

SFC written submission to Public Audit Committee: Audit Scotland's 2023/24 audit of UHI Perth

17 December 2025

About Scottish Funding Council

1. The Scottish Funding Council (SFC) is Scotland's tertiary education and research authority. We are a non-departmental public body (NDPB) established by the Further and Higher Education (Scotland) Act 2005.
2. SFC invests around £2bn annually in tertiary education, research, and innovation through Scotland's 24 colleges and 19 universities, which provides learning, reskilling, and upskilling opportunities to Scotland's learners.
3. We are also a statistical authority, and we work closely with the UK-wide Higher Education Statistical Authority (HESA), to provide data and statistics for government, decision-makers, and the wider public.

UHI Perth Governance Structure

4. The Post-16 Education (Scotland) Act 2013 introduced regional strategic bodies (RSB's) for colleges in multi-college regions to support a regional approach to the planning and funding of college provision. Where a college is assigned to an RSB, the accountability and funding relationship for the assigned college is with the RSB. There is therefore no direct accountability or funding relationship between SFC and an assigned college; instead, the RSB's relationship with its partner institutions broadly mirrors SFC's relationship with its fundable bodies.
5. UHI is the designated RSB for assigned colleges in the region, and Perth College (which trades as UHI Perth) is an assigned college. This means that SFC does not have a legal basis through which to engage directly with UHI Perth; rather, SFC's monitoring and accountability relationship is with UHI.

2023/24 Audit of UHI Perth

6. SFC acknowledges Audit Scotland's report on the 2023/24 audit of UHI Perth and welcomes the opportunity to provide evidence for the Public Audit Committee.
7. SFC and Audit Scotland engage regularly about a range of issues, including annual Accounts Direction for colleges, and our respective reports on the financial health of the college sector. Audit Scotland also notifies and engages with SFC about upcoming audit reports under section 22.

8. Institutions are required to notify SFC about a range of financial and governance issues via SFC's Financial Memorandum, which sets out our conditions of grant. SFC is therefore usually aware of issues raised in Audit Scotland's reports and will have been working closely with the institution to gain assurance and provide our support where required.
9. As set out above, SFC's funding and accountability relationship is with UHI. SFC therefore sought assurance from UHI about its role supporting UHI Perth, and we provided support to the college, including additional liquidity support via UHI. We are committed to continued constructive engagement with UHI regarding UHI Perth.
10. We also acknowledge and welcome the significant work that UHI Perth is undertaking to return to financial health, so that it can be a thriving institution for learners, employers, and the region.
11. The following sections provide further information about SFC's role in governance, financial monitoring, and the interventions we can make to support institutions.

Expectations and Monitoring of Good Governance

12. A Financial Memorandum (FM) sets out the formal accountability relationship between SFC and institutions, and the requirements with which they must comply as terms and conditions of grant. These requirements include compliance with the Code of Good FE Governance. SFC has an FM with UHI, and UHI has an FM with its partner institutions, including UHI Perth, which mirrors SFC's FM.
13. SFC launched a new approach to outcomes and assurance in 2024 via our Outcomes Framework and Assurance Model. The Outcomes Framework sets out SFC's expectations of colleges and universities in return for the funding that they receive, and the Assurance Model is the mechanism by which SFC is assured that the outcomes are being delivered so that the things that matter to students, employers, Scottish Government and other stakeholders are in place. One of our seven outcomes for colleges pertains to good governance. UHI is responsible for delivering this new approach with its partner institutions to gain assurance that the colleges are delivering these outcomes.
14. 'SFC's Expectations of Good Governance' was published in September 2025. This publication announced changes to the activities we will undertake in relation to monitoring governance, including additional monitoring to gain ongoing assurance that governance in institutions is adequate and effective. We are engaging with UHI about implementing this approach with its partner institutions.

Financial Health Monitoring

15. Financial sustainability is a condition of grant set out in the FM as well as an outcome in the Outcomes Framework. Institutions' governing bodies and management teams are therefore responsible for their institutions' financial sustainability and are required to notify us, or UHI in the case of UHI Perth, if they identify material risks to their financial viability or sustainability.
16. SFC monitors the financial health of institutions via regular financial returns and a programme of engagement. UHI undertakes this data collection and engagement in relation to UHI Perth. UHI routinely shares this information with SFC for our sector-level analysis of the financial position of colleges; for example, our Financial Sustainability reports include the position of UHI's partner institutions.

Interventions

17. There is a range of interventions SFC can take to support institutions that are experiencing financial difficulties, and we tailor these to each institution. For example, we can provide grants or cash advances to support liquidity challenges and allow time for issues to be addressed. UHI manages this responsibility in respect of its partner colleges. However, UHI engages with SFC when SFC's support is required; for example, UHI engaged with SFC regarding UHI Perth's request for liquidity support.
18. SFC has also worked with the college sector and Scottish Government to introduce new measures to support colleges. For example, in the last year, we have made further changes to our college funding distribution model that brings greater transparency, comparability, and flexibility; we published new guidance that enables colleges to retain the first £1m of any asset disposal and then 70% of any value over this; and we launched a College Transformation Framework, which provides a mechanism for colleges to undertake curriculum transformation and transition to a more sustainable footing from within existing budgets.
19. We are exploring with Scottish Government and Colleges Scotland, through the Tripartite Alignment Group whether there may be other flexibilities that could be considered to support colleges further.
20. We are committed to continued engagement with the sector, including UHI, regarding financial health and sustainability.