Birmingham Metropolitan College
Annual Report and Financial Statements

For the year ended 31st July 2023

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 2022/23:

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 (until 16th Oct '22)
Randeep Sami ; Vice Principal James Watt College (effective 17th Oct '22)
Jan Myatt; Vice Principal Matthew Boulton College
Anna Jackson; Deputy Principal
Kay Burton Williams; Director – Student Experience
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 2022 to the date of the signing of these financial statements.

Professional advisers
Financial statements auditor and reporting accountants:
MacIntyre Hudson LLP
6th Floor,
2 London Wall Place,
London.
EC2Y 5AU

Internal auditor
RSM Risk Assurance Services LLP
10th Floor,
103 Colmore Row,
Birmingham,
West Midlands.
B3 3AG

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 2023.

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 2022/23 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.

Resources

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

The College employs 620 people (expressed as full-time equivalents), of whom 347 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 £36 million of net reserves and long-term debt of £5.5 million. During the year the College had tangible resources comprised of 5 sites throughout the West Midlands Combined Authority area.

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 surplus in the year of £502k (2021/22 a deficit of £3,646k), with a total comprehensive income of £18,973k (2021/22 £43,437k) following an actuarial gain in respect of pension schemes of £18,474k. In the year the college failed to meet the income expectations of the financial recovery plan originally agreed with the ESFA and lenders for the second year in a row, however strong budgetary control throughout the year led to a significant improvement in outturn and as a result the college has moved from financial health or 'requires Improvement' to 'Good' at the year end.

During the year the College continued to receive additional Catch-up funding from the ESFA which was used to support 16-19 year-olds who were affected by school lockdowns due to Covid -19 restrictions, use of this funding reduced from £744k in 21/22 to £520k in the year.

Overall income has increased by over £3.5m compared to 2021/22 this is largely due to increased income for 16-19 funding in year as the college achieved significant growth in learner numbers and was able to apply for in year growth funding. Over the same period the college has also increased other external funding and has seen interest income increase due to rising deposit rates.

Staffing costs have decreased significantly during the year by over £1.3m. This has been through a combination of budgetary controls where income targets have not been achieved and also through vacant posts. At the start of the year staff recruitment was frozen until student numbers were confirmed and this combined with a tight labour market meant that many posts were not filled for the full year resulting in significant staff savings. These savings enabled the college to award the AoC recommended pay award in the first time for several years.

Comprehensive income decreased significantly in the year to £18,973k (£43,437k in 21/22). resulting in accumulated reserves of £36,134 (21/22 £17,158k). The reason for this decrease is the actuarial gain in respect of the Local Government pension provision which has decreased to £18,474k (£47,083k in 21/22) this resulted in a zero provision for the pension in the balance sheet. There was also a net loss of £162k on the write off of fixed assets.

The College has cash balances of £5,431k (21/22 £7,657k). Part of the decrease in cash during the year was the repayment of clawback to both the ESFA and WMCA. During the year the college reduced its adult funding from these agencies in order to reduce clawback in 2023/24. Cash balances at the year end were boosted by the capital grants received from ESFA relating to the reclassification of the sector. Refinancing of the College's commercial loans during July meant that debt could be properly classified and as a result the college now has net current assets rather than the significant net current liabilities in the previous year.

Tangible fixed asset additions during the year amounted to £5,730k. This is split between building improvements of £321k, assets under construction of £4,594k and equipment of £815k . The college has continued to adopt a very tight Capital Expenditure policy relating to equipment whilst cash remains relatively tight. If the college is able to continue with the improving financial performance and increase cash generation then it will be able to commit more cash for capital improvements but is expected to continue to track materially under depreciation levels for the next 2 years.

Reserves

The College has accumulated reserves of £36,134k and cash and short-term investment balances of £5,431k. 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 2022/23 the funding bodies provided 89% of the total income (21/22 – 91%). This has reduced marginally in the last year due to increased income generated from external sources and full cost activity.

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.

The College is currently working on its Improvement Plan to deliver improvement in the Quality of Teaching & Learning and has continued to work with the FE Commissioner's team on the Single Improvement Plan (SIP). The SIP supports work to improve teaching and Learning and also supports with financial planning in order to improve financial sustainability.

During the year there were a number of changes to the management structure with the creation of a new executive post of Deputy Principal. The strategic plan was significantly updated during the year and is now a seven-year plan taking the college through the remainder of the 2020s up to 2030. The new plan builds on the previous objectives of maintaining the focus on high quality provision from a sound financial base and with high quality resources.

Financial health

For the last two years the college has been in ESFA financial health category 'Requires Improvement' which was largely caused by negative cashflow and clawback labilities each year. In 22/23 the college has proactively monitored its performance and agreed with funders to reduce funding in-year in order to reduce clawback liabilities. This action combined with restructuring of the long term bank loans means that the college ended 22/23 with a financial health score of 'Good' or the first time in 2 years.

Financial plan

The College governors approved a budget in July 2023 which sets out objectives for the period to 2024/25 including targeted growth in 16-18 student numbers, Apprenticeships and HE while maintaining 19+ income at similar levels to 22/23. Under the plan the College will remain in ESFA financial health rating of 'Good' achieved during 22/23 and maintain this position moving forward due largely 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.

During the year the College restructured its long term borrowing with a new Loan from ESFA. Following the reclassification of the FE sector in November 2022 the college had limited flexibility to amend bank borrowing and with the support of the ESFA the college restructured its long term loans with Barclays and Lloyds bank into a new long term loan of £3.24m repayable by the end of 2030 and secured by a legal charge on the Erdington Skills Centre.

Cash flows and liquidity

A net cash outflow of £2,226k in 2022/23 (21/22: cash outflow of £3,336k). The net cash outflow was impacted by repayments of clawback totalling £2.014m for WMCA, £554k for ESFA and not receiving the July-23 payment from WMCA totalling £510k to reduce levels of clawback in 2023/24.

Reserves

The College currently 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 £31,138k (2021/22: £11,998k). 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

After making appropriate enquiries, the corporation considers that the college has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

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;
- The risks associated with student safeguarding and welfare particularly for students under 18 and vulnerable students
- Quality of teaching and learning does not improve, and learners do not make sufficient progress;
- Failure to diversify income streams;
- The current capital projects adversely impact the financial health of the college;
- The significant risk to business continuity posed by cyber threats especially within the education sector.

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 maintain and grow student numbers;
- Rigorous processes for managing the capital projects.

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 2022/23 are shown in the table below with appropriate RAG ratings. 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	5,000	4,837		Retention of 16-19	93%	90%	
Applications 22/23	5,750	4,909		Retention of 19+	94%	90%	
16-18 acceptance of offers	2,850	2,548		Student attendance	90%	79%	
WMCA priority 2 & 3 funding	£3,269k	£2,303k		Students recommend the college	97%	91%	
HE, ALL and full cost funding	£2,727k	£1,920k		Students agree teaching is good	97%	97%	
Leavers into employment	30%	25%		Teaching observations meet standards	80%	92%	
				Pass rate adult E&T	93%	96%	
KPI 3				**KPI 4**			
16-18 Work experience	95%	87%		Staff satisfaction meets benchmark	82%	83%	
348 Industry placements CDF	378	402		Staff positive on I&D approach	80%	86%	
New apprentice starts	£1,583k	£1,319		Approach to health and Wellbeing	60%	70%	
Deliver SWAPs	£833k	£862k		Sickness absence (excl. CV-19)	3.8%	4.2%	
Average Group Size	18	16		Staff Turnover	16%	15%	
				Staff Utilisation	97%	99%	
KPI 5							
EBITDA % of income	8%	11%					
Cash days	31	38					
Current Ratio	0.87	1.0					
Staff costs as % income	67%	64%					
Positive cash turnover	1%	3%					
ESFA Financial health score	160+	170					

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 968 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	9.5

Percentage of time	Number of employees
0%	0
1-50%	10
51-99%	0
100%	0

Total cost of facility time	£31.8k
Total pay bill	£27,329k

Time spent on paid trade union activities as a percentage of total paid facility time	0.12%

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 2022 to 31 July 2023, the College paid 32% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Going concern

After making appropriate enquiries, the corporation considers that the college has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Events after the reporting period

There have been no events after the reporting period material to the understanding of the financial statements.

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 14 December 2023 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 2022 to 31 July 2023 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 2023. 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.`

Members of 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	**10 of 12**
Angela Myers	27 April 2018	26 April 2026		Independent	Academic Standards and Quality Development	**12 of 13**
Prue Huddleston	20 December 2018	19 December 2026		Independent	Academic Standards and Quality Development Governance and Search Remuneration	**13of 14**
Sir Dexter Hutt	14 March 2019	13 March 2027		Independent (Chair)	Finance Governance and Search Academic Standards and Quality Development Remuneration	**18 of 18**
Iqbal Mohammed	20 December 2018	19 December 2022		Independent	Audit	**1 of 4**
Peter Croom	12 September 2019	11 September 2023		Independent	Finance Remuneration Governance and Search	**14 of 14**

Name	Date of Appointment	Expiry of Term of Office	Date of Resignation	Status of Appointment	Committees Served	Corporation & Committee Attendance
Helen Miles	29 November 2019	28 November 2023		Independent	Audit Committee Remuneration Governance and search	**13 of 14**
Alaric Rae	12 November 2020	11 September 2023		Independent	Audit	**11 of 12**
Christine Tolley	12 November 2020	11 November 2024		Independent	Academic Standards, Quality and Development	**9 of 13**
Gobinder Gill	9 September 2021	8 September 2023		Staff Governor	Academic Standards, Quality and Development	**11 of 13**
Ianthe Smith	6 October 2022	31 August 2024		Staff Governor	Academic Standards, Quality and Development	**10 of 13**
Afzal Hussain	16 December 2021	15 December 2025		Independent Governor	Academic Standards, Quality and Development	**10 of 13**
Sharon Isaacs	16 December 2021	15 December 2025		Independent Governor	Audit	**9 of 11**
Roy Priest	11 November 2022	10 November 2026		Independent Governor	ASQD	**11 of 12**
Julie Willis	15 December 2022	14 December 2026		Independent Governor	Audit	**3 of 8**
Gary Turton	6 March 2023	5 March 2027		Independent Governor	Finance	**5 of 6**

Mr Stephen Belling acted as the Company Secretary for the period 1st August 2023 to the date of the signing of these financial statements.

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

The Governance Framework

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 2022/23 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

Governors and the Clerk to the Governors undertook a range of action learning during two Governor's strategy and learning days held in November and May.

During the year, the Corporation Board and its committees undertook a full governance self-assessment using the assessment framework commended by the Association of Colleges.

A full external governance assessment was undertaken by as part of the Education and Training Foundation pilot programme in February 2021. The next external assessment is scheduled to take place in the 2024-2025 academic year.

Remuneration Committee

Throughout the year ending 31 July 2023, 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. The Remuneration Committee met on 8th June 2023

Details of remuneration for the year ended 31 July 2022 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.

The Audit Committee met three times in the year to 31 July 2023. The members of the committee and their attendance records are shown below:

Committee member	Meetings attended
Helen Miles	3
Alaric Rae	3
Sharon Isaacs	2
Julie Willis (from 15/12/22)	0
Iqbal Mohammed (to 19/12/22)	0

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 2023 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 2023 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.

Risks faced by the corporation

The Corporation works with the Senior Leadership Team to understand and assess the key risks faced by the College. The Audit Committee scrutinises the risk register and challenges the leadership team on the assessment of risk, the response and the effectiveness of actions taken. The Corporation also has the opportunity to discuss risk in a wider setting and consider its appetite to individual risks. The Corporation recognises the high level risks in the ability to recruit students in all income areas including HE, development of its curriculum to remain relevant to current needs, the need to diversify income streams and to remain financially sustainable, the ability to attract and retain high calibre staff, the extent to which the College's cyber security measures are effective, and the need to properly manage its ongoing capital projects.

Control weaknesses identified

The internal auditors did not identify any high priority weaknesses in the college's systems in the year with the majority of audits providing 'Substantive assurance'. The only audit rated at reasonable assurance related to IT Digital Capital Planning and Investment where some medium priority recommendations were made regarding investment compared to the College's Digital strategy and the timing of cyber security mitigations. In response the College now has all of the mitigations operational and has also committed an additional £50,000 of capital in 23/24 to enable the implementation of the Digital Strategy. The audit committee is satisfied that the action taken is sufficient to address the issues identified.

Responsibilities under funding agreements

The Department for Education and Education and Skills Funding Agency introduced new controls for the college on 29 November 2022 on the day that the Office for National Statistics reclassified colleges as public sector organisations in the national accounts. The ESFA chief executive communicated these changes to all college accounting officers and explained plans to introduce a college financial handbook in 2024. The college has reviewed its policies, procedures and approval processes in line with these new requirements to ensure there are systems in place to identify and handle any transactions for which DfE approval is required.

Statement from the audit committee

The audit committee has advised the board of governors that the corporation has an effective framework for governance and risk management in place. The audit committee believes the corporation has effective internal controls in place.

The specific areas of work undertaken by the audit committee in 2022/3 and up to the date of the approval of the financial statements are:

- Regular review of health and safety regulatory compliance.
- Regular review of subcontracting management and assurance controls.
- Review of annual insurance report.
- Review of Risk Assurance Framework and risk appetite to develop new assurance framework.
- Annual review of operation and anti- fraud controls.
- Annual review of Whistle Blowing Complaints.
- Review of the college Crises Management Plan.
- Internal audit programme considering:
    - Safeguarding controls and DBS checks.
    - IT and Cyber security.
    - Key financial controls.
    - IT Digital Capital Planning and Investment.

Overseeing the appointment of new external auditors.

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 team members 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.

Approved by order of the members of the Corporation on 14 December 2023 and signed on its behalf by:

Sir Dexter Hutt	Pat Carvalho
Chair of the Corporation	*Principal and Chief Executive Officer*

Statement of Regularity, Propriety and Compliance

As accounting officer, I confirm that the corporation has had due regard to the framework of authorities governing regularity, priority and compliance, and the requirements of grant funding agreements and contracts with ESFA and has considered its responsibility to notify ESFA of material irregularity, impropriety and non-compliance with those authorities and terms and conditions of funding.

I confirm on behalf of the corporation that after due enquiry, and to the best of my knowledge, I am able to identify any material irregular or improper use of funds by the corporation, or material non-compliance with the framework of authorities and the terms and conditions of funding under the corporation's grant funding agreements and contracts with ESFA, or any other public funder. This includes the elements outlined in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides.

I confirm that no instances of material irregularity, impropriety, funding non-compliance, or non-compliance with the framework of authorities have been discovered to date. If any instances are identified after the date of this statement, these will be notified to ESFA.

Pat Carvalho
Principal and Chief Executive Officer
14th December 2023

Statement of the chair of governors

On behalf of the corporation, I confirm that the accounting officer has discussed their statement of regularity, propriety and compliance with the board and that I am content that it is materially accurate.

Sir Dexter Hutt
Chair of the Corporation
14th December 2023

Statement of the responsibilities of the members of the Corporation

The members of the corporation, as charity trustees, are required to present audited financial statements for each financial year.

Within the terms and conditions of the corporation's grant funding agreements and contracts with ESFA, the corporation – through its Accounting Officer – is required to prepare financial statements and an operating and financial review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the corporation and its surplus / deficit of income over expenditure for that period.

In preparing the financial statements, the corporation is required to:

- select suitable accounting policies and 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 whether the corporation is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the college will continue in operation.

The corporation is also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the corporation.

The corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the college and which enable it to ensure that the financial statements are prepared in accordance with relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

The corporation is responsible for the maintenance and integrity of its website; the work carried out by auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the corporation are responsible for ensuring that expenditure and income are applied for the purposes intended and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from ESFA, and any other public funds, are used only in accordance with ESFA's grant funding agreements and contracts and any other conditions, that may be prescribed from time to time by ESFA, or any other public funder, including that any transactions entered into by the corporation are within the delegated authorities set out in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides. Members of the corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the corporation are responsible for securing economic, efficient and effective management of the corporation's resources and expenditure so that the benefits that should be derived from the application of public funds from ESFA and other public bodies are not put at risk.

Approved by order of the members of the Corporation on 14 December 2023 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 the Corporation of Birmingham Metropolitan College (the 'College') the year ended 31 July 2023 which comprise the Statement of Comprehensive Income and Expenditure, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice). In our opinion, the financial statements:

- Give a true and fair view of the state of the College's affairs as at 31 July 2023 and College's income over expenditure for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, UK GAAP and the current College Accounts Direction.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Governing Body's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the college's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the governors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The governors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Post 16 Audit Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

Opinions on other matters prescribed in the Office for Students' Accounts Direction (OfS 2019.41)

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, if relevant, managed in accordance with relevant legislation;
- funds provided by the Office for Students and the Education and Skills Funding Agency have been applied in accordance with the relevant terms and conditions.
- The requirements of the Office for Students' accounts direction for the relevant year's financial statements have been met.

Under the Office for Students' Accounts Direction, we are required to report to you, if we have anything to report in respect of the following matters:

- The College's grant and fee income, as disclosed in note 2 to the financial statements, has been materially misstated; or
- The College's expenditure on access and participation activities for the financial year, as disclosed in note 8a to the financial statements, has been materially misstated.

We have no matters to report arising from this responsibility.

Responsibilities of the Governing Body

As explained more fully in the Statement of Corporation Responsibilities on page 20, the Members of the Governing Body are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Governing Body determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Governing Body is responsible for 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 the Governing Body either intends to liquidate the College or to cease operations, or have no realistic alternative but to do so.

Auditor responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the college operates in and how the college is complying with the legal and regulatory frameworks;
- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Enquiry of College staff in compliance functions to identify any instances of non-compliance with laws and regulations;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias.
- Reviewing minutes of meetings of those charged with governance;
- Reviewing internal audit reports;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Governing Body, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter. Our audit work has been undertaken so that we might state to the Governing Body 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 Governing Body as a body, for our audit work, for this report, or for the opinions we have formed.

MHA

MHA
Chartered Accountants and Registered Auditor
London, United Kingdom

Date: 18/12/2023

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

Independent Reporting Accountant's Assurance Report on Regularity

To: The corporation of Birmingham Metropolitan College and Secretary of State for Education, acting through Education and Skills Funding Agency (ESFA)

In accordance with the terms of our engagement letter dated 20 June 2023 and further to the requirements and conditions of funding in ESFA's 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, in all material respects, the expenditure disbursed and income received by Birmingham Metropolitan College during the period 1 August 2022 to 31 July 2023 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 is set out in the Post-16 Audit Code of Practice (the Code) issued by ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder.

This report is made solely to the corporation of Birmingham Metropolitan College and 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 ESFA those matters we are required 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 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, are applied for the purposes intended by Parliament, and the financial transactions conform to the authorities that govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. 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, during the period 1 August 2022 to 31 July 2023 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued by 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.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. 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 corporation's income and expenditure.

The work undertaken to draw to our conclusion includes:

- An assessment of the risk of material irregularity and impropriety across all of the College's activities;
- Further testing and review of self-assessment questionnaire including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

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 during the period 1 August 2022 to 31 July 2023 has not been applied to purposes intended by Parliament, that the financial transactions do not conform to the authorities that govern them.

MHA
Chartered Accountants and Registered Auditor
London, United Kingdom

Date: 18/12/2023

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

Statement of Comprehensive Income and Expenditure

	Notes	2023 £'000	2022 £'000
INCOME			
Funding body grants	2a	41,144	38,609
Accelerated release of capital grants	15	-	-
Tuition fees and education contracts	3	2,774	2,662
Other grants and contracts	4	431	446
Other income	5	1,614	868
Endowment and investment income	6	160	11
Total income		**46,123**	**42,596**
EXPENDITURE			
Staff costs	7	28,753	30,072
Other operating expenses	8	11,838	10,876
Impairment Loss	11	-	-
Depreciation	11	3,927	3,802
Interest and other finance costs	9	941	1,230
Total expenditure		**45,459**	**45,980**
Surplus/(Deficit) before other gains and losses		**664**	**(3,384)**
(Loss)/Profit on disposal of assets	11	(162)	(261)
Surplus/(Deficit) before tax		**502**	**(3,646)**
Taxation	10	-	-
Surplus/(Deficit) for the year		**502**	**(3,646)**
Actuarial gain/(loss) in respect of pensions schemes		18,474	47,083
Total Comprehensive Income for the year		**18,976**	**43,437**

All items of income and expenditure relate to continuing activities

Statement of Changes in Reserves

	Income and Expenditure account £'000	Revaluation reserve £'000	Total £'000
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 at 1st August 2022	11,998	5,159	17,158
Surplus/(Deficit) for the year	502	-	502
Other comprehensive income	18,474	-	18,474
Transfers between revaluation and income and expenditure reserves	163	(163)	-
Total comprehensive income for the year	19,140	(163)	18,976
Balance at 31st July 2023	**31,138**	**4,996**	**36,134**

Balance sheet as at 31 July

	Notes	2023 £'000	2022 £'000
Fixed assets			
Tangible fixed assets	11	59,439	57,798
		59,439	**57,798**
Current assets			
Trade and other receivables	12	4,534	1,418
Cash and cash equivalents	17	5,431	7,657
		9,965	**9,075**
Less: Creditors – amounts falling due within one year	13	(9,869)	(18,492)
Net current liabilities		**96**	**(9,417)**
Total assets less current liabilities		**59,535**	**48,381**
Less: Creditors – amounts falling due after more than one year	14	(21,759)	(11,213)
Provisions			
Defined benefit obligations	16	0	(18,111)
Other provisions	16	(1,642)	(1,899)
Total net (liabilities)/assets		**36,134**	**17,158**
Unrestricted reserves			
Income and expenditure account		31,138	11,998
Revaluation reserve		4,996	5,159
Total reserves		**36,134**	**17,158**

The financial statements on pages 26 to 55 were approved by the Corporation on 14 December 2023 and were signed on its behalf by:

Sir Dexter Hutt
Chair of the Corporation

Pat Carvalho
Accounting Officer

Statement of Cash Flows

	Notes	2023 £'000	2022 £'000
Cash inflow from operating activities			
Surplus/(Deficit) for the year		502	(3,646)
Adjustment for non cash items			
Depreciation		3,927	3,802
(Increase)/Decrease in debtors		(3,115)	(329)
Increase/(Decrease) in Creditors		4,156	(2,594)
Increase/(Decrease) in provisions		(257)	(655)
Pensions costs less contributions payable		360	2,694
Adjustment for investing or financing activities			
Investment income		(160)	(11)
Interest payable		403	389
(Profit)/Loss on sale of fixed assets		162	261
Net cash flow from operating activities		**5,978**	**(88)**
Cash flows from investing activities			
Investment income		160	11
Payments made to acquire fixed assets		(5,730)	(1,357)
		(5,570)	(1,346)
Cash flows from financing activities			
Interest paid		(403)	(389)
Repayments of amounts borrowed		(2,232)	(1,513)
		(2,634)	(1,902)
Increase/(Decrease) in cash and cash equivalents in the year		**(2,226)**	**(3,336)**
Cash and cash equivalents at beginning of the year	17	7,657	10,993
Cash and cash equivalents at end of the year	17	5,431	7,657

Statement of Cash Flows (Continued)

Analysis of movement in net debt

	Brought Forward	Cash Flows	Other noncash changes	Carried Forward
	£'000	£'000	£'000	£'000
Cash at bank and in hand	7,657	(2,226)	-	5,430
Debt due within one year	(8,714)	2,232	5,482	(1,000)
Debt due after more than one year	-	-	(5,482)	(5,482)
Total Net debt	**(1,057)**	**5**	**-**	**(1,052)**

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 2022 to 2023 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

The activities of the college, together with the factors likely to affect its future development and performance are set out in the Strategic Report. The financial position of the college, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The college currently has £6.5m of loans outstanding with ESFA on terms negotiated in 2023 which will be secured by a fixed charge on the Erdington Skills Centre. The terms of the agreement are for a total of 7 years at which point the loan will be repaid. The college's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenant for the foreseeable future.

Consequently the Corporation is confident that the College will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and have therefore prepared these statements on a going concern basis

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 interest and other finance costs.

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

At the year end, the initial actuarial report from the Scheme Actuary reported a net pension asset of £9,881,000. When the Scheme gives rise to a potential asset position, the Governors are required to assess the basis for recognising an asset on the balance sheet against the FRS102 criteria, this being "An entity shall recognise the plan surplus as a defined benefit plan asset only to the extent that it is able to recover the surplus either through reduced contributions in the future or refunds from the plan." In using the word "shall", the emphasis is placed upon the College to consider the value of such an asset, rather than whether an asset should be recognised in the first instance. Accordingly, the College has considered the value at which they can benefit from either (1) refunds from the plan or (2) reduced contributions. As the College intends to continue to participate in the LGPS, the likelihood of a refund being due from the Scheme has been deemed as remote and not practically achievable. Secondly, the College has undertaken an exercise to assess the minimum funding requirement due to the Scheme in order to calculate the net present value of the asset which will be the value of a continuing liability of the future service cost minus the present value of the employer contributions. The outcome of this calculation has shown that the College is unlikely to gain economic benefit from a reduction in future contributions.

Accordingly, the college has made an impairment charge on the asset reducing the net position at the year ended 31 July 2023 to £Nil. Therefore, no defined benefit pension asset has been included in the financial statements.

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 22, 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 2022 has been used by the actuary in valuing the pensions liability at 31 July 2023. 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

	2023	2022
	£'000	£'000
Recurrent grants		
Education and Skills Funding Agency - adult education budget	524	604
West Midlands Combined Authority - adult education budget	8,356	8,000
Education and Skills Funding Agency – 16 -18	26,279	23,541
Education and Skills Funding Agency - apprenticeships	3,676	3,761
Office for Students	153	305
Specific Grants		
Teacher Pension Scheme Contribution Grant	1,047	927
Releases of government capital grants	582	526
COVID Support	0	19
Catch up fund	526	744
FECA	0	180
Total	**41,144**	**38,609**

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 additional funding of £526k 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

	2023	2022
	£'000	£'000
Grant income from the Office for Students	153	305
Fee income for taught awards (exclusive of VAT)	999	919
Total grant and fee income	**1,152**	**1,225**

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

3 Tuition fees and education contracts

	2023	2022
	£'000	£'000
Adult education fees	422	478
Apprenticeship fees and contracts	23	97
Fees for FE loan supported courses	339	590
Fees for HE loan supported courses	479	533
Total tuition fees	1,263	1,698
Education contracts	1,511	964
Total	**2,774**	**2,662**

4 Other grants and contracts

	2023	2022
	£'000	£'000
European Commission	137	81
Other grants and contracts	294	365
Coronavirus Job Retention Scheme	0	-
Total	**431**	**446**

Notes to the Accounts (continued)

5 Other income

	2023 £'000	2022 £'000
Other income generating activities	1,557	824
Non government capital grants	57	44
Total	1,614	868

6 Investment income

	2023 £'000	2022 £'000
Other interest receivable	160	11
	160	11

Notes to the Accounts (continued)

7 Staff costs

The average number of persons (including key management personnel) employed by the College during the year, was:

	2023 No.	2022 No.
Teaching staff	361	362
Non teaching staff	292	285
	653	**647**

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

	2023 No.	2022 No.
Teaching staff	347	351
Non teaching staff	273	273
	620	**624**

Staff costs for the above persons

		2023 £'000	2022 £'000
Wages and salaries		21,026	20,420
Social security costs		2,044	2,007
Other pension costs		4,795	6,965
Payroll sub total		**27,865**	**29,391**
Contracted out staffing services		644	361
		28,509	**29,752**
Restructuring costs -	contractual	155	233
Levy Payments		90	87
		28,753	**30,072**

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

	2023 No.	2022 No.
The number of key management personnel including the Accounting Officer was:	14	14

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	
	2023 No.	2022 No.	2023 No.	2022 No.
Below £60,000	-	-	-	-
£60,001 to £65,000	2	2	9	9
£65,001 to £70,000	1	1	1	-
£70,001 to £75,000	-	1	1	-
£75,001 to £80,000	4	2	-	-
£80,001 to £85,000	2	5	-	-
£85,001 to £90,000	1	-	-	-
£90,001 to £95,000	1	1	-	-
£100,001 to £105,000	1	-	-	-
£115,001 to £120,000	-	-	-	-
£120,001 to £125,000	1	1	-	-
£155,001 to £160,000	-	1	-	-
£175,001 to £180,000	1	-	-	-
	14	**14**	**11**	**9**

Notes to the Accounts (continued)

7 Staff costs

Key management personnel compensation is made up as follows:

	2023 £'000	2022 £'000
Salaries - gross of salary sacrifice and waived emoluments	1,212	1,190
Employers National Insurance	153	151
	1,365	**1,341**
Pension contributions	234	252
Total emoluments	**1,600**	**1,593**

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:

	2023 £'000	2022 £'000
Salaries	177	160
Benefits in kind	-	-
	177	160
Pension contributions	13	38

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

	2023	**2022**
Principal's basic salary as a multiple of the median of all staff	6.1	5.3
Principal and CEO's total remuneration as a multiple of the median of all staff	6.5	6.6

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.

Severance Payments

The College paid one severance payment in the year, disclosed in the following bands:

	2023 No.
Below £25,000	1
£25,001 to £50,000	-
£50,001 to £100,000	-
£100,001 to £150,000	-
£150,000+	-
	1

Notes to the Accounts (continued)

8 Other operating expenses

	2023 £'000	2022 £'000
Teaching costs	2,083	1,766
Non teaching costs	6,519	5,675
Premises costs	3,235	3,435
Total	**11,838**	**10,876**

Other operating expenses include:	**2023 £'000**	**2022 £'000**
Auditors' remuneration:		
Financial statements audit	48	60
Internal audit	56	52
Depreciation	3,927	3,802

8a. Access and participation spending

	2023 £'000	2022 £'000
Access Investment	43	31
Financial Support to Students	5	8
Disability Support	4	-
Research and Evaluation	54	65
Total	**106**	**104**

Bmet's access and participation plan - https://www.bmet.ac.uk/about-bmet/governance/office-for-student-registration/

9 Interest payable

	2023 £'000	2022 £'000
On bank loans, overdrafts and other loans:	403	389
	403	389
Net interest on defined pension liability and enhanced pension	538	841
Total	**941**	**1,230**

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 2022	111,141	110	10,364	841	122,456
Additions	321	-	815	4,594	5,730
Transfer Asset Under Construction	-	-	841	(841)	-
Disposals	(491)	-	(1,272)	-	(1,764)
At 31 July 2023	**110,970**	**110**	**10,747**	**4,594**	**126,422**
Depreciation					
At 1 August 2022	58,391	51	6,206	11	64,658
Transfer Asset Under Construction	-	-	11	(11)	-
Charge for the year	2,525	4	1,398	-	3,927
Elimination in respect of disposals	(375)	-	(1,227)	-	(1,602)
At 31 July 2023	**60,541**	**55**	**6,388**	**-**	**66,983**
Net book value at 31 July 2023	**50,429**	**55**	**4,359**	**4,594**	**59,439**
Net book value at 31 July 2022	52,750	59	4,158	830	57,798

Notes to the Accounts (continued)

12 Trade and other receivables

	2023	2022
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	453	323
Other debtors	10	9
Prepayments and accrued income	3,665	741
Amounts owed by the ESFA	406	346
Obligations under VAT scheme	-	-
Total	**4,534**	**1,419**

13 Creditors: amounts falling due within one year

	2023	2022
	£'000	£'000
Bank loans and overdrafts	-	4,384
ESFA Loan	1,000	4,330
Trade payables	3,146	1,721
Obligations under VAT scheme	16	37
Other taxation and social security	1,098	1,151
Payments received on account	1,085	3,145
Accruals	2,907	3,160
Deferred income - government capital grants	616	564
Total	**9,869**	**18,492**

14 Creditors: amounts falling due after one year

	2023	2022
	£'000	£'000
Bank loans	-	-
ESFA Loan	5,482	-
Deferred income - government capital grants	16,277	11,212
Total	**21,759**	**11,212**

Notes to the Accounts (continued)

15 Maturity of debt

(a) Loans and overdrafts

Loans and overdrafts are repayable as follows:

		2023 £'000	2022 £'000
In one year or less:	Bank loan	-	4,384
	ESFA loan	1,000	4,330
Between two and four years:	Bank loan	-	-
	ESFA loan	3,765	-
More than five years:	Bank loan	-	-
	ESFA loan	1,717	-
Total		**6,482**	**8,714**

During 2023 the College undertook a debt restructure which resulted in the ESFA/DFE refinancing the bank loans previously held with Lloyds and Barclays Bank, this was concluded in July 2023.
The original ESFA/DFE loan facility continues and is subject to interest calculated annually at PWLB rates.
An additional reclassification loan agreement is in place with the ESFA/DFE which has an opening balance of £3.5m. This loan is currently subject to interest only payments, capital repayments will commence in January 2027 and is secured by a legal charge on the Erdington Skills Centre.
As a result of the changes above in according with Financial Reporting Standards the total debt has been re-classified between short and long-term liabilities.

Notes to the Accounts (continued)

16 Provisions

	Defined benefit Obligations £'000	Enhanced pensions £'000	Other £'000	Total £'000
At 1 August 2022	18,111	1,899	-	20,010
Expenditure in the period	(265)	(257)	-	(522)
Transferred from income and expenditure account	628	-	-	628
Actuarial gain net of provision against surplus	(18,474)	-	-	(18,474)
Release in provision	-	-	-	-
At 31 July 2023	0	1,642	-	1,642

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 22.

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 employment 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:

	2023	2022
Price inflation	6.90%	9.90%
Discount rate	5.05%	3.50%

17 Cash and cash equivalents

	At 1 August 2022 £'000	Cash flows £'000	Other changes £'000	At 31 July 2023 £'000
Cash and cash equivalents	7,657	(2,226)	-	5,430
Total	**7,657**	**(2,226)**	-	**5,430**

18 Capital commitments

	2023 £'000	2022 £'000
Commitments contracted for at 31 July	650	390

Notes to the Accounts (continued)

19 Lease Obligations

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

	2023 £'000	2022 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	9	4
Later than one year and not later than five years	37	16
later than five years	81	39
	127	59
Other		
Not later than one year	26	7
Later than one year and not later than five years	21	33
later than five years	-	30
	47	71
Total lease payments due	174	129

20 Contingent liabilities

The College has no contingent liabilites as at 31 July 2023 (2022: £nil)

21 Events after the reporting period

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

Notes to the Accounts (continued)

22 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 West Midlands Local Government Pension Scheme (LGPS) for non-teaching staff. 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 as at 31 March 2016 and of the LGPS 31 March 2019.

Total pension cost for the year		**2023**		**2022**
		£'000		**£'000**
Teachers Pension Scheme: contributions paid		2,707		2,644
Local Government Pension Scheme:				
Contributions paid	(153)		(13)	
FRS 102 (28) charge	2,241		4,334	
Charge to the Statement of Comprehensive Income		2,088		4,051
Enhanced pension charge to Statement of Comprehensive Income		-		-
Total Pension Cost for Year		**4,795**		**6,694**

Contributions amounting to £489,256 (2022:£561,271) 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, colleges and other educational establishments. 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)

22 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 2020-21 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 £3,720k (2022: £3,657k)

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 2023 was £2,038,422 of which employer's contributions totalled £1,554,375 and employees' contributions totalled £484,047. The agreed contribution rates for future years are 22.3% for employers and range from 5.5% to 12.5% cent for employees, depending on salary according to a national scale.

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2023 by a qualified independent actuary.

	At 31 July 2023	**At 31 July 2022**
Rate of increase in salaries	4.00%	3.75%
Future pensions increases	3.00%	2.75%
Discount rate for scheme liabilities	5.05%	3.50%
Inflation assumption (CPI)	3.00%	9.90%
Commutation of pensions to lump sums	50%	50%

Notes to the Accounts (continued)

22 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

The current mortality assumptions include sufficient allowance for

	At 31 July 2023 years	At 31 July 2022 years
Retiring today		
Males	20.50	21.20
Females	23.90	23.60
Retiring in 20 years		
Males	21.70	22.90
Females	25.20	25.40

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

	Asset allocation expected at 31 July 2023	Fair Value at 31 July 2023 £'000	Asset allocation expected at 31 July 2022	Fair Value at 31 July 2022 £'000
Equities	68.00%	71,220	67.00%	70,668
Bonds	21.00%	21,994	20.00%	21,095
Property	7.00%	7,331	8.00%	8,438
Cash	4.00%	4,189	5.00%	5,274
Total market value of assets		**104,735**		**105,475**

Weighted average expected long term rate of return

The return on the Fund in market value terms for the period to 31 July 2023 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:

	2023 £'000	2022 £'000
Fair value of plan assets	104,735	105,475
Present value of plan liabilities	(94,811)	(123,548)
Present value of unfunded liabilities	(43)	(38)
Net pensions asset/(liability) (Note 16)	**9,881**	**(18,111)**

Notes to the Accounts (continued)

22 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:

	2023 £'000	2022 £'000
Amounts included in staff costs		
Current service cost	2,254	4,334
*Past Service Costs	2	34
Total	**2,256**	**4,368**
Amounts included in investment income		
Net interest income	628	1,013
	628	**1,013**
Amounts recognised in Other Comprehensive Income		
Return on Fund assets in excess of interest	3,995	(700)
Change in financial assumptions	(25,594)	(53,058)
Change in demographic assumptions	(1,531)	(669)
Experience gain on defined benefit obligation	(5,225)	7,344
Provision against Surplus	9,881	-
Amount recognised in Other Comprehensive Income	**(18,474)**	**(47,083)**

Movement in net defined benefit liability during the year

	2023 £'000	2022 £'000
Deficit in scheme at 1 August	(18,111)	(62,487)
Movement in year:		
Staff Costs	(2,238)	(4,363)
Employer contributions	2,516	2,682
Net interest on the defined liability	(628)	(1,013)
Administration expenses	(13)	(13)
Actuarial gain	18,474	47,083
Net defined benefit asset/(liability) at 31 July	**-**	**(18,111)**

* Past service costs above include £Nil (2022: £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)

22 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Asset and Liability Reconciliation

	2023 £'000	2022 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	123,586	165,418
Current Service cost	2,254	4,347
Interest cost	4,318	2,660
Contributions by Scheme participants	482	475
Experience gains and losses on defined benefit obligations	(5,689)	7,344
Changes in financial assumptions	(25,594)	(53,058)
Changes in demographic assumptions	(1,531)	(669)
Estimated benefits paid	(2,969)	(2,960)
Past Service cost	2	34
Unfunded pension payments	(5)	(5)
Defined benefit obligations at end of period	**94,854**	**123,586**

Reconciliation of Assets

	2023 £'000	2022 £'000
Fair value of plan assets at start of period	105,475	102,931
Interest on plan assets	3,690	1,647
Return on plan assets	(3,995)	700
Employer contributions	2,516	2,682
Contributions by Scheme participants	482	475
Estimated benefits paid	(2,969)	(2,965)
Other experience gains	(464)	-
Administration Expenses	-	(13)
Fair value of plan assets at end of period	**104,735**	**105,457**

Deficit contributions

In April 2013 the College entered into an agreement with the LGPS to make additional contributions, these totalled £814k 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)

23 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 £453; 3 governors (2022: £602; 3 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 (2022: None).

Estates, IT and tution fees were recharged to Harborne Academy during the year this totalled £1,658 (2022: £40,732)

24 Amounts disbursed as agent

Learner support funds

	2023 £'000	2022 £'000
Funding body grants – 16-18 Bursary	1,165	1,170
Other Funding body grants	77	125
	1,242	1,295
Disbursed to students	(918)	(1,029)
Administration costs	(50)	(61)
Balance unspent as at 31 July, included in creditors	274	205

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.