

## **Item: 5**

**College Management Council Sub-committee: 20 January 2020.**

**Orkney College – Draft Revenue Budget.**

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

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

To consider the draft revenue budget for Orkney College for financial year 2020 to 2021.

### **2. Recommendations**

**It is recommended:**

#### **2.1.**

That the draft revenue budget for Orkney College for financial year 2020 to 2021, 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 2020 to 2021 is attached as Annex 1 to this report.

#### **3.2.**

The draft budget has an overall increase in expenditure of £201,700 compared to the original 2019 to 2020 budget. The increases comprise:

- Staff Costs increase by £178,000 to cover:
  - Inflation allowance.
- Property Costs increase by £17,000 to cover inflation.
- Supplies and Services increase by £57,100.
- Transport Costs decrease by £8,200.
- Administration Costs decrease by £7,800.
- Apportioned Costs increase by £1,700 allowing for inflation on recharges.
- Third Party Payments decrease by £34,500.
- Miscellaneous Costs decrease by £1,600.

### **3.3.**

The draft budget includes an increase in income of £201,700. The increases comprise:

- Government Grants increase by £322,700.
- Other grants and reimbursements increase by £108,800.
- Rental income decrease by £2,700.
- Sales income increase by £2,500 reflects a further small adjustments across a variety of areas.
- Fees and charges levied by the College increase by £266,000, reflecting a move of some miscellaneous income into this area – this is in order to ensure that the presentation of the accounts aligns with the Scottish Funding Council FFR reporting.
- Miscellaneous income decrease by £495,600. In line with the adjustment described in the previous point.

### **3.4.**

The budget for teaching grant funding includes the assumption that both further and higher education will continue to be funded at the same or similar levels in academic year 2020 to 2021 as they were in academic year 2019 to 2020. National Bargaining costs are to be fully funded. There is no allowance for inflation costs to be covered.

### **3.5.**

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, which is being addressed by a business review within this area, 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 it is included in the 'Other Grants' or 'Fees and Charges' budgets as appropriate.

### **3.6.**

There are significant areas of income that the College is pursuing, which include Distant Islands Allowance that is acknowledged as unpaid, and are subject to investigation (estimated value between £170,000 and £240,000). 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 £120,000).

## **4. Human Resources**

Whilst there are no direct Human Resource implications arising out of this report, the College faces a further challenging year of reducing budgets and increasing staffing costs, as well as the need to generate significant levels of income to deliver a balanced budget. With staffing costs being the single largest expenditure for the College, there may well be Human Resource implications that arise which 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 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 2020 to 2021 and the Research Business Units have income to be "identified, bid for and won", the draft budget for 2020 to 2021 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. Annex**

Annex 1: Draft Revenue Budget for Financial Year 2020 to 2021.

| Revenue Budget for<br>Financial Year 2019- 20 | Total      |
|---|------------|
|   | £          |
| Staff Costs                                   | 3,924,700  |
| Property Costs                                | 444,800    |
| Supplies and Services                         | 473,000    |
| Transport and Plant Costs                     | 128,200    |
| Administration Costs                          | 92,900     |
| Apportioned Costs                             | 89,700     |
| Third Party Payments                          | 113,800    |
| Loan Charges                                  | 6,000      |
| Miscellaneous Costs                           | 6,500      |
|   |            |
| <b>Total Expenditure</b>                      | 5,279,600  |
|   |            |
| Government Grants                             | -2,284,200 |
| Other Grants,<br>Reimbursements               | -1,249,100 |
| Rents and Lettings                            | -27,800    |
| Sales   | -129,800   |
| Fees and Charges                              | -989,700   |
| Miscellaneous Income                          | -599,000   |
|   |            |
| <b>Total Income</b>                           | -5,279,600 |
|   |            |
| <b>Balance</b>                                | 0          |

| <b>Draft Revenue Budget<br/>Financial Year 2020-21 –<br/>Derived from FFR Sep19</b> |             |
|---|-------------|
|   | (£)         |
| Staff Costs   | £4,102,700  |
| Property Costs  | £461,800    |
| Supplies And Services   | £530,100    |
| Transport Costs   | £120,000    |
| Administration Costs  | £85,100     |
| Apportioned Costs   | £91,400     |
| Third Party Payments  | £79,300     |
| Transfer Payments   | £0          |
| Loan Charges  | £6,000      |
| Miscellaneous Costs   | £4,900      |
| <b>Total Expenditure</b>  | £5,481,300  |
|   |             |
| Government Grants   | -£2,606,900 |
| Other Grants,<br>Reimbursements   | -£1,357,900 |
| Rents & Lettings  | -£25,100    |
| Sales   | -£132,300   |
| Interest & Loans  | £0          |
| Fees & Charges  | -£1,255,700 |
| Miscellaneous Income  | -£103,400   |
| <b>Total Income</b>   | -£5,481,300 |
|   |             |
| <b>Balance</b>  | £0          |