Birmingham Metropolitan College
Annual Report and Financial Statements

For the year ended 31st July 2022

Contents

Reference and Administrative Details

Key management personnel are defined as members of the College Senior Leadership Team and were represented by the following in 2021/22:

Patricia Carvalho; Principal and CEO; Accounting Officer
Simon Eaton; Chief Financial Officer
Stephen Belling; Company Secretary
Zoe Lee; Director – Marketing and Communications
Fiona Yardley; Director – Finance
Alison Jones; Director – HR and Development
Rachel Jones; Vice Principal IT and Data
Andrew Crowther; Director – Estates and Facilities
Ben Gamble; Vice Principal James Watt College
Jan Myatt; Vice Principal Matthew Boulton College
Anna Jackson; Vice Principal Sutton Coldfield College
Suzie Branch-Haddow; Vice Principal External Development
Susan Hopewell; Vice Principal Curriculum and Quality

Board of Governors

A full list of Governors is given on page 12-13 of these financial statements. Mr S Belling acted as Company Secretary from 1st August 2021 to the date of the signing of these financial statements.

Professional advisers
Financial statements auditor and reporting accountants:

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Internal auditor

BDO Stoy Hayward LLP
Emerald House
Epsom
Surrey. KT17 1HS

Banker:

Barclays
PO Box 3333
One Snowhill
Snow Hill Queensway
Birmingham. B3 2WN

Solicitor:

Freeths LLP
The Colmore Building
Colmore Circus
Birmingham. B4 6AT

Strategic Report

Operating and Financial Review

OBJECTIVE AND STRATEGY

The members present their report and the audited financial statements for the year ended 31 July 2022.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Birmingham Metropolitan College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

Mission
The College's mission, as approved by its members is 'Inspiring Futures, Realising Dreams.' The College will achieve its mission by focussing on its strategic goals, which focus on five areas and are set out as follows:

- *be a significant contributor to skills development in Birmingham and the City Region (KPI 1);*
- *provide a consistently high-quality learning experience (KPI 2);*
- *equip our students for the future (KPI 3);*
- *be an inspiring place to work (KPI 4); and*
- *have a strong financial base to invest in a sustainable future for the college (KPI 5).*

In order to achieve these strategic goals, the College will build on its core values. The College values, which define how we operate, are:

- We are passionate to see our students achieve their full potential.
- We create an environment that is ready, respectful and safe.
- We see strength in our diversity and strive for equality of access and opportunity.
- We are inspired to be creative and continually develop our professional practice.
- We are three colleges, one team

The College's annual business plan set out specific 2021/22 objectives within the context of the overall mission, values and goals explaining what actions the College would take towards achievement of these objectives and how the College would measure success. Further detail is contained in the Key Performance Indicators section below.

COVID-19
During 21/22 the college continued to see the impact of Covid 19 on the operations of the organisation. Early enrolments at the start of the year were affected particularly amongst adult students and many of the college's 'return to work' type provision saw very low levels of participation. This was further impacted by the return of limited restrictions in the post-Christmas period of the year.

In the second half of the Spring term the college saw numbers start to increase again and this improved further in the Summer term with growth in numbers of adults being referred to the college and attending training. Despite the late growth in demand the college still did not fully recover its adult numbers and the college again failed to meet its allocations from both the WMCA and ESFA. Despite the impact of Covid 19 affecting all colleges in the sector the ESFA decided to implement clawback with no changes to the pre-pandemic recovery threshold and WMCA followed this lead.

16-18 numbers were less impacted by Covid 19 at enrolment but there were additional issues for students whose school provision had been severely affected by the previous lockdowns.

Resources
The College has various resources that it can deploy in pursuit of its strategic objectives.

The College employs 624 people (expressed as full-time equivalents), of whom 351 are teaching staff.

The College enrolled approximately 11,022 students. The college's student population includes 4,819 16-to-18 year-old students and 6,203 adult learners, including 840 apprentices and 265 higher education students.

The College has £17 million of net reserves (having taken account of a £18 million pension liability) and long-term debt of £7.4 million*. During the year the College had tangible resources comprised of 5 sites throughout the West Midlands Combined Authority area. The College has continued to reduce its overall estate during the year with the disposal of leased premises at Jennens Road in the early part of the year.

*Bank and PMO loans are currently all classed as short-term borrowing due to the breach of loan covenants.

Stakeholders

The College has many stakeholders including:

- its current, future and past students;
- its staff and their trade unions;
- the employers it works with;
- the professional organisations in the sectors where it works;
- its partner schools and universities; the wider college community;
- its local borough councils, combined authority and Local Enterprise Partnership
- the ESFA, WMCA, OfS and other funding bodies

DEVELOPMENT AND PERFORMANCE

Financial Results

The College generated a deficit in the year of £3,384k (2020/21 a deficit of £688k), with a total comprehensive income of £43,437k (2021/21 £5,108k) following an actuarial gain in respect of pension schemes of £47,083k. In 2021/22 the college failed to meet the income expectations of the financial recovery plan originally agreed with the ESFA and lenders and as a result moved from 'good' financial health back into 'requires improvement' at the year end. The College's deficit was adversely impacted by the write-off of a number of assets during the year most of which were refurbishment costs dating back several years.

During the year the College continued to receive additional Catch-up funding from the ESFA which was used to support 16-18 year-olds who were affected by school lockdowns due to Covid -19 restrictions, use of this funding increased from £162k in 20/21 to £744k in 21/22.

Overall income has decreased by over £6,100k compared to 2020/21 this is due to a number of factors but is the key reason why the college has not been able to adhere to the recovery plan. Approximately half of the reduction is due to a reduced 16-18 allocation arising from a combination of not achieving target numbers and the disposal of college sites. Over the same period FE loan income has reduced significantly due to the availability of additional fully funded adult courses which has meant fewer fee paying learners. A further £1,000k of the income reduction relates to the completion of the FE Condition (FECA) capital monies however costs have decrease in line with this element of the reduction.

Teaching staff costs have only decreased by around £500k over the same period despite a reduction of 27 staff and this is the key reason why the deficit has grown so much. Non-pay costs saw a significant reduction of

£2,500k of which £1,000k was the FECA works with remainder relating to reduced delivery costs and savings through budgetary controls.

Comprehensive income improved significantly in the year to £43,437k (£5,108k in 20/21) resulting in accumulated reserves of £17,158 (20/21 -£26,280k). By far the biggest part of this improvement was due to a significant positive movement on the pension scheme valuation of £47,083k leading to a significantly reduced pension deficit. There was also a net loss of £261k on the write off of fixed assets.

The College has cash balances of £7,639k (20/21 £10,993k). Part of the decrease in cash during the year was the repayment of £2,825k of clawback relating to both 19/20 and 20/21.

Tangible fixed asset additions during the year amounted to £1,357k. This is split between assets under construction of £516k and equipment of £841k. The college continues to adopt a very tight Capital Expenditure policy whilst ESFA loan repayments are required in line with the recovery plan. As and when the future financial performance of the college improves more funds will be able to be set aside for capital improvements but is expected to continue to track materially under depreciation levels for the next 2-3 years.

Reserves

The College has accumulated reserves of £17,158k and cash and short-term investment balances of £7,639k. The College long term aim is to accumulate reserves and cash balances in order to create a contingency fund and to allow further investment in resources.

Sources of income

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2021/22 the funding bodies provided 91% of the total income (20/21 – 87%). This has increased in the last year due to the loss of a contract with the NHS and the introduction of the National Skills fund which has caused adult loan income to reduce as more level 3 courses become fully fundable from ESFA and WMCA allocations.

FUTURE PROSPECTS

Developments

Over the last year the College has continued to invest in improvements to the estate and IT infrastructure across all campuses. Following the disposal of sites in previous years the organisation continued to concentrate its work in the greater Birmingham area and focussing on its provision at the 3 main Birmingham sites at Matthew Boulton, James Watt and Sutton Coldfield. In addition the college continued to operate at the Erdington Skills Centre and at rented space at the Botanical Gardens.

During the year the college was inspected by Ofsted and although there were a number of improved areas the overall rating remained as 'Requires Improvement'. The College is currently working on its Improvement Plan to deliver improvement in the Quality of Teaching & Learning and has also volunteered to work with the FE Commissioner's team to develop a Single Improvement Plan (SIP). The SIP will not only support work to improve teaching and Learning but will also support with financial planning in order to improve financial sustainability.

Following the appointment of a new principal in 20/21 there were no further significant management changes to the college in the year and the strategic plan was updated in line with the previous objectives of maintaining the focus on high quality provision from a sound financial base. The strategic plan will be updated early in 22/23 in order to further develop the plan and to take the organisation all the way to 2030.

Financial health

Improving the College's financial health is a key priority. Despite achieving good financial health for the 20/21 period the reduction in income for the year combined with the failure to achieve the AEB allocation from both ESF and WMCA means that the college is once again in 'requires improvement' financial health. The college has failed to meet its bank covenants largely as a result of negative cash generation and the resulting clawback will also mean that the college will not achieve current bank covenants in 22/23 either. The college plans to grow its 16-18 provision back to pre-covid levels and thereby return to the income levels seen previously. In order to meet bank covenants the college will need to ensure that it does not incur clawback liabilities moving forward as this will seriously hamper the ability to abide by the current covenants.

Financial plan

The College governors approved a budget in July 2022 which sets out objectives for the period to 2023/24 including targeted growth in 16-18 student numbers following the decline resulting from the pandemic. This plan has been shared with the ESFA. Under the plan the College will remain in financial health rating of 'Requires Improvement' during the whole of 22/23 before improving to 'Good' during 23/24 due to the improved cash generation.

Treasury policies and objectives

Treasury Management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College has a separate treasury management policy.

Short-term borrowing for temporary revenue purposes is authorised by the Accounting Officer. Such arrangements are restricted by limits in the Financial Memorandum with the ESFA. All other borrowing requires the authorisation of the Corporation and complies with the requirements of the Financial Memorandum of the Education Skills Funding Agency.

During the year the College breached its Bank covenants with the Department for Education, Barclays Bank plc and Lloyds Bank Plc. The key reason for the breaches was the significantly reduced level of income compared to the forecasts used when the covenants were set and the negative cashflow arising from both the reduced income and clawbacks for underperformance in 19/20 and 20/21.

Cash flows and liquidity

A net cash outflow of £3,354k in 2021/22 (20/21: cash inflow of £4,665k). The net cash outflow was impacted by repayments of clawback totalling £2.825m for WMCA, £244k for ESFA and £403k relating to the VAT on the Hagley Road campus which was disposed of in previous years.

Reserves

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support the College's core activities. As at the balance sheet date the Income and Expenditure reserve stands at £11,998k (2020/21: -£31,603k). It is the Corporation's intention to improve reserves over the life of the strategic plan through the generation of annual operating surpluses.

Going concern

Notwithstanding net current liabilities of £9,417k as at 31 July 2022, a deficit before other gains and losses for the year then ended of -£3,646k and cash outflows for the year of £3,336k, the financial statements have been prepared on a going concern basis which the Corporation considers to be appropriate for the following reasons.

The Corporation has prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the College will have sufficient funds to meet all of its liabilities as they fall due for that period.

The College had bank loans with Lloyds and Barclays totalling £4,384k at 31 July 2022 as well as a loan of £4,330k with the ESFA. The College was in breach of its bank covenants with all three lenders at 31 July 2022. The College is in discussions with its lenders to waive these breaches and to reset the covenants going forward however these negotiations have not been concluded. Both the Banks and the ESFA remain supportive of the College and the Corporation is confident that the new loan covenants will be agreed.

The Corporation has set a deficit budget for 2022/23 in order to fund anticipated growth in 16-18 learner number and reduced income levels across a number of income streams including ALL and HE. The Corporation anticipates that the growth in 16-18 learners will be fully funded in 23/24 and will address the deficit position. During 21/22 the college has continued to manage its costs and expects to be able to do so again in 22/23 in order to address the cash outflows that have impacted on the college's ability to comply with bank covenants. A further uncertainty is introduced by the reclassification of colleges to the public sector by the Office for National Statistics and consequent imposition of conditions by the DfE in respect of new or re-negotiated borrowing.

Based on the above indications the Corporation believes it is appropriate to prepare the financial statements on a going concern basis. However, the above circumstances represent a material uncertainty which may cast significant doubt on the College's ability to continue as a going concern and therefore to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk management

The College has developed strategies for managing risk and strives to embed risk management in all that it does. Risk management processes are designed to protect its assets, reputation and financial stability. The governing body has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement on Corporate Governance.

A risk register is maintained at the College level which is reviewed at least annually by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

The main risk factors affecting the College are outlined below along with the action taken to minimise them. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

- The College does not generate enough cash to effectively operate.
- Quality of teaching and learning does not improve, and learners do not make sufficient progress.
- The College has seen student numbers decline over recent years in key 16-18 and 19+ markets.

These risks are mitigated in a number of ways:

- Implementation of a rigorous Quality Assurance process to ensure the quality of teaching and learning improves;
- Monitoring of targets to identify areas of weakness before an issue arises and development of action plans to manage such weaknesses;
- Improved cash flow forecasting processes and ensure these are fully integrated with income forecasting process;

- Planning and marketing provision in order to recover student numbers to pre-pandemic levels.

KEY PERFORMANCE INDICATORS

The Corporation receives regular reports tracking the key performance indicators for the College as agreed as part of the Business review process. The final KPI's for 2021/22 are shown in the table below with appropriate RAG ratings, in many instances the achievement of the KPI has been impacted by the continued Covid disruptions during the year. These KPI's are monitored throughout the year and inform action planning for the following year:

Measure	Target	Actual	RAG	Measure	Target	Actual	RAG
KPI 1				KPI 2			
16-18 enrolment	4,634	4,626		OFSTED grade of Good	2	3	
Applications 22/23	5,654	5,232		Retention of 16-18	94%	94%	
16-18 acceptance of offers	2,700	2,631		Teaching observations meet standards	80%	74%	
WMCA priority 2 funding	£1,942k	£969k		Students recommend the college	97%	95%	
WMCA priority 3 funding	£1,011k	£509k		Students agree teaching is good	97%	98%	
Leavers into employment	30%	24%		Student attendance	90%	86%	
KPI 3				KPI 4			
16-18 Work experience	90%	75%		Staff satisfaction meets benchmark	82%	86%	
348 Industry placements CDF	348	372		Staff positive on I&D approach	80%	88%	
Priority apprentice starts	352	344		Approach to health and Wellbeing	60%	72%	
Deliver SWAPs	10	10		Sickness absence (excl. CV-19)	3.8%	4.7%	
Staff take industrial updating	75%	0		Staff Turnover	9%	11.1%	
KPI 5							
EBITDA % of income	5%	7.9%					
Cash days	47	66					
Current Ratio	0.87	0.8					
Staff costs as % income	65%	67.2%					

OTHER INFORMATION

Public Benefit

BMet is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 12 & 13. In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education.

In delivering its mission, the College provides identifiable public benefits through the advancement of education to students, including students with high needs. The college provides courses without charge to young people, to those who are unemployed, and to adults taking English and maths course. The college adjusts its courses to meet the needs of local employers and provides training to 840 apprentices. The college is committed to providing information, advice and guidance to the students it enrols and to finding suitable courses for as many students as possible regardless of their educational background.

Diversity and Inclusion

Diversity and Inclusion (D&I) is pivotal to BMet's organisational culture and success. We are passionate about offering inclusive working and learning environments where everyone is treated with dignity and respect and is able to participate, progress and thrive. This starts with valuing and celebrating all of the differences that make us unique, including, but not limited to, ability, age, gender, pregnancy & maternity, sexual orientation, race, and religion & belief.

The College's Equality and Diversity Policy, Diversity and Inclusion Strategy, Annual Equality Report and Equality Objectives outline the organisation's commitment and progress towards fully integrating D&I into all aspects of college life. These are published on BMet's website.

The College works hard to remove conditions which may place people at a disadvantage. We pay particular attention to preventing direct and indirect discrimination that affects the legally recognised protected characteristics, including disability.

The College has committed to the 'Mindful Employer' initiative to assist the mental health wellbeing of staff.

Disability statement

BMet strives to fulfil our statutory responsibilities towards disabled people set out in the Equality Act 2010 and the Public Sector Equality Duty 2011 by:

- Actively encourage diversity and different perspectives improving representation of our community at all levels of the college.
- Offering a fair wage and employment terms and conditions recognising these are fundamental to social and economic inclusion.
- Achieving equality of outcome as well as equality of opportunity.
- Taking a 'usualising' approach to integrating diversity and inclusion, ensuring different identities, especially hidden or absent identities, are included in everyday teaching and learning.
- Going beyond the five 'F's (food, fashion, famous people, flags and festivals) with celebratory events and activities to develop deeper cultural understanding and avoiding the exotification of groups and cultures which can perpetuate harmful stereotypes.
- Employing the social model of inclusion of disability and work to remove barriers that allow for full participation and success.
- Treating disability as the norm rather than exception; rewarding genuine achievement for our disabled students and staff.
- Overcoming the difficulties of balancing the needs of diverse people and groups and work to strengthen the commonalities we share.

The College is a DWP '**Disability Confident Employer'** which reflects our work around proactively employing and retaining disabled people. This involves actively looking to attract, recruit and retain disabled people by providing a fully inclusive and accessible recruitment process and supportive environments to enable people to be their very best.

Trade union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the college to publish information on facility time arrangements for trade union officials at the college

Numbers of employees who were relevant in the period	FTE employee number
10	9.49

Percentage of time	Number of employees
0%	1
1-50%	9
51-99%	0
100%	0

Total cost of facility time	£23.2k
Total pay bill	£25,116k
Percentage of total bill spent on facility time	0.09%

Time spent on paid trade union activities as a percentage of total paid facility time	100%

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. During the accounting period 1 August 2021 to 31 July 2022, the College paid 39% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

DISCLOSURE OF INFORMATION TO AUDITOR

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditor are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Corporation on 15 December 2022 and signed on its behalf by:

Sir Dexter Hutt

Chair of the Corporation

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2021 to 31 July 2022 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges (2015) as from time to time amended ("the FE Code"); and
iii. having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the governors, the College complies with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2022. The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of, and is substantially compliant with the Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.`

The Corporation

The members who served on the Corporation during the year and up to the date of signature of this report were as listed in the table below.

Name	Date of Appointment	Expiry of Term of Office	Date of Resignation	Status of Appointment	Committees Served	Corporation & Committee Attendance
Hilary Smyth-Allen	20 October 2016	19 October 2024		Independent	Finance Committee Remuneration Committee	**11 of 12**
Angela Myers	27 April 2018	26 April 2026		Independent	Academic Standards and Quality Development	**14 of 14**
Prue Huddleston	20 December 2018	19 December 2022		Independent	Academic Standards and Quality Development Governance and Search Remuneration Committee	**13 of 14**
Sir Dexter Hutt	14 March 2019	13 March 2023		Independent (Chair)	Finance Governance and Search Academic Standards and Quality Development Remuneration Committee	**18 of 18**
Iqbal Mohammed	20 December 2018	19 December 2022		Independent	Audit	**4 of 10**
Peter Croom	12 September 2019	11 September 2023		Independent	Finance	**7 of 8**
Asha Devi	9 July 2019	8 July 2023	28.2.2022	Independent	Finance	**3 of 4**

Helen Miles	29 November 2019	28 November 2023		Independent	Audit Committee Remuneration Committee	**10 of 10**
Alaric Rae	12 November 2020	11 September 2023		Independent	Audit Committee	**10 of 10**
Christine Tolley	12 November 2020	11 November 2024		Independent	Academic Standards, Quality and Development	**8 of 14**
Gobinder Gill	9 September 2021	8 September 2023		Staff Governor	Academic Standards, Quality and Development	**14 of 14**
Natalie Alleyne	10 September 2020	31 August 2022	31.08.2022	Staff Governor	Academic Standards, Quality and Development	**13 of 14**
Afzal Hussain	16 December 2021	15 December 2025		Independent Governor	Academic Standards, Quality and Development	**10 of 11**
Sharon Isaacs	16 December 2021	15 December 2025		Independent Governor	Audit Committee	**9 of 9**
Kashema Wray	16 December 2021	31 August 2022	31.8.2022	Student Governor	Academic Standards, Quality and Development	**2 of 9**
Mubasher Rasul	16 December 2021	31 August 2022	03.02.22	Student Governor	Academic Standards, Quality and Development	**2 of 5**
Anjali Singh	16 March 2022	31 August 2022	31.8 .2022	Student Governor	Academic Standards, Quality and Development	**1 of 4**
Leah Ali-Hussain	16.December 2021	31 August 2022	31.8 .2022	Student Governor	Academic Standards, Quality and Development	**3 of 9**

Mr Stephen Belling acted as the Company Secretary for the period 1st August 2021 to the date of the signing of these financial statements.

Statement of Corporate Governance and Internal Control *(continued)*

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and risk management measures. The Corporation meets as a minimum on a termly basis and holds a number of "keeping in touch" sessions with management between meetings to keep informed of College matters.

The Corporation conducts its business through a number of committees. During 2021/22 the following committees were in place; Audit, Remuneration, Governance and Search, Finance & Business Development, and Academic Standards and Quality Development. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at www.bmet.ac.uk or from the Company Secretary:

Birmingham Metropolitan College
Jennens Road
Birmingham
B4 7PS.

The Company Secretary maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Company Secretary, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Company Secretary are matters for the Corporation as a whole.

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are also provided on an ad-hoc basis.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chair of the Corporation and Accounting Officer of the College are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Governance & Search Committee comprising of five members of the Corporation (including the Principal) which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years, with extensions allowing a maximum term of office of eight years, with extensions beyond that being granted only in exceptional cases.

Statement of Corporate Governance and Internal Control *(continued)*

Corporation performance

The Corporation undertakes ongoing evaluation of its own performance and this year resolved to set aside development days in October and May to create additional time for strategic discussion and review.

Remuneration Committee

Throughout the year ending 31 July 2022, the College's Remuneration Committee comprised of four members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior post-holders as appropriate. As the majority of senor post holders were new to post the Remuneration Committee did not meet and responsibilities of the Committee were assumed by the full Corporation.

Details of remuneration for the year ended 31 July 2021 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprises of four members of the Corporation (which exclude the Accounting Officer and Chairman). The Committee operates in accordance with its written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal and financial statement auditor, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main funding bodies as they affect the College's business.

The College's internal auditor review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

Management is responsible for the implementation of agreed recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal and financial statements auditor and their remuneration for audit and non-audit work as well as reporting annually to the Corporation

Internal Control

Scope of responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between the College and the ESFA. She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Birmingham Metropolitan College for the year ended 31 July 2022 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2022 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

The system of internal control is based on a framework of regular management information, administration procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Corporation
- Regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts
- Setting targets to measure financial and other performance
- Clearly defined capital investment control guidelines
- Following confirmation The adoption of formal project management disciplines, where appropriate

The College has an internal audit service, which operates in accordance with the requirements of the ESFA Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee.

As a minimum, the Head of Internal Audit (HIA) annually provides the Corporation with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes. The report includes an independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

As the Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The Principal's review of the effectiveness of the system of internal control is informed by:

- The work of the internal auditor
- The work of the executive directors within the College who have responsibility for the development and maintenance of the internal control framework
- Comments made by the College's financial statements auditor, the regularity auditor, and the funding assurance auditor in their management letters and other reports

The Accounting Officer has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor, and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Executive Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Executive Team and Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation receives reports from the Executive Team and the Audit Committee in relation to internal audit and other risks. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

Going concern

As detailed in the going concern section of the Operating and Financial Review on pages 7 & 8, notwithstanding a deficit before other gains and losses for the year then ended of -£3,646k and operating cash outflows for the year of £3,336k, the financial statements have been prepared on a going concern basis which the Corporation considers to be appropriate.

Based on the indications detailed on page 8, the Corporation believes it is appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty which may cast significant doubt on the College's ability to continue as a going concern and therefore to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Events after the reporting period

On 29 November 2022 the Office for National Statistics published its decision to reclassify the statutory further education sector into the central government sector. The government have confirmed that colleges will retain their surpluses and be able to carry them over from one year to the next, but the transfer to the public sector will mean that colleges will be subject to the public sector framework for financial management as set out in the Managing Public Money document published by HM Treasury.

Approved by order of the members of the Corporation on 15 December 2022 and signed on its behalf by:

Sir Dexter Hutt
Chair of the Corporation

Pat Carvalho
Principal and Chief Executive Officer

Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency of material irregularity, impropriety and non-compliance with the Education and Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Education and Skills Funding Agency. As part of our consideration we have had due regard to the requirements of the financial memorandum.

We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are not able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Education and Skills Funding Agency's terms and conditions of funding under the College's financial memorandum.

We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the Education and Skills Funding Agency

Sir Dexter Hutt	Pat Carvalho
Chair of the Corporation	*Principal and Chief Executive Officer*
15th December 2022	*15th December 2022*

Statement of the responsibilities of the members of the Corporation

The Corporation is responsible for preparing the Members' Report and the Corporation's Statement of Governance and Internal Control and the financial statements in accordance with the College's Financial Memorandum with the Education and Skills Funding Agency (ESFA) and applicable law and regulations.

They are required to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.* The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the ESFA.

The Corporation are required to prepare financial statements which give a true and fair view of the state of affairs of the College and of their income and expenditure, gains and losses and changes in reserves for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

The Corporation is responsible for keeping adequate accounting records that are sufficient to show and explain the parent College's transactions and disclose with reasonable accuracy at any time the financial position of the parent College. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

The Corporation are also responsible for ensuring that:

- funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions attached to them;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the College's resources and expenditure.

The Corporation is responsible for the maintenance and integrity of the corporate and financial information included on the College's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by order of the members of the Corporation on 15 December 2022 and signed on its behalf by:

Sir Dexter Hutt
Chair of the Corporation

Independent Auditor's Report to the Corporation of Birmingham Metropolitan College

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Birmingham Metropolitan College ("the College") for the year ended 31 July 2022 which comprise the Statement of Comprehensive Income and Expenditure, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2022, and of the College's income and expenditure, gains and losses and changes in reserves, and cash flows, for the year then ended; and

- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland,* and with the 2019 *Statement of Recommended Practice – Accounting for Further and Higher Education*.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the College in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to the Going Concern disclosures in note 1 to the financial statements which indicate that the College is dependent on the continued support of its bankers for the continued provision of loan facilities and the Education Skills and Funding Agency (ESFA) for short term cash/low support. These events and conditions, along with other matters explained in note 1 indicate that a material uncertainty exists that may cast significant doubt on the College's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Going concern basis of preparation

The directors have prepared the financial statements on the going concern basis. As stated above, they have concluded that a material uncertainty related to going concern exists.

Our conclusion based on our financial statements audit work: we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Corporation, the Audit Committee, internal audit and inspection of policy documentation as to the College's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the College's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.

- Reading Board and Audit Committee minutes.

- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet loan covenants and regulatory performance targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk of understatement of potential clawback of adult funding where funding targets have not been reached, of overstatement of funding where there is the potential to receive payment for over delivery against funding targets, that income from tuition fees is recorded in the wrong period, the risk that the College's management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as pension assumptions.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the College's fraud risk management controls

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to seldom used accounts or unexpecting postings paired with cash or borrowings.

- We performed tests of detail over the tuition fee income recognised in the year and performed sample testing of students, agreeing funding to learner registration documentation to confirm funding.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Corporation and other management (as required by auditing standards), and from inspection of the College's regulatory and legal correspondence and discussed with the Corporation and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the College is subject to laws and regulations that directly affect the financial statements including financial reporting legislation, taxation legislation, pensions legislation and specific disclosures required by post-16 education and skills legislation and regulation, charities legislation and related legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related inancial statement items.

Secondly, the College is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the need to include significant provisions. We identified the following areas as those most likely to have such an effect: compliance with the regulatory framework of the Education and Skills Funding Agency and the Office for Students. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We have reported separately on the College's use of funds in the section of our audit report dealing with other legal and regulatory requirements and the regularity of the expenditure disbursed and income received by the College during the period in our report on regularity.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Corporation is responsible for the other information, which comprises the Members' Report and the Corporation's Statement of Governance and Internal Control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information; and
- in our opinion the information given in Members' Report and the Corporation's Statement of Governance and Internal Control is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Post-16 Audit Code of Practice 2021 to 2022 (revised) (September 2022) issued by the Education and Skills Funding Agency we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent College; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Corporation's responsibilities

As explained more fully in their statement set out on page 20, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters by the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the Accounts Direction').

In our opinion, in all material respects:

- funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;

- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and

- meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students

Matters on which we are required to report by exception

We are required by the Accounts Direction to report to you where the College has an access and participation plan that has been approved by the Office for Students' director of fair access and participation and the results of our audit work indicate that the College's expenditure on access and participation activities for the financial year disclosed in Note 9a has been materially misstated.

We are also required by the Accounts Direction to report to you where the results of our audit work indicate that the College's grant and fee income, as disclosed in note 2b to the financial statements has been materially misstated.

We have nothing to report in these respects.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Corporation and Article 22 of the of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation for our audit work, for this report, or for the opinions we have formed.

Mark Dawson
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

16 December 2022

Reporting Accountant's Report on Regularity to the Corporation of Birmingham Metropolitan College and the Secretary of State for Education acting through the Education and Skills Funding Agency (ESFA)

In accordance with the terms of our engagement letter dated 15 July 2022 and further to the requirements and conditions of funding in ESFA grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Birmingham Metropolitan College during the period 1st August 2021 to 31st July 2022 as recorded in the annual financial statements of Birmingham Metropolitan College for the same period, have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied in conducting our work is set out in the Post-16 Audit Code of Practice 2021-2022 (revised) (September 2022) issued by the ESFA.

This report is made solely to the corporation of Birmingham Metropolitan College and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Birmingham Metropolitan College and the ESFA those matters we have been engaged to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of Birmingham Metropolitan College and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Birmingham Metropolitan College and the reporting accountant

The corporation of Birmingham Metropolitan College is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received by the College are applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice 2021-2022 (revised) (September 2022). We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received by the College during the period 1st August 2021 to 31st July 2022, as recorded in the annual financial statements of Birmingham Metropolitan College for the same period, have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

We comply with the ICAEW Code of Ethics issued by the Institute of Chartered Accountants in England and Wales and we apply International Standard on Quality Control (UK) 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements. Accordingly, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements and professional standards (including independence, and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour) as well as applicable legal and regulatory requirements.

Approach

We conducted our engagement in accordance with the Post-16 Audit Code of Practice 2021-2022 (revised) (September 2022) issued by the ESFA. We performed a limited assurance engagement as defined in that framework.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity and propriety.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the College's income and expenditure.

The work undertaken to draw our conclusion included:

- Documenting the framework of authorities which govern the activities of the College;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Post-16 Audit Code of Practice 2021-2022 (revised) (September 2022).

This engagement to report on regularity and propriety is separate from the audit of the annual financial statements of Birmingham Metropolitan College and the report here relates only to the matters specified and does not extend to Birmingham Metropolitan College's annual financial statements taken as a whole.

As set out in our audit report on those financial statements, that audit report is made solely to the Corporation of Birmingham Metropolitan College in accordance Article 22 of the College's Articles of Governance. The audit work has been undertaken so that we might state to the Corporation of Birmingham Metropolitan College those matters we are required to state to the Corporation in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Birmingham Metropolitan College and the Corporation of Birmingham Metropolitan College for that audit work, for the audit report, or for the opinions we have formed in respect of that audit.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received by the College during the period 1st August 2021 to 31st July 2022, as recorded in these financial statements, have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

M. J. Dawson

Mark Dawson
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

16 December 2022

Statement of Comprehensive Income and Expenditure

	Notes	2022	2021
		£'000	£'000
INCOME			
Funding body grants	2a	38,609	42,597
Accelerated release of capital grants	15	-	-
Tuition fees and education contracts	3	2,662	4,119
Other grants and contracts	4	446	581
Other income	5	868	1,441
Endowment and investment income	6	11	0
Total income		**42,596**	**48,738**
EXPENDITURE			
Staff costs	7	30,072	30,595
Other operating expenses	8	10,876	13,390
Impairment Loss	11	-	-
Depreciation	11	3,802	3,582
Interest and other finance costs	9	1,230	1,378
Total expenditure		**45,980**	**48,944**
Deficit before other gains and losses		**(3,384)**	**(206)**
(Loss)/Profit on disposal of assets	11	(261)	(482)
(Deficit)/Surplus before tax		**(3,646)**	**(688)**
Taxation	10	-	-
(Deficit)/Surplus for the year		**(3,646)**	**(688)**
Actuarial gain/(loss) in respect of pensions schemes		47,083	5,796
Total Comprehensive Income for the year		**43,437**	**5,108**

All items of income and expenditure relate to continuing activities

Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1st August 2020	(36,874)	5,486	(31,388)
Surplus/(Deficit) for the year	(688)	-	(688)
Other comprehensive income	5,796	-	5,796
Transfers between revaluation and income and expenditure reserves	163	(163)	-
Total comprehensive income for the year	5,271	(163)	5,108
Balance at 31st July 2021	**(31,603)**	**5,323**	**(26,280)**
Balance at 1st August 2021	(31,603)	5,323	(26,280)
Surplus/(Deficit) for the year	(3,646)	-	(3,646)
Other comprehensive income	47,083	-	47,083
Transfers between revaluation and income and expenditure reserves	163	(163)	-
Total comprehensive income for the year	43,601	(163)	43,437
Balance at 31st July 2022	**11,998**	**5,159**	**17,158**

Balance sheet as at 31 July

	Notes	2022	2021
		£'000	£'000
Fixed assets			
Tangible fixed assets	11	57,798	60,505
		57,798	**60,505**
Current assets			
Trade and other receivables	13	1,418	1,090
Cash and cash equivalents	18	7,657	10,993
		9,075	**12,083**
Less: Creditors – amounts falling due within one year	14	(18,492)	(13,350)
Net current liabilities		**(9,417)**	**(1,267)**
Total assets less current liabilities		**48,381**	**59,238**
Less: Creditors – amounts falling due after more than one year	15	(11,213)	(20,478)
Provisions			
Defined benefit obligations	17	(18,111)	(62,487)
Other provisions	17	(1,899)	(2,554)
Total net (liabilities)/assets		**17,158**	**(26,280)**
Unrestricted reserves			
Income and expenditure account		11,998	(31,603)
Revaluation reserve		5,159	5,323
Total reserves		**17,158**	**(26,280)**

The financial statements on pages 27 to 55 were approved by the Corporation on 15 December 2022 and were signed on its behalf by:

Sir Dexter Hutt
Chair of the Corporation

Pat Carvalho
Accounting Officer

Statement of Cash Flows

	Notes	2022 £'000	2021 £'000
Cash inflow from operating activities			
Surplus/(Deficit) for the year		(3,646)	(688)
Adjustment for non cash items			
Depreciation		3,802	3,582
(Increase)/Decrease in debtors		(329)	(169)
Increase/(Decrease) in Creditors		(2,594)	1,813
Increase/(Decrease) in provisions		(655)	(152)
Pensions costs less contributions payable		2,694	2,262
Adjustment for investing or financing activities			
Investment income		(11)	(0)
Interest payable		389	487
(Profit)/Loss on sale of fixed assets		261	482
Net cash flow from operating activities		**(88)**	**7,617**
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	401
Investment income		11	0
Payments made to acquire fixed assets		(1,357)	(2,270)
		(1,346)	(1,869)
Cash flows from financing activities			
Interest paid		(389)	(487)
New unsecured loans		-	-
Repayments of amounts borrowed		(1,513)	(596)
		(1,902)	(1,083)
Increase/(Decrease) in cash and cash equivalents in the year		**(3,336)**	**4,665**
Cash and cash equivalents at beginning of the year	18	10,993	6,328
Cash and cash equivalents at end of the year	18	7,657	10,993

Notes to the accounts

(forming part of the financial statements)

1 Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2021 to 2022 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The college is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.
The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the college's accounting policies.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

Going concern

Notwithstanding net current liabilities of £9,417k as at 31 July 2022, a deficit before other gains and losses for the year then ended of -£3,646k and cash outflows for the year of £3,336k, the financial statements have been prepared on a going concern basis which the Corporation considers to be appropriate for the following reasons.

The Corporation has prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the College will have sufficient funds to meet all of its liabilities as they fall due for that period.

The College had bank loans with Lloyds and Barclays totalling £4,384k at 31 July 2022 as well as a loan of £4,330k with the ESFA. The College was in breach of its bank covenants with all three lenders at 31 July 2022. The College is in discussions with its lenders to waive these breaches and to reset the covenants going forward however these negotiations have not been concluded. Both the Banks and the ESFA remain supportive of the College and the Corporation is confident that the new loan covenants will be agreed.

The Corporation has set a deficit budget for 2022/23 in order to fund anticipated growth in 16-18 learner number and reduced income levels across a number of income streams including ALL and HE. The Corporation anticipates that the growth in 16-18 learners will be fully funded in 23/24 and will address the deficit position. During 21/22 the college has continued to manage its costs and expects to be able to do so again in 22/23 in order to address the cash outflows that have impacted on the college's ability to comply with bank covenants. A further uncertainty is introduced by the reclassification of colleges to the public sector by the Office for National Statistics and consequent imposition of conditions by the DfE in respect of new or re-negotiated borrowing.

Based on the above indications the Corporation believes it is appropriate to prepare the financial statements on a going concern basis. However, the above circumstances represent a material uncertainty which may cast significant doubt on the College's ability to continue as a going concern and therefore to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Notes to the accounts (continued)

1 Statement of accounting policies *(continued)*

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Education Budget is adjusted for, and reflected in, the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from OfS represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due safer more than one year as appropriate.

Grants (including research grants) from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Capital grant funding

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other, non-governmental, capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

Fee income

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

Notes to the accounts (continued)

1 Statement of accounting policies *(continued)*

Investment income

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned on a receivable basis.

Agency arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Accounting for post-employment benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans which are externally funded.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees

West Midlands Local Government Pension Scheme (LGPS)

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

Notes to the accounts (continued)

Short term Employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and buildings

Freehold buildings are depreciated on a straight-line basis over their expected useful lives as follows:

- Freehold – 20-50 years
- Leasehold – 27 years
- Refurbishments – 15 years

Freehold land is not depreciated as it is considered to have an infinite useful life.

Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Notes to the accounts (continued)

1 Statement of accounting policies *(continued)*

Equipment

Equipment costing less than £5,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

All equipment is depreciated over its useful economic life as follows:

- Motor vehicles and general equipment - 3-5 years
- Computer equipment - 2-10 years
- Furniture and fittings - 2-20 years
- Plant - 15 years

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All loans, investments and short-term deposits held by the College are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the College has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Notes to the accounts (continued)

1 Statement of accounting policies *(continued)*

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial year with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the college is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The college is partially exempt in respect of Value Added Tax, so that it can only recover around <1% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Provisions and contingent liabilities

Provisions are recognised when

- the College has a present legal or constructive obligation as a result of a past event,
- it is probable that a transfer of economic benefit will be required to settle the obligation and
- a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

Notes to the accounts (continued)

1 Statement of accounting policies *(continued)*

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management have made the following judgements:

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

  Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Local Government Pension Scheme*

  The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2022. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the Accounts (continued)

2a Funding body grants

	2022	2021
	£'000	**£'000**
Recurrent grants		
Education and Skills Funding Agency - adult education budget	604	668
West Midlands Combined Authority - adult education budget	8,000	8,130
Education and Skills Funding Agency – 16 -18	23,541	26,513
Education and Skills Funding Agency - apprenticeships	3,761	3,264
Office for Students	305	321
Specific Grants		
Teacher Pension Scheme Contribution Grant	927	1,140
Releases of government capital grants	526	533
COVID Support	19	59
Catch up fund	744	162
FECA	180	1,806
Total	**38,609**	**42,597**

The Corporation has been eligible to claim additional funding in year from Government support schemes in response to the Coronavirus outbreak.
The funding received for COVID support totalled £19k and additional funding of £744k was received from the catch up fund to support learners to catch up for lost time due to the pandemic.

2b OFS - Grant Income and Fees

	2022	2021
	£'000	**£'000**
Grant income from the Office for Students	305	321
Fee income for taught awards (exclusive of VAT)	919	1,021
Total grant and fee income	**1,225**	**1,342**

FE grant and fee income have been excluded from the note above.

3 Tuition fees and education contracts

	2022	2021
	£'000	**£'000**
Adult education fees	478	565
Apprenticeship fees and contracts	97	78
Fees for FE loan supported courses	590	1,399
Fees for HE loan supported courses	533	415
Total tuition fees	1,698	2,457
Education contracts	964	1,662
Total	**2,662**	**4,119**

4 Other grants and contracts

	2022	2021
	£'000	**£'000**
European Commission	81	147
Other grants and contracts	365	411
Coronavirus Job Retention Scheme	0	23
Total	**446**	**581**

Notes to the Accounts (continued)

5 Other income

	2022 £'000	2021 £'000
Other income generating activities	824	1,405
Non government capital grants	44	36
Total	**868**	**1,441**

6 Investment income

	2022 £'000	2021 £'000
Other interest receivable	11	0
	11	**0**

Notes to the Accounts (continued)

7 Staff costs

The average number of persons (including key management personnel) employed by the College during the year, described as full-time equivalents, was:

	2022 No.	2021 No.
Teaching staff	351	362
Non teaching staff	273	289
	624	**651**

Staff costs for the above persons

		2022 £'000	2021 £'000
Wages and salaries		20,420	21,084
Social security costs		2,007	1,996
Other pension costs		6,965	6,725
Payroll sub total		**29,391**	**29,805**
Contracted out staffing services		361	481
		29,752	**30,286**
Restructuring costs -	contractual	233	219
Levy Payments		87	90
		30,072	**30,595**

Notes to the Accounts (continued)

7 Staff costs

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Senior Leadership Team which comprises the Principal, Company Secretary and other senior academic and support posts. Staff costs include compensation paid to key management personnel for loss of office.

Emoluments of Key management personnel, Accounting Officer and other higher paid staff

	2022 No.	**2021 No.**
The number of key management personnel including the Accounting Officer was:	14	15

The number of key management personnel and other staff who received annual emoluments, excluding pension contributions and employers national insurance but including benefits in kind, in the following ranges was:

	Key Management Personnel		**Other staff**	
	2022 No.	**2021 No.**	**2022 No.**	**2021 No.**
Below £60,000	-	1	-	-
£60,001 to £65,000	2	1	9	9
£65,001 to £70,000	1	-	-	-
£70,001 to £75,000	1	-	-	-
£75,001 to £80,000	2	6	-	1
£80,001 to £85,000	5	1	-	-
£85,001 to £90,000	-	1	-	-
£90,001 to £95,000	1	-	-	-
£115,001 to £120,000	-	3	-	-
£120,001 to £125,000	1	-	-	-
£155,001 to £160,000	1	2	-	-
	14	**15**	**9**	**10**

Notes to the Accounts (continued)

7 Staff costs

Key management personnel compensation is made up as follows:

	2022 £'000	2021 £'000
Salaries - gross of salary sacrifice and waived emoluments	1,190	1,106
Employers National Insurance	151	137
	1,341	**1,243**
Pension contributions	252	194
Total emoluments	**1,593**	**1,437**

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

The above compensation includes amounts payable to the Accounting Officer Pat Carvalho, appointed 01 June 2021 (who is also the highest paid officer) of:

	2022 £'000	2021 £'000
Salaries	160	27
Benefits in kind	-	-
	160	27
Pension contributions	38	6

The above compensation includes amounts payable to the former Accounting Officer Cliff Hall, to 31 May 2021 (who was also the highest paid officer) of:

	2022 £'000	2021 £'000
Salaries	-	136
	-	136
Pension contributions	-	-

The College's Accounting Officer, and other key management personnel, are paid a fair and appropriate remuneration based on the value delivered by the individual in carrying out their role. The factors considered by the College are market rates, roles, skills and experience. The remuneration packages of the Accounting Officer and other key management personnel are regularly bench marked using sector and local information, and remuneration decisions are based on robust evidence.

Notes to the Accounts (continued)

7 Staff costs

Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple

	2022	**2021**
Principal's basic salary as a multiple of the median of all staff	5.3	5.5
Principal and CEO's total remuneration as a multiple of the median of all staff	6.6	5.7

The members of the Corporation other than the Accounting Officer and the staff member did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

Notes to the Accounts (continued)

8 Other operating expenses

	2022 £'000	2021 £'000
Teaching costs	1,766	2,192
Non teaching costs	5,675	5,850
Premises costs	3,435	5,348
Total	**10,876**	**13,390**

Other operating expenses include:	**2022 £'000**	**2021 £'000**
Auditors' remuneration:		
Financial statements audit	60	42
Internal audit	52	63
Depreciation	3,802	3,582

8a. Access and participation spending

	2022 £'000	2021 £'000
Access Investment	31	68
Financial Support to Students	8	2
Research and Evaluation	65	73
Total	**104**	**143**

Bmet's access and participation plan - https://www.bmet.ac.uk/wp-content/uploads/2022/10/BirminghamMetropolitanCollege_APP_2020-21_V1_10006442.pdf

9 Interest payable

	2022 £'000	2021 £'000
On bank loans, overdrafts and other loans:	389	487
	389	487
On finance leases		
Net interest on defined pension liability and enhanced pension	841	890
Total	**1,230**	**1,378**

10 Taxation

The College was not liable for any corporation tax arising out of its activities during either period.

Notes to the Accounts (continued)

11 Tangible fixed assets

	Land and buildings		Equipment	Assets in the Course of Construction	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2021	111,579	110	14,565	562	126,817
Additions	-	-	516	841	1,357
Transfer Asset Under Construction			562	(562)	-
Disposals	(438)	-	(5,279)	-	(5,717)
At 31 July 2022	**111,141**	**110**	**10,364**	**841**	**122,456**
Depreciation					
At 1 August 2021	56,086	47	10,179	-	66,311
Charge for the year	2,527	4	1,261	11	3,802
Elimination in respect of disposals	(222)	-	(5,234)	-	(5,456)
At 31 July 2022	**58,391**	**51**	**6,206**	**11**	**64,658**
Net book value at 31 July 2022	**52,750**	**59**	**4,158**	**830**	**57,798**
Net book value at 31 July 2021	55,493	63	4,386	562	60,505

During the year the lease for the Jennen's suite was surrendered. In April 2022 the break clause for the lease of the Kidderminster Academy was successfully implemented.

Notes to the Accounts (continued)

12 Non-current investments

	2022 £'000	2021 £'000
Investments in subsidiary companies	-	-
Investments in associate companies	-	-
Other non-current asset investments	-	-
Total	**-**	**-**

13 Trade and other receivables

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Trade receivables	323	204
Other debtors	9	9
Prepayments and accrued income	741	525
Amounts owed by the ESFA	346	352
Total	**1,419**	**1,090**

14 Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Bank loans and overdrafts	4,384	311
ESFA Loan	4,330	1,200
Trade payables	1,721	1,813
Obligations under VAT scheme	37	-
Other taxation and social security	1,151	1,060
Payments received on account	3,145	3,891
Accruals	3,160	4,512
Deferred income - government capital grants	564	564
Total	**18,492**	**13,351**

15 Creditors: amounts falling due after one year

	2022 £'000	2021 £'000
Bank loans	-	4,386
ESFA Loan	-	4,330
Deferred income - government capital grants	11,212	11,762
Total	**11,212**	**20,478**

Notes to the Accounts (continued)

16 Maturity of debt

(a) Loans and overdrafts

Loans and overdrafts are repayable as follows:

		2022	2021
		£'000	£'000
In one year or less:	Bank loan	4,384	311
	ESFA loan	4,330	1,200
More than one year:	Bank loan	-	4,386
	ESFA loan	-	4,330
Total		**8,714**	**10,227**

There are now three loans in progress, two from the former Matthew Boulton College and one from the former Stourbridge College.

1. The former Matthew Boulton College loan is secured on a portion of the freehold land and buildings of the Matthew Boulton Campus, bears interest at 5.10% and 5.22% and is repayable by instalments falling due between 1 August 2007 and 31 July 2030. The outstanding balance transferred on merging was £3,732,000.

2. The former Stourbridge College loan agreement with Lloyds Bank bears interest at 6.18%, 6.235% and 6.265% is repayable by instalments falling due between 2011 and 2035. The outstanding balance transferred on merging was £7,686,000.

The ESFA loan is subject to interest calculated annually at PWLB rates.

At 31 July 2022 loan covenants with Lloyds and Barclays Bank and the ESFA had been breached and formal waivers were not in place at that date. The College is working with lenders to reset or waive covenants in the first half of 2022/23, based on the growth in 16-18 learner numbers that has been in 2022/23 achieved the College expects to be able to comply with all covenants from 2023/24. However, in accordance with Financial Reporting

Notes to the Accounts (continued)

17 Provisions

	Defined benefit Obligations £'000	Enhanced pensions £'000	Other £'000	Total £'000
At 1 August 2021	62,487	2,233	321	65,041
Expenditure in the period	1,694	(162)	-	1,532
Transferred from income and expenditure account	1,013	-	-	1,013
Actuarial gain	(47,083)	(172)	-	(47,255)
Release in provision	-	-	(321)	(321)
At 31 July 2022	**18,111**	**1,899**	**-**	**20,010**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 25.

Other provisions relate to a legal obligation to carry out remedial pipework in the institution's leasehold building.

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2022	2021
Price inflation	9.90%	1.30%
Discount rate	3.50%	2.20%

18 Cash and cash equivalents

	At 1 August 2021 £'000	Cash flows £'000	Other changes £'000	At 31 July 2022 £'000
Cash and cash equivalents	10,993	(3,336)	-	7,657
Total	**10,993**	**(3,336)**	**-**	**7,657**

19 Capital commitments

	2022 £'000	2021 £'000
Commitments contracted for at 31 July	390	117

Notes to the Accounts (continued)

20 Lease Obligations

At 31 July the College had minimum lease payments under non-cancellable operating leases as follows:

	2022	2021
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	-	330
Later than one year and not later than five years	-	18
later than five years	59	239
	58	587
Other		
Not later than one year	7	-
Later than one year and not later than five years	33	-
later than five years	30	-
	71	-
Total lease payments due	129	587

21 Contingent liabilities

The College has no contingent liabilites as at 31 July 2022 (2021: £nil)

22 Events after the reporting period

There have been no events after the end of the reporting period.

Notes to the Accounts (continued)

23 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by West Midlands Pension Fund. Both are multi-employer defined-benefit plans. The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2016 and of the LGPS 31 March 2019.

Total pension cost for the year		**2022**		**2021**
		£'000		**£'000**
Teachers Pension Scheme: contributions paid		2,644		2,674
Local Government Pension Scheme:				
Contributions paid	(13)		(27)	
FRS 102 (28) charge	4,334		4,078	
Charge to the Statement of Comprehensive Income		4,321		4,051
Enhanced pension charge to Statement of Comprehensive Income		-		-
Total Pension Cost for Year		**6,964**		**6,725**

Contributions amounting to £561,271 (2021:£576,624) were payable to the scheme and are included in creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including colleges. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2021-22 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £3,657k (2021: £3,711k)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by West Midlands Pension Fund. The total contribution made for the year ended 31 July 2022 was £1,919,952 of which employer's contributions totalled £1,447,226 and employees' contributions totalled £472,331. The agreed contribution rates for future years are 19.7% for employers and range from 5.5% to 12.5% cent for employees, depending on salary according to a national scale.

Past service costs include £Nil (2021: £Nil) in relation to the estimated impact of the recent McCloud judgement. This represents approximately 0.5% of total liabilities.

Recent changes in global and UK economic pressures and tightening of monetary policy have had a significant impact on asset markets and corporate bonds yields, which are key to the FRS102 assessment of the net pension asset or liability. In particular, AA corporate bond yields, used to set the FRS102 discount rate, have increased significantly since 31 July 2022, with corresponding falls in asset values. The markets have been exceptionally volatile and therefore while both gross defined benefit obligations and assets will have fallen, it is difficult to estimate the impact of these changes on the net balance sheet position.

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2022 by a qualified independent actuary.

	At 31 July 2022	**At 31 July 2021**
Rate of increase in salaries	3.75%	3.80%
Future pensions increases	2.75%	2.80%
Discount rate for scheme liabilities	3.50%	1.60%
Inflation assumption (CPI)	9.90%	2.80%
Commutation of pensions to lump sums	50%	50%

Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

The current mortality assumptions include sufficient allowance for

	At 31 July 2022 years	At 31 July 2021 years
Retiring today		
Males	21.20	21.60
Females	23.60	24.00
Retiring in 20 years		
Males	22.90	23.40
Females	25.40	25.80

The College's share of the assets in the plan and the expected rates of return were:

	Asset allocation expected at 31 July 2022	Fair Value at 31 July 2022 £'000	Asset allocation expected at 31 July 2021	Fair Value at 31 July 2021 £'000
Equities	67.00%	70,668	61.00%	62,700
Bonds	20.00%	21,095	14.00%	14,806
Property	8.00%	8,438	7.00%	7,231
Cash	5.00%	5,274	18.00%	18,194
Total market value of assets		**105,475**		**102,931**

Weighted average expected long term rate of return

The return on the Fund in market value terms for the period to 31 July 2022 is estimated based on actual Fund returns as provided by the Administering Authority and index returns where necessary.

The amount included in the balance sheet in respect of the defined benefit pension plan is as follows:

	2022 £'000	2021 £'000
Fair value of plan assets	105,475	102,931
Present value of plan liabilities	(123,548)	(165,372)
Present value of unfunded liabilities	(38)	(46)
Net pensions liability (Note 19)	**(18,111)**	**(62,487)**

Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:

	2022	2021
	£'000	£'000
Amounts included in staff costs		
Current service cost	4,334	4,050
*Past Service Costs	34	28
Total	**4,368**	**4,078**
Amounts included in investment income		
Net interest income	1,013	874
	1,013	**874**
Amounts recognised in Other Comprehensive Income		
Return on Fund assets in excess of interest	(700)	13,472
Change in financial assumptions	(53,058)	(12,681)
Change in demographic assumptions	(669)	2,270
Experience gain on defined benefit obligation	7,344	2,735
Amount recognised in Other Comprehensive Income	**(47,083)**	**5,796**

Movement in net defined benefit liability during the year

	2022	2021
	£'000	£'000
Deficit in scheme at 1 August	(62,487)	(66,009)
Movement in year:		
Staff Costs	(4,363)	(4,078)
Employer contributions	2,682	2,690
Net interest on the defined liability	(1,013)	(874)
Administration expenses	(13)	(12)
Actuarial gain	47,083	5,796
Net defined benefit liability at 31 July	**(18,111)**	**(62,487)**

* Past service costs above include £Nil (2021: £Nil) in relation to the estimated impact of the recent McCloud judgement. This represents approximately 0.5% of total liabilities

Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Asset and Liability Reconciliation

	2022	2021
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	165,418	154,092
Current Service cost	4,347	4,050
Interest cost	2,660	2,064
Contributions by Scheme participants	475	490
Experience gains and losses on defined benefit obligations	7,344	(2,735)
Changes in financial assumptions	(53,058)	12,681
Changes in demographic assumptions	(669)	(2,270)
Estimated benefits paid	(2,960)	(2,977)
Past Service cost	34	28
Unfunded pension payments	(5)	(5)
Defined benefit obligations at end of period	**123,586**	**165,418**

Reconciliation of Assets

	2022	2021
Fair value of plan assets at start of period	102,931	88,083
Interest on plan assets	1,647	1,190
Return on plan assets	700	13,472
Employer contributions	2,682	2,690
Contributions by Scheme participants	475	490
Estimated benefits paid	(2,965)	(2,982)
Administration Expenses	(13)	(12)
Fair value of plan assets at end of period	**105,457**	**102,931**

Deficit contributions

In April 2013 the College entered into an agreement with the LGPS to make additional contributions, these totalled £1,193,000 which are in addition to normal funding levels until the next full valuation at which point the situation will be reviewed again.

Notes to the Accounts (continued)

24 Related party transactions

Due to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £602; 3 governors (2021: £12; 1 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.
No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2021: None).

Transaction with the ESFA and OfS are detailed in notes 2, 14 and 16

Estates, IT and tution fees were recharged to Harborne Academy during the year this totalled £40,732 (2021: £38,388)

25 Amounts disbursed as agent

Learner support funds

	2022	**2021**
	£'000	**£'000**
Funding body grants – 16-18 Bursary	1,170	1,068
Other Funding body grants	125	132
	1,295	1,200
Disbursed to students	(1,029)	(703)
Administration costs	(61)	(29)
Balance unspent as at 31 July, included in creditors	205	468

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.