

Item: 5

Education, Leisure and Housing Committee: 7 February 2024.

UHI Orkney – Draft Revenue Budget.

Report by Corporate Director for Education, Leisure, and Housing.

1. Purpose of Report

To consider the draft revenue budget for UHI Orkney for financial year 2024/25.

2. Recommendations

It is recommended:

2.1.

That the draft revenue budget for UHI Orkney for financial year 2024/25, attached as Annex 1 to this report, be submitted to the Policy and Resources Committee for consideration through the budget setting process.

2.2.

That the Corporate Director for Education, Leisure and Housing should submit, to the Education, Leisure and Housing Committee no later than September 2023, a recovery plan setting out how UHI Orkney will deliver a balanced budget for 2024/25, as well as repaying borrowed funds.

3. Draft Budget

3.1.

The draft revenue budget for financial year 2024/25 is attached as Annex 1 to this report.

3.2.

The following expenditure and income inflationary assumptions have been used:

Subjective Heading.	% Increase.
Staff – Lecturers.	11%.
Other Staff.	2%.
Property.	15%.
Supplies and Services.	3%.
Transport.	3%.

Subjective Heading.	% Increase.
Administration.	3%.
Apportioned Costs.	2%.
Third Party Payments.	3%.
Transfer Payments.	3%.
Loan Charges.	3%.
Government and Other Grants.	0%.
Rents and Lettings.	6.7%.
Sales.	6.7%.
Fees and Charges.	0%.
Misc Income.	6.7%.

3.3.

Lectures have not had a pay award since 2021/22. Therefore, a pay award of 11% from 1 April 2024 has been included within the Lecturers' pay budget, in line with College Employers Scotland's most recent offer to the relevant unions, which covers 2022/23, 2023/24 and 2024/25. For all other UHI Orkney employees, a 2% pay increase from 1 April 2024 has been assumed.

3.4.

The income assumptions are based on income for financial year 2023/24 and UHI grant funding for academic year 2023/24. There is an inherent risk within the requirement to deliver a balanced budget if income sources are not deliverable and costs cannot be reduced proportionately.

3.5.

The Scottish Funding Council presented a flat budget for 2023/24, therefore the income from Higher Education and Further Education grants, received via UHI, were not increased from the previous academic year and have been assumed to be at the same level as academic year 2023/24.

3.6.

The main grants received from UHI are calculated on estimated credit targets, dependant on student numbers. Income from fees and charges is also dependant on the number and types of students enrolled at UHI Orkney. The course prices for Higher Education and for full time Further Education are set by the Scottish Government. The student numbers for 2024/25 have been assumed to be at the same level as 2023/24.

3.7.

Although within the initial assumptions fees and charges would have an increase of 6.7% through detailed analysis it has been highlighted that the current income budgets are unachievable. Therefore, from a prudent approach the budget has been adjusted to show a 0% increase so as can be more achievable.

3.8.

The amounts to be received from UHI in funding for Higher Education and Further Education grants for academic year 2024/25 will not be known until approximately June 2024. The adjustments to these grants for academic year 2023/24 will not be known until approximately June 2024 which makes budget assumptions much harder to project moving forward.

3.9.

Within the Research Business Units there is an assumption that sufficient research and commercial activity will be sourced to cover budgeted expenditure. For 2024/25, there is income still to be identified, bid for, and won. This is an inherent and ongoing risk with the research income budgets. These income budgets must be reached in order to ensure that a sustainable budget can be achieved.

3.10.

Distant Islands Allowance (DIA) is paid to all UHI Orkney staff, at a cost of around £237,000, but is not funded by the Scottish Funding Council.

3.11.

In order to set a balanced budget, historically UHI Orkney has included a “miscellaneous income” figure in the forecast. Work is then undertaken to identify sources for this additional income during the year. For 2024/25 this figure is £436,500. Finding new and ideally sustainable sources of income will continue to be a key focus for UHI Orkney. In a climate of reduced government funding for Further Education and Higher Education and a private sector which may struggle to invest in training, there is significant risk that the miscellaneous income target figure will not be met.

4. Corporate Governance

This report relates to UHI Orkney complying with the Council’s 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.

5. Financial Implications

5.1.

The requirement to set a balanced budget requires planned levels of expenditure and income to be realistic. On the basis of the assumptions noted in this report, the draft budget for financial year 2024/25 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.

5.2.

UHI Orkney has done a detailed analysis to identify what the assumed income and expenditure will be moving forward rather than just applying an inflationary increase to previous budget setting which highlights the issues that UHI have moving forward.

5.3.

The budget proposal for 2024/25 includes the assumption that £436,500 of funding will be found as further detailed at section 3.10.

5.4.

At the end of 2022/23 there was a deficit of £620,000 for which there was a retained balance of £481,000 leaving a loan balance of £139,000. Financial year 2023/24 is currently indicating a further deficit of around £499,100 as at 31 December 2023. If additional income cannot be identified early on in financial year 2024/25, it demonstrates that UHI Orkney is not financially sustainable under its current funding structure.

5.5.

A recovery plan, which should be reported to the Education, Leisure and Housing Committee, should be implemented to ensure UHI Orkney delivers a balanced budget for 2024/25 and begins to repay borrowed funds.

6. Legal Aspects

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

7. Contact Officer

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8. Annex

Annex 1: UHI Orkney – Draft Revenue Budget for Financial Year 2024/25.

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	Budget 2023/24	Inflation	Budget adjustments	Balanced budget 2024/25
	£	£	£	£
Staff Costs	4,832,300	87,900	(191,200)	4,729,000
Property Costs	443,800	66,400	(31,200)	479,000
Supplies and Services	467,200	16,200	68,500	551,900
Transport, Vessel and Plant	103,600	2,300	(35,200)	70,700
Administration	75,300	2,000	29,600	106,900
Apportioned Costs	112,900	2,200	0	115,100
Third Party Payments	300	0	0	300
Transfer Payments	88,200	2,700	162,000	252,900
Loan Charges	4,900	100	0	5,000
Miscellaneous Costs	600	0	(600)	0
Total Expenditure	6,129,100	179,800	1,900	6,310,800
Government Grants	(2,617,500)	0	(24,100)	(2,641,600)
Other Grants, Reimbursements	(1,547,900)	0	18,300	(1,529,600)
Rents and Lettings	(25,500)	(1,800)	17,600	(9,700)
Sales	(138,600)	(9,500)	(16,500)	(164,600)
Fees and Charges	(1,115,600)	(130,100)	(283,100)	(1,528,800)
Miscellaneous Income	(684,000)	(6,400)	253,900	(436,500)
Total Income	(6,129,100)	(147,800)	(33,900)	(6,310,800)
Balance	0	32,000	(32,000)	0