

Item: 5

College Management Council Sub-committee: 4 November 2019.

Financial Forecast Return.

Report by Executive Director of Education, Leisure and Housing.

1. Purpose of Report

To consider the Financial Forecast Return for 2019.

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 an established part of the Scottish Funding Council's financial health monitoring framework enabling the Scottish Funding Council to monitor and assess the medium-term financial planning and health of institutions. Colleges are required to provide financial projections over a six-year period covering the current financial year of 2018 to 2019 and the next five years of 2019 to 2024 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, attached as Appendix 1 to this report, has been produced on the following basis:

- Due to the timing of preparation of the documentation, the forecast for 2018 to 2019 is based on the Council's draft accounts which show a deficit of £103,200.
- The forecast for 2019 to 2020 is based on the budget previously presented to the Sub-committee on 21 January 2019, reformatted for the Financial Forecast Return and updated to include known changes in expenditure and income including grant funding that has been announced since the original budget was prepared. These updates are also reflected in the quarterly monitoring reports to the Sub-committee.
- Further education funding allocations are based on figures provided by the Scottish Funding Council to be used for the purpose of planning. The forecast guidance is that the sector will return to formula funding by 2022 to 2023 with a redistribution of National Bargaining harmonisation funding being used to increase the price per credit from 2020 to 2021. As a result funding for the Highlands and Islands region is predicted to reduce by 4% from 2019 to 2024. Credit activity targets are to remain the same.
- Capital maintenance funding is based on 2019 to 2020 allocations from the Scottish Funding Council throughout as per the guidance.
- A 2% cost of living pay award is included for planning purposes for all staff from 2020 to 2024.
- Additional funding to cover the increase in Scottish Teachers Superannuation Scheme is assumed to continue throughout the planning period however the guidance advises this is a planning assumption and no decision has been made concerning funding beyond 31 March 2020.
- The Scottish Funding Council requires balanced forecasts for all years. In order to achieve this the forecasts presented include receipt of funding to support the costs of Distant Islands Allowance, financial support for the development of Research Business Units and a possible reduction in staffing levels in the latter years of the forecast.

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. Corporate Governance

This report relates to governance and procedural issues 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.

8. Financial Implications

8.1.

The outturn position for financial year 2018 to 2019 sees a deficit of £103,200 against a budget which aimed to return a balanced position.

8.2.

A balanced budget has been set for financial year 2019 to 2020.

8.3.

A balanced forecast is shown for the five-year period of 2019 to 2024 as per the requirement from the Scottish Funding Council with the details being provided by Orkney College.

8.4.

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.

9. Legal Aspects

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

10. Contact Officers

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11. Appendices

Appendix 1: Orkney College Financial Forecast Return 2019 – Data.

Appendix 2: Orkney College Financial Forecast Return 2019 – Commentary.

Appendix 3: Equality Impact Assessment.