

Item: 4

College Management Council Sub-committee: 24 January 2023.

Orkney College – Draft Revenue Budget.

Report by Corporate Director for Education, Leisure and Housing.

1. Purpose of Report

To consider the draft revenue budget for Orkney College for financial year 2023/24.

2. Recommendations

It is recommended:

2.1.

That the draft revenue budget for Orkney College for financial year 2023/24, attached as Annex 1 to this report, be submitted to the Policy and Resources Committee for consideration through the budget setting process.

3. Draft Budget

3.1.

The draft revenue budget for financial year 2023/24 is attached as Annex 1 to this report.

3.2.

The following expenditure assumptions have been used:

- Staff costs – increased by 6% - unfunded 3% pay increase for 2022/23 plus 3% estimated pay award for 2023/24. The base staff budget for 2023/24 has not yet been calculated, and therefore any additional movements in staffing costs are unknown and have yet to be accounted for.
- Apportioned costs – increased by 6% to reflect similar increase to staff costs above.
- Property costs – An estimated amount for an increase in electricity costs by 40% has been applied, £23,400.
- Other costs – No inflation has been applied to other costs.

3.3.

The following income assumptions have been used:

- Rents and Lettings – Inflation has been applied at 10.0%.
- Sales – Inflation has been applied at 10.0%.
- All other income will remain at 2022/23 levels.

3.4.

As information becomes available the assumptions will require updating. This places an inherent risk on the requirement to deliver a balanced budget if income sources are not deliverable and costs cannot be reduced proportionately.

3.5.

It has further been assumed:

- In order to set a balanced budget for 2023/24, expenditure on all costs, with the exception of staff costs and apportioned costs, will be reduced by a pro-rata amount to cover the increases in staffing, apportioned costs, and electricity costs.
- Once the base staff budget for 2023/24 has been set, the College budgets for each cost centre will be adjusted accordingly.

3.6.

The Scottish Funding Council has indicated a flat budget for 2023/24, therefore the income from Higher Education and Further Education grants, received via UHI, have been assumed to be at the same level as 2022/23.

3.7.

The grants received from UHI are calculated on estimated credit targets, dependant on student numbers. Income from fees and charges is also dependant on the number and types of students enrolled at Orkney College. The student numbers for 2023/24 have been assumed to be at the same level as 2022/23.

3.8.

The amounts to be received in funding for Higher Education and Further Education grants for academic year 2023/24 will not be known until approximately June 2023. The adjustments to these grants for academic year 2022/23 will not be known until approximately June 2023.

3.9.

Within the Research Business Units there is an assumption that sufficient research and commercial activity will be sourced to cover budgeted expenditure. For 2023/24, there is income still to be identified, bid for, and won. This is an inherent and ongoing risk with the research income budgets. These income budgets must be reached in order to ensure that a sustainable budget can be achieved.

3.10.

It is acknowledged that Distant Islands Allowance (DIA) is paid to all Orkney College staff, but unfunded. UHI, on behalf of the Colleges paying DIA to staff, is investigating, and discussing this issue with the Scottish Funding Council.

4. Corporate Governance

This report relates to Orkney College complying with the Council's financial processes and procedures and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

5. Financial Implications

The requirement to set a balanced budget requires planned levels of expenditure and income to be realistic. On the basis of the assumptions noted in this report, the draft budget for financial year 2023/24 carries an inherent risk that the assumed income levels will not be achieved. If this is the case, then compensatory reduction in expenditure will be required.

6. Legal Aspects

Effective budgeting and monitoring helps the Council meet its statutory obligation to secure best value.

7. Contact Officers

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8. Annex

Annex 1: Draft Revenue Budget for Financial Year 2023/24.

Annex 1 – Draft Revenue Budget for Financial Year 2023 to 2024

	Budget 2022/23	Inflation	Inflated budget	Balanced budget 2023/24
	£	£	£	£
Staff Costs	4,440,200	266,400	4,706,600	4,706,600
Property Costs	470,700	23,400	494,100	399,100
Supplies and Services	612,700	0	612,700	491,400
Transport, Vessel and Plant	140,800	0	140,800	113,600
Administration	97,600	0	97,600	78,700
Apportioned Costs	96,700	5,800	102,500	102,500
Third Party Payments	400	0	400	300
Transfer Payments	104,400	0	104,400	84,200
Loan Charges	6,000	0	6,000	6,000
Miscellaneous Costs	2,600	0	2,600	2,100
Total Expenditure	5,972,100	295,600	6,267,700	5,984,500
Government Grants	2,509,900	0	2,509,900	2,509,900
Other Grants, Reimbursements	1,685,700	0	1,685,700	1,685,700
Rents and Lettings	23,100	2,300	25,400	25,400
Sales	100,500	10,100	110,600	110,600
Fees and Charges	1,068,600	0	1,068,600	1,068,600
Miscellaneous Income	584,300	0	584,300	584,300
Total Income	5,972,100	12,400	5,984,500	5,984,500
Balance	0	283,200	283,200	0

Inflation	
Staff costs	6.0%
Electricity	40.0%
Apportioned costs	6.0%
All other costs	0.0%
Rents and lettings and Sales	10.0%