

<b>Committee</b>	Finance and General Purposes
<b>Subject</b>	Update on Merger business case for UHI/SFC
<b>Action requested</b>	<input type="checkbox"/> For information only <input checked="" type="checkbox"/> For discussion <input type="checkbox"/> For recommendation <input checked="" type="checkbox"/> For endorsement <input type="checkbox"/> For approval
<b>Brief summary of the paper</b>	To update the committee on narrative sent to UHI in support of the 5 year budget previously approved by the committee. An outline of activities underway to develop our portfolio alongside a summary of strategic growth activities. Committee is invited to discuss and endorse the activities outlined.
<b>Resource implications</b> (If yes, please provide details)	Yes Seeking support from SFC for deficit budget
<b>Risk implications</b> (If yes, please provide details)	Yes Resource required from SFC for successful development of the college
<b>Date paper prepared</b>	11/04/2022
<b>Date of committee meeting</b>	20/04/2022
<b>Author</b>	Jane Lewis

<p><b>Link with strategy</b></p> <p>Please highlight how the paper links to the Strategic Plan, or assist with:</p> <ul style="list-style-type: none"> <li>• Compliance</li> <li>• National Student Survey</li> <li>• partnership services</li> <li>• risk management</li> <li>• other activity [e.g. new opportunity] – please provide further information.</li> </ul>	<p>Supports delivery of college strategy</p>
<p><b><u>Equality and diversity</u></b></p> <p>Does this activity/ proposal require an Equality Impact Assessment?</p>	<p>No</p> <p>If yes, please give details:</p> <p>Click or tap here to enter text.</p>
<p><b><u>Data Protection</u></b></p> <p>Does this activity/ proposal require a Data Protection Impact Assessment?</p>	<p>No</p> <p>If yes, please give details:</p> <p>Click or tap here to enter text.</p>
<p><b>Island communities</b></p> <p>Does this activity/ proposal have an effect on an island community which is significantly different from its effect on other communities (including other island communities)?</p>	<p>No</p> <p>If yes, please give details:</p> <p>Click or tap here to enter text.</p>
<p><b>Status</b> (e.g. confidential, non-confidential)</p>	<p>Non-confidential</p>

<b>Freedom of information</b> Can this paper be included in “open” business?*	Open
<b>Consultation</b> How has consultation with partners been carried out?	Click or tap here to enter text.

\* If a paper should **not** be included within ‘open’ business, please highlight below the reason.

Its disclosure would substantially prejudice a programme of research	<input type="checkbox"/>	Its disclosure would substantially prejudice the effective conduct of public affairs	<input type="checkbox"/>
Its disclosure would substantially prejudice the commercial interests of any person or organisation	<input type="checkbox"/>	Its disclosure would constitute a breach of confidence actionable in court	<input type="checkbox"/>
Its disclosure would constitute a breach of the Data Protection Act	<input type="checkbox"/>	Other [please give further details] Due diligence before release to staff	<input type="checkbox"/>

For how long must the paper be withheld? Click or tap here to enter text.

## **Update on Merger Business Case**

### ***Context***

The merger business case was submitted in May 2020 at the start of the global pandemic. There have been impacts on the activities and income generation of both merging parties and the new college. Which can be summarised as:

- Reduction in class sizes due to social distancing
- Practical training courses not running due to COVID restrictions
- Lack of income to canteen
- Lack of income for the Textile Facilitation unit

We are hopeful that these impacts will be reversed in the coming year although we have noted there have been changes in student behaviour over the last few years. In respect of our FE courses, we believe that return to face to face will be extremely helpful. In respect of these and HE courses student accommodation is key and in respect of training courses linked to industry our improved engagement with employers should help to ensure we offer course that are required in a timely fashion.

We have established a strategic plan aligned with that of UHI which is included as a separate attachment.

### ***Future Plans to improve sustainability***

#### ***Restructuring***

Since merger on 1<sup>st</sup> August, we have been running as a combined college. We are reviewing our structure and plan to reorganise senior management by May 2022. This will be followed by reorganisation of professional services and academic sections with a view to completion at the end of this academic year. We plan to run a voluntary severance scheme as part of this restructuring, which is reflected in the 5-year forecast.

Where there have been staff leaving, we have taken the opportunity to reshape where appropriate and have a policy of investing in our existing staff rather than automatic replacement. This has led to a reduction in head count of established staff from 127 to 122 in the year to date.

#### ***Curriculum***

Full time FE course numbers are only marginally reduced from 2020/21, however, they are around 20% less than average pre-pandemic FT FE enrolments. This continuing decline in FT FE student numbers is a trend that has been evident for Shetland's colleges as for others across Scotland.

HE full time figures are lower than last year, when colleges nationally saw a large increase in HE students due to pandemic related uncertainty. However, our current figure remains substantially higher than our average HE FT enrolments pre-pandemic. We note the emerging trend across the partnership and anticipate that we may see numbers return to a lower-level next year. Provision of

student accommodation would help to improve recruitment to UG HE courses. We feel a continued development of attractive Masters programmes will help to reverse this trend.

We have not met our targets for enrolment of Foundation Apprenticeship students this year. We are currently reviewing our offer to determine whether there are changes required to the courses to make them appropriate and attractive for future students. We are also working with schools to consider the senior phase offer from 2023 onwards.

We continue to take action to minimise the credit shortfall and have had recent successes with new courses. We are reviewing our existing offer to make it more modern, efficient, and attractive, and increased cross campus and partnership working within UHI is offering new opportunities for growth. Our school partnership vocational pathways programmes remain popular and achieve high attainment rates.

Recent areas of new delivery (using existing resources) have been made in counselling skills, tourism related provision, delivery of specialist nautical training (navigation and radar), online delivery of an international aquaculture course and online delivery of the International Computer Driving License. We have now introduced a regular portfolio review process which, with the lifting of merger uncertainties, is leading to reshaping of our portfolio and identification of new offers for the college. Each of our sections is in touch with relevant industries and we look to more locally focussed development in the future.

Our Modern Apprentices form an important element of our work for Shetland employers, and we currently support 280 apprentices across more than 40 framework pathways. 78% take UHI related courses and where possible we seek to place apprentices on such courses. Where an appropriate framework is not available, we link apprentices to other providers, and we keep our own offer under review in this light. We work closely with employers to establish their needs and try to identify relevant frameworks to support them. We look to provide the most relevant training programme to complement their time at work which will include block release, desk-based or remote training according to the requirements of the programme. Assessors will visit the candidates in the workplace which will sometimes involve bringing assessors up to Shetland or sending our assessors to their place offshore to their workplace, for Aquaculture for example. At the end of December, we had started 63 modern apprentices from a target of 94 for this financial year.

We are active on several skills-based initiatives in Shetland including working closely with emerging industries in the space and net zero sectors. We intend to seek funding to develop our offer in these key areas. We made application, through the UK Government's Community Renewal Fund, for revenue funding to grow parts of our engineering, construction and aquaculture provision, linked to developing our digital and blended-learning capacity. This was unsuccessful but we will be seeking to develop our aquaculture offer through the UK Seafood Fund Skills and Training Scheme. We recently tendered for the ECITB Scholarship Programme linked to the Energy Transfer Technician Pathway.

We are at present concluding our portfolio review for this year and will be articulating identified growth for the coming year, which we will report on separately in the forthcoming recovery plan.

## *Growth*

### Islands Growth Deal

Shetland UHI is playing a full part in the Islands Growth Deal. For the college directly, we are developing the campus redevelopment project to refurbish parts of the college and to make more use of the learning centres. Key features of this will be providing equipment to deliver activities linked to net zero (improvement of engineering) and improvement of student spaces. Through the Centre for Islands Creativity, we are playing a leading role in the development of the island's creativity and wellbeing project. We are also contributing to the Talented project and Shell-volution projects. We anticipate that there will be capital and revenue income flowing from these projects, none of which at present is reflected in our 5-year forecast, as these projects are still at outline business case with full business cases coming through later in the year.

### Student accommodation

Strategically it has been identified that for the college to be sustainable, and as part of the wider Shetland Partnership agenda to attract young people to the isles, we need to have student accommodation. As a short-term measure, we are working to refurbish a small number of rooms at the Scalloway Campus, which we hope to have available from the start of next academic year. Initially this should help grow our cadet programme and may also increase uptake on some of our degree programmes (although timing is tight in terms of being able to advertise availability of this for such programmes). This is not reflected in our present forecast. For the longer term we are working with Shetland Islands Council on making accommodation available as part of the Knab regeneration project (part of the Islands Growth Deal), this will provide a larger number of units for the future and increase opportunities for different courses to be delivered in Shetland.

### Centre for Sustainable Seafood

The expertise in the NAFC Marine Centre in fisheries and aquaculture and close links with industry is being developed into a Centre for Sustainable Seafood. We are undertaking consultation with key stakeholders and have developed a draft business plan to seek start-up funding to establish the centre. The start-up funding will contribute to the recruitment of a new professorial Chair in Sustainable Seafood, who will lead the establishment of the Centre, attracting research funding and developing new taught programmes. Feedback from industry partners to date has been extremely positive, particularly in relation to the engagement and focus on involving those who work in the seafood sector in the co-creation of research and education. In discussions with industry, we have recently increased our income for support of current staff undertaking research on pelagic fisheries. We are also planning to submit a bid to the UK Seafood Fund (UKSF) Skills and Training Scheme when it opens in May 2022 to further enhance our provision in these areas and contribute to the development of the Centre for Sustainable Seafood.

### Textile Facilitation Unit (TFU)

The TFU, which operates to support student teaching, as well as provide services to makers in Shetland was badly affected by COVID. Limited in-college working meant machines could not be accessed and orders fulfilled. We have taken the opportunity presented by the Centre for Islands Creativity being based in Shetland, to transfer the unit to the Centre and we will shortly undertake a

stakeholder engagement exercise to refresh and relaunch the unit. The refresh of the TFU aims to boost Shetland UHI's attractiveness to students outwith Shetland, while providing support to local small-scale textile manufacturers in Shetland and beyond.

#### Net Zero

There is a significant volume of current and planned activity in Shetland to facilitate the transition to net zero carbon emissions. Shetland is host to major developments in onshore and offshore wind, tidal energy, hydrogen production and decommissioning with more in the pipeline. To maximise the benefits of this to Shetland UHI, the wider UHI and the local community, we have recently been successful in securing funding for a dedicated Knowledge Exchange Co-ordinator to integrate academic and industrial interests for mutual benefit. We anticipate steady growth in skills provision in areas linked to net zero in the next few years and have plans to augment our facilities in engineering and construction to take advantage of this. There is also potential to develop research projects in partnership with UHI Academic Partners and Sectoral Groups.

#### Engagement with employers and community

As the new college for Shetland, we have been keen to engage as widely as possible with our local partners to raise awareness and identify opportunities. We are active participants in key local partnerships, such as the Shetland Employability Partnership and play a lead role in several sector-specific collaborations. Shetland UHI leads the Shetland Energy Skills Transition Partnership and co-chairs the Shetland Space Education and Employment Pipeline steering group. Shetland UHI colleagues recently delivered a presentation to the Shetland Business Forum covering our many offerings for young people and we take every opportunity to promote our provision and gather employers' views on their priorities. We are planning to launch a skills survey in partnership with Shetland Islands Council this summer to collect up-to-date intelligence on employers' needs and the priorities as we recover from the COVID-19 pandemic.

We are a vital part of the local community and serve an important role in Community Learning through both our campuses and our six learning centres. We are seeking to enhance our community presence through the campus redevelopment project, which aims to provide more flexible spaces for community use and community outreach – through the purchase of mobile equipment for teaching and learning.

## Shetland UHI

## Five Year Forecast

				Date prepared:	28/01/2022
<b>Years 1 - 5</b>					
Income & Expenditure Forecast	2021/22	2022/23	2023/24	2024/25	2025/26
Scottish Funding Council	3,334,947	3,402,909	3,482,654	3,530,075	3,565,251
Tuition Fees, Contracts & Grants	1,910,095	1,958,306	2,031,244	2,125,976	2,225,711
Research Grants and Contracts	683,492	731,746	776,017	815,128	847,978
Consultancy	164,103	190,605	215,613	235,190	247,044
Management & Service Fees	63,296	63,929	64,568	65,214	65,866
Other Income	447,071	454,042	461,082	468,193	475,375
Bank Interest	0	0	0	0	0
<b>TOTAL INCOME</b>	<b>6,603,004</b>	<b>6,801,537</b>	<b>7,031,178</b>	<b>7,239,776</b>	<b>7,427,224</b>
Employee Costs	-5,415,771	-5,051,097	-5,170,779	-5,290,025	-5,408,297
Distant Island Allowance	-288,661	-269,223	-275,603	-281,958	-288,262
Premises Costs	-384,123	-387,964	-391,844	-395,762	-399,720
Operating Costs	-1,092,584	-1,081,658	-1,070,842	-1,060,133	-1,049,532
Marketing	-22,446	-21,324	-20,258	-19,751	-19,356
Professional and Financial Fees	-465,797	-454,152	-445,069	-436,168	-427,444
Travel/Vehicle Expenses	-175,494	-175,494	-175,494	-175,494	-175,494
<b>TOTAL EXPENDITURE</b>	<b>-7,844,875</b>	<b>-7,440,913</b>	<b>-7,549,887</b>	<b>-7,659,291</b>	<b>-7,768,105</b>
<b>Surplus / (Deficit)</b>	<b>-1,241,871</b>	<b>-639,375</b>	<b>-518,708</b>	<b>-419,515</b>	<b>-340,881</b>

**Summary to accompany forecast**

The following narrative will hopefully aid understanding of the five year forecast that has been prepared for Shetland UHI.

At the time of preparing SUHI had been trading for 6 months and it this was produced with the best information available. The development of accounting system whilst operating has not provided us with an opportunity to delve into the detail of operations that we would have liked, therefore some broad assumptions have been included.

**Income**

- **Scottish Funding Council** – A high level curriculum summary was developed for new course offerings over the period being forecast. Following input from Director of Corporate Services, FE funding growth from new courses was included at lower level of certainty for years 1 to 3, before remaining static in years 4 and 5. HE growth has been viewed as an area where SUHI can make more positive steps with development of new masters and HNCs. Steady growth was again included over the five-year forecast, with a lower level of certainty in early years. Cumulatively this growth totals £269K over the forecast.
- **Tuition Fees, Contracts and Grants** – Reflective of the growth detailed above there is a growth in Tuition fees to match, plus a 1% inflationary increase.
- **Research Grants and Contract** – Growth in this area was included according to a growth profile, plus a 1% inflationary increase. This growth in income is offset by an increase in resources to provide for these activities.

- **Consultancy** – Similar to above growth was included to a profile and a 1% inflationary increase and viewed as an area where positive impact can be made from current levels.
- **Other Income** – minor adjustments to reflect inflationary increases of 1% and funds to support new course development.

### Expenditure

- **Employment Costs** – Changes resulted from development of management team and staffing restructure as per previous Financial Business Case resulting in efficiencies. Offset by harmonization to NRPA for Scalloway Campus lecturers. Changes anticipated to occur at end of current academic year and continuing into AY22/23. As mentioned above additional research staff costs to resource increase in activity. Pay awards assumed at 2% per annum.
- **Premises Costs** – increase in costs anticipated now that SUHI are solely responsible for maintenance of facilities. Facilities are ageing and significant spend required to update. SUHI will vacate the Train Shetland building in July 2022, however any efficiencies in spend are not expected to be realized. Expenditure subject to a 1% inflationary increase.
- **Operating Costs** – Efficiencies of 1% anticipated over course of 5-year period. Included within these costs will be grant funded project activity as well as core operating costs.
- **Marketing** – **Not a material cost attributed, and subject to 1% efficiencies.**
- **Professional & Financial Fees** – Efficiencies of 2.5% to 2% anticipated. Additional costs have been incurred in AY21/22 through purchase and development of systems that were not transferable at point of merger (HR, Payroll, Finance). Included within these costs will be grant funded project activity as well as core professional and financial costs.
- **Travel/Vehicle Expenses** – Static throughout, and please note that majority of travel costs are funded through grant funded projects.