



OFFICIAL REPORT  
AITHISG OIFIGEIL

DRAFT

# Public Audit Committee

Wednesday 7 January 2026

Session 6



The Scottish Parliament  
Pàrlamaid na h-Alba

© Parliamentary copyright. Scottish Parliamentary Corporate Body

Information on the Scottish Parliament's copyright policy can be found on the website - [www.parliament.scot](http://www.parliament.scot) or by contacting Public Information on 0131 348 5000

---

**Wednesday 7 January 2026**

**CONTENTS**

	<b>Col.</b>
<b>DECISION ON TAKING BUSINESS IN PRIVATE .....</b>	<b>1</b>
<b>SECTION 22 REPORT: "THE 2023/24 AUDIT OF UHI PERTH" .....</b>	<b>2</b>
<b>"NHS IN SCOTLAND 2025: FINANCE AND PERFORMANCE" .....</b>	<b>36</b>

---

**PUBLIC AUDIT COMMITTEE**

**1<sup>st</sup> Meeting 2026, Session 6**

**CONVENER**

\*Richard Leonard (Central Scotland) (Lab)

**DEPUTY CONVENER**

\*Jamie Greene (West Scotland) (LD)

**COMMITTEE MEMBERS**

\*Colin Beattie (Midlothian North and Musselburgh) (SNP)

\*Joe FitzPatrick (Dundee City West) (SNP)

\*Graham Simpson (Central Scotland) (Reform)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Mike Baxter (University of the Highlands and Islands)

Stephen Boyle (Auditor General for Scotland)

Jacqui Brasted (Scottish Funding Council)

Catherine Etri (UHI Perth)

Leigh Johnston (Audit Scotland)

Bernie Milligan (Audit Scotland)

Lynn Murray (UHI Perth)

Vicki Nairn (University of the Highlands and Islands)

Tiffany Ritchie (Scottish Funding Council)

Alistair Wylie (UHI Perth)

**CLERK TO THE COMMITTEE**

Claire Menzies

**LOCATION**

The Sir Alexander Fleming Room (CR3)



## Scottish Parliament

### Public Audit Committee

*Wednesday 7 January 2026*

*[The Convener opened the meeting at 09:32]*

### Decision on Taking Business in Private

**The Convener (Richard Leonard):** Good morning. I welcome everyone to the first meeting in 2026 of the Public Audit Committee.

Item 1 is for the committee to decide whether to take items 4, 5, 6 and 7 in private. Do members agree to do so?

**Members** *indicated agreement.*

## Section 22 Report: “The 2023/24 audit of UHI Perth”

09:32

**The Convener:** Item 2 is further consideration of the 2023-24 audit of UHI Perth. I am pleased to welcome our witnesses. Partly because of the weather, some are joining us online. I begin by welcoming Catherine Etri, who is the interim principal and chief executive of UHI Perth. Alistair Wylie is the interim chair of UHI Perth and he is joining us online. You are very welcome and I thank you for taking the trouble to come along today. We are also joined in the meeting room by Lynn Murray, who is the deputy principal (operations) at UHI Perth.

Joining us online for obvious weather reasons is Vicki Nairn, who is the principal and vice chancellor of the University of the Highlands and Islands. Good morning, and thanks for being with us. Vicki is joined by Mike Baxter, who is the chief financial officer at UHI. Welcome to you.

Alistair, Vicki and Mike, if there are any points that you want to come in on particularly, put in the chat that you want to join us and we will do our level best to pick that up and invite you in.

I will complete our welcome to witnesses by welcoming Jacqui Brasted, who is the director of access, learning and outcomes at the Scottish Funding Council. Alongside Jacqui is Tiffany Ritchie, who is the acting director of finance at the Scottish Funding Council.

Please do not feel that you have to answer every single question that we raise. We will try to manage proceedings as effectively as possible. As you would expect, we have got some questions to put to you but, before I get to those questions, I invite Catherine Etri, Vicki Nairn and Jacqui Brasted to give us short opening statements, in that order. I invite Catherine to open proceedings for us.

**Catherine Etri (UHI Perth):** Thank you, convener. In the past seven months, my focus has been on leading UHI Perth through the current financial crisis and bringing stability to the college. Finding just under £10 million of savings in the next three years has been difficult, especially after several years of rounds of significant cuts and voluntary severance. However, I am pleased to report that the college is now forecasting a surplus for the first time since 2022.

To address the projected deficit, we needed to reaffirm the college's role as a catalyst for opportunity and adopt a sustainable growth strategy that is grounded in meeting the needs of our community. We have sought every non-staff

saving possible, along with pursuing targeted growth in key areas. Unfortunately, it was not possible to avoid voluntary redundancies completely, but our priority is, and always will be, ensuring that our front-line teaching resource meets the needs of our students.

In the past month, I have appointed a new deputy principal and a chief financial officer, with combined experience of 30 years in the college sector. We will focus on strengthening areas, including governance and compliance, as the college moves from a recovery to a renewal phase.

Colleges across Scotland are facing significant financial pressures, and those have severely impacted the situation at Perth. A 20 per cent real-terms cut in college funding in recent years, combined with inflation and sustained high energy costs, along with a large, ageing, poorly maintained estate, has created an extremely difficult financial situation for Perth. There continues to be significant risk to our financial sustainability and that of the entire college sector. As an educator of more than 35 years, I believe that we have reached the lowest point of funding. The college sector can no longer sustain that without serious impact on our communities.

We remain committed to delivering further and higher education to the community of Perth and Kinross and beyond, and we are working with our stakeholders to deepen our key partnerships. For many years, I have witnessed how colleges can transform lives, create diverse routes into higher education and employment, address the shortages of skilled staff and develop and promote routes that train for industry needs. However, they can do that only with appropriate resources.

Despite our financial challenges, the staff at UHI Perth continue to deliver outstanding education for our students and community, and we remain one of the best performing colleges in Scotland. Our student achievement and satisfaction rates are consistently higher than the sector norm. I have been proud to lead the college for the past seven months and I remain committed and passionate about ensuring that we continue to deliver the very best for our students and communities. I thank the committee for allowing us to give evidence today.

**The Convener:** I turn straight to Vicki Nairn for her opening statement.

**Vicki Nairn (University of the Highlands and Islands):** First, I apologise that we are not with the committee in person. As you mentioned, convener, we have some pretty severe weather up here in the Highlands.

I begin by reaffirming that UHI, in its role as the regional strategic body, or RSB, fully recognises the seriousness of the issues that are highlighted

in the section 22 report and the challenges that have been faced by UHI Perth. We very much welcome the committee's scrutiny and the role of Audit Scotland in ensuring transparency and accountability in the use of public funds.

UHI, as a university partnership, is a high-performing tertiary institution with student success and satisfaction consistently being rated above the sector average in further and higher education. I also highlight specifically the work of the new leadership team, the board and the staff who have taken significant steps to stabilise and improve the situation at UHI Perth. The RSB has taken and continues to take positive steps to support UHI Perth through this period of change, including enhanced monitoring and assurance measures, on-going and detailed interaction with the Scottish Funding Council, deployment of senior executive expertise, provision of independent financial consultancy to support recovery planning, and facilitation of governance improvements. The information pack that UHI has submitted seeks to clarify UHI's role and its response to information that was provided at previous meetings, and it provides related correspondence. At UHI, our goal is to protect and enhance the student experience, maintain a high standard of education and continue to deliver transformational impacts for the people, communities and economies of our regions.

The financial challenges faced by UHI Perth are not unique to the college or, indeed, to the partnership, but are reflective of broader and longer-standing sectoral challenges, which have been highlighted clearly in recent national reports from Audit Scotland and the Scottish Funding Council. We continue to engage constructively with the SFC and national bodies to represent UHI in these matters for the benefit of UHI and the wider further and higher education sectors.

Looking ahead, the focus of UHI and the RSB is on stability, governance, renewal and growth. Through our 2030 strategic plan, we are developing a new operating model for a more efficient and integrated institution, one that seeks to direct more resources to students, enhance services for communities and ensure long-term financial sustainability.

**The Convener:** Thank you very much indeed. I turn to the Scottish Funding Council and invite Jacqui Brasted to give us an opening statement.

**Jacqui Brasted (Scottish Funding Council):** Good morning. I am director of access, learning and outcomes at the Scottish Funding Council and I am joined by Tiffany Ritchie, who is the acting director of finance. We welcome Audit Scotland's 2023-24 audit of UHI Perth and the opportunity to give evidence to the Public Audit Committee today.

SFC takes extremely seriously Audit Scotland's section 22 reports. This report set out concerning findings regarding UHI Perth's financial controls, notably its failure to set a budget. To gain assurance about the issues that were identified in the report, SFC has engaged closely with UHI, as a regional strategic body, and UHI has in turn engaged with Perth College. That approach is in line with the governance arrangements that are set out in the legislation.

When an institution is experiencing financial or governance challenges, there are already several levers and interventions available to SFC and to UHI, as the RSB, via relevant legislation and the financial memoranda that set out our conditions of funding.

We are also enhancing our approach to institutional scrutiny, given the increasingly challenging financial environment. To launch our new approach, we published our expectations of good governance document in autumn 2025, which announced additional monitoring of institutions. We will continue to build on that work to strengthen our governance and financial monitoring, and we are committed to continued engagement with the college sector, including UHI, as the RSB, regarding that work.

SFC acknowledges the steps that have been taken by UHI and Perth College to address the issues that were set out in Audit Scotland's report. We also welcome the college's response to its wider financial sustainability challenges, so that it continues to be a thriving institution for learners, employers and the region.

**The Convener:** Thank you very much.

Can each of you tell me whether you accept the findings that are set out in the Audit Scotland section 22 report, beginning with Catherine Etri?

**Catherine Etri:** Yes, we absolutely accept the findings. During the past year, Lynn Murray has been working with her team to ensure that we have covered all the bases to make the improvements that are required. That situation will never happen again and it certainly has not happened since. There are many procedures in place that should have been in place at the time. We now have all the checks and balances and we are confident that many improvements have been made.

**The Convener:** Okay, I will come back to that in a moment. Vicki Nairn, as the principal and vice-chancellor of UHI, do you accept the findings of the Audit Scotland report?

**Vicki Nairn:** Yes, absolutely, we do.

**The Convener:** Thank you for your succinctness. Jacqui Brasted, do you accept the findings?

**Jacqui Brasted:** Yes, we accept them as well.

**The Convener:** Okay, I will look a little bit more closely, not just at what happened, but at the approach that led to the section 22 report.

You might have seen that, before Christmas, we took evidence from the former chair of the board, Graham Watson, and from Iain Wishart, who was former vice-principal of operations at UHI Perth. As a follow-up to their oral evidence, they wrote to us giving further testimony of how things got to where they did. Mr Watson said in his 4 December letter to me, as the convener of this committee, that

"In the Board's view, it would have been neither prudent nor good governance practice to agree a deficit budget when there was no certainty of how the deficit would be funded".

As a result, no budget was agreed. Lynn Murray or Catherine Etri, does either of you want to comment on that?

09:45

**Lynn Murray (UHI Perth):** I have worked in the public sector for many years, and setting a budget is essential for good financial control and governance. However, you took the evidence from colleagues, and there were circumstances at the time that led to that decision. I was not there at the time, so it is not really for me to comment on that.

**The Convener:** Okay, but you were in attendance at a board of management meeting on 23 October 2024. The minute on page 8 reads:

"Board Member expressed concern at how quickly the position has moved for the worse since the June Board passed the savings plan, and would not be comfortable passing a Budget".

As recently as October 2024, at a meeting that you attended, people on the board were expressing that view.

**Lynn Murray:** That is right. It is important to let you know the context of what we experienced at UHI Perth at the time. I started in February 2024, and Iain Wishart, my predecessor, left in March 2024. It had been identified for quite a while that resources on the finance team were not as they should be and we were looking for additional resource. Coming in fresh to the situation, I highlighted that it was a strategic risk if we did not have sufficient resources in place. Particularly in times of severe financial challenge, it was important to have accurate and timely financial information.

That was recognised and, by the middle of June, a new structure had been agreed, and it was agreed that I could go ahead with that. To put it in context, three out of the four members of the accounting team left over a period of nine months, starting in December 2023. When it came to

corporate memory and knowledge of what was in place, because the team had always been under pressure, there had not been time to fully document processes and procedures, and systems were not quite as they should have been. Sometimes, in times of financial pressure, investment in systems can suffer as a result. Additionally, the director of finance had only been in place since May 2024, so we were getting our heads around the position, and there were very few staff in the finance team, as I have outlined.

When it came to setting the budget for 2024-25, we had just finished a collective consultation in the middle of June 2024, which led to big changes. There were quite significant reductions in the senior leadership team and in the layer below that, and people were taking on remits, so even the budget holders did not have the corporate knowledge. Setting the budget was very difficult in that context.

**The Convener:** Do you accept what the Auditor General told us when he gave evidence in October? He was quite stark. He said:

"I ... cannot recall, from my time in this role and during my career of auditing public bodies in Scotland, an organisation that has not prepared an annual budget."—*[Official Report, Public Audit Committee, 8 October 2025; c 5.]*

**Lynn Murray:** That was for 2023-24, which was before I joined the organisation. You highlighted the meeting in October 2024, and we did have a draft budget in 2024-25. That was the first time that we were able to prepare it, because of the workstreams and the work on the consultation.

At that time, the budget was not approved by board members because they felt uncomfortable about the deficit position, and they asked for more information. That information was provided by December 2024, and the budget was approved. We also had a letter of comfort about financial statements from the SFC. We had had a cash funding advance of £1.5 million, and we received a letter from the SFC that supported that and set out the terms and conditions of the advance, which gave the board a bit of comfort.

**The Convener:** The SFC has been mentioned. Jacqui Brasted, what is your view of what happened with the failure to set a budget? I know that you said in your submission that, because of the nature of the regional strategic board, you did not have direct access into the college.

**Jacqui Brasted:** Indeed, and we do not—we work through UHI. On financial matters, I will pass that on to Ms Ritchie, if that is okay.

**Tiffany Ritchie (Scottish Funding Council):** The SFC's view is that it is clear in the Scottish public finance manual that all public bodies should set a budget. It is a fundamental financial control.

We ask that bodies demonstrate clear, sound, robust financial management, and that requires an assessment against the budget. We share Audit Scotland's view, therefore, that what has happened is a significant failure. In my experience—most of us are chartered accountants with experience across the public and private sectors—it is unprecedented, and it must remain so. We must, and we will, ensure that it never happens again.

**The Convener:** Thank you—that is very clear.

Alistair Wylie, I am bound to ask you this, because you are now the interim chair of the board of management, but you were, over this period of time, a member of the board. Can you confirm whether you were a member of the board that did not set a budget in 2023-24?

**Alistair Wylie (UHI Perth):** Yes—I was, at that point in time. I think that it is worth pointing out that there was a lot of consternation and disagreement on the board—which has perhaps not been adequately captured—as a result of the failure to set a budget. I share a history of working in public service and in education for a long time and, as many other people have commented, I do not recall ever being in a situation where a budget was not set.

There was definitely consternation about setting a deficit budget, but that is not an unprecedented move. Many other people on the board were not in agreement with the direction of travel.

**The Convener:** Did it go to a vote, for example? How was that concern expressed?

**Alistair Wylie:** My recollection—as you will appreciate, I am speaking about my time on the board, when I was an independent board member and not responsible for the board—is that there was a level of disagreement that was expressed quite strongly. I think that that also speaks to the position in which I found myself when I took over as interim chair in April 2025. I immediately wanted to address some of the governance issues, and I think that it points back to that.

**The Convener:** Okay—thank you.

Finally, I return to Catherine Etri and Lynn Murray. Again, following the evidence that we took in December, we got a note from Iain Wishart. He wrote to us in what I thought was quite an extraordinary way. He had a section in his letter where he posed the question,

"How Useful is a Budget?"

He gave a three-point list of reasons, from A to C, why it is not especially useful to set a budget. He said:

"While I fully support doing budgets, they are only one tool within financial planning and do have weaknesses".



I suppose that I am asking you the question, Lynn Murray, as his successor: do you agree with that?

**Lynn Murray:** I have worked for many years in the public sector, as I said, and a budget has always been set, so it would always be my leadership direction that we should have a budget.

**The Convener:** Turning to Catherine Etri, as the accountable officer, do you agree with Tiffany Ritchie's point that it is a fundamental part of the Scottish public finance manual that a public sector organisation sets a budget?

**Catherine Etri:** Without any doubt, I absolutely agree.

**The Convener:** Okay—thank you very much.

I am going to move things along now and invite Joe FitzPatrick to put some questions to you.

**Joe FitzPatrick (Dundee City West) (SNP):** The convener mentioned that we took evidence from the previous incumbents, in particular Graham Watson, the former chair of Perth College. As part of that evidence, he talked about the risks of top slicing, and I want to talk about that area. To paraphrase him, he said that if the top slice had not been at the level that it was, Perth College would not have had a £2 million deficit and would not have been in a crisis management situation.

That is quite a stark thing to say; he is suggesting a really serious implication of UHI's model of funding. We heard from many people who agreed that the funding model is no longer fit for purpose. The Education, Children and Young People Committee received a letter from UHI agreeing that the top-slice model was

“no longer fit for purpose”

and that it would be proposing “a full business case” for “a new operating model” to the Scottish Funding Council in December last year.

This is probably a question for Tiffany Ritchie. Have you received that model and, if so, have you managed to form a view on it?

**Tiffany Ritchie:** I think that we are in agreement; I was going to say that we ourselves recognise that the funding model—even the SFC's own funding model—needs to adapt and adjust to the changing environment, and it is absolutely right that UHI itself is also considering its own funding model, including the top slice.

We work very closely with Ms Nairn and Mr Baxter from the regional strategic body on the extensive work that they have been doing around the target operating model. Ms Brasted will be able to provide more detail from a financial perspective.

We have received some initial documentation around that, and we will be reviewing it through January and working closely with the regional strategic body to provide some views. Apologies—we have received it, but very recently.

**Jacqui Brasted:** We received the draft full business case before Christmas; we are currently working through that, and we are not in a position to share our views on it at this time—apologies.

With regard to the top slice, it is important to understand that UHI—notwithstanding its own comments—wants to review how that works and what the top slice is used for. We hear quite a lot that it is for the head office. It is important to understand—Ms Nairn will correct me if I misspeak, but this is my understanding—that it covers the higher education provision across the colleges. It is, in effect, for shared services; all the colleges can draw down on it, and many do so. There are some colleges that use it entirely for those services. That includes things such as the quality of the higher education provision, information technology services provision and student services—all those are provided.

Were it to be the case that the top slice was removed and not paid to UHI at all, and the colleges kept that money, they would then have to provide those services themselves. At present, they do not incur those costs because the services are provided through that mechanism.

I am not saying that it is not appropriate to look at it or that there is not potential for reform, but it is not the case that money simply goes into the central UHI pot and is not seen by the colleges again. It is quite important to understand that.

**Joe FitzPatrick:** Once you have had time to look through the draft business case, I am sure that the committee would be pleased to hear your views on how the model is working. It is obviously really important, as we heard, not just to UHI Perth but to other colleges across UHI.

I will go to Vicki Nairn or Mike Baxter—whichever of them feels that it is most appropriate to comment—to give us a bit more detail on what the new model would mean. Concern is certainly being flagged, in particular—but not only—by the Educational Institute of Scotland, that the model potentially removes scrutiny from the remit of the Auditor General and the Parliament. The EIS has said that, in its view, that would basically end public sector incorporation.

I guess that we would like to hear some assurance that that is not the intention of the proposals, and a bit more on what it is that you are trying to do and how you are trying to do it, bearing in mind the comments that Jacqui Brasted just made about how those services are funded.

**Vicki Nairn:** I am happy to come in on that point—I put in a request to speak on it, so this takes care of that.

It is true to say that I do not necessarily agree with the evidence that Mr Watson provided to the committee. UHI has a number of legacy funding mechanisms that we have all inherited. They go across the university partnership, which includes a number of colleges and the university itself, and part of that is about the legacy funding model.

UHI Perth was subject to a number of pressures—which I think have been articulated at previous committee meetings—that were additional costs, and some of those were outside its control. They included unfunded pay awards, capital expenditure on buildings and increasing energy costs, as Ms Etri said.

As Ms Brasted said, the top slice pays for a range of university services. In a traditional university, there would be a university services charge or a central services charge that generally sits at between 30 and 50 per cent. There are not any ready benchmarks for those figures—we are doing some work to define them.

10:00

Each of the different parts of UHI has grown over time, and I believe that there is significant duplication. Collectively, we are considering how the partnership as an entity—that is, all 11 academic partners—can start to change. That process was encouraged by the previous minister, Mr Dey. It started with the development of our 2030 strategy, which was launched and agreed to by the partnership in summer 2023. That allowed us to take forward an outline business case, which considered ways that the partnership could change and which was completed last January. As has already been said, we have now completed a full business case, which was delivered just before Christmas. That is a draft document and we will be meeting with boards of management to review it.

As you mentioned, several trade unions have quite rightly expressed concern that that process might have implications in relation to the public and private sectors, terms and conditions and pensions. Those concerns have been well articulated by trade unions. We are mindful and cognisant of those concerns, and we are engaging on them.

Moving forward, what the final solution for UHI looks like will need to be co-created by the partnership. We intend to do that through the vehicle of the full business case. As has already been said, that was delivered to the SFC and academic partner boards of management just before Christmas—on 19 December.

We are in a change process. In the evidence that the committee was previously provided with, you will see that the new leadership team in UHI Perth—led by Mr Wylie, Ms Etri and the board—have put together a recovery budget, which covers the current circumstances as well. I pay tribute to them for the work that they have done, and I will continue to work with them.

I see that Mr Baxter wants to come in on that point.

**Mike Baxter (University of the Highlands and Islands):** Yes, thanks—and thank you, convener, for the opportunity to attend the meeting.

To build on what has already been said by other witnesses, UHI is now in a unique position, in the sense that we are now the last remaining regional strategic body. As a tertiary education partnership, our funding model is quite different from models used by other institutions, in the sense that we work in the further education and higher education sectors, and we have separate funding streams that come through for those. There is no separate funding stream that recognises UHI's role as the regional strategic body.

I would liken the points that have been made thus far to the broader public sector reform agenda, whereby the sharing of services, particularly back-office functions, is being pursued not just in UHI or the further and higher education sector but more broadly. The aim is to make best use of the resource that is available to the institution and to ensure that as much of the funding as possible can be directed towards student-facing services.

The full business case—the draft that is being developed—is subject to consultation with staff, trade unions and our academic partners, and it will be subject to review and modification as we move through the process. That consultation will be a meaningful process. It is still a work in progress, but my colleagues have highlighted the direction of travel. I hope that that is helpful.

**Joe FitzPatrick:** Thanks very much to both of you.

We are encouraging shared services across all public services in order to better use public funds and to make sure that those funds are focused at the chalk face, to coin a pun. It is important to have clarity that accountability and transparency will continue in any new system. I encourage you to continue to have that discussion, particularly with the trade unions, which I know will be articulating that point. As politicians, we are keen to have transparency so that there remains accountability for public funds to the Parliament and the Auditor General.

Finally, I turn to Perth College—this is maybe a question for Lynn Murray. We have heard a different view of what the top slicing is for. When Graham Watson spoke to us, it sounded almost as though the top slice was a huge sum of money that was paid and just disappeared, with colleges getting nothing back for it, but we have now heard that it is used for shared services. Will the new model work better? Do you have confidence that the college's engagement will get you to a point that works for the college as well as for UHI?

**Catherine Etri:** There is no doubt that not only UHI Perth, but all UHI partner colleges have been working very closely with the university on the transformation project. One element of that work, as colleagues have outlined, is the development of a new model. It has been clear for a number of years that the current model is out of date, does not work and does not serve us well. We are hopeful that we will all feel that the new model is much fairer.

I also strongly support Mike Baxter's point that we need to ensure that a greater proportion of the funding goes to the student experience.

**The Convener:** Alistair Wylie wanted to come in on that point, and perhaps also on an earlier point. Over to you, Alistair—the floor is yours.

**Alistair Wylie:** To go back to the point on the budget, I recognise that a budget should have been set. However, regarding further submissions to the committee, over that period of time, before I came in as interim chair, being able to get the right amount and the right quality of financial information to the board was a huge challenge. That was a consistent theme, which perhaps adds to the picture of the challenges. It has been tackled head-on since April. We have been working very closely with Lynn Murray and the finance team to make sure that it has been suitably addressed.

I support everything that has been said so far with regard to the top-slice issue. It has long been recognised that the operating model is not fit for purpose. However, on the point that was made about Graham Watson's submission, it is perhaps naive to say that, without the top slice, we would not have been in trouble in Perth. I do not necessarily agree with that. The attitude that I took towards the issue when I took over in April as interim chair and subsequently started working with Catherine Etri and the rest of the leadership team was that, as the costs that we know are fixed are things that we cannot change, we need to focus on the matters that we can control.

You can now see that, in the seven months that Catherine Etri has been in charge of the college, we have turned things around. As Catherine said in her opening statement, we are now looking at

recording a surplus for the first time since 2022, so I would strongly rail against any suggestion that it was not possible to turn things around. At that point, the previous leadership team was just unable to come up with a different solution.

**The Convener:** Thank you. Again, in the evidence that we have taken, it has been recognised that this was not just a short-term issue. There was a long-term legacy of inadequate internal audit and inadequate resourcing in the finance department. As was mentioned at the committee before Christmas, there were five directors of finance in a very short period of time, which suggests that something was not quite right—I see Mike Baxter nodding his head.

I will move us on, because Colin Beattie has some questions to put. Colin, over to you.

**Colin Beattie (Midlothian North and Musselburgh) (SNP):** I would like to look at one or two aspects of governance. Some of them have been touched on already but there are points that I want to be sure of, for my own clarification.

This is probably a question for Vicki Nairn and Mike Baxter. My understanding is that all communications on financial matters, budgets and so on are funnelled through UHI. Is that correct?

**Vicki Nairn:** I am happy to answer that. UHI acts as the interface with the Funding Council. The board of management of a college is responsible and accountable for setting the budget and, indeed, for monitoring and ensuring that the appropriate financial controls are in place. That is actually in the terms and conditions of appointment for a college chair.

We very much work with the colleges, review their financial returns and then submit them to the Funding Council. On 30 June 2023, UHI Perth submitted a financial forecast return to us, as the RSB, which came with supporting information from the principal. We then forwarded that to the SFC. The assumption is that appropriate financial control sits behind all that, which is the responsibility of the board of management, led by the chair. We also have a statement of annual assurance from each of our colleges, and in this case that was received from UHI Perth on 12 April. At that point, no adverse events were notified.

Now we get into what I have to say is the very unusual situation that we are discussing today. In such situations, the RSB and I—along with my vice chancellor role, I am chief officer of the RSB—will look to put in place enhanced monitoring and controls, and that process started to develop through 2024 and into 2025. Those are quite exceptional measures, because the accountability and responsibility for college financial management sit with the board of management.

I see that my colleague Mike Baxter wants to come in on that point.

**Mike Baxter:** What Vicki Nairn has just described is the formal relationship that exists. That is correct, but I would just add that it does not preclude discussions from happening among UHI Perth—or any of the academic partners within UHI—the RSB and the SFC. It is not that joint discussions do not take place. With regard to the issues in front of the committee today, there have been a number of discussions and meetings involving a tripartite approach. It is not as simple as saying that the RSB is just a post box for communication between the college and the SFC. Where it makes sense to do so, that engagement takes place.

**Colin Beattie:** Is it true to say that there is some responsibility for monitoring on the part of UHI?

**Mike Baxter:** I am happy to come back on that and say that the answer is absolutely yes. The annual returns and the interim management accounting information and cash-flow information that are provided are reviewed by UHI and the SFC.

I also highlight, from a governance point of view, that the financial positions of all academic partners are routinely reported to the finance and general purposes committee and the court at UHI. Those will include information on the position itself, emerging issues, engagement with the SFC and broader strategic funding issues relating to the partnership.

**Colin Beattie:** At the moment, I am trying to see at what point UHI became aware of the problem in creating a budget for 2023-24 and what was done about it.

**Mike Baxter:** I am happy to respond to that question, and Vicki might wish to add some comments.

The annual financial returns are not unimportant in this matter. I note from the minutes of the October 2024 UHI Perth board meeting that some statements were made about the validity or usefulness of the FFR data, and it was questioned by the previous chair. There is a declaration that goes along with that form; that is not unimportant, because it says, in effect, “This represents the financial plan of the institution, and it has been reviewed by the board of management.” From that point of view, a degree of assurance was provided by the accountable officer—the principal of the college at that time—that the financial plan had been agreed by the board of management. The same situation pertains to all our academic partners.

10:15

When we became aware of the issues—which appeared quite late in the day, because of the delays in the audit process for 2023-24—we obviously followed them up with the college. In the course of 2023-24, financial returns were provided by the college to UHI and then to the SFC. With regard to there not being a formally agreed budget, the fact that the FFR had been submitted and signed off by the principal of the college as appropriate led to the assumption that there had been an approved budget. That would be the situation generally for academic partners.

**Colin Beattie:** As a result of what, as we see now, happened with the budget in 2023-24, have you modified your monitoring processes at all?

**Mike Baxter:** Again, I am happy to come back on that. I joined UHI in May 2024; before that, an internal audit review was undertaken at UHI level for the RSB—our university—that focused on the financial oversight of our academic partners. A number of recommendations were made at that time, particularly on advances that were made to academic partners and reporting to the finance and general purposes committee and the court. All of those actions have been addressed in the intervening period. Our monitoring has definitely stepped up, with standard templates for academic partners to complete regularly and reporting to the committee and court. That has certainly strengthened in the past 18 months or so.

**Colin Beattie:** Do you consider that you now have sufficient monitoring of the simple fact of a deadline for producing a budget? Is there now some system that will flag a breach of that deadline?

**Mike Baxter:** With regard to the budget, that is something that we would absolutely review. The annual process—the annual business cycle, if you like—of financial returns and budget setting is well established across the sector, not just in UHI. At certain points of the year, information will be sought from academic partners on their forecast position not just for the next year but for the next three years, and our UHI finance directors group looks at assumptions that should be made within financial forecasts so as to get a consistent picture.

I am sorry to digress slightly, but I want to highlight that producing the FFR is not a simple matter of filling in a form. The Scottish Funding Council’s guidance makes it quite clear that, although it has set core assumptions, individual colleges should do alternative modelling, where appropriate, and that where there is a deviation from those assumptions there should be sufficient narrative in financial plans so that people can understand the implications. Fundamentally, it is

all about the plan that supports the delivery of what is in the budget over the forthcoming year and the implications for future years, too.

Therefore, we would absolutely follow up with individual academic partners on whether a budget has been set, but the assurances that we get through the forecast finance returns are not unimportant in this.

**Colin Beattie:** You said that you did not become aware of the lack of a budget for Perth immediately. You first of all received notification from somewhere—probably from Perth, but I do not know—saying that there had been audit delays.

**Mike Baxter:** Yes. For the past couple of years, there had been issues with the timing of the completion of accounts and the audit process for UHI Perth and a number of academic partners.

**Colin Beattie:** So a delay was not unexpected.

**Mike Baxter:** The extent of the delay was, I think, unexpected. It is something that colleagues at UHI Perth and indeed Deloitte have been working to address for the 2024-25 audit, the accounts for which are, I think, due to go to the UHI Perth board this month for approval.

**Colin Beattie:** This question may be for Catherine Etri and Lynn Murray. The Auditor General talked about the budget process having started and information having been gathered. Previous witnesses have said that they do not know what happened to that—they do not know where the information that was gathered went. The preparatory work that was started on the budget seems to have vanished. Has anything come up about that?

**Lynn Murray:** I was not there at the time, so I had to look back to see what could have happened and to speak to colleagues in order to provide information to Audit Scotland for the writing of the section 22 report. It looked as though we were being asked for information, and colleagues have sent emails that said that. The information that I got from colleagues was that budget templates were sent out.

**Colin Beattie:** I presume that the information went nowhere.

**Lynn Murray:** I cannot account for it. I am not trying to pass over the matter, but I was not there at the time, so I can only go by what was written and by what I know from speaking to colleagues.

**Colin Beattie:** The Auditor General's report talks about

"The absence of a budget",

but also, and importantly, the lack of

"regular reporting to college management and the board of in-year and forecast outturn against that budget".

Is there now a process in place to inform the board adequately?

**Lynn Murray:** Yes. I will give an outline of the improvements that are in place.

In the 2025-26 budget process, the finance team worked closely with budget holders to gather information and to give as accurate an account of income and expenditure as we could. It was a much more robust and inclusive process that was planned over a period of time.

We had a standstill budget, because we knew that we had to prepare a financial recovery plan by August. By the end of June, we had a standstill budget for 2025-26 that the board had approved and we also had plans for the following two years. On 27 August, the board approved a financial recovery plan; we received comments both from UHI at the RSB meeting and from the SFC.

We are now in more of a pattern of making financial forecasts and providing regular financial information. Some improvements have been made and others are still to be made. When you are in a situation like that, there is no quick fix. The important thing is that we know what we need to improve, and we are working towards that. There is also more corporate memory now, because most of the members of our finance team have been in place for more than a year. We have seen actual figures against the budget, which have provided us with more information. We regularly meet the RSB on finance, as we have done throughout the period. We have an open and transparent relationship with the RSB.

Therefore, a lot of things have improved but, as I said, there is always more to be done through continuous improvement.

**The Convener:** Before we leave this area, I go back to Vicki Nairn. You may have seen the submission that we received from the EIS Further Education Lecturers Association dated 15 December. This goes back to the point about what UHI was doing at that point in the history of UHI Perth when budgets were not being set, things were being allowed to drift and there were splits in the board about whether the budget should be set. The EIS-FELA submission talks of the "Inaction" and "lack of action" of the UHI court/regional strategic body. The letter names you, Vicki Nairn. How do you respond to that?

**Vicki Nairn:** Just to confirm, the university secretary at the time, Sheena Stewart, received a copy of that letter, but I understood that it was agreed that Mr Watson would respond to it, which he did on 12 June. I certainly wish to offer an alternative view on some of that letter's assertions.

It is noted under paragraph 30 of the Auditor General's report that we engaged with UHI Perth, including to ask for sight of its financial recovery plan in May 2024. As Lynn Murray said, we are having on-going conversations. However, it started to become clear at that point that the level of activity that was taking place in UHI Perth, which was reflected in the FFRs and in its annual assurance statement, was proving quite challenging, especially with some of the workforce changes that the college wanted to make. Our role at that point was really to support and monitor it.

Later, in 2024 and going into 2025, it became very clear that we needed to take a more direct approach. As I mentioned earlier, that is quite extraordinary, because responsibility for financial management rests with the college board of management, but we stepped in, starting with the letter of 20 December 2024 that Mr Watson shared with the committee, which was acknowledged on 6 January 2025 and responded to on 21 January 2025.

Throughout that time, we had been trying to engage with the chair and with UHI Perth in order to understand how best to support them. We offered to broker a conversation about setting a deficit budget, and, understandably, the chair—I am not sure whether this was the full board's view—was keen to deliver a break-even budget. However, because of the financial savings that were required, that was quite a Herculean task. Again, there were discussions throughout that period until UHI Perth set a deficit budget, and then the question was about how the RSB could help to support that. We do that as a matter of course. I would have informal catch-ups with Dr Cook, as I do with most of the academic partner principals because we work together every day. However, I do not think that I was quite aware of some of the turbulence that was happening within the board and some of the consternation that Mr Wylie has referred to. That only became apparent a little later.

**The Convener:** Should you not have been aware of that? Did you not have somebody from UHI's court or a central figure from UHI who was in attendance at meetings of the board of management of Perth College? Is that not the channel through which such communications would be made and awareness would be raised about the budget situation and the lack of a budget?

**Vicki Nairn:** UHI has an observer on a number of college boards of management. In the case of UHI Perth, it was the chair of court, Mr Alastair MacColl. That was very much an informal arrangement. He was there for some of the meetings, which was authorised by the chair, Mr Watson. I was not present at those meetings, but

observers in general do not participate in decisions, influence discussions or assume governance responsibilities. In some cases, Mr MacColl was excluded from discussions if they related to reserved business, so he was not party to all of them. Later, in 2024 and 2025, we started to express concerns about the transparency of that arrangement and about the attendance of a UHI observer in those meetings.

**The Convener:** I am a little confused because I would have thought that an observer from the UHI's court going along to meetings of the college board of management would have had some kind of role in communicating and challenging some of the decisions that were being made, particularly given that we have ended up with you appearing before the Public Audit Committee of the Scottish Parliament and there having been a section 22 report by Audit Scotland. We have heard from Tiffany Ritchie that this is almost an unprecedented situation. I suppose the question is why that was allowed to happen.

I think that Mike Baxter wants to come in, so I will bring him in and then I will ask Graham Simpson to put his questions to the witnesses.

**Mike Baxter:** I do not believe that I do, convener. I think that Alistair Wylie wants to come in.

**The Convener:** Sorry—Alistair Wylie wishes to come in.

10:30

**Alistair Wylie:** To build on the picture that has been painted, I will add that the concerns of various board members were such that, by 4 April 2025, seven other board members and I wrote to the chair of the UHI court to outline our concerns.

**The Convener:** Thanks. That is useful.

We will have to move things on, so I invite Graham Simpson to put his questions to the witnesses.

**Graham Simpson (Central Scotland) (Reform):** As I often do, I will pick up on your line of questioning, convener. There is something hanging in the air about the role of the observer and what he was or was not doing and what he was allowed to see or be told. I am probably as confused as you are, convener. I wonder whether we can clear that up. Was the observer aware of the issues at Perth College or not?

**Vicki Nairn:** I obviously cannot speak for Mr MacColl. Certainly, the role of the observer is generally to be a strategic link between the university, the RSB and the Perth College board. However, the responsibility for financial management really rests with the board. I know

that Mr MacColl went to some meetings—I do not have a record of which ones—but he would not have been there to monitor the financial performance; he would have been there to talk about areas of joint mutual interest, such as transformation or recruitment. I do not know whether Mr Wylie has more information on that point, because he would have been a member of the board. Certainly, as Mr Wylie said, there was correspondence from Perth College board members on 4 April, which expressed concern about the governance process in relation to the information that had been shared and not shared.

**Graham Simpson:** Did Mr MacColl, at any point, flag to you—to UHI—that there were problems at Perth College?

**Vicki Nairn:** I will recollect that, but he would have flagged the issue and we would have then taken action to see copies of the financial recovery plan. As Mr Baxter said, we also did that through everyday business by meeting with the finance directors. However, Mr MacColl was not there in an assurance role; he was there in a co-ordination, strategic and working-together role. Generally, the operational elements of budget setting would be undertaken by the board of management, led by the chair. The Auditor General's report refers to the actions that we took—we stepped in more formally with enhanced monitoring towards the end of 2024 and into 2025.

**Graham Simpson:** Mr MacColl flagged that there were problems.

**Vicki Nairn:** Yes, that is my understanding—but not specifically about the budget. It was not his job to provide assurance in those meetings; his job was to provide a strategic link and discuss the transformation programme.

**Graham Simpson:** Yes, I understand that. However, he was there as an observer on your behalf, so it would be expected that, if things came up and he heard about them during meetings, he would come back and say, “I think you need to know this”.

**Vicki Nairn:** Absolutely, and that is reflected in the action that we started to take.

**Graham Simpson:** Okay. I will ask about something else. Apologies if I did not pick this up properly, but Catherine Etri mentioned that there is a new operating model. Will you share or explain what that is?

**Catherine Etri:** That is being worked on with the university as part of the transformation project. It is included in the full business case, which was compiled just before Christmas, so I am not aware of exactly what it looks like yet.

**Graham Simpson:** Who is responsible for it, then?

**Catherine Etri:** UHI is responsible for it. UHI has been working with partner colleges to develop it, and there has been a collective effort by the finance directors to consider how we can improve the current model with regard to the top-slicing arrangements.

**Graham Simpson:** Can somebody from UHI say, in basic terms, what will be the differences between the new and old models?

**Mike Baxter:** I am happy to come in on that, but I raised my hand to speak to your earlier point about engagement and being made aware of the issues, so I will touch on that first before I come to the operating model.

The attendance of an observer at the board is one mechanism that can be used. There was also on-going engagement between me and the finance team and Lynn Murray and her team in Perth. We were meeting through the period in question in 2024-25, from June, probably every week or two weeks, as things were developing.

The information that I was getting from those meetings was then fed back to Vicki Nairn as the principal and vice chancellor and included in reports to the finance and general purposes committee and to court. In addition, there was engagement with the Scottish Funding Council on the financial position and the issues that were highlighted in the section 22 report regarding the moving picture in 2024-25. The observer at the board is, therefore, but one route for such engagement and feedback.

On the operating model, we currently have what is, in effect, a federal partnership model. Funding comes from the Scottish Funding Council through the regional strategic body and is distributed to each of the academic partners for delivery within their own organisations. They are currently independent organisations with their own responsibilities and accountabilities.

The proposal that is being looked at concerns a more integrated tertiary institution and how that can be brought together to reduce duplication and improve collective planning and delivery. That is structural, but it is also cultural in relation to how we work together over a period. It is a longer-term programme—the full business case, which is in draft at this point, will set out the proposal in more detail, and I am sure that it will be shared in due course.

**Graham Simpson:** I get that the business case is in draft form and you do not want to share the details, but perhaps you can elaborate a little bit on what the change is. The money comes in from the Scottish Funding Council—is that correct?

**Mike Baxter:** Yes, that is correct.

**Graham Simpson:** To yourself?

**Mike Baxter:** To the regional strategic body, which is responsible for the distribution of those funds to the academic partners for both further and higher education.

The current operating model is that those institutions work independently; they are their own designated body with their own responsibilities and management structures and functions.

There are some shared functions—as was touched on earlier—under the top-slice mechanism, but the proposal is about how we bring those institutions closer together organisationally to reduce duplication and streamline how services are provided. Part of that is structural, but I should also say that it is not about centralisation; part of the *raison d'être* for UHI is about ensuring that we maintain and support our communities, many of which are remote and rural, including islands communities. It is about the importance of maintaining provision in those communities; maintaining employment in highly skilled and well-paid jobs in those communities is also part of the mix. It is not about a centralisation of the institution.

As I say, however, the detail of that will be worked through, with further engagement with our academic partners and other stakeholders, including staff and trade unions.

**Graham Simpson:** When will see that detail?

**Mike Baxter:** The current proposal is that the draft will be further developed in the period up to May or June and submitted to the SFC and the Scottish Government at that point. That is subject to the engagement that takes place with our stakeholders and partner boards.

**Graham Simpson:** When will it become public?

**Mike Baxter:** I cannot answer that. I do not know whether Vicki Nairn wants to come in on that.

**Vicki Nairn:** Yes, I can come in. We will be engaging with boards of management in the next couple of weeks. Subject to those discussions and any revisions that come out of that process, we currently intend to proceed to public consultation in March, which is when the document will become public and be available to anybody who would like to read and comment on it.

That is the current plan. However, as we have said, what we have now is a draft document for discussion, so that timeline may be subject to change depending on the feedback that we get from academic partner boards of management.

**Graham Simpson:** Thank you—we will look out for that.

Catherine Etri, I want to ask you about the very helpful letter that you and Alistair Wylie sent to the

committee. I will not go over it all, but you set out the background, which we have talked about already. You cover the problems in the finance team quite extensively, then mention your financial recovery plan and suggest that you could break even—well, you actually said earlier today that you think that the college could be in a surplus position, which is far more encouraging.

How have you turned things around? I also noticed that you had taken early retirement, and you have come out of retirement to save the organisation that you have worked in for 35 years.

What changes have been made? What changes have you made, and what further changes should be made in order to turn things around?

**Catherine Etri:** I have not turned things around; the college as a whole has. The college has been extremely supportive of me; that includes the senior leadership team. Everyone, from our student representatives to our academic and professional services staff, has absolutely put their full effort into the project.

I will speak about how we initially went about making changes. We implemented a nine-stage plan that started with us speaking to staff and gathering their opinions. We asked them about how they saw the future and where they thought that we could make savings, and where there were opportunities for generating more income.

One of the first things that we did was reset the target for higher education recruitment in particular. I asked the staff to try to recruit an additional 50 students, which would draw down about £300,000 in additional funding. We are on target to do that—in fact, we are probably on target to draw down funding for at least another 60 full-time higher education students.

We have made substantial savings in expenditure. One of the first things that I did was implement an emergency savings exercise, with no purchase orders leaving the college unless I had approved them. In some respects, that changed the attitude towards spending; people began to realise that absolutely every single penny counted. We were watching very carefully how we were spending money and ensuring that students were benefiting in terms of their experience—that was absolutely protected with regard to spending.

There is no doubt that the estate is very large and very old, and it is very expensive to run. Everybody is looking to do simple things such as turning off the lights. Our electricity bill is £600,000 per year. Machines and lights are left on every evening, and everybody is giving that their focus. Taking those simple steps has really worked, and that has helped to pull everyone together, ensuring that we are all heading in exactly the same direction.



10:45

It is important for the senior leadership team to ensure that there is transparency, so that the staff understand what we are doing and why it is important to do it. We need to have a clear focus. We want to move forward and we want to be ambitious. In the past, there was a strategy of becoming a smaller college and doing less. That did not serve our community, our employers or our stakeholders well. The strategy now is to move forward, to be ambitious and to ensure that we meet the needs of our stakeholders and our community.

We are working closely with our local authority. We have re-engaged with all our third sector employers, and we are trying to meet their needs as best we can. That is about restoring confidence, and not just for our stakeholders; it is also a matter of ensuring that our students recognise that UHI Perth is a great place to study. They get an absolutely first-class service from the staff right across the board. The national student satisfaction survey shows that year after year. This year, the level of satisfaction is sitting at 88 per cent, which is about 7 per cent above the sector norm.

**Graham Simpson:** I noticed that in one of the many documents that the committee received ahead of this meeting, there was mention of courses being cut at the college. That is not unusual: all colleges are in that position. Will you be able to reintroduce some courses?

**Catherine Etri:** We do curriculum reviews, and we are about to start that process again now. We will do a full curriculum review this year, focusing on where the skills gaps are and what our employers are telling us that they need. It is important to consider that being part of the University of the Highlands and Islands gives us the ability to deliver degrees and to approve different types of qualifications. As part of the University of the Highlands and Islands, we have challenged the hierarchy between further education and higher education. We are one and the same thing: in our institution, there is parity of esteem between vocational qualifications and degrees. They are all seen as valuable. Vocational qualifications are as valuable, in terms of gaining gainful employment, as university degrees.

We do not conduct curriculum reviews in isolation. We include not only our stakeholders—employers—in the process but our student representatives, too. The review will not necessarily be a matter of re-establishing qualifications that may have been removed; it will be about meeting the skills development requirements, not only for our region but nationally—and, in our case, internationally as well.

**Graham Simpson:** You said earlier that you have managed to attract 60 extra full-time students.

**Catherine Etri:** The forecast is that, when we recruit at the end of January and the beginning of February for semester 2, we will have recruited an additional 60 full-time equivalent HE students.

**Graham Simpson:** How have you done that?

**Catherine Etri:** The staff have done that. One of the things that we have been conscious about is the need to turn around the reputation that we have unfortunately built up in the past couple of years. We have not had good press locally; it has been very negative. Staff have therefore identified as many good-news stories as they can, and our marketing team has worked very hard with our social media and local newspapers to boost our reputation.

We have also had many open days. Our staff go out to schools and events. It is important to engage with really good-news stories. Some of our students have written up profiles and produced videos, and we have tried our best to put that material out there and ensure that it is visible. In the past, I always felt that the good work that we did in Perth College was invisible, so we are working to make sure that that is no longer the case.

**Graham Simpson:** That is good to hear. All colleges have good stories to tell and they need to shout about that, despite the challenges facing the sector. You are very lucky because the college is in Perth, which is a beautiful place—why would somebody not want to go there? It is a fantastic place. The college might be in an old building but it is in a great part of Scotland and your staff are clearly committed to turning things around.

I will ask finally about the sustainability of the college. Your college and others are in a serious position. I notice that Tiffany Ritchie is nodding her head so I know that the Scottish Funding Council is well aware of that. Catherine Etri, I will ask you first. We have a budget coming up next week. What does your college require to survive, to continue and then to build?

**Catherine Etri:** I do not think that I can say any more than what Colleges Scotland said, when it laid out the case in a straightforward and realistic manner. We need additional funding. If we do not receive additional funding, our communities will suffer.

We are already overdelivering by about 350 credits, and we are unable to draw down the funding on those credits. However, if we do not overdeliver, we will see young people leaving school without any opportunities to continue their education or be provided with the skills and

education that they need to go into the workforce. The decision to overdeliver was made before I returned as interim principal, but it is one that I absolutely support. As I say, this year, we are overdelivering but if we do not do that, it will have an extremely negative impact on our community. I therefore plead that colleges are treated much more fairly.

**Graham Simpson:** Tiffany Ritchie, as you nodded, I will ask you. As I said, the budget is next week. You are not going to reveal what is in that budget—perhaps you do not even know, but I hope that you do know by now. Can colleges expect to hear some better news than they have had in recent years?

**Tiffany Ritchie:** I recognise the significant work that has been done by colleges, including Perth College, not just to address financial pressures and improve the experience for learners but, while they are doing all that, to provide us with the evidence that we needed for sustainability reports in September 2025. In a mirror image of the university sector, we set out in those reports that universities and colleges in a flat cash environment are facing significant risks to their ability to keep the doors open.

I also recognise the efforts of Scottish Government officials and ministers with whom we have had frequent in-depth discussions for months to try to work out what can be done. As we have discussed previously, perhaps at the Education, Children and Young People Committee, the position is about stabilisation and transformation. That stabilisation is what will help a college such as Perth to ensure that it maintains its key financial controls. The sort of situation that we have seen remains unprecedented. The transformation that is needed, which we have been discussing today, is about ensuring that colleges can continue to deliver for learners and communities now and in the future—because the world is changing quickly, as Mr Watson said. We have to enable both that stabilisation and that transformation. I do not think that I can comment beyond that today.

**Graham Simpson:** Have you perhaps hinted that we can end the years of flat-cash settlements?

**The Convener:** Graham, I am not sure that the panel can answer that question.

I will move things along and invite the deputy convener to put some questions.

**Jamie Greene (West Scotland) (LD):** Good morning to all our guests. I will start with some practical questions. When was the last time that UHI Perth either financially broke even or made a surplus?

**Catherine Etri:** In 2022.

**Jamie Greene:** Did it break even, or, if there was a surplus, what was it?

**Catherine Etri:** I cannot answer that question, but I can get that information for you.

**Jamie Greene:** Since then, it has reported a deficit every year. Is that correct?

**Catherine Etri:** Yes.

**Jamie Greene:** In your view, and without revisiting any of the ground that we have covered a lot of today already, what is the primary reason for the college's inability to break even?

**Catherine Etri:** I think that the primary reason is flat-cash and lack of funding. There are obviously other reasons that pertain directly to UHI Perth.

The previous management team worked very hard to try to reduce the college's cost base. We are probably benefiting from that now, in some respects. For example, the savings around people who left through voluntary severance are kicking in in the current year; we are definitely benefiting from that at this moment in time.

**Jamie Greene:** I am struggling with the terminology. In what way is cutting staff a benefit?

**Catherine Etri:** It is a financial benefit—a financial saving.

**Jamie Greene:** It surely cannot be good for the delivery of quality local education in Perth and Kinross.

**Catherine Etri:** There was the opportunity to take voluntary severance. At the time, staff across academic and professional services applied for voluntary severance. Senior members of staff—including me—also left the college at that time.

**Jamie Greene:** I am not criticising you for taking the actions that you have had to take. I appreciate that these were extraordinarily difficult financial circumstances, so please do not assume that any of my questions are in any way loaded. I am, however, trying to understand what drove the Auditor General to produce the report that he had to produce, given the wider financial circumstances that the college was in.

The last time that the college made a small surplus or broke even was in 2022. In order to make ends meet year on year—which is clearly where things have gone awry over the past few years—how many staff, whether academic, professional or at management level, have been cut from the college since 2022?

**Catherine Etri:** Lynn, do you have that information?

**Lynn Murray:** More than 100 have been cut.

**Jamie Greene:** Out of how many, roughly?

**Lynn Murray:** I think that there were about 350 in 2022. However, I suppose that it is about separating things. It is not a straightforward answer. There was voluntary severance. However, over the period, there has also been permanisation and we have had to fill other posts in order to deliver.

Certainly, at the time, it was reported that there were more than 100. I have the figure, if you will allow me to have a look.

**Jamie Greene:** While you are looking, I simply note that I am trying to get my head around the effect that that has had on the volume of teaching that is taking place.

I will come on to look specifically at courses that have been cut shortly, but I can see why there has been so much adverse reaction locally and nationally. The situation has caught the eye of not only auditors but the sector more widely. If you lose 100 staff, it sounds like you are also losing a lot of teaching. Again, in what way is that a good thing?

**Catherine Etri:** It was not 100 academic members of staff; it was across professional services, too.

We say 100 members of staff, but they may not all have been full-time members of staff. Some of them may have been part time. Without a doubt, there is a difference in the amount of stress that staff are under. They are working harder—we are all working harder. In addition to delivering our curriculum and ensuring that the students have an excellent experience, we are having to make changes right across the college and ensure that we are managing as best we can to balance the budget.

11:00

We are also working on commercial opportunities. Staff were very enthusiastic about the first part of the nine-stage process to try to get back to a balanced budget. They were very enthusiastic in providing ideas that they thought would help to save money and improve efficiency.

Our managers—particularly our academic managers—have been looking at providing the curriculum in a more economical way, such as by ensuring that all classes are full and making sure that, if there are low recruiting courses, there is an opportunity to design the curriculum to ensure that those are delivered in a more effective way. For example, they may join two classes together and deliver a single subject, as opposed to delivering the two classes separately as single subjects.

A lot of work has been done by staff to try to deliver the curriculum in as economical a way as possible, while ensuring that the student experience does not suffer as a result.

**Jamie Greene:** I will move on. I looked at the financial sustainability project papers that were submitted, which date from April 2024, and at the courses that were cut over that period—including in the schools-college programme and FE and HE courses—and I could not get my head around why those courses were cut. Is it because you could not afford the courses due to their technicality? Was it the cost of the staff, and if you lose a member of staff who teaches that course, you obviously lose the course? Was it simply that you were struggling to recruit adequate student numbers to make the courses financially viable? That would surprise me because horticulture, skills for work, construction, accounting, software, web technologies and environmental sciences are all growth areas in the Scottish economy, but those are the areas where you are making cuts. It makes no sense to me.

**Catherine Etri:** Many of those cuts were made as a result of the ceiling on our credit funding for further education. There was no choice but to cut those courses. In reference to our schools-college partnership, again, those courses are funded through our credit funding, and the credit funding is capped. Regardless of how many school courses we want to provide, we cannot provide them all because we do not have the funding through the credit mechanism to be able to do that.

Some of the programmes that you mention, including, for example, horticulture, are now continuing. We have been able to offer that at FE level on campus, but we deliver it in a virtual environment and on a face-to-face basis through our partnership with the university. We deliver that with UHI Argyll.

We have looked again at our curriculum, but we will again examine the curriculum and do a full curriculum review to see whether there are areas where employers are telling us that there are skills shortages—that will be part of our planning process between February and April. That is a substantial piece of work, but the whole college pulls together and works on that. We drill down to all the information that our staff gather from their regular engagement with our employers throughout the year. We have the intelligence; we just have to pull it together, analyse it and make a decision about what the curriculum will look like for 2026-27.

**Jamie Greene:** Thank you. That sounded very positive and was very helpful.

I have read all the board minutes that have been supplied to us, particularly those from 2024, and I was a bit surprised by their tone. I could almost imagine myself in the room with some of those people—it did not seem like a happy board, in any way, shape or form. First of all, then, what is the current state of play with the board at UHI Perth? My interpretation of the board members' input is that a lot of contrary views and opinions were being expressed on pretty much everything, even by the chair.

I refer you to the minutes of the 23 October 2024 board meeting. A couple of things struck me about them, the first of which was a quote from the chair that I will ask for your opinion on in a moment. The minutes say:

"Chair ... noted that the College makes money from FE and loses in HE, but there is no breakdown of these figures",

so the provenance of that conclusion and how it was reached is unclear. The chair then asked:

"if the College are not making money from HE why are we doing it?"

That is my question to you today.

**Catherine Etri:** I would not necessarily agree with the terminology or the suggestion that we make money. We draw down funding for all our students. Why are we doing it? Because we need skills; we need our population to be educated; we want to serve our communities as best we can; and we want to ensure that our young people and our returners are going into work and well-paid employment.

I was not on the board at that time, so I think that it might be helpful to refer your question to Mr Wylie.

**Alistair Wylie:** I am happy to respond to your question, Mr Greene. I was an independent board member at that time, but I can certainly refer to what I have done since April, when I took over as interim chair.

I think that you are right in saying that there was disagreement; there were people on the board who were unhappy, and many of them have subsequently left. One of the first things that I did in April was to undertake a governance review; an internal report was produced on that over the course of three months, and we went through all the points that needed to be addressed. They have been fully addressed, and we now have full oversight of the budget and much better financial reporting to the board, which was something that had to be tackled, too.

We have also focused on board development. Since April, we have recruited and now have a full complement on the board; indeed, it is the first time in recent years that we actually have the

maximum number of people. We have also looked at the skills across the board to ensure that we have a very cohesive and broad range of skills, which are brought by people from a lot of different backgrounds.

We have also reconstituted the committees and have introduced enhanced induction training and additional training for board members, targeting specific areas such as financial literacy and strategy development. We have four board development sessions across the year, each of which is dedicated to specific training or discussion areas that we want to cover.

I have also had a reset of the board's whole culture and have laid out my expectations about what the board should be doing and how it should be operating, how individual board members should be contributing to the board and so on. I think that that approach has worked quite well, and that we have a much stronger and more cohesive team, but Catherine Etri might want to comment on the interaction between ourselves and the rest of our team.

We have also taken time out to look at the Gillies report in detail and to think about the implications of its findings for UHI Perth. I think that that has been helpful. I have also encouraged a lot more board visibility and much more engagement with staff and students. We have, for example, a dedicated chair email account so that anyone can email me in confidence, and people have done so. We have much more board visibility on the ground, too, with board members regularly interacting with members of staff, students and so on on campus.

There has been a whole sea change since April, working in tandem with everything that Catherine Etri has done. I pay tribute to her, because she has not taken the credit where it is due. It has been a massive collective effort to turn things around, but she has been at the helm and instrumental in ensuring that that has happened.

**Jamie Greene:** Thank you very much for that. I echo those comments because it has clearly been a tremendous turnaround in difficult circumstances, which has been evident in today's session and the written submissions that you have given us.

This is the Public Audit Committee, so I want to briefly see where we are at with budget-setting processes. The Auditor General focused entirely on 2023-24, but when reading the papers I got a sense that there were some recurring issues around setting a budget in 2024-25, which are evident in the minutes from October. One board member said that they would

"not be comfortable in passing a Budget"

because there was not a three-year cash-flow plan.

There were lots of discussions about how difficult it would be to produce a cash-flow plan, because the previous year's issues were still issues in that financial year, which was not long ago. In fact, even at that board meeting, the board did not approve a budget. At the end of October—midway through the year—a budget had still not been set, which I am sure that the auditors will look at.

Where are we at the moment? Is there a better atmosphere in the board discussions? Do you feel more comfortable understanding your cash flow, so that you can make those projections properly and come to an agreement that budgets—using the best knowledge available to you—will be set more promptly, and another section 22 report can be avoided in the future?

**Catherine Etri:** Yes. I feel absolutely supported by the board, and I feel absolutely supported by the work that Lynn Murray has done with the finance team. It is really important to give her credit, because she has worked absolutely tirelessly with the finance team. I will pass over to her so that she can answer the financial aspects of your question, if you do not mind.

**Lynn Murray:** We are now in a more regular cycle, as we should be. In order to submit the financial forecast return in June for 2025-26, we had a standstill budget, which was based on assumptions and what we knew at the time. We revised the budget with some small changes because of the timing of the FFR direction, and we then had the recovery plan in August. That absolutely should be the process: you prepare the budget, which feeds into the FFR, and you can then start to monitor that.

Just to be absolutely belts and braces about it, because we were looking for feedback from the SFC and from UHI as the RSB, even though the FFR had been approved, we approved it as a budget in December. It was perhaps a bit of an overplay, but we wanted to be absolutely sure that we were following correct governance procedures.

**Jamie Greene:** That is very helpful.

This is my final question, convener. What does the future of UHI Perth look like? Many colleges have been explicit with the Parliament, other stakeholders and the Government that they may hit a financial wall and cease to be going concerns in the future. That is not a situation that anybody in any of our local areas wants to see for our local colleges, and I am sure that the same is true in Perth.

Given what we have heard today about some of the issues that are outside your control, you surely

must be left in quite a perilous financial position now. I am thinking of your relationship with UHI; the top-slicing model, which has been criticised by many board members over the years; the cap on your FE credits, the flat-cash settlement from Government; your indirect relationship with the Funding Council; and the fact that you have pretty much maximised cost savings to the bare bones. What does the future look like?

11:15

**Catherine Etri:** There is no doubt that the financial outlook is difficult, given where we are currently, hence the reason why we ask for consideration of how our funding is currently being viewed. We face many risks, particularly given that we do not know what our staff on-costs will be. We are in very old, deteriorating buildings, and the maintenance costs are substantial. Staff morale has been very low. People talk about a culture change, but you cannot change the culture overnight. It is a bit like turning the Titanic, but it is important that we have started that process, and we will continue it.

Staff morale has definitely improved. The general feel about the place has absolutely improved as well. It is important that we are transparent about what we are doing. It is important that we continue to work closely with our local authority. We have lost ground in the past few years when it comes to working collaboratively with our partners, but we are optimistic, despite the financial cloud that hangs over all our heads. We have a clear focus on restoring confidence, not only in the college but in our community and among our students and staff.

**Jamie Greene:** I wish you luck.

**Catherine Etri:** Thank you.

**The Convener:** On that more optimistic note, I will draw the session to a close. I thank those of you who have joined us online. We really appreciate you giving up the time. For those of you who have had difficulties with the weather, I hope that it improves for you soon and that you are properly re-engaged. We therefore place on record our thanks to Vicki Nairn, Mike Baxter and Alistair Wylie. We very much appreciate your patience and time, which has been very useful to us, this morning.

I also turn to the witnesses who have managed to make it into Edinburgh. I thank you all for the evidence that you have given us as a committee. It is very much appreciated. Tiffany Ritchie, Jacqui Brasted, Catherine Etri and Lynn Murray, we thank you for your time and for the information that you have been able to give us this morning and the way that you have answered a quite wide-ranging set of questions.

I now suspend the meeting to allow for a changeover of witnesses.

11:17

*Meeting suspended.*

11:22

*On resuming—*

## **“NHS in Scotland 2025: Finance and performance”**

**The Convener:** Good morning, and welcome back. Agenda item 3 is consideration of the Auditor General’s report “NHS in Scotland 2025: Finance and performance”. I am pleased to welcome to the committee Stephen Boyle, the Auditor General, to give evidence on the report. This morning, he is joined by Leigh Johnston, senior manager at Audit Scotland, and Bernie Milligan, audit manager at Audit Scotland.

We have some questions to put to you, but before we get to them, Auditor General, I invite you to make an opening statement.

**Stephen Boyle (Auditor General for Scotland):** Good morning and happy new year to the committee from all of us at Audit Scotland. As you mentioned, convener, this morning we bring you our annual overview of the national health service in Scotland. The report looks at how the national health service in Scotland performed financially and operationally in 2024-25. We also examine the progress that has been made towards delivering the ambitions for reform of health and social care in Scotland.

Health spending remains the single largest area of the Scottish Government’s overall spending in Scotland, accounting for around 38 per cent of the Scottish budget. In 2024-25, that equated to £20.6 billion. Even with that increased level of spending, the NHS in Scotland, in our view, is not yet in a financially sustainable position. NHS boards struggled to break even, with seven territorial boards requiring Scottish Government loans. Even allowing for that, it is important that we also note that NHS boards achieved unprecedented levels of savings in 2024-25.

The Scottish Government has forecast that health spending will continue to grow over the medium term, but that backdrop also means that there will be prioritisation, which could mean less money for other vital public services. The delivery of efficiencies and reform in the health and social care system will play an important role in the overall medium-term financial sustainability of both the NHS and Scotland.

Despite more money and more staff, NHS Scotland’s performance has not yet improved in line with the commitments made by the Scottish Government, particularly on eradicating long-term waits for treatment. Activity in secondary care increased last year but remains below pre-pandemic levels. However, waiting lists and waiting times are starting to fall. Improvements in

productivity and reform of health and social care systems are needed if health outcomes are to get better, health inequalities are to be reduced and service delivery is to improve.

The recent publication during 2025 of an operational improvement plan, a health and social care service renewal framework and a population health framework are welcome steps forward in setting out the key principles for delivering reform. However, it is fair to say that some of the ambitions in those documents are long standing and have yet to be delivered, particularly the ambition to shift the balance of care to community and local services and away from secondary services.

That persistent implementation gap between policy ambitions and delivery on the ground needs to be addressed if the Scottish Government, together with health and social care leaders, is to realise its ambitions and take the opportunity to drive forward the necessary changes in direction this time around. The Scottish Government now needs to publicly set out detailed, measurable actions that will enable change and help everyone understand how a different health service in Scotland will work.

As ever, Leigh Johnston, Bernie Milligan and I will do our utmost to answer the committee's questions.

**The Convener:** Thank you very much, and a belated happy new year to you, too.

I will start by looking at progress through the lens of your annual reports, Auditor General. To some extent that is captured in appendix 5 of the report that the committee has before it today, but when I went back to look at the equivalent report from 2024, I saw that you made recommendations that certain things should happen, and I want to check the extent to which progress on those fronts has been made.

One of your top recommendations was that there ought to be a capital investment and asset management strategy. Is there one? You talked about the need for a revised medium-term financial framework for health and social care. Has there been one? You also talked about the importance of lessons being learned from the negotiations following the contractual end of the private finance initiative/public-private partnership contracts, which have been a long-standing feature of the NHS. Could you update the committee on the progress on that front?

**Stephen Boyle:** Yes, I am happy to, convener. As I suspect I will do a number of times over the course of the meeting, I will turn to colleagues to come in with a bit of detail.

You mentioned PFI contracts. As has been said in discussions with the committee, we are now beginning to enter a cycle where many of the early PFI contracts, which date from perhaps the early 2000s and were typically of a 25-year term, are coming to an end and returning to the public sector. I know that the committee is looking at a different sector, but one of the first examples of that was Kilmarnock prison, which has returned to public ownership. Preparation for that cycle is under way through the work of the Scottish Futures Trust and some specialist services.

In an NHS context, examples of PFI contracts that have returned to the public sector include New Craigs hospital in Inverness, and the Larkfield unit, which is one of the specialist services in NHS Greater Glasgow and Clyde. University hospital Hairmyres in NHS Lanarkshire is one of the other large entities that will return to the public sector over the next few years. We have stated the overall status of that recommendation to be "In progress". I think that that is fair, convener. There probably will not be an end point to PFI until the contracts all come to an end.

As shown by evidence that the committee has taken before, there was no single template for how PFI contracts were structured or what happens at the end of the contract. That is the case even within the NHS. NHS leaders can share the detail with the committee, but a range of outcomes could happen, including an extension of the contract. However, what matters most is that the experience and learning are shared. The Scottish Futures Trust is undertaking the important role of providing that detail and information across the system, so that the public purse is being well managed and we are managing the risks, and so that the public sector knows what it is getting from individual assets and can factor that into its future maintenance and financial projections, as well as service operations.

11:30

On the other two points, I might bring in Bernie Milligan if she wants to say something about the capital plans and arrangements. Before that, I point out that the Scottish budget, which happens next week, is relevant for both revenue and capital medium-term financial projections. Coupled with the spending review, that will set out much of the intention as to the expected revenue and capital plans for health and social care services.

Just for completeness, before passing to Bernie if she wants to add anything, I point out that we recommended that a medium-term financial framework be published for health and social care. Although that did not happen, the committee will know that, in June last year, the Government published a medium-term financial framework that

includes service reform, prevention and wider plans for the health and social care system. As I alluded to in my opening remarks, a range of additional strategies were published during 2025. As we set out in the recommendations that we are discussing today, we are looking to see the detail underpinning that. That now needs to come through, so that the committee, Parliament more generally, the public and those working in health and social care services have a clear understanding of what reform, change and financial sustainability look like.

I have said quite a bit, so I will turn to Bernie, if she wants to add anything.

**Bernie Milligan (Audit Scotland):** As yet, there is no capital investment strategy or infrastructure investment plan for the health sector. As the Auditor General said, we expect a bit more detail next week with the budget and the spending review.

A number of capital projects are under way, as we set out in the report. A number of them, particularly the national treatment centres, are paused. On capital, boards were required to submit business continuity plans in January 2025. That was about day-to-day maintenance of the estate, and a whole raft of projects are now being put in place. I understand that about £100 million has been allocated across boards.

On the bigger strategic capital investment, we have heard that boards are now being consulted on their strategic priorities for health infrastructure. That involves the bigger builds such as health facilities and hospitals. Those strategic assessments will take place in 2026-27 and any ministerial decisions on the future estate will not happen until 2027. The expectation is that any decisions would be in line with the ambitions for renewal of the health and care system, as set out in the service renewal framework, where there are ambitions around shifting the balance of care to community settings and so on. As yet, we are possibly a wee bit away from a plan.

**The Convener:** Yes. A plan and a strategy would, I presume, reflect the shift in resourcing that has been spoken about for a long time but has not necessarily been delivered.

In the interests of time, I will move on to another area. You said in your opening statement, Auditor General, that, despite more money going into the national health service and more staff being employed by it—you choose as a baseline 2019 and say that there have been additional resources of £3 billion and 20,000 additional staff members in the workforce—sustainability in the health service is not improving. Could you explain that for us?

**Stephen Boyle:** I can, convener. The figures that you refer to are really important. There has been a real-terms increase of 25 per cent in total health spending during the past 10 years. We have also seen staff costs increase by 31 per cent since 2018-19. It is also important to recognise that activity has been increasing recently, so there has been more activity in secondary care, which this report primarily looks at.

I refer the committee to exhibit 2 in the report. I appreciate that, towards the end of last year, the committee took evidence from us on the two section 22 reports that we prepared on NHS Ayrshire and Arran and NHS Grampian, which are two of the NHS boards that are facing financial challenges. Exhibit 2 shows that seven NHS boards in Scotland required brokerage during the financial year 2024-25. Only one health board in Scotland has ever repaid brokerage, so we are now sitting with around £500 million of outstanding brokerage to health boards.

The Scottish Government is looking into bringing out new arrangements for support and intervention. I know that the committee is familiar with some of the detail of the support intervention framework that the Scottish Government has with health boards in Scotland. For completeness, I note that one board—NHS Grampian—is at level 4 in terms of its financial sustainability, and eight are at level 3. Enhanced monitoring supports the definition of that. Of those eight, five have financial management or financial sustainability as part of the rationale for enhanced engagement. Those are the indicators that show that we do not yet have a financially sustainable model to deliver health and social care in Scotland.

**The Convener:** Thank you. Other members of the committee will get into some of those areas in a bit more depth, so I will avoid stepping on their toes and making myself unpopular by moving on and inviting Jamie Greene, the deputy convener, to put some questions to you.

**Jamie Greene:** I will carry on with the line of questioning about the state of the finances of NHS boards. As you have already noted, a number of them have received considerable amounts of brokerage. Just for the benefit of the public out there, what exactly is brokerage and how does it work?

**Stephen Boyle:** We have a small explainer that defines brokerage on page 10 of the report. It is effectively a form of loan funding and it has something of a history. The Scottish Government's health department intends to move away from brokerage, and some of the detail about that is set out later in the report. Brokerage is a loan to support a health board to achieve its financial targets—principally, to break even each year. As I mentioned, seven boards received brokerage in



2024-25, and that is set against a backdrop of a cumulative balance of just over £500 million of brokerage.

As we understand it, the Scottish Government's expectation is that those amounts will still be due to be repaid by the health boards to the Scottish Government once they are deemed to be in a stable financial position.

**Jamie Greene:** In your professional view, is there any evidence that those boards will be able to repay the loans in future? I point to exhibit 6 in the report, which indicates an on-going remaining deficit for the next three financial years within each of those boards. There does not therefore seem to be any evidence that any of those boards will either break even or make a surplus, or have any ability to repay that money without finding it from further savings down the line.

**Stephen Boyle:** You are right. It will be about prioritisation and whatever expectation is set by the boards, or set for them by the Scottish Government, for if and when the brokerage will be repaid.

As we understand it, it is the Scottish Government's position that the amount that is outstanding will be repaid by boards once their financial position allows, and I think that you would typically expect to see that in boards' forward financial plans. As I mentioned in relation to the support and intervention framework, if that is the Scottish Government's expectation, I would expect it to be working with the boards to plot into future plans when those amounts will be repaid.

Clearly, that will be a real prioritisation and policy matter, but history suggests that, given the amount outstanding—which is now half a billion pounds—and given that only one board, NHS Tayside, has ever repaid brokerage, it will be challenging and a significant departure from the arrangements that we have had up to now.

**Jamie Greene:** At a more forensic level, have you seen from any of the audits of these boards any evidence of the repayments featuring in their accounting?

**Stephen Boyle:** They would be part of their forward financial projections. As you know, audit is typically more retrospective, which means that the detailed analysis that auditors do is of the transactions that have taken place.

My colleagues might have further insights with regard to the consideration of plans, but we are sceptical, given what has gone before, and it will be important to see evidence of amounts actually being repaid, if that remains the Government's intention. If we have information on that just now, we will share it with you, but if not, we can come back to the committee in writing.

**Jamie Greene:** My colleague Mr Beattie will be asking about the new arrangements that are replacing brokerage, so I will just park that issue.

What I could not quite understand from your report is the variety of deficits that the boards are facing. I note that, in the last four financial years that your report covers, at the top of the list—the worst offender, if you like—seems to be NHS Ayrshire and Arran, an area that I have represented for nearly a decade now. I find it hard to understand why it has received £130 million of brokerage, while Fife has received only £44 million, or less than a third of that. Is that because there is a view that these boards are just struggling to make ends meet? Is it because of higher demand? Do they have a different demographic from other NHS boards? Are there other fundamental reasons relating to the way in which they are governed or operated?

**Stephen Boyle:** It is a combination of all of those things, to be frank. I appreciate that you do not want to drift into what the new arrangements might be, but I think that it is relevant to your question to point out that, as we reference in paragraph 31, the Scottish Government has not only stated that brokerage has

"increased sharply in recent years",

and that there is a question about its sustainability, but highlighted an issue of equity in health boards across Scotland, if there is a pattern of provision of brokerage to some health boards but not to others—in other words, if there is some sense of incentives. Are some boards making the difficult prioritisation decisions, while other boards are not?

Without delving into individual health boards, I will make just one comment. I thought that it was telling from the evidence that we gave to the committee on NHS Ayrshire and Arran that that board had been at level 3 of the support and intervention framework for seven years, whereas other boards seemed to come on to and off the support framework much more quickly.

It is a set of arrangements that needed to be reviewed. You can see from the Scottish Government's intention and updated arrangements that there will be no more provision of brokerage. As we understand it, the expectation from the Scottish Government is that, if a board exceeds its support funding cap, it will go into deficit. That will be a matter for auditors to consider and, indeed, for me to consider in future reporting.

**Jamie Greene:** In your opening remarks, you made it clear, as you have in the past, that there has been what one might call record, or increased, funding for health—I guess that it depends on how you quantify it and over which period of time—with

health spending by the Government 25 per cent higher in real terms than it was 10 years ago. One could argue that it is a good thing that the Government is spending more money on the health service but, in the same breath, you said that the outcomes are not necessarily matching the extra spend.

I do not know whether any analysis has been undertaken of what is driving that or what we might need to change. I will not ask you to delve into policy changes—I understand why you would not want to do that—but I am interested in what was said earlier about the disparity between the performances of health boards. I will come on to levels of intervention in a second, but I note that exhibit 1 paints a complex picture of how the funding is allocated and spent through the territorial boards, the national boards and the complicated integration authority structure. Is that complexity part of the problem?

11:45

**Stephen Boyle:** The health and social care system in Scotland is complicated, probably by necessity, although some parts will be complex by design. The area concerns not only health services; it also involves social care arrangements that relate to the journey that people take through their lives and the points at which they are in contact with public services, much of which will involve health and social care models. In Scotland, we have a range of structures, which we explored to an extent through the report that we produced last year on governance, and aspects of which have been captured in the report that we are currently discussing. Tomorrow, the Accounts Commission and I will publish a report on delayed discharges, alongside an examination of how integration authorities are performing.

The system that we operate is not delivering on the ambition of the Scottish Government—and, now the Convention of Scottish Local Authorities, as stated in some of the strategies that it produced in 2025—to take steps to make Scotland healthier through the adoption of a more prevention-based approach that keeps people out of hospital for longer. That move to a more sustainable model is consistent with Audit Scotland's commentary over a number of years. The committee might want to explore our view on the matter but, as I said in my opening remarks, that is not a new ambition but what we have not seen up to now is the ability to deliver on that ambition in a way that moves the dominant spending away from the provision of treatment in a secondary care setting and towards keeping people healthier for longer outside of hospitals.

**Jamie Greene:** You have stated on the record in this committee and publicly elsewhere that you

believe that there might be areas of healthcare provision that the NHS provides at the moment but which might not be offered in future. We can perhaps pick your brains on that some other day.

Going back to the finances, I was intrigued to see that you report nearly £700 million of savings in a single year across the NHS. That is a marked increase on previous years. Do we have any understanding of how boards have made those savings? Savings can sometimes be a dangerous word. What kind of things have been cut? We know that staff costs have gone up and that some salary settlement agreements have been reached, so there will have been no savings in that regard. Equally, we know that some waiting lists have come down, which will have required investment. Where are the savings being made? What do they look and feel like in the NHS on a daily basis?

**Stephen Boyle:** The volume of savings that have been made is significant and welcome. The committee will be familiar with the distinction that we have drawn for many years between recurring and non-recurring savings. It is particularly important to acknowledge that the proportion of recurring savings jumped from 37 per cent in 2023-24 to 46 per cent in 2024-25. Recurring savings support the financial position not just in the year in question but into the future, if they result from sustained approaches.

We have spoken to the committee before about some of the innovations that the Scottish Government team has sought to bring in, one of which is the financial delivery unit. At exhibit 4, we show a savings grid that demonstrates how some of the approaches to making savings will change. Bernie Milligan can talk about the detail of that, but I will just say that one of the most significant changes that can be seen in today's report is the change in the cost of agency nursing. For example, some of the detail on that is in exhibit 5, which shows that, in one year, there has been a 31.3 per cent reduction in agency nursing costs. There have been financial benefits and also benefits in service provision with regard to continuity. Those are important developments.

I have noted one development, but Bernie Milligan is more than welcome to elaborate on that or any of the others if she wants to.

**Bernie Milligan:** We found that there has been big progress this year regarding savings, particularly recurring savings. Savings have been a third higher this year than in 2023-24, and there has been an improvement in recurring savings from 37 to 46 per cent. It is worth reminding the committee that savings are essentially an efficiency, and that the savings are retained by the boards. That allows boards to cope a bit better with some of the other cost pressures that they are

under, and it helps them to achieve the statutory break-even.

As the Auditor General said, we highlighted the activity of the financial delivery unit in the Scottish Government, which was set up in 2023. Since then, there has been an improvement in recurring savings. The 3 per cent target has not yet been achieved, but recurring savings of 2.2 per cent were achieved this year, compared with 1.3 per cent in the previous year.

The Government has put in place hands-on support to help boards to deliver better insight and data so that they can look at how other boards are performing. The 15-box grid has been one of the key tools. As part of that, boards have been given access to a Power BI benchmarking tool, which allows them to compare their performance against any of the different saving opportunities that are set out in exhibit 4. That is a way of sharing best practice and so on, and boards will self-assess against each of the areas. We have also highlighted the improvement in nurse agency spending, which increased hugely during the pandemic and has now declined by 70 per cent over the past couple of years.

The Government is doing a bit of a refresh to the 15-box grid—it has not remained the same. For example, sustainable prescribing has been added as a new area. Another area in which progress is being made is medicines of low clinical value. There is now a list of medicines that boards are advised not to prescribe, because they have limited value. That has certain savings attached to it.

Those are some examples. As you pointed out, deputy convener, there is still a forecast deficit across the next three years, but there has been an improvement in the forecast of just over £300 million. When we reported last year, there was a forecast three-year deficit of £1,235 million, and this year it is £918 million. There is potential for those savings to have an impact on the forecast position and the future position of boards.

**Jamie Greene:** That is extremely helpful—thank you. From a constituent's point of view, they are still sitting on a waiting list and wondering why their health board is making savings. That is the crux of my question. We know that five boards are sitting at level 3 intervention and one is at level 4. Is there any evidence that that situation will improve any time soon?

**Stephen Boyle:** It will be a moving picture for individual boards. I appreciate that the committee heard from us and will, in due course, take evidence from the Scottish Government and accountable officers on the impact of the interventions, but it is not immaterial. NHS Grampian's level 4 intervention was accompanied

by an external consultancy report by KPMG that sought to dig into some of the detail as to why its financial and service performance was causing challenges.

The impact of that and of other levels of intervention remains to be seen. What is important—I apologise for referencing it again—is that support and intervention do not become the norm, and there is the risk of that happening in NHS Ayrshire and Arran. We need to see tangible impacts and benefits from the support and intervention arrangements rather than those simply continuing for many years.

**Jamie Greene:** Thank you. I might come back in later, convener.

**The Convener:** Okay. Colin Beattie has some questions.

**Colin Beattie:** I have one or two questions about the financial support for NHS boards, particularly in relation to the proposed change of support. Paragraph 31 of your report says that

"brokerage had increased sharply in recent years, that it was unsustainable, and that it created an inequity with those boards who were operating within their statutory duty to break even."

The report mentions three sources of funding that the Scottish Government has replaced brokerage with: sustainability funding; deficit support funding; and financial support funding. It also states that there is a

"lack of clarity and transparency around the introduction"

of those deficit support funding mechanisms. Will you elaborate on why you reached that conclusion?

**Stephen Boyle:** Yes, of course. I will shortly turn to Bernie Milligan, who has also looked at the issue in detail.

You are right that there is a change of plan. For the reasons that we set out in the report and which you referred to, the Government's intention is to provide clarity not just to boards that have received brokerage but to boards across the system.

The equity point matters. For boards that have been experiencing financial problems but have been able to manage them, it gives them certainty around the use of the wider resources.

In terms of clarity and transparency, our sense was that there was more for the Scottish Government to do to communicate across the system about how the new approaches would operate, because many boards have not received brokerage. Some have consistently been able to manage their financial position and will not be familiar with that mechanism, whereas there are other boards—some of which we have referenced

this morning—that have been part of the brokerage, support and intervention system for many years. Bernie can say a bit more about how that will operate.

It remains to be seen how things will play out if a board exceeds its cap and cannot deliver financial balance. Will the Scottish Government say that it will have to report a deficit? At what point do deficits risk becoming unsustainable, and what might that mean for wider financial positions?

This is new territory, and it is important that there is openness and transparency across the piece about how the new arrangements will be delivered together. That should cover not just the base scenario but some of the what-if scenarios.

**Bernie Milligan:** The Scottish Government's position was that brokerage was coming to an end—it had increased sharply, it was financially unsustainable and it was creating inequity. That was set out in a letter to boards in December 2024. It also warned that, for those boards not achieving financial balance, that could show as an overspend on their financial statements and potentially lead to modified accounts.

We knew that sustainability funding was being put in place. That was baselined into budgets at the beginning of the year, and that is allocated to all boards on the basis of the NHS Scotland resource allocation committee formula. That was a £250 million pot. However, there is a lack of clarity and transparency on the deficit support funding, which was introduced at some point in 2025-26.

We have seen some communication between boards and the Scottish Government's financial delivery unit, which carries out quarterly financial reviews. Following the quarter 1 review, which would have been in August, there was communication about deficit support funding and a new pyramid of support, as it has been termed, which comprises not just the funding but the provision to boards of other forms of financial advice and support. Deficit support funding is for the boards that are already on the support and intervention framework. There is detail on the maximum amount of funding that boards can draw down, but the overall pot is £166 million.

12:00

**Colin Beattie:** I want to clarify one basic thing. Your report says:

"The Scottish Government advised NHS boards in December 2024 that there would be no brokerage for NHS boards in 2025/26",

which implies that brokerage is already in place.

**Stephen Boyle:** That is the Government's position for the financial year 2025-26 and, as Bernie Milligan mentioned, the pyramid of support

arrangements that we set out in paragraph 32 is how the system currently operates. Auditors will be looking at that during the annual audit of individual boards, and it is a topic that we will return to in next year's report, to see how it has all ensued.

**Colin Beattie:** You have said that there is a lack of clarity and transparency on the issue. Do you know whether the NHS boards have been properly briefed on it? Do they understand it? Did you pick up anything about that in your audit?

**Stephen Boyle:** As Mr Beattie has perhaps alluded to, we are picking up that some boards are really clear on how brokerage works, because they have been in that system for many years, but not necessarily all of them are. We make a point in the report about what happens for the boards that are in recurrent deficit; that is the essence of the first recommendation that we make. It is about how financial balance will be achieved and the role of deficit support funding, given that it is capped and that circumstances might occur that mean that the cap is breached nationally. It is about financial support through the financial delivery unit, exploring arrangements and how that interacts with the Government's support and intervention framework. Indeed, that will be happening live right now as we move into the three months before the financial year end.

We will certainly return to the issue in next year's report to explore how it has all worked. It is important for everyone—the Scottish Government's health department and boards—to get off on the right foot, and for boards to be absolutely clear about what happens in different scenarios.

**Colin Beattie:** I have to confess that, in looking at it, I am not entirely sure how it will work, but they no doubt have something in mind.

You mention in the report that the Scottish Government has said that, in part, the brokerage system has been replaced due to the

"inequity with those boards who were operating within their statutory duty to break even."

The new system has a deficit support funding component that is not repayable, and it is given to boards that are escalated to the support and intervention framework. Given that boards that perform well will not have access to that element of the funding, does that not risk preserving elements of the inequity from the previous system?

**Stephen Boyle:** There is a risk but, for the Scottish Government and health boards to manage that, it ought not to be the case that a board is continually on a support and intervention framework standing and that it receives what was

brokerage and is now deficit support funding. Instead, through the support that a board receives, its status on the support and intervention framework should be a short-term matter, unlike the examples that we have talked about today in which that can go on for many years.

It is ultimately a call for the Scottish Government to make, having satisfied itself that its support and intervention arrangements are meaningful and are making a difference. It will not just be a matter of getting over the line in the short term regarding the financial position or deficit support funding; it is also about making more fundamental changes, such as efficiencies and changes in service models, that can make a difference.

Referring again to why the reform ambitions matter so much, I note that that reform is the route through from reactions and accompanying financial support, moving instead to a more sustainable model of health and social care.

**Colin Beattie:** You have already stated that you will be looking into the matter to see how the arrangements were applied in reality. We look forward to seeing the results—or, indeed, our successor committee will.

On capital spending, with previous reports, we have considered the difficulties with the backlog in repairs and so on. Your report states that capital investment has been “on a downward trend”, with a 22 per cent decrease since 2021-22. That is quite a big difference, given the huge deficit. Can you clarify some of the reasons, as you understand them, for that fall in capital investment? How do the current levels compare with those before the pandemic? Is that even relevant? We keep referring to “pre-pandemic” as if it were a wonderful era, but we are in a new reality now, so we should perhaps be more cautious in that respect. Do you foresee any patient safety or service delivery issues or risks with the current levels of capital investment?

**Stephen Boyle:** I am happy to start, and colleagues might wish to say more.

On the point about references to the situation before and after the pandemic, we do think carefully about the years that we reference to draw a trend. At some point we will stop talking about the “pre-pandemic” situation in our reporting, but I think that it is still relevant, especially in the health and social care context. The disruptive effect that the pandemic had and its legacy are still undoubtedly being felt in Scotland’s health and social care system, but, clearly, that will not always be the case. Each time that we prepare a report, we will think carefully about what the best reference point is.

On capital, the trends are clear, and there are two important figures to mention. There has been

a reduction of 5.35 per cent in the overall Scottish Government capital budget since 2021-22, but the reduction in health and social care is significantly larger, at 22 per cent. The committee has taken evidence on some of the reasons behind the constraints in the capital budget that the Scottish Government has been dealing with, notably the ending of the financial transactions budget, which has curtailed some of the Scottish Government’s ambitions for capital projects.

I will return to the maintenance point in a moment, but on the question of what the situation has meant for the Scottish Government’s capital investment ambitions, I would just note that we set out in paragraph 36 of our report, and exhibit 7, some of the investment that is taking place. It includes the plans for a new Monklands hospital, investment in NHS Western Isles at Barra and Vatersay community campus, and the planned reprovion of the Princess Alexandra eye pavilion in NHS Lothian.

Bernie Milligan rightly mentioned the wider review of capital projects during 2026, which we expect will form part of the prioritisation exercise for the 2027-28 budget and financial plans. We expect that next week, alongside the budget, the Parliament will see some of the detail of the capital investment pipeline plans, setting out where investment will be happening.

Finally, before I pass over to colleagues, I should highlight exhibit 7, in which we set out the status of the national treatment centres, and note that, because of some of the capital constraints that were experienced after the plans were set out during the early stages of the pandemic, activity on four of the planned centres remains paused.

I will now bring in colleagues, who might wish to say a wee bit about the backlog maintenance, the risks and other points that you have asked about.

**Colin Beattie:** I also want to bring the question of PFIs and their maturity into the mix. When I read the PFI contract for Edinburgh royal infirmary, I found it quite a thriller. In that contract, and a few others that I have skimmed, there are potential commitments to making capital payments to terminate them. There are different options, some of which are quite complex. Has the Scottish Government factored that in? I think that it would have done so somewhere, but is that evident?

**Stephen Boyle:** Our understanding is that that work is going on across Government, including with the NHS, and is being led by the Scottish Futures Trust. As you have rightly said, these are large, complex contracts, and they are not all the same when it comes to the obligations or opportunities that are conferred upon the public sector at their completion. There is expertise within those organisations to ensure that the public

sector manages the opportunities and risks of each of the tranches returning to it.

Those returns will increase significantly over the next few years. I have mentioned Wishaw general hospital, University hospital Hairmyres, New Craigs hospital and the Larkfield unit as being the next to return, but there are other large projects, too. In Scotland's school estate, for example, there are very significant projects returning to public sector ownership over the next few years. From our engagement with the Government and the Futures Trust, we are clear that those risks are being understood and managed.

**Bernie Milligan:** Just to add to that, I would point out that, at the same time that capital expenditure is being reduced, the maintenance backlog is increasing across the NHS estate. In paragraph 35, we make it clear that the backlog totals £1.3 billion, which represents a 2 per cent real-terms increase since 2023. NHS boards have reported an increased risk to buildings, including buildings failing, infrastructure risks, and so on, as well as issues around "ageing and unproductive" equipment. That can have operational impacts on waiting lists, on bringing in new innovation and so on. We understand that the new programme that has been put in place is a response from Government to some of the issues that have been raised by boards, and it covers a wide range of projects that will be rolled out over the next couple of years to make the estate fit for purpose.

**Colin Beattie:** Are there any risks to patient safety from reductions in capital expenditure? You have highlighted one or two fairly critical issues.

**Stephen Boyle:** There are a couple of issues. One is the immediate presenting risk, and the other is the longer-term risks of not investing in capital. That raises some productivity questions, and if the committee's time allows, I will pass over to Leigh Johnston to say something about the productivity implications.

We make reference to some of the presenting risks in paragraph 35. The 2024 report on the state of the NHS estate identified a maintenance backlog of £1.3 billion, £59 million of which related to high-risk issues. In terms of the response to that, we set out in paragraph 37 some of the specific actions that health boards are taking to address some of those risks, including through investment. It is not always just about hospital equipment; we have highlighted, for example, the replacement of fire doors at the Queen Elizabeth university hospital in Glasgow. Those risks to patients have to be tackled across the piece. Aspects of that are captured in the budget, and much of the response will depend on what investment decisions the Parliament takes as it considers the budget over the next couple of weeks.

12:15

The point about productivity is important, because productivity is complicated, and it speaks to some of the wider issues in the report. There has been more investment in the NHS, and there are more people are working in it, but those things are not yet directly translating into increases in activity or improvements in outcomes. Investment in ageing and unproductive diagnostic equipment is one of the factors that came through during our evidence taking for the audit.

Leigh Johnston might want to say a bit more about that.

**Leigh Johnston (Audit Scotland):** It is right to say that Healthcare Improvement Scotland has identified that ageing infrastructure and buildings are impacting on patient safety, and, as the Auditor General has already pointed out, fire safety procedures are part of that. That has come out more in some of the inspections that have been carried out, as we have outlined in paragraphs 97 to 99 of the report.

As the Auditor General has also said, a lack of investment in infrastructure is having an impact on levels of activity and productivity in the health service. One of our recommendations in the report is that more needs to be done by the Scottish Government, working with NHS boards, to understand what is affecting productivity. It is a complex area, but we know that, even with more money and more staff, we are not seeing the levels of activity and productivity that we would like to see. We need to do more focused work to understand why that is the case. A range of things impacts on productivity, and capital—that is, the lack of investment in infrastructure and new equipment—is a major factor.

**Colin Beattie:** I will finish up with a quick question on medium and long-term spending projections. Paragraph 45 of the report says that

"Over the longer term"

the Scottish Fiscal Commission is projecting that

"health and care spending will rise from 40 per cent of devolved spending in 2029/30 to 55 per cent in 2074/75".

Clearly, that is unsustainable. Given what the SFC has highlighted and the impact on the long-term health of the population, which is central to the sustainability of Scotland's public finances, do you have any insight into the kind of reform that can realistically be expected to help slow the growth in health spending and ease the pressure on Scotland's public finances?

**Stephen Boyle:** That is the essence of part 3 of the report. The Scottish Government has set out its high-level ambitions to invest in preventative measures that will keep people healthier for longer outside of a hospital setting. That is one of the key

planks of a sustainable model, because a healthier, more productive population can contribute more to society and the economy.

However, as we go on to say in part 3 of our report, some of those ambitions are not new—in fact, they have been around for many years—and as a result we recommend that detail be set out on the key stages of implementation for realising and delivering on them. It is also important to point out that these are not only Scottish Government ambitions; they are shared with COSLA, so they apply to local government, but they apply to wider spheres, too, including housing, education and the private sector.

We are clear that for the next three, six or 12 months, the focus should be on the detail of what is going to be done next to deliver on the ambitions. We think that the strategies are welcome, but such an approach will be key to addressing some of today's challenges as well as some of the financial challenges that the Scottish Fiscal Commission has projected will happen in the decades to come.

**Graham Simpson:** I am aware of the time, so I will try to be as brief as possible. I will cover waiting times, and then I will ask about accident and emergency performance. During that section, I will also ask about ambulances.

I will start with waiting times, of which the report paints quite a bleak picture. I will quote from parts of the report before I come to my question. At paragraph 53, you say:

"NHS boards are only meeting three of the eight key waiting times standards that are currently reported. Five of the eight key waiting times standards have also seen a drop in performance from June 2024 to June 2025".

You go on to say, at paragraph 54, that

"No board met the planned care targets for the new outpatient standard that people referred for a new outpatient appointment should be seen within 12 weeks, or the Treatment Time Guarantee that people should begin inpatient/day-case treatment within 12 weeks of the decision to treat."

That does not sound to me like much of a guarantee.

At paragraph 58, you say that the Government's

"Operational Improvement Plan ... published in March 2025 ... committed to eliminating long waits and ensuring that no one is waiting longer than a year for their new outpatient appointment or inpatient/day-case procedure by March"

this year. You go on to say:

"Current figures show that long waits remain high. It is unclear whether the target can be achieved in the stated timeframe."

Before I ask you about that, I invite you to look at exhibit 10 in the report, on "Commitments and progress on long waiting times", which is very

relevant. There are some quite alarming statistics there. If we look at the previous targets on "Length of wait to be eradicated"—those commitments were made in 2022—we see that only one of them has been met, which is a target for out-patient waits. For waits of more than two years, the commitment was to eliminate those by 31 August 2022, and that target was met. However, a whole series of other targets have not been met.

The targets appear to have been refreshed, so we have a new date of March 2026 by which they should be met. However, the figure for out-patients on the waiting list for more than 18 months in September last year was 17,561, and for waits of more than a year, the total was 56,439. In the in-patient sector, 5,000 people were waiting for more than two years; 13,000 for more than 18 months; and 29,417 for more than a year.

I come to my question. The Government wants "to eliminate waits of over a year by March".

How realistic is that?

**Stephen Boyle:** You may be familiar with the fact that Public Health Scotland is now publishing some of the updated information monthly. Since we published the report at the beginning of December, the new detail to November has come out, just in the past day or so. It shows that, overall, waiting lists and waits of more than a year are continuing to fall, but although we have seen that trajectory, the ability to deliver on the target to clear those longer-term waits by March remains really challenging.

I do not think that I have the detail for all the data that is included in exhibit 10, but I will draw out a couple of figures. For example, new out-patient waits of more than 52 weeks have now fallen for the fourth consecutive month and are down by 6,492 from October to 44,363 in November. I think that we have seen progress on addressing the ambition in the target and the work of the operational improvement plan, but whether the aim of eliminating all those longer-term waits can be met by March remains to be seen; it will undoubtedly be challenging.

**Graham Simpson:** It remains to be seen, but we are only weeks away, so the reality is that that aim is not going to be achieved.

**Stephen Boyle:** It is not for me to say whether it will or will not be achieved. I do not think that that changes the judgment that we make in the report, which is that it will be really challenging to do so.

**Graham Simpson:** It is very challenging. It would be lovely if that was to come about, but I really cannot see it.

Significant additional funding has been provided to reduce waiting lists, but—as we have said—

long waits remain high in many areas. Is there any evidence that that investment is delivering improvements for boards?

**Stephen Boyle:** I think that there is some evidence to that effect. Again, Bernie Milligan might want to say a bit more about that. At paragraphs 61 and 62 of the report, we look at some of the detail of how that additional investment has been used. How is the £135 million for the current financial year, together with the £30 million that was part of the 2024-25 budget, being used?

We cite examples of areas where waits have been targeted, which include ophthalmology; orthopaedics; urology; cancer services; diagnostics; the expansion of imaging services; recruiting more staff; and waiting list initiatives, including additional weekend clinics. That points to some of the statistics that we have just discussed. Fewer people are waiting, and the longer-term waits are coming down, but there is a level of uncertainty as to whether the Government is actually going to deliver on the March 2026 target.

**Graham Simpson:** In the interests of time, I will move on and ask you about A and E, because that is really important to folk. At paragraph 80, you say:

“Headline indicators show that performance in emergency departments is still poor. Performance against the four-hour standard has remained at around 70 per cent nationally over the past year. The number of waits over 12 hours—

over 12 hours; that is incredible—

“increased ... in the year from August 2024 to July 2025”

to around 76,000, which was an increase of 3 per cent. Can you give us any further insight into why A and E targets are still being missed?

**Stephen Boyle:** You are right—it is one of the key performance measures. I will come back to the paragraph that you mentioned in a moment, and I will bring in Leigh Johnston to say a bit more about some of the Scottish Government's ambitions with regard to addressing, in total, the complexity of tackling people presenting with urgent care needs at A and E.

Again, it is also the case—as is borne out in exhibit 9—that this is not an entirely new set of circumstances. On A and E performance, we have drawn the trend from June 2019 to June this year, and it shows that only for a very short period—in the early stages of the Covid pandemic, as you may recall—was the target for 95 per cent of people who arrive at A and E to be admitted, discharged or transferred within four hours actually met.

There are some long-standing issues. Some of those are structural and do not apply only to the

performance of A and E departments; they are about how the system is working and the flow of patients through hospitals. Depending on whether the people who are presenting are sicker, older or frail and whether there are care packages available, there may be delays in leaving a hospital environment.

As I mentioned earlier, the Accounts Commission and I, with Audit Scotland, have looked at some of the processes and challenges around delayed discharges. We will be publishing that work tomorrow, and there will be a chance for us to explore that with the committee in more detail. As we say at paragraph 82, however, the pressures are indicative of some of the wider pressures in the health and social care system.

You mentioned that you wanted to come back to the subject of ambulances. I will not cover that just now, but Leigh Johnston can say more about some of the factors in relation to A and E services.

12:30

**Leigh Johnston:** A and E continues to struggle. I looked at the latest available data: by the end of November, the proportion of people who were being seen within four hours was about 66.7 per cent.

As the Auditor General hinted at, a range of factors are involved. The report on delayed discharge comes out tomorrow. The issue is to do with high occupancy levels in hospitals and the flow through hospitals. Often, when people come in to A and E, in order to be transferred or treated, they need to be given a bed. If those hospital beds are not available, A and E becomes backed up and overcrowded. The Healthcare Improvement Scotland inspections show that A and E departments are overcrowded and people are remaining in A and E for longer than they should.

A range of initiatives are being put in place to deal with the pressures on A and E. We have talked before about the flow navigation centres that divert people away from accident and emergency services. The recent evaluation showed that a range of areas still need improvement. For example, there needs to be a greater, more standardised range of places that people can be diverted to, in order to improve those flow navigation centres' ability to divert them.

The other thing that was mentioned in the operational improvement plan was frailty units—having access to them and being able to divert particularly frail and vulnerable older people away from accident and emergency. Progress on those frailty units has not been as quick as was intended, due to money not being available and to



an inability to recruit staff. That is adding to the pressures on A and E.

**Graham Simpson:** Is it the case that we have not been able to open enough of those units?

**Leigh Johnston:** Yes. We need to give accident and emergency units access to frailty units or to advice from frailty specialists and the ability to divert people elsewhere through initiatives such as hospital at home.

**Graham Simpson:** What was the plan? How many of those units was it anticipated that there would be?

**Leigh Johnston:** The intention was that, by last summer, all accident and emergency units would have access to frailty support.

**Graham Simpson:** How many of them actually have a frailty unit?

**Leigh Johnston:** I do not have that information. I think that it will be covered in the delayed discharge report that is due to come out tomorrow. That will have much more detail on progress with the frailty units.

**Graham Simpson:** That is fine—I will look forward to that.

Before I close on the subject of ambulances, I will ask about flow navigation centres, which you mentioned. If we are trying to find solutions, that is a possible solution that diverts people away from A and E departments if they do not need to go there. That is the idea, and it looks as though there has been some success in that regard. In my patch, NHS Lanarkshire set up that system and, in its first 19 weeks—between April and November 2024—the flow navigation centre in Lanarkshire took more than 30,000 calls and nearly 5,000 patients were sent elsewhere, rather than to A and E. Is there the opportunity for such centres to be rolled out across the country?

**Leigh Johnston:** Absolutely. Most areas have a flow navigation centre now, but their success varies. We have reported on flow navigation centres previously, and they have been hugely successful in diverting people. The volume of people in A and E is lower than it used to be, but, unfortunately, issues with flow through the hospital are still making people spend longer in A and E than they should be.

The recent evaluation of the reform of urgent care made some recommendations that could improve some of the flow navigation centres. For example, reducing the time for NHS 24 to answer calls was seen as an area that could be improved, because that is often how people access the flow navigation centres. Giving flow navigation centres a greater range of options—including hospital at home and frailty units, which we have talked

about—and standardising them would divert people away from A and E.

**Graham Simpson:** There is a serious problem regarding ambulances. At paragraph 83, your report says:

“The long-term aim for handover of a patient conveyed to hospital by ambulance is 15 minutes.”

However, in August last year, people sat outside hospital for an hour on average. Ambulances getting stuck outside hospitals means that crews cannot get away to see to other emergencies. People waiting during those emergencies are waiting longer because ambulances are stuck outside hospitals, which increases the risk to people who are waiting for a new call. It is a vicious circle, is it not? One of the causes is overcrowding in A and E, which we have just discussed. What is the solution to all that?

**Stephen Boyle:** It is the totality of what we have just discussed, is it not? The presenting symptom is that hospitals are unable to receive ambulances and people are not being handed over within 15 minutes. If ambulances are hovering for about an hour, it is because there is a backlog.

As you and Leigh Johnston discussed, flow navigation centres and frailty centres keep people out of A and E. The longer-term ambitions of reform are central to tackling some of today's issues. That is why we are clear on the need for the Scottish Government and health boards to avoid some of the issues from years gone by in their new strategies and approaches. To shift the balance and keep people healthier and out of hospital, they must come up with the detail that is needed to underpin the strategies in the short and longer terms. We agree that the presenting issue of ambulances not being able to discharge patients is symptomatic of some of the wider pressures in the system that need to be addressed.

**Graham Simpson:** I look forward to reading the report on delayed discharges.

**The Convener:** That is out at midnight tonight, Auditor General, is it not?

**Stephen Boyle:** Yes.

**The Convener:** You can stand by your fax machine and wait for it to come through.

**Joe FitzPatrick:** I will try to keep my questions as tight as I can. A huge amount of work has been done relating to digital access for a number of years. In my personal interaction with the NHS, I use a portal to ask my GP for repeat prescriptions. Along with many people who are my age or older, I go online via Scotblood, which is a web-based system, to get an appointment to donate blood. If the NHS appointment for winter vaccination is not

appropriate, I can go online to fix that. However, we have still not pulled all that together in an app, as is the case elsewhere in the United Kingdom.

Page 127 of your report highlights that the MyCare.scot app was to be rolled out in December, initially in Lanarkshire, and potentially then in the rest of Scotland by April. It would be good to hear whether that is still your understanding. On page 129, you highlight a concern that there has still not been a “full business case” or a budget attached to the roll-out. Is that concerning, or do you expect us to get all that next week?

**Stephen Boyle:** It is for the Parliament to determine how resources will be allocated. It is important to recognise, through the service renewal framework, that digital services such as the MyCare.scot app will play a much more fundamental part in the delivery of health and social care services. We have talked about capital investment and the need to update equipment, as well as the ease with which patients and their families can access services in a way that is convenient to them. Pulling all that together will probably be an expensive project over a large timescale. As you mentioned, the business case for the MyCare app is still to be approved, and it will be for the Parliament to consider the funding allocation for it next week.

A couple of things might be relevant. We referenced the Accounts Commission’s report “Tackling digital exclusion”, which the committee considered. Digital will not be the route for everybody to access services, and there is a need to ensure that there is equity of service.

I am also reminded of some of the evidence that the committee took a number of months ago from GPs on the GP contract report. How all the systems work together will really matter. It will be important to have an app, but it is also important that the other end of that works well with GPs, as independent contractors, across the system. The level of investment will need to be sustained so that the whole system operates effectively.

I will pause to check in with colleagues about whether we have heard anything further about the roll-out in Lanarkshire.

**Leigh Johnston:** As far as I am aware, we have not heard anything more about that. A small pilot was due to be rolled out in Lanarkshire, and there are plans for a wider roll-out later this year. We will keep an eye on that. There is no doubt that there will be an on-going process to make the app work and increase its capability so that it can do everything that we would like it to do.

**Joe FitzPatrick:** You have covered the question that I was going to ask about digital exclusion.

Paragraph 128 notes that, although the app is quite limited just now, there is potential for it to do much more. To some extent, it goes back to the point that my colleague made about A and E departments being used appropriately. One of the big things that we have in our toolkit is the pharmacy first service, which has now been adopted in the rest of the UK following the launch in Scotland many years ago. In order for that service to be really effective, pharmacists need to be able to access people’s health data. Pharmacists are itching to be able to work to their max and take the pressure off the rest of the system. Will the app allow for that to happen?

**Leigh Johnston:** We have not looked at that level of detail. Eventually, the app should be able to provide individuals with access to their health data, and they would have the option to share it with a pharmacist. We know that sharing health information through digital services has been a long-term ambition across health and social care in Scotland, but a number of hurdles still need to be overcome in relation to sharing data, so we are not quite there yet.

**Stephen Boyle:** For completeness, I note that we will continue to factor that into our forward work programme as we think about the next iteration of our reports. Given how significant digital investment will be for the MyCare app and for other planks of the system, I expect that that will be part of our future reporting.

**Joe FitzPatrick:** I will wrap up, because I know that time is tight. I had a few questions about the service renewal framework and the population health framework, which the NHS is taking forward in partnership with COSLA. That is really important. Are the frameworks going in the direction that we would hope, or are further changes and improvements needed?

**Stephen Boyle:** I do not think that I would necessarily say that there is a need for any changes to the frameworks. We have welcomed the operational improvement plan, the service renewal framework and the population health framework. They set out the ambition to move to a prevention-based model and achieve better outcomes, and, as we touched on earlier in response to Mr Beattie’s questions, they set out the ambition to provide a financially sustainable approach for the future.

However, at the risk of repeating myself, I note that that approach is not new. As a country, we have stated many times that we want to take that approach, but we have not been able to deliver it. To give us the best chance of success, we need some of the underpinning architecture with detailed plans on how spending will change, how things will be measured and what our expected outcomes are. I would probably go as far as to say

that I am cautiously optimistic, but those important steps need to be supported by detailed implementation.

**The Convener:** There is no shortage of challenge. I am sure that the committee will consider whether we want to put some of those challenges to the Government's representative, as the accountable officer, in future weeks.

For the purposes of today, I will draw the evidence session to a close by thanking Bernie Milligan, Leigh Johnston and the Auditor General for the evidence that they have presented to us. As I said, we will consider our next steps.

As agreed by the committee, I now move the meeting into private.

12:46

*Meeting continued in private until 13:05.*



This is a draft *Official Report* and is subject to correction between publication and archiving, which will take place no later than 35 working days after the date of the meeting. The most up-to-date version is available here:  
<https://www.parliament.scot/chamber-and-committees/official-report>

Members and other meeting participants who wish to suggest corrections to their contributions should contact the Official Report.

Official Report  
Room T2.20  
Scottish Parliament  
Edinburgh  
EH99 1SP

Email: [official.report@parliament.scot](mailto:official.report@parliament.scot)  
Telephone: 0131 348 5447

The deadline for corrections to this edition is:

**Tuesday 10 February 2026**

---

Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

All documents are available on  
the Scottish Parliament website at:

[www.parliament.scot](http://www.parliament.scot)

Information on non-endorsed print suppliers  
is available here:

[www.parliament.scot/documents](http://www.parliament.scot/documents)

For information on the Scottish Parliament contact  
Public Information on:

Telephone: 0131 348 5000

Textphone: 0800 092 7100

Email: [sp.info@parliament.scot](mailto:sp.info@parliament.scot)

---

