



an acceptable explanation was given at the meeting which did not necessitate the need to amend the report.

The appropriate membership changes on page 15 of the annual report were made and approved by the Corporation at the meeting held on 15 December 2016.

Under the opinion of the financial statements it was noted that auditors 'give a true and fair view of the College's affairs as at 31 July 2016 and of the College's deficit of income over expenditure for the year then ended' yet the accounts show a surplus. The deficit refers to total comprehensive income which is stated after the actuarial loss has been deducted in respect of pension schemes. The auditors upon challenge responded that 'the wording on the audit reports is standard and prescribed by auditing standards and reference to surplus/deficit is factual in its nature. If it is any consolation, the word deficit would appear in every College audit report as it is expected that all actuarial movements would be expected to have moved in the same way across the sector'.

The Corporation approved the Financial Statements and Annual Report for the year ending 31 July 2016 at the meeting held on 15 December 2016.

#### **9 Property Update**

A date is to be agreed for the next meeting of the Property Task and Finish Group. The Clerk is to convene a meeting.

JBridges

#### **Finance Items**

#### **4 Financial Regulations Review**

There are a number of proposed highlighted changes to the Financial Regulations as a consequence of the annual review. A subsequent change that has arisen since the release of the document to the Committee concerns the JACOP (Joint Audit Code of Practice) which is now known as the Post 16 Audit Code of Practice. Subsequent amendments have been made in the document to reflect the change and this will be taken to the Corporation meeting to be held on 24 March 2017 for approval. The Committee agreed the amended version received and will recommend to the Corporation that the document is approved at the meeting to be held next week.

#### **5 Full Time Applications 2017/18**

Full time applications for 2017/18 are ahead of those at the same point last year, this is against a challenging demographic dip and is therefore encouraging. Demographically the number of potential students for 2017/18 is less than previous years and this decline will be a trend for the next five years. Knowing this in advance has enabled us to prepare for a difficult recruitment year and extensive work has and continues to take place throughout the whole College to address these concerns and to ensure we continue to be in a stable position.

The Committee questioned the conversion rate from application to enrolment and wondered if the number of applications were up purely because young people were applying earlier than usual. It is believed that this is not the case but recruitment now is more focused on keeping applications warm and encouraging expediency of interviews with applicants to ensure that they make their choices and confirm their enrolments now.

It was noted that a KPI is to be established to monitor the application and enrolments of HE students against income. This will be picked up as part of the review of our KPIs at the meeting that is to be convened.

**6 Finance Report – January 2017**

The Committee was pleased to see a reported re-forecasted position in the accounts.

It was noted that Gas and Oil continues to underperform against budget although it was pleasing to learn that a new contract has been secured which will improve the forecast year end outturn. A change in management has positively impacted the performance of this area and the performance of other full cost course work which has significantly overachieved against budget will help plug the gap against budget exposed by Gas and Oil. In terms of future budget levels the Committee is keen for this to remain realistic and may be set at a figure of on/around the £350K mark however if performance improves by the year end and actual achieved is closer to the £400K budget then the budget for 2017/18 will be revisited.

The Committee asked if the positive variance on the fee income line (1.05) is due to the phasing of the budget rather than a true positive variance. The Head of Finance confirmed that this is difficult to determine as it could be one of three reasons or a combination of all. She is to look at the phasing of the budget to ascertain the reason for the possible positive variance at this time of the year.

It was noted that the forecast cost of depreciation has changed to reflect the increased life span of the asset of the Suffolk House refurbishment cost but it was questioned if the accounts include an increased cost to maintain the asset based on the assumption that the depreciation period is likely to be extended. It was confirmed that the duration of the depreciation period was not tied to the likely replacement date and that even if the depreciation period remained unchanged the asset would be retained and continue to be maintained for its useful life. In the case in question, the main element consisted of windows, cladding and roofing installation of which the first two had no active ongoing maintenance costs as such.

The Committee commented that the SFA Apprenticeship forecast income has increased by £200K but this has been offset by an increase of £205K in partner costs and queried if there was a direct link between the payments in and out. The Vice Principal Finance and Resources confirmed that there was no direct link as the payment out for partner costs were payments that had not been originally budgeted for and were for the Inspire Suffolk contract and unpredicted take up of Trailblazer apprenticeships.

The changes made to the balance sheet in relation to FRS102 were recognised and accepted by the Committee.

**7 Key Performance Indicators**

Enrolments of 16-18s are slightly down against target but it is expected that the position will improve by the year end. More enrolments are anticipated through Princes Trust, Traineeships and Access to Education courses. If the student numbers (funded allocation) isn't achieved this will impact income in the 2018/19 academic year due to the lagged funding rule.

For both adult apprentices and 16-18 apprentices the partner income and costs are showing as above budget. The SFA adult income is showing as under budget as at January year to date but is expected to achieve budget by the year end.

The staff costs to income ratio is calculated at 63% which is lower than forecast for the year. This reflects both the position of staff costs being under budget by £399K as at January year to date, and also income being over budget by £180K. This percentage is expected to increase (forecast year end at 67.9%) as the rest of the year passes and the full year forecast shows a weaker position than budget but this is because the full year forecast reflects the reduced Deferred Capital Grant income.

Banking covenants all remain compliant (green status) and the Vice Principal Finance and Resources has continued discussion with the account manager at the Bank to discuss what changes need to be made to the covenants to accommodate the impact of FRS102. Early proposals look encouraging and negotiations continue to take place.

**8 Sub Contract Provision Performance**

The College is working with the provider who has unfortunately gone into receivership. There were 37 learners affected and work is continuing to confirm the status of their learning for all of these individuals. Financially for the College this could impact us by £12K but we are managing the contract out and working with each student individually to ensure that their learning continues or ceases at the appropriate time and they achieve their qualification if required. Our due diligence process identified financial uncertainty with this provider and therefore the decision was made not to offer new starts in this academic year. Going forward it is unlikely that we will be entering into sub contract arrangements with providers that we are not familiar with. The Committee asked that the Vice Principal Employer Engagement reassesses our due diligence processes to determine if they need to be enhanced in order to mitigate against any potential financial loss in the future or negative impact upon the learner experience and outcomes. Her findings will be reported back to the Committee.

L Moody

**9 SFA and EFA Funding Allocations**

The SFA allocation is still unknown and there is delay with the announcement of the tender for the SFA apprenticeship funding for non-levy paying employers but the SFA are still saying that this will be announced by the end of March 2017. The apprenticeship funding pot totals £460m and the SFA has received applications totalling over £1bn so decisions on allocation have subsequently been delayed. The AEB allocation is also still unknown although the national budget has remained the same as 2016/17 but we do know that the EFA allocation for 2017/18 will be a reduction of £170K.

**Property Items**

**10 Property Update**

The lease of Mildenhall Learning Centre expires in January 2018. There has only been interest from one party and that interest has waned over the last few months so it looks unlikely that anything fruitful will result. The non-assignment of the lease will have a consequent negative impact on the budget but this has been accounted for as part of the reforecast work undertaken and presented in the Finance report (above). The Committee was in support of the decision not to reassign the lease.

The IP City Centre lease comes to an end in March and after a combination of sourcing alternative sites and negotiating the details of a further lease at IP City over the last 3 months it is proposed to enter a new 3 year lease at IP City that contains annual break clauses for maximum flexibility. Alternative opportunities in Ipswich will continue to be sought in order to optimise the College's operations in Ipswich. Any proposal concerning a new lease will be put to the Corporation for approval.

SJones

Preparation of the Summer works schedule has begun and will be a combination of those works proposed by the Estates Department plus feasible proposals arising from the operational planning process. The budget for summer works is only around £40K but we need to revisit what works are undertaken under the gift of the approval of the Chair of the Committee. Members approved this course of action.

*Confidential item under paragraph 18(2) of the Instrument and Articles of Government*

**11 Committee Meeting Times**

The Clerk will look to convene meetings of the Committee in the 2017/18 academic year on a Wednesday at 4.00pm.

JBridges

**12 Any other business**

The College is hosting its Open Event this evening. Members are invited to attend and be part of the event.

**Date of next meeting**

Wednesday 17 May 2017 at 4.00pm. Room TG1.16.

The meeting closed at 5.35pm