


Financial Forecast Return 2018

College: Orkney College UHI
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DECLARATION: The attached worksheets represent the financial forecasts for the College. They reflect a financial statement of our academic and physical plans from 2017-18 to 2022-23. 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 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: 07/08/2018

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.

Staff turnover. Assistant Principal retired May 2018, Principal retiring around January 2019. Anticipate new postholders in place around January 2019. The loss of knowledgeable and experienced staff both temporarily displaces their responsibilities and it will take new staff some time to get up to speed with the college and its place within OIC and UHI. This may present challenges for both the new and existing staff but it is also an opportunity to bring in new and different knowledge and experience. This risk is difficult to quantify other than to say it is against a backdrop that predicts staff reductions being required.

It is planned to have a handover period with the Principal post. Supported induction. The organisation is aware of the challenges so is seeking to appoint candidates with the best matched skills sets.

Remoteness Funding. In 2018-19 UHI agreed to fund a transition period for the larger academic partners, who under new SFC guidelines, would see a significant reduction in 'remoteness' funding. The expectation is that this transition funding will not be allocated to these partners in 2019-20 and that the small and island based colleges will see an uplift in 'remoteness' funding allocated in 2019-20. There is a risk that this assumption of additional 'remoteness' funding may not be agreed, or the amount agreed will be smaller than expected. £115,000 for full academic year.

If 'remoteness' funding allocation to Orkney College is not forthcoming in 2019-20 then additional reduction in staffing may be necessary. OIC is expecting that a staffing review will be an early action for the new Principal. Staff will be consulted on any changes. There requires to be a balance of cost cutting against effective staff utilisation and curriculum delivery for the community.

National Bargaining. SFC FFR guidance on the ongoing support of National Bargaining costs through assimilation of the financial support into the funding model going forward is welcome. The FFR has been produced to include assumptions relating to this funding. However the indication that future cost-of-living pay awards will need to be met through efficiency gains is particularly challenging for a very small island college where it is difficult to identify and achieve any real economies of scale.

UHI partners are considering the future operating model of the partnership, which includes identifying how further services can be shared across the partnership to achieve efficiency savings.

Strategic Regional Body. Orkney College is dependent on the Strategic Regional Body implementing a method of funding distribution, post National Bargaining full implementation, that will sufficiently fund Orkney College to maintain its provision. Until this model is finally agreed there will be a level of uncertainty that requires to be treated as a risk.

Effective engagement and appropriate challenge at a regional level will be necessary to ensure that Orkney College is sufficiently funded on an ongoing basis.

Staff levels. Looking to the later years of this FFR period some reduction in expenditure has been identified as necessary to achieve long term financial sustainability. The preference is to increase income during this period but dependent on government policy regarding funded student numbers at both further and higher education levels this may not be possible. In this situation the College will have to consider a small managed reduction in staffing levels as indicated in this FFR equivalent to 2.0 fte posts wef academic year 2020-21, 1.0 fte in 2021-22 and potentially a further 2.0 fte in 2022-23.

Reductions in staffing carry the risk of reducing the productivity of the College and any such changes will need to be carefully managed.

Statement of Comprehensive income and expenditure (Consolidated)	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Explanation for variance
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	
	£000	£000	£000	£000	£000	£000	£000	%	%	%	%	%	%	%	
INCOME															
Tuition fees and education contracts	1,113	1,008	1,029	1,037	1,045	1,053	1,107	-9.4%	2.1%	0.8%	0.8%	0.8%	0.8%	5.1%	2017-18 'low' point for cyclical short courses (approx 5 year cycle). 2022-23 'high' point for cyclical short courses. 2% inflation applied to around 40% of course fees annually.
Funding council grants	2,480	2,538	2,789	3,151	3,154	3,130	3,088								2017-18 Mainly reflects increased further education funding following UHI regional modelling review plus support for National Bargaining of around £91K. Increased Research Excellence Grant of around £24K, offset with reduced estates funding of around £54K. 2018-19 Funding for National Bargaining and introduction of estates essential maintenance grant adds around £197K, increased ESIF for post-graduate research adds around £60K. Anticipate lower ESIF for further education. 2019-20 National Bargaining funding increased to reflect costs and allowance made for Regional Body review of remoteness funding to result in an increase adds around £275K. Increasing back to previous levels of ESIF for further education and targeting non-teaching HE activity funding adds a further £30K. 2020-21 Anticipate regional distribution towards credits of the funding previously allocated to support National Bargaining to result in a reduced allocation, however anticipate this being offset with full year effect of increased funding towards remoteness. 2021-22 Last academic year of ESIF in this financial year. 2022-23 ESIF funding towards further education has ended.
Research grants and contracts	839	964	947	931	945	960	975	2.3%	9.9%	13.0%	0.1%	-0.8%	-1.3%		2016-17 Ongoing mixed results in Business Units. 2017-18 Overall Business Units returned a small surplus. 2018-19 Reduction reflects break-even aim against in-year reduction in staffing. 2019-20 Reduction reflects break-even aim against full year reduction in staffing. 2020-21 onwards, 2% inflation applied to commercial activity.
Revenue grants from Arms Length Foundation	0	0	0	0	0	0	0	14.9%	-1.7%	-1.7%	1.5%	1.6%	1.6%		
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 and non-SFC Government)	0	0	0	0	0	0	0								
Other income	283	311	327	327	327	327	327								2016-17 last year of ad hoc grants e.g., Hairdressing, sales income higher. 2017-18 Developing Young Workforce begins. 2018-19 onwards, mainly DVM and sales income
Investment income	0	0	0	0	0	0	0	10.0%	5.0%	0.0%	0.0%	0.0%	0.0%		
Total income before donations and endowments	4,715	4,821	5,092	5,445	5,471	5,470	5,496	2.3%	5.6%	6.9%	0.5%	0.0%	0.5%		
Donations and endowments	0	0	0	0	0	0	0	2.3%	5.6%	6.9%	0.5%	0.0%	0.5%		
Total income	4,715	4,821	5,092	5,445	5,471	5,470	5,496								
EXPENDITURE															
Staff costs	3,305	3,415	3,554	3,907	3,933	3,931	3,957	3.3%	4.1%	9.9%	0.7%	0.0%	0.7%		2017-18 Introduction of Apprenticeship Levy and National Bargaining. 2018-19 Second year of National Bargaining, partially offset by turnover savings. 2019-20 National Bargaining fully implemented. 2020-21 Reduce 2.0 FTE wef Sept 2020. 2021-22 Reduce by further 1.0 FTE full year. 2022-23 Reduce by further 2.0 FTE wef Sept 2022.
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	1,339	1,362	1,533	1,533	1,533	1,533	1,533	1.7%	12.5%	0.0%	0.0%	0.0%	0.0%		2017-18 in-year, one-off, savings against budget of around £18K in Support areas. 2018-19 PhD's receiving (funded) stipends increase by spend by around £21K. Backlog Maintenance Grant spend £85K, department equipment/I spend increased £46K. 2019-20 onwards, budget at same level, inflationary increases to be offset with in-year savings.
Donation to Arms Length Foundation	0	0	0	0	0	0	0								
Depreciation	0	0	0	0	0	0	0	4.4%	43.7%	0.0%	0.0%	0.0%	0.0%		
Interest and other finance costs	4	4	6	6	6	6	6								
Total expenditure	4,648	4,781	5,092	5,445	5,471	5,470	5,496	2.9%	6.5%	6.9%	0.5%	0.0%	0.5%		
Surplus/(deficit) before other gains and losses and share of operating surplus/deficit of joint ventures and associates	67	40	0	0	0	0	0	-39.6%	-100.0%						
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 ventures(s)	0	0	0	0	0	0	0								
Share of operating surplus/(deficit) in associate(s)	0	0	0	0	0	0	0								
Surplus/(deficit) before tax	67	40	0	0	0	0	0	-39.6%	-100.0%						
Other taxation	0	0	0	0	0	0	0								
Surplus/(deficit) for the year	67	40	0	0	0	0	0	-39.6%	-100.0%						
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								
Total comprehensive income for the year	67	40	0	0	0	0	0	-39.6%	-100.0%						

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UNDERLYING OPERATING RESULT	Actual 2016-17 £000	Forecast 2017-18 £000	Forecast 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000	Forecast 2022-23 £000	2016-17 - 2017-18 %	2017-18 - 2018-19 %	2018-19 - 2019-20 %	2019-20 - 2020-21 %	2020-21 - 2021-22 %	2021-22 - 2022-23 %	Explanation for variance
Surplus/(deficit) before other gains and losses and share of operating surplus/deficit of joint ventures and associates	67	40	0	0	0	0	0							
Add:														
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							
Non-cash pension adjustment - net service cost														
Non-cash pension adjustment - net interest cost	0	0	0	0	0	0	0							
Donation to Arms Length Foundation (<i>incorporated colleges only</i>)	0	0	0	0	0	0	0							
Deduct:														
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							
Underlying operating result	67	40	0	0	0	0	0	-39.6%	-100.0%					
Cash budget for priorities (<i>incorporated colleges</i>):														
Revenue priorities														
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							
Total impact on operating position	0	0	0	0	0	0	0							
Capital priorities														
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							
Total capital	0	0	0	0	0	0	0							
Total cash budget for priorities spend	0	0	0	0	0	0	0							

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	Actual 2016-17 £000	Forecast 2017-18 £000	Forecast 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000	Forecast 2022-23 £000	2016-17 - 2017-18 %	2017-18 - 2018-19 %	2018-19 - 2019-20 %	2019-20 - 2020-21 %	2020-21 - 2021-22 %	2021-22 - 2022-23 %	Explanation
Staff costs														
Salaries	2,597	2,682	2,784	3,069	3,089	3,087	3,108	3.3%	3.8%	10.2%	0.7%	-0.1%	0.7%	2017-18 National Bargaining 25% implemented, Developing Young Workforce (DYW) introduced. 2018-19 National Bargaining 50% implemented, management staff turnover saving, Business Unit reduced staff by 1.8 FTE mid-year. 2019-20 National Bargaining 100% implemented, full year effect of Business Unit staff reductions. 2020-21 Lecturing/Support reduce by 2.0 fte mid-year. 2021-22 Lecturing/Support full year effect of reduced staff plus additional 1.0 fte full year . 2022-23 Lecturing/Support reduce by further 2.0 fte mid-year. 2% inflation applied as per SFC FFR guidance.
Social Security costs	242	262	272	299	301	301	303	8.1%	3.9%	10.1%	0.7%	-0.1%	0.7%	2017-18 Apprenticeship Levy introduced (0.5%). All years reflect increasing/decreasing salaries.
Other pension costs	466	472	498	539	543	543	547	1.2%	5.5%	8.3%	0.7%	0.0%	0.7%	2017-18 Employers contribution to LGPS decreases to 19.2% from 19.8% . 2018-19 Employers contribution to LGPS decreases to 18.2% from 19.2%. All years reflect increasing/decreasing salaries.
FRS 102 pensions adjustments	0	0	0	0	0	0	0							
Total	3,305	3,415	3,554	3,907	3,933	3,931	3,957	3.3%	4.1%	9.9%	0.7%	0.0%	0.7%	

Balance Sheet		Actual 2016-17	Forecast 2017-18	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23	2016-17 - 2017-18	2017-18 - 2018-19	2018-19 - 2019-20	2019-20 - 2020-21	2020-21 - 2021-22	2021-22 - 2022-23	Explanation for variance
		£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							
Total non-current assets		0	0	0	0	0	0	0							
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							
Total current assets		0	0	0	0	0	0	0							
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) Other creditors and accruals	0	0	0	0	0	0	0							
Total creditors < 1year		0	0	0	0	0	0	0							
Share of net assets/(liabilities) in associate		0	0	0	0	0	0	0							
NET CURRENT ASSETS/LIABILITIES		0	0	0	0	0	0	0							
TOTAL ASSETS LESS CURRENT LIABILITIES		0	0	0	0	0	0	0							
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) Amounts repayable to Funding Council	0	0	0	0	0	0	0							
	g) Other creditors	0	0	0	0	0	0	0							
Total creditors >1 year		0	0	0	0	0	0	0							
5 Provisions	a) Pension provisions	0	0	0	0	0	0	0							
	b) Other	0	0	0	0	0	0	0							
Total provisions		0	0	0	0	0	0	0							
TOTAL NET ASSETS		0	0	0	0	0	0	0							
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		0	0	0	0	0	0	0							
TOTAL RESERVES		0	0	0	0	0	0	0							

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Capital Expenditure Projects and Forecast Methods of Financing

	Actual 2016-17	Forecast 2017-18	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23	2016-17 - 2017-18	2017-18 - 2018-19	2018-19 - 2019-20	2019-20 - 2020-21	2020-21 - 2021-22	2021-22 - 2022-23
	£000	£000	£000	£000	£000	£000	£000	%	%	%	%	%	%
Expenditure:													
Land & Buildings	0	0	0	0	0	0	0						
Equipment & Others	37	28	37	0	0	0	0	-24.3%	32.1%	-100.0%			
	37	28	37	0	0	0	0	-24.3%	32.1%	-100.0%			
Financed by:													
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 grant	25	13	17	0	0	0	0	-48.0%	30.8%	-100.0%			
Re-investment of proceeds from disposal of assets *	0	0	0	0	0	0	0						
Non-SFC grants	0	0	0	0	0	0	0						
PFI/NPD	0	0	0	0	0	0	0						
Other - please specify if material	12	15	20	0	0	0	0	25.0%	33.3%	-100.0%			
	37	28	37	0	0	0	0	-24.3%	32.1%	-100.0%			

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

Capital disposals

Disposal proceeds:

Asset description							
Asset description							
Asset description							
Asset description							
	0	0	0	0	0	0	0

Gain/(loss) on disposal:

Asset description							
Asset description							
Asset description							
Asset description							
	0	0	0	0	0	0	0

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FINANCIAL SUMMARY

Actual 2016-17	Forecast 2017-18	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23
£000	£000	£000	£000	£000	£000	£000

Income ratios							
Total Income	4,715	4,821	5,092	5,445	5,471	5,470	5,496
Total Funding Council Grant as % of Total Income	53%	53%	55%	58%	58%	57%	56%
Total non-Funding Council Grant as % of Total Income	47%	47%	45%	42%	42%	43%	44%
Total Education Contracts and Tuition Fees as % of Total Income	24%	21%	20%	19%	19%	19%	20%
Total Research Grants and Contracts as % of Total Income	18%	20%	19%	17%	17%	18%	18%
Total Other Income as % of Total Income	6%	6%	6%	6%	6%	6%	6%

Expenditure ratios							
Total Expenditure	4,648	4,781	5,092	5,445	5,471	5,470	5,496
Salaries as % of Total Expenditure	71%	71%	70%	72%	72%	72%	72%
Other operating costs as % of Total Expenditure	29%	28%	30%	28%	28%	28%	28%
Depreciation/amortisation as % of Total Expenditure	0%	0%	0%	0%	0%	0%	0%

Operating position							
Operating Surplus/(deficit)	67	40	0	0	0	0	0
Operating Surplus/(deficit) as % of Total Income	1%	1%	0%	0%	0%	0%	0%
Underlying operating surplus/(deficit)	67	40	0	0	0	0	0
Underlying operating surplus/(deficit) as % of Total Income	1.4%	0.8%	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	17.75	10.70	1.00	1.00	1.00	1.00	1.00