

Item: 4

College Management Council Sub-committee: 15 March 2021.

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 2021/22.

2. Recommendations

It is recommended:

2.1.

That the draft revenue budget for Orkney College for financial year 2021/22, 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 2021/22 is attached as Annex 1 to this report.

3.2.

The draft budget has been built on a similar pre-COVID-19 platform that was used to create the 2020/21 budget with assumptions made around staff costs and anticipated income. This places an inherent risk on the requirement to deliver a balanced budget if other income sources are not deliverable and costs cannot be reduced proportionately.

3.3.

The following expenditure assumptions have been used:

- Staff Costs – Additional posts have been built into the establishment with an assumption that these will generate matched income which has been factored in.
- All other cost categories have, for the purposes of creating a draft revenue budget, been left at 2020/21 levels. Increases to these costs will put additional pressure on income.

3.4.

The following income assumptions have been used:

- Government Grants, Other Grants/Reimbursements and Fees and Charges have been amended in line with indicative income assumptions arising from matched staff costs and are budgeted against the appropriate income stream.
- All other income categories have been assumed at 2020/21 levels.

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 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.

3.6.

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 will 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 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

6.1.

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 2021/22 and the Research Business Units have income to be "identified, bid for and won", the draft budget for financial year

2021/22 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.

6.2.

If approved, the draft budget will be submitted to the next meeting of the Policy and Resources Committee on 20 April 2021 for due consideration as part of the final stages in the Council's budget setting process. Although this means that the budget proposals did not form part of the business of the Council's main budget meeting on 23 February 2021, and which primarily considers the draft budget proposals for both General Fund Services and the Council's Strategic Reserve Fund, this does allow the College Management Council Sub-committee to formally consider the draft budget proposals in advance of the budgets being duly set by the General Meeting of the Council on 5 May 2021.

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 2021/22.

Annex 1 Draft Revenue Budget for Financial Year 2021/22

	20/21 Original Budget	21/22 Draft Budget
Revenue Budget for Financial Year	Total	Total
	£	£
Staff Costs	4,062,900	4,428,600
Property Costs	469,100	469,100
Supplies and Services	519,400	518,300
Transport and Plant Costs	133,900	133,900
Administration Costs	89,900	89,900
Apportioned Costs	94,800	94,800
Third Party/Transfer Payments	104,800	104,800
Loan Charges	6,000	6,000
Miscellaneous Costs	3,700	3,700
Total Expenditure	5,484,500	5,849,100
Government Grants	-2,570,200	-2,593,100
Other Grants, Reimbursements	-1,224,100	-1,471,600
Rents and Lettings	-23,100	-23,100
Sales	-100,500	-100,500
Fees and Charges	-876,200	-970,300
Miscellaneous Income	-690,400	-690,500
	0	
Total Income	-5,484,500	-5,849,100
Balance	0	0