets and are worded in such a way as to attract candidates from as wide a cross section of society as possible. These actions continue to support our status as a Disability Confident Employer.

Professional Development

All employees are encouraged to participate in development activity to develop their qualifications and skills, although UHI Perth has had to reduce the budget due to financial constraints.

Employees are also expected to participate in UHI Perth's Professional Review Scheme and undertake any staff development and training necessary for the full performance of their duties. UHI Perth also provides financial support for several employees to undertake qualifications relevant to their roles.

UHI Perth continues to aim to meet the requirement to ensure a minimum entitlement of six days (pro rata) continuing professional development (CPD) to all employees. This is to be provided in a manner which is meaningful to all staff and ensures CPD adds value to the individual, team and UHI Perth and we exceeded this commitment in the current year.

Redeployment and Occupational Health

UHI Perth is committed to ensuring that if employees become unable to undertake their role during their employment that we look at redeployment and training opportunities to retain their services within UHI Perth. A redeployment policy is being discussed with our recognised Trade Unions and will be in place in the next financial year.

Employees make regular use of the Occupational Health service provided by UHI Perth through management referrals to allow UHI Perth, and employees, to make informed decisions about any reasonable adjustments that UHI Perth may be able to support. Where appropriate and requested by the employee, we have engaged our Occupational Health Service to support members of staff to leave through ill-health retirement.

UHI Perth has also worked with Access to Work to ensure adaptive equipment and training are provided to support employees who have a disability as defined by the Equality Act 2010. This scheme is actively utilised to support staff to remain at work.

UHI Perth has a full employee assistance programme (EAP), which offers support 24 hours a day. This allows staff to access a confidential Counselling Service which offers the opportunity to access up to six free counselling sessions in a 12-month period. If required, additional counselling sessions are then agreed by UHI Perth along with a wider range of support resources.

Other employee matters

Equal Pay

UHI Perth reaffirms the principle that all members of staff receive equal pay for the same or broadly similar work, for work rated as equivalent and for work of equal value.

UHI Perth will ensure that all pay practice applies equally to all staff and is best practice. UHI Perth will communicate pay practice to help members of staff develop understanding of how pay is determined; undertake equal pay audits in accordance with any legal obligations; provide guidance and support to managers where they make decisions on pay and benefits for staff; and work within the National Pay Bargaining Framework for colleges in Scotland including implementation of any agreed job evaluation scheme.

The work of the National Job Evaluation Scheme for Support Staff within Colleges is still underway, and no outcomes have yet been published. Until decisions and outcomes are known, UHI Perth continues to use its internal job evaluation scheme.

Work Life Balance

UHI Perth recognises that members of staff have priorities outside of their employment and that it is important for the wellbeing of all staff that there is balance between work and home life. UHI Perth also recognises that members of staff will have differing requirements at different points in their working life and the range of Family Friendly/Flexible Working policies and procedures aims to ensure that an appropriate balance between work and home life can be achieved throughout a member of staff’s employment at UHI Perth.

UHI Perth continued to use a hybrid working model for the 2024/25 academic year. This remains in place and is under review with a view to adopting a longer-term policy. There are also staff who have agreed flexible working arrangements in place and UHI Perth continues to support the statutory requirement of allowing formal flexible working requests from day one of employment and allowing staff to submit two requests each year.

Where staff work from home, they are required to undertake Home Working Assessment and Display Screen Assessments to ensure that home working is undertaken in a safe environment.

Conduct

UHI Perth promotes and lives up to the principles within its Equality and Diversity Policy of: treating people with respect; encouraging, maintaining and promoting good relations; applying policies, procedures and processes fairly and with due regard to every individual; welcoming the differences between each person and valuing the contribution that they make to the cultural and social wellbeing of UHI Perth’s working and learning environment.

Exit

Members of staff will be treated fairly in circumstances where there is a reduction in the need for certain types of roles which saw UHI Perth continue to utilise a voluntary severance scheme during 2024/25 and in the application of disciplinary procedures where dismissal may be an outcome.

Health and Safety

The Board of Management of UHI Perth attaches the greatest importance to safeguarding the health, safety and welfare of staff, students, visitors and others who use the premises, and regards the promotion of health and safety measures as a mutual obligation for management and employees at all levels.

It is the commitment of UHI Perth to act within the requirements of the Health and Safety at Work Act 1974 and subsequent legislation, and to ensure that the health, safety and welfare of all staff, students, visitors and others who may be affected by our undertakings is safeguarded, so far as is reasonably practicable.

To meet these criteria, UHI Perth will:

- Regard legal compliance as the lowest acceptable standard of management with regard to health and safety.
- Identify hazards, assess risks and manage those risks.
- Provide appropriate information, instruction, training and supervision.
- Provide and maintain equipment and a working environment that are reasonably practicable, without risks to health and safety.
- Consult with employee representatives on health and safety matters, and
- Provide adequate funding and resources to meet policy needs.

To effectively manage Health and Safety, UHI Perth's Board of Management devolves policies and procedures through the Principal and Chief Executive to the Senior Leadership Team and wider Perth Leadership Group and their managers and staff, all of whom are responsible for managing Health and Safety.

UHI Perth requires that all staff, students and visitors co-operated in regarding safe working as a prime objective, by working within established procedures.

Overall responsibility for the practical implementation of this policy lies with UHI Perth's Principal and Chief Executive.

UHI Perth's duty to consult on Health and Safety matters with trade unions and staff is structured through a Health and Safety Committee. The Committee meetings are scheduled four times over the curriculum year. These meetings were chaired by the Director of Estates or the Director of HR and Organisational Development in their absence and comprised of College Management, the Health, Safety and Wellbeing Advisor, representatives of each recognised trade union and staff and student representatives.

Three sub-groups of this committee were in place for the period ending 31 July 2025, these being Pandemic response group (this group is paused unless required), Stress Management, and the Health and Safety Policies and Procedure Review Group. The Staff Health and Wellbeing Group was merged into the Perth Staff Group, and the Student Health and Wellbeing Group was disbanded so neither met during 2024/25.

The Board of Management removed the requirement for a Board champion on Health and Safety to attend the Health and Safety Committee as it was decided that Health and Safety would be monitored via the Audit Committee, who would highlight any issues to the Board if required.

Typical Health and Safety performance topics being discussed would include accident trends, training compliance, inspection reports and issues raised over the period covered.

The Health, Safety and Wellbeing Advisor ensures there are regular departmental audits with associated actions plans and summaries of these are brought for review to the Health and Safety Committee. There were 16 areas audited during 2024/25.

Our priority is, and continues to be, to provide and maintain a safe work environment. We have provided training to increase the number of competent risk assessors, given direction and support for undertaking or refreshing our mandatory related online training and provided some of our management with accredited Health and Safety qualifications.

During 2024/25 the Health, Safety and Wellbeing Advisor conducted 31 in-house face-to-face training with a variety of employee groups. At 31 July 2025 there were nine members of the Perth Leadership Group who had completed the Institute of Occupational Safety and Health (IOSH) Managing Safety or equivalent, with one member of the Senior Leadership Team having completed the IOSH Leading Safely. We have trained an additional 13 General Risk Assessors, three Hazardous Substances Assessors (COSHH), one Manual Handling Assessor as well as providing specific training to certain groups where a need has been identified. Five managers attended Managing Stress for Managers, and nine staff members were trained in Emergency Evacuation Evac+Chair. We maintain 12 nominated first aiders and have an additional 11 employees within our Academy of Sports and Wellbeing as Emergency First Aiders.

An additional 29 employees have completed the Scottish Mental Health First Aid training which teaches people how to identify, understand and help someone who may be experiencing a mental health issue.

Trade Unions

The College recognises two Trade Unions, EIS-FELA and UNISON. The relationships with each are governed by the appropriate Recognition and Procedure Agreements augmented with regular informal discussions with senior staff including the Director of HR & Organisational Development.

We are an active member of the Employer's Association to support National Bargaining dialogue, discussion and agreement. All of this highlights our commitment to partnership working and a no surprises relationship based on openness and transparency from management and the recognised Trade Unions.

Trade union officials

Number of employees who were relevant union officials during the relevant period	Full time equivalent employee number
	6

Percentage of time spent on facility time

Percentage	Number of employees
0%	0
1-50%	6
51-99%	0
100%	0

Percentage of pay bill spent on facility time

Total cost of facility time:	13,979
Total pay bill:	20,313,984
Percentage of the total pay bill spent on facility time:	0.07%

Paid trade union activities

Time spent on trade union activities as a percentage of total paid facility time hours:	5%

Employment Issues

UHI Perth has published its commitment to equal pay within these financial statements which reaffirms the principle that all members of staff receive equal pay for the same or broadly similar work, for work rated as equivalent and for work of equal value. To achieve this, UHI Perth commits to:

- Ensure that all pay practice applies equally to all staff and is best practice.
- Communicate pay practice to help members of staff develop understanding of how pay is determined.
- Undertake equal pay audits in accordance with any legal obligations.
- Provide guidance and support to managers where they make decisions on pay and benefits for staff, and
- Work within the National Bargaining Framework for colleges in Scotland including implementation of any agreed job evaluation scheme.

UHI Perth also has a commitment to equality and diversity as demonstrated in the principles adopted by it which are:

- Treating people with respect.

- Encouraging, maintaining and promoting good relations.

- Applying policies, procedures and processes fairly and with due regard to every individual.

- Welcoming the differences between each person and valuing the contribution that they make to the cultural and social wellbeing of UHI Perth's working and learning environment, and

- UHI Perth also has an Equality, Diversity and Inclusivity Committee which monitors progress on equality matters and is a forum for consultation about matters which affect staff and students.

The majority of UHI Perth's staff are female (56%) with men representing 44% of the workforce.

UHI Perth has a Professional Review process which includes a Career Long Professional Learning (CLPL) element to support the development of both academic and professional services staff, and an allocated CPD budget to support other professional development activities.

For academic staff, UHI Perth continues to require staff to join the General Teaching Council for Scotland (GTCS) and is ensuring that staff are made aware of their timeline depending on start date in the sector and qualification status. All forms of GTCS registration requires professional dialogue discussions between staff members and their line managers to be undertaken in a coaching style and managers of academic staff who had not previously undertaken this training were given this opportunity.

UHI has a robust framework of policies and procedures which support the employment lifecycle. These include recruitment, induction, being family friendly, encouraging flexible working, discipline and grievance issues, promoting health and wellbeing, absence, capability and exit.

Accountability Report
Corporate Governance Report

Overview

The purpose of the Corporate Governance report is to explain the composition and organisation of the institution's governance structures and how they support the achievement of institutional objectives.

The Corporate Governance report includes:

- a Directors' Report
- a Statement of Responsibilities of the Members of the Board of Management
- a Governance Statement.

Directors Report

The Board of Management

The members who served on the Board of Management during the year and up to the date of signing the financial statements were as follows:

Name	Date of Appointment/ (resignation)	Status	Committees Served from 01 Aug 2024 – Date of signing*
Graham Watson	07 August 2020 Appointed Interim Chair 01 October 2022 Appointed Chair 12 April 2023 Resigned 03 April 2025	Independent Member	Air Service Training (chair until resignation) Finance & Resources (chair until resignation) Chairs (chair until resignation) Remuneration (until resignation)
Alistair Wylie	12 April 2023 Appointed Interim Chair 09 April 2025	Independent Member	Audit (until 09 April 2025) Finance & Resources (from 09 April 2025) Learner Experience (until 16 April 2025) Chairs (chair from 16 April 2025) Remuneration (from 16 April 2025)
Dr Margaret Cook	01 August 2017 Resigned 14 May 2025	Principal and Chief Executive	Learner Experience (chair until 16 April 2025) Air Service Training (until 09 April 2025) Chairs (until resignation) Strategic Development (until resignation) Finance & Resources (until resignation)
Catherine Etri	29 May 2025	Interim Principal and Chief Executive	Finance & Resources (from 29 May 2025) Learner Experience (from 10 September 2025) Recovery Plan Monitoring (from 22 September 2025)
Mary Fraser	01 March 2024	Independent Member	Finance & Resources (until 19 August 2025) Strategic Development Audit (from 20 August 2025) Learner Experience (from 10 September 2025)

Accountability Report
Corporate Governance Report

Name	Date of Appointment/ (resignation)	Status	Committees Served from 01 Aug 2024 – Date of signing*
Jenny Hamilton	03 January 2022 Resigned 08 April 2025	Independent Member	Strategic Development (chair until resignation) Chairs (until resignation) Remuneration (until resignation)
Jenni Harrison	12 April 2023 Resigned 22 May 2025	Independent Member	Air Service Training (until 09 April 2025) Finance & Resources (until resignation)
Dierdre Joy	06 January 2025	Independent Member	Finance & Resources Learner Experience (from 16 April 2025) Recovery Plan Monitoring (chair from 22 September 2025)
Chris Lusk	01 March 2024	Independent Member	Finance & Resources (until 16 April 2025) Learner Experience (chair from 16 April 2025) Audit (from 16 April 2025) Chairs Remuneration (from 16 April 2025)
Debbie McIlwraith Cameron	03 January 2022	Independent Member	Air Services Training (until 09 April 2025) Audit (chair from 16 April 2025) Chairs (from 16 April 2025)
Elaine Piggot	10 October 2023 Resigned 30 September 2025	Independent Member	Finance & Resources (chair from 16 April 2025 until resignation) Strategic Development Chairs (until resignation) Remuneration (chair from 16 April 2025 until resignation)
Ian Robotham	01 March 2024	Independent Member	Air Service Training (until 09 April 2025) Audit (until 16 April 2025) Finance & Resources (from 16 April 2025; chair from 01 October 2025) Chairs (from 01 October 2025) Remuneration (chair from 30 October 2025)
Derek Waugh	01 September 2022 Resigned 11 April 2025	Independent Member	Audit (chair until resignation), Strategic Development (until resignation) Chairs (until resignation) Remuneration (chair until resignation)
Christopher Whatley	06 January 2025	Independent Member	Learner Experience (from 16 April 2025) Audit (from 16 April 2025) Recovery Plan Monitoring (from 22 September 2025) Chairs (from 10 November 2025)
Richard Fyfe	18 November 2024	Staff Member	Finance & Resources (to 19 August 2025) Strategic Development Audit (from 20 August 2025) Recovery Plan Monitoring (from 22 September 2025)
Patrick O'Donnell	10 November 2020	Staff Member	Learner Experience Audit (until 19 August 2025) Finance & Resources (from 20 August 2025)

Accountability Report
Corporate Governance Report

Name	Date of Appointment/ (resignation)	Status	Committees Served from 01 Aug 2024 – Date of signing*
Andi Garrity	01 July 2024	Student Member	Audit (until 19 August 2025) Learner Experience Strategic Development Finance & Resources (from 20 August 2025) Recovery Plan Monitoring (from 22 September 2025)
Xander McDade	01 July 2024 Resigned 30 June 2025	Student Member	Finance & Resources (until resignation) Learner Experience (until resignation) Strategic Development (until resignation)
Millie Foster	01 July 2025	Student Member	Learner Experience (from 01 July 2025) Audit (from 20 August 2025)
Ronnie Dewar	01 March 2024	Trade Union Member	Learner Experience Recovery Plan Monitoring (from 22 September 2025)
Winston Flynn	15 March 2024 Resigned 14 March 2025	Trade Union Member	Strategic Development (until resignation)
David Macluskey	25 June 2025	Independent Member	Learner Experience (from 10 September 2025) Recovery Plan Monitoring (from 22 September 2025)
Rosie Howie	10 September 2025	Independent Member	Audit (from 10 September 2025)
Laaeq Rehman	10 September 2025	Independent Member	Finance & Resources (from 10 September 2025)
John McMullen	10 September 2025	Independent Member	Audit (from 10 September 2025)
Sarah Cordwell	10 September 2025	Independent Member	Learner Experience (from 10 September 2025) Finance & Resources (from 10 September 2025)

* following the resignation of several Board Members during April 2025, a review of membership of Board Committees was conducted resulting in several changes to Committee Membership for the remainder of 2024/25. The Strategic Development Committee was also formally disbanded as a Board Committee at the Board of Management meeting on 16 April 2025, and Air Service Training (Engineering) Ltd ceased to report to the Board of Management on formally entering Administration on 10 April 2025.

Accountability Report
Corporate Governance Report

Board Member – Committee Attendance 2024/25

Name	Board	AST	Audit	Chairs	F&R	Learner Exp.	Strat Dev
Graham Watson	5/5	8/9		3/3	4/4		
Mary Fraser	6/12				3/5		3/3
Jenny Hamilton	2/5			0/3			2/3
Jenni Harrison	6/8	8/9			3/3		
Deirdre Joy	9/9				2/3	1/1	1/1
Chris Lusk	12/12		1/1	2/2	3/4	4/4	
David Macluskey	1/2						
Debbie McIlwraith-Cameron	10/12	8/9	4/5	3/4			
Elaine Piggot	12/12			4/4	5/5	3/4	2/3
Ian Robotham	11/12	8/9	4/4		1/1		
Derek Waugh	5/5		4/4	2/3			3/3
Christopher Whatley	8/9		1/1			2/4	
Alistair Wylie	11/12		4/4	4/4	2/2	2/3	
Margaret Cook	6/8	9/9		2/3	3/3	2/4	3/3
Catherine Etri	2/2				1/1		
Patrick O’Donnell	12/12		4/5			3/4	2/3
Richard Fyfe	9/10					3/3	1/1
Xander McDade	11/11				5/5	4/4	3/3
Andi Garrity	12/12		5/5			4/4	2/3
Ronnie Dewar	11/12					2/4	
Winston Flynn	1/5						1/3

It is the Board of Management's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The Board of Management complies with the internal control guidance published by the Turnbull Committee and the good practice in the Guide for Board Members in the College Sector 2015 issued by Scotland's Colleges.

The Board of Management is provided with regular information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Board of Management meets at least four times a year.

Full minutes of all Board and Board sub-Committee meetings, except those deemed to be confidential by the Board, are available on the College website or from the Clerk to the Board at:

UHI Perth
Crieff Road
Perth PH1 2NX

Register of Members Interest

The Clerk to the Board maintains a register of financial and personal interests of the Board members and Senior Leadership Team. The Register is available for inspection at the above address or on the College website:

https://www.perth.uhi.ac.uk/about-us/college-management-structure/meet-the-board/register-of-interests/

All Board members can take independent professional advice in furtherance of their duties at UHI Perth's expense and have access to an independent Clerk, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Board as a whole.

Formal agendas, papers and reports are supplied to Board members in a timely manner, prior to meetings. Briefings are also provided on an ad hoc basis.

The Board of Management has a strong and independent non-executive element, and no individual or group dominates its decision-making process. The Board of Management considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of independent judgment.

Board members are required to self-evaluate collectively as Board and individually as Board members. The self-evaluation process includes consideration of the performance of the Chair and individual Committee Chairs and of the collective effectiveness of the Board of Management, and individual reflection on their adherence to the Nine Principles of Public Life.

There is a clear division of responsibility in that the roles of the Chair and Principal are separate.

Information Management

There were no significant data breaches during the year.

Accountability Report
Corporate Governance Report

Appointments to the Board of Management

From 1 August 2014, the authority for appointments to the Board of Management of UHI Perth resides with the University of the Highlands and Islands and must be made in accordance with Ministerial Guidance on Board Appointments.

The Board of Management ensures that a process is in place to provide appropriate induction training to new Board of Management members and new Board members are expected to undertake induction training.

Members of the Board of Management are appointed for an initial term of office not exceeding four years and may be reappointed.

Statement of Responsibilities of the Members of the Board of Management

The Board of Management are required to present audited financial statements for each financial year.

In accordance with the Further and Higher Education (Scotland) Act 1992 the Board of Management is responsible for the administration and management of the College's affairs, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Board of Management is responsible for ensuring that proper accounting records are maintained which disclose, with reasonable accuracy at any time, the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992, the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, the relevant Government Financial Reporting Model (FReM) and other relevant accounting standards.

In addition, within the terms and conditions of a Financial Memorandum agreed between the SFC and the College's Board of Management, the Board, through its Chief Executive, the Principal, is required to prepare financial statements for each financial year which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that year.

In preparing the financial statements, the Board of Management is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare financial statements on a going concern basis, unless it is inappropriate to presume that the College will continue in operation. The interim Principal has received a letter of comfort from the Scottish Funding Council confirming that they will work with the sector and individual colleges and regions to consider ways to help manage cash flow requirements for the period of 12 months from the date of approval of our balance sheet. On this basis the Board is satisfied that the College can continue in operation for the foreseeable future and for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

- To enable this, we will work with the sector and individual colleges and regions to consider ways to help manage cash flow requirements, for the period of 12 months from the date of approval of your balance sheet.

The Board of Management has taken reasonable steps to:

- ensure that funds from the SFC, including those derived through the Regional Strategic Board, are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
- safeguard the assets of the College and prevent and detect fraud, and
- secure the economical, efficient and effective management of the College's resources and expenditure.

The key elements of the College's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative areas
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets
- regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Management
- Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and the Finance & Resources Committee. In line with future improvements these need to be reviewed, and
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the Board of Management, and whose Head provides the Board of Management with a report on internal audit activity within UHI Perth and an opinion on the adequacy and effectiveness of UHI Perth's system of internal control, including internal financial control.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

Approved by order of the member of the Board of Management on 19 January 2026 and signed on its behalf by:

Catherine Etri	**Alistair Wylie**
Interim Principal & Chief Executive	Interim Chair

Accountability Report
Corporate Governance Report

Governance Statement

Statement of Corporate Governance and Internal Control

UHI Perth complies with all the principles of the 2016 Code of Good Governance for Scotland's Colleges, and it has complied throughout the year ended 31 July 2025.

From 1 August 2014, Perth College was assigned to the University of the Highlands and Islands (UHI) as its Regional Strategic Body (RSB) and the provisions of the Post-16 Education (Scotland) Act 2013 commenced for the College. As an assigned college, the Board is accountable to the RSB.

UHI Perth is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the main principles of the 2016 Code of Good Governance for Scotland's Colleges. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

UHI Perth has a whistleblowing policy and procedure, which is published on its website. It has been reviewed by the Perth Leadership Group and will be tabled at the Board for approval during 2025/26.

The Board conducts its business through a number of committees. Each committee has formally constituted terms of reference, which are reviewed on a regular basis.

The committees are:

Audit Committee
Chairs Committee
Remuneration Committee
Finance & Resources Committee
Learner Experience Committee
Strategic Development Committee (disbanded April 2025)
Recovery Plan Monitoring Committee (established July 2025)

In addition, the Board of Management holds development planning days and training evenings during the course of the year for the purposes of training, self-evaluation and development. The Board is supported by an Independent Clerk.

Audit Committee

The Audit Committee comprises at least four non-executive members of the Board of Management (excluding the Principal and Chair). The Committee operates in accordance with written terms of reference approved by the Board of Management.

The Audit Committee meets four times a year and provides a forum for reporting by UHI Perth's external and internal auditors, who have access to the Committee for independent discussion, without the presence of College Management.

The Audit Committee advises the College on the appointment of the internal auditor and the auditor's remuneration. The Audit Committee establishes the College's risk tolerance and monitors risk.

UHI Perth's internal auditor monitors the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input. They report their findings to management and the Audit Committee.

Management is responsible for the implementation of agreed audit recommendations, and the internal auditor undertakes periodic follow-up reviews which are reported to the Audit Committee to ensure such recommendations have been implemented.

The Audit Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the SFC and Audit Scotland as they affect the College's business and monitors adherence to the regulatory requirements.

Finance and Resources Committee ("the Finance Committee")

The Finance Committee comprises four non-executive members of the Board of Management and the Principal. The Committee operates in accordance with written terms of reference approved by the Board of Management.

The Finance Committee meets at least four times a year and, among other matters, recommends to the Board of Management the College's annual revenue and capital budgets and monitors performance in relation to approved budgets.

The Finance Committee monitors the College's financial and business perspectives. It approves all key financial decisions, approves the annual budget, considers the financial statements and recommends for approval, oversees the system of financial control and delegated authority. It also considers any other matters relevant to the financial duties of the Board including estates strategy.

Remuneration Committee

The Remuneration Committee comprises of the Chair, the Vice Chair and the Senior Independent Board Member. The Committee is responsible for making recommendations to the Board on the remuneration and benefits of the Principal and Senior Leadership Team.

The details of the remuneration of senior post-holders for the year ended 31 July 2025 are set out in Note 8 of these Financial Statements.

Corporate Strategy

The Board of Management is responsible for the overall strategic development of UHI Perth and is the guardian of its vision and values. Strategic development normally takes place annually with the Board of Management and the Senior Leadership Team at a full day to consider strategic direction and challenges. This is supported by horizon scanning and futures work and has led to the development of strategic plans underpinned by operational plans. Progress against the agreed strategic priorities in the plan is monitored through a balanced scorecard approach by the appropriate Board committees on a regular basis.

Accountability Report
Corporate Governance Report

Scope of Responsibility

The Board of Management is responsible for UHI Perth's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board of Management has delegated the day-to-day responsibility to the Principal, as Chief Executive Officer, for maintaining a sound system of internal control that supports the achievement of UHI Perth’s policies, aims and objectives, whilst safeguarding the public funds and assets of UHI Perth including those derived from the Regional Strategic Body. The Principal is also responsible for reporting to the Board of Management any material weaknesses or breakdowns in internal control.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of UHI Perth’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in UHI Perth for the year ended 31 July 2025 and up to the date of approval of the annual report and financial statements.

Principal Risks and Uncertainties

UHI Perth's Board of Management is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Senior Leadership Team monitors key performance and risk indicators and considers possible control issues brought to their attention by members of the Perth Leadership Group who represent every department across the College.

The Senior Leadership Team and the Audit Committee also receive regular reports from Internal Audit and Health, Safety and Environmental monitoring functions that include recommendations for improvement. Internal Audit concentrates on areas of key activities determined by a risk analysis and in accordance with the annual internal audit plan approved and amended by the Audit Committee.

The internal auditor has direct access to the Chair of the Audit Committee and issues an annual report with an opinion of the adequacy, reliability and effectiveness of UHI Perth's internal control system.

The Audit Committee considers risk at each Committee Meeting and receives a copy of the College Strategic Risk Register which is updated quarterly by the UHI Perth Senior Leadership Team.

Accountability Report
Corporate Governance Report

The Board of Management receive reports thereon from the Audit Committee, the emphasis being on obtaining the relevant degree of assurance and not merely reporting by exception.

The Board of Management is of a view that there is an ongoing process for identifying, evaluating and managing the College's significant risks that has been in place throughout the year ended 31 July 2025 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Audit Committee and accords with the Turnbull guidance on internal control, as applicable to the further education sector.

The Risk and Control Framework

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Board of Management
- Regular reviews by the Board of Management of periodic and annual financial reports which indicate financial performance against forecasts
- Setting targets to measure financial and other performance
- Clearly defined capital investment control guidelines, and
- The adoption of formal project management disciplines, where appropriate.

UHI Perth appoints an Internal Audit Service, which operates in accordance with the requirements of the SFC's mandatory requirements.

The work of the Internal Audit Service is informed by an analysis of the risks to which the College is exposed, and internal audit plans are based on this analysis.

The analysis of risks and the internal audit plans are endorsed by the Board of Management on the recommendation of the Audit Committee.

The Internal Auditor provides the Audit Committee with a report on internal audit activity within the College. These reports include the Internal Auditor's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

The internal auditor has direct access to the Chair of the Audit Committee and issues an annual report with an opinion of the adequacy, reliability and effectiveness of UHI Perth's internal control system.

UHI Perth's Internal Auditors gave the following opinion in their Annual Report to the Board of Management and Principal on the Provision of Internal Audit services for 2024/25 (the Internal Audit Report):

"In our opinion, with the exception of the issues highlighted in paragraph 1.9 to 1.12 (included in the section on significant control issues and weaknesses below), UHI Perth has adequate and effective arrangements for risk management, control and governance. Proper arrangements are in place to promote and secure Value for Money. This opinion has been arrived at taking into consideration the work we have undertaken during 2024/25 and in previous years since our initial appointment.

The GIAS, introduced in 2025 requires us to highlight residual risks which exceed the risk appetite set by the Board. The current reporting format does not isolate such risks. However, the Enterprise Risk Management report presented to the September 2025 meeting of the Audit Committee highlighted the following in relation to strategic risk categories:

- **Product Delivery -** At the start of the 25/26 academic year FE credits are on target but HE FTEs are below target. Work is continuing to attract as many students as possible up until the October holidays while also focussing on January starts. UHI ranked 4th nationally in the 2025 NSS.

- **Financial -** The Board approved a baseline budget in June and a FRP in August and a FRP Monitoring Committee was established. Cashflow has remained positive due to mitigating actions agreed with the RSB, SFC and introduction of essential spending measures. Financial information will be reviewed monthly. Resources in the Finance team is again an issue with 2 resignations and other issues affecting available resource. We are awaiting the internal audit report on the Finance function and financial controls. Work on national job evaluation has restarted with considerable HR resource required over the next 2 years to provide information to the project.

- **Operational -** Removal of posts relating to HR, ICT and continuous improvement and lack of budget available to invest will negatively impact on our ability to improve systems and processes to streamline our operations and make them more efficient. This could impact on the student experience and the offer we can make compared to our competitors.

- **People -** The recent reduction of posts in professional services and reduction in budget available for academic contracted work has had a negative impact on staff morale leading to uncertainty about job security and more pressure at work due to reduced capacity and resource constraints.

- **Reputational -** The 2025 NSS ranked UHI 4th nationally showing high satisfaction amongst students. A contract was agreed recently with the Resource Group that will replace services provided by AST and will ensure that students can complete their BSC (Hons) in Aircraft Maintenance Engineering and Management and we have accepted new students into the programme. There was a lot of negative media attention about UHI Perth at the time of the last report, but this has not been the case over the summer and local press did a recent feature on the interim Principal that had a positive focus. We have increased work on environmental sustainability with a member of the Estates team dedicating significant time to this area and advice from consultants helping us improve our contribution to carbon reduction.

- **Strategy & External** Work continues on the UHI transformation project. Although there is a lot of activity, progress, outcomes and milestones need to be communicated and made more visible to academic partners. Inflation and the cost of living continue to impact on our students and staff and puts pressure on UHI Perth budgets. A pay award for support staff is still to be agreed for 25/26. Cyber risk is always present and there will be more reliance on UHI colleagues for technical support with the departure of the Director of Information Services. The annual work on the cyber essentials certification will start in October and will be completed in December."

Accountability Report
Corporate Governance Report

The Audit Committee agreed at the meeting on 8 December 2025 to recommend to the Board of Management, approval of a revised strategic risk register template which will highlight residual risks which exceed the risk appetite set by the Board.

Review of Effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. Her review of the effectiveness of the system of internal control is informed by:

- The work of the internal auditor
- The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- The comments made by UHI Perth's external auditor in their management letters and other reports.

The Board of Management has been advised on the implications of the review of the effectiveness of internal control by the Audit Committee, which oversees the work of the internal auditor.

The Senior Leadership Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by members of the Perth Leadership Group who represent every department across the College.

The Senior Leadership Team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control.

The Audit Committee considers risk at each Committee meeting and receives a copy of the College Strategic Risk Register which is updated quarterly by UHI Perth's Senior Leadership Team. The Board of Management receives reports thereon from the Audit Committee, the emphasis being on obtaining the relevant degree of assurance and not merely reporting by exception.

The Audit Committee reviewed the Internal Audit annual report at the meeting on x January 2026, which was further reviewed by the Board on 19 January 2026.

Significant Control Issues/Weaknesses

The Auditor General published a section 22 report on 25 September 2025 due to UHI Perth's failure to produce a budget for 2023/24. The Auditor General concluded that, although UHI Perth has begun addressing its financial management and governance weaknesses, it needs to continue to work with the University of the Highlands and Islands and the Scottish Funding Council to strengthen how the college operates. That needs to be done alongside finalising and implementing a robust financial recovery plan.

In March 2025, it was identified that there were errors in the budget and cashflow forecast resulting in a projected cashflow deficit of £1m in 31 July 2025. The errors were due to several challenges in the Finance Team including resource constraints, new team members that did not have corporate memory of UHI Perth finances and legacy issues with accounting arrangements. Board Directors requested that there was an internal audit carried out on the budgeting process so that lessons could be learned and improvements made. This review was extended to include a general review of key financial controls and an independent review of the Finance function.

In the year ending 31 July 2025, the internal auditor highlighted the following significant issues identified in their audit reports.

- "International Activity, issued in March 2025, was graded 'Satisfactory' overall, but included one priority 2 recommendation relating to the need to address potential single points of failure within the International team, which have not been fully mitigated by UHI Perth due to limited resource. This includes staff responsible for the processing of visas for students for both UHI Perth (and previously for AST).

- Publicity and Communications, issued in May 2025, was graded 'Requires Improvement' with three priority 2 recommendations raised. The report highlighted that UHI Perth does not have a Marketing and Communications Strategy in place which explicitly aligns with the UHI Perth Strategy 2022 – 2027, which means that marketing and communications activity may not be focused on the areas which will deliver the greatest impact in helping to achieve UHI Perth's strategic aims and objectives. The report also highlighted opportunities to improve UHI Perth's crisis communications arrangements, routine internal communications and UHI Perth's strategic oversight and direction over its communications activity.

- General review of Key Financial Controls and Independent Review of the Finance function, issued in December 2025, was graded as 'Requires Improvement', with 10 priority 2 recommendations raised to address significant weaknesses in financial procedures, control environment, budget setting process, and improving communication between the finance function and other parts of the organisation. We have been advised that UHI Perth's management were aware of these issues but there has not been capacity in the Finance team to fully address them. It is planned to change this position by increasing resources dedicated to financial issues.

- Follow-up Reviews, issued in December 2025, noted that UHI Perth has made some progress in implementing the recommendations followed-up as part of this review, with nine (24%) of the 37 recommendations followed-up being assessed as 'fully implemented'. Nine recommendations (24%) were assessed as 'partially implemented' and 13 recommendations (35%) were assessed as 'little or no progress made', which includes three priority 2 recommendations raised in a 2021 internal audit report on Asset Management. These have not yet been addressed due to staff resourcing issues but will be progressed once the new Chief Financial Officer (CFO) is in post. Due to the number of outstanding internal audit recommendations, the Audit Committee agreed, at its meeting on 30 September 2025, that resources should focus on priority 2 actions as the priority 3 actions were deemed lower risk. All 22 recommendations categorised as Partially Implemented or Little or No Progress will be subject to further follow-up as part of the 2025/26 internal audit programme. Six recommendations (16%) included in internal audit report 2023/24 - Follow-Up Reviews were 'considered but not implemented' by management.

There were no issues identifying major internal control weaknesses noted from the other internal audit work carried out during the year. In general, procedures were operating well in the areas selected, but a few areas for further strengthening or improvement were identified, and action plans have been agreed to address these issues."

Accountability Report
Corporate Governance Report

Going Concern

The financial sustainability challenges are set out in the Principal's report above. During the financial year 2024/25 the SFC provided an advance of grant totalling £1.5m to assist with the College's liquidity challenges repayable when the management accounts and cash flow statements indicate that it can be accommodated. The SFC sent the interim Principal of UHI Perth a letter of comfort in November 2025 confirming that they will work with the sector and individual colleges and regions to consider ways to help manage cash flow requirements for the period of 12 months from the date of approval of our balance sheet. The Board of Management therefore confirms that they consider UHI Perth to be a going concern over the period of 12 months from the date of signing the accounts as described in the Colleges Scotland Corporate Governance Code June 2022 (section 5.1.3) and that the financial statements have been prepared on this basis as set out in Note 1 of these financial statements. There is a presumption that there are no changes to the continued provision of services.

Accountability Report

Parliamentary Accountability Report

There are no significant losses or special payments that need to be reported in accordance with Managing Public Money.

Approved by order of the members of the Board of Management on **19 January 2026 and signed on its behalf by:**

Catherine Etri
Interim Principal & Chief Executive

Alistair Wylie
Interim Chair

Reporting on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of UHI Perth and its group for the year ended 31 July 2025 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Consolidated and College Statement of Comprehensive Income, Consolidated and College Statement of Changes in Reserves, Consolidated and College Balance Sheet, and the Consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of the affairs of the college and its group as at 31 July 2025 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 18 May 2022. Our period of appointment is five years, covering 2022/23 to 2026/27. We are independent of the college and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the college. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the college and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the college and its group. However, we report on the college's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

Risks of material misstatement

We report in our Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Responsibilities of the Board of Management for the financial statements

As explained more fully in the Statement of the Board of Management's Responsibilities, the Board of Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Board of Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Management is responsible for assessing the ability of the college and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the college and its group.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using our understanding of the college sector to identify that the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 are significant in the context of the college;
- inquiring of the College Principal as to other laws or regulations that may be expected to have a fundamental effect on the operations of the college;
- inquiring of the College Principal concerning the college's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among our team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

Independent auditor's report to the Board of Management of UHI Perth, the Auditor General for Scotland, and the Scottish Parliament (continued)

We obtained an understanding of the legal and regulatory framework that the body operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. This includes the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005.

- do not have a direct effect on the financial statements but compliance with which may be fundamental to the body's ability to operate or to avoid a material penalty. These include the Data Protection Act 2018 and relevant employment legislation.

As a result of performing the above, we identified the greatest potential for fraud was in relation to the following:

- Expenditure may be deliberately recorded in an incorrect period in an attempt to operate within the resource limit allocated by the Scottish Funding Council. In response to this risk, we obtained confirmation of the resource limit allocated by the Scottish Funding Council and tested a sample of accruals, and invoices received and paid around the year-end to assess whether they have been recorded in the correct period.

- Non-recurrent grant income could be intentionally recorded in an incorrect accounting period to manipulate the college's reported financial performance and position, thereby influencing stakeholder perceptions. In response to this risk, amongst other procedures, we evaluated the terms and conditions of non-recurrent grant income and assessed if these had been applied correctly.

In common with all audits under ISAs (UK) we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments, assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulation described as having a direct effect on the financial statements; and

- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatements due to fraud;

- enquiring of management and internal audit concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and

- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the college's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor’s responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Reporting on regularity of expenditure and income

Opinion on regularity

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Responsibilities for regularity

The Board of Management is responsible for ensuring the regularity of expenditure and income. In addition to our responsibilities in respect of irregularities explained in the audit of the financial statements section of our report, we are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on the audited parts of the Remuneration and Staff Report

We have audited the parts of the Remuneration and Staff Report described as audited. In our opinion, the audited parts of the Remuneration and Staff Report have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

Other information

The Board of Management is responsible for the other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited parts of the Remuneration and Staff Report.

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the

Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on the Performance Report and Governance Statement

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council; and

- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

Matters on which we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual report and accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Noel Simbarashe Jana, FCCA (Senior Statutory Auditor)
8th Floor, The Silver Fin Building
455 Union Street
Aberdeen
AB11 6DB
United Kingdom

19 January 2026

UHI Perth
Consolidated and College Statement of Comprehensive Income for the year ended 31 July 2025

	Notes	Year ended 31 July 2025 Continuing Operations	Discontinued Operations	Total	Year ended 31 July 2024 Continuing Operations	Discontinued Operations	Total
		£000	£000	£000	£000	£000	£000
Income							
Funding council grants	2	17,746	-	17,746	17,010	-	17,010
Tuition fees and education contrac	3	3,461	936	4,397	4,269	1,348	5,617
Other grants and contracts	4	444	-	444	509		509
Other income	5	3,831	43	3,874	4,152	47	4,199
Total Income		**25,482**	**979**	**26,461**	**25,940**	**1,395**	**27,335**
Expenditure							
Staff costs	6	20,195	909	21,104	20,621	1,230	21,851
Other operating expenses	9	6,467	438	6,905	6,521	593	7,114
Depreciation	13	2,147	16	2,163	2,321	41	2,362
Interest and other finance costs	10	-	1	1	-	4	4
Total Expenditure		**28,809**	**1,364**	**30,173**	**29,463**	**1,868**	**31,331**
(Deficit) before other gains & losses		**(3,327)**	**(385)**	**(3,712)**	**(3,523)**	**(473)**	**(3,996)**
Profit on disposal of discontinued operations	33	-	38	38	-	-	-
Taxation	11	-	-	-	-	38	38
Fixed asset impairment		-	-	-	-	-	-
(Deficit) for the year	12	**(3,327)**	**(347)**	**(3,674)**	**(3,523)**	**(435)**	**(3,958)**
Unrealised surplus/(loss) on revaluation of land and buildings and Assets held for resale		28	-	28	(77)	-	(77)
Actuarial gain/(loss) in respect of pension schemes	19A	772	-	772	129	-	129
Total Comprehensive loss for the year		**(2,527)**	**(347)**	**(2,874)**	**(3,471)**	**(435)**	**(3,906)**

UHI Perth
Consolidated and College Statement of Comprehensive Income for the year ended 31 July 2025

	Notes	Year ended 31 July 2025	Restated Year ended 31 July 2024
		College	College
		£000	£000
Income			
Funding council grants	2	17,746	17,010
Tuition fees and education contracts	3	3,461	4,269
Other grants and contracts	4	444	514
Other income	5	3,907	4,269
Total Income		**25,558**	**26,063**
Expenditure			
Staff costs	6	20,195	20,621
Other operating expenses	9	6,768	6,752
Depreciation	13	2,147	2,321
Total Expenditure		**29,110**	**29,694**
(Deficit) before other gains & losses		**(3,552)**	**(3,631)**
Taxation	11	-	-
Impairment of subsidiary		(20)	-
Gain/(Loss) on discontinued operations	33	-	-
Fixed asset impairment			
(Deficit) for the year	12	**(3,572)**	**(3,631)**
Unrealised gain/(surplus) on revaluation of land and buildings and Assets held for resale		28	(77)
Actuarial gain in respect of pension schemes	19A	772	129
Total Comprehensive Expenditure for the year		**(2,772)**	**(3,579)**

The Statement of Comprehensive Income is in respect of continuing and discontinued activities.

The Statement of Comprehensive Income is prepared under the FE/HE SORP. Colleges are also subject to Central Government accounting rules, but the FE/HE SORP does not permit colleges to include Government non-cash allocations for depreciation in the Statement of Comprehensive Income. Note 29 provides details of the adjusted operating position on a central government accounting basis and presents the underlying deficit for the year.

UHI Perth
Consolidated and College Statement of Changes in Reserves for the year ended 31 July 2025

	Year ended 31 July 2025		Restated Year ended 31 July 2024	
	Group	**College**	**Group**	**College**
	£000	**£000**	**£000**	**£000**
	Group	**College**	**Group**	**College**
Income & Expenditure Reserve				
Balance at 1 August	**4,438**	**4,336**	**6,979**	**6,550**
Deficit from the income and expenditure account	(3,674)	(3,572)	(3,958)	(3,631)
Actuarial gain/(loss) in respect of pension schemes	772	772	129	129
Transfers from revaluation reserve	1,405	1,405	1,288	1,288
Balance at 31 July	**2,941**	**2,941**	**4,438**	**4,336**
Revaluation Reserve				
Balance at 1 August	**34,368**	**34,368**	**33,371**	**33,371**
Revaluation	(28)	(28)	156	156
Write back of depreciation on revaluation	2,033	2,033	2,129	2,129
Transfer from Income & Expenditure reserve	(1,405)	(1,405)	(1,288)	(1,288)
Balance at 31 July	**34,968**	**34,968**	**34,368**	**34,368**

	Notes	Year ended 31 July 2025 Group & College	Restated Year ended 31 July 2024 Group	College
		£000	£000	£000
Non-current assets				
Tangible fixed assets	13	48,691	48,889	48,749
Investments	14	-	-	20
Total non-current assets		**48,691**	**48,889**	**48,769**
Current assets				
Stock		-	9	-
Trade and other receivables	15	778	2,072	1,807
Cash and cash equivalents	16	1,717	1,833	1,460
Total Current assets		**2,495**	**3,914**	**3,267**
Creditors – amounts falling due within one year	17	(5,105)	(6,106)	(5,441)
Net Current Liabilities		**(2,610)**	**(2,192)**	**(2,174)**
Total assets plus current assets		**46,081**	**46,697**	**46,595**
Creditors – amounts falling after more than one year	18	(4,258)	(4,389)	(4,389)
Provisions				
Pension provision	19	(700)	(798)	(798)
Other Provisions	19B	(3,214)	(2,704)	(2,704)
Total net assets		**37,909**	**38,806**	**38,704**
Unrestricted reserves				
Income & Expenditure reserve	31	3,641	5,236	5,134
Pension reserve	32	(700)	(798)	(798)
Revaluation reserve	30	34,968	34,368	34,368
Total reserves		**37,909**	**38,806**	**38,704**

The financial statements on pages 66 to 101 were approved by the Board of Management on 19 January 2026 and were signed on its behalf by:

Catherine Etri
Interim Principal and Chief Executive

Alistair Wylie
Interim Chair

UHI Perth
Consolidated Cashflow as at 31 July 2025

	Notes	Year ended 31 July 2025	Restated Year ended 31 July 2024
		£000	£000
Group cash flow from operating activities			
(Deficit) for the year		(3,674)	(3,958)
Adjustment for non-cash items			
Depreciation	13	2,163	2,362
Impairment of fixed asset		-	-
Deferred capital grants released to income	2	(277)	(339)
Gain on subsidiary in administration	33	(38)	-
(Increase) in stocks		-	(2)
Decrease / (Increase) in debtors	15	912	(640)
(Decrease) / Increase in creditors	17-18	(232)	1,365
Increase in provisions		510	495
Pension costs less contribution payable	19A	674	51
Adjustment for investing or financing activities			
Interest payable	10	1	4
Net cash inflow/(outflow) from operating activities		**39**	**(662)**
Cash flows from investing activities			
Deferred capital grant	20	84	76
Payments made to acquire fixed assets	13	(99)	(76)
Subsidiary in administration	33	(139)	-
Net cash outflows from investing activities		**(154)**	**(0)**
Cash flows from financing activities			
Interest paid	10	(1)	(4)
Net cash outflows from financing activities		**(1)**	**(4)**
Decrease in cash and cash equivalents in the year	16	**(116)**	**(666)**
Cash and cash equivalents at beginning of the year		**1,833**	**2,499**
Cash and cash equivalents at end of the year		**1,717**	**1,833**

1. Statement of Accounting Policies and estimation techniques

Legal status

The Board of Management of Perth College was established under the Further and Higher Education (Scotland) Act 1992 for the purposes of managing and conducting Perth College.

The Office for National Statistics reclassified colleges as part of Central Government for National Accounts purposes since 1 April 2014 and as such it is a public benefit entity.

The College is correctly registered in Scotland with the Office of the Scottish Charity Regulator ("OSCR") for charity status and is recognised by HM Revenue & Customs as a charity for tax purposes.

The registered office is UHI Perth, Crieff Road, Perth PH1 2NX.

Basis of preparation

UHI Perth has prepared its financial statements on a going concern basis as the Scottish Funding Council sent a letter of comfort confirming that they will work with the sector and individual colleges and regions to consider ways to help manage cash flow requirements for the period of 12 months from the date of approval of our balance sheet. On this basis the Board is satisfied that the College can continue in operation for the foreseeable future and for this reason the going concern basis continues to be adopted in the preparation of the financial statements. There is a presumption that there are no changes to the continued provision of services.

The activities of UHI Perth are over 65% funded by the Scottish Government through the Scottish Funding Council (SFC) to provide Higher and Further Education. The Board of Management and the Senior Leadership Team are responsible for ensuring that these funds are used to meet this purpose ensuring financial sustainability for UHI Perth.

UHI Perth recorded a deficit of £3.5 million before other gains and losses during the financial year and total comprehensive expenditure of £2.8 million. UHI Perth reported an adjusted operating deficit of £0.6 million as detailed on page 17. UHI Perth cash decreased by £0.1 million during the year.

At 31 July 2025 UHI Perth held no borrowings, although has had advance grant funding from the SFC of £1.5m, which will need to be repaid when the College is in a position to do so. UHI Perth is reporting a net asset position in these financial statements of £38 million. This includes a pension liability of £0.7 million for UHI Perth's share of the Tayside Local Government Pension Scheme (LGPS) and £3.2 million relating to job evaluation provision.

UHI Perth has reported operating deficits in recent years and preparation of the budget for 2025/26 and plans for the following two years identified increasing deficits, based on several assumptions. The RSB and SFC asked UHI Perth to put in place a Financial Recovery Plan (FRP) showing how the College would achieve financial sustainability. The UHI Board approved a FRP on 27 August 2025 that set out proposals to grow income and reduce costs, based on a range of assumptions, so that there is a balanced budget over a three-year period from 2025/26 to 2027/28. The RSB and the SFC has provided feedback on the FRP and the SFC has commissioned consultants PWC to carry out due diligence on the assumptions included.

There has been no confirmation from SFC on the status of the 2023/24 and 2024/25 funds retained by UHI for potential clawback. UHI Perth has not accounted for these funds being received either now or in the future.

The financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992, the Accounts Directions issued thereunder by the Scottish Funding Council, which requires compliance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), and the relevant Government Financial Reporting Model (FReM).

The statements have also been prepared in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS102).

UHI Perth has taken advantage of the exemptions provided in Paragraph 1.12 of FRS 102 and Paragraph 3.3 of the 2019 FE HE SORP and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the UHI Perth balance sheet discloses cash at both the current and preceding reporting dates.

Basis of accounting

The financial statements have been prepared under the historic cost convention modified by the revaluation of fixed assets.

Basis of consolidation

The consolidated accounts include the financial statements of UHI Perth, and its subsidiary undertaking made up to 31 July 2025. Intra group sales and profits are eliminated fully on consolidation.

Non-current assets - Tangible fixed assets

Land and buildings

Land and buildings are measured using the revaluation model and assets are revalued to fair value. Where appropriate, Depreciated Replacement Cost has been used as a measure of fair value for land and buildings, otherwise Market Value will be used.

UHI Perth has a policy of ensuring a full revaluation takes place at least every five years with an interim valuation in year three of each five-year cycle such that the fair value is not materially different to the current value. An independent full revaluation of the Land and Buildings was undertaken as at 31 July 2023 and a desktop revaluation exercise was undertaken at 31 July 2025. The increase in valuation and write back of depreciation charged since the last valuation has been transferred to the revaluation reserve. Depreciation and impairment losses are subsequently charged on the revalued amount over the remaining life of the assets.

In accordance with the performance model (SORP17.8), where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. Government grants are credited to a deferred capital grant account and are released to the Statement of Comprehensive Income over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Non-government grants are released to income when performance related conditions have been met. The deferred income is allocated between creditors due within one year and those due after more than one year.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred. They are not depreciated until they are brought into use.

Assets held for sale

Assets held for sale are accounted for at fair value less costs of disposal and disclosed separately within current assets. They are not depreciated.

Equipment

Equipment purchased as part of a capital building project is capitalised and depreciated over its useful economic life. Individual items of equipment purchased with values greater than £5,000 are capitalised at cost if deemed to have a minimum economic useful life of 3 years and not regarded as a repair to existing assets. Capitalised equipment is depreciated on a straight-line basis over its useful economic life as follows:

Motor vehicles and general equipment	Between 3 and 10 years
Computer equipment	Between 4 and 5 years

Where equipment is acquired with the aid of specific government grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the Statement of Comprehensive Income over the expected useful economic life of the related equipment.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Leased assets

Rental costs in respect of operating leases are charged to expenditure at the cost incurred during the year. Leasing arrangements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets, and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations, and the interest element is charged to the Statement of Comprehensive Income in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets. Assets held under hire purchase contracts, which have the characteristics of finance leases, are depreciated over their useful economic lives.

Investments

Fixed asset investments are carried at historical cost less any provision for a permanent diminution in their value.

Recognition of Income

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. This is equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. Income from tuition fees is recognised in the period to which it relates. Income from donations is included to the extent of the relevant expenditure incurred during the year. Recurrent grants from the SFC are recognised in the period to which they relate.

Capital grants from SFC or other government bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets, under the accrual method as permitted by FRS102.

Grants from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Accounting for post-employment benefits

The College participates in two multi-employer defined benefit pension schemes.

Teaching staff may join the Scottish Teachers' Superannuation Scheme (STSS), which is administered by the Scottish Public Pensions Agency (SPPA). UHI Perth is unable to identify its share of the underlying assets and liabilities of the STSS on a consistent and reasonable basis and therefore, as permitted by FRS102, applies multi-employer exemption and accounts for its participation in the STSS as if it were a defined contribution scheme. The contributions are determined by qualified actuaries based on periodic valuations and are recognised in the accounting periods in which they arise.

Professional Services staff may join the Local Government Pension Scheme (LGPS) which is administered by Dundee City Council. The fund is a defined benefit scheme, providing benefits based on a career average revalued earnings (CARE) basis, which is contracted out of the State Earnings-Related Pension Fund.

The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liabilities. Qualified actuarial valuations are obtained annually and are updated at each balance sheet date.

The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other comprehensive income.

In line with FRS102 where the calculation results in a net asset, recognition of the asset is limited to the extent to which UHI Perth can recover the surplus either through reduced contributions in the future or through refunds from the scheme. UHI Perth has assessed the recoverability of the asset on this basis and determined that it was appropriate that the plan surplus at 31 July 2025 is recognised in line with the requirements of FRS 102. The unfunded pension liability of £0.7 million at 31 July 2025 has been netted off against the asset. At 31 July 2025 there is a net defined benefit liability of £0.7 million.

Short term employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to UHI Perth. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Stocks

Stocks are items held for resale and are stated at the lower of their cost or net realisable value. Where necessary provision is made for obsolete, slow moving and defective stocks.

Cash and Cash Equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of three months or less from the date of acquisition.

Financial Liabilities and Equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All loans, investments and short-term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments be subsequently measured at amortised cost, however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Foreign Currency Translation

Transactions denominated in foreign currencies are recorded at the exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the year.

Taxation

UHI Perth is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, UHI Perth is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

UHI Perth is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

UHI Perth's subsidiary company, Air Service Training (Engineering) Limited that went into administration on 10 April 2025, was subject to corporation tax and VAT in the same way as any other commercial organisation. Air Service Training (Engineering) was part of the Perth College VAT group.

Tax relief was available on Air Service Training (Engineering) Limited's profits that were gift aided to the College.

Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred by the balance sheet date with certain limited exceptions.

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Provisions

Provisions are recognised when the institution has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

Revaluation reserve

Surpluses arising on the revaluation of UHI Perth's properties are transferred to the revaluation reserve. Additional depreciation charged on the revalued amount of these assets is transferred from revaluation reserve to the Income and Expenditure reserve together with any surplus or deficit on disposal of assets.

Agency arrangements

UHI Perth acts as an agent in the collection and payment of certain Student Support Funds. These funds are excluded from the Statement of Comprehensive Income, and movements have been disclosed in the notes to the accounts. Where UHI Perth has more discretion in the way specific funds are disbursed, and these funds do not meet the definition of agency funds, the income and expenditure relating to those funds are shown in the College's Statement of Comprehensive Income.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements no judgements are made other than making estimates. Management has made the following estimates.

Other key sources of estimation uncertainty

Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives considering residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on several factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are considered. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Land & Buildings are subject to a quinquennial valuation supplemented by an interim professional valuation in year three in line with the requirements of the FReM. Furthermore, a professional surveyor reviews land and buildings annually and submits an indexation report with reference to the condition and ongoing use of land & buildings.

Values at 31 July 2025 are included in Note 13.

Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on several factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2023 has been used by the actuary in valuing the pensions liability at 31 July 2025. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

In line with FRS102 where the calculation results in a net asset, recognition of the asset is limited to the extent to which UHI Perth can recover the surplus either through reduced contributions in the future or through refunds from the scheme. UHI Perth has assessed the recoverability of the asset on this basis and determined that it was appropriate that the plan surplus at 31 July 2025 is recognised in line with the requirements of FRS 102. The unfunded pension liability stands at £0.7m. There is an impact from an asset ceiling of £20.721m The final surplus to be recognised is nil.

2. Funding Council grants

	Year ended 31 July 2025 Group and College	Year ended 31 July 2024 Group and College
Continuing Operations	**£000**	**£000**
SFC FE recurrent grant (including fee waiver)	8,487	8,430
University of the Highlands and Islands recurrent grant	7,594	6,890
FE Childcare funds (note 28)	178	258
Release of government capital grants	277	339
Other SFC grants	1,120	821
Other University of the Highlands and Islands grants	90	272
	17,746	**17,010**

- Recurrent grants are provided to enable colleges/Regional Strategic Bodies (RSBs) to deliver activity in support of the SFC Outcomes Framework under the Further and Higher Education (Scotland) Act 2005.
- As a standard condition of funding, if a college/RSB does not deliver activity in support of the Outcomes Framework, or provide the assurances required under the Assurance Model, or does not meet any other conditions of grant, SFC will consider the recovery of grant and/or reductions in future funding. The figures in this table have already been reduced by any clawback.
- Other SFC Grants are mainly made up of estates grant funding (£731k) and support for increased employer's pension contributions (£245k), both of which are subject to the same funding conditions as recurrent grants.

3. Tuition Fees and education contracts

	Year ended 31 July 2025		Year ended 31 July 2024	
	Group	**College**	**Group**	**College**
Continuing Operations	**£000**	**£000**	**£000**	**£000**
UK Higher Education Students	2,852	2,852	2,942	2,942
UK Further Education Students	17	17	17	17
Management of Skills Development Scotland Contract	592	592	1,310	1,310
Total Continuing Operations	**3,461**	**3,461**	**4,269**	**4,269**
Discontinued Operations				
Tuition fees of subsidiary	936	-	1,348	-
	4,397	**3,461**	**5,617**	**4,269**

4. Other grants and contracts

	Year ended 31 July 2025	Year ended 31 July 2024	
	Group and College	Group	College
Continuing Operations	**£000**	**£000**	**£000**
Research Grants	183	59	64
Other grants and contracts	261	450	450
	444	**509**	**514**

5. Other income

	Year ended 31 July 2025		Year ended 31 July 2024	
	Group	College	Group	College
Continuing Operations	**£000**	**£000**	**£000**	**£000**
Residences and catering	1,006	1,006	1,007	1,007
Other income generating activities	1,542	1,542	1,599	1,599
Other income	1,283	1,359	1,546	1,663
	3,831	**3,907**	**4,152**	**4,269**
Discontinued Operations				
Other income	43	-	47	-
	3,874	**3,907**	**4,199**	**4,269**

Other income generating activities relates to other tuition income from students e.g. international income.
Other income relates to commercial income generated from e.g. the Academy of Sport and Wellbeing, hair and beauty treatments and the training restaurant.

6. Staff costs

	Year ended 31 July 2025		Year ended 31 July 2024	
	Group	College	Group	College
Continuing Operations	**£'000**	**£'000**	**£'000**	**£'000**
Wages and Salaries	14,867	14,867	16,120	16,120
Social security costs	1,550	1,550	1,450	1,450
Other pension costs	3,778	3,778	3,051	3,051
	20,195	**20,195**	**20,621**	**20,621**
Discontinued Operations				
Wages and Salaries	794	-	1,063	-
Social Security costs	85	-	114	-
Other Pension costs	30	-	53	-
	909	**-**	**1,230**	**-**
Total Staff Costs	**21,104**	**20,195**	**21,851**	**20,621**
Total staff costs split as follows:				
Continuing Operations				
Teaching departments - teaching staff	10,540	10,540	11,169	11,169
Teaching departments - other staff	1,693	1,693	2,161	2,161
Teaching support services	975	975	1,188	1,188
Administration and central services	4,307	4,307	3,902	3,902
Premises	897	897	854	854
Other income generating activities	517	517	771	771
Other income	592	592	525	525
Charge in relation to defined benefit pension	674	674	51	51
	20,195	20,195	20,621	20,621
Discontinued Operations				
Teaching departments - AST staff	510	-	709	-
Teaching support services – AST staff	399	-	521	-
	909	-	1,230	-
	21,104	**20,195**	**21,851**	**20,621**
Analysed as:				
Continuing Operations				
Staff on indefinite contracts	18,268	18,268	19,091	19,091
Staff on temporary contracts	1,253	1,253	1,479	1,479
Charge in relation to defined benefit pension	674	674	51	51
	20,195	20,195	20,621	20,621
Discontinued Operations				
Staff on indefinite contracts	886	-	1,206	-
Staff on temporary contracts	23	-	24	-
	909	-	1,230	
	21,104	**20,195**	**21,851**	**20,621**

6. Staff Costs – continued

Staff Numbers

The average monthly number of persons (including senior post-holders) employed by UHI Perth during the year, expressed as full-time equivalents, was:

	Year ended 31 July 2025		Year ended 31 July 2024	
Continuing Operations	**Group**	**College**	**Group**	**College**
Teaching departments - teaching staff	148	148	167	167
Teaching departments - other staff	18	18	24	24
Teaching support services	18	18	13	13
Administration and central services	75	75	101	101
Premises	24	24	25	25
Other	13	13	13	13
	296	296	343	343
Discontinued Operations				
Subsidiary (AST) staff	24	-	24	-
	320	296	367	343
Analysed as				
Continuing Operations				
Staff on indefinite contracts	277	277	321	321
Staff on temporary contracts	19	19	22	22
	296	296	343	343
Discontinued Operations				
Staff on indefinite contracts	23	-	23	-
Staff on temporary contracts	1	-	1	-
	24	-	24	-
	320	**296**	**367**	**343**

7. Higher paid staff – Continuing Operations

	Year ended 31 July 2025		Year ended 31 July 2024	
Salary range	**Number of senior post holders**	**Number of other staff**	**Number of senior post holders**	**Number of other staff**
£'000				
60-70	-	6	-	10
70-80	-	4	-	2
80-90	2	-	2	-
90-100	1	-	1	-
100-110	-	-	-	-
110-120	1	-	1	-
	4	**10**	**4**	**12**

8. Senior post holder emoluments – Continuing Operations

Senior post holders are defined as the principal (or chief executive) and holders of the other senior posts whom the board have selected for the purposes of the articles of government of the institution, relating to the appointment and promotion of staff who are appointed by the board of management.

	YE 2025 Group £000	YE 2024 Group £000
The number of senior post-holders including the principal was	4	6
Senior post-holder emoluments are made up as follows:		
Salaries	396	474
Pension Contributions	73	99
	469	**573**

The above emoluments include amounts payable to the Principal (who is also the highest paid senior post holder). During the year there was a change in Principal. Below details the emoluments of both post holders during the financial year.

	YE 2025	YE 2024
Principal M Cook resigned on 14 May 2025		
Salary*	173	120
Pension Contributions	27	29
	200	**149**
Interim Principal C Etri appointed 29 May 2025		
Salary	21	-
Pension Contributions	5	-
	26	**-**

*The above amount to M Cook includes £62.5K for pay in lieu of notice.

9. Other operating expenses

	Year ended 31 July 2025		Year ended 31 July 2024	
	Group	College	Group	College
Continuing Operations	**£000**	**£000**	**£000**	**£000**
Teaching Departments	1,225	1,526	1,175	1,406
Teaching support services	792	792	845	845
Administration and central services	1,360	1,360	1,144	1,144
Premises costs	1,647	1,647	1,742	1,742
Other income generating activities	117	117	117	117
Residences and catering	1,032	1,032	1,105	1,105
Other income	116	116	135	135
Other expenses – childcare grant (Note 28)	178	178	258	258
	6,467	6,768	6,521	6,752
Discontinued Operations				
Teaching Departments	138		216	-
Premises costs	208		238	-
Other income generating activities	92		139	
	438		593	
	6,905	**6,768**	**7,114**	**6,752**

Other operating expenses include: **Auditors' remuneration** **Continuing Operations**	**£000**	**£000**	**£000**	**£000**
External audit	55	55	40	40
Internal audit	25	25	37	37
	80	80	77	77
Discontinued Operations				
External audit	(1)	-	24	-

Operating leases	**£000**	**£000**	**£000**	**£000**
Hire of plant and machinery – continuing operations	108	108	93	93
Hire of other assets – discontinued operations	111	-	114	-

10. Interest payable

	Year ended 31 July 2025		Year ended 31 July 2024	
	Group	College	Group	College
	£000	£000	£000	£000
Repayable within 5 years, not by instalments	1	-	4	-
	1	**-**	**4**	**-**

11. Taxation – Discontinued operations

	Year ended 31 July 2025		Year ended 31 July 2024	
	Group	College	Group	College
	£000	£000	£000	£000
Taxation of subsidiary	-	-	(38)	-
	-	**-**	**(38)**	**-**

12. (Deficit) on continuing operations for the year

	Year ended 31 July 2025		Year ended 31 July 2024	
	Group	College	Group	College
	£000	£000	£000	£000
(Deficit) for the year	**(3,674)**	**(3,572)**	**(3,958)**	**(3,631)**
Less Discontinued operations	**347**	**245**	**435**	**108**
(Deficit on continuing operations)	**(3,327)**	**(3,327)**	**(3,523)**	**(3,523)**

13. Tangible Fixed Assets (Group)

	Freehold Land & Buildings	Equipment	Total
	£000	£000	£000
Cost or Valuation			
At 1 August 2024	48,289	6,112	54,401
Additions	-	99	99
Disposals	-	(831)	(831)
Revaluation	(28)	-	(28)
At 31 July 2025	**48,261**	**5,380**	**53,641**
Depreciation			
At 1 August 2024	-	5,512	5,512
Charge for the year	2,033	130	2,163
Disposals	-	(692)	(692)
Revaluation	(2,033)	-	(2,033)
At 31 July 2025	**-**	**4,950**	**4,950**
Net Book Value			
At 31 July 2025	48,261	430	48,691
At 31 July 2024	48,289	600	48,889

An indexation exercise was carried out with respect to UHI Perth’s Land & Buildings as at 31 July 2025 in line with the requirements of the FreM, to ensure that any material change in valuation of land & buildings is accounted for. This exercise resulted in a reduction in the fair value of the assets of £0.028 as at 31 July 2025.

Inherited Land and buildings with a net book value of £5.1M at 31 July 2025 (£5.3m at 31 July 2024) have been financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Scottish Funding Council to surrender the proceeds.

13. Tangible Fixed Assets (College) - continued

	Freehold Land & Buildings	Equipment	Total
	£000	£000	£000
Cost or Valuation			
At 1 August 2024	48,289	5,296	53,585
Additions	-	84	84
Disposals	-	-	-
Revaluation	(28)	-	(28)
At 31 July 2025	**48,261**	**5,380**	**53,641**
Depreciation			
At 1 August 2024	-	4,836	4,836
Charge for the year	2,033	114	2,147
Disposals	-	-	-
Revaluation	(2,033)	-	(2,033)
At 31 July 2025	**-**	**4,950**	**4,950**
Net Book Value			
At 31 July 2025	48,261	430	48,691
At 31 July 2024	48,289	460	48,749

14. Investments

	Year ended 31 July 2025		Year ended 31 July 2024	
	Group	College	Group	College
	£000	£000	£000	£000
Investment in subsidiary company	-	-	-	20
	-	**-**	**-**	**20**

UHI Perth owned 100% of the issued ordinary £1 shares of Air Service Training (Engineering) Limited, a company incorporated in Great Britain and registered in Scotland. The principal business activity of Air Service Training (Engineering) Limited was the provision of training and education in the field of aeronautical engineering.

In the year to 31st July 2024, the Company reported a deficit after taxation of £326,855, prior to removal of intercompany trading transactions, which resulted in a net asset position of £123,924 at 31 July 2024. Administrators were appointed to Air Service Training (Engineering) Ltd on 10 April 2025 and this investment was impaired in full at 31 July 2025.

15. Trade and other receivables

	Year ended 31 July 2025		Year ended 31 July 2024	
	Group	College	Group	College
	£000	£000	£000	£000
Trade Debtors	317	317	1,446	1,208
Amounts owed by Subsidiary	-	-	-	98
Prepayments & accrued income	461	461	626	501
	778	**778**	**2,072**	**1,807**

16. Cash and cash equivalents

	At 31 July 2024	Cash Flows	At 31 July 2025
	£000	£000	£000
Cash and cash equivalents	1,833	(116)	1,717
	1,833	(116)	1,717

17. Creditors – amounts falling due within one year

		Year ended 31 July 2025		Year ended 31 July 2024	
		Group	College	Group	College
		£000	£000	£000	£000
Trade creditors		443	443	618	559
Amounts owed to Group undertakings		-	-	1	-
Other creditors		342	342	438	426
Advance of Grant Funding		1,500	1,500	-	-
Other taxation and social security		364	364	761	729
Accrued charges		273	273	2,128	1,947
Deferred Income		1,761	1,761	1,709	1,328
Deferred income – capital grants	Note 20	277	277	339	339
Unspent student support funds	Note 27	145	145	112	112
		5,105	**5,105**	**6,106**	**5,441**

Advance of Grant Funding of £1.5m was received from SFC in the year to 31 July 2025. This was required due to various factors including a deficit in 2023/24, the three-year backdated pay awards being made to academic and professional services staff between July and October 2024 and one-off voluntary severance costs. The letter from SFC set the condition that the advance of grant is repayable/ recoverable from future grant-in-aid payments when college management accounts and cash-flow statements indicate these can be accommodated.

18. Creditors – amounts falling due after more than one year

	Year ended 31 July 2025		Year ended 31 July 2024	
	Group	**College**	**Group**	**College**
	£000	**£000**	**£000**	**£000**
Deferred income - capital grants	4,258	4,258	4,389	4,389
				-
	4,258	**4,258**	**4,389**	**4,389**

Deferred Income is made up of deferred capital grants as detailed in Note 20.

19. A. Pension Provision

	Year ended 31 July 2025	Year ended 31 July 2024
	Group and College	**Group and College**
	£000	**£000**
At 1 August	798	876
Actuarial (Gain)/Loss in Year	(772)	(129)
Transfer of pension scheme asset	-	-
Net pension Service Cost in Year	674	51
At 31 July	**700**	**798**

The provision is solely in relation to defined benefit obligations relating to the liabilities under UHI Perth's membership of the Local Government Pension Scheme. Further details are given in note 21.

19. B. Other Provisions

	Year ended 31 July 2025	Year ended 31 July 2024
	Group and College	**Group and College**
	£000	**£000**
Other Provisions – Job Evaluation		
At 1 August	2,704	2,209
Increase in provision	510	495
At 31 July	**3,214**	**2,704**

A national Job Evaluation review across the College sector started in 2018 but is still outstanding and any changes would be backdated to 2018. There are indications from College Employers Scotland that this could be implemented in the next two years. UHI Perth has provided based on the salary costs of staff employed in 2018 rather than current costs and there is uncertainty whether the costs associated with Job Evaluation would be fully funded by Scottish Government. In the year ended 31 July 2024 there was an Accounts Direction requiring it to be reclassified as a provision. This treatment remains unchanged at 31 July 2025.

20. Deferred capital grants included within creditors

	Government £000	Non-Government £000	Total £000
Balance at 1 August 2024			
Land & Buildings	**3,993**	**273**	**4,266**
Equipment	**463**	**-**	**463**
	4,456	**273**	**4,729**
Cash received			
Land & Buildings	-	-	-
Equipment	84	-	84
	84	**-**	**84**
Reclassified from deferred income			
Land & Buildings	-	-	-
Equipment	-	-	-
	-	**-**	**-**
Released to income & expenditure account			
Land & Buildings	(123)	-	(123)
Equipment	(154)	-	(154)
	(277)	**-**	**(277)**
At 31 July 2025	**4,263**	**273**	**4,536**
Land & Buildings	**3,870**	**273**	**4,143**
Equipment	**393**	**-**	**393**
	4,263	**273**	**4,536**

Government grants are all SFC funding, received and used to acquire assets which have subsequently been capitalised to the balance sheet. Non-Government grants are those from other funding sources and are deferred until they have been used to acquire the assets for which they were given.

21. Defined benefit obligations

	Year ended 31 July 2025	Year ended 31 July 2024 Restated
	£000	£000
Total pension cost for the year		
Scottish Teachers' Superannuation Scheme: contributions paid	2,240	1,881
Local Government Pension Scheme:		
Contributions paid	1,045	953*
Pension Adjustment – Net Service Cost	674	51*
Total pension cost for year within staff costs	**3,959**	**2,885**

*Prior year values restated as net service cost was included within contributions paid in prior year in error.

UHI Perth's employees belong to two principal post-employment benefit schemes: the Scottish Teachers' Superannuation Scheme (STSS) and the Tayside Superannuation Scheme, the Local Government Pension Scheme (LGPS), which is managed by Dundee City Council. Both are multi-employer defined-benefit schemes.

Scottish Teachers Superannuation Scheme

(a) UHI Perth participates in the Scottish Teachers' Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last valuation was undertaken as at 2020 which necessitated the increase of employer contribution rate for the Scottish Teachers Pension Scheme (STPS). This valuation informed an increase in the employer contribution rate from 23.0% to 26.0% of pensionable pay from 1 April 2024 and an anticipated yield of 9.6% employees' contributions.

(b) UHI Perth has no liability for other employers' obligations to the multi-employer scheme.

(c) As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme

(d i) The scheme is an unfunded multi-employer defined benefit scheme.

(ii) It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where UHI Perth is unable to identify its share of the underlying assets and liabilities of the scheme.

(iii) The employer contribution rate for the period from 1 April 2024 is 26% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.6% of pensionable pay.

(iv) UHI Perth's level of participation in the scheme is 93.6% based on analysis of the payroll at the end of July 2025 (85.6% at 31 July 2024).

21. Defined benefit obligations - continued

Local Government Pension Scheme (Tayside Superannuation Fund)

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contributions made (including unfunded) for the year ended 31 July 2025 were £1,409k, of which employer's contributions totalled £1,045k and employees' contributions totalled £364k. The agreed contribution rates for future years are 15.7% for employers and range from 5.5% to 12% for employees, depending on salary. Additionally, UHI Perth has agreed with the Tayside Pension Fund that they will pay £681,045.07 plus interest of £53,895.68 totalling £734,940.75 over the next three years to fund the pension strain costs of 12 members of staff arising from voluntary redundancies over the period October 2023 to September 2024 (inclusive).

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2023 by a qualified independent actuary.

	As at 31 July 2025	As at 31 July 2024
Discount rate	5.75%	5.05%
Pension increases (CPI)	2.80%	2.85%
Salary increases	3.80%	3.85%
Inflation assumption (RPI)	3.10%	3.20%
Commutation of pensions to lump sums	50.00%	50.00%
Assumed life expectations from age 65 are	**Years**	**Years**
Retiring today		
Males	19.1	18.8
Females	21.7	21.6
Retiring in 20 years		
Males	20.5	20.2
Females	23.2	23.1

	Year ended 31 July 2025 £000	Year ended 31 July 2024 £000
The amount included in the balance sheet in respect of the defined benefit pension scheme is as follows:		
Fair value of scheme assets	51,168	44,440
Present value of scheme liabilities	(30,897)	(32,745)
Present value of unfunded liabilities	(700)	(798)
Impact of asset ceiling	(20,271)	(11,695)
Net pensions (liability)	**(700)**	**(798)**
The Fair value of the College's estimated share of assets in the scheme at the balance sheet date	**£000**	**£000**
Equities	34,888	34,225
Gilts	3,113	2,972
Other bonds	3,196	2,225
Property	8,946	4,108
Cash	1,026	877
Alternatives	(1)	33
Total fair value of scheme assets	**51,168**	**44,440**

21. Defined benefit obligations - continued

Actual return on scheme assets	**7,460**	**2,214**

The return on the Fund for the year to 31 July 2025 is estimated to be 16.91% per actuarial report (5.24% return at 31 July 2024).

	Year ended 31 July 2025	Year ended 31 July 2024
	£000	£000
Amounts recognised in the Statement of Comprehensive Income in respect of the scheme are as follows:		
Amounts included in staff costs		
Service cost	1,652	960
Finance charges	48	25
Admin expenses	19	19
Total	**1,719**	**1,004**
Amount recognised in Other Comprehensive Income		
Return on Fund assets in excess of interest	5,234	39
Other actuarial gains/(losses) on assets	-	-
Change in financial assumptions	4,001	(546)
Change in demographic assumptions	(171)	83
Experience gain/(loss) on defined benefit obligation	(307)	153
Changes in effect of asset ceiling	(7,985)	400
Amount recognised in Other Comprehensive Income	**772**	**129**
Movement in net defined benefit liability during the year		
Net defined benefit liability in scheme at 1 August	**(798)**	**(876)**
Movement in year: -		
Current service cost	(923)	(820)
Past service cost	(729)	(140)
Employer contributions	1,045	953
Net interest on the defined liability	(48)	(25)
Administration expenses	(19)	(19)
Actuarial gain	772	129
Net defined (liability)/asset	**(700)**	**(798)**

In line with FRS102 where the calculation results in a net asset, recognition of the asset is limited to the extent to which UHI Perth can recover the surplus either through reduced contributions in the future or through refunds from the scheme. UHI Perth has assessed the recoverability of the asset on this basis and determined that it was appropriate that the plan surplus at 31 July 2025 is recognised in line with the requirements of FRS 102. The unfunded pension liability stands at £0.7m. There is an impact from an asset ceiling of £20.271m. The final surplus to be recognised is nil.

20. Defined benefit obligations - continued

	Year ended 31 July 2025	Year ended 31 July 2024
	£000	£000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	**33,543**	**31,594**
Current service cost	923	820
Interest cost	1,683	1,608
Change in financial assumptions	(4,001)	546
Change in demographic assumptions	171	(83)
Experience loss on defined benefit obligations	307	(153)
Estimated benefits paid net of transfers in	(1,999)	(1,114)
Past service Costs, including curtailments	729	140
Contributions by Scheme participants and other employers	364	303
Unfunded pension payments	(123)	(118)
Defined benefit obligations at end of period	**31,597**	**33,543**
Changes in fair value of Fund assets		
Fair value of Fund assets at start of period	**44,440**	**42,221**
Interest on assets	2,226	2,175
Return on assets less interest	5,234	39
Administration expenses	(19)	(19)
Contributions by employer including unfunded	1,045	953
Contributions by Scheme participants and other employers	364	303
Estimated benefits paid plus unfunded net of transfers in	(2,122)	(1,232)
Fair value of Fund assets at end of period	**51,168**	**44,440**

In June 2023, the UK High Court issued a ruling in the case of Virgin Media Limited v NTL Pension Trustees II Limited and other relating to the validity of certain historical pension changes. This case may have implications for other defined schemes in the UK.

On 5 June 2025, the Department for Work and Pensions (DWP) published an announcement noting the plan to introduce new legislation in response to the Virgin Media vs NTL Trustees ruling. The legislation will allow affected pension schemes to retrospectively obtain written actuarial confirmation that historic changes to scheme rules met the required standards. The new legislation is hoped to provide clarity to affected schemes. No further information has been provided at this time. The LGPS actuary has allowed for the McCloud judgement in the calculation of the latest funding valuation results. The employer's funding valuation results are used as the starting point for the accounting roll forward calculations and therefore an allowance is included in the accounting disclosure.

22. Summary pensions note

	Year ended 31 July 2025 £000	Year ended 31 July 2024 £000
The analysis of amounts charged to the Statement of Comprehensive Income (SOCI) is as follows:		
Charged to staff costs		
Current service cost	(923)	(820)
Past service cost	(729)	(140)
Total charged to staff costs	**(1,652)**	**(960)**
Credit/charge for net return on pension scheme		
Interest income	2,226	2,175
Interest cost	(1,683)	(1,608)
Net interest charges	**543**	**567**
Credit/charge to other comprehensive income		
Return on assets	5,234	39
Other experience	(478)	236
Gains and losses arising on charges in financial assumptions	4,001	(546)
Changes in effect of asset ceiling	(7,985)	400
Actuarial Gain (Loss)	**772**	**129**
Total charge to the SOCI	**(337)**	**(264)**
Analysis of the movement in deficit during the year		
(Deficit) in scheme at the start of the year	(798)	(876)
Service costs	(1,652)	(960)
Employer contributions	1,045	953
Net interest costs	(48)	(25)
Administration expenses	(19)	(19)
Actuarial Gain	772	129
Deficit in scheme at the end of the year	**(700)**	**(798)**

The actuaries considered the impact of new legal rulings impacting the liabilities in the fund. In relation to the Goodwin judgement, the actuaries have confirmed they did not allow for the impact within the FRS102 report, as consultation is currently ongoing.

23. Post balance sheet events

In November 2025 there was a flood in the lecture theatre and IT suite in the Brahan building, caused by water ingress through the floor, resulting in these areas being unavailable for use until the issue is resolved. The financial impact is still to be determined.

24. Capital commitment

	Year ended 31 July 2025		Year ended 31 July 2024	
	Group	College	Group	College
	£000	£000	£000	£000
Commitments contracted for at 31 July	21	21	14	14
	21	**21**	**14**	**14**

25. Lease obligations

	Year ended 31 July 2025		Year ended 31 July 2024	
	Group	College	Group	College
	£000	£000	£000	£000
At 31 July the Group had minimum lease payments under non-cancellable operating leases as follows:				
Land and buildings				
Expiring within one year	-	-	157	-
Expiring within two and five years inclusive	-	-	597	-
Other				
Expiring within one year	18	18	15	15
Expiring within two and five years inclusive	25	25	-	-
	43	**43**	**769**	**15**

26. Related party transactions

Company	Member(s)	Position in organisation	Sales (£000)	Purchases (£000)
Colleges Scotland	Dr Margaret Cook	Director	1	-
APUC Limited	Dr Margaret Cook	Director	3	105
Perth & Kinross Council	David Macluskey	Strategic Lead Education & Learning	104	283
			108	388

Due to the nature of UHI Perth's operations and the composition of the Board of Management (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Management may have an interest. All transactions involving organisations in which a member of the Board of Management or the Senior Leadership Team may have an interest are conducted at arm's length and in accordance with UHI Perth's financial regulations and normal procurement procedures. Transactions during the year with organisations in which a member of the Board of Management may have a material interest are noted above:

The Perth College Development Trust 2004 (The Development Trust) was established to provide financial and other assistance for UHI Perth and its students. There are no transactions between the two entities in this period. UHI Perth nominates Trustees to the board of the Trust and administers the Trust on a day-to-day basis.

Dr Margaret Cook (resigned 14 May 2025), Graham Watson (resigned 3 April 2025), Catherine Etri (appointed 29 May 2025) and Alistair Wylie (appointed 9 April 2025) were Trustees of The Development Trust during the year to 31 July 2025. For the year ended 31 July 2025, the Development Trust had a net surplus of £1,977 and net assets of £64,374. UHI Perth therefore decided not to consolidate the accounts on the basis of materiality.

27. Bursaries and other student support funds

	Bursary	FE Hardship	EMA	HE Hardship	Year ended 31 July 2025 Total	Restated Year ended 31 July 2024 Total
	£000	£000	£000	£000	£000	£000
Balance brought forward	**93**	**11**	**-**	**19**	**123**	**131**
Allocation received in year	1,927	221	79	-	2,227	2,530
Expenditure	(1,911)	(115)	(75)	-	(2,101)	(2,410)
Repaid to SFC/UHI (Clawback)	(93)	(11)	-	-	(104)	(128)
Balance carried forward	**16**	**106**	**4**	**19**	**145**	**123**
Represented by:						
Repayable to SFC/UHI as clawback	**16**	**106**	**4**	**19**	**145**	**123**
Other amounts	**-**	**-**	**-**	**-**	**-**	**-**

Bursary funds, Higher Education Hardship (HE), Further Education Hardship (FE) and Education Maintenance Allowances (EMAs) are available solely for students, and UHI Perth acts only as a paying agent. The income and related disbursements are therefore excluded from the Income and Expenditure Account.

28. Childcare funds

	Year ended 31 July 2025	Restated Year ended 31 July 2024
	£000	**£000**
Balance brought forward	**92**	**48**
Allocation received in year	342	350
Expenditure	(178)	(258)
Repaid to SFC/UHI (Clawback)	(92)	(48)
Balance carried forward	**164**	**92**
Represented by:		
Repayable to SFC/UHI as clawback	**164**	**92**
Retained by College for students	**-**	**-**

The income and related disbursements are included in the Income and Expenditure Account.

29. Government non-cash allocation for depreciation

	Year ended 31 July 2025		Restated Year ended 31 July 2024	
	Group	**College**	**Group**	**College**
	£000	**£000**	**£000**	**£000**
Deficit) before other gains and losses (FE/HE SORP basis)	(3,712)	(3,552)	(3,958)	(3,631)
Add back: Non-cash allocation for depreciation	2,163	2,147	2,361	2,321
Deferred capital grant	(277)	(277)	(339)	(339)
Operating(deficit) on Central Government accounting basis	**(1,826)**	**(1,682)**	**(1,935)**	**(1,649)**

Following reclassification, colleges received additional non-cash budget to cover depreciation, but this additional budget is not recognised under the FE/HE SORP accounting rules. As a result, colleges show a deficit equivalent to net depreciation (where funds are spent on revenue items) to meet Government accounting rules and the requirement to spend the entire cash allocation.

Under the FE/HE SORP, the College recorded an operating deficit of (£3,552,000) for the year ended 31 July 2025. After taking account of the Government non-cash budget, the College shows an “adjusted” deficit of (£1,682,000) on a Central Government accounting basis.

The deficit is attributable to other factors reflected in the adjusted operating table and also the impact of factors such as inflationary pressure and other issues as explained in the Performance Report.

30. Revaluation reserve

	Year ended 31 July 2025		Restated Year ended 31 July 2024	
	Group	College	Group	College
	£000	£000	£000	£000
At 1 August	**34,368**	**34,368**	**33,371**	**33,371**
Revaluation	(28)	(28)	156	156
Write back of depreciation on revaluation	2,033	2,033	2,129	2,129
Transfer to income and expenditure reserve	(1,405)	(1,405)	(1,288)	(1,288)
At 31 July	**34,968**	**34,968**	**34,368**	**34,368**

The revaluation reserve represents the cumulative effect of revaluations of freehold land and buildings which are revalued to fair value at each reporting date.

31. Income and Expenditure reserve

The income and expenditure reserve represents cumulative surplus or deficits for the current and preceding years.

	Year ended 31 July 2025		Restated Year ended 31 July 2024	
	Group	College	Group	College
	£000	£000	£000	£000
At 1 August	**5,236**	**5,134**	**7,855**	**7,426**
Deficit for the year	(3,674)	(3,572)	(3,958)	(3,631)
Transfer from revaluation reserve	1,405	1,405	1,288	1,288
Transfer to income and expenditure account	674	674	51	51
At 31 July	**3,641**	**3,641**	**5,236**	**5,134**

32. Pension reserve

The Pension reserves presents the value of all future payments that will be made to retirees or beneficiaries under a pension plan. This value is calculated using mortality tables and other actuarial assumptions to estimate how much money needs to be set aside today to meet future obligations. Where there is a pension liability this may require some or all of the available other reserves to be used to meet all or part of that liability. The ability to meet a pension liability will depend upon UHI Perth's ability to finance such liability out of its current and future income.

	Year ended 31 July 2025 Group and College	Year ended 31 July 2024 Group and College
	£000	£000
At 1 August	**(798)**	**(876)**
Actuarial gain in respect of pension scheme	772	129
Pension service costs transfer to income and expenditure account	(674)	(51)
At 31 July	**(700)**	**(798)**

33. Administration of subsidiary undertaking

On 10 April 2025, an administrator was appointed to Air Service Training (Engineering) Ltd (AST) by the Board of AST. On this date Perth College handed 100% of it's investment in the ordinary share capital of Air Service Training (Engineering) Ltd (AST) over to the administrators. The loss of Air Service Training (Engineering) Ltd up to the date of administration was £123K and for its last financial year was £327K.

	£000
Fixed Assets	139
Current Assets	
Stock	9
Trade and other receivables	384
Cash and cash equivalents	136
Creditors	(706)
Provision for liabilities	-
Net Liability	(38)
Gain on loss of control in subsidiary	38
Proceeds received on liquidation of subsidiary	-
Satisfied By:	
Cash and cash equivalents	-
Deferred Consideration	-
	-
Net cash inflows in respect of the sale comprised:	
Cash and cash equivalents	136
Less: cash and cash equivalents disposed of:	(136)
	-

34. Prior Year Adjustment

The prior period financial information has been restated to correct errors in respect of the depreciation charge and the annual transfer between revaluation reserves and Income and expenditure reserve. The error does not impact net assets. The impacted on previously reported financial information for year ended 31 July 2024 is as follows:

	Group Previous reported	Group Depreciation restatement		Group Restated	College Previously reported	College Depreciation Restatement		College Restated
		Charge	Transfer			Charge	Transfer	
	£000	£000	£000	£000	£000	£000	£000	£000
Income and Expenditure								
Depreciation charge	1,719	643		2,362	1,678	643		2,321
Deficit for the year	3,315	643		3,958	2,988	643		3,631
Balance Sheet								
Revaluation reserve	35,013	643	(1,288)	34,368	35,013	643	(1,288)	34,368
Income and expenditure reserve	3,793	(643)	1,288	4,438	3,691	(643)	1,288	4,336

ACCOUNTS DIRECTION FOR SCOTLAND'S COLLEGES 2024/25

It is the Scottish Funding Council's direction that institutions comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts.

Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (RSB) (for assigned colleges).

Incorporated colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2024-25 (FReM) where applicable. In cases where there is a conflict between the FReM and the SORP, the latter will take precedence.

Incorporated colleges and Glasgow Colleges' Regional Board must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2025.

The annual report and accounts should be signed by the chief executive officer / Executive Director and by the chair, or one other member of the governing body.

Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council

14 August 2025

Paper 2a

Perth College

Final report to the Audit Committee, UHI Perth and the Auditor General for Scotland on the 2024/25 audit
19 December 2025

Our final report

Contents

01 Final report

02 Appendices

Partner introduction

Partner introduction

The key messages in this report

This report summarises the key findings from our audit of UHI Perth (“the College”) and its subsidiary (collectively “the Group”) for the year ended 31 July 2025 (also referred to as “24/25 financial year”). I would like to draw your attention to the key messages of this paper:

Scope of the audit and materiality
Our Group audit was performed to a materiality of £609k and a clearly trivial threshold at £30k. Uncorrected misstatements identified during the audit increase the deficit for the year by £48k, opening reserves by £18k and reduce net assets by £30k. Management do not consider these to materially impact the overall financial performance and position presented in the financial statements and have therefore not corrected the errors. While we encourage correction of all misstatements, we concur with management’s conclusion on the basis these errors are immaterial (slide 38).

Significant audit risks
Significant audit risks identified in our planning report to the Audit Committee are:

- Operating within the funding provided;
- Completeness of income; and
- Management override of controls.

We have no significant findings in respect of these significant audit risks.

Other areas of audit focus
Accounting for Air Service Training (Engineering) Limited (“AST”) administration: The AST Board resolved to place the company under voluntary administration. Henderson Loggie were appointed as administrator on 10 April 2025 to facilitate the voluntary administration. Appointment of an administrator ceded the control of AST to the administrator with effect from the date of the administrator's appointment. The overall accounting for this transaction was subject to focused audit procedures due to it being an unusual transaction with a material impact on the financial statements presentation and disclosure. The College realised a gain of £38k from the transfer of control of AST to an administrator which represented AST’s net liabilities on the date of the appointment of the administrator. We have no significant findings in our work on this matter.

Other areas of audit focus: We also identified the accounting and related disclosure of the College’s pension fund as an area of audit focus due to the associated level of judgment, complexity and estimation risk. Our work on the audit of the pension identified an error in account of pension strain costs of £798k which has been corrected in the financial statements due to inaccurate membership information being provided to the actuary by the Pension Fund administrators.

Partner introduction (continued)

Wider Scope requirements

The Code of Audit Practice broadens our audit procedures through the requirement for us to perform procedures on the College's processes in financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes (scope referred to as "wider scope"). In our planning report to the Audit Committee, we identified significant risks in respect to the following aspects of wider scope:-

- **Financial management** – the College did not prepare a budget for the year ended 31 July 2024 due to resourcing challenges and this matter was the subject of a section 22 report from the Auditor General. We note management have rectified this in the current period, with a budget for the year ended 31 July 2025 being prepared and approved by the College's Board of Directors ("the Board") on 18 December 2024. In October and November 2024, the SFC provided total advance funding of £1.5m to UHI Perth as there was a cash shortfall resulting from various factors including a deficit in 2023/24, the three year back-dated pay awards being made to academic and professional services staff between July and October 2024 and one-off voluntary severance costs. Management identified an omission from the budget of £765k related to catering expenditure in March 2025, which also impacted on the cashflow outflows. Management attributed the error to staff who were new to the College Finance Team that did not have corporate memory of UHI Perth Finances, resourcing constraints in the Finance Team and legacy issues with accounting arrangements. At this time it was identified that clawback payments to the Student Funding Council ("SFC") of £800k should also have been reflected as a cashflow outflow meaning that a cashflow deficit of £1m was then forecasted in July 2025. This projected cash shortfall prompted negotiations with various stakeholders which culminated in deferral of clawback payments (£700k) to the Regional Strategic Body (RSB) and reprofiling to allow early drawdown of 2025/26 funding from the Scottish Funding Council (SFC). UHI Perth also instigated essential spend measures. Overall we note the College continues to make improvements to the control environment, albeit there are control improvements yet to be implemented mainly due to resourcing challenges. (slide 27)

- **Financial sustainability** – There was a deficit budget of £1.3m for the year ended 31 July 2025. Based on information at the half-way point to 31 January 2025, and after identification of the omission in relation to catering expenditure, there was a forecast deficit of £1.8m. However, the position subsequently improved due mainly to the identification of income streams, and the audited adjusted operating position shows an actual deficit of £0.6m. Given the forecasted cashflow deficit in July 2025, the SFC asked UHI Perth to prepare a recovery plan before advancing further funding. The financial recovery plan was approved by the Board on 27 August 2025 and action is being taken by management to deliver the proposals within it. Overall we note the College is in the process of implementing a financial recovery plan designed to improve the short to medium term liquidity shortfalls (slide 30).

Independence: In accordance with ethical requirements, we confirm our independence, we have not provided any non audit services to the College.

We would like to thank management for their cooperation during the audit.

Noel Simbarashe Jana
Audit Director

Annual report and accounts audit

Quality indicators

Impact on the execution of our audit

Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading	Reason	Further detail
Timing of key accounting judgements	!	The key accounting matters impacting the current year financial statements being the loss of control of AST and accounting for pension strain were only considered in detail during the audit. Complex accounting matters should be addressed timely to ensure accurate financial reporting.	n/a
Adherence to deliverables timetable	!	The accounting assessment of AST and pension strain liability took longer than expected which impacted the timing of finalisation of the draft financial statements.	n/a
Access to finance team and other key personnel		The finance team was available at most times when we required their input.	n/a
Quality and accuracy of management working papers	!	The working papers received were largely of acceptable quality.	n/a
Quality of draft Annual Report and Accounts	!	Numerous presentational and disclosure points raised on the draft version of the Annual Report and Accounts in relation to pensions and AST.	n/a
Response to control deficiencies identified	!	Control deficiencies identified in the prior year are still in the process of being addressed. Implementation has been impacted by capacity and transition in the finance team, particularly at leadership level.	n/a
Volume and magnitude of identified errors	!	We have not identified a significant volume of errors. We however noted individually material errors in the depreciation charge (£644k) for the year and accounting for the pension strain amounting to (£798k)	20

! Lagging ! Developing Mature

Our audit explained

We tailor our audit to your business and your strategy

Identify changes in your business and environment

In our planning report we identified the key changes in your business and articulated how these impacted our audit approach.

Scoping

Our planning report set out the scoping of our audit in line with the Code of Audit Practice. We have completed our audit in line with our audit plan except for finalisation timelines that were revised due to unforeseen circumstances.

Other findings

As well as our conclusions on the significant risks we are required to report to you our observations on the internal control environment as well as any other findings from the audit. We would like to draw to your attention to slides 14 and 15, which detail controls findings reported during our audit.

Identify changes in your business and environment → Determine materiality → Scoping → Significant risk assessment → Conclude on significant risk areas → Other findings → Our audit report

Determine materiality

We set audit materiality for the Group at £609k (College only £579k). We report to you in this report all misstatements above £30k (College only: £28k). Materiality was set based on the College's expenditure.

Significant risk assessment

In our planning report we explained our risk assessment process and detailed the significant risks we have identified on this engagement. We report our findings and conclusions on these risks in this report.

Conclude on significant risk areas

We draw to the Audit Committee's attention our conclusions on the significant audit risks. In particular the Audit Committee must satisfy themselves that management's judgements are appropriate.

Our audit report

We have issued an unmodified audit report.

Significant audit risks

Significant risks

Significant risk dashboard

Risk	Fraud risk	Planned approach to controls	Controls conclusion	Consistency of judgements with Deloitte's expectations
Management override of controls	✓	DI	Control findings raised – see slide 20	Consistent
Operating within the funding provided	✓	DI	Satisfactory	Consistent
Completeness of Income	✓	DI	Satisfactory	Consistent

Consistency of judgements with Deloitte's expectations

- Inconsistent
- Improvement required
- Consistent

Controls approach adopted

DI Assess design & implementation

Significant risks (continued)

Management override of controls

Risk identified

ISA 240 presumes a risk of management override in the preparation of financial information. Management is in a unique position to perpetrate fraud through their ability to manipulate accounting records and prepare fraudulent financial statements/financial information by overriding controls that otherwise appear to be operating effectively. There is also a risk that judgments and assumptions related to significant accounting estimates can be subject to management bias, impacting reported results.

Key management judgments and estimates

Areas of judgement and estimation were identified as including.

- Accrued and prepaid expenditure recorded around year end
- Accounting for the defined benefit pension fund

Deloitte response and challenge

In considering the risk of management override, we have performed the following audit procedures that directly address this risk:

Journals

- We have considered the overall control environment and ‘tone at the top’
- We have tested the design and implementation of controls in relation to journals and accounting estimates.
- We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.
- We have used our Spotlight data analytics tools to test a sample of journals, based upon identification of items of potential audit interest. Our analysis has covered all journals posted in the year.

Accounting estimates and judgements.

We have reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. In performing this review, we have:

- Evaluated whether the judgments and decisions made by management in making the accounting estimates included in the Annual Report and Accounts, even if they are individually reasonable, indicate a possible bias on the part of the entity's management that may represent a risk of material misstatement due to fraud. From our testing we did not identify any indications of bias; and.
- Performed a retrospective review of management judgements and assumptions related to significant accounting estimates reflected in the Annual Report and Accounts of the prior year.

Significant and unusual transactions

The AST transaction (page 16) and the pension strain costs accounting (page 17) are both significant and unusual transactions on which we performed audit procedures as discussed in the respective pages set out above.

Deloitte view

During the prior and current audit, we identified control weaknesses in relation to the lack of authorisation of journal postings prior to entry into the general ledger system, and lack of evidence of review of the quarterly management accounts. See page 20 for more details.

Significant risks (continued)

Operating within the funding provided

Risk identified and key judgements

In accordance with Practice Note 10 (Audit of Financial Statements of Public Sector Bodies in the UK), in addition to the presumed risk of fraud in revenue recognition set out in ISA (UK) 240, auditors of public sector bodies should also consider the risk of fraud and error on expenditure. This is on the basis that most public bodies are net spending bodies, therefore the risk of material misstatement due to fraud related expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition.

We consider this fraud risk to be focused on how management operate within the funding available. The risk is that the College could materially misstate expenditure in relation to year end transactions, in an attempt to align with its tolerance target or achieve a breakeven position.

The significant risk is therefore pinpointed to the completeness of accruals made by management at the year end and invoices processed around the year end as this is the area where there is scope to manipulate the final results. Given the financial pressures across the whole of the public sector, there is an inherent fraud risk associated with the recording of accruals around year end.

Deloitte response and challenge

We have evaluated the results of our audit testing in the context of the achievement of the limits set by the Scottish Funding Council. Our work in this area included the following:

- Evaluating the design and implementation of controls around monthly monitoring of financial performance and the estimated accruals made at the year-end;
- Obtaining independent confirmation of the funding allocated to UHI Perth by the Scottish Funding Council (SFC) and the University of Highlands and Islands (UHI);
- Performing focused testing on a sample of accruals made at the year-end; and
- Performing focused cut-off testing of invoices received and paid around the year-end.

Deloitte view

Our work on this risk is complete. We have one item to report to the Audit Committee in relation to this significant risk.

We have identified one adjustment which has been corrected by management in relation to our testing of post year end invoices and payments. See page 39 for more details.

Significant risks (continued)

Completeness of income

Risk identified and key judgements

ISA (UK) 240 states that when identifying and assessing the risks of material misstatements due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks.

We have assessed the income streams for the College and concluded that the risk of a material misstatement due to fraud can be pinpointed to the non-recurrent funding as there is no judgement in respect of the recurrent grants from the SFC and UHI. We have pinpointed the non-recurrent funding risk to be in relation to:

- Incorrect income cut-off recognition, as there is a risk that the College can manipulate its financial position around the year-end;
- Incorrect recognition applied to grant income with conditions attached; and
- Incorrect recognition where performance conditions are in place.

Deloitte response and challenge

We have evaluated the results of our audit testing in the context of the completeness of income. Our work in this area included the following:

- Evaluating the design and implementation of controls around recognition of non-recurrent income;
- Performing focused cut-off testing of a sample of invoices raised and income received around the year-end;
- Performing focused testing of grant income where there are conditions of entitlement including clawback clauses; and
- Performing focused testing of income with performance conditions attached.

Deloitte view

Our work on this significant risk is complete. We have no control findings or adjustments to report to the Audit Committee.

Other areas of audit focus

Other areas of audit focus

AST liquidation

Background

On 10 April 2025, the AST board appointed an administrator to take control of AST and initiate an administration process. This followed failure to secure medium to long term funding to sustain the business operations. Following the appointment of the administrator, in line with FRS102 guidance on consolidation, the assets and liabilities recorded in the Group consolidated accounts were deconsolidated to reflect loss of control of AST to the administrator. AST was in a net liability position of £38k on date of going into administration, resulting in a gain of £38k for the Group. This gain reflects the fact that the group no longer has an obligation to settle the net liability positions of its subsidiary.

Key judgments and estimates

The key considerations in this transaction:-

- Determining the date of loss of control
- Ascertaining completeness of liabilities crystallising from the insolvency
- Considering the measurement of the AST investment as recorded in the books of the College

Deloitte response

Our audit procedures included the following:-

- Evaluation of management's control over accounting for unusual transactions
- Review of the AST board minutes for the period to date of administration
- Review of the administrator's engagement letter
- Review of the administrator's liquidation status report
- Substantive procedures over revenue and expenditure recognised in the period from 1 August 2024 to 10 April 2025
- Analytical review procedures on the disposal balance sheet
- Use of internal financial reporting specialists in assessing the accounting for the loss of control

AST Profit and loss account	Period to 10 April 2025 2024/25 £'000	12 months to 31 July 2024 2023/24 £'000
Total income	979	1,395
Staff costs	(909)	(1,230)
Other operating costs	(438)	(593)
Depreciation	(16)	(41)
Operating deficit	**(384)**	**(469)**

Balance sheet	10 April 2025 £'000	31 July 2024 £'000
Fixed assets	139	141
Stock	9	9
Trade and other receivables	384	364
Cash and cash equivalents	136	373
Trade and other payables	(706)	(762)
Net (liability)/asset position	**(38)**	**125**

Deloitte view

Our procedures are complete, and we note the financial statements accurately disclose information related to AST in line with the financial reporting standards rules on discontinued operations. Our procedures did not identify any additional exposures not already recorded beyond the loss of the investment and creditors due to AST in the ordinary course of trading.

Other areas of audit focus

Defined benefits pension scheme

Background

Retirement benefits to employees of the College are provided by the Tayside Pension Fund, which administers the Local Government Pension Scheme (LGPS) and managed by Dundee City Council, and the Scottish Teachers Superannuation Scheme (STSS), which is administered by the Scottish Public Pensions Agency (SPPA). Barnett Waddingham are the College's appointed actuaries, who produce a detailed report outlining the estimated liability at the year-end along with the associated disclosure requirements.

Key judgments and estimates

The key judgments and estimates associated with accounting for the pension are:-

- Projected inflation, discount and interest rates
- Projected mortality rates
- Accounting for asset surplus
- Accounting for pension strain cost liability
- Virgin media and McCloud and Goodwin cases

Deloitte response

Our work in this area included the following:

- Assessment of the independence and expertise of the actuary supporting the basis of reliance upon their work;
- Review and challenge of the assumptions made by Barnett Waddingham;
- Assessment of the reasonableness of the College's share of the total assets of the scheme with the Pension Fund annual accounts and the Funds asset position at 31 July 2025;
- Review and challenge of the calculation of the impact of the Virgin Media and McCloud and Goodwin cases on pension liabilities;
- Review the disclosures within the accounts against the Further Education SORP; and
- Engagement of our internal pensions experts to assist with the above procedures.

LGPS Pension – Balance sheet	31 July 2025 £'000	31 July 2024 £'000
Pensions asset	51,168	44,440
Pensions liability	(30,897)	(32,745)
Unfunded liability	(700)	(798)
Asset ceiling	(20,271)	(11,695)
Pension liability	**(700)**	**(798)**
LGPS Pension – costs charged to the profit and loss	**31 July 2025 £'000**	**31 July 2024 £'000**
Pension cost – current service cost	923	820
Past service cost	729	140
LGPS pension costs	**1,652**	**960**

Deloitte view

We noted the pension report had an error which resulted in overstatement of pension strain cost by £798k due incomplete information being provided to the actuary by the pension fund administrator. The error indicates a weakness in controls in accounting for the defined benefit scheme. In particular, the College should put in place controls to ensure accurate and complete data is provided to the actuary by the pension fund to support accuracy of the measurement of pension fund liabilities at reporting date.

Control environment

Your control environment and findings

Control deficiencies and areas for management focus

Observation	Deloitte recommendation	Management response and remediation plan
Pension strain cost The pension strain costs resulting from early voluntary retirements was overstated by £798k in the draft financial statement at 31 July 2025. The error resulted from inaccurate information being provided to the College's actuary by the fund administrator and lack of clarity in the actuarial report of how much had been already been accounted for in respect of the pension strain costs.	Management should ensure there is a process in place to check the accuracy and completeness of data provided to the actuary by the pension fund administrator. This will enhance the accuracy of financial reporting at balance sheet date.	Recommendation accepted. Chief Financial Officer to ask the Tayside Pension Fund to send information to UHI Perth Finance Team first for checking before submitting to the actuaries for the 2025/26 financial statements.
Depreciation calculation We identified a lack of effective controls over the accuracy and completeness of depreciation calculations, specifically concerning the regular update of revaluation figures and the consistent application of useful life methodologies. These deficiencies resulted in current year depreciation being understated by £394k and the prior year by £644k (see slide 39 and 40).	Establish a robust process to ensure that the annual depreciation charge for revalued buildings is consistently calculated using the most recent revaluation figures. Implement a standardised and documented methodology for determining and applying useful lives. Depreciation should be calculated based on the remaining useful life at the beginning of the year for each period.	Recommendation accepted. Chief Financial Officer to implement in preparing the financial statements for 2025/26.
Review of bad debt provision We noted that there is no formal bad debt policy in place and an overprovision of £35k was identified due to incorrect ageing data being used in calculating the year end provision as at 31 July 2025. This indicates a lack of detailed review of the provision at year end. (see slide 39).	We recommend that management formalize the bad debt policy in writing and perform a detailed review of their bad debt provision at year end to ensure the amounts being provided for are correct.	Recommendation accepted. The Chief Financial Officer will review the bad debt policy and formalize the procedure by 30 June 2026.

Your control environment and findings

Control deficiencies and areas for management focus (control)

Observation	Deloitte recommendation	Management response and remediation plan
Authorisation of Journal Entries Journal entries are not approved before being posted into the general ledger, thereby increasing the risk of fraudulent postings being made.	We recommend that a process of journal authorisation be put in place. All journal entries should be authorised by someone other than the one preparing the posting after reviewing any supporting documentation to assess the accuracy and appropriateness of the posting. Evidence of preparation and authorisation should be documented against the journal.	The recommendation is partially accepted. The Chief Financial Officer will determine whether the finance system has functionality to separate authorisation of journals from input by 30 June 2026. Further checks will take place when reviewing the management accounts and carrying out control account reconciliations
Review of Management Accounts and other financial reports/reconciliations Management accounts are prepared and reviewed on a quarterly (now monthly for FY25/26) basis before being presented to the board. There is no documentation kept to evidence this review taking place prior to presentation to board. Whilst reviews of reconciliations and other ledgers do take place errors have been identified (see prior slide) that indicate this review is not as robust as it could be.	We recommend that clear methodology is documented for what is to be discussed and reviewed in preparing management accounts, budgets and other financial reports. Clear roles and responsibilities should be agreed, and documented, across finance team and Board to agree the expectations and procedures for preparation and review.	Recommendation accepted. Chief Financial Officer to ensure this review happens on at least a quarterly basis by 31 March 2026.

Other significant findings

Financial reporting findings

Below are the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

UHI Perth's Annual Report and Accounts have been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Following our audit work, we are satisfied that the accounting policies are appropriate.

Liaison with internal audit

We have reviewed the internal audit reports issued during the year as part of our risk assessment and understanding of developments in the year impacting the Group. In line with the requirements of International Standards on Auditing, we have not relied on the work performed by internal audit in our substantive testing.

We will obtain written representations from the College on matters material to the Annual Report and Accounts when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representations letter will be circulated separately.

Audit opinion

Our audit report

Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.

Our opinion on the Annual Report and Accounts

We have issued an unmodified audit report.

Going concern

We have not identified a material uncertainty related to going concern and will report that we concur with management's use of the going concern basis of accounting.

Practice Note 10 provides guidance on applying ISA (UK) 570 Going Concern to the audit of public sector bodies. The anticipated continued provision of the service is more relevant to the assessment of the continued existence of a particular body.

Emphasis of matter and other matter paragraphs

There are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.

Other reporting responsibilities

The Annual Report is reviewed in its entirety for material consistency with the Annual Accounts and the audit work performance and to ensure that they are fair, balanced and reasonable.

Opinion on regularity

We have no matters to bring to the attention of the Committee in relation to expenditure and income in the Annual Report and Account not being incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Your Annual Report and Accounts

We are required to provide an opinion on the auditable parts of the Remuneration and Staff report, the Annual Governance Statement and whether the Performance Report is consistent with the disclosures in the accounts.

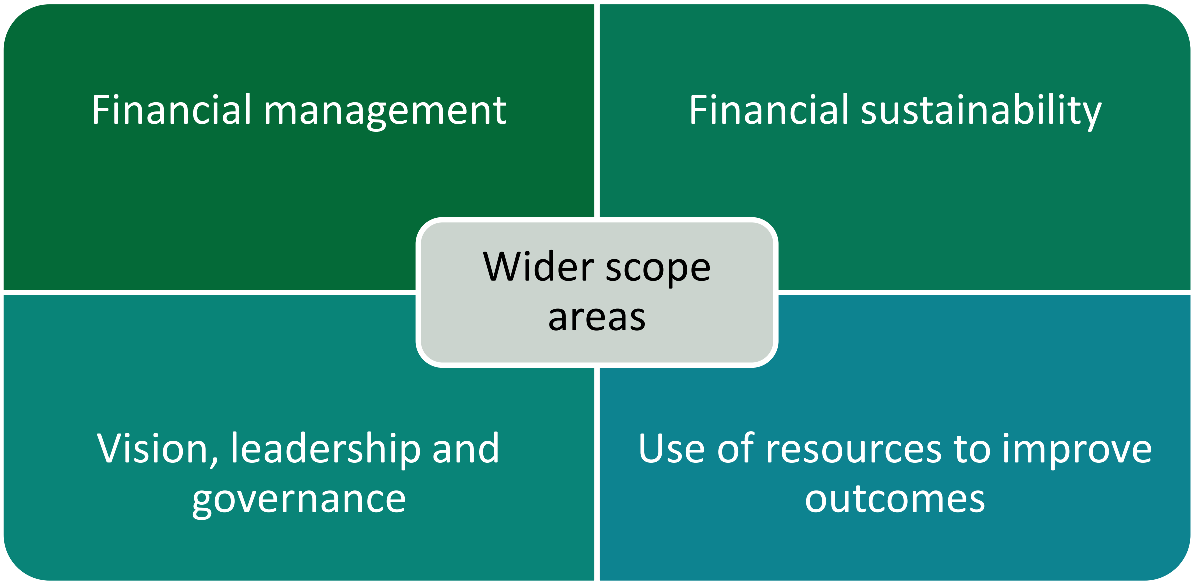
	Requirement	Deloitte response
The Performance Report	The report outlines the College's performance, both financial and non-financial. It also sets out the key risks and uncertainties faced by the College.	We have assessed whether the Performance Report has been prepared in accordance with the Accounts Direction. We have also read the Performance Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit and is not otherwise misleading. We provided management with comments and suggested changes based on review of the draft Annual Report and Accounts. We have confirmed the necessary changes have been made.
The Accountability Report	Management have ensured that the accountability report meets the requirements of the FReM, comprising the governance statement, remuneration and staff report and the parliamentary accountability report.	We have assessed whether the information given in the Annual Governance Statement is consistent with the Annual Report and Accounts and has been prepared in accordance with the Accounts Direction. No exceptions noted. We have also read the Accountability Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit and is not otherwise misleading. We provided management with comments and suggested changes based on review of the draft Annual Report and Accounts. We have confirmed the necessary changes have been made. .

Wider scope audit

Wider scope requirements

Overview

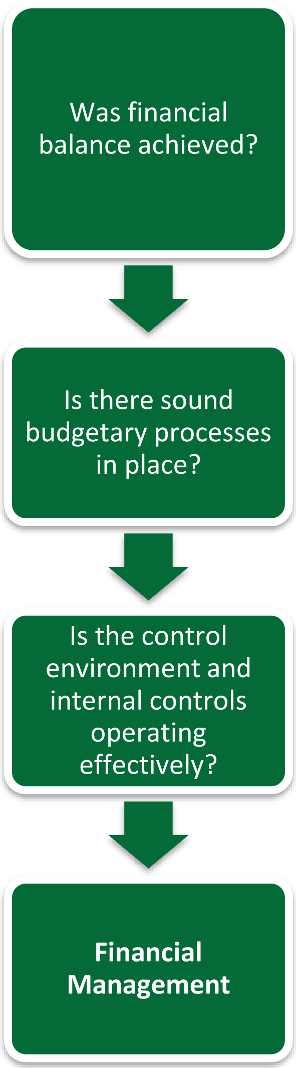
Our audit plan explains that a public audit is planned and undertaken from a wider perspective than in the private sector to reflect the deployment of public funds. The wider scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in the following areas.



Our audit work has considered how UHI Perth is addressing these risks. Our responsibilities in relation to Best Value ('BV') have all been incorporated into this audit work.

Wider scope requirements (continued)

Financial management



Risk identified

The College sector in Scotland continues to go through a period of financial challenge as has been the case in the recent past. There is a risk that UHI Perth does not have the financial controls in place to monitor and respond to these challenges.

Current year financial performance

The Colleges income has largely been flat in the year despite significant cost pressures in respect of staff costs and other operating costs. The College incurred an adjusted operating deficit of £0.6m compared to £1.4m in the prior year. The decrease was mainly driven by a reduction in tuition fees and education contracts.

Finance team structure

An interim director of finance was appointed when we commenced the audit who has led the finance team through the course of the audit.

Audit process

The current year audit process has progressed better than the prior year one, albeit under challenging circumstances for the College. There were key changes in the senior leadership team and new members within the finance team. However, despite delays in finalising accounting for certain one off/unusual transactions, the level of engagement and quality of supporting information received has been of an acceptable standard.

Budget setting

As discussed on page 28, there was no budget produced during 2023/24 due to the restructuring process being carried out at the College. The budget setting process was reimplemented in 2024/25, with regular reporting on progress against budget to the Board (refer to slide 28 for additional information).

Control environment

While efforts have been made towards enhancing the control environment, there remains areas where the College could strengthen financial controls, procedures and policies. Some of the improvements required have been highlighted by internal audit and are yet to be resolved due to staff constraints within the Finance Team. In particular, the College should consider updating the policies and procedures manuals and the evidence in place to support reviews of financial information, including budgets.

Wider scope requirements (continued)

Financial management (continued)

Budget preparation and section 22 report

The College did not prepare a budget for 23/24 due to resources being focused on future financial sustainability. This resulted in the Auditor General publishing a Section 22 report.

In the current period (24/25) a budget has been prepared and approved, albeit it was subsequently discovered to contain errors, , the most significant of which related to the omission of catering expenditure of £765k. This error also impacted on cashflow forecasts, and a clawback payment due to SFC of £800k had also been omitted leading to a forecasted cash shortfall in July 2025 of £1m. The errors were identified in March 2025 during review of actual expenditure against budget. Once identified, discussions were held with various parties to secure liquidity support. The College has developed a financial recovery plan which it is in the process of implementing (discussed on the next page).

As part of the internal audit plan for 24/25, internal audit carried out a general review of the systems in place related to financial controls, including budgetary controls, following a request from the Finance and Resources Committee. The results of the review identified a significant improvement in the budget setting process. We corroborated this through enquiry from key management who outlined the process followed in developing the budget for 2025/26 and noted increased engagement with the various budget holders.

The internal audit does highlight certain areas of improvement, around capacity of the finance team to provide regular meetings with budget holders to review progress against budget.

Deloitte view – financial management

The strengthening of the control environment specifically on budgetary controls, including the recent appointment of a Chief Financial Officer and lessons learnt from the budget error identified should strengthen the budget oversight controls.

We recommend a continued focus on budgetary and cash flow management controls given the challenging operating environment. In particular providing a trail of the various reviews and challenges that occur as part of the review and approval of a budget.

Wider scope requirements (continued)

Financial sustainability

Have any short-term financial challenges been identified and addressed through a financial recovery plan?

How appropriate are the arrangements put in place to address any identified funding gaps?

Are there plans in place to support how efficiency targets are to be met?

Financial Sustainability

Risk identified

The financial environment in which the College operates is challenging, with the impact of declining student numbers, together with inflationary pressures and national pay negotiations continuing to exacerbate an already challenging financial position. This creates a risk that the College will not be able to develop viable and sustainable financial plans.

Current year assessment

The funding shortfalls in the current period resulted in the College seeking liquidity support from the SFC. This was in part a reflection of the challenging financial landscape in the college sector. The viability of the AST subsidiary was also challenged leading to the Board of AST calling in insolvency practitioners to implement a voluntary administration when a risk was identified to ensure AST directors were not trading when insolvent.

Medium to Long Term Planning

The budget deficit forecast for 24/25 and beyond triggered the development of a recovery plan for the College. (see discussion on next slide). Implementation of the plan is critical for the College.

Financial sustainability

The implementation of the recovery plan discussed on the next page is key for the College to generate surplus cash flows to allow investment in other areas and reinvestment in income generating initiatives. We note there currently is a significant level of effort and scrutiny on the financial recovery plan. In the medium and long term this should be expected to give the College clarity on long term financial sustainability.

Wider scope requirements (continued)

Financial sustainability (continued)

Financial recovery plan

Management has compiled a three-year recovery plan to mitigate the projected annual deficit averaging £3m a year for each of the three years starting 1 August 2025. Key assumptions supporting the recovery plan

- **Income growth** – these relate to increase of higher education (HE) intake targeting pre pandemic levels following loss of about £800k in funding with number reduced from ~1700 pre-pandemic to 1500 in 24/25. Beyond the short term, increasing the international delivery is seen as a key driver for income generation in markets where the College already has a footprint.
- **Staff savings** – in the short term this comprises savings from management restructure which have been implemented.
- **Non staff savings** - in the main these relate to deferral of non-¬essential estates maintenance and transfer of the Centre for Mountain Studies to the Executive Office of UHI.

There is ongoing discussion with the SFC and all Colleges in Scotland to explore the possibility of converting capital grants to fund maintenance expenditure. Since the FRP was approved, SFC agreed this for 2025/26 which freed up £650k towards maintenance expenditure and £150k being retained as capital.

Management and the board have challenged the assumptions underlying the budget and have also appointed Henderson Loggie to determine whether the financial recovery plan is both realistic and achievable given the internal and external influences facing UHI Perth. We understand there is a further ongoing review being performed by PwC of the recovery plan on behalf of the Scottish Funding Council .

Our enquiries from key management indicate certain aspects of the savings plans which include staff savings and income growth (increasing FE numbers for FY25/26) have been secured.

	24/25 Actual £'000	25/26 Budget £'000	26/27 Budget £'000	27/28 Budget £'000
Income	25,516	23,867	23,492	23,535
Staff costs	(20,503)	(19,193)	(19,720)	(20,375)
Other operating costs	(6,454)	(7,166)	(7,073)	(7,065)
Deficit (*)	**(1,441)**	**(2,492)**	**(3,301)**	**(3,905)**

(*)before depreciation and other gains and losses and excludes bursary support

	25/26 £'000	26/27 £'000	27/28 £'000
Deficit before mitigating actions	(2,492)	(3,301)	(3,905)
Mitigating actions			
Income growth	442	1,133	1,708
Staff savings	700	1,255	1,562
Non staff savings	629	608	354
AST Replacement – SCF Funding	489	242	161
Further actions to reduce deficit	-	178	236
(Deficit)/excess after mitigation	**(232)**	**116**	**116**
Estates maintenance – convert Capital Department Expenditure Limit (CDEL) to Resource department expenditure (RDEL)	799	799	799
Surplus after CDEL converted to RDEL	**567**	**915**	**915**

Deloitte view – financial sustainability

We note the College has made significant efforts to manage the projected deficit through various actions. While there is risk associated with achievement of the ongoing initiatives, having a plan in the first instance is a positive step towards achieving financial sustainability. We note the financial recovery plan does not include an assumption to repay the liquidity support of £1.5m advanced by SFC. We note the CDEL grant assumptions are a significant component of the recovery plan and recommend UHI Perth obtain in writing from UHI/SFC the permissibility to utilise the capital grant for repairs and maintenance in future periods.

Wider scope requirements (continued)

Vision, leadership and governance

Does the body have a clear vision and strategy?

Is there evidence that leaders are adaptable to a changing environment?

Do members and senior managers have a culture of cooperation and working constructively in partnership?

Vision, leadership and governance

Risk Identified

There is a risk around the effectiveness of the governance arrangements in place to ensure there is effective scrutiny, challenge and informed decision making.

Strategic Plan

UHI Perth has a Strategic Plan for 2022-2027 published on their website which outlines the College's vision and strategy. The key priorities in delivering growth and efficiencies are also outlined in the FRP. The College has KPIs which are aligned to certain strategic priorities which are discussed in the strategic report.

Changes to senior staff

There have been several changes in the Senior Leadership Team (SLT) at UHI Perth with the departure of the Principal, Depute Principal Academic, Chair of the Board and several other board members between April and May 2025. An Interim Principal and an Interim Chair of the Board have since been appointed and the Board is now at quorum.

Adapting to a changing environment

The Board have faced Governance challenges due to the financial pressures outlined in the Partner Introduction. We note from our review of committee meeting minutes and our attendance at Audit Committee meetings that the senior leadership team have been focused in actively working towards solutions to these issues. There were challenges in the Board around April which led to the resignation of the Chair and other Board directors.

Deloitte view – Vision, leadership and governance

There has been several changes to the board and the senior leadership team. To ensure effectiveness of the board we would recommend a refreshed board effectiveness review, including assessment of the skillset of each of the members to ensure any gaps are identified and mitigated timely.

Wider scope requirements (continued)

Use of resources to improve outcomes

Can the body demonstrate that there is a clear link between money spent and outputs and the outcomes delivered?

Have alternate models of delivery been considered?

Are user needs and views included in the evaluation of service delivery and quality?

Use of resources to improve outcomes

Risk identified

As discussed under financial sustainability, there is a risk that the College does not have plans in place to manage its finances sustainably. There is also a risk that performance management systems are not sufficient to demonstrate how resources are being directed to improve outcomes.

Student experience

Whilst the College is going through a challenging period UHI Perth continues to have a strong focus on the quality of its students' experience and on quality enhancement across its provision and services. In July 2025 UHI Perth scored 88% for overall student satisfaction in the 2025 National Student Survey (NSS) which was an improvement on 2024 scores and higher than the Scottish average. A key KPI for the College is HE and FE student numbers. In 2024/25 the college delivered 22,062 FE credits, a decrease of 6% on 2023/24 but still above the funded target credits of 22,050. The College achieved 1,579.5 undergraduate HE FTEs which is an increase of 1% on FY23/24 but below target.

Engagement with key stakeholders

In developing the FRP (see slide 30) the key priority has been to create a plan that does not impact the Student experience and key priorities such as retention of specialist academic staff and continued commitment to FE and HE reflect this. A staff conference was held in June 2025 to share the new leadership team vision for UHI Perth and staff ideas for growth and cost savings were gathered and assessed for taking forward into the FRP. A Recovery Plan Monitoring committee has been put in place to monitor progress against stated objectives and will report to the Board. The Senior Leadership team is working to strengthen relationships with local communities and key stakeholders to help ensure UHI Perth serves their community well.

Deloitte view – Use of resources to improve outcomes

The College is actively focused on the financial recovery plan which has been developed in partly through challenging current expenditure practices and driving efficiency in spending. While there is a short to medium term focus on liquidity and sustainability, the College should not lose sight of its broader strategic objectives. The College should also continue to dedicate resources towards innovation and deployment of technology to ensure it is relevant in the economy of the future.

Wider scope requirements (continued)

Climate change

Risks identified in Audit Plan

Tackling climate change is one of the greatest global challenges. The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impact of climate change.

The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

Question	UHI Perth position
1. What targets has the body set for reducing emissions in its own organisation or in its local area?	UHI Perth have aligned themselves with the Sustainability Strategy in place at the University of Highlands and Islands (UHI). This includes targets that the College has set to achieve net carbon zero emissions by 2040. However, we note that this does not include interim targets to measure progress. We recommend that these are incorporated and are reported to the College Board on a timely basis.
2. Does the body have a climate change strategy or action plan which sets out how the body intends to achieve its targets?	There is currently no specific climate change action plan which sets out how the College intends to achieve its targets. It is recommended that this is established and included in Board reporting.
3. How does the body monitor and report progress towards meeting its emission targets internally and publicly?	We note that the College has not set interim targets to measure progress against is Sustainability Strategy. See recommendation above in relation to monitoring progress against emissions targets.

Wider scope requirements (continued)

Climate change (continued)

Question	UHI Perth position
4. Has the body considered the impact of climate change on its financial statements?	No specific consideration has been given to the impact of climate change on the financial statements. Given the size of the organisation, the expected impact on the financial statements is minimal.
6. Does the body include climate change in its narrative reporting which accompanies the financial statements and is consistent with those financial statements?	Included with the UHI Perth financial statements is a section on Climate Change. Included within this section are details of the College's carbon reduction strategy, including details of their carbon emissions.

Deloitte view – Climate change

We note that UHI Perth have a sustainability target to achieve net carbon zero emissions by 2040. This does not include interim targets to measure progress. We recommend that these are incorporated and are reported to the College Board on a timely basis.

Purpose of our report and responsibility statement

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit Committee and the College discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations.
- Other insights we have identified from our audit.

The scope of our work

Our observations are developed in the context of our audit of the Annual Report and Accounts.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for UHI Perth, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to UHI Perth.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

Deloitte LLP

Aberdeen| 19 December 2025

Appendices

Audit adjustments

Uncorrected misstatements

The following uncorrected misstatements have been identified during our 2024/25 audit which we request that you ask management to correct as required by ISAs (UK).

		Debit/(credit) SOCNE £'000	Debit/(credit) in net assets £'000	Debit/(credit) prior year reserves £'000	If applicable, control deficiency identified
Misstatements identified in current year					
Grant income release	[1]	48	-	(48)	n/a
Misstatements identified in prior year		-			
Goodwin case cost provision			(30)	30	
Total		48	**(30)**	**(18)**	

[1] During the year deferred grant income was identified that should have been released in FY23/24 as the income was used in full in that period. This amount was released in FY24/25 to correct the position to date but the release should have happened in FY23/24.

[2] The Goodwin case relates to a legal challenge that was made against the Government in respect of unequitable benefits for male spouses of female members in respect of services before 1988. This claim was upheld in June 2020 by an Employment Tribunal. The College's financial statements do not make a provision for this matter, our estimate is based on information from other LGPSs.

Audit adjustments (continued)

Corrected misstatements

The following corrected misstatements have been identified during our 2024/25 audit.

		Debit/(credit) SOCNE £'000	Debit/(credit) in net assets £'000	Debit/(credit) prior year reserves £'000	Debit/(credit) Profit & Loss £'000	If applicable, control deficiency identified
Misstatements identified in current year						
Depreciation	[1]	(394)	-	-	394	Page 19
Bad debt provision	[2]	-	35	-	(35)	Page 19
Unrecorded liability	[3]	-	(24)	-	24	n/a
Capital Grant income	[4]	-	(33)	-	33	n/a
Pension strain	[5]		798		(798)	Page 19
Total		**(394)**	**776**	**-**	**(382)**	

[1] The depreciation charge in the profit and loss has been calculated incorrectly resulting in the understatement of both the depreciation charge and the revaluation reserve. This also had an impact on prior year – see slide 41.

[2] The debtor invoice aging was wrongly calculated using the day the report was ran (August 25) rather than the period end date (31 July 25), this led to an overstatement of the bad debt provision of £35k.

[3] During unrecorded liability testing costs totalling £24k for accommodation services relating to year ending 31 July 25 were identified which had not been recorded leading to an underaccrual.

[4] Capital Grant income of £33k was released from deferred income twice in error. This adjustment is the reversal of one of the duplicate entries to correct the position.

[5] The pension strain costs resulting from early voluntary retirements was overstated by £798k in the draft financial statement at 31 July 2025. The error resulted from inaccurate information being provided to the College's actuary by the fund administrator and lack of clarity in the actuarial report of how much had been already been accounted for in respect of the pension strain costs.

Audit adjustments (continued)

Prior period adjustments

The following misstatements identified during our 2024/25 audit have been corrected as a prior period adjustment.

		Debit/(credit) SOCNE £'000	Debit/(credit) in net assets £'000	Debit/(credit) prior year reserves £'000	Debit/(credit) Profit & Loss £'000	If applicable, control deficiency identified
Misstatements identified in current year						
Depreciation calculation on revalued buildings	[1]	-	-	644	(644)	Page 19
Total		-	-	**644**	**(644)**	

[1] The depreciation charge in the profit and loss has been calculated incorrectly resulting in the understatement of both the depreciation charge and the revaluation reserve.

The error arose because of the following:

- Incorrect carrying amount used in calculating depreciation: It was identified that since 2022 the annual depreciation charge for revalued buildings has been consistently calculated using historic revaluation figures from 2020 (due to there being no revaluation in 2021), failing to incorporate any subsequent revaluation updates.
- Incorrect useful life calculation: The useful life applied in the depreciation calculation has been based on the remaining useful life at the year-end for each period, rather than the remaining useful life at the beginning of the year since 2020.

Management have posted this adjustment in the updated accounts. See slide 39 for the current year adjustment to depreciation as a result of these issues.

Audit adjustments

Disclosures

Disclosure misstatements

The following uncorrected disclosure misstatement has been identified during our 2024/25 audit which we request that you ask management to correct as required by ISAs (UK).

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
Fixed assets – land and buildings	The College is required to disclose for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model. This disclosure has not been made in the financial statements.	FRS102.17.32A

Other disclosure recommendations

Although the omission of the following disclosures does not materially impact the financial statements, we are drawing the omitted disclosures to your attention because we believe it would improve the financial statements to include them or because you could be subject to challenge from regulators or other stakeholders as to why they were not included.

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
None noted.		

Our other responsibilities explained

Fraud responsibilities and representations

Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Required representations:

We have asked the College to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the entity.

We have also asked the College to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error and their belief that they have appropriately fulfilled those responsibilities.

Audit work performed:

In our planning we identified the risk of fraud in operating within the funding provided, completeness of income and management override of controls as key audit risks.

During the course of our audit, we have had discussions with management and those charged with governance.

We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the College and will reconfirm our independence and objectivity to the Audit Committee for the year ending 31 July 2025 in our final report to the Audit Committee.
Fees	The expected fee for 2024/25, as communicated by Audit Scotland in January 2025 is analysed below:
Non-audit services	We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We have no other relationships with the College, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.

Fees (continued):

	£
Auditor remuneration	49,310
Audit Scotland fixed charges:	
• Pooled costs	(6,220)
• Sectoral cap adjustment	(6,810)
Total expected fee	**36,280**

There are no non-audit fees.

In performing the audit in the current year, we have incurred additional costs primarily arising from the following:-

- Accounting and presentation of AST business that went into administration
- Accounting for pension strain costs associated with members who were made redundant under a voluntary severance scheme
- Section 22 and increased public interest in the Colleges audit work and in particular financial management and financial sustainability reporting

We will discuss a final proposed fee with the College on completion of the audit work.

UHI | PERTH

Catherine Etri
Interim Principal and Chief Executive

UHI Perth
Crieff Road, Perth,
Scotland, PH1 2NX, UK

www.perth.uhi.ac.uk
T: +44 (0) 1738 877 000
F: +44 (0) 1738 877 001

Paper 2b

Our Ref: NJ/2026

19 January 2026

Simba Jana
Engagement Partner
Deloitte

Sent by email to: nojana@deloitte.co.uk

Dear Engagement Director

This representation letter is provided in connection with your audit of the financial statements of UHI Perth ('the College') and its consolidated financial statements for the year ended 31 July 2025 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the College as of 31 July 2025 and of the results of its operations, other comprehensive net expenditure and its cash flows for the year then ended in accordance with the applicable accounting framework as interpreted by the Accounts Direction for Scotland's Colleges 2024-25 issued by the Scottish Funding Council (SFC).

In addition to the above, this representation letter is provided in connection with your audit of the other information in the Annual Report and Accounts, for the purposes set out in the Code of Audit Practice 2021.

We are aware that it is an offence to mislead an auditor of a public body.

On behalf of the College, I confirm to the best of my knowledge and belief, the following representations.

<u>Financial statements</u>

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with the applicable financial reporting framework, as set out in the accounts direction issued by the Scottish Funding Council and in accordance with, Section 21 of the Public Finance and Accountability (Scotland) Act 2000, which give a true and fair view, as set out in the terms of the audit engagement letter.

2. The methods, the data, and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of FRS102 Section 33 “Related party disclosures”.

4. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.

5. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole. We confirm that the list included in your ISA 260 report to those charged with governance is a complete list of the uncorrected misstatements and disclosure deficiencies identified.

6. We confirm the going concern assessment is in line with the Government Financial Reporting Manual, as we confirm the continued provision of the services.

7. We have reconsidered the remaining useful lives of the property, plant and equipment and confirm that the present rates of depreciation are appropriate to depreciate the cost less residual value over the remaining useful lives.

8. We are not aware of events or changes in circumstances occurring during the period which indicate that the carrying amount of property, plant and equipment may not be recoverable.

9. With respect to accounting estimates, we confirm:

   - the measurement processes, including related assumptions and models used to determine accounting estimates in the context of the applicable financial reporting framework are appropriate and have been applied consistently;

   - the assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the College where relevant to the accounting estimates and disclosures;

   - the disclosures related to accounting estimates under the College’s applicable financial reporting framework are complete and appropriate; and

   - there have been no subsequent events that require adjustment to the accounting estimates and disclosures included in the financial statements.

10. We confirm that we consider the depreciated historic cost is an appropriate proxy for the fair value of non-property assets and are not aware of any circumstances that would indicate that these assets require revaluation.

11. We confirm that the provisions included within the financial statements are our best estimate of the liability due by the College.

12. We confirm that all of the disclosures relating to sections of the Annual Report and Accounts which are considered ‘other information’ as set out in the Code of Audit Practice 2021 have been prepared in accordance with relevant legislation and guidance.

13. We confirm that:

- all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;

- all settlements and curtailments have been identified and properly accounted for;

- all events which relate to the determination of pension liabilities have been brought to the actuary’s attention;

- the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with the board’s best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;

- the actuary’s calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and

- the amounts included in the financial statements derived from the work of the actuary are appropriate.

14. I confirm that I have appropriately discharged my responsibility for the regularity of transactions.

15. We confirm that there is no unprovided claw back of Scottish Funding Council (SFC) or Universities of Highlands and Islands (UHI) grants for the year ended 31 July 2025 or in respect of any previous year.

16. We confirm that income has been applied in accordance with the College’s statutes and, where appropriate, the Accounts Direction and any other terms and conditions attached to them.

17. We confirm that all income received from SFC or UHI, grants and income for specific purposes and from other restricted funds administered by the College have been applied for the purposes for which they relate.

18. We have considered the HMRC guidance issued to Higher Education Institutions following the Finance Act 2006 and based on our analysis of income and costs between primary and not primary purpose activities we are satisfied that no tax provision is needed in the financial statements.

19. We confirm we have considered the accounting and disclosure for Air Service Training (Engineering) Limited (“AST”) and are satisfied the correct accounting and presentation

treatment has been applied in the financial statements. We have also considered all the arrangements that were in place between the College and AST and confirm all liabilities related to AST that the College is liable for have been recorded in the financial statements.

<u>Information provided</u>

20. We have provided you with all relevant information and access as agreed in the terms of the audit engagement letter with Audit Scotland.

21. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.

22. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error. We are not aware of any deficiencies in internal control of which you should be aware, other than that which is referred to in the financial statements.

23. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

24. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the College or group and involves:

    (i) management;

    (ii) employees who have significant roles in internal control; or

    (iii) others where the fraud could have a material effect on the financial statements.

25. We are not aware of any fraud or suspected fraud that affect the College and involve:

    (i) Management;

    (ii) Employees who have significant roles in internal control; or

    (iii) Others where the fraud could have a material effect on the financial statements.

26. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations, and contractual agreements whose effects should be considered when preparing financial statements.

27. We have disclosed to you the identity of the College’s and group’s related parties and all the related party relationships and transactions of which we are aware.

28. No claims in connection with litigation have been or are expected to be received.

29. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

30. We confirm that:

    (i) we consider that the College has appropriate processes to prevent and identify any cyber breaches other than those that are clearly inconsequential; and

    (ii) we have disclosed to you all cyber breaches of which we are aware that have resulted in more than inconsequential unauthorised access of data, applications, services, networks and/or devices.

31. All minutes of Board and Committee meetings during and since the financial year have been made available to you.

32. We have drawn to your attention all correspondence and notes of meetings with regulators.

33. We have reviewed the fixed assets for impairment. Our review comprised of a comparison of the carrying amount and recoverable amount of the fixed assets and, hence, involved consideration of the value in use.

34. We have restated the prior year financial statements to correct a material misstatement in respect of depreciation charge.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Alistair Wylie
Signed as Interim Chair of the Board, for and on behalf of UHI Perth

Appendix 1

Schedule of Uncorrected Misstatements

Description	Net Assets DR / (CR) £'000	Equity DR / (CR) £'000	Income Statement DR / (CR) £'000
Misstatement identified in current year			
Grant income release		(48)	48
Misstatements identified in prior year			
Goodwin case cost provision	(30)	30	
TOTAL	**(30)**	**(18)**	**48**

Disclosure deficiencies:

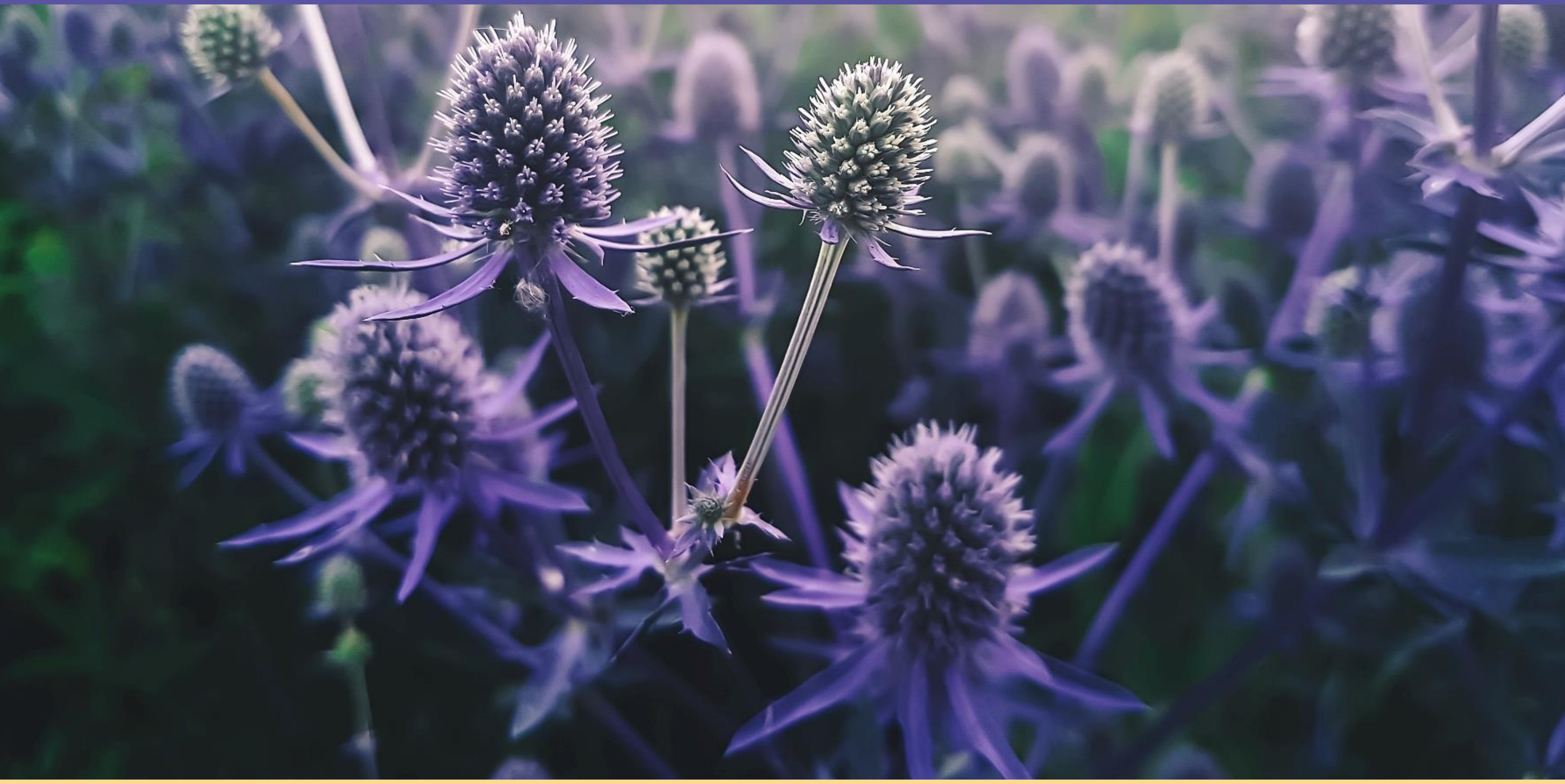
Disclosure title	Description of the deficiency and explanation of why not adjusted	REF
Fixed assets – land and buildings	The College is required to disclose for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model. This disclosure has not been made in the financial statements.	FRS102.17.32A

Paper 3

UHI Perth

Annual Report to the Board of Management and Principal on the Provision of Internal Audit Services for 2024/25

Internal Audit report No:	**2025/09**
Draft issued:	**28 November 2025**
Final issued:	**1 December 2025**



Henderson Loggie

Annual Report and Opinion

Introduction

1.1 We were re-appointed in July 2021 as internal auditors of UHI Perth for the period 1 August 2021 to 31 July 2024, with the option for UHI Perth to extend for a further two 12-month periods. This report summarises the internal audit work performed during 2024/25.

1.2 Following the decision to invoke the extension period, the decision was taken to develop a two-year internal audit programme, which was aligned to the two-year extension period. The annual plan was based on the proposed allocation of audit days for 2024/25 as set out in the Internal Audit Strategic Plan 2024 to 2026. The preparation of the Strategic Plan involved dialogue with the Perth Leadership Group. Following discussion at the Audit Committee, at its meeting in May 2024, the decision was made to replace the proposed review of Estates Strategy / Estates Projects with a review of International Activity. In addition, it was agreed during the year that the planned review of Financial Sustainability would be deferred into the 2025/26 programme and that an Independent Review of the Finance Function should be delivered, following a request from the Finance Committee that the "*Internal Auditor review the Finance Department around budgeting and core financial processes to allow lessons to be learned*". This review was delivered alongside the planned review of General Financial Controls, which was already included in the 2024/25 internal audit programme, at the request of the Depute Principal (Operations) and the Chief Financial Officer from UHI Executive Office.

1.3 The reports submitted during 2024/25 are listed in Section 2 of this report and a summary of results and conclusions from each finalised assignment is given at Section 3.

1.4 It should be noted that the Board of UHI Perth requested that an independent review of the Financial Recovery Plan be conducted by Henderson Loggie (as the appointed internal auditors for UHI Perth). This report was independent of formal sign-off through the Regional Strategic Body's processes, and was conducted prior to the FRP being presented to the Board for approval on 27 August 2025. The purpose of the independent report commissioned was to determine whether the FRP developed was both realistic and achievable given the internal and external influences facing UHI Perth. This was an additional review, which was commissioned outwith the approved internal audit programme for 2024/25.

1.5 An analysis of time spent against budget is included at Section 4.

Global Internal Audit Standards in UK Public Sector Reporting Requirements

1.6 UHI Perth has responsibility for maintaining an effective internal audit activity. You have engaged us to provide an independent, risk-based assurance and consultancy internal audit service. To help you assess that you are maintaining an effective internal audit activity we:

- Confirm our independence;
- Have produced this document and carry out all our internal audit practice in line with the requirements of the Global Internal Audit Standard (GIAS) (effective from 9 January 2025) and the Global Internal Audit Standards in the UK Public Sector (effective from 1 April 2025). Together, these have replaced the Public Sector Internal Audit Standards (PSIAS) previously in place.
- Provide information about the year's activity and the work planned for next year in this report; and
- Provide quality assurance through self-assessment and independent external review of our methodology and operating practices.

1.7 Self-assessment is undertaken through:

- Our continuous improvement approach to our service. We will discuss any new developments with management throughout the year;
- Ensuring compliance with best professional practice, in particular the Global Internal Audit Standards in the UK Public Sector;
- Annual confirmation from all staff that they comply with required ethical standards and remain independent of clients;
- Internal review of each assignment to confirm application of our methodology which is summarised in our internal audit manual; and
- Annual completion of a checklist to confirm our Global Internal Audit Standards in the UK Public Sector compliance.

1.8 External assessment is built into our firm-wide quality assurance procedures. Henderson Loggie LLP is a member of Prime Global, a global association of independent accountancy firms. Continued membership of Prime Global is dependent on maintaining a high level of quality and adhering to accounting and auditing standards in the provision of our services. An independent review was undertaken during May / June 2024 of the firm's policies and procedures relating to internal audit services and their application to the firm's internal audit clients. The independent review confirmed that Henderson Loggie was, in all material respects, compliant with the requirements of PSIAS.

Significant Issues

1.9 Internal audit report 2025/04 – International Activity, issued in March 2025, was graded 'Satisfactory' overall, but included one priority 2 recommendation relating to the need to address potential single points of failure within the International team, which have not been fully mitigated by UHI Perth due to limited resource. This includes staff responsible for the processing of visas for students for both UHI Perth (and previously for AST).

1.10 Internal audit report 2025/06 – Publicity and Communications, issued in May 2025, was graded 'Requires Improvement' with three priority 2 recommendations raised. The report highlighted that UHI Perth does not have a Marketing and Communications Strategy in place which explicitly aligns with the UHI Perth Strategy 2022 – 2027, which means that marketing and communications activity may not be focused on the areas which will deliver the greatest impact in helping to achieve UHI Perth's strategic aims and objectives. The report also highlighted opportunities to improve UHI Perth's crisis communications arrangements, routine internal communications and UHI Perth's strategic oversight and direction over its communications activity.

Significant Issues (Continued)

1.11 Internal audit report 2025/07 – General review of Key Financial Controls and Independent Review of the Finance function, issued in December 2025, was graded as 'Requires Improvement', with 10 priority 2 recommendations raised to address significant weaknesses in financial procedures, control environment, budget setting process, and improving communication between the finance function and other parts of the organisation. We have been advised that UHI Perth's management were aware of these issues but there has not been capacity in the Finance team to fully address them. It is planned to change this position by increasing resources dedicated to financial issues.

1.12 Internal audit report 2025/08 – Follow-up Reviews, issued in December 2025, noted that UHI Perth has made some progress in implementing the recommendations followed-up as part of this review, with nine (24%) of the 37 recommendations followed-up being assessed as 'fully implemented'. Nine recommendations (24%) were assessed as 'partially implemented' and 13 recommendations (35%) were assessed as 'little or no progress made', which includes three priority 2 recommendations raised in internal audit report 2021/04 – Asset Management. These have not yet been addressed due to staff resourcing issues but will be progressed once the new Chief Financial Officer (CFO) is in post. Due to the number of outstanding internal audit recommendations, the Audit Committee agreed, at its meeting on 30 September 2025, that resources should focus on priority 2 actions as the priority 3 actions were deemed lower risk. All 22 recommendations categorised as Partially Implemented or Little or No Progress will be subject to further follow-up as part of the 2025/26 internal audit programme. Six recommendations (16%) included in internal audit report 2023/24 - Follow-Up Reviews were 'considered but not implemented' by management.

1.13 There were no issues identifying major internal control weaknesses noted from the other internal audit work carried out during the year. In general, procedures were operating well in the areas selected, but a few areas for further strengthening or improvement were identified, and action plans have been agreed to address these issues.

Opinion

1.14 In our opinion, with the exception of the issues highlighted in paragraph 1.9 to 1.12, UHI Perth has adequate and effective arrangements for risk management, control and governance. Proper arrangements are in place to promote and secure Value for Money. This opinion has been arrived at taking into consideration the work we have undertaken during 2024/25 and in previous years since our initial appointment. The GIAS, introduced in 2025 requires us to highlight residual risks which exceed the risk appetite set by the Board. The current reporting format does not isolate such risks. However, the Enterprise Risk Management report presented to the September meeting of the Audit Committee highlighted the following in relation to strategic risk categories:

- ***"Product Delivery -*** *At the start of the 25/26 academic year FE credits are on target but HE FTEs are below target. Work is continuing to attract as many students as possible up until the October holidays while also focussing on January starts. UHI ranked 4th nationally in the 2025 NSS.*
- ***Financial -*** *The Board approved a baseline budget in June and a FRP in August and a FRP Monitoring Committee was established. Cashflow has remained positive due to mitigating actions agreed with the RSB, SFC and introduction of essential spending measures. Financial information will be reviewed monthly. Resources in the Finance team is again an issue with 2 resignations and other issues affecting available resource. We are awaiting the internal audit report on the Finance function and financial controls. Work on national job evaluation has restarted with considerable HR resource required over the next 2 years to provide information to the project.*
- ***Operational -*** *Removal of posts relating to HR, ICT and continuous improvement and lack of budget available to invest will negatively impact on our ability to improve systems and processes to streamline our operations and make them more efficient. This could impact on the student experience and the offer we can make compared to our competitors.*

Opinion (Continued)

1.14 (Continued)

- ***People -*** *The recent reduction of posts in professional services and reduction in budget available for academic contracted work has had a negative impact on staff morale leading to uncertainty about job security and more pressure at work due to reduced capacity and resource constraints.*
- ***Reputational -*** *The 2025 NSS ranked UHI 4th nationally showing high satisfaction amongst students. A contract was agreed recently with the Resource Group that will replace services provided by AST and will ensure that students can complete their BSC (Hons) in Aircraft Maintenance Engineering and Management and we have accepted new students into the programme. There was a lot of negative media attention about UHI Perth at the time of the last report but this has not been the case over the summer and The Courier did a recent feature on the interim Principal that had a positive focus. We have increased work on environmental sustainability with a member of the Estates team dedicating significant time to this area and advice from consultants helping us improve our contribution to carbon reduction.*
- ***Strategy & External*** *Work continues on the UHI transformation project. Although there is a lot of activity, progress, outcomes and milestones need to be communicated and made more visible to academic partners. Inflation and the cost of living continues to impact on our students and staff and puts pressure on UHI Perth budgets. A pay award for support staff is still to be agreed for 25/26. Cyber risk is always present and there will be more reliance on UHI colleagues for technical support with the departure of the Director of Information Services. The annual work on the cyber essentials certification will start in October and will be completed in December*".

Reports submitted

Number	Title	Overall Grade	Recommendations	Priority 1	Priority 2	Priority 3
2025/01	Strategic Internal Audit Plan 2024 to 2026 and Internal Audit Annual Plan 2024/25	**N/A**	-	-	-	-
2025/02	2023/24 Student Activity Data	**Audit opinion unqualified**	2	-	-	2
2025/03	Student Support Funds 2023/24	**Audit opinion unqualified**	1	-	1	-
2025/04	International Activity	**Satisfactory**	2	-	1	1
2025/05	Student Engagement	**Satisfactory**	5	-	-	5
2025/06	Publicity and Communications	**Requires Improvement**	3	-	3	-
2025/07	General review of Key Financial Controls and Independent Review of the Finance function	**Requires Improvement**	12	-	10	2
2025/08	Follow-up reviews	**22 of 37 actions require to be followed up**	22	-	5	17

Overall gradings are defined as follows:

Good	System meets control objectives.
Satisfactory	System meets control objectives with some weaknesses present.
Requires improvement	System has weaknesses that could prevent it achieving control objectives.
Unacceptable	System cannot meet control objectives.

Reports submitted (continued)

Recommendation grades are defined as follows:

Priority 1	Issue subjecting the organisation to material risk and which requires to be brought to the attention of management and the Audit Committee.
Priority 2	Issue subjecting the organisation to significant risk and which should be addressed by management.
Priority 3	Matters subjecting the organisation to minor risk or which, if addressed, will enhance efficiency and effectiveness.

Summary of Results and Conclusions

2025/01 – Strategic Internal Audit Plan 2024 to 2026 and Internal Audit Annual Plan 2024/25

Final Issued – October 2024

The purpose of this document was to present for consideration by management and the Audit Committee the strategic internal audit plan for 2024 to 2026 and the annual operating plan for the year ended 31 July 2025. Following the decision to invoke the extension period on the current internal audit contract, the decision was taken to develop a two-year internal audit programme, which is aligned to the extension period. The annual plan was based on the proposed allocation of audit days for 2024/25 as set out in the Internal Audit Strategic Plan 2024 to 2026. The preparation of the Strategic Plan involved dialogue with the Perth Leadership Group. Following discussion at the Audit Committee, at its meeting in May 2024, the decision was made to replace the proposed review of Estates Strategy / Estates Projects with a review of International Activity.

A copy of the Internal Audit Strategic Plan was included in Section 2 of this report. The previous coverage for earlier years was included in a separate table in Appendix 1, in order to provide enhanced visibility on the topics audited in previous years.

At Section 3 of the report we set out the outline scope and objectives for each audit assignment to be undertaken during 2024/25, together with the proposed audit approach. The outline scopes were refined and finalised after discussion with responsible executive leads prior to each audit commencing.

Separate reports were issued for each assignment with recommendations graded to reflect the significance of the issues raised. In addition, audit findings will be assessed and graded on an overall basis to denote the level of assurance for the area reviewed and therefore the priority that should be given to each report.

2025/02 - 2023/24 Student Activity Data

Final Issued – November 2024

In accordance with the Credits Audit Guidance, we reviewed and recorded the systems and procedures used by UHI Perth in compiling the returns and assessed and tested their adequacy. We carried out further detailed testing, as necessary, to enable us to conclude that the systems and procedures were working satisfactorily as described to us.

Detailed analytical review was carried out, including a comparison with last year's data, obtaining explanations for significant variations by Price Group.

Our testing was designed to cover the key risk areas identified at Annex C to Credits Audit Guidance. Our report was submitted to the SFC on 12 November 2024.

We reported that, in our opinion:

- the student data returns have been compiled in accordance with all relevant guidance.
- adequate procedures are in place to ensure the accurate collection and recording of the data; and
- we can provide reasonable assurance that the FES return is free from material misstatements

Two Priority 3 recommendations were identified from our audit testing for 2023/24 including that UHI Perth should: ensure evidence of progression and participation / engagement is retained to evidence eligibility of the Credits claimed for open / distance learning students; and Review the process for checking funding status for all part-time students to allow earlier follow-up where a student has not completed a fee waiver application and treating as self-financing where no evidence of fee waiver entitlement is provided.

2025/03 - Student Support Funds 2023/24

Final Issued – December 2024

For the 2023/24 academic year two specific fund statements were required for audit:
- Further Education Discretionary Fund, Further and Higher Education Childcare Fund and Bursary Return; and
- Education Maintenance Allowance Return.

The audit objectives were to ensure that:
- UHI Perth complies with the terms, conditions and guidance notes issued by SFC, SAAS and the Scottish Government;
- Payments to students are genuine claims for hardship, bursary or EMA, and have been processed and awarded in accordance with College procedures; and
- The information disclosed in each of the returns for the year ending 31 July 2023, is in agreement with underlying records.

We were able to certify both fund statements for the year and submit these to the SFC without reservation.

In addition, the following points were noted during the course of our audit:

Bursary - Additional Support Needs (ASN)
During our testing, we observed that UHI Perth's contract with Perth & Kinross Council (PKC) for the provision of taxi services to students with ASN included the costs for 25 bursary-funded students and 2 non-funded students. However, UHI Perth apportioned the total taxi costs equally over the funded students only, rather than all students who were utilising the taxi service. This means that a higher proportion of the costs was allocated to the bursary-funded students.

Attendance Monitoring
Our testing for a sample of payments made in 2023/24 noted that although attendance registers were available from mid-September 2023, UHI Perth did not start actively checking attendance for the purposes of student support funding until after the October break. The first week after the October break was designated as a reading week where students were expected to work at home and no classes were delivered, which meant that attendance was not formally monitored by the Student Funding Team until November 2023. The lack of attendance monitoring checks early on in the 2023/24 academic year meant that the conditions of award described above were not fully assessed by UHI Perth prior to releasing the funds to the students. However, we confirmed that UHI Perth's system is configured so that payments can only be made to current enrolled students, mitigating the risk of paying students who have withdrawn from their course. The Student Funding Team had previously identified the weakness in attendance monitoring and for academic year 2024/25 College management advised that attendance monitoring checks were undertaken earlier in the academic year, for example from 4 October 2024 for bursary, which covered attendance from mid-September 2024. As improvements have already been made, no recommendation has been raised in this report.

Report 2025/04 – International Activity

Final Issued – March 2025

The scope of the audit was to examine the key internal controls in place within UHI Perth in relation to its operations in the international market, covering students, partnerships (UHI and other parties) and products.

The table opposite notes each separate objective for this review and records the results.

Strengths

- We found that UHI Perth has identified a clear market strategy for establishing links and agreements with international educational institutions in markets such as the Middle and Far East regions. UHI Perth has developed strong links with partners in China and has ambitions to develop opportunities with these partners further;
- UHI Perth utilises a network of agents, which are approved by UHI, to market and recruit students under the direction of UHI Perth / UHI;
- UHI Perth provides a range of support to overseas students who are interested in coming to study at UHI Perth, particularly for students who reside in China, where the majority of UHI Perth's overseas activities are focussed. This includes providing English language support early in the students' academic experience, information on the cultural difference between the UK and China, pastoral care and guiding students through the UK Visas and Immigration (UKVI) visa application process;
- The financial arrangements clauses contained in partnership agreements provide some financial protection to UHI Perth by ensuring that UHI Perth receives a guaranteed minimum price per student where the target number of students on the course is not achieved;
- A robust process is in place for the review and approval of new agreements both by UHI Perth and UHI;
- Well established processes are in place to mitigate the risks of UKVI visa requirements; and
- Signed agreements are in place between UHI Perth / UHI and international academic partners.
- UHI Perth International Strategy covers the period 2019 – 2024 and during our discussions this document was acknowledged as being out of date and in need of review / refresh.

The objective of our audit was to ensure that:	Grade
International Students	
1. Key markets and courses are identified for international students	**Good**
2. Marketing and agency arrangements in place support UHI Perth with the recruitment of international students	**Good**
3. Procedures are in place to assist students who wish to attend UHI Perth, including providing advice on UK Visas and Immigration requirements	**Good**
4. The setting of targeted international student numbers is robust and there is an adequate system in place for monitoring achievement against targets	**Good**
International Partnerships and Products	
5. An effective strategic planning process and management structure have been established	**Satisfactory**
6. Key risks and opportunities in relation to international activities, including compliance with UK Visas and Immigration requirements, are identified and mitigated / exploited	**Satisfactory**
7. Robust agreements are signed with partners which include clear objectives, income and expenditure sharing arrangements, and monitoring and review processes	**Good**

Report 2025/04 – International Activity (Continued) ***Weaknesses*** • During our discussion with the Directors of Partnerships it was established that there are potential single points of failure within the International team, which have not been fully mitigated by UHI Perth due to limited resource. This includes staff responsible for the processing of visas for students for both UHI Perth and for AST.	8. Financial information on each specific international activity is provided, reviewed and reported upwards on a timely and regular basis	**Good**
	9. Staff undertake continuous development in order to widen the range of products available	**Good**
	Overall Level of Assurance	**Satisfactory**

Report 2025/05 – Student Engagement

Final Issued – May 2025

Student engagement at UHI Perth is about students and staff working together to improve the learning and teaching experience. UHI Perth wants its students to be involved in all aspects of learning, helping to shape UHI Perth's direction by being a key part of the decision-making process in UHI Perth.

The scope of this audit was to review UHI Perth's student engagement activities including how UHI Perth works in partnership with the Students' Association (HISA).

The table opposite notes each separate objective for this review and records the results.

Strengths

- One of the key values within UHI Perth's Strategic Plan (2022 – 2027) is to be 'student centred' which established the importance of students and student engagement within UHI Perth.
- There are a set of key performance indicators (KPI's) relating to learner experience and engagement.
- The UHI Student Partnership document sets out the priorities for all Academic Partners in relation to student engagement.
- There is an induction programme for all students which includes specific engagement sessions with each academic cohort ensuring that students are aware of the services available to them and the way in which they can be involved with UHI Perth.
- Students are encouraged to take part in the Student Voice Representative (SVR) system, electing a representative for each class.
- SVR meetings take place regularly during term time and provide an opportunity for representatives to provide feedback on behalf of students. Key members of staff attend the meetings to assist with resolving issues promptly and allowing for immediate feedback.
- The HISA Perth President and Depute President are both full members of UHI Perth's Board as Student Board Members.
- There is student representation on all Board Committees.
- There is regular and ongoing conversation between the Perth President and key staff including the Director of Student Experience and Student Engagement Co-Ordinator.

The specific objectives of our audit were to obtain reasonable assurance that:	Grade
1. A comprehensive and robust Student Engagement Strategy is in place which is reviewed on a regular basis	Good
2. Student engagement is monitored and evaluated on a regular basis	Satisfactory
3. There is evidence of student engagement outcomes influencing planning and decision making	Satisfactory
4. Adequate resources are allocated to student engagement activities	Good
5. Training and support is provided to staff and students where necessary	Satisfactory
Overall Level of Assurance	Satisfactory

Report 2025/05 – Student Engagement (Continued)

Strengths (Continued)

- There are sufficient staffing resources given to student engagement activities including a full-time sabbatical team, a full-time member of HISA staff based at UHI Perth, supported by a HISA Development Manager and a full time Student Engagement Co-Ordinator working within UHI Perth Student Services team.

Weaknesses

- During our review we found limitations in the methods with which students are communicated with. There is scope to expand this through use of a variety of methods such as enhanced use of social media and digital display boards on campus.
- It was noted that while HISA and the sabbatical team have dedicated office and working space located within the Webster building, there is no dedicated working space in any of the teaching buildings.
- The monthly meetings between HISA, student representatives and College Senior Leadership Team (SLT) have not been consistently taking place leading to issues with communicating any key updates or issues.
- The Student Engagement Group was dissolved in 2023 in an attempt to reduce duplication of efforts however due to changes to College structure, there is scope to reintroduce the group to ensure that all key stakeholders are aware of key updates and involved in enhancing student experience and engagement.
- Training for Student Officers and SVRs has been taking place in November of each year, several months after the start of the academic year. As at March 2025, it was established that training had still not been completed for all elected student officers.

Report 2025/06 – Publicity and Communications

Final Issued – May 2025

This audit focused on the systems in place within UHI Perth for the management of positive and negative publicity externally, and internal communication.

The table opposite notes each separate objective for this review and records the results.

Strengths

- UHI Perth utilises a range of internal and external marketing and communication tools, including its website, blog, social media, Microsoft Teams, e-mail, staff intranet – PerthHUB, face-to-face meetings, billboards and signage, posters and leaflets, newspaper, radio.
- The Marketing Team produces a range of plans, data analytics, reports, promotional materials, and media content, to drive and monitor the student recruitment activity. The majority of the Team's plans and reports are openly shared with other staff via PerthHUB.
- The UHI Perth branding is robust and consistently applied, with guidelines and resources available to staff via the Marketing Team's page on PerthHUB.
- The Marketing Team manages UHI Perth's social media presence well and offers guidance and support to individual departments who have established their own social media channels. It collaborates with them closely to amplify UHI Perth's social media reach and engagement.
- UHI Perth publishes weekly on the UHI Perth blog which captures positive stories primarily focused on students and alumni, and their academic and personal journeys during their time at UHI Perth, illustrating them to prospective students and other stakeholders.
- UHI Perth delivers various events aimed at promoting studying at UHI Perth and the different positive activities that it engages in, including Open Days, Jobs Fairs, Celebration Gala Dinners etc.
- UHI Perth engages in partnerships regarding its marketing and positive publicity activities, including as part of the UHI partnership, UHI Perth Development Network, the Schools College Programme, and industry partnerships.
- The Marketing Team is highly experienced, and their work has previously won accolades at the Perthshire Chamber of Commerce Star Business Awards.
- Staff stated that joint working between the different areas of UHI Perth is easy to facilitate and works well.

The objectives of the audit were to ensure that:	Grade
1. Policies, procedures and systems in place assist UHI Perth to maximise the benefits from positive publicity and effectively manage negative publicity, reducing the potential risk of damage to UHI Perth's reputation.	**Requires Improvement**
2. Appropriate strategies, procedures, ICT and other systems are in place to assist and encourage internal communication and joint working between campuses and Academic Faculties / Support Services and also in managing and coordinating communications with UHI Executive Office.	**Requires Improvement**
Overall Level of Assurance	**Requires Improvement**

Report 2025/06 – Publicity and Communications (Continued)

Strengths (Continued)

- UHI Perth collaborates on with other partners within the UHI network and is involved in various groups facilitated by the UHI Executive Office.
- The Marketing Team works closely with HISA and provides supports to them, as required.

Weaknesses

- UHI Perth does not have a Marketing and Communications Strategy in place which explicitly aligns with the UHI Perth Strategy 2022 – 2027, which means that marketing and communications activity may not be focused on the areas which will deliver the greatest impact in helping to achieve UHI Perth's strategic aims and objectives.
- Some of UHI Perth's policies related to marketing and communications refer to posts or other policies that no longer exist, although these will be updated as part of the routine review process.
- There are opportunities for improvement regarding UHI Perth's crisis communications arrangements, as demonstrated by the challenges experienced in dealing with crisis communications in mid-2024 regarding closure of the nursery, and changes to the library service
- There are opportunities to improve UHI Perth's routine internal communications, including key messaging to staff, frequency of communications, and transparency on the outputs from meetings between the SLT and the Student Presidents, and enhanced utilisation of PerthHUB.
- There is an opportunity to strengthen UHI Perth's strategic oversight and direction over its communications activity, although we were advised that UHI Perth is addressing this by approving additional resources to support communications and expand the Marketing Team Leader's role. (It should be noted that following the issue of this report the decision was taken not to expand the Marketing Team due to financial constraints).

Report 2025/07 – General review of Key Financial Controls and Independent Review of the Finance function

Final Issued – December 2025

The scope of this element of our review was to conduct an independent review of the finance function in UHI Perth. We have examined the extent to which improvement actions already identified have been delivered and will identify further improvement actions, where required.

The table opposite notes each separate objective for this review and records the results.

Strengths

- Comprehensive procedural notes are in place for several core financial processes including bank reconciliation, customer account set up, sales invoice and credit note creation. These are supported by additional process documentation.
- Both members of the payroll staff can run payroll, ensuring continuity during absence of either member of the team. As of June 2025, authority to process payment of payroll has been extended to the Finance manager and both Finance Business Partners to further strengthen continuity.
- The Procurement team maintains a dedicated webpage with links to the Procurement Strategy, Policy and Contracts Register.
- Weekly meetings are held between the Finance team to discuss priorities and oversight of key financial controls.
- UHI Perth has a well-defined financial governance framework with clear responsibilities assigned to the Principal and Chief Executive, Depute Principal (Operations), Chief Financial Officer (CFO) (from January 2026), Director of Finance, Senior Leadership Team and Budget Holders.
- The Financial Regulations comprehensively outlines duties related to financial planning, reporting, compliance and control.
- The Financial Memorandum between UHI and UHI Perth clearly outlines the governance and financial responsibilities of the College, which supports alignment with the Scottish Public Finance Manual. It sets out expectations of financial stewardship, transparency, value for money, sustainability and risk management.

The objectives of the audit were to ensure that:	Grade
1. Ensure that the College has an effective control environment across the following areas: • Payroll • Cash & Bank • Debtors / Income • Accounts Payable • General Ledger (including financial journals and routine financial reconciliations).	Requires Improvement
2. Establish and agree what the organisation requires from its Finance function.	Requires Improvement
3. Confirm statutory and regulatory requirements.	Good
4. Identify the actions which require to be taken to ensure the robustness, efficiency and effectiveness of the budget setting and monitoring processes to allow any lessons to be learned	Requires Improvement
5. Examine and identify areas for improvement within underlying financial processes and systems required to support the accuracy and timeliness of financial processes including: • Financial planning and budgeting. • Financial reporting and analysis. • Internal controls and risk management.	Requires Improvement

Report 2025/07 – General review of Key Financial Controls and Independent Review of the Finance function (Continued)

Strengths (Continued)

- Roles and Responsibilities of senior leaders are clearly set out in both the Financial Memorandum and the College's Financial Regulations creating a framework for financial accountability and compliance.
- Stakeholder engagement in the 2025/26 budget setting process has significantly improved compared to previous years. This has included more involvement from budget holders and an enhanced focus on pay-related costs. A reconciliation exercise was also conducted to ensure both income and expenditure was accurately captured, addressing issues from the previous year.
- There was also improved engagement with the wider staff group to generate ideas for income growth and cost efficiency at the staff conference in June 2025 and a workshop with managers in June 2025 that helped to inform the development of the Financial Recovery Plan approved by the Board in August 2025.
- HR provides a monthly analysis of contract vs timesheet hours which may support more informed financial decisions.
- UHI Perth has implemented a "Financial Improvement Plan" which has 63 active items at the time of this review. This demonstrates a structured approach to strengthening the finance function.
- The enhancement of reporting capabilities within the bluQube financial system are currently being explored, including engagement with the software supplier to improve staff understanding of system functionality and the potential to engage with another college to share development work associated with bluQube.
- A new cashflow model has been developed to support improved financial oversight.

Weaknesses

- While there are a number of word documents in place to explain the keystrokes required to run the payroll, there is currently no single comprehensive "Payroll Manual" in place to reflect current payroll arrangements.
- The current Procurement Strategy relates to the period 2019 – 2021 and needs to be updated to ensure alignment with current priorities.

• Compliance with relevant regulations and standards. • Resource allocation and utilisation. • Stakeholder engagement and communication.	
6. Examine the management and governance arrangements for scrutiny, challenge and reporting of UHI Perth's financial position to its SLT, Committees and Board of Management.	**Satisfactory**
7. Recommend a prioritised development plan for the Finance Team by identifying any skills gaps which require to be addressed in order to provide appropriate strategic and operational financial support to the Board, the executive team, budget holders and to meet the requirements of the RSB and SFC, in delivering the priorities set out in the UHI Perth Strategy 2022 - 2027.	**Requires Improvement**
Overall Level of Assurance	**Requires Improvement**

Report 2025/07 – General review of Key Financial Controls and Independent Review of the Finance function (Continued)

Weaknesses (continued)

- During the review it was found that there is a lack of documented procedures relating to the General Ledger, specifically setting out processes for creating / deleting financial ledger codes, processing journals, or conducting balance sheet reconciliations.
- There is a lack of clarity on the full range of key financial controls which need to be monitored, the frequency of how often these should be monitored, and who should be reviewing controls to ensure effective operation.
- There is a need for regular scheduled monthly meetings between budget holders and their assigned Finance Business Partners, with information prepared and disseminated in advance of the meetings. These monthly meetings should follow an agreed agenda and should be action driven. These monthly meetings should form part of a rolling 12 month calendar which maps out key tasks, timelines, and roles and responsibilities for producing the annual budget, the month end closure process and the annual accounts. The calendar should link internal and committee / board reporting with returns required to the RSB and SFC.
- Although there has been improved engagement with budget holders in developing the 2025/26 budget, there is a need for a robust quality assurance process, which involves direct engagement with budget holders, to ensure that financial forecasts (and the assumptions which underpin them) are realistic and achievable in the eyes of the relevant budget holders.
- The current iteration of the Financial Regulations was approved by the Board of Management in June 2021. It was noted that there have been significant changes in the Senior Leadership Team since that time and therefore the Financial Regulations require review.

Report 2025/07 – General review of Key Financial Controls and Independent Review of the Finance function (Continued)

Weaknesses (continued)

- At the time of our review there was no staffing establishment list in place to support budget holders and finance in the annual budget challenge process. In addition to this, when monthly analysis was completed by HR on contract / timesheet hours it was not previously shared with the Finance Business Partners. However, we have subsequently received assurances from the Depute Principal (Operations), that HR now have an establishment list in place which is updated regularly to reflect any changes.
- As highlighted in our independent review of the Financial Recovery Plan, we remain concerned that there is insufficient capacity and capability to provide the ongoing support which budget holders require to manage their budgets and to deliver the financial recovery plan, particularly during periods of peak workload such as the preparation of the annual budget or the Annual Report and Accounts.
- It was noted that Finance Business Partners may lack the depth of understanding to effectively support budget holders in managing their budgets. Physical visits by the Finance Business Partners were viewed as a potential way to build understanding of risks and challenges facing individual budget areas.
- There is a disconnect between the enterprise risk management model and the routine execution of key financial controls. It is vital that the key financial controls are understood and that positive confirmation is provided that key controls are in place and operating effectively. This could be achieved by dashboard reporting to track completion of the key tasks contained in the annual timetable described in **R5**. Any gaps in key financial controls or control failures should be discussed at the weekly Finance meetings to assess the risk arising and a decision should be taken on whether this should be escalated for discussion by SLT.
- Following the development of an annual timetable, the Interim Director of Finance, then Chief Financial Officer when appointed, needs to ensure that tasks have been allocated to ensure the delivery of the appropriate strategic and operational financial support to the Board, Senior Leadership Team and budget holders and meet the requirements of the RSB and SFC. Actions should be prioritised while being mindful of the capacity and capability of the Finance Manager and Finance Business Partners.

2025/08 – Follow-up Reviews

Final Issued – December 2025

As part of the Internal Audit programme at UHI Perth for 2024/25, we carried out a follow-up review of the recommendations made in Internal Audit reports issues during 2023/24, and reports from earlier years where previous follow-up identified that there were recommendations outstanding. These were:

Internal Audit Report 2024/04 – Risk Management
Internal Audit Report 2024/05 – Health, Safety and Wellbeing
Internal Audit Report 2024/06 – Cyber Security
Internal Audit Report 2024/08 – Fraud Prevention, Detection and Response
Internal Audit Report 2024/09 – Follow-Up Reviews

Reports 2024/01 – Annual Plan 2023/24, 2024/07 – ICT and Digital Transformation Strategy Implementation and 2024/10 – Annual Report 2023/24 did not contain an action plan and therefore no follow-up activity was required for these specific reports as part of this review.

Recommendations raised in reports 2024/02 – 2022/23 Student Activity Data and 2024/03 – Student Support Funds 2022/23 have been followed up separately in reports 2025/02 – 2023/24 Student Activity Data and 2025/03 – Student Support Funds 2023/24, and as such have not been included in this report.

The objective of each of our follow-up reviews was to assess whether recommendations made in previous reports have been appropriately implemented and to ensure that, where little or no progress has been made towards implementation, that plans are in place to progress them.

For the recommendations made in each of the reports listed above we ascertained by enquiry and review of supporting evidence, as appropriate, whether they had been completed or what stage they had reached in terms of completion and whether the due date needed to be revised.

UHI Perth has made some progress in implementing the recommendations followed-up as part of this review, with nine (24%) of the 37 recommendations followed-up being assessed as ‘fully implemented’. Nine recommendations (24%) were assessed as ‘partially implemented’ and 13 recommendations (35%) were assessed as ‘little or no progress made’, which includes three priority 2 recommendations raised in internal audit report 2021/04 – Asset Management. These have not yet been addressed due to staff resourcing issues but will be progressed once the new Chief Financial Officer (CFO) is in post. Due to the number of outstanding internal audit recommendations, the Audit Committee agreed at its meeting on 30 September 2025 that priority 2 actions should be prioritised as the priority 3 actions were deemed lower risk. All 22 recommendations categorised as Partially Implemented or Little or No Progress will be subject to further follow-up as part of the 2025/26 internal audit programme. Six recommendations (16%) included in internal audit report 2023/24 - Follow-Up Reviews were ‘considered but not implemented’ by management.

From Original Reports			From Follow-Up Work Performed				
Area	Rec. Priority	Number Agreed	Fully Implem-ented	Partially Implem-ented	Little or No Progress Made	Not Past Agreed Completion Date	Considered But Not Implemented
2024/04 – Risk Management	1	-	-	-	-	-	-
	2	-	-	-	-	-	-
	3	2	1	1	-	-	-
Total		**2**	**1**	**1**	**-**	**-**	**-**
2024/05 – Health, Safety and Wellbeing	1	-	-	-	-	-	-
	2	2	2	-	-	-	-
	3	1	1	-	-	-	-
Total		**3**	**3**	**-**	**-**	**-**	**-**
2024/06 – Cyber Security	1	-	-	-	-	-	-
	2	-	-	-	-	-	-
	3	1	1	-	-	-	-
Total		**1**	**1**	**-**	**-**	**-**	**-**
2024/08 – Fraud Prevention, Detection and Response	1	-	-	-	-	-	-
	2	1	-	-	1	-	-
	3	4	1	1	2	-	-
Total		**5**	**1**	**1**	**3**	**-**	**-**
2024/09 – Follow Up Reviews 2023/24	1	-	-	-	-	-	-
	2	7	-	-	4	-	3
	3	19	3	7	6	-	3
Total		**26**	**3**	**7**	**10**	**-**	**6**
Grand Totals		**37**	**9**	**9**	**13**	**-**	**6**

Time Spent - Actual v Budget 2024/25

	Report number	Planned days	Actual days feed	Days to fee at December 2025	Days to spend / WIP	Variance
Reputation						
Publicity and Communications	2025/06	5	5	-	-	-
Student Experience						
Students' Association	2025/05	5	5	-	-	-
Financial						
Financial sustainability		5	-	-	-	(5)
General review of Financial Controls	2025/07	7	7	-	-	-
Independent Review of the Finance Function	2025/07	-	8	-	-	8
Organisational						
International Activity	2025/04	5	5	-	-	-
Other Audit Activities						
Credits Audit	2025/02	6	6	-	-	-
Bursary, Childcare and Hardship Funds Audit	2025/03	5	5	-	-	-
EMA Audit	2025/03	1	1	-	-	-
Management and Planning	2025/01	3	2	1	-	-
Follow-up reviews	2025/08	3	-	3	-	-
Audit Needs Assessment	2025/01	1	1	-	-	-
Total		**46**	**45**	**4**	**-**	**3**

Operational Plan for 2025/06

5.1 Following the extension of our appointment as internal auditors for the period from 1 August 2024 to 31 July 2026 we prepared an Audit Needs Assessment and Strategic Plan for 2024 to 2026 (Internal Audit Report 2025/01, issued October 2024).

5.2 An extract from the Strategic Plan, in relation to 2025/26, is shown below.

Proposed Allocation of Audit Days

	Category	Priority	Planned 2025 / 2026 Days
Student Experience			
Student Support	Perf	M	5
Staffing Issues			
Teaching staff utilisation BPR	Perf/Fin	M	6
Integrated HR/Payroll system implementation	Gov/Fin	H	6
Commercial Issues			
Business Development	Fin/Perf	M	5
Organisational Issues			
Corporate Governance	Gov	M	5
Other Audit Activities			
Credits Audit	Required		6
Bursary, Childcare and Hardship Funds Audit	Required		5
EMA Audit	Required		1
Management and Planning			3
Follow-up Reviews			3
Total			**45**

Key

Category: Gov – Governance; Perf – Performance; Fin – Financial

Priority: H – High; M – Medium; L – Low

Henderson Loggie

Aberdeen: 1 Marischal Square, Broad Street, AB10 1BL T: 01224 322 100
Dundee: The Vision Building, 20 Greenmarket, DD1 4QB T: 01382 200 055
Edinburgh: Level 5, Stamp Office, 10-14 Waterloo Place, EH1 3EG T: 0131 226 0200
Glasgow: 100 West George Street, G2 1PP T: 0141 471 9870

Perth College UHI

Paper No. 4

Committee	Extraordinary Joint Meeting of Finance & Resources and Audit Committees
Subject	Draft Audit Committee Annual Report to the Board of Management 2024-25
Date of Committee meeting	13/01/2025
Author	Clerk to the Board
Date paper prepared	28/12/2025
Executive summary of the paper	In line with the College's Financial Memorandum, the Audit Committee is required to produce an annual report to the Board of Management. This report is presented to the Board of Management primarily to provide an assessment of the adequacy and effectiveness of the College's system of internal control. Committee are requested to review the document, noting in particular the response statements outlined in Appendix 3.
Consultation Please note which related parties, stakeholders and/or Committees have been consulted	n/a
Action requested	☐ For information ☐ For discussion ☒ For endorsement ☐ For approval

Perth College UHI

Resource implications Does this activity/proposal require the use of College resources to implement? If yes, please provide details.	Yes/ **No**
Risk implications Does this activity/proposal come with any associated risk to the College, or mitigate against existing risk? (If yes, please provide details)	**Yes**/ No This is a requirement of governance within the Financial Memorandum.
Link with strategy Please highlight how the paper links to the Strategic Plan, or assist with: • Compliance • National Student Survey • partnership services • risk management • other activity [e.g. new opportunity] – please provide further information	Compliance Risk Management
Equality and diversity Does this activity/proposal require an Equality Impact Assessment? If yes, please give details:	Yes/ **No**
Data Protection Does this activity/proposal require a Data Protection Impact Assessment? If yes, please give details:	Yes/ **No** Click or tap here to enter text.

UHI | PERTH

Perth College UHI

Island communities Does this activity/ proposal have an effect on an island community which is significantly different from its effect on other communities (including other island communities)?	Yes/ **No** If yes, please give details: Click or tap here to enter text.
Status (e.g. confidential/non confidential)	Non Confidential
Freedom of information Can this paper be included in "open" business?*	**Yes**/ No

* If a paper should **not** be included within 'open' business, please highlight below the reason.

Its disclosure would substantially prejudice a programme of research	☐	Its disclosure would substantially prejudice the effective conduct of public affairs	☐
Its disclosure would substantially prejudice the commercial interests of any person or organisation	☐	Its disclosure would constitute a breach of confidence actionable in court	☐
Its disclosure would constitute a breach of the Data Protection Act	☐	Other [please give further details] Click or tap here to enter text.	☐

For how long must the paper be withheld? Click or tap here to enter text.

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

Audit Committee Annual Report to the Board of Management - Session 2024/25

1 Introduction

The Scottish Funding Council's mandatory requirements require the Audit Committee to produce a report to the Board of Management primarily to provide an assessment of the adequacy and effectiveness of the College's system of internal control.

The Smith Guidance to Audit Committees also suggests that this annual report should focus on internal financial control and be provided to the Board, normally prior to the signing of the financial statements, and taking into account the Board's statement of responsibilities in particular.

This report covers the accounting period of 12 months to 31 July 2025.

The terms of reference of the Audit Committee are attached for information at **Appendix 1.** During the period under review the Committee met on 4 occasions: 09 October 2024, 11 December 2024, 26 March 2025 and 28 May 2025. In addition, an Extraordinary Joint Meeting with Finance & Resources Committee was held on 04 March 2025. Details of the membership of the Committee during this period are shown at **Appendix 2**.

2 Internal Audit

Henderson Loggie were re-appointed as the College's Internal Auditors in July 2021 via an open tender process. An extension clause for this contract was approved by Audit Committee on 19 March 2024 to allow Henderson Loggie to act as the College's Internal Auditor until July 2026.

A comprehensive Audit Needs Assessment (ANA) and three-year Strategic Audit Plan was presented to, discussed with, and approved by Audit Committee at the meeting held on 16 March 2022 based on consideration of areas of higher risk and need from a review of the College's Strategic Risk Register, and a review of previous internal audit coverage.

The agreed 3-year plan focused on the key strategic risks of reputation, student experience, Finance, Commercial, Organisation and Information & IT, alongside required annual audits and follow-up reviews. It was agreed that the number of Internal Audit days be increased to better reflect current risk, with annual review of prioritisation, and would total 122 days over the 3-year period of the Plan, with 45 Audit days originally assigned to 2024/25. Following a request from the Board during 2024/25 to review specific financial processes around Budget-setting, some Audit days were reapportioned, resulting in an actual number of 44 Audit days being utilised during the year.

The Annual Report of the Internal Auditors for 2024/25 was considered by the Audit Committee at its meeting on 08 December 2025. In the 2024/25 Annual Report, Henderson Loggie state that:

“In our opinion, with the exception of the issues highlighted in paragraph 1.9 to 1.12, UHI Perth has adequate and effective arrangements for risk management, control and governance. Proper arrangements are in place to promote and secure Value for Money. This opinion has been arrived at taking into consideration the work we have undertaken during 2024/25 and in previous years since our initial appointment.*

There were no issues identifying major internal control weaknesses noted from the other internal audit work carried out during the year. In general, procedures were operating well in the areas selected, but a few areas for further strengthening or improvement were identified, and action plans have been agreed to address these issues.”

*Paragraphs 1.9 to 1.12 relate to the following areas:

1.9 - Internal audit report 2025/04 – International Activity
Issued in March 2025, this report was graded ‘Satisfactory’ overall, but included one Priority 2 recommendation;

1.10 - Internal audit report 2025/06 – Publicity and Communications
Issued in May 2025, this report was graded ‘Requires Improvement’ with three Priority 2 recommendations raised;

1.11 - Internal audit report 2025/07 – General review of Key Financial Controls and Independent Review of the Finance function
Issued in December 2025, this report was graded as ‘Requires Improvement’, with 10 Priority 2 recommendations raised to address significant weaknesses in financial procedures, control environment, budget setting process, and improving communication between the finance function and other parts of the organisation.

1.12 - Internal audit report 2025/08 – Follow-up Reviews
Issued in December 2025, this report noted that UHI Perth has made some progress in implementing the recommendations followed-up as part of this review, with nine (24%) of the 37 recommendations followed-up being assessed as ‘fully implemented’. Nine recommendations (24%) were assessed as ‘partially implemented’ and 13 recommendations (35%) were assessed as ‘little or no progress made’ (including three Priority 2 recommendations raised in internal audit report 2021/04 – Asset Management).

Six recommendations (16%) included in internal audit report 2023/24 - Follow-Up Reviews were ‘considered but not implemented’ by management.

In Section 2 of the Annual Report prepared by Henderson Loggie a summary of the results and conclusions relating to the audit work carried out by them in the following areas is given. Recommendations were made by Henderson Loggie in each of the internal audit reports, as follows:

Number	Title	Overall Grade	Recommendations	Priority 1	Priority 2	Priority 3
2025/01	Strategic Internal Audit Plan 2024 to 2026 and Internal Audit Annual Plan 2024/25	**N/A**	-	-	-	-
2025/02	2023/24 Student Activity Data	**Audit opinion unqualified**	2	-	-	2
2025/03	Student Support Funds 2023/24	**Audit opinion unqualified**	1	-	1	-
2025/04	International Activity	**Satisfactory**	2	-	1	1
2025/05	Student Engagement	**Satisfactory**	5	-	-	5
2025/06	Publicity and Communications	**Requires Improvement**	3	-	3	-
2025/07	General review of Key Financial Controls and Independent Review of the Finance function	**Requires Improvement**	12	-	10	2
2025/08	Follow-up reviews	**22 of 37 actions require to be followed up**	22	-	5	17

Recommendation grades are defined as follows:

Priority 1 – Issues subjecting the College to material risk and which requires to be brought to the attention of management and the Audit Committee.

Priority 2 – Issues subjecting the College to significant risk and which should be addressed by management.

Priority 3 – Matters subjecting the College to minor risk or which, if addressed, will enhance efficiency and effectiveness.

The Internal Audit Reports referred to above were reviewed in detail by the Audit Committee and accepted.

3 External Audit

Deloitte was appointed by Audit Scotland as UHI Perth's external auditors from Academic Year 2023.

The external audit of the Annual report and financial statements for the year to 31 July 2025 was subject to delays caused mainly by the requirement to consolidate the accounts of UHI Perth's wholly-owned subsidiary, Air Service Training Ltd, which entered Administration in April 2025. Deloitte is proposing to charge additional fees for this work, however fee levels have yet to be agreed with management at UHI Perth.

The draft Report and Financial Statements including accounting policies, disclosures and the external auditor's opinion for the year ended 31 July 2025 were reviewed by an Extraordinary Joint Meeting of Finance & Resources and Audit Committees on 13 January 2025, as well as a draft ISA 260 Report from the external auditors.

The Corporate Governance statement included in the audited Financial Statements for the year ended 31 July 2025 was reviewed along with the Financial Statements.

4 Effectiveness of the Audit Committee

A 'Review of Meeting' item at the end of every agenda was conducted by the Audit Committee throughout 2024/25. This was to enable members the opportunity to reflect on and discuss the effectiveness of the meeting. No concerns about the conduct of the meetings have been raised.

5 Value for Money

The College continues to work closely with Government forums and Advanced Procurement for Universities and Colleges (APUC) and follows the guidelines that have been developed to support the sector in line with best practice.

In response to a recognition of the need to improve procurements procedures, in November 2018 the College has contracted APUC to provide direct support in the development of more robust systems and processes. Since July 2019 APUC staff have been contracted to work directly for the College.

6 Review of the Effectiveness of Internal Control and Risk Management

This report is based on guidance produced by the Turnbull Committee and invites the Board to confirm that:

- It is satisfied with the scope, frequency and quality of the reports received during the year.
- It is satisfied with the College's ability to respond to changes in the operating environment.
- It is satisfied with the scope and quality of senior level involvement in monitoring risks.
- It is satisfied with the extent and frequency of reports to the Board.
- It agrees that there had been no significant control failings or weaknesses identified during the year.
- It is satisfied with its public reporting processes.

It is recommended that an informal review of effectiveness is undertaken on an annual basis.

During the financial year 2024/25, Audit Committee reviewed the Internal Audit plan and took the decision to prioritise Audit days towards International Activity over Estates, as this was felt to be a higher current risk area for the College.

7 Other Audit Matters

During 2024/25, UHI Perth was subject to a report by the Auditor General for Scotland concerning issues found in the 2023/24 financial accounts, issued under Section 22 of the Public Finance and Accountability (Scotland) Act 2000, which focused on financial management concerns raised by the failure to set a budget for 2023/24, which lead to scrutiny by the Scottish Parliament's Public Audit Committee. The Public Audit Committee's investigations into these historic issues remain ongoing.

Following a number of changes in Board membership during 2024/25, a review of UHI Perth's key governance documents were reviewed, including the Scheme of Delegation and Committee Terms of Reference. During Committee meetings held between April and June 2025, each member was required to provide an overview of their relevant experience to Committee, and to confirm their understanding of the shared expectations of that Committee.

Audit Committee reviewed the College's Code of Good Governance Compliance Checklist at its meeting on 20 September 2025, to provide comfort to Audit Committee that the College maintains its required levels of compliance.

8 Opinion and Conclusion

It is the opinion of the internal auditors Henderson Loggie CA, and accepted and endorsed by the Audit Committee, that with the exception of the issue noted in Section 2 of this Report in relation to follow-up, the College operates adequate and effective arrangements for risk management, internal control and governance, as defined in the audit needs assessment, and that proper arrangements are in place to promote and secure value for money.

It is the opinion of the external auditors, Deloittes, and endorsed by the Audit Committee that the financial statements give a true and fair view and are properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction made thereunder.

It is the opinion of the Committee that the Board of Management's responsibilities as described in the Responsibilities of the Board of Management Statement included in the financial statements for the year to 31 July 2025 have been satisfactorily discharged.

It is also the opinion of the Committee that compliance with the SFC audit requirements as incorporated in Financial Memorandum have been ensured, whilst noting the Disclosures detailed within Appendix 4 of the External Audit Report.

Perth College UHI Audit Committee, 13 January 2026

Appendix 1 – Terms of Reference of Audit Committee per Governance Manual (reviewed June 2025)

AUDIT COMMITTEE

Membership

No fewer than 3 members of the Board of Management.
One place reserved by invitation for a Student Member of the Board, as nominated by HISA Perth.
One place reserved by invitation for a Staff Member of the Board, to be determined by Staff Members of the Board

- Board members not eligible for appointment are the Chair of the Board, the Principal, the Chair of the Finance & Resources Committee, the Staff Board Member nominated to Finance & Resources Committee, and the Student Board Member nominated by HISA Perth to Finance & Resources Committee.

- No member of the Finance & Resources Committee shall also be a member of the Audit Committee.

- The Chair of the Board, the Principal and the Chair of the Finance & Resources Committee shall be invited to attend meetings.

- The Committee may sit privately without any non-members present for all or part of a meeting if they so decide.

- The College Executive will attend meetings at the invitation of the Committee Chair and provide information for Agenda items

In attendance
Depute Principal (Academic)
Depute Principal (Operations)
Other appropriate staff members of the College by invitation
Representatives of Internal and External Auditors of the College by invitation

Quorum
The Quorum shall be 3 members.

Frequency of Meetings
The Committee shall meet no less than three times per year.

Objectives

The Audit Committee's main responsibilities include advising the Board on whether:

- There are systems in place to ensure that the College's activities are managed in accordance with legislation and regulations governing the sector.

- A system of governance, internal control and risk management has been established and is being maintained, which provides reasonable assurance of effective and efficient operations and produces reliable financial information.

- There are systems in place to ensure the Committee engages with financial reporting issues

Terms of Reference

Internal Control

1. Reviewing and advising the Board of Management of the internal and the external auditor's assessment of the effectiveness of the college's financial and other internal control systems, including controls specifically to prevent or detect fraud or other irregularities as well as those for securing economy, efficiency and effectiveness; and

2. Reviewing and advising the Board of Management on its compliance with corporate governance requirements and good practice guidance including a strategic overview of risk management.

3. Strategic oversight of Health and Safety, Freedom of Information and Data Protection on behalf of the Board.

Internal Audit

1. Advising the Board of Management on the selection, appointment or reappointment and remuneration, or removal of the internal audit provider.

2. Advising the Board of Management on the terms of reference for the internal audit service.

3. Reviewing the scope, efficiency and effectiveness of the work of internal audit, considering the adequacy of the resourcing of internal audit and advising the Board of Management on these matters.

4. Advising the Board of Management of the Audit Committee's approval of the basis for and the results of the internal audit needs assessment and the strategic and operational planning processes.

5. Approving the criteria for grading recommendations in assignment reports as proposed by the internal auditors.

6. Reviewing the internal auditor's monitoring of management action on the implementation of agreed recommendations reported in internal audit assignment reports and internal audit annual reports.

7. Considering salient issues arising from internal audit assignment reports, progress reports, annual reports and management's response thereto and informing the Board of Management thereof.

8. Informing the Board of Management of the Audit Committee's approval of the internal auditor’s annual report.

9. Ensuring establishment of appropriate performance measures and indicators to monitor the effectiveness of the internal audit service.

10. Securing and monitoring appropriate liaison and co-ordination between internal and external audit.

11. Ensuring good communication between the Committee and the internal auditors.

12. Responding appropriately to notification of fraud or other improprieties received from the internal auditors or other persons.

13. Reviewing the Risk Management Register.

External Audit

The appointment of external auditors to the College is directed by Audit Scotland.

1. Considering the college's annual financial statements and the external auditor's report prior to submission to the Board of Management by the Finance Committee. Care should be taken, however, to avoid undertaking work that properly belongs to the Finance and General Purposes Committee. If within its terms of reference, the Committee should consider the external audit opinion, the Statement of Members' Responsibilities and any relevant issue raised in the external auditor's management letter.

2. Reviewing the external auditor's annual Management Letter and monitoring management action on the implementation of the agreed recommendations contained therein.

3. Advising the Board of Management of salient issues arising from the external auditor's management letter and any other external audit reports, and of management's response thereto.

4. Reviewing the statement of corporate governance.

5. Establishing appropriate performance measures and indicators to monitor the effectiveness of the external audit provision.

6. Reviewing the external audit strategy and plan.

7. Holding discussions with external auditors and ensuring their attendance at Audit Committee and Board of Management meetings as required.

8. Considering the objectives and scope of any non-statutory audit work undertaken or to be undertaken, by the external auditor's firm and advising the Board of Management of any potential conflict of interest.

9. Securing appropriate liaison and co-ordination between external and internal audit.

Value for Money

1. Establishing and overseeing a review process for evaluating the effectiveness of the college's arrangements for securing the economical, efficient and effective management of the college's resources and the promotion of best practice and protocols, and reporting to the Board of Management thereon.

2. Advising the Board of Management on potential topics for inclusion in a programme of value for money reviews and providing a view on the party most appropriate to undertake individual assignments considering the required expertise and experience.

3. Advising the Board of Management of action that it may wish to consider in the light of national value for money studies in the further education sector.

Advice to the Board of Management

1. Reviewing the college's compliance with the Code of Audit Practice and advising the Board of Management on this.

2. Producing an annual report for the Board of Management.

3. Advising the Board of Management of significant, relevant reports from the Scottish Funding Council and National Audit Office and successor bodies and, where appropriate, management's response thereto.

4. Reviewing reported cases of impropriety to establish whether they have been appropriately handled.

5. Review annually the Terms of Reference for the Committee and its composition and make any necessary recommendations for change to Chairs' Committee.

Appendix 2 - Membership of the Audit Committee during the period 1 August 2024 – 31 July 2025

Derek Waugh (Chair – resigned 11 April 2025)
Debbie McIlwraith Cameron (Chair – from 16 April 2025)
Ian Robotham (until 16 April 2025)
Alistair Wylie (until 16 April 2025)
Chris Lusk (from 16 April 2025)
Christopher Whatley (from 16 April 2025)
Patrick O'Donnell
Andi Garrity

Appendix 3 - Annual Assessment of Effectiveness of Internal Control

PERTH COLLEGE

Audit Committee

Annual Assessment of Effectiveness of Internal Control

1 Introduction

The Board of Management is required to make a statement on corporate governance in the annual accounts, in accordance with the UK Corporate Governance Code issued by the Financial Reporting Council in September 2012. To support its statement on corporate governance, the Board should undertake an annual assessment of the effectiveness of internal control systems and risk management.

2 Review of Reports Received During the Year

During 2024/25, the Audit Committee received the following internal audit reports from Henderson Loggie:

Publicity & Communications
Student's Association
Financial Sustainability
General Review of Financial Controls
International Activity
Student Activity Data
Student Support Funds
Follow-Up Reviews

All recommendations therein and the College response to them are noted. The College's actions in response to previous Internal Audit report recommendations are monitored by the Audit Committee.

During 2024/25, the Finance and Resources Committee and the Board received quarterly reports on income and expenditure, excepting for a period when resources in the Finance Team were constrained.

The Board is invited to confirm that it is satisfied with the scope, frequency and quality of the reports received during the year, as set out above.

3 Key Risks & Uncertainties

Changes and developments in the external operating environment which are likely to impact on UHI Perth and were discussed at Committee meetings in 2024/25 include:

1. HE student numbers – while UHI Perth meets targets for FE credits, the number of HE students has not increased to pre-pandemic levels. There are many complex factors around this e.g. Universities lowering entrance requirements, and cost of living pressures meaning people look for paid work rather than entering further education. This is a significant risk to UHI Perth's funding entitlement, now and in the future.

2. Funding outlook - SFC has not provided additional funding to the sector for several years and there are no indications that this position will change soon. This is a significant risk to the financial sustainability of UHI Perth as income is not sufficient to cover increasing staff and non-staff costs due to the reasons set out below. SFC has proposed a new FE funding model to allocate funding across all Scottish colleges with some colleges benefiting and others worse off financially. UHI is considering adjusting the partner distribution model to align with the changes in the SFC model. It is unclear what the impact will be on UHI Perth for future years.

3. National Pay Bargaining outcomes and additional staff on-costs – pay awards for academic and support (professional services) staff are negotiated nationally but are not funded by Scottish Government with colleges paying for additional costs. Based on recent increases, unfunded pay increases over the next two years are likely to be between 3% and 4%. There have been increases in employer national insurance costs and lecturer pension contributions that have been funded by the SFC in 2025/26 but there are no guarantees about funding in future years.

4. Job Evaluation - National Job Evaluation across the College sector is a significant unknown risk factor. The review was started in 2018 but is still outstanding and any changes would be backdated to 2018. There are indications from College Employers Scotland that this could be implemented in the next two years. UHI Perth has provided based on the salary costs of staff employed in 2018 rather than current costs and there is uncertainty whether the costs associated with Job Evaluation would be fully funded by the Scottish Government.

5. Inflation and especially the cost of energy – UK inflation has remained high post-pandemic and forecasts do not indicate that this position is going to change soon. UHI Perth's non-staff costs are high, particularly relating to energy, meaning continued cost pressure.

6. Continuation of the top slice payment to the University (UHI) of ~£4.3m for HE & FE students – The UHI does not receive direct funding for the services it provides. It is entitled to retain from SFC grant allocation to academic partners reasonable

costs in providing RSB and other core services, which must equate to no more than 35% of HE funding each academic year, unless a higher sum is agreed by academic partners. This is referred to as the top slice. There is agreement between UHI and other academic partners that this mechanism is no longer fit for purpose and a Full Business Case for a new operating model is being developed in 2025/26.

7. Deterioration of infrastructure – estates and digital – there has been very little investment in estates and ICT over several years at UHI Perth meaning that our estate continues to deteriorate and we are not providing our students with up-to-date technology in teaching areas that they have come to expect in other learning establishments. There is a risk that students will go to competitors that have had sufficient funding to make these investments.

8. Cyber-attack presents a significant risk to all organisations with some large multi-national organisations being targeted by criminals. UHI Perth is part of several groups comprised of institutions across the UHI partnership that are working together to mitigate risks. UHI Perth achieved cyber-essential and cyber-essential plus accreditation in 2024/25, which is an annual exercise to safeguard the College as far as possible.

The Board is invited to confirm that it is satisfied with the College's ability to respond to changes in the operating environment.

4 Scope and Quality of Risk Monitoring

Audit Committee continued to review the use of the Enterprise Risk Management model being utilised within the College, linked to Strategic Key Performance Indicators. Continuing and emerging risks were recognised as:

HE student numbers; a “flat cash” funding outlook; National Pay Bargaining outcomes; Job Evaluation; Inflation, especially with respect to the cost of energy; continuation of the top slice payment to the University (UHI); physical and digital infrastructure; and cyber security.

The Risk Register continued to be reviewed quarterly by Audit Committee on an interim basis to ensure continuity while the ERM was given time to fully bed in. After a year of operation, however, Audit Committee decided that the ERM was overly complex for UHI Perth’s needs and suggested that Audit Committee review reporting needs from 2025/26.

The Board is invited to confirm that it is satisfied with the scope and quality of management's monitoring of risks.

5 Communication to the Board and its Committees

Board Responsibility:

‘The Board should consider the extent and frequency of the communication of the results of monitoring to the Board and its Committees, which enables it to build up a cumulative assessment of the state of control in the College and the effectiveness with which risk is being managed’. (Turnbull Guidance)

Response :

The system of reporting to the Board is covered in the draft Statement of Corporate Governance.

Henderson Loggie were re-appointed as the College’s Internal Auditors in July 2021 via an open tender process. An extension clause for this contract was approved by Audit Committee on 19 March 2024 to allow Henderson Loggie to act as the College’s Internal Auditor until July 2026.

Audit Committee receives regular progress reports against the Internal Audit Action Plan at each scheduled meeting.

The Board is invited to confirm that it is satisfied with the extent and frequency of reports to the Board.

6 Control Failings or Deficiencies

During the year ending 31 July 2025, the following control weakness were identified as requiring action:

Area	Issue	Action & Timelines
1. Pension Strain Costs	The pension strain costs resulting from early voluntary retirements was overstated by £798k in the draft financial statement at 31 July 2025. The error resulted from inaccurate information being provided to the College's actuary by the fund administrator and lack of clarity in the actuarial report of how much had already been accounted for in respect of the pension strain costs.	Management should ensure there is a process in place to check the accuracy and completeness of data provided to the actuary by the pension fund administrator. This will enhance the accuracy of financial reporting at balance sheet date. Chief Financial Officer to ask the Tayside Pension Fund to send information to UHI Perth Finance Team first for checking before submitting to the actuaries for the 2025/26 financial statements.
2. Depreciation Calculation	External Auditor identified a lack of effective controls over the accuracy and completeness of depreciation calculations, specifically concerning the regular update of revaluation figures and the consistent application of useful life methodologies. These deficiencies resulted in current year depreciation being understated by £394k and the prior year by £644k.	Establish a robust process to ensure that the annual depreciation charge for revalued buildings is consistently calculated using the most recent revaluation figures. Implement a standardised and documented methodology for determining and applying useful lives. Depreciation should be calculated based on the remaining useful life at the beginning of the year for each period. Chief Financial Officer to implement in preparing the financial statements for 2025/26.
3. Review of Bad Debt Provision	External Auditor noted that there is no formal bad debt policy in place and an overprovision of £35k was identified due to incorrect ageing data being used in calculating the year end provision as at 31 July 2025. This indicates a lack of detailed review of the provision at year end.	Management to formalise the bad debt policy in writing and perform a detailed review of their bad debt provision at year end to ensure the amounts being provided for are correct. Chief Financial Officer to review the policy and formalise the procedure by 30 June 2026.
4. Authorisation of Journal Entries	Journal entries are not approved before being posted into the general ledger, thereby increasing the risk of fraudulent postings being made.	Recommend that a process of journal authorisation be put in place. All journal entries should be authorised by someone other than the one preparing the posting after reviewing any supporting documentation to assess the accuracy and appropriateness of the posting. Evidence of preparation and authorisation should be documented against the journal. The Chief Financial Officer to determine whether the finance system has functionality to separate authorisation of journals from input by 30 June 2026. Further checks will take place when reviewing the management accounts and carrying out control account reconciliations.

5. Review of Management Accounts and other financial reports/ reconciliations	Management accounts are prepared and reviewed on a quarterly (now monthly for FY25/26) basis before being presented to the board. There is no documentation kept to evidence that this review takes place prior to presentation to board. Whilst reviews of reconciliations and other ledgers do take place errors have been identified that indicate this review is not as robust as it could be.	Recommend that clear methodology is documented for what is to be discussed and reviewed in preparing management accounts, budgets and other financial reports. Clear roles and responsibilities should be agreed, and documented, across finance team and Board to agree the expectations and procedures for preparation and review. Chief Financial Officer to ensure this review happens on at least a quarterly basis by 31 March 2026.

7 Effectiveness of Public Reporting Procedures

- The College is committed to the principles of openness and accountability in all its activities. In response to our obligations under the Freedom of Information Act (Scotland) 2002, the College has adopted and will maintain the Model Publication Scheme for Scotland's Colleges.

- The Board is updated regularly via Audit Committee on the requests for information received under the Freedom of Information Act (Scotland) 2002 and Data Protection requests.

- The College completes and lodges a number of statutory returns to demonstrate appropriate use of public funds.

- Information about the Board and its members is available on the website, including the Register of Interests.

- Board of Management minutes and papers are published on the website.

- The College Annual Accounts are published on the website and lodged with the Office of the Scottish Charity Regulator.

- The Annual Report is published on the website. A hard copy is available to anyone who makes a request.

The Board is invited to confirm that it is satisfied with its public reporting processes