

## **Item: 6**

**College Management Council Sub-committee: 7 February 2022.**

**Orkney College – Draft Revenue Budget.**

**Joint Report by Executive Director of Education, Leisure and Housing and Head of Finance.**

### **1. Purpose of Report**

To consider the draft revenue budget for Orkney College for financial year 2022/23.

### **2. Recommendations**

**It is recommended:**

#### **2.1.**

That the draft revenue budget for Orkney College for financial year 2022/23, 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 budget for financial year 2022/23, attached as Annex 1 to this report, has been built on income being at the same levels as budgeted for 2021/22. As information becomes available these 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.

#### **3.2.**

The following expenditure assumptions have been used:

- Staff Costs – The cost of inflation, incremental drift and addition of new posts has been offset by a reduction in temporary posts.
- Apportioned Costs – The cost of inflation has been included.
- All other cost categories have, for the purposes of creating a draft revenue budget, been held at 2021/22 levels. Increases to these costs will put additional pressure on income.
- An inflationary increase of 1% has been applied to Lecturers' Pay and Staff Costs, Property Costs and Apportioned Costs.

### **3.3.**

The following income assumptions have been used:

- Miscellaneous Income – A small increase has been applied to cover the net increase in expenditure.
- Where Sales, Fees and Charges and Miscellaneous Income can be set by the Council, an inflationary increase of 5% has been applied, in accordance with the Council's budget setting assumptions for 2022/23.
- All other income categories have been assumed to be at 2021/22 levels, given that these are governed by UHI as part of the Academic Partnership.

### **3.4.**

Within the Research Business Units there is an assumption that sufficient research and commercial activity will be sourced to cover budgeted expenditure. There is an ongoing risk with this in order to ensure that a sustainable budget can be achieved. As and when the income is realised throughout the year, on a rolling basis in the form of multiple grants and contracts, adjustments will be made to the forecast outturn as appropriate.

### **3.5.**

There are significant areas of income that the College is pursuing, which include Distant Islands Allowance that is acknowledged as unpaid and is subject to further investigation (estimated value £250,000). There is also a further issue of Discretionary Business Rate Relief that other colleges receive, and again has a significant income impact on the College (potentially in the region of £130,000). Approximately £380,000 of cost is therefore unfunded or not recoverable by Orkney College.

## **4. Human Resource Implications**

Whilst there are no direct Human Resource implications arising out of this report, with staffing costs being the single largest expenditure for the College, there are likely to be Human Resource implications that arise, should there be any negative budget changes, that could have a significant impact for staffing. Should this be the case, these will require to be managed in conjunction with Human Resources and in line with the Council's Human Resource policies and procedures.

## **5. Corporate Governance**

This report relates to the Council complying with its 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.

## **6. Financial Implications**

The requirement to set a balanced budget requires planned levels of expenditure and income to be realistic. On the basis that the main sources of teaching funding have yet to be released for academic year 2022/23 and the Research Business Units have income to be identified, bid for and won, the draft budget for financial year 2022/23 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.

## **7. Legal Aspects**

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

## **8. Contact Officers**

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## **9. Appendix**

Appendix 1: Draft Revenue Budget for Financial Year 2022/23.

## Appendix 1 – Draft Revenue Budget for Financial Year 2022 to 2023

	<b>2021/22</b>	<b>2022/23</b>
	<b>£</b>	<b>£</b>
Staff Costs	4,428,600	4,427,900
Property Costs	469,100	469,100
Supplies and Services	518,300	518,300
Transport, Vessel and Plant	133,900	133,900
Administration	89,900	89,900
Apportioned Costs	94,800	95,800
Third Party Payments/Transfer Payments	104,800	104,800
Loan Charges	6,000	6,000
Miscellaneous Costs	3,700	3,700
<b>Total Expenditure</b>	<b>5,849,100</b>	<b>5,849,400</b>
Government Grants	2,593,100	2,593,100
Other Grants, Reimbursements	1,471,600	1,471,600
Rents and Lettings	23,100	23,100
Sales	100,500	100,500
Fees and Charges	970,300	970,300
Miscellaneous Income	690,500	690,800
<b>Total Income</b>	<b>5,849,100</b>	<b>5,849,400</b>
<b>Balance</b>	<b>0</b>	<b>0</b>