

## **Item: 15**

**College Management Council Sub-committee: 4 November 2019.**

### **1. Recommendations**

**It is recommended:**

#### **1.1.**

That the Committee approves the attached minute as a true record.

#### **1.2.**

That the Committee considers the recommendations at paragraph 3.2.

### **2. Appendix**

Draft Minute of the Meeting of the College Management Council Sub-committee held on 4 November 2019.

## **Minute**

### **College Management Council Sub-committee**

Monday, 4 November 2019, 13:30.

Lecture Theatre, Orkney College, Kirkwall.



### **Present**

Councillors Stephen G Clackson, W Leslie Manson and J Harvey Johnston.

### **Community Representatives:**

Beverly Clubley, Peter Slater and Malcolm Graves.

### **Business Representatives:**

Roy Brown and Steven Sinclair.

### **Student Representative:**

Paul Jack.

### **Clerk**

- Sandra Craigie, Committees Officer.

### **In Attendance**

- James Wylie, Executive Director of Education, Leisure and Housing.
- Paul Kemp, Strategic Finance Manager.
- Peter Trodden, Solicitor.
- Alison Skea, Learning and Development Manager.

### **Orkney College**

- Edward Abbott-Halpin, Principal.
- Iain Wilkie, Staff Representative (for Items 1 to 4).

### **Observing**

- Kaila Shepherd, Student Representative (for Items 1 to 4).
- Donna Wishart, Principal's PA and College Management Team Secretary (for Items 1 to 4).

### **Apologies**

- Councillor Alexander G Cowie.
- Councillor Gwenda M Shearer.
- Mark Jones, Business Representative.
- Rebecca May, Business Representative.

## **Declaration of Interests**

- No declarations of interest were intimated.

## **Chair**

- Beverly Clubley.

## **1. Disclosure of Exempt Information**

The Sub-committee noted the proposal that the public be excluded from the meeting for consideration of Item 5, as the business to be discussed involved the potential disclosure of exempt information of the class described in the relevant paragraph of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

## **2. Revenue Expenditure Monitoring**

After consideration of a joint report by the Executive Director of Education, Leisure and Housing and the Head of Finance, copies of which had been circulated, and after hearing a report from the Principal, Orkney College, the Sub-committee:

Noted:

**2.1.** The revenue financial detail in respect of Orkney College for the period 1 April to 30 September 2019, attached as Annex 1 to the joint report by the Executive Director of Education, Leisure and Housing and the Head of Finance, indicating a net overspend of £163,300.

**2.2.** The explanations given and actions proposed in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 2 to the joint report by the Executive Director of Education, Leisure and Housing and the Head of Finance.

## **3. Financial Forecast Return**

After consideration of a report by the Executive Director of Education, Leisure and Housing, together with an Equality Impact Assessment, copies of which had been circulated, and after hearing a report from the Principal, Orkney College, the Sub-committee:

Noted:

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

The Sub-committee resolved to **recommend to the Council:**

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

#### **4. Highlands and Islands Students Association – Update**

After consideration of a report by the Executive Director of Education, Leisure and Housing, copies of which had been circulated, and after hearing a report from the Orkney Depute President of the Highlands and Islands Students' Association, and the Principal, Orkney College, the Sub-committee:

Noted the paper prepared by the Orkney Depute President of the Highlands and Islands Students' Association, attached as Appendix 1 to the report by the Executive Director of Education, Leisure and Housing, outlining the following activities:

- Freshers Fayre – 11-13 September 2019.
- Therapets.
- Peoples Vote March.
- Halloween 2019.

#### **5. Orkney College UHI – Archaeology Institute**

On the motion of Beverley Clubley, seconded by Councillor Stephen G Clackson, the Sub-committee resolved that the public be excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraph 1 of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

After consideration of a report by the Executive Director of Education, Leisure and Housing, copies of which had been circulated, and after hearing a report from the Principal, Orkney College, the Sub-committee:

Noted:

**5.1.** The overview of the development, current operation of and future financial and operational direction of the Archaeology Institute, as detailed in sections 4 to 9 of the report by the Executive Director of Education, Leisure and Housing.

**5.2.** That a programme to address current financial issues and future operational direction was being developed, in order to place the Archaeology Institute on a sustainable and planned direction for the future.

#### **6. Conclusion of Meeting**

At 14:25 the Chair declared the meeting concluded.

Signed: B Clubley.

**Financial Forecast Return 2019**

College/Region

Contact

Telephone

Email:

**DECLARATION:** The attached worksheets represent the financial forecasts for the College/Region. They reflect a financial statement of our academic and physical plans from 2018-19 to 2023-24. Adequate explanations have been provided where requested on the return. The worksheets and their underpinning assumptions have been reviewed and approved by the Board of Management in accordance with their agreed practices. In preparing this financial forecast the College/Region has fully considered the financial implications of all aspects of its strategy and has properly reflected these in the forecast.

**Signed:**

Principal/Chief Executive Officer

**Date:**

KEY RISKS

Please use the boxes below to provide a commentary on material risks to income and expenditure as identified in the Risk Register. Where possible these risks should be quantified.

Please use the boxes below to describe the actions planned by the College to address/mitigate the identified risks.

NRPA: the OIC position at this point with regards to NRPA is to shadow basic pay elements for academic staff. The SFC position is that all colleges are to formally sign up to NRPA. The lack of resolution on this point for academic staff could result in funding adjustments affecting financial years 2019-20 and 2020-21. (Support staff are not included for Orkney)

Distant Islands Allowance: Unable to obtain funding for DIA. Value for lecturing is iro £115K for 2019-20, 2020-21

The college is undertaking the required strategic review to enable a decision to be made.

Funding for DIA is being actively pursued for island colleges.

Staff turnover and recruitment: Whilst not directly affecting income and expenditure the turnover of staff initially presents a loss of knowledge and may affect the continuity and stability of the organisation for a short time.

Staff absence: longer term absence for any reason places strain on other staff and can present a risk to business delivery.

Handover and cover plans in place. Staff resources deployed to areas matching specific skills sets to cover key elements of roles. Alternative sources of support investigated e.g. OIC, UHI, other academic partners.

Developing more detailed options for cover and team support.

Curriculum: Unable to develop and deliver a varied and relevant curriculum both locally and wider afield.

Local skills, learning and development plans are used to assist and enable areas of development. An analysis of staff skills and workloads is undertaken to identify opportunities.

Research: failure to attract projects/achieve financial viability.

Commercial: unable to achieve income targets.

Identifying and targeting of FEC projects, accessing UHI expertise to assist e.g. applications, funder rules.

Options to mitigate the risk of not generating adequate income to operate commercially led activity are ongoing.

IT infrastructure: Insufficient funding to maintain and develop the infrastructure

Estates infrastructure: Insufficient funding to maintain the estate

Available resources are currently below the minimum required. Some diversion of funds from other areas is taking place however it is not enough. The detrimental impact on the student experience is of concern.

Some diversion of funds from other areas is taking place, at present this is maintaining the minimum level required however any large unexpected cost e.g. heating failure is unlikely to be financially manageable.

Pension Assumptions	2019-20	2020-21	2021-22	2022-23	2023-24	2019-20	2020-21	2021-22	2022-23	2023-24
Employer Contributions	£000	£000	£000	£000	£000	Details of Methodology and Valuation	Details of Methodology and Valuation	Details of Methodology and Valuation	Details of Methodology and Valuation	Details of Methodology and Valuation
STSS	373	414	422	430	438	Based on x 40.15 fte posts. Apr-Aug 17.2%, Sep-Mar 23.0%	Based on x 39.9 fte posts @ 23.0%	Based on x 39.9 fte posts @ 23.0%	Based on x 39.9 fte posts @ 23.0% (does not include potential reduction of posts)	Based on x 39.9 fte posts @ 23.0% (does not include potential reduction of posts)
Other pension schemes - LGPS	209	214	218	223	228	Based on x 47.35 fte posts @ 17.6%	Based on x 47.65 fte posts @ 17.6%	Based on x 47.65 fte posts @ 17.6%	Based on x 47.65 fte posts @ 17.6% (does not include potential reduction of posts)	Based on x 47.65 fte posts @ 17.6% (does not include potential reduction of posts)
Other pension schemes - please state which scheme	0	0	0	0	0					
Other pension schemes - please state which scheme	0	0	0	0	0					
<b>Total</b>	<b>581.50</b>	<b>627.90</b>	<b>640.40</b>	<b>652.90</b>	<b>665.40</b>					

Orkney College UHI

Statement of Comprehensive income and expenditure (Consolidated)	Actual 2017-18	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23	Forecast 2023-24	2017-18 - 2018-19	2018-19 - 2019-20	2019-20 - 2020-21	2020-21 - 2021-22	2021-22 - 2022-23	2022-23 - 2023-24	Explanation for variance
	£000	£000	£000	£000	£000	£000	£000	%	%	%	%	%	%	
<b>INCOME</b>														
Tuition fees and education contracts	1,008	1,077	1,114	1,164	1,175	1,188	1,202	6.9%	3.4%	4.5%	0.9%	1.1%	1.1%	2017-18 to 2018-19 UGI income lower, offset by higher PGI, FE and SDS income 2018-19 to 2019-20 SDS budget decreased, offset by UGT and FE increasing 2019-20 to 2020-21 SDS income increases 2020-21 to 2023-24 Inflationary increases only, mainly in part-time FE fees 2017-18 to 2019-20 National Bargaining funding increase, backlog maintenance grant received, increase in SFC match funding for ESIF PhDs
Funding council/RSB grants	2,538	2,768	3,206	3,251	3,175	3,119	3,101	9.0%	15.8%	1.4%	-2.3%	-1.8%	-0.6%	2018-19 to 2019-20 National Bargaining funding increase, variety of projects some ongoing and some one off e.g. GCRFC 2019-20 to 2020-21 Ongoing National Bargaining and pension funding assumed. 2020-21 to 2021-24 FE ESIF ends, FE funding to H&I region reduces by 4% in total 2017-18 to 2018-19 Grant funding for Institute ended
Research grants and contracts	964	907	906	736	769	817	821	-5.9%	-0.1%	-18.8%	4.5%	6.2%	0.6%	2018-19 to 2019-20 Income targets under review, anticipated income lower 2019-20 to 2020-21 Income targets reduced 2020-21 to 2023-24 Funding for development included
Revenue grants from Arms Length Foundation	0	0	0	0	0	0	0							
Capital grants from Arms Length Foundation	0	0	0	0	0	0	0							
Other non-government capital grants	0	0	0	0	0	0	0							
Deferred capital grant release (SFC/RSB and non-SFC Government)	0	0	0	0	0	0	0							
Other income	311	328	359	330	336	341	346	5.3%	9.5%	-7.9%	1.7%	1.5%	1.5%	2017-18 to 2018-19 DYW grant starts, increased support for I&S 2018-19 to 2019-20 DYW grant more, partially offset by reduced budget for funded T&S 2020-21 to 2021-22 DYW grant ends, some funding for Distant Islands Allowance included here
Investment income	0	0	0	0	0	0	0							
<b>Total income before donations and endowments</b>	<b>4,821</b>	<b>5,080</b>	<b>5,585</b>	<b>5,481</b>	<b>5,455</b>	<b>5,465</b>	<b>5,470</b>	<b>5.4%</b>	<b>9.9%</b>	<b>-1.8%</b>	<b>-0.5%</b>	<b>0.2%</b>	<b>0.1%</b>	
Donations and endowments	0	0	0	0	0	0	0							
<b>Total income</b>	<b>4,821</b>	<b>5,080</b>	<b>5,585</b>	<b>5,481</b>	<b>5,455</b>	<b>5,465</b>	<b>5,470</b>	<b>5.4%</b>	<b>9.9%</b>	<b>-1.8%</b>	<b>-0.5%</b>	<b>0.2%</b>	<b>0.1%</b>	
<b>EXPENDITURE</b>														
Staff costs	3,415	3,579	4,007	4,095	4,175	4,177	4,175	4.8%	12.0%	2.2%	2.0%	0.1%	-0.1%	
Staff costs - exceptional restructuring costs	0	0	0	0	0	0	0							
Exceptional costs - non-staff	0	0	0	0	0	0	0							
Other operating expenses	1,362	1,598	1,571	1,380	1,275	1,282	1,290							Supplies & Services: Increased equipment and services spend in Business Units. Transport: Increased costs in Management/Support area and increased Business Unit costs (BU partially incorrect entries, later in following year) Administration: Reduced costs associated with Research Business Units/PhDs Apportioned Costs: Increase in recharges to the College Bad Debt Provision: One off increase following audit advice to change calculation method Other Staff Costs: One off retirement and redundancy costs  2018-19 to 2019-20 Estates: Remainder of backlog maintenance spend, increased utilities costs budgeted Supplies & Services: DYW spend increases in the area Transport: Decreased budgets in Business Units (and corrected entry) Bad Debt Provision: Reduced following one-off increase Other Staff Costs: No one-off costs  2019-20 to 2020-21 Estates: Reduced maintenance budget Supplies & Services: DYW spend decreases (final year) and decreased services budget in Business Unit. Third Party: PhD stipends reducing as students complete  2020-21 to 2021-22 Supplies & Services: DYW project spend complete Third Party: PhD stipends reducing further as more students complete
Donation to Arms Length Foundation	0	0	0	0	0	0	0	17.4%	-1.7%	-12.1%	-7.7%	0.6%	0.6%	
Depreciation	0	0	0	0	0	0	0							
Interest and other finance costs	4	5	6	6	6	6	6	27.8%	12.4%	0.0%	0.0%	0.0%	0.0%	
<b>Total expenditure</b>	<b>4,781</b>	<b>5,183</b>	<b>5,585</b>	<b>5,481</b>	<b>5,455</b>	<b>5,465</b>	<b>5,471</b>	<b>8.4%</b>	<b>7.8%</b>	<b>-1.8%</b>	<b>-0.5%</b>	<b>0.2%</b>	<b>0.1%</b>	
<b>Surplus/(deficit) before other gains and losses and share of operating surplus/deficit of joint ventures and associates</b>	<b>40</b>	<b>(103)</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>-354.6%</b>	<b>-100.0%</b>			<b>0.0%</b>	<b>0.0%</b>	
Gain/(loss) on disposal of fixed assets	0	0	0	0	0	0	0							
Gain/(loss) on investments	0	0	0	0	0	0	0							
Share of operating surplus/(deficit) in joint venture(s)	0	0	0	0	0	0	0							
Share of operating surplus/(deficit) in associate(s)	0	0	0	0	0	0	0							
<b>Surplus/(deficit) before tax</b>	<b>40</b>	<b>(103)</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>-354.6%</b>	<b>-100.0%</b>			<b>0.0%</b>	<b>0.0%</b>	
Other taxation	0	0	0	0	0	0	0							
<b>Surplus/(deficit) for the year</b>	<b>40</b>	<b>(103)</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>-354.6%</b>	<b>-100.0%</b>			<b>0.0%</b>	<b>0.0%</b>	
Unrealised surplus on revaluation of land and buildings	0	0	0	0	0	0	0							
Actuarial (loss)/gain in respect of pension schemes	0	0	0	0	0	0	0							
Other comprehensive income	0	0	0	0	0	0	0							
<b>Total comprehensive income for the year</b>	<b>40</b>	<b>(103)</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>-354.6%</b>	<b>-100.0%</b>			<b>0.0%</b>	<b>0.0%</b>	



Orkney College UHI

ADJUSTED OPERATING RESULT	Actual 2017-18 £000	Forecast 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000	Forecast 2022-23 £000	Forecast 2023-24 £000	2017-18 - 2018-19 %	2018-19 - 2019-20 %	2019-20 - 2020-21 %	2020-21 - 2021- 22 %	2021-22 - 2022-23 %	2022-23 - 2023-24 %	Explanation for variance
<b>Surplus/(deficit) before other gains and losses and share of operating surplus/deficit of joint ventures and associates</b>	<b>40</b>	<b>(103)</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>							
<b>Add:</b>														
Total depreciation (Government-funded, privately funded and NPD-funded assets) net of deferred capital grant release ( <i>incorporated colleges only</i> )	0	0	0	0	0	0	0							
Exceptional non-restructuring items (e.g. impairment costs)	0	0	0	0	0	0	0							
Donation to Arms-Length Foundation (incorporated colleges only)	0	0	0	0	0	0	0							
Non-cash pension adjustment - net service cost	0	0	0	0	0	0	0							
Non-cash pension adjustment - ERP	0	0	0	0	0	0	0							
Non-cash pension adjustment -net interest costs	0	0	0	0	0	0	0							
<b>Deduct:</b>														
Non-Government capital grants (e.g. ALF capital grant)	0	0	0	0	0	0	0							
Exceptional income (if disclosed as exceptional in accounts)	0	0	0	0	0	0	0							
CBP allocated to loan repayments and other capital items ( <i>incorporated colleges only</i> )	0	0	0	0	0	0	0							
NPD payments to reduce NPD balance sheet debt	0	0	0	0	0	0	0							
<b>Adjusted operating result</b>	<b>40</b>	<b>(103)</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	-354.6%	-100.0%			0.0%	0.0%	
<b>Cash budget for priorities (<i>incorporated colleges</i>):</b>														
<b>Revenue priorities</b>														
Student support funding	0	0	0	0	0	0	0							
2015-16 pay award	0	0	0	0	0	0	0							
Voluntary severance	0	0	0	0	0	0	0							
Estates costs	0	0	0	0	0	0	0							
Other - please describe	0	0	0	0	0	0	0							
<b>Total impact on operating position</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>							
<b>Capital priorities</b>														
Loan repayments	0	0	0	0	0	0	0							
NPD / PFI repayments	0	0	0	0	0	0	0							
Estates costs	0	0	0	0	0	0	0							
Provisions pre 1 April 2014	0	0	0	0	0	0	0							
<b>Total capital</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>							
<b>Total cash budget for priorities spend</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>							

Orkney College UHI

	Actual 2017-18 £000	Forecast 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000	Forecast 2022-23 £000	Forecast 2023-24 £000	2017-18 - 2018-19 %	2018-19 - 2019-20 %	2019-20 - 2020-21 %	2020-21 - 2021-22 %	2021-22 - 2022-23 %	2022-23 - 2023-24 %	Explanation
<b>Staff costs</b>														
Salaries	2,682	2,840	3,088	3,132	3,194	3,197	3,196							2017-18 to 2018-19 Increased FTE for SVQ Assessors and Business Unit Administration 2019-20 onwards - these figures allow constant staff FTE  Lecturing Staff 2018-19 to 2019-20 full implementation of shadow pay for National Bargaining wef Apr19. 2019-20 onwards - these figures allow constant staff FTE
Social Security costs	262	267	324	321	326	326	324	5.9%	8.8%	1.4%	2.0%	0.1%	0.0%	Potential Staff Reduction Equivalent of iro 3.0 FTE wef academic year 2022-23
Other pension costs	472	472	595	642	655	655	655	2.2%	21.1%	-0.8%	1.7%	-0.3%	-0.4%	No changes to employer contribution % throughout Lecturing Staff 2018-19 to 2019-20 Increased lecturing pension cost wef Sep19.
FRS 102 pensions adjustments	0							0.1%	26.1%	7.8%	2.0%	0.1%	-0.1%	
<b>Total</b>	<b>3,415</b>	<b>3,579</b>	<b>4,007</b>	<b>4,095</b>	<b>4,175</b>	<b>4,177</b>	<b>4,175</b>	<b>4.8%</b>	<b>12.0%</b>	<b>2.2%</b>	<b>2.0%</b>	<b>0.1%</b>	<b>-0.1%</b>	

Balance Sheet		Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	2017-18 -	2018-19 -	2019-20 -	2020-21 -	2021-22 -	2022-23 -	Explanation for variance
		2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2017-18 -	2018-19 -	2019-20 -	2020-21 -	2021-22 -	2022-23 -	
		£000	£000	£000	£000	£000	£000	£000	%	%	%	%	%	%	
1	Non-current assets														
	a) Intangible assets	0	0	0	0	0	0	0							
	b) Fixed assets	0	0	0	0	0	0	0							
	c) Investments	0	0	0	0	0	0	0							
	<b>Total non-current assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>							
2	Current assets														
	a) Stock	0	0	0	0	0	0	0							
	b) Debtors	0	0	0	0	0	0	0							
	c) Investments	0	0	0	0	0	0	0							
	d) Cash and cash equivalents	0	0	0	0	0	0	0							
	e) Other (e.g. assets for resale)	0	0	0	0	0	0	0							
	<b>Total current assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>							
3	Creditors: amounts falling due within one year														
	a) Bank loans and external borrowing	0	0	0	0	0	0	0							
	b) Bank overdrafts	0	0	0	0	0	0	0							
	c) Lennartz creditor	0	0	0	0	0	0	0							
	d) Obligations under finance leases and service concessions	0	0	0	0	0	0	0							
	e) Payments received in advance	0	0	0	0	0	0	0							
	f) Amounts owed to Funding Council	0	0	0	0	0	0	0							
	g) Obligations under PFI/NPD	0	0	0	0	0	0	0							
	h) Deferred capital grant	0	0	0	0	0	0	0							
	i) Other creditors and accruals	0	0	0	0	0	0	0							
	<b>Total creditors &lt; 1year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>							
	<b>Share of net assets/(liabilities) in associate</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>							
	<b>NET CURRENT ASSETS/LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>							
	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>							
4	Creditors: amounts falling due after more than one year														
	a) Local authority loans	0	0	0	0	0	0	0							
	b) Bank loans and external borrowing	0	0	0	0	0	0	0							
	c) Lennartz creditor	0	0	0	0	0	0	0							
	d) Finance leases and service concessions	0	0	0	0	0	0	0							
	e) Obligations under PFI/NPD	0	0	0	0	0	0	0							
	f) Deferred capital grant	0	0	0	0	0	0	0							
	g) Amounts repayable to Funding Council	0	0	0	0	0	0	0							
	h) Other creditors	0	0	0	0	0	0	0							
	<b>Total creditors &gt;1 year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>							
5	Provisions														
	a) Pension provisions	0	0	0	0	0	0	0							
	b) Other	0	0	0	0	0	0	0							
	<b>Total provisions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>							
	<b>TOTAL NET ASSETS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>							
9	Restricted Reserves														
	a) Endowment Reserve	0	0	0	0	0	0	0							
	b) Restricted Reserve	0	0	0	0	0	0	0							
10	Unrestricted reserves														
	a) Income and Expenditure Reserve	0	0	0	0	0	0	0							
	b) Revaluation reserve	0	0	0	0	0	0	0							
11	Non-controlling interest														
	<b>TOTAL RESERVES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>							

Cashflow	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	Explanation for variance
	2017-18 £000	2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000	2017-18 %	2018-19 %	2019-20 %	2020-21 %	2021-22 %	2022-23 %	2023-24 %	
<b>1 Cash flow from operating activities</b>															
a) Surplus / (deficit) for the year	40.488	-103.074	0	0	-0.4	-0.4	-0.4	(139%)							
<b>2 Adjustment for non-cash items</b>															
a) Depreciation	0	0	0	0	0	0	0								
b) Amortisation of Intangibles	0	0	0	0	0	0	0								
c) Benefits on acquisition	0	0	0	0	0	0	0								
d) Amortisation of goodwill	0	0	0	0	0	0	0								
e) Loss / (gain) on investments	0	0	0	0	0	0	0								
f) Decrease / (increase) in stock	0	0	0	0	0	0	0								
g) Decrease / (increase) in debtors	0	0	0	0	0	0	0								
h) Increase / (decrease) in creditors	0	0	0	0	0	0	0								
i) Increase / (decrease) in pension provision	0	0	0	0	0	0	0								
j) Increase / (decrease) in other provisions	0	0	0	0	0	0	0								
k) Receipt of donated equipment	0	0	0	0	0	0	0								
l) Share of operating surplus / (deficit) in joint venture	0	0	0	0	0	0	0								
m) Share of operating surplus / (deficit) in associate	0	0	0	0	0	0	0								
n) Other	0	0	0	0	0	0	0								
<b>Total adjustment for non-cash items</b>	0	0	0	0	0	0	0								
<b>3 Adjustment for investing or financing activities</b>															
a) Investment income	0	0	0	0	0	0	0								
b) Interest payable	0	0	0	0	0	0	0								
c) Endowment income	0	0	0	0	0	0	0								
d) Loss / (gain) on the sale of assets	0	0	0	0	0	0	0								
e) Capital grant income	0	0	0	0	0	0	0								
<b>Total adjustment for investing or financing activities</b>	0	0	0	0	0	0	0								
<b>4 Net cash inflow from operating activities</b>	<b>40</b>	<b>(103)</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	(355%)	(100%)			0%	(0%)		
<b>5 Cash flow from investing activities</b>															
a) Proceeds from sales of fixed assets	0	0	0	0	0	0	0								
b) Proceeds from sales of intangible assets	0	0	0	0	0	0	0								
c) Capital grants receipts	0	0	0	0	0	0	0								
d) Disposal of non-current asset investments	0	0	0	0	0	0	0								
e) Withdrawal of deposits	0	0	0	0	0	0	0								
f) Investment income	0	0	0	0	0	0	0								
g) Payments made to acquire fixed assets	0	0	0	0	0	0	0								
h) Payments made to acquire intangible assets	0	0	0	0	0	0	0								
i) New non-current asset investments	0	0	0	0	0	0	0								
l) New deposits	0	0	0	0	0	0	0								
<b>Total cash flows from investing activities</b>	0	0	0	0	0	0	0								
<b>6 Cash flows from financing activities</b>															
a) Interest paid	0	0	0	0	0	0	0								
b) Interest element of finance lease and service concession	0	0	0	0	0	0	0								
c) Endowment cash received	0	0	0	0	0	0	0								
d) New secured loans	0	0	0	0	0	0	0								
e) New unsecured loans	0	0	0	0	0	0	0								
f) Repayments of amounts borrowed	0	0	0	0	0	0	0								
g) Capital element of finance lease and service concession payments	0	0	0	0	0	0	0								
<b>Total cash flows from financing activities</b>	0	0	0	0	0	0	0								
<b>7 (Decrease) / increase in cash and cash equivalents in the year</b>	<b>40</b>	<b>(103)</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	(355%)	(100%)			0%	(0%)		
<b>8 Cash and cash equivalents at beginning of the year</b>	0	0	0	0	0	0	0								
<b>9 Cash and cash equivalents at the end of the year</b>	0	0	0	0	0	0	0								

**Orkney College UHI**

**Capital Expenditure Projects and Forecast Methods of Financing**

	Actual 2017-18 £000	Forecast 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000	Forecast 2022-23 £000	Forecast 2023-24 £000	2017-18 - 2018-19 %	2018-19 - 2019-20 %	2019-20 - 2020-21 %	2020-21 - 2021-22 %	2021-22 - 2022-23 %	2022-23 - 2023-24 %
<b>Expenditure:</b>													
Land & Buildings	0	0	0	0	0	0	0						
Equipment & Others	28	35	0	0	0	0	0	25.0%	-100.0%				
	28	35	0	0	0	0	0	25.0%	-100.0%				
<b>Financed by:</b>													
Cash reserves	0	0	0	0	0	0	0						
Arms Length Foundation	0	0	0	0	0	0	0						
Leasing	0	0	0	0	0	0	0						
SFC/RSB grant	13	17	0	0	0	0	0	30.8%	-100.0%				
Re-investment of proceeds from disposal of assets *	0	0	0	0	0	0	0						
Non-SFC/RSB grants	0	0	0	0	0	0	0						
PFI/NPD	0	0	0	0	0	0	0						
Other - please specify if material	15	18	0	0	0	0	0	20.0%	-100.0%				
	28	35	0	0	0	0	0	25.0%	-100.0%				

\* to be included only where this has been agreed by SFC

**Capital disposals**

**Disposal proceeds:**

	Actual 2017-18 £000	Forecast 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000	Forecast 2022-23 £000	Forecast 2023-24 £000
Asset description							
Asset description							
Asset description							
Asset description							
	0	0	0	0	0	0	0

**Gain/(loss) on disposal:**

	Actual 2017-18 £000	Forecast 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000	Forecast 2022-23 £000	Forecast 2023-24 £000
Asset description							
Asset description							
Asset description							
Asset description							
	0	0	0	0	0	0	0

**Orkney College UHI**

**ALF Funding**

	Actual 2017-18 £000	Forecast 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000	Forecast 2022-23 £000	Forecast 2023-24 £000
Estimated balance of cash in ALF as at 1 August	0	0	0	0	0	0	0
Donation to Arms Length Foundation	0	0	0	0	0	0	0
Grant from Arms Length Foundation - capital	0	0	0	0	0	0	0
Grant from Arms Length Foundation - revenue	0	0	0	0	0	0	0
<b>Estimated balance of cash in ALF as at 31 July</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Note:**

For most foundations, the most recent accounts available are for periods ending in 2018. Colleges' forecast movements will not include governance costs, donations from third parties, payments to third parties or investment income.

	Actual 2017-18 £000	Forecast 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000	Forecast 2022-23 £000	Forecast 2023-24 £000
<b>Grant from Arms Length Foundation - capital:</b>							
Description	0	0	0	0	0	0	0
Description	0	0	0	0	0	0	0
Description	0	0	0	0	0	0	0
Description	0	0	0	0	0	0	0
Description	0	0	0	0	0	0	0
Description	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Grant from Arms Length Foundation - revenue**

Description	0	0	0	0	0	0	0
Description	0	0	0	0	0	0	0
Description	0	0	0	0	0	0	0
Description	0	0	0	0	0	0	0
Description	0	0	0	0	0	0	0
Description	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Orkney College UHI  
FINANCIAL SUMMARY

Actual 2017-18 £000	Forecast 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000	Forecast 2022-23 £000	Forecast 2023-24 £000
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Income ratios							
Total Income	4,821	5,080	5,585	5,481	5,455	5,465	5,470
Total Funding Council Grant (excluding release of deferred capital grant) as % of Total Income	53%	54%	57%	59%	58%	57%	57%
Total non-Funding Council Grant (including release of SFC DCG) as % of Total Income	47%	46%	43%	41%	42%	43%	43%
Total Education Contracts and Tuition Fees as % of Total Income	21%	21%	20%	21%	22%	22%	22%
Total Research Grants and Contracts as % of Total Income	20%	18%	16%	13%	14%	15%	15%
Total Other Income as % of Total Income	6%	6%	6%	6%	6%	6%	6%

Expenditure ratios							
Total Expenditure	4,781	5,183	5,585	5,481	5,455	5,465	5,471
Salaries as % of Total Expenditure	71%	69%	72%	75%	77%	76%	76%
Other operating costs as % of Total Expenditure	28%	31%	28%	25%	23%	23%	24%
Depreciation/amortisation as % of Total Expenditure	0%	0%	0%	0%	0%	0%	0%

Operating position							
Operating Surplus/(deficit)	40	-103	0	0	0	0	0
Operating Surplus/(deficit) as % of Total Income	1%	-2%	0%	0%	0%	0%	0%
Adjusted operating surplus/(deficit)	40	-103	0	0	0	0	0
Adjusted operating surplus/(deficit) as % of Total Income	0.8%	-2.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Cash Position							
Cash and Current Asset Investments	0	0	0	0	0	0	0
Overdrafts	0	0	0	0	0	0	0
Days Ratio of Cash to Total Expenditure	0	0	0	0	0	0	0

Balance Sheet strength							
Unrestricted reserves	0	0	0	0	0	0	0
Current Ratio	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Unrestricted reserves as % of Total Income	0%	0%	0%	0%	0%	0%	0%
Total borrowing (Overdrafts, Loans, Finance Leases, PFI/NPD)	0	0	0	0	0	0	0
Interest cover	10.70	-18.31	1.00	1.00	0.93	0.93	0.93

## Appendix 2

# Orkney College UHI Financial Forecast Return 2019 Commentary

## Introduction

Orkney College UHI is unincorporated and operates as a diverse tertiary institution spanning all levels of the Scottish Credit and Qualification Framework. The College provides education from access level to postgraduate taught programmes through to research alongside undertaking commercial activity. The College meets the needs of the local community and economy, operating at local, national and international level which places wide ranging demands on a small institution but can have the advantage of spreading risk and reward across a number of areas.

The College continues to grow the range of further and higher education to meet local demand, in particular the 'Orkney Offer' for senior phase pupils. Education is delivered alongside an active research portfolio which continues to be an integral part of the institution.

Both current and future financial uncertainties place considerable strain on human resource planning. For example the increased depth of provision which allows more access points for students, to further education in particular, places challenges when seeking to broaden the curriculum into other areas to meet current and emerging local needs.

The prioritisation in deploying financial resource is becoming increasingly challenging. Generally the estates are in a good repair, however issues are emerging which will require considerable investment. Injections of funding such as the Backlog Maintenance Grant, which allowed one-off essential building work to take place, are going to continue to be required against a backdrop of decreasing capital and maintenance grants. More immediately, simply to keep up with technology, investment is required in the information technology infrastructure which is essential for attracting and retaining students in a remote location which is particularly aware of the importance of current and emerging technology.

## Review of financial performance 2018 to 2019

Financial year 2018 to 2019 figures are draft. However, in agreement with the Scottish Funding Council, Orkney College UHI undertakes budgetary planning and reporting based on financial years in line with the Council. No further movement is expected.



Beginning the year predicting a balanced budget, the mid-year return allowed for the possibility of a shortfall of £100,000 within the area of Research Business Unit.

Research Business Unit income did fall short of target, other areas of the College performed slightly better than anticipated reducing the prediction by half however following a recommendation from external audit that the method of calculating bad debt provision be reviewed this resulted in a one off increase. The net effect for the whole college is £103,200 in-year deficit for 2018 to 2019. When added to the balances of previous years this give a small cumulative surplus of £4,700.

## **Scottish Funding Council Recurrent Grant**

The college has modelled current and future funding on a combination of the funding advised and which is flowing currently, an overall reduction of 4% between 2020 to 2021 and 2023 to 2024 and ongoing support for the increase in lecturing pension costs. There are elements of risk associated with all these areas, in particular current funding to support National Bargaining and support for the increased costs of the Scottish Teachers Pension Scheme.

## **Changes in Tuition Fee Income and Other Income**

Total fee income has steadily risen since 2011 to 2012, reaching a peak in 2016 to 2017. Whilst there is movement within years the general trends are decreases in full time further education, part time undergraduate and full time undergraduate fees offset by increases in part time further education and part time and full time post-graduate taught and post graduate research fee income.

Fee income for 2019 to 2020 is predicted to increase in line with activity targets and pricing levels. In areas where no fee increase can be applied income is predicted to remain at a similar level with steady overall recruitment. Income from part-time further education and post-graduate taught is predicted to increase in line with inflation.

Income through Skills Development Scotland had been declining however this increased in 2018 to 2019 partly due to Foundation Apprenticeships but also to an increase in Modern Apprenticeship activity. Foundation Apprenticeship income is predicted to increase from 2020 to 2021.

Under 'Other Income' the Developing Young Workforce grant ceases at the end of financial year 2020 to 20201. *Future funding to support the costs of Distant Islands Allowance is included in the 'Other Income' section of the Financial Forecast Return. Based on the college being in receipt of funding to cover lecturers only, this averages around £120,000 each year, increasing to around £255,000 if support staff are included.*

## Commercial Income

2018 to 2019 was again a year of mixed fortunes for the Research Business Units. Staffing reductions were implemented in one area with the full year effect of savings showing in 2019 to 2020. Overall sustainability continues to be a significant risk to financial security against a backdrop of increased financial pressures elsewhere in the College. Currently options are being explored with the aim of a more secure financial position in future. *Future funding in the region of £90,000 to support the costs of more secure market positioning is included in the 'Research' section of the Financial Forecast Return.*

## Changes in Staff and Non-Staff Costs

Looking at the current and future staff budget, overall full-time equivalents have increased marginally by around 3 full time equivalents over the last five years. Some opportunities for turnover savings have been taken however capacity in one area is often offset with increased demand in another. Reduced staffing does not always result in any net financial gain as there is often a corresponding reduction in income.

For forward planning a pay award of 2% has been assumed for all staff. *If the pay award was 1% the reduction in staff costs would be in the region of £40,600, in 2020 to 2021, £81,100 in 2021 to 2022, £124,900 and in 2022 to 2023 and £167,500 in 2023 to 2024.*

*If the pay award was 3% the increase in costs would be in the region of £38,200 in 2020 to 2021, £84,000 in 2021 to 2022, £130,000 in 2022 to 2023 and £178,600 in 2023 to 2024.*

Support for the additional cost of lecturers' pension is included throughout as per the guidance. *If this were to be removed the result would be an annual decrease of around £111,000.*

All saving opportunities are considered however an overall reduction in full time equivalent staff could prove detrimental to provision. Where possible the college avoids compulsory staffing reductions but has gone down this route in the past and may do so again if assessed to be unavoidable. The pressures on remaining staff need to be considered and carefully managed alongside the financial savings of any reduction in staffing levels. *To achieve a balanced forecast position within the information currently available a reduction in the region of 3.0 full time equivalents is has been allowed for in the 'Staff' section with effect from academic year 2022 to 2023.*

Non-staff expenditure in 2018 to 2019 was generally minimal. This is an area of increasing concern as the estate and, in particular, the information technology infrastructure can no longer sustain the low budget support. The possibility of rates relief is being investigated. 80% relief would benefit the college by around £115,000 annually. This has not been included in forecasting.

## **Risk Management**

The key risks are identified as:

### **1. Staffing**

The Council made a decision to shadow the pay element of National Bargaining for academic staff, subject to certain conditions. In the Outcome Agreement Funding Announcement for 2019 to 2020 (<http://www.sfc.ac.uk/publications-statistics/announcements/2019/SFCAN102019.aspx>) the Scottish Funding Council requires remaining colleges to formally sign up to the National Recognition and Procedures Agreement in order to continue to receive the harmonisation/job evaluation funding. In academic year 2018 to 2019 an element of the total National Recognition and Procedures Agreement funding was withheld based on the Council position at that time. At present the position has not changed.

Financial support for the additional salary cost of the Distant Islands Allowance payment is being pursued by the island colleges (Lews Castle, Orkney and Shetland). Receipt of funding to support this cost for all staff would result in an annual increase in the region of £245,000. If this funding is not received, as a minimum for lecturing staff for which for the island colleges pay a salary when Distant Islands Allowance is taken into account greater than the rest of Scotland, this results in increased costs for Island Colleges which as a result represents a risk in terms of the College financial position.

Whilst staff turnover and absence does not necessarily greatly affect income and expenditure, it does present challenges which can affect business continuity depending on the measures available to mitigate any issues.

### **2. Commercial and Research**

Overall financial viability in Research Business Units is challenging with some areas performing more strongly than others. In 2018 to 2019, two areas generated a surplus, one returned a deficit. The College's research activity profile attracts grant funding and helps with Orkney's higher education profile. However, this area of work presents financial risk and where necessary staffing levels have been reduced and/or other potential exit/cost reduction strategies identified. This remains an area of concern and future support strategies are being put in place.

### **3. Future of further education funding**

As a small college with a proportionally high increase in staff costs the future distribution of further education funding by the Regional Strategic Body will be of critical importance to future financial security.

### **4. Student numbers**

The College has generally been successful in meeting Credit targets. Senior Phase and Developing Young Workforce are providing more opportunities for young people to stay on at school and this is impacting on the number of young people going to college full-time. Although this is not necessarily a negative in terms of the experience of the young people, it does amount to an element of risk when planning student numbers. The 'Orkney Offer' is leading to increased numbers of young people sharing learning between school and college and the introduction of Foundation Apprenticeships in 2016 to 2017 has seen numbers increase steadily to a healthy update of 25 in 2019 to 2020. The College strives to address provision gaps introducing Skills for Work Engineering in 2018 to 2019 and now and the National Certificate in Engineering in 2019 to 2020. Finding the resource to equip and refresh the curriculum whilst maintaining breath is a considerable challenge.

Higher National programmes continue to attract almost exclusively local students and so the field of applicants each year is finite. Undergraduate and postgraduate degree programmes led by Orkney do attract students from outside the County at a national and international level. In order to increase student numbers in Orkney it is necessary to increase the range of courses available here. In most cases this will be through networked provision which involves the delivery of modules through blended learning from other academic partners. In balance to teaching received from other academic partners in the UHI the College delivers more than it receives across a range of academic subjects and this compensates financially for the number of students enrolled locally.

### **5. Information Technology and Estates Infrastructure**

The current constrained financial position is putting pressure on the non-staff elements of the budgets. In particular the technology to support students and staff is falling behind. An injection of funding is required.

### **6. Exit from European Union**

The situation requires ongoing monitoring. The College will give consideration to the breath of curriculum as part of the management of ending of European Structural Investment Funds.

## **7. Overall Financial Position**

Although the College has set a balanced budget for the financial year 2019 to 2020 indications are that commercial income is unlikely to meet target, however there are a number of mitigating actions in progress which would compensate for any shortfall.