

Item: 5

College Management Council Sub-committee: 3 September 2018.

Financial Forecast Return.

Report by Executive Director of Education, Leisure and Housing.

1. Purpose of Report

To consider the Financial Forecast Return for 2018.

2. Recommendations

The Sub-committee is invited to note:

2.1.

That the Financial Forecast Return is an annual reporting requirement of the Scottish Funding Council, as part of its financial health monitoring framework for colleges.

It is recommended:

2.2.

That the Financial Forecast Return and Commentary, attached as Appendices 1 and 2 respectively to this report, be approved.

3. Background

Orkney College is seeking to achieve a balance between development of the College for the people of Orkney within the context of operating as part of the University of the Highlands and Islands Regional Body, whilst adopting the Council's approved budget strategy.

4. Financial Forecast Return

4.1.

The Financial Forecast Return is a requirement of the Scottish Funding Council's financial health monitoring framework, where colleges are required to provide a forecast out-turn for the current financial year (2017 to 2018) and forecasts covering the next five years (2018 to 2019 and 2022 to 2023 inclusive). The Financial Forecast Return and associated Commentary are attached as Appendices 1 and 2 respectively to this report.

4.2.

The Financial Forecast Return data for 2018, attached as Appendix 1 to this report, has been produced on the following basis:

- The forecast for 2017 to 2018 is based on the Council's draft accounts which show a surplus of £40,500.
- The forecast for 2018 to 2019 is based on the budget previously presented to the Sub-committee on 29 January 2018, reformatted for the Financial Forecast Return and updated to include known changes in staffing levels, grant funding and any associated expenditure that have been announced since the original budget was prepared.
- The forecast for 2019 to 2020 and onwards includes a 2% pay award for support staff, expenditure and grant income for National Bargaining and a 2% pay award for lecturing staff with effect from 2020 to 2021, in line with Scottish Funding Council guidance.
- The forecasts for 2020 to 2021 and onwards allow for the National Bargaining grant funding to be distributed as part of credit funding in line with current Scottish Funding Council guidance. This replaces the previously published intention to phase out funding for National Bargaining over three years.

5. Human Resource Implications

Whilst there are no direct Human Resource implications arising out of this report, the Financial Forecast Return highlights the significant implications for the College of National Bargaining, which will have significant impact for the College both in terms of increased staffing costs and potential staffing restructure.

6. Equalities Impact

An Equality Impact Assessment has been undertaken and is attached as Appendix 3 to this report.

7. Links to Council Plan

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Council Plan strategic priority of Thriving Communities.

8. Links to Local Outcomes Improvement Plan

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Local Outcomes Improvement Plan priority of A Vibrant Community.

9. Financial Implications

9.1.

The outturn position for financial year 2017 to 2018 sees a surplus of £40,500 against a budget which aimed to return a balanced position.

9.2.

A balanced budget has been set for financial year 2018 to 2019.

9.3.

A balanced forecast is shown for the five year period of 2018 to 2023 with the details being provided by Orkney College.

9.4.

The requirement for Orkney College to set a balanced budget is based on the premise that planned levels of income and expenditure are realistic and achievable. On the basis that the Research Business Units operate primarily on the basis of sourcing their income, the forecast carries with it the inherent risk that the assumed levels will not be realised. In the event that these funding levels are not achieved then a compensatory reduction in expenditure across the College will be required.

10. Legal Aspects

Financial reporting and monitoring helps the Council meet its statutory obligation to secure best value.

11. Contact Officers

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12. Appendices

Appendix 1: Orkney College Financial Forecast Return 2018 – Data.

Appendix 2: Orkney College Financial Forecast Return 2018 – Commentary.

Appendix 3: Equality Impact Assessment.