

**Belfast
Metropolitan
College
Press Release on
financial
statements for year
ended 31 July 2012**

Report on the Belfast Metropolitan College's financial challenges

Mr Kieran Donnelly, the Comptroller and Auditor General (C&AG) for Northern Ireland and Head of the Northern Ireland Audit Office (NIAO) has reported the results of the annual audit work carried out on the Belfast Metropolitan College's (BMC) financial statements for the year ended 31 July 2012.

Mr Donnelly stated that, "BMC made an operating deficit¹ of £2.5 million during 2011-12. The net cumulative operating deficit since BMC's formation in 2007-08 is £17.3 million. The operating deficit for 2011-12 includes exceptional costs relating to redundancies of £863,000. The CIP had originally forecast that the College would make an operating surplus before exceptional costs of £2.3 million in 2011/12. This compares with a deficit of £1.6 million in the 2011/12 accounts, a variance of £3.9 million. The College expects to reduce its underlying deficits to an acceptable level in the 2012/13 financial year, i.e. by July 2013."

This is my fifth report in as many years, since the formation of BMC on 1 August 2007, and the third assessing the financial challenges at the College as they implement the College Improvement Plan (CIP).

BMC has faced a number of challenges since its formation on 1 August 2007. Following a significant operating deficit in 2007/08, an Efficiency Review, required by the Department for Employment and Learning (DEL), was conducted to investigate the financial and governance arrangements at BMC.

Following the Efficiency Review, the College completed, in October 2010, a CIP covering the areas of Finance, Estates, Curriculum and Staffing. This was aimed at bringing the College to financial balance. The CIP highlighted that BMC had incurred year on year unplanned trading deficits. The reasons given included a strategy of growth despite falling student numbers; it had significantly over recruited students and had committed to a number of large scale projects that had a direct impact on the financial stability of the College.

The Plan establishes a revised strategic and financial plan, setting out the range of actions required to stabilise the College's financial position and setting out appropriate

¹ Operating surpluses/deficits represent the financial results for the year after account of all costs, including depreciation based on the revalued amount of fixed assets. The Department however currently monitors the financial performance of Further Education Colleges on the basis of Historical Cost surpluses/deficits which calculate depreciation costs based on historic cost rather than on the higher revalued amount of fixed assets used in establishing the operating surplus/deficit. The Historic Cost deficit in 2011-12 was £1.0 million, giving a cumulative Historical Cost deficit of £9.4 million since the College's formation in 2007-08; a net cumulative historic cost deficit before exceptional items of £0.3m.

targets and performance indicators against which processes can be assessed. The Department monitors the College's performance against the CIP.

In 2011-12, BMC again made an operating deficit of £2.5 million. The net cumulative operating deficit since its formation in 2007-08 is £17.3 million.

The operating deficit for 2011-12 includes exceptional costs relating to redundancies of £863,000. The operating surplus/(deficit) in each year since formation and cumulatively are:

Year	Operating surplus/(deficit) excluding exceptional costs	Exceptional costs	Operating surplus/(deficit)	Cumulative operating deficit
2007/08	(1,276)	(5,040) ^a	(6,316)	-
2008/09	(2,596)	-	(2,596)	(8,912)
2009/10	416 ^b	-	416 ^b	(8,496)
2010/11	(3,099)	(3,212) ^a	(6,311)	(14,807)
2011/12	(1,612)	(863) ^a	(2,475)	(17,282)

^a £4.8 million of exceptional costs in 2007/08 and all exceptional costs in 2010/11 and 2011/12 related to redundancies.

^b In 2009-10, BMC made an operating surplus of £416,000. This included a one-off technical accounting adjustment for pension liabilities of £2.8 million. Without this adjustment, the operating deficit would have been £2.4million.

The CIP had originally forecast that the College would make an operating surplus before exceptional costs of £2.3million in 2011/12, and a surplus of £4.5million in 2012/13. This compares so far with a deficit of £1.6million in the 2011/12 accounts, a variance of £3.9 million. The actual performance is behind the CIP forecast due to a delay in finalising and agreeing the CIP which meant that commencement of the restructuring programme was delayed from September 2010 to February 2011. This was further compounded by challenges in attracting and retaining full time students in some key areas and a change in how the College accounts for its Private Finance Initiative (PFI), Titanic Quarter capital project, which added £1.8 million to the deficit incurred in 2011/12 and £0.3 million in 2010/11.

The College told me that action has been taken to address these challenges, with the restructuring programme substantially completed during 2011/12, the implementation of a revised enrolment process for 2012/13 and the update of all forecasts to reflect the revised accounting treatment for PFI. The College expects to reduce its underlying deficits to an acceptable level in the 2012/13 financial year, i.e. by July 2013.

Notes for Editors

1. BMC is the largest of Northern Ireland's six Further Education Colleges with income of over £63million.
2. The Comptroller and Auditor General is Head of the Northern Ireland Audit Office (the Audit Office). He and the NIAO are totally independent of Government. He certifies the accounts of Government Departments and a range of other public sector bodies. He has statutory authority to report to the Assembly on the economy, efficiency and effectiveness with which departments and public bodies use their resources. His reports are published as Assembly papers.
3. The report relevant to this Press Release is published with the BMC Annual Report and Accounts for the year ended 31 July 2012 which can be obtained from the BMC website at <http://www.belfastmet.ac.uk/Docs/AboutUs/Public/BMC11-12SignedAccounts.pdf>
4. Background briefing can be obtained from the Northern Ireland Audit Office by contacting Stephen McCormick (028 90251067).