

MORLEY COLLEGE LIMITED

England & Wales · Charity number 1023523

Details

Other names	MORLEY COLLEGE (1993) LIMITED, MORLEY COLLEGE
Status	Registered
Legal form	Charitable company
Company number	02829836
Registered	1993-07-08
Register	View on the Charity Commission register

Contact

Address	Morley College Ltd 61 Westminster Bridge Road London SE1 7HT
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Website	www.morleycollege.ac.uk

Activities

Objects: TO ADVANCE FOR THE PUBLIC BENEFIT EDUCATION BY THE PROVISION TO PERSONS ("STUDENTS") OF COURSES AND SUCH OTHER EDUCATIONAL FACILITIES AND SERVICES AS SHALL BE DETERMINED BY THE GOVERNING BODY OF THE COLLEGE TO MEET THE NEEDS OF ITS STUDENTS.

Activities: The provision of education for adults.

Classification

- **How:** Provides Services
- **What:** Education/training
- **Who:** The General Public/mankind

Geography

- Throughout London

Finances

Period end	Income	Expenditure	Assets	Employees
2025-07-31	£5,841,000	£24,249,000	£47,165,000	635
2024-07-31	£5,199,000	£22,355,000	£47,793,000	707
2023-07-31	£4,996,000	£21,816,000	£48,189,000	729
2022-07-31	£21,009,000	£24,407,000	£43,978,000	847
2021-07-31	£18,906,000	£23,643,000	£32,051,000	780
2020-07-31	£38,618,012	£19,046,000	£34,300,000	687

Trustees

Name	Role	Appointed
Elisabeth Fullick	Chair	2021-05-07
Alexander Neil Cole		2021-03-29
Andrew Williamson		2025-02-03
Anica Alvarez Nishio		2026-05-18
Dr Jack Davy		2024-10-21
Dr Melissa Score		2021-11-01
Gail Le Coz		2020-02-03
Mark John Riddleston		2026-05-18
Matthew Innes		2024-10-21
NICHOLAS ROY DURSTON		2018-04-13
Naeem Uddin		2024-10-21
Naroa Perez		2026-03-23
Natalie Mai Garner		2026-05-18
Sidney Yankson		2026-05-18
Susan Lindsey		2019-03-27
Susan Marian Bonett		2025-06-30

MORLEY COLLEGE LIMITED

England & Wales - Charity number 1023523

Accounts



MORLEY COLLEGE LIMITED

**Report and Financial Statements
for the year ended 31 July 2025**

Registered number: 2829836

Registered charity number: 1023523

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Key Management Personnel, Board of Governors and Professional advisors

Key management personnel

Key management personnel are defined as Senior Post Holders and were represented by the following in 2024/25:

Susan Bonnet – Principal and CEO; Accounting Officer (from 30/06/2025)

Dr Andrew Gower - Principal and CEO; Accounting Officer (to 21/04/2025)

Ralph Moran – Chief Finance Officer

(Interim Principal and CEO & Accounting Officer between 22/04/2025 to 29/06/2025)

Governing Body

The full list of Governors is provided on pages 30 to 34 of this report. Georgia Cocks, Director of Governance, acted as Clerk to the Governing Body and Company Secretary throughout the period.

General information and professional advisors

Registered Office

61 Westminster Bridge Road

London SE1 7HT

Financial statements auditors and reporting accountants

Buzzacott Audit LLP

130 Wood Street

London EC2V 6DL

Internal auditors

RSM UK Audit LLP

25 Farringdon Street

London EC4A 4AB

Bankers

National Westminster Bank plc

91 Westminster Bridge Road

London SE1 7HW

Solicitors

Eversheds Sutherland

1 Wood Street

London EC2V 7WS

Morley College London – Introduction

Morley College Limited trades as Morley College London.

Morley College London is a unique college within the learning landscape of London. With teaching centres both north and south of the Thames – in North Kensington, Chelsea and Waterloo – Morley College London is celebrated for its strong social values, its exceptional creativity, and its commitment to meeting the needs of students and their communities.

We advocate lifelong learning as vital for personal achievement, academic progression, and career development.

Our students include:

- adults looking to reskill so they can change careers or return to work;
- mature students with few traditional qualifications who now want to improve their prospects in work or education;
- 16-to-18-year-olds (at our North Kensington and Chelsea Centres) looking to progress to employment or higher education;
- international students who wish to improve their English language abilities for work, study, or everyday life;
- school leavers who want to build professional skills and get qualified, but are concerned about the time and financial commitments of going to university;
- students interested in studying on Creative Practice degrees at HE level; and
- many others who find opportunities for personal development and enrichment through our study programmes in Arts, Culture and Applied Sciences.

With a Mission to empower individuals and strengthen communities through lifelong learning, Morley College London's social values and diversity of learning opportunities have roots going back to the 19th century, and the college boasts a proud record of serving learners in their respective boroughs and beyond. Today, the college plays an important role in all the communities it serves, including that in North Kensington, where local people continue to rebuild their lives in the aftermath of the tragedy of the Grenfell Tower fire on 14 June 2017.

As London's largest specialist Institute of Adult Learning, Morley College London also has an important contribution to make in delivering the priorities of regional and national government, including those outlined in the Mayor of London's Skills Roadmap (2022), the capital's Local Skills Improvement Plan (2023), and the London Growth Plan and associated Inclusive Talent Strategy (2025) all of which aim to empower Londoners to access the education and skills to participate in society and progress in education and work, and to meet the needs of London's economy and employers.

The Morley College London of today was formed through a merger in 2020. Prior to this, Kensington and Chelsea College had delivered significant operating financial deficits over a number of years. The challenge of delivering a financially viable merged college was recognised by the Education and Skills Funding Agency, and resulted in the provision of a £3.5M restructuring facility to be drawn down in the event that operating cash levels fell below an agreed threshold. As at the date of the approval of these financial statements the College has drawn down this facility in full.

The 2020 merger came about with the strong support of local stakeholders, and this enabled us to secure government support totalling £32.3 million to enable the purchase of the North Kensington Centre by the Department for Education, the renovation of the North Kensington and Chelsea Centres, and to develop a new, and broader, curriculum. These investments are in addition to the £3 million that the college had already spent upgrading the Waterloo Centre in the years immediately preceding merger, and the further £5.8 million that it has spent in 2024/25 to upgrade Waterloo's Emma Cons Hall and Johnny Harris Studio Theatre.

In the years since the global COVID-19 pandemic, the College has continued to mitigate the social, educational, organisational, and financial impacts of the pandemic to maintain business continuity; ensure financial management; and seek to secure the strongest possible performance.

Report of the Governing Body and Strategic Report

Nature, Objectives and Strategies

The Governing Body, which represents the Board of Directors for the purposes of company law and the Board of Trustees for the purposes of charity law, presents its report, incorporating its Directors' and Strategic Reports, and the audited financial statements of Morley College Limited ('the College' or 'Morley College London') for the year ended 31 July 2025. The college is registered as Morley College Limited and uses Morley College London for branding and trading purposes.

Legal status

The college was incorporated on 18 June 1993 (Company Number 2829836) and began trading on 2 September 1993. This Company replaced the previous organisation, which was also known as Morley College, and had been in existence since it was founded in 1889. The college is an Institute for Adult Learning (formally a Specialist Designated Institution (SDI)) under the 1992 Further and Higher Education Act.

The College is a registered charity (no. 1023523) which is regulated by a scheme dated 2 September 1993, as amended 27 June 2000, 10 December 2007, 4 April 2018 and 15 July 2019. The College's application to HM Revenue and Customs for exemption from Corporation Tax was made on 6 September 1994 and was accepted on 13 September 1995. The College's activities do not fall within the scope of Corporation Tax.

A merger with Kensington and Chelsea College was completed on 3 February 2020, following the dissolution of Kensington and Chelsea College.

Principal activities

The object of the College is the provision of education in such subjects and at such standards as the Governing Body from time to time determines.

Mission

The College's mission for the five years to 2025 is to inspire individuals and strengthen communities through the transformative impact of lifelong learning.

Public benefit

Morley College London was founded over 130 years ago to provide a public benefit service to the community and has continued to build on and develop that service to the public throughout the years. The College's strategic goals, as agreed with the Governing Body, meet the aims of the Charity Commission's guidance on public benefit and particularly its supplementary guidance on the advancement of education. The College clearly demonstrates across its broad range of activities how it meets the requirement that all

organisations wishing to be recognised as charities must demonstrate, and explicitly, that its aims are for the public benefit.

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- General and specialist resources and facilities
- Widening participation and tackling social exclusion
- Evidence of improved employability for students
- Strong student support systems
- Links with local employers
- Recognised contribution to the cultural life of London

The core-funding agency for the College during 2024/25 was the Greater London Authority (GLA), with additional funding from the Department for Education (DfE) in respect of 16-19 education and adult learners resident outside of the devolved authorities. The funding received is used to support unrestricted access to the beneficiaries. From 1 August 2019, the funding for London-based Adult Education learners transferred to the Greater London Authority (GLA). This devolved funding model provides further opportunities for the College to embrace the Skills for Londoners initiatives. The DfE will continue to fund the College for adult students that are based outside London. The College continually develops its curriculum to address the priorities of its communities and works closely with the GLA and Business LDN the employer representative body for London, contributing to the development and the delivery of the Local Skills Improvement Plan for London.

Implementation of strategic plan

In September 2021, the College published a strategic plan for the five years to 2025. The plan defined Morley College London's strategic direction with its priorities expressed in the statement of three overarching strategic goals:

- Create outstanding learning opportunities

We will offer choice and flexibility to students by delivering an ambitious range of exciting and engaging courses in response to the interests of students and the learning needs of the communities we serve.

- Deliver an outstanding student experience

We will build the capacity and resilience to invest in high quality learning environments supported by high quality learning resources. With the support of funders, a comprehensive estates strategy will see significant investment into the North Kensington Centre for Skills.

- Achieve financial sustainability

Working within a closely defined Financial Strategy, we will work towards achieving the sustainability of the College by growing our revenue whilst maintaining close control of costs.

The mission, vision and strategic goals inform and are fed into the operational life of the College. The words are presented in large letters on the wall of the boardrooms at each teaching centre, to help remind management and inform our visitors of the College's strategic goals. The Senior Leadership Team support the strategic aims through their roles in leading the College Committees through curriculum, external engagement, quality and standards, health and safety, risk, and management meetings. The College's self-assessment review process helps identify the specific areas for improvement and supports colleagues to make the changes. Regular presentations to the Governors from operational areas of the College enable positive interactions and feedback.

Performance indicators

The College has developed a set of key performance indicators (KPIs) to enable the Governing Body to monitor the College's progress in implementing the Strategic Plan. The KPIs are aligned with the College strategic goals and are used by College Leadership to guide operational decisions. Each KPI has a target, and actual performance is compared on a termly or annual basis as appropriate against this target and against previous performance. Wherever possible, KPIs are benchmarked against the performance of other colleges nationally. This comparison includes the Department for Education's National Achievement Rate Tables (NARTs) and the FE Commissioner's financial benchmarks (FEC benchmarks). NARTs and FEC Benchmarks are both available on the gov.uk website. By analysing KPIs throughout the year, College leaders and the Governing Body can identify areas of concern and to take appropriate and timely action.

The KPIs for 2024/25 show a high standard of delivery, with most above target and showing an improvement in comparison to 2023/24. The College is making continued progress across all three strategic goals. The following table captures College performance against non-financial targets for the College.

Measure	Actual	Target	Status
Recruitment	108.9%	100.0%	✓
Achievement rates	94.5%	84.2%	✓
Student satisfaction	90.8%	90.0%	✓
Student destination	94.9%	92.0%	✓
Staff satisfaction (net promoter score)	+6	+10	✗
Energy use and emissions	0.083	<0.068	✗

In relation to the academic performance of students, the College's 2024-25 Self-Assessment Report (SAR) identifies many strengths, including:

- The college has a curriculum intent that builds on the college's strengths, providing learning opportunities that respond to national skills needs and are highly relevant to Morley College London's communities of location and practice.
- The curriculum is expertly delivered by a wide range of part-time and full-time staff, many of whom are renowned practitioners in their own fields. Teaching staff are experienced and well qualified with very strong subject knowledge and/or industry experience and effectively motivate and enthuse students who clearly enjoy their learning and are very focused and hard working.
- The curriculum at Morley College London has a very positive impact on students. They consistently develop relevant and valuable skills in their respective fields that enable them to progress and achieve their goals, move on to the next stage of their learning or into volunteering or employment. They produce work of good, and often outstanding quality as evidenced in portfolios, written and practical work and end of year exhibitions and performances.
- Student retention and achievement on short, unaccredited courses (which constitute 77% of the college enrolments) are at 97.3% and 96.6% respectively, 2.8% and 9.9% above college KPIs based on national averages. On these courses students consistently achieve their learning outcomes, developing subject related knowledge and skills as well as wider outcomes such as health and wellbeing; character, attitudes, and skills; integration and inclusion; and creativity and culture.
- Achievement on education programmes for young people has consistently improved year on year and is now at 83.6% which is a 5% improvement on 23/24. On level 3 programmes, achievement is 82.6% which is a 4.6% improvement from year to year.
- The level of participation and development of students at Morley College London is strong. Students' motivations to study are strong, sustained and encouraged by teachers. The learning environment at the college is safe and supportive and one where discrimination, abuse and bullying are not tolerated. The college's inclusive and tolerant culture promotes students' understanding of life in modern Britain and the wider world well.
- Opportunities for personal development are often, varied and well aligned to the curriculum, social issues and employability. Each of the college's centres enables its students to develop their knowledge and skills beyond the academic content of the curriculum through a wide range of extra-curriculum activities.
- In February 2023 OFSTED undertook a full inspection of Morley College London. This inspection awarded the college a 'Good' overall, with Good awarded for all three provision types and with an outstanding judgement for Behaviour and Attitudes. The college was also recognised for its work with employers and stakeholders with a 'Strong' skills judgement, the highest achievement for this new category.
- The college participated in the Teaching Excellence Framework (TEF). This national recognised scheme for Higher Education specifically and led by the Office for Students (OfS) scrutinises the quality of the student experience and student outcomes. The College was awarded a 'Gold' for the quality of the student

experience and a Silver for Student Outcomes, with an overall rating of Gold ('typically outstanding').

- The Chelsea Centre for Creative Industries was awarded by the Mayor of London's office the Quality Mark for Creative Industries. An award that recognises training providers who have demonstrated high-quality skills provision within a key sector for London.
- Morley College London prepares students well for future success in education, employment, or training. Students benefit from high quality specialist and impartial advice and guidance available from pre-enrolment onwards from tutors, managers, and the Student Services Team.
- Leadership and governance are strong. Leaders, managers, and governors were highly effective in successfully steering the college through merger and post-pandemic recovery with outcomes for learners improving year on year on both accredited and non-accredited programmes. There is a strong vision and curriculum intent for each of the college centres, with clear ambition for students' success and progression, including the hardest to reach communities that have the most to gain from engagement in learning. They have worked well to implement this vision through strong partnership networks, including those reaching into the local communities into higher education and employment.
- Managers have very high expectations of teaching staff. They expect effective and strong teaching to be the norm and provide teachers with the tools to achieve this. Regular CPD and individual support for teachers ensure that teaching across the college remains at least good and there are many instances of inspiring, and innovative practice which is then shared through specialist development coaches.
- Governors have a clear understanding of the college's mission, vision and strategy, with a robust strategic plan and effective arrangements for monitoring its implementation. They display a strong commitment to the values and ethos of the college and rigorously monitor the college's performance.
- Safeguarding practices in the College are effective. Safeguarding is both explicit and well embedded in all College activities.

There were however a small number of areas for enhancement that will be the focus of enhancement activities during 2025-26. These include:

- A clear enrichment and tutorial programme for all learners in accredited learning that is widely available to learners and clearly communicated
- For Education Programmes for Young People ensuring there is a systematic approach to work experience that is well recorded and evaluated
- Despite accredited learning outcomes improving year on year there is still a small gap to bridge to ensure these outcomes meet college and national KPI levels.

The College has completed annual financial returns for the DfE, which confirmed a Financial Health grade of 'Good' based on 2024/25 outturn and 2025/26 budgeted performance. The financial performance detailed in these financial statements continues to support a Financial Health grade of 'Good' under the DfE assessment methodology.

Financial Position

Financial objectives

The college's financial objectives, as set out in its Finance Strategy 2021-2025 are:

- To secure access to new and enhanced government funding streams that align with the Morley College London Vision, to provide new and expanded opportunities for outstanding learning.
- To secure access to additional funds through fundraising / charitable donation to support the delivery of existing outstanding learning opportunities, and wider opportunities not considered in scope for government support.
- Support Diverse Learning Needs by supporting engagement through the provision of a range of learner and learning support. Utilising a range of funding sources.
- Allocate available resources in such a way that they maximise the benefit of student experience, for both current and future students. (Both learning, access, capital, wellbeing).
- Engage with and proactively respond to student feedback to determine and reallocate available resources over the life to the strategy to improve the student experience and meet diverse learning needs.
- Embed environmental considerations in procurement processes, and in the ethical management of any college investments.
- Deliver overall growth in income by 2025 in accordance with the merger financial plan:
 - maximising growth and delivery of existing income sources
 - reducing dependency on funding body income through growth in fee income and fundraising activities.
 - mitigating financial risk through diversification of income sources
- Deliver improved efficiency of delivery and college operations, securing a return to a cash positive operating position by 2025.

Financial results

Governors approved a surplus operating budget of £653K for 2024/25, anticipating a continuing modest improvement in recruitment across all courses, whilst recognising the cost of living and inflationary impacts being actively experienced. Over the course of the

year the College sought to maximise income streams and minimise costs while maintaining delivery across the whole range of educational programmes.

The College has successfully delivered provision sufficient to meet the requirements of all funding body contracts, securing growth in 16-19 learner numbers that will generate additional income in 2025/26. Education contracts are maintained with a range of local partners, which again have been delivered in full or exceeded during 2024/25. Tuition fee/loan income across all categories was closely aligned with budget.

Summary financial results are as follows:

- The actual outturn prior to FRS102 pension adjustments is a deficit of £635k (page 52).
- The DfE Health rating as calculated in accordance with DfE methodology is 'Good'.
- The College has total reserves of £47,165k, after a decrease of £628k, primarily due to an actuarial loss on local government pension liabilities, which are all in surplus.

The College invested £5,228k in additional tangible fixed assets during the year. The investment focused the full refurbishment of the Emma Cons Hall, and the Johnny Harris Studio Theatre at the Waterloo Centre, and critical improvements to the centre's general condition, including roofing works for the entire main building. Additionally significant investment in equipment saw the upgrade and replacement of critical IT infrastructure.

The College has significant reliance on the education sector funding bodies as its principal funding source, largely through recurrent grants. This reliance reduced slightly in 2024/25 with grant income being 76% of the College's total income, compared to 77% in 2023/24.

Treasury policies and objectives

Treasury management is the effective control of the risks associated with the College's cash flows, its banking, money market and capital market transactions and the pursuit of optimum performance consistent with those risks.

The College has a separate treasury management policy in place. Short-term borrowing for temporary revenue purposes can be authorised by the Accounting Officer. All other borrowing requires the authorisation of the Governing Body and must comply with the requirements of the Financial Memorandum with the DfE, Government Accounting, and the College's Financial Regulations.

Cash flows and liquidity

Cash and cash equivalents and short-term deposits held at 31 July 2025 totalled £5,938k, with net cash inflow from operating activities of £1,961k (see page 55).

Reserves

The College recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support its operational and

strategic goals. At the balance sheet date total reserves net of pension liabilities totalled £47,165k.

Current and future development and performance

Financial health

The DfE last formally assessed the financial health of the College in their letter to the Principal of November 2025 and provided a grade of 'Good' for 2024/25 and a projected grade of 'Good' for 2025/26.

Student numbers and fee income

In 2024/25, the College has delivered activity that has generated £18.4m in funding body grants, an increase of £1.1m in comparison to 2023/24. Tuition fee and educational contracts income increased from £3.8m in 2023/24 to £4.1m in 2024/25. The College had 11,103 students and 26,042 enrolments; the average student enrolls onto 2.4 courses. While not at pre-pandemic levels, student numbers have shown an improvement in comparison on 2023/24 of 3.3%, with enrolments down 0.3%. Average class sizes have also increased from 10.9 to 11.5.

Curriculum Developments and Quality Enhancement

The College curriculum includes a wide range of courses for adults and young people in Arts, Culture and Social and Applied Sciences, with a diverse range of programmes that include Art and Design, Music and Performing Arts, Languages and Humanities, Applied Sciences, English for Speakers of Other Languages (ESOL), English and Mathematics. The College offers a wide range of accredited programmes from Entry Level to Level 6 and specialist, as well as short courses from beginner to mastery level that do not lead to a formal qualification.

The College holds contracts with the Royal Borough of Kensington and Chelsea (RBKC) and Lambeth Council for the provision of Community Learning covering a wide range of curriculum areas, responding to the needs of community groups and organisations, and in accordance with local strategic priorities. In 2024-25, Community Learning courses were delivered in partnership with over 60 community, voluntary and statutory organisations and groups.

The College's extensive and progressive curriculum offer reflects the demand of the local and regional context and takes into account the needs of students, local communities and communities of interest, employers, and the local and regional economy. Curriculum managers have developed a responsive curriculum designed to suit different levels of experience, to offer progression routes, and support students' expectations and aspirations.

Clearly signposted pathways across all three Centres include:

- Clearly defined learning opportunities for 16–18-year-olds at North Kensington and Chelsea that inspire students to achieve and progress into employment, further training or university.
- Health, Education and Science; Business and IT; and Arts and Humanities programmes for adults at North Kensington
- Creative Discovery, Fine Arts, Media, Creative Technology programmes for adults at Chelsea, including short, introductory courses to stimulate interest and progression into higher levels of study. These include new, industry-relevant, advanced and higher-level diplomas leading to employment opportunities in the Creative Industries sector.
- Fashion, Visual and Digital Arts, Music and Performance, Health and Social Care, Humanities and Science adult programmes at Waterloo, including progression opportunities from our local communities into on-site short courses and further into accredited provision in advanced and higher learning.

A full Ofsted inspection was completed in February 2023. The overall effectiveness of the college was assessed by Ofsted as 'Good', with a strong contribution to meeting skills needs.

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 per cent.

During the accounting period 1 August 2024 to 31 July 2025, the College paid 96% of its invoices within terms or 30 days.

Events after the end of the reporting period

There were no post-balance sheet events considered material that have not been disclosed within the accounts.

Future prospects and going concern

Following the successful merger with Kensington and Chelsea College in February 2020 the College continues to capitalise on the expanded geographical reach, external investment in the College's estate, and the potential to bring the Morley College London experience to a considerably larger proportion of London as the largest Institute of Adult Learning, while also expanding the range and quality of provision available for younger learners at both the North Kensington and Chelsea Centres.

This growth and development are underpinned by a five-year financial strategy and plan agreed with the DfE as part of the merger, and with considerable investment in the College's

estate and systems, in particular the refurbishment of North Kensington which was completed in November 2022, as well as further developments at the Chelsea Centre completed in September 2023, and ongoing investment at the Waterloo Centre, funded partly from the College's financial reserves, but with significant contributions from the Department for Education (DfE) and the Greater London Authority.

The merger financial plan has been further supported by a grant from the DfE totalling £3.5M which has now been fully drawn down as a result of the impact of Covid-19 on tuition fee income, and the subsequent energy cost and cost of living crises. The College continued to grow during 2024/25 with the College delivering an operating surplus, with further cautious growth programmed into plans for 2025/26, and the College financial plan projects continuing growth and financial sustainability over the life of the plan.

Having due regard to best practice developments in the UK Corporate Governance Code 2018 in respect of going concern and risk management reporting, the College believes it will be able to continue in operation and meet its liabilities taking account of the current position and principal risks for the foreseeable future, and at least until December 2026. The College's assessment of going concern is supported by:

- Careful cash flow management
- High quality facilities, bolstered by ongoing capital investment across all main centres
- A strong capacity to generate ongoing cash flow surpluses
- Robust financial management and the College's actions to monitor budget performance
- The implementation of a robust Financial Framework, approved by the Governing Body
- Robust risk management processes

RESOURCES

The following sections provide more information about the College resources available to support its strategic goals.

Buildings and accommodation

The main College site at Westminster Bridge Road and the sculpture studio at Pelham Hall are both based within Waterloo. The main College site straddles the boroughs of Southwark and Lambeth with teaching space on both sides of a road that separates the two boroughs. The teaching facilities fully use the space that has grown over decades and in addition to flexible classroom spaces, the site includes soundproof music rooms, specialist artist spaces, a library, a café, and performance spaces and staff offices. During 2024/25 the College delivered the complete renovation of its flagship Waterloo performance space – the Emma Cons Hall, and the development of a new entrance space to the Johnny Harris Studio Theatre. As well as providing state of the art facilities, these spaces are now fully accessible. Additionally wider capital improvements were delivered as part of this project – notably the replacement of the roof across the whole main building. These works were largely funded by a grant from the DfE's Capital Transformation Fund.

At Stockwell, just behind the tube station, the College has established a satellite centre based in a former community centre building, delivering a range of community learning and essential skills provision.

The College has the freehold on the main building at the Chelsea Centre, based in Hortensia Road, as well as a long-term (75 year) lease on a space within the Carlyle building immediately adjacent to the main centre.

Additionally, the College holds a 125-year lease on the North Kensington Centre, based in Wornington Road, at a peppercorn rent following its purchase by the DfE.

Financial

The College has £47.2 million of unrestricted net assets and a balance of £253k of long-term debt.

People

The College employed on average 277 people during the year (expressed as full-time equivalents), of whom 133 are teaching staff, and 144 are non-teaching staff. This represented a slight increase of one FTE in comparison to 2023/24. The College continues to outsource its cleaning and security across all centres and pays all directly employed staff above the London Living Wage.

Reputation

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and creating external stakeholder relationships.

Staff and student involvement

The Governing Body includes elected staff and student members, and the College encourages staff and student involvement through membership of formal committees.

The College considers good communication with its staff and students to be very important. Centre Principals hold regular meetings ('Student Experience Fora') with elected class representatives and a subset of these representatives self-nominate to the College-wide Student Council. The Principal and members of the Senior Leadership Team meet regularly with the Student Council and other student representative bodies.

Communication with staff takes a variety of forms, including open meetings for all staff with senior managers, monthly all staff briefings, regular management meetings, a well-developed intranet system and a regular staff newsletter. Annual corporate and social events are held bringing together all staff and departmental staff briefings are held regularly. Staff bulletins are produced fortnightly and made available through the staff engagement platform MyMorley to enhance communication.

The College values and actively seeks feedback from all users of its services, particularly students. It monitors all formal complaints as well as reviewing its processes to ensure all matters are resolved in line with the College's policies. During 2024/25 the College investigated 15 complaints, compared to 14 during 2023/24 and 17 during both 2021/22 and 2022/23. When complaints were received during term time they were resolved within an average of 15 working days.

Fundraising

The College undertakes fundraising in an ethical and responsible way, mindful of the communities within which it operates. The College employs systems and controls to separate and protect funds and ensure that all expenditure is in line with the terms of any donation. The College is mindful of its responsibilities under the Charities (Protection and Social Investment) Act 2016 and legal rules and ensures that all activities are agreed and monitored at Senior Leadership Team level in compliance with relevant legal rules. Recognised standards are applied to ensure that fundraising is open, honest, and respectful, protecting the public from undue pressure to donate. Complaints are handled and monitored through the College's complaints procedure and there were no complaints in-year or in the previous year.

During 2024/25 the College received no donated income. Donated income is reported in the year of receipt, and the College aims to use the funds to support the donors' aims within a timely period to ensure that the wider College benefits from their generosity.

Energy Use and Carbon Reporting

The College is committed to reducing the environmental impact of its operations.

UK Greenhouse gas emissions and energy use data for the period	
Energy consumption used to calculate emissions (kWh)	3,605,767
Energy consumption breakdown (kWh) (optional)	
• gas,	1,711,664
• electricity,	1,894,105
<u>Scope 1 emissions in metric tonnes CO₂e</u>	
Gas consumption	334
Owned transport – college cars	2
<u>Total scope 1</u>	336
<u>Scope 2 emissions in metric tonnes CO₂e</u>	
Purchased electricity	441
Total gross emissions in metric tonnes CO ₂ e	777
<u>Intensity ratio</u>	
Tonnes CO ₂ e per student	0.083

Quantification and Reporting Methodology

We have followed HM Government's 2019 Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and the Government's Conversion Factors for Company Reporting (2025).

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO₂e per student, the recommended ratio for the sector. The 2024/25 figure of 0.083 tonnes CO₂ per student compares to 0.068 tonnes CO₂ per student in 2023/24. Gas consumption has remained consistent in total. While electricity usage has increased, all electricity supplies to the College are from renewable sources.

Measures taken to improve energy efficiency

During 2024/25 the College has continued to progress projects to improve energy efficiency. Measures taken included capital investment to upgrade roofs and insulation at the Waterloo Centre, as well as replacing legacy windows with insulated double-glazed units. In addition to physical investment the College has sought to utilise the estate more effectively consolidating activity and reducing opening times where possible. Sustainability and energy saving activities are overseen by the College's Sustainability Steering Group.

Further energy efficiency measures at the Waterloo Centre will be implemented through improvements in plant and insulation under the Waterloo Estates Renovation Programme during 2024/25.

The recently refurbished North Kensington Centre has A+ energy gas boilers supporting a new heating system with all radiators being controlled locally with thermostatic valves. The insulation across the refurbishment project has been enhanced, particularly the new roof on which solar panels have been fitted.

While overall energy use has increased during 2024/25, use of gas has decreased. All the College's electricity is procured from renewable sources.

The College promotes a 'Green Week' and has an active Green Group which as part of its activity has introduced wildflowers and high pollenating plants in the Garden at Waterloo. Positive curriculum developments have seen staff embed sustainability into their curriculum areas.

PRINCIPAL RISKS AND UNCERTAINTIES

The College's strategic risk register is reviewed over the course of the year by the Risk Management Committee and considered by Governors termly. Additional lower level and project-based risk registers are maintained as required.

The following key strategic risks were considered during 2024/25:

- Failure to adapt to the changing landscape
- Reduction in public funding
- Failure to manage the college finances
- Failure to comply with funding body audit requirements
- Failure to manage health and safety
- Failure to safeguard children and vulnerable adults
- Failure to maintain business continuity
- Failure to achieve student recruitment targets
- Failure to manage capital programmes
- Failure to deliver an outstanding student experience
- Failure to recruit and retain competent and committed staff
- Failure to succession plan (senior staff and governors)
- Failure to maintain and enhance quality
- Failure of IT systems to meet the needs of students, staff or visitors
- Failure to prepare for a major system outage or data breach, including cyber attack

Each risk listed is supported up by an individual risk report and this provides the detail to support the management of that risk, covering:

- Consequences of the risk occurring
- Events that could trigger the risk
- Risk ownership
- Risk scoring for probability and impact
- Controls in place to manage the risk
- Assurance in those controls
- Performance data to confirm that risk management is working or to identify an emerging risk
- Mitigating action that the College is undertaking to reduce the probability or mitigate the impact of the risk, or that it would take either for a major event risk or an emergent risk over time.

The following sections consider how effective the College has been at managing risk within its three strategic aims:

Maintenance of quality of provision (Risk 13)

Failure to maintain adequate quality in its provision represents a significant risk to the College, particularly as the Strategic Plan includes growth and responsiveness to student needs. This risk is mitigated in a number of ways:

- Scrutiny of key performance indicators by the Quality and Standards Committee.
- Regular review of the quality of provision against Ofsted inspection criteria.
- Review of quality against the requirements of the Office for Students and the Quality Assurance Agency.
- Continued development and monitoring of the Quality Enhancement Plan.
- Rigorous curriculum review process that ensures the curriculum meets student interest and demand in addition to addressing the priorities of the Local Skills Improvement Plan.
- Best practice in People Operations policies and procedures to ensure high quality in teaching and support staff.
- Continuing professional development programme for teaching staff targeting both technical and pedagogy skills.
- Effective use of management information systems to support quality enhancement
- Development of a property strategy driven by the needs of the developing curriculum and building a level of reserves to support this strategy.

The outcomes of the Ofsted inspection undertaken in February 2023, which resulted in an assessment of 'good' provide the evidence that the College's processes and scrutiny have been effective in driving quality improvement and leading to outstanding learning opportunities. The report also identifies the areas where the College can move from 'good' to 'outstanding'.

During 2023 Morley College London was awarded TEF Gold, the highest standard for the Teaching of Higher Education. The Teaching Excellence Framework (TEF) is a national initiative by the Office for Students (OfS) aimed at promoting excellence in teaching, learning, and student outcomes. Morley College London's Gold rating is valid for four years.

Maintenance of an outstanding student experience (Risk 10)

The College aims to be highly effective in meeting the diverse learning needs of the communities it serves, addressing social exclusion and enhancing the flexibility and personalisation of learning. Failure to ensure quality of learning opportunities and student experience would represent a significant risk to meeting this goal. This is mitigated by:

- A high-quality staff team with excellent subject knowledge and enthusiasm.
- Continual professional development of staff to ensure a high standard

of professional practice.

- The use of external professional networks and partnerships to ensure expert and innovative learning, teaching and assessment.
- The ongoing focus on three cross-cutting themes: digital inclusion, progression and employability.
- A revised risk register which has better identified the triggers, controls and mitigating actions needed to maintain and improve student experience.
- Ofsted inspection in February 2023 confirming good with outstanding for behaviour and attitudes.
- The achievement of the 'TEF Gold' standard for delivery of Higher Education provision.
- Feedback and improvements targeted through 'Student Voice' (Student Council, Student Representatives, and Class Representatives).

Maintenance of the financial viability of the College (Risk 3)

The College's current financial health score calculated in accordance with the DfE methodology is 'Good' as described above. Prior to the business combination with KCC, adult education funding levels were the main constraint on the College's financial position. College funding has suffered from a sustained period of public sector spending cuts. The College has been able to grow income through growth in provision and increased student taught hours whilst aiming to maintain the student experience. However, the actual funded income per student hour has fallen in real terms over recent years. Kensington and Chelsea College as a stand-alone entity was not financially viable and had delivered significant deficits over recent years. While cash reserves were strong following the disposal of property, the College had delivered year-on-year negative cash flows. The Coronavirus pandemic previously limited the College's capacity to grow and expand provision. Financial viability has been preserved through effective action in maximising income streams and reducing costs.

The combined college benefits from a substantial estate with significant opportunity to expand delivery and grow income, a more efficient staffing structure and a robust financial position in both cash and reserves. The college has developed a five-year financial plan and strategy to deliver full financial sustainability. This plan was subject to detailed scrutiny by the DfE, and external due diligence. While this has been impacted by the Coronavirus pandemic, the College remains well placed and well-resourced to respond to increased demand, and has seen growth particularly in 16-18 year old learners.

The College has further mitigated the financial risk through the five-year planning period through the agreement for additional grant funding, with the final £0.5m of the £3.5m grant drawn down in 2023/24.

The implementation of the Financial Framework ensures that the College sets and controls expenditure budgets within the constraints of core income and remains financially viable.

The College has significant reliance on education sector funding bodies for its funding, largely from recurrent grants. This reliance has continued with 2024/25 grant income being 76% of the College's total income, a small reduction from the 2023/24 position.

Following the 2022 triennial valuation of Local Government Pension Schemes and a favourable FRS102 valuation, the financial statements report that there is no deficit in the Local Government Pension Scheme deficit attributable to the College on the College's balance sheet in line with the requirements of FRS 102.

The risk to financial viability is mitigated in a number of ways:

- Financial sustainability of the College is one of the three core strategic goals.
- Budget setting procedures are rigorous and include sensitivity analysis testing.
- Monthly budget monitoring throughout the year.
- Robust financial controls and procedures.
- Detailed forward planning, forecast updates and regular cash flow forecasting updates.
- Diversification of income sources and optimising existing income streams.
- Strategies for curriculum development and growth linked to financial improvement.
- Creating, maintaining and managing key relationships with the funding bodies.
- Engagement with GLA and its various funding channels including active engagement with project-based funding initiatives (e.g. Multiply).
- Continuously ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students.
- Close monitoring of the demand for courses linked to a responsive pricing strategy.
- Monitoring and appraising the position of the pension scheme, as required, by Governors through the Finance, Resources and Sustainability Committee.

Governors hold the appropriate senior post-holders accountable for their actions against each risk. Risks are mitigated through both short-term actions and the work towards a longer-term sustainable solution for the College.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Morley College London has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- Government Offices including the FE Commissioner;
- Staff;
- Local employers (with specific links) including Business LDN and the Southbank Employers Group;
- Local authorities;
- Local community;
- Other FE and HE institutions;
- Quality Assurance Agencies including Ofsted and the Office for Students;
- Examining boards;
- Trade unions;
- Professional and membership bodies;
- Charity Commission.

The College recognises the importance of these relationships and engages in regular communication with these stakeholders. In addition, the College works in close partnership with a large number of voluntary sector, arts and other organisations to help fulfil its mission and achieve its strategic goals. Partnerships are vital to Morley College London's development and institutional well-being, augmenting its reputation, profile and position and providing the connections and capacity it needs to support its communities of location and practice.

The College values its relationship with the trade unions representing its employees. Regular meeting of the Joint Consultative Committee were held, throughout 2024/25, in a positive and transparent manner.

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the college to publish the following information to outline the facility time arrangements for trade union officials at the College. Facility time with a total estimated value of £28,735 is available.

Numbers of employees during the relevant period	FTE employee number
5	2.60

Percentage of time	Number of employees
0%	
1-50%	5
51-99%	
100%	

Total cost of facility time	£28,735
Total pay bill	£15,517,000
Percentage of total bill spent on facility time	0.19%
Time spent on paid trade union activities as a percentage of total paid facility time	100.00%

Section 172 Statement

The Board of Directors are aware of their duty under s.172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company in achieving its charitable purpose and, in doing so, to have regard (amongst other matters) to:

- The likely consequences of any decision in the long term.
- The interests of the Company's employees.
- The need to foster the Company's business relationships with suppliers, customers and others.
- The impact of the Company's operations on the community and the environment.
- The desirability of the Company maintaining a reputation for high standards of business conduct.

Within this report, we have summarised our governance framework and how we are engaged with stakeholders during the year. The Trustees have considered the views and needs of key stakeholders in Board discussions and decision making. The following points are not intended to be an exhaustive list but are illustrative of how the Trustees have fulfilled these duties during the year.

Engagement with employees

- The Senior Leadership Team actively engages staff through frequent all-staff briefings, use of internal communication tools, and regular Principal and CEO Drop in sessions, monthly Principal and CEO update, to provide updates on business developments and to answer questions directly.
- The College maintains a staff engagement platform, MyMorley, to aid effective engagement and provide access to staff rewards and discounts, which has been widely accessed.
- The College has continued to invest in staff wellbeing and the provision of support through the confidential Employee Assistance Programme.
- Senior Managers actively engage with the Unions, working to achieve practical improvements in terms and conditions.
- Staff views are represented on the Governing Body through the inclusion of an academic and professional services Governor selected by staff.

Engagement with stakeholders

- The Trustees recognise the importance of external stakeholders such as applicants, providers, advisers, education and commercial customers, government and sector agencies, legal members, and suppliers, as well as internal stakeholders.
- The Trustees remain committed to effective engagement of all stakeholders and are mindful that the organisation's success depends on its ability to engage effectively, work together constructively and to take stakeholder views into account.

- The Trustees also review financial and operational performance, as well as information covering areas such as external drivers which includes the number of applications, staff, staff representatives including working with the Joint Consultative Committee to recognise Unison in addition to the University and College Union (UCU), pensions, delivery, and key risks. This information is provided to the Trustees through routine reports circulated in advance of each Board meeting which are then reviewed, discussed and approved, as necessary.
- The College has established Stakeholder Advisory Groups for each of the main College centres to ensure that it is able to take full account of local considerations in its decision making.

Equality and Diversity

The College celebrates and values diversity and is committed to providing the education and support that enable all members of the learning community to achieve their full potential. Action to promote Equality and Diversity is core to the College's mission, values, and strategic goals. Morley College London's vision identifies the College as a provider of inspiring, distinctive, and excellent adult learning, as a college that contributes to, and is responsive to, the communities it serves.

"Advancing diversity" is one of the five core values and is central to Morley College London's vision as it strives to provide relevant and challenging education and training for all sections of the community. Morley College London also strives to be an exemplary employer, and to ensure that it employs a diverse workforce that is equipped with the skills necessary to achieve shared ambitions.

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, sex, sexual orientation, disability, religion or belief and age. We aim to remove conditions that place people at a disadvantage, and we actively combat bigotry. The College's Equality, Diversity and Inclusion statement and policy is published on the College's Intranet site and website and actions to deliver the policy are regularly monitored along with our Anti Racism Statement.

The College publishes an Annual Equality and Diversity Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College is strongly committed to supporting job applicants and staff with disabilities and long-term health conditions and is positive about mental health. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues, through the use of adjustments as far as is possible or, should that be impracticable, looking for suitable alternative roles. The College's policy is to provide training, career development and

opportunities for promotion that, as far as possible, provide identical opportunities to those of non-disabled employees.

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010:

- a) As part of its property strategy the College is ensuring the entrances to all Centres are fully accessible, and continues to seek to improve the accessibility of the estate as a whole
- b) The College provides a range of specialist equipment and assistive technology to assist learners with disabilities
- c) The College includes on its staff specialist tutors and support assistants to support students with learning difficulties and/or disabilities
- d) There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for learners who have learning difficulties and/or disabilities
- e) Specialist programmes are described in college prospectuses and on the college website
- f) The progress and achievement of learners who have learning difficulties and/or disabilities is carefully monitored
- g) Counselling and welfare services are described in the College's Student Handbook that is issued to students at induction.

Disclosure of information to auditors

The members who held office at the date of approval of this report confirm that, as far as they are each aware, there is no relevant audit information of which the College's auditors are unaware. 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.

This report and the Strategic Report (included therein) was approved by the Governing Body, as the company's board of directors, on 15th December 2025



Leisha Fullick
Chair

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 2024 to 31 July 2025 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 Code of Good Governance for English Colleges (“the Code”) adopted by the College on 13 October 2015 and in a revised form on 25 March 2024 ; and
- iii. having due regard to the Charity Governance Code (endorsed by the Charity Commission).

The College is committed to exhibiting best practice in all aspects of corporate governance and accordingly the College has adopted and complies with the Code. While we have not adopted the Charity Governance Code, we have reported on our governance arrangements by drawing upon best practice available, including that set out in the Charity Governance Code.

In the opinion of the Governing Body, the College complies with or exceeds all the provisions of the Code, and it has complied throughout the year ended 31 July 2025. The Governing Body 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.

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

The Governing Body

The members who served on the Governing Body during the year and **up to the date of signature of this report** were as listed in the table below. The Governors are directors and members of the College for the purposes of company law.

Continuing Members

	Date of appointment	Term of office ends	Status of appointment	Committees served and offices held 2024-25	Meetings attended/ possible
Ms Susan Bonett	30 June 2025	N/A	Principal and Chief Executive Officer	Curriculum and Quality Finance, Resources and Sustainability Governance and Nomination People External Relations	7/7
Mr Alex Cole	29 March 2021 Reappointed 31 July 2024	31 July 2028	External member	Audit (Vice Chair – retired May 2025) Finance, Resources and Sustainability (Chair – May 2025) People (December 2025)	13/14
Dr Jack Davy	21 October 2024	31 July 2028	Staff member	Finance, Resources and Sustainability People	13/13
Mr Nic Durston	13 April 2018 Reappointed 1 August 2021 Reappointed 19 May 2025	31 July 2029	External member	Vice Chair of Governing Body Finance, Resources and Sustainability (Chair – retired May 2025) Remuneration (Vice Chair)	16/16

	Date of appointment	Term of office ends	Status of appointment	Committees served and offices held 2024-25	Meetings attended/ possible
				External Relations (Vice Chair) Governance and Nomination (June 2025) Lead Governor for Careers (March 2025)	
Ms Leisha Fullick	10 May 2021 Reappointed 31 July 2024	31 July 2028	External member	Chair of Governing Body Curriculum and Quality Governance and Nomination (Chair)	17/17
Mr Peter Hume	21 October 2024	31 July 2028	External member	Finance, Resources and Sustainability (until May 2025) Audit (May 2025)	5/10
Mr Matthew Innes	21 October 2024	31 July 2028	External member	Curriculum and Quality (Chair) Governance and Nomination (January 2025)	12/12
Mrs Gail Le Coz	3 February 2020 Reappointed 1 August 2023	31 July 2027	External member	Audit (Chair) Governance and Nomination	10/13
Ms Susan Lindsey	27 March 2019 Reappointed 2 November 2020, 3 February 2021 and 31 July 2024	31 July 2026	Student member to 2 February 2021 External member from 3 February 2021)	Finance, Resources and Sustainability People (Chair) Remuneration (Chair – Nov 2025)	12/14

	Date of appointment	Term of office ends	Status of appointment	Committees served and offices held 2024-25	Meetings attended/ possible
				Lead Governor for Health and Safety	
Ms Jessie Peramal	31 August 2022	31 July 2026	External member	Audit (Vice Chair, May 2025) People (Vice-Chair) Lead Governor for Safeguarding (July 2025)	6/13
Dr Melissa Score	3 November 2021 Reappointed 20 October 2025	31 July 2029	Staff member	Curriculum and Quality People	13/13
Mr Naeem Uddin	21 October 2024	31 July 2028	External member	Finance, Resources and Sustainability (Vice-Chair – May 2025)	9/11
Mr Andrew Williamson	03 February 2025	03 February 2027	Student member	Finance, Resources and Sustainability Curriculum and Quality	8/8
Mr Raymundo Zuñiga	31 August 2022	31 July 2026	External member	Audit External Relations (Chair) Lead Governor for Digital Technology	12/14

Retiring Members

	Date of appointment	Term of office ends	Status of appointment	Committees served and offices held 2024-25	Meetings attended/ possible
Miss Justine Brian	27 February 2018 Reappointed 1 August 2021	15 July 2025	External member	Audit Remuneration External Relations (Chair) Lead Governor for Safeguarding and Prevent	14/15
Ms Gill Evans	3 February 2020 Reappointed 1 August 2023	15 July 2025	External member	Curriculum and Quality People Lead Governor for Equality, Diversity and Inclusion	12/13
Dr Andrew Gower	13 April 2015	21 April 2025	Principal and Chief Executive Officer	Curriculum and Quality Finance, Resources and Sustainability Governance and Nomination People External Relations	16/16
Ms Marshal Ngcongco	23 November 2022 Reappointed 15 July 2024	30 November 2024	Student member	Curriculum and Quality Finance, Resources and Sustainability	13/14

	Date of appointment	Term of office ends	Status of appointment	Committees served and offices held 2024-25	Meetings attended/ possible
Mr Victor Olowe	2 April 2014 Reappointed 16 October 2017, 1 August 2021 and 1 August 2023	19 May 2025	External member	Vice-chair of Governing Body Audit Governance and Nomination (Vice-chair) People	14/14
Mr Ralph Moran	22 April 2025	30 June 2025	Interim Principal and Chief Executive Officer	Curriculum and Quality Finance, Resources and Sustainability Governance and Nomination People External Relations	9/9
Ms Jasmin Zapata Matas	30 October 2023	21 July 2025	Student member	Curriculum and Quality External Relations	4/11

Ms Georgia Cocks served as Director of Governance and Company Secretary throughout the year.

Directors and their interests

The directors of the Company are shown above and, except for any instances mentioned, served throughout the year. None of the directors has any interests in the Company.

The Company Secretary maintains a register of financial and personal interests of the members of the Governing Body and of senior post-holders. The register is available for inspection at the address below.

Limited liability

The Company does not have any share capital and is limited by guarantee. The liability of the members, who are the directors, is limited to £1 each in the event of the winding up of the Company.

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

The Governing Body is provided with regular and timely 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 personnel-related matters such as health and safety and environmental issues. The Governing Body meets at least four times per year.

In 2024-25 the Governing Body received advice on the conduct of its business from seven committees. Each committee had terms of reference approved by the Governing Body. Those committees were: Audit; External Relations; Finance, Resources and Sustainability; Curriculum and Quality; Governance and Nomination; People and Remuneration.

Individual Governors ('lead governors') also assisted and advised the Governing Body in the oversight of areas of its responsibility, specifically Careers Information, Education and Guidance, Equality, Diversity and Inclusion, Health and Safety, Safeguarding and Prevent and Digital Technology. The range and remit of committees and the contribution that each makes to effective governance is under continual review. Full minutes of all meetings, except those deemed to be confidential by the Governing Body, are available on the College's website.

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Director of Governance and Company Secretary, who is responsible to the Governing Body for ensuring that all applicable procedures and regulations are complied with. The appointment and removal of the Director of Governance are matters for the Governing Body as a whole. Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are provided on an ad hoc basis.

The Governing Body has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Governing Body 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 and Accounting Officer are separate.

Training and development

The Governing Body is committed to the training and development of both the Governors and the Director of Governance and ensured that they received appropriate training and development throughout the year. For Governors this included: Safeguarding and Prevent training sessions, the Education & Training Foundation's Governance Development Programme modules, Board and Committee Chairs and Vice-Chairs briefings run by the Association of Colleges ('AoC'), the AoC Sustainability and Green Skills Conference, AoC Student Governor conference and Staff Governor conference (online), the AoC Annual Conference and the AoC new Governor induction. The Director of Governance is experienced in the role and is supported by the Governing Body in her continuing training and development. She is a member of the FE Governance Professionals network, attends

the annual AoC conference, and undertakes a range of professional development courses to stay appraised of the latest good governance practices.

Appointments to the Governing Body

Appointments to the Governing Body are matters for the consideration of the Governing Body as a whole. The Governance and Nomination Committee is responsible for the recruitment, selection, and nomination of new external members for the Governing Body's consideration and for considering and nominating retiring governors for re-appointment. The Governing Body is responsible for ensuring that appropriate training is provided as required.

Members of the Governing Body are appointed for a term of office not exceeding four years, except for student members who are appointed for a term not exceeding two years. Members generally serve for a maximum of eight years (student governors – four years).

Governing Body performance

The Governing Body has established a comprehensive framework for evaluating its own performance and enhancing the quality of governance, comprising:

- regular review of the composition of the Governing Body and the extent to which the skills and experience of members match the needs of the College;
- analysis of the extent to which members attend board and committee meetings, participate in training and development activities and take up opportunities to engage with the day-to-day work of the College, its staff and students;
- an annual survey of members' views of the effectiveness of the Governing Body;
- a biennial development interview with each member of the Governing Body;
- an annual review of the effectiveness of each committee in discharging the responsibilities delegated to it; and
- a periodic (triennial) review of the effectiveness of governance by an independent consultant.

Self-assessment and quality enhancement

Currently the Board undertakes an annual self-assessment of governance practices and produces an associated Quality Enhancement Plan. The external review of the effectiveness of governance was completed in June 2025. A comprehensive action plan based on the recommendations in the review's report has been agreed by the Board and is in progress. The executive summary of the report is available on the Morley website.

Committees of the Governing Body

Audit Committee

The Audit Committee comprises between three and six members of the Governing Body (excluding the Accounting Officer and the Chair of the Governing Body). The Committee operates in accordance with written terms of reference approved by the Governing Body.

It meets at least termly and provides a forum for reporting by the College's internal and financial statements auditors, and by the accountants appointed to report on regularity, all of whom 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 auditors 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 audit recommendations and internal audit undertakes periodic follow-up reviews to ensure that such recommendations have been implemented.

The Audit Committee also advises the Governing Body on the appointment of internal and financial statements auditors and of accountants to report on regularity and on their remuneration for audit and non-audit work. In common with all other committees, it provides an annual report to the Governing Body summarising its work over the preceding year.

Curriculum and Quality Committee

The Curriculum and Quality Committee comprises between six and eight members of the Governing Body. The Committee advises the Governing Body and provides it with assurance on matters relating to the College curriculum, the quality of education (including learning, teaching and assessment, outcomes for students and the student experience), student voice and customer feedback and the requirements of Ofsted and the Office for Students.

External Relations Committee

The External Relations Committee comprises between four and six members of the Governing Body. The Committee advises the Governing Body and provides it with assurance on matters relating to stakeholder engagement, stakeholder satisfaction, marketing, fundraising, the conferring of fellowships and awards and the work of the Morley Gallery and Morley Radio.

Finance, Resources and Sustainability Committee

The Finance, Resources and Sustainability Committee comprises between six and eight members of the Governing Body. The Committee advises the Governing Body and provides it with assurance on financial strategy, financial health, financial management, estates, health and safety, environmental sustainability, and digital transformation.

Governance and Nomination Committee

The Governance and Nomination Committee comprises between four and six members of the Governing Body (excluding staff and student members). The Committee advises the Governing Body on the composition and membership of the Governing Body, the appointment and re-appointment of external members and on all matters relating to the governance of the College, including the development of the Board as a whole and of individual governors, the setting of targets for Governing Body performance and the related performance review arrangements.

People Committee

The People Committee comprises between six and eight members of the Governing Body. The Committee advises the Governing Body and provides it with assurance on all matters relating to the recruitment and development of staff and their pay and conditions of employment, as well as on the promotion of equality, diversity, and inclusion.

Remuneration Committee

The Remuneration Committee comprises three members of the Governing Body (excluding staff and student members and the Accounting Officer). The Committee advises the Governing Body on the remuneration and benefits of the Accounting Officer and other holders of senior posts and on leadership development and succession planning for the Senior Leadership Team. The senior post-holders within the remit of the Remuneration Committee comprise the Principal and the Chief Finance Officer. The Governing Body has a clear policy on the remuneration of senior post holders and the Director of Governance.

Details of remuneration for the year ended 31 July 2025 are set out in note 8 to the financial statements.

Internal control

Scope of responsibility

The Governing Body 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 Governing Body has delegated to the Principal, as Accounting Officer, the day-to-day responsibility 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 he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between the College and the Department for Education. He is also responsible for reporting to the Governing Body 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 ongoing 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 the College for the year ended 31 July 2025 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Governing Body 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 Governing Body is of the view that there is a formal ongoing process for identifying, evaluating, and managing the College's significant risks that has been in place for the period ending 31 July 2025 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Governing Body.

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative 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 Governing Body;
- regular reviews by the Governing Body 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; and
- the adoption of formal project management disciplines, where appropriate.

The College has commissioned an internal audit service, which operates in accordance with the requirements of the Framework for auditors and reporting accountants of colleges. 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 Governing Body on the recommendation of the Audit Committee.

Review of effectiveness

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

- the work of the internal audit service provider;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the College's financial statements auditors and the reporting accountants for regularity assurance in their management letters and other reports.

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

The Risk Management Committee comprises members of the Senior Leadership Team and other co-opted members with an understanding of Health and Safety, Premises, IT, People Operations, Finance and academic issues. The Committee receives reports setting out key performance and risk indicators and considers possible control issues brought to its attention by early warning mechanisms, which are embedded across the College and reinforced by risk awareness training.

The Risk Management Committee and the Audit Committee also receive regular reports from the internal audit service provider and other providers of assurance, which may 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 Governing Body's agenda includes a regular item for consideration of risk and control and it receives relevant reports from the Senior Leadership Team and the Audit Committee. The emphasis is on obtaining the appropriate degree of assurance and not merely reporting by exception.

At its December 2025 meeting, the Governing Body carried out the annual assessment for the year ended 31 July 2025 by considering documentation from the Senior Leadership Team and internal audit, and taking account of events since 31 July 2025.

Based on the advice of the Audit Committee and the Accounting Officer, the Governing Body is of the opinion that the College has an adequate and effective framework for governance,

risk management and control, and has fulfilled its statutory responsibility for '*the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets*'.

Going concern

After making appropriate enquiries, and taking account of:

- the sound level of liquidity as at 31 July 2025
- the College's performance against budget, and
- the College's financial plan to 2026/27

the Governing Body 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.

Approved by order of the members of the Governing Body on 15 December 2025 and signed on its behalf by:

Signed



Leisha Fullick
Chair

Signed



Ms Susan Bonett
Accounting Officer

Statement of regularity, propriety and compliance

As accounting officer of the corporation of Morley College London I confirm that I have had due regard to the framework of authorities governing regularity, propriety and compliance, including the college's accountability agreement with DfE, and the requirements of the College Financial Handbook. I have also considered my responsibility to notify the corporation's board of governors and DfE of material irregularity, impropriety and non-compliance with terms and conditions of all funding.

I confirm that I, and the board of governors, are able to identify any material irregular or improper use of all funds by the corporation, or material non-compliance with the framework of authorities.

I confirm that the following instance of material irregularity, impropriety or non-compliance has been discovered to date, and has been notified to the board of governors and DfE. If any further instances are identified after the date of this statement, these will be notified to the board of governors and DfE:

- One instance of Special Severance Payment paid in 2025/26, but in excess of 2024/25 Managing Public Money delegation limits. Permission was sought in advance of payment, but not granted.



Ms Susan Bonett

Accounting Officer

15 December 2025

Statement of Responsibilities of the Governing Body

The Governing Body, as the board of trustees, is required to present audited financial statements for each financial year.

Within the terms and conditions of the Governing Body's grant funding agreements and contracts with the Department for Education (DfE), the Governing Body – 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, the DfE's College Accounts Direction and the UK's Generally Accepted Accounting Practice, which give a true and fair view of the state of affairs of the College and its deficit of income over expenditure for that period.

In preparing the financial statements, the Governing Body 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 College is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate; and
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

The Governing Body is also required to prepare a 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 College.

The Governing Body 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 Governing Body is responsible for the maintenance and integrity of the College's 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.

The Governing Body is responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, it is responsible for ensuring that funds from the DfE and any other public funds are used only in accordance with the DfE's grant funding agreements and contracts and any other conditions that may be prescribed from time to time by the DfE or any other public funder, including that any transactions entered into are within the delegated authorities set out in the College Financial Handbook. On behalf of the College, the chair of the board of governors is responsible for discussing the accounting officer's statement of regularity, propriety and compliance with the accounting officer. Members of the Governing Body 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 Governing Body are responsible for securing economical, efficient and effective management of the College's resources and expenditure so that the benefits that should be derived from the application of public funds from the DfE and other public bodies are not put at risk.

Approved by order of the Governing Body on 15 December 2025 and signed on its behalf by:

A handwritten signature in black ink, reading "Leisha Fullick". The signature is written in a cursive style with a small dot above the 'i' in Fullick.

Leisha Fullick
Chair of Governors

Independent Auditor's Report to the Governing Body of Morley College London

Opinion

We have audited the financial statements of Morley College London ("the College") for the year ended 31 July 2025 which comprise the statement of comprehensive income and expenditure, the statement of changes in reserves, balance sheet, the statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and 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) and the College Accounts Direction 2024 to 2025 issued by the Department for Education (DfE).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2025 and of its financial performance and cash flows for the year then ended;
- have been prepared in accordance with UK Generally Accepted Accounting Practice, the Statement of Recommended Practice: Accounting for Further and Higher Education and the College Accounts Direction 2024 to 2025 issued by the DfE;
- have been prepared in accordance with the requirements of the Companies Act 2006;
- in all material respects, funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- in all material respects, funds provided by the OfS and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the OfS's accounts direction have been met.

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 members of 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 members of the Governing Body 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 including the Report of the Governing Body other than the financial statements and our auditor's report thereon. The members of the Governing Body 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Governing Body, which is also the directors' report for the purposes of company law and includes the strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Governing Body, which is also the directors' report for the purposes of company law and includes the strategic report, has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the College and its environment obtained in the course of the audit, we have not identified material misstatements in the annual report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Framework and guide for external auditors and reporting accountants of colleges issued by the DfE requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us;
- the financial statements are not in agreement with the accounting records and returns; or
- all the information and explanations required for the audit were not received; or

- certain disclosures of Members of the Governing Body's remuneration specified by law are not made.

We have nothing to report in respect of the following matter in relation to which the Office for Students requires us to report to you, if in our opinion:

- The College's grant and fee income, as disclosed in note 2 to these financial statements has been materially misstated.

Responsibilities of the Governing Body

As explained more fully in the statement of responsibilities of members of the Governing Body, 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 members of 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 members of the Governing Body are 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 members of the Governing Body either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 it 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

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.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the College through discussions with management, and from our knowledge and experience of the Further Education sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the College, including the College Accounts Direction 2024 to 2025 issued by the DfE, the Further and Higher Education Act 1992, funding agreements with the DfE and

associated funding rules, DFE regulations, data protection legislation, anti-bribery, safeguarding, employment, health and safety legislation;

- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the College's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions; and
- assessed whether judgements and assumptions made in determining the accounting estimates set out in the accounting policies were indicative of potential bias;

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of Governing Body meetings;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing any available correspondence with HMRC and the College's legal advisors

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the members of the Governing Body and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available 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 Chapter 3 of Part 16 of the Companies Act 2006. 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 College and the Governing Body, for our audit work, for this report, or for the opinions we have formed.

Catherine Biscoe (Senior Statutory Auditor)
For and on behalf of Buzzacott Audit LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

Date:

Independent Reporting Accountant's Report on Regularity

To: The Governing Body of Morley College London and the Secretary of State for Education

In accordance with the terms of our engagement letter dated 13 June 2025 and further to the requirements of Department for Education (DfE) as included in the extant Framework and Guide for External Auditors and Reporting Accountants of Colleges, 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 Morley College London during the period 1 August 2024 to 31 July 2025 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

This report is made solely to the Governing Body of Morley College London and the Secretary of State for Education in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Governing Body of Morley College London and the Secretary of State 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 Governing Body of Morley College London and the Secretary of State for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of the accounting officer of Morley College London and the reporting accountant

The accounting officer is responsible, under the requirements of the Governing Body's accountability agreement with the Secretary of State for Education and the College Financial Handbook, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament, and that the financial transactions conform to the authorities which 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 extant Framework and Guide for External Auditors and Reporting Accountants of Colleges. 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 2024 to 31 July 2025 have not been applied for the 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 Framework and Guide for External Auditors and Reporting Accountants of Colleges issued by DfE, which requires a limited assurance engagement, as set out in our engagement letter.

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 Governing Body'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 the areas identified through the risk assessment 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 2024 to 31 July 2025 has not been applied to purposes intended by Parliament, and the financial transactions do not conform to the authorities that govern them.

Buzzacott Audit LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

For the year ended 31 July 2025

	Notes	Year ended 31 July	Year ended 31 July
		2025	2024
		£'000	£'000
INCOME			
Funding body grants	2	18,403	17,271
Tuition fees and education contracts	3	4,127	3,815
Other income	4	736	632
Investment income	5	237	113
Donations	6	-	28
Interest	10	741	611
Total income		24,244	22,470
EXPENDITURE			
Staff costs	8	15,887	14,950
Other operating expenses	9	6,752	5,993
Depreciation	11	1,588	1,387
Interest and other finance costs	9	22	25
Total expenditure		24,249	22,355
(Deficit)/Surplus before other gains and losses		(5)	115
Gain on investments	13	7	16
Surplus before tax		2	131
Taxation		-	-
Surplus for the year		2	131
Actuarial loss in respect of pensions schemes	22	(630)	(527)
Total Comprehensive (expenditure) / income for the year		(628)	(396)
Represented by:			
Unrestricted comprehensive (expenditure) / income		(628)	(396)
Restricted comprehensive (expenditure) / income		-	-
		(628)	(396)
Memo item: deficit prior to FRS102 pensions adjustments			
(Deficit)/Surplus before other gains and losses		(5)	115
Interest and other finance (income)/ costs		(741)	(611)
FRS102 pension costs within staff costs		111	84
Loss after FRS102 pensions adjustments		(635)	(412)

STATEMENT OF CHANGES IN RESERVES

For the year ended 31 July 2025

	Income and Expenditure account	Restricted Reserves	Revaluation Reserve	Total
	£'000	£'000	£'000	£'000
Balance at 31st July 2023	23,813	160	24,216	48,189
Surplus from the income and expenditure account	115	-	-	115
Other comprehensive expenditure	(527)	-	-	(527)
Other gains	-	-	16	16
	(412)	-	16	(396)
Balance at 31st July 2024	23,401	160	24,232	47,793
Deficit from the income and expenditure account	(5)	-	-	(5)
Other comprehensive expenditure	(630)	-	-	(630)
Other gains	-	-	7	7
	(635)	-	7	(628)
Balance at 31st July 2025	22,767	160	24,239	47,165

BALANCE SHEET

As at 31 July 2025

	Notes	2025 £'000	2024 £'000
Fixed assets			
Tangible fixed assets	11	53,820	50,099
Intangible fixed assets	11	170	144
Investments	13	265	258
		54,255	50,501
Current assets			
Trade and other receivables	14	1,762	1,311
Short term deposits		2,087	-
Cash and cash equivalents	18	3,851	9,102
		7,700	10,413
Less: Creditors – amounts falling due within one year	15	(4,463)	(3,487)
Net current assets		3,237	6,926
Total assets less current liabilities		57,492	57,427
Less: Creditors – amounts falling due after more than one year	16	(10,327)	(9,634)
Provisions			
Defined benefit obligations	22	-	-
Total net assets		47,165	47,793
Restricted reserves	21	160	160
Unrestricted reserves			
Pension reserve	21	-	-
Income and expenditure account	21	22,766	23,401
Revaluation reserve	21	24,239	24,232
Total unrestricted reserves		47,005	47,633
Total reserves		47,165	47,793

The financial statements on pages 52 to 55 were approved and authorised for issue by the Governing Body on 15 December 2025 and were signed on its behalf on that date by:



Leisha Fullick
Chair

Morley College London (registration no 2829836)



Susan Bonett
Accounting Officer
Morley College London

Statement of Cash Flows

	Notes	2025 £'000	2024 £'000
Cash (outflow) inflow from operating activities			
(Deficit)/Surplus for the year		(5)	115
Adjustment for non cash items			
Depreciation and amortisation		1,588	1,387
(Increase) in debtors		(452)	(304)
Increase in creditors due within one year		976	305
Increase in creditors due after one year		721	4,574
Pensions costs less contributions payable		(630)	(527)
Adjustment for investing or financing activities			
Investment income		(237)	(113)
		<u>1,961</u>	<u>5,437</u>
Net cash flow from operating activities			
		<u>1,961</u>	<u>5,437</u>
Cash flows from investing activities			
Investment income		237	113
Purchase of short term deposits		(2,087)	-
Purchase of non-current assets - tangible assets		(5,228)	(1,762)
Purchase of non-current assets - intangible assets		(106)	(34)
		<u>(7,184)</u>	<u>(1,683)</u>
Cash flows from financing activities			
Repayments of amounts borrowed		(28)	(25)
		<u>(28)</u>	<u>(25)</u>
(Decrease)/increase in cash and cash equivalents in the year		<u>(5,251)</u>	<u>3,729</u>
Cash and cash equivalents at beginning of the year	19	9,102	5,373
Cash and cash equivalents at end of the year	19	3,851	9,102

Morley College Limited – Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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 2024 to 2025 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 modified using previous valuations as deemed cost at transition for certain non-current assets and for fixed asset investments that are carried at market value.

The College's financial statements are presented in sterling, which is also the functional currency of the College. Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

Going concern

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

The College has a loan for £500k, which was drawn down in July 2018 and has a term of 20 years. This borrowing was deployed to support the property strategy, creating a new college entrance, reception, and the refurbishment of the gallery.

The College completed its business combination with Kensington and Chelsea College (KCC) on 3 February 2020. Under the business combination under the Statement of Recommended Practice: Accounting for Further and Higher Education, KCC merged into Morley College London.

As part of the merger process, the College agreed a five-year merger financial plan with the DfE. Recognising the challenge associated with the overall merger transaction the merger financial plan is supported by a £3.5M Restructuring Facility Grant provided by the DfE. This

may be drawn down to provide additional cashflow should cash balances fall below an agreed level.

While the impact of Covid-19, which was not anticipated in the merger financial plan, was extremely challenging, the College has maintained cash balances, drawing on the £3.5M of the Restructuring Facility Grant.

The 2025/26 Budget and financial plans to 2027/28 indicate a strong balance sheet with closing cash more than 45 cash days at each year end.

Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

Revenue grant funding

The recurrent grants from the DfE and GLA represent the funding allocations attributable to the current financial year and are credited direct to the income and expenditure account. 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 achievement for the Adult Skills Fund, unless within tolerance limits, 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 correspondence from the funding body and the results of any funding audits. 16-19 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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 after 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.

Tuition 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; this includes all fees payable by students or their sponsors.

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.

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 model 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.

The deferred income is allocated between creditors due within one year and those due after more than one year.

Donations and Legacies

Income from donations and legacies is recognised when the following three criteria are met:

- entitlement: arises when a resource is receivable or control over the rights or other access to economic benefit has passed to the College
- probable: it is more likely than not that the economic benefit associated with the transaction or gift will flow to the College
- measurement: then the monetary value of the income can be reliably measured, and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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 funded by the College and contracted out of the State Second Pension.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated 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.

Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Local Government Pension Schemes (LGPS): London Pensions Fund Authority (LPFA) and Royal Borough of Kensington and Chelsea (RBKC)

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 actuarial gains and losses.

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.

Termination of employment costs

The best estimate of expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the College is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

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 2019 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

The College's buildings are specialised buildings and therefore it is not appropriate to value them based on open market value. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 50 years.

Internal buildings improvements or modifications, which add to the long-term value of the building, are depreciated over a period of up to twenty years.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the income and expenditure account. On adoption of FRS 102, the College followed the transitional provision and elected to use the fair value of land at 1 August 2014 as deemed cost but not to adopt a policy of revaluations of land in the future. The College retained the book value of all other assets.

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 2025. They are not depreciated until they are brought into use.

Equipment

Equipment costing less than £3,000 per individual item is recognised as expenditure in the period of acquisition, unless part of a larger project or grouped asset with a total cost of more than £3,000. All other equipment is capitalised at cost and depreciated over its useful economic life on a straight-line as follows:

General equipment	3 to 10 years
Computer equipment	3 years
Pianos	10 years
Lift	10 years
Boilers	10 years

In the year of acquisition, assets are depreciated from the starting month of the assets' useful economic life. Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged 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. The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

Heritage Assets

The College has a collection of paintings, drawings and sculptures, which are held to enhance the fabric of its buildings or to celebrate its distinguished history in the liberal arts and add to the College's contribution to knowledge and culture. The Governing Body considers that, owing to the incomparable nature of these paintings, drawings and sculptures, conventional valuation approaches lack sufficient reliability and that, even if the valuations could be obtained, the costs would be onerous compared with the additional benefits derived by the College and users of the accounts. As a result, no value is reported for these assets in the balance sheet.

Intangible Assets

Intangible assets comprise software licences and information technology. Items costing less than £3,000 are written off to the income and expenditure account in the year of acquisition. All other items are capitalised and amortised over five years.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure.

Fixed asset investments

Fixed asset investments are carried at their market value less any provision for impairment in their value. Any increase or decrease in value during the year is credited or debited to the revaluation reserve.

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.

Short term deposits

Deposits with a maturity of between 3 months and 12 months are classified as short-term deposits.

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.

Taxation

The College is a registered charity and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010. 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 received no similar exemption in respect of value added tax. For this reason, and because the College is not VAT registered, the College is unable to recover the input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT.

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.

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 as 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 College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability of the asset. 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 2025. 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.

2 Funding body grants

	Year ended 31 July 2025 £'000	Year ended 31 July 2024 £'000
Recurrent grants		
DfE and GLA funding- adult	14,008	13,245
DfE funding - 16 -18	2,967	2,446
Office for Students	27	20
Specific Grants		
Teacher Pension Scheme contribution grant	876	668
Restructuring facility grant	57	705
Release of government capital grants	468	175
Release of GLA Leap capital grant	0	12
Total	18,403	17,271

3 Tuition fees and education contracts

	Year ended 31 July 2025 £'000	Year ended 31 July 2024 £'000
Tuition fees	3,083	2,868
Education contracts	1,044	947
Total	4,127	3,815

3a Analysis of Higher Education grant and fee income

	Year ended 31 July 2025 £'000	Year ended 31 July 2024 £'000
Grant income from the Office for Students	27	20
Fee income for taught awards at level 4 and above	165	140
	192	160

4 Other income

	Year ended 31 July	Year ended 31 July
	2025 £'000	2024 £'000
Other income generating activities	736	632
	<u>736</u>	<u>632</u>
Total	<u>736</u>	<u>632</u>

5 Investment income

	Year ended 31 July	Year ended 31 July
	2025 £'000	2024 £'000
Other interest receivable	<u>237</u>	<u>113</u>
	<u>237</u>	<u>113</u>

6 Donations

	Year ended 31 July	Year ended 31 July
	2025 £'000	2024 £'000
Unrestricted donations	<u>-</u>	<u>28</u>
	<u>-</u>	<u>28</u>

7 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 Senior Management Team. This comprised of the Principal & Chief Executive and Chief Finance Officer.

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

	2025 No.	2024 No.
The number of key management personnel including the Accounting Officer was:	2	2

During the course of the year, there was a period of two months during which there was only one Senior post holder, pending recruitment of a new Principal and Chief Executive Officer.

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:

	Senior post-holders		Other staff	
	2025 No.	2024 No.	2025 No.	2024 No.
£60,001 to £65,000	-	-	5	4
£65,001 to £70,000	-	-	3	5
£70,001 to £75,000	-	-	2	-
£75,001 to £80,000	-	-	1	-
£85,001 to £90,000	-	-	4	3
£90,001 to £95,000	-	-	-	3
£95,001 to £100,000	-	-	3	-
£100,001 to £105,000	1	1	-	-
£110,001 to £115,000	1	-	-	-
£140,001 to £145,000	-	1	-	-
	2	2	18	15

The above banding relates to total actual remuneration paid, including any termination payments. If full time equivalent earnings were included, then there would be an additional employee in the £70,001 to £75,000 band

Key management personnel compensation is made up as follows:

	2025 £'000	2024 £'000
Salaries - gross of any salary sacrifice	234	247
Employers National Insurance	31	32
Benefits in kind	-	-
	265	279
Pension contributions	52	60
Fundamental restructuring costs - contractual	-	-
Total emoluments	317	339

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(s) (who were also the highest paid officer during their tenure) of:

	2025 £'000	2024 £'000
Salaries	142	142
Benefits in kind	<u>-</u>	<u>-</u>
	<u>142</u>	<u>142</u>
Pension contributions	<u>37</u>	<u>36</u>
Total emoluments	<u>179</u>	<u>178</u>

In considering the Remuneration of Senior Post Holders due consideration has been given to the Committee of University Chairs (CUC) Higher Education Senior Staff Remuneration Code.

The remuneration and performance of all Senior Post Holders including the Accounting Officer is reviewed annually by the Remuneration Committee.

The pension contributions in respect of the Accounting Officer and key management personnel are in respect of employers' contributions to the Teachers' or Local Government Pension Schemes and are paid at the same rate as for other employees.

The multiple of median earnings represented by the Principal's salary* is 3.71 times (2024:3.93). Based on total emoluments the multiple of median earnings is 3.71 times (2024:3.85). The median salary for the College is £35,028 (2024:£36,207).

*based on the annualised salary of the incumbent Principal at 31 July 2025.

The Accounting Officer and staff members only receive remuneration in respect of services they provide undertaking their roles of Principal and staff members under contracts of employment and not in respect of their roles as governors.

The members of the Governing Body other than the Accounting Officer and the staff members did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. During the year 2 governors (2024: 6) with total expenses of £370 (2024: £1,512) were paid to or on their behalf.

8 Staff costs

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

	2025 No.	2024 No.
Teaching staff	133	152
Non teaching staff	<u>144</u>	<u>125</u>
	<u>277</u>	<u>277</u>

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

	2025 No.	2024 No.
Teaching staff	471	526
Non teaching staff	<u>164</u>	<u>181</u>
	<u>635</u>	<u>707</u>

Staff costs for the above persons

	2025 £'000	2024 £'000
Wages and salaries	11,823	11,175
Social security costs	1,218	1,060
Other pension costs	2,365	2,082
FRS 102 pension cost adjustments	<u>111</u>	<u>84</u>
Sub total	15,517	14,401
Contracted out staffing services	<u>207</u>	<u>519</u>
	15,724	14,920
Fundamental restructuring costs - contractual	131	30
non contractual	32	-
	<u>15,887</u>	<u>14,950</u>

Restructuring costs of £163,354 were incurred in respect of the redundancy pay for 7 members of staff (2024: £30,201 for 2 members of staff).

9 Other operating expenses

	Year ended 31 July	Year ended 31 July
	2025	2024
	£'000	£'000
Teaching costs	990	1,034
Non teaching costs	3,430	2,858
Premises costs	2,354	2,126
	<u>6,774</u>	<u>6,018</u>
Total	6,774	6,018

Other operating expenses include:

	2025	2024
	£'000	£'000
Auditors' remuneration:		
Financial statements audit (including regularity)	58	56
Audit Fees (under)/overaccrued previous year	2	1
Other audit services	6	4
Internal audit	31	37
Interest Payable on Bank Loan	22	25
Hire of assets under operating leases	198	196
	<u>198</u>	<u>196</u>

10 Interest receivable

	Year ended 31 July	Year ended 31 July
	2025	2024
	£'000	£'000
Net interest on defined pension liability (note 22)	741	611
	<u>741</u>	<u>611</u>
Total	741	611

11 Tangible fixed assets

	Freehold Land and buildings £'000	Leasehold Land and buildings £'000	Equipment £'000	Assets under Construction £'000	Total £'000
Cost or valuation					
At 1 August 2024	41,367	10,997	5,015	164	57,543
Transfers	-	52	738	(790)	-
Additions	38	118	647	4,425	5,228
At 31 July 2025	41,405	11,167	6,400	3,799	62,771
Depreciation					
At 1 August 2024	3,211	1,006	3,226	-	7,443
Charge for the year	438	260	810	-	1,508
At 31 July 2025	3,649	1,266	4,036	-	8,951
Net book value at 31 July 2025	37,756	9,901	2,364	3,799	53,820
Net book value at 31 July 2024	38,156	9,990	1,789	164	50,099

Land and buildings were valued at 1 August 2014 at depreciated replacement cost by Gerald Eve LLP, a firm of independent chartered surveyors.

In addition to the assets outlined above, the College owns a collection of artworks of historical and artistic importance, which it deems to be heritage assets as defined under FRS 102 (34). The collection comprises paintings, drawings and sculptures, which have been commissioned or acquired at various times by the College either to enhance the fabric of its buildings or to celebrate its distinguished history in the liberal arts. The collection is considered to be part of the College's ethos in relation to its educational approach and integral to its broader objective of educating the public in the arts. It is not practical to ascertain the cost of these assets.

The College considers that these heritage assets cannot be reasonably valued and has therefore, and in accordance with paragraph 18.14 of the Charities SORP 2019, not included them in its balance sheet.

11a Intangible assets

	Software
Cost or valuation	£'000
At 1 August 2024	526
Additions	106
At 31 July 2025	632
	Amortisation
At 1 August 2024	382
Charge for the year	80
At 31 July 2025	462
Net book value at 31 July 2025	170
Net book value at 31 July 2024	144

12 Capital commitments

	Year ended 31 July 2025 £'000	Year ended 31 July 2024 £'000
Contracts for future capital expenditure not provided	2,291	-

13 Non current investments

	2025 £'000	2024 £'000
(i) M & G Charifund investments	64	62
(ii) STIC Global investments	134	128
(iii) COIF Bursary and Prize Fund investments	67	68
Total	265	258

Total investment gains in the year were £7k (2024: £16k)

Note (i) M & G Charifund investments

The College owns 3,982 M & G Charifund income units:

	2025 £'000	2024 £'000
Cost	5	5
Revaluation surplus brought forward	57	52
Revaluation movement in year	2	5
Market value at 31 July 2025	64	62

Note (ii) STIC Global investments

The College owns 116,973 £1 shares in STIC Global:

	2025 £'000	2024 £'000
Market value as at 31 July	134	128

Note (iii) Charities Official Investment Fund (COIF)

The College owns shares in the Charities Official Investment Fund (COIF):

	Number of Shares	2025 £	2024 £
Cost of shares			
Martineau Memorial Fund	473	491	491
Emma Cons (Morley College) Memorial Fund	68	70	70
Sheddon Memorial Fund	1,844	1,961	1,961
Anstruther Sheepshanks Scholarship	365	379	379
Group Theatre (Morley College)	587	610	610
Total cost of shares	3,337	3,511	3,511

Cost of Capital Shares

Martineau Memorial Fund	371	371
Emma Cons (Morley College) Memorial Fund	67	67
Sheddon Memorial Fund	1,242	1,242
Anstruther Sheepshanks Scholarship	379	379
Group Theatre (Morley College)	596	596
Total capital shares	2,655	2,655

Cost of Income Shares

Martineau Memorial Fund	120	120
Emma Cons (Morley College) Memorial Fund	3	3
Sheddon Memorial Fund	719	719
Group Theatre (Morley College)	14	14
Total income shares	856	856

Cost	3	3
Revaluation surplus bought forward	65	60
Revaluation movement in the year	(1)	5
Market value as at 31 July 2025 as above	67	68

14 Trade and other receivables

	notes	2025 £'000	2024 £'000
Amounts falling due within one year:			
Trade receivables		160	214
Accrued income		807	332
Prepayments		796	765
Total		1,763	1,311

15 Creditors: amounts falling due within one year

		2025 £'000	2024 £'000
Bank loans and overdrafts	17	48	50
Payments received in advance (deferred fee income)		421	541
Trade payables		1,585	394
Other taxation and social security		323	260
Accruals		332	386
Holiday Pay		295	295
Other creditors		671	694
Amounts owed to the DfE /GLA		321	681
Deferred income - government and GLA capital grants		467	186
Total		4,463	3,487

Deferred Income

Deferred income at 1 August	541	494
Resources deferred in the year	421	541
Amount released from previous years	(541)	(494)
Deferred income at 31 July	421	541

16 Creditors: amounts falling due after one year

		2025 £'000	2024 £'000
Bank loans	17	253	279
Deferred income - government and GLA capital grants		10,074	9,355
Total		10,327	9,634

Deferred Capital Grants

At 1 August	9,541	4,943
Received in the year	1,467	4,784
Released to the income and expenditure account	(467)	(186)
Deferred capital grants at 31 July	10,541	9,541

17 Maturity of debt**notes****Bank loans**

Bank loans are repayable as follows:

		2025 £'000	2024 £'000
In one year or less	15	48	50
Between one and two years		48	50
Between two and five years		145	151
In five years or more		60	78
Total		301	329

Bank loans at 2 per cent above base rate repayable by instalments falling due between 1 August 2018 and 31 July 2033 totalling £500,000 are secured on a portion of the freehold land and buildings of the College (the Nancy Seear Building).

18 Cash and cash equivalents

	At 1 August 2024	Cash flows	Other changes	At 31 July 2025
	£'000	£'000	£'000	£'000
Cash and cash equivalents	9,102	(5,251)	-	3,851
Total	9,102	(5,251)	-	3,851

19 Analysis of changes in net funds

	At 1 August 2024	Cash flows	At 31 July 2025
	£'000	£'000	£'000
Cash and cash equivalents	9,102	(3,164)	5,938
Short term deposits		(2,087)	(2,087)
	9,102	(5,251)	3,851
Bank loans	(301)	-	(301)
Net debt	8,801	(5,251)	3,550

20 Financial instruments

The college has the following financial instruments:

		2025 £'000	2024 £'000
Financial assets			
Financial assets measured at fair value through profit and loss	13	265	258

21 Funds

	As at 31 July 2024 £000s	Income £000's	Expenditure £000s	Other gains £000s	Transfers £000s	As at 31 July 2025 £000s
Restricted Funds						
Bursary and Investments	86	-	-	-	-	86
Special Projects	74	-	-	-	-	74
	160	-	-	-	-	160
Unrestricted Funds						
General Reserve	23,401	24,244	(24,879)	-	-	22,766
Revaluation Reserve	23,716	-	-	7	-	23,723
Development Fund	433	-	-	-	-	433
Other Designated Funds		-	-	-	-	
Bursary fund	58	-	-	-	-	58
Special Projects	18	-	-	-	-	18
Heritage Fund	7	-	-	-	-	7
Total Unrestricted Funds	47,633	24,244	(24,879)	7	-	47,005
Total Funds (excluding Pension Reserve)	47,793	24,244	(24,879)	7	-	47,165
Pension reserve	-	-	630	(630)	-	-
Total reserves	47,793	24,244	(24,249)	(623)	-	47,165

Restricted funds

There were no movements within the restricted funds in year.

Unrestricted funds: Revaluation Reserve

The revaluation reserve smooths out the effects over time of changes in the value of the College's investment portfolio. Current practice is to increase or decrease the size of the reserve by the increase or decrease in the value of investments so that this movement does not impact the income and expenditure account. This reserve also includes the increase in the value of land on adoption of FRS102.

Development Reserve

The Development Reserve is a designated fund that has been established to improve and extend the College's buildings, its environment and the facilities available for students in accordance with the College Property Strategy. The College's reserves policy is to retain a minimum level of general reserves (excluding losses or gains in respect of the pension scheme) equivalent to one term (four months) expenditure to cover the risks and uncertainties of operating its main business and continue building up the Development Reserve from annual operating surpluses. The Development Reserve was not adjusted within the year.

COIF Bursary Fund

This unrestricted Bursary Fund was established to supplement the restricted bursary fund, and is held to provide support for learners to attend College whose financial circumstances otherwise preclude them from doing so. There were no movements on the fund within the year.

Special Projects Fund

The Special Projects Fund exists to help the College develop new initiatives, support innovation and pilot new work and performances that will strengthen the College's reputation and profile. There were no movements to this fund in year.

Heritage Fund

The Heritage Fund exists to maintain, promote and celebrate the College's history and heritage including the restoration, renovation and expansion of the College art collection. There were no movements to this fund in year.

22 Defined benefit obligations

The College's employees belong to three principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff, the London Local Government Pension Scheme (LGPS) for non-teaching staff based at the Waterloo centre, which is managed by the London Pension Fund Authority, and the London Local Government Pension Scheme (LGPS) for non-teaching staff based at North Kensington and Chelsea centre, which is managed by the Royal Borough of Kensington and Chelsea. All three are multi-employer defined-benefit plans. The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2020 and of the LGPS 31 March 2022.

Total pension cost for the year	2025 £'000	2024 £'000
Teachers Pension Scheme: contributions paid	1,627	1,429
Local Government Pension Schemes:		
Contributions paid	696	669
FRS 102 (28) charge	111	84
Charge to the Statement of Comprehensive Income	807	753
Total Pension Cost for Year	2,434	2,182

Contributions amounting to £274k were payable to the schemes as at 31 July 2025 and are included in creditors (2024: £271k).

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.

The latest actuarial review of the TPS was carried out as at 21 March 2020. The valuation report was published by the Department for Education in October 2023. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £262 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £222 billion giving a notional past service deficit of £40 billion (compared to the £22 billion in the 2016 valuation.)

Employer contribution rates rose from 23.68% to 28.68% in April 2024 and have remained at this level throughout the accounting period. DfE continues to pay a teacher pension employer contribution grant to cover the additional costs during the 2024-25 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website. The next valuation, based on 2024 data, is expected to take effect in 2027.

The pension costs paid to TPS in the year amounted to £1,627,098 (2024: £1,428,875)

22 Defined benefit obligations (continued)

The college is a member of two Local Government Pensions Schemes, the London Pension Fund Authority (LPFA) and the Royal Borough of Kensington and Chelsea Scheme (RBKC)

Local Government Pension Scheme - London Pension Fund Authority

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the London Pension Fund Authority. The total contribution made for the year ended 31 July 2025 was £634k, of which employer's contributions totalled £439k and employees' contributions totalled £195k. The agreed contribution rates for future years are 14.1% for employers and range from 5.5% to 12.5% cent for employees, depending on salary. The scheme valuation for LGPS was completed as at 31 March 2025, with the new employer contribution rates applicable from 1 April 2026.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2022 updated to 31 July 2025 by a qualified independent actuary

	At 31 July 2025	At 31 July 2024
Rate of increase in salaries	3.75%	3.90%
Future pensions increases	2.75%	2.90%
Discount rate for scheme liabilities	5.80%	5.05%
Inflation assumption (CPI)	2.70%	3.20%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2025 years	At 31 July 2024 years
<i>Retiring today</i>		
Males	22.5	22.1
Females	23.3	23.2
<i>Retiring in 20 years</i>		
Males	21.9	21.6
Females	25.1	25.0

22 Defined benefit obligations (continued)**Local Government Pension Scheme - London Pension Fund Authority (Continued)**

The College's share of the assets in the plan were:

Asset allocation breakdown	%	2025	%	2024
		£'000		£'000
Equities	58%	10,507	61%	10,438
Target Return Portfolio	20%	3,608	16%	2,832
Infrastructure	11%	2,009	11%	1,859
Property	9%	1,598	9%	1,549
Cash	2%	367	3%	558
Total market value of assets		18,089		17,236

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

	2025	2024
	£'000	£'000
Fair value of plan assets	18,089	17,236
Present value of plan liabilities	(14,526)	(16,239)
Net pensions asset / (liability)	3,563	997
Adjustment recognised in actuarial losses to cap the scheme surplus	(3,563)	(997)
Recognised in the financial statements	-	-

As the surplus is deemed to be irrecoverable, recognition of the surplus on the balance sheet has been restricted to £nil (2024 - £nil) by adjusting the actuarial gain.

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

	2025	2024
	£'000	£'000
Amounts included in staff costs		
Current service cost	476	446
Total	476	446

Amounts included in investment income

Net interest income	(61)	(64)
Administration expenses	5	5
	(56)	(59)

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	482	222
Other actuarial gains on assets	-	-
Changes in demographic assumptions	(83)	34
Experience losses arising on defined benefit obligations	(149)	80
Impact of assets ceiling	(3,563)	
Changes in financial assumptions	2,284	(437)
Remeasurement of the net assets	(1,029)	(101)

22 Defined benefit obligations (continued)**Local Government Pension Scheme - London Pension Fund Authority (Continued)****Movement in net defined benefit (liability) during the year**

	2025	2024
	£'000	£'000
Surplus / (Deficit) in scheme at 1 August	-	-
Movement in year:		
Current service cost	(476)	(446)
Past service cost	-	-
Employer contributions	452	453
Past service cost	-	-
Administration expenses	(5)	(5)
Net interest on the defined liability	61	64
Actuarial gain or loss	(1,029)	(101)
Adjustment recognised in actuarial losses to cap the scheme surplus	997	35
Net defined benefit assets / (liability) at 31 July	-	-

Asset and Liability Reconciliation

	2025	2024
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	16,239	14,908
Current Service cost	476	446
Interest cost	797	763
Contributions by Scheme participants	193	192
Experience gains and losses on defined benefit obligations	149	(80)
Changes in financial assumptions	(2,284)	437
Estimated benefits paid	(1,122)	(388)
Unfunded pension payments	(5)	(5)
Past service costs, including curtailments	-	-
Changes in demographic assumptions	83	(34)
Defined benefit obligations at end of period	14,526	16,239

Reconciliation of Assets

	2025	2024
	£'000	£'000
Fair value of plan assets at start of period	17,236	15,940
Interest on plan assets	858	827
Return on plan assets	482	222
Other actuarial gains	-	-
Administration expenses	(5)	(5)
Employer contributions	452	453
Contributions by Scheme participants	193	192
Estimated benefits paid	(1,127)	(393)
Fair value of plan assets at end of period	18,089	17,236

22 Defined benefit obligations (continued)

Local Government Pension Scheme - Royal Borough of Kensington and Chelsea

Morely College joined the LGPS funded defined-benefit plan, with the assets held in separate funds administered by the Royal Borough of Kensington and Chelsea on 3 February 2020 at the point of merger with Kensington and Chelsea College. The total contribution made for the period ended 31 July 2025 was £363k, of which employer's contributions totalled £257k and employees' contributions totalled £107k. The agreed contribution rates for future years are 16.1% for employers and range from 5.5% to 12.5% cent for employees, depending on salary. The next scheme valuation for LGPS was will be completed as at 31 March 2025, with the new employer contribution rates applicable from 1 April 2026.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2022 updated to 31 July 2025 by a qualified independent actuary.

	At 31 July 2025	At 31 July 2024
Salary increase rate	3.75%	3.75%
Future pensions increases	2.75%	2.75%
Discount rate for scheme liabilities	5.80%	5.00%
Inflation assumption (CPI)	2.70%	2.75%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2025 years	At 31 July 2024 years
<i>Retiring today</i>		
Males	22.3	22
Females	24.1	24
<i>Retiring in 20 years</i>		
Males	22.5	22.3
Females	25.5	25.5

22 Defined benefit obligations (continued)**Local Government Pension Scheme-Royal Borough of Kensington and Chelsea (Continued)**

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

	2025	2025	2024	2024
Asset allocation breakdown	%	£'000	%	£'000
Equities	83%	29,030	81%	25,983
Property	12%	4,197	11%	3,529
Cash	1%	350	4%	1,283
Bonds	4%	1,399	4%	1,283
Total market value of assets		34,976		32,078

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

	2025 £'000	2024 £'000
Fair value of plan assets	34,976	32,078
Present value of plan liabilities	(16,598)	(18,435)
Adjustment recognised in actuarial losses to cap the scheme surplus	(18,378)	(13,643)
Recognised in the financial statements	-	-

As the surplus is not expected to be recovered, recognition of the surplus on the balance sheet has been restricted to £nil by adjusting the actuarial gain through other comprehensive income.

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

	2025 £'000	2024 £'000
Amounts included in staff costs		
Current service cost	338	303
Past service cost	-	-
Total	338	303

Amounts included in investment income

Net interest income	680	547
	680	547

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	1,468	2,179
Changes in demographic assumptions	(71)	37
Other experience	180	(607)
Changes in financial assumptions	2,560	711
Amount recognised in Other Comprehensive Income	4,137	2,320

22 Defined benefit obligations (continued)**Local Government Pension Scheme-Royal Borough of Kensington and Chelsea (Continued)****Movement in net defined benefit (liability) during the year**

	2025	2024
	£'000	£'000
Surplus/(deficit) in scheme at 1 August	-	-
Movement in year:		
Current service cost	(338)	(303)
Employer contributions	256	217
Net interest on the defined liability	680	547
Actuarial gain or loss	4,137	2,320
Adjustment recognised in actuarial losses to cap the scheme surplus	(4,735)	(2,781)
Net defined benefit asset / liability at 31 July	-	-

Asset and Liability Reconciliation

	2025	2024
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	18,435	17,736
Current Service cost	338	303
Interest cost	919	894
Contributions by Scheme participants	107	90
Change in demographic assumptions	71	(37)
Experience gains and losses on defined benefit obligations	(180)	607
Changes in financial assumptions	(2,560)	(711)
Estimated benefits paid	(532)	(447)
Defined benefit obligations at end of period	16,598	18,435

Reconciliation of Assets

Fair value of plan assets at start of period	32,078	28,598
Interest on plan assets	1,599	1,441
Return on plan assets	1,468	2,179
Employer contributions	256	217
Other experience	-	-
Contributions by Scheme participants	107	90
Estimated benefits paid	(532)	(447)
Fair value of plan assets at end of period	34,976	32,078

23 Related party transactions

Due to the nature of the College's operations and the composition of the Governing Body 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 Governing Body 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 £370 for 2 governors (2024: £1,511 for 6 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings in their official capacity.

No Governor has received any remuneration or waived payments from the College during the year (2024: Nil).

The College paid for a subscription with the South Bank Employers Group (SBEG). It is the normal operating practice of SBEG to appoint a representative from member organisations to its Board. The Centre Principal (Waterloo centre), Bushra Iqbal, represented the College throughout the year. Nic Durston, Governor and Vice Chair of the Governing Body is the CEO of SBEG. The cost of the subscription was £17,500 during the year 2024/25 (2024: £16,500).

24 Lease Obligations

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

	2025	2024
	£'000	£'000
Future minimum lease payments due		
Equipment :		
Not later than one year	162	199
Later than one year and not later than five years	319	427
later than five years	23	33
	<u><u>504</u></u>	<u><u>659</u></u>

25 Amount disbursed- 16 to 19 bursary

The college distributes 16-19 discretionary and vulnerable bursaries, and free meals in further education (FEFM) funds to students for the DfE. In the accounting period ended 31 July 2025, the college received a total of £113,389 and disbursed £54,553 from DfE 16-19 discretionary and vulnerable bursaries and FEFM funding after charging £- for administration costs. As at 31 July 2025, the cumulative unspent 16-19 discretionary and vulnerable bursary funds and FEFM funding is £58,836, of which £- relates to funds that are in scope to be returned to DfE in March 2026. Comparatives for the accounting period ended 31 July 2024 are £89,758 received from DfE, £61,646 disbursed to learners after charging £- for administration costs, and total cumulative unspent funds of £28,112, of which £- was repaid to DfE.

MORLEY COLLEGE LIMITED

England & Wales - Charity number 1023523

Accounts



MORLEY COLLEGE LIMITED

**Report and Financial Statements
for the year ended 31 July 2024**

Registered number: 2829836

Registered charity number: 1023523

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Key Management Personnel, Board of Governors and Professional advisors

Key management personnel

Key management personnel are defined as Senior Post Holders and were represented by the following in 2023/24:

Dr Andrew Gower - Principal and CEO; Accounting Officer

Ralph Moran – Chief Finance Officer

Governing Body

The full list of Governors is provided on pages 29 to 32 of this report. Georgia Cocks, Director of Governance, acted as Clerk to the Governing Body and Company Secretary throughout the period.

General information and professional advisors

Registered Office

61 Westminster Bridge Road

London SE1 7HT

Financial statements auditors and reporting accountants

Buzzacott LLP

130 Wood Street

London EC2V 6DL

Internal auditors

RSM UK Audit LLP

25 Farringdon Street

London EC4A 4AB

Bankers

National Westminster Bank plc

91 Westminster Bridge Road

London SE1 7HW

Solicitors

Eversheds Sutherland

1 Wood Street

London EC2V 7WS

Morley College London - Introduction

Morley College Limited trades as Morley College London.

Morley College London is a unique college within the learning landscape of London. With teaching centres both north and south of the Thames – in North Kensington, Chelsea and Waterloo – Morley College London is celebrated for its strong social values, its exceptional creativity, and its commitment to meeting the needs of students and their communities.

We advocate lifelong learning as vital for personal achievement, academic progression, and career development.

Our students include:

- adults looking to reskill so they can change careers or return to work;
- mature students with few traditional qualifications who now want to improve their prospects in work or education;
- 16 to 19 year-olds (at our North Kensington and Chelsea Centres) looking to progress to employment or higher education;
- international students who wish to improve their English language abilities for work, study, or everyday life;
- school leavers who want to build professional skills and get qualified, but are concerned about the time and financial commitments of going to university; and
- many others who find opportunities for personal development and enrichment through our study programmes in Arts, Culture and Applied Sciences.

With a Mission to empower individuals and strengthen communities through lifelong learning, Morley College London's social values and diversity of learning opportunities have roots going back to the 19th century, and the college boasts a proud record of serving learners in their respective boroughs and beyond. Today, the college plays an important role in all the communities it serves, including that in North Kensington, where local people continue to rebuild their lives in the aftermath of the tragedy of the Grenfell Tower fire on 14 June 2017.

As London's largest specialist Institute of Adult Learning, Morley College London also has an important contribution to make in delivering the priorities of regional and national government, including those outlined in the Mayor of London's Skills Roadmap (2022) and the capital's Local Skills Improvement Plan (2023), both of which aim to empower Londoners to access the education and skills to participate in society and progress in education and work, and to meet the needs of London's economy and employers.

The Morley College London of today was formed through a merger in 2020. Prior to this, Kensington and Chelsea College had delivered significant operating financial deficits over a number of years. The challenge of delivering a financially viable merged college was recognised by the Education and Skills Funding Agency, and resulted in the provision of a

£3.5M restructuring facility to be drawn down in the event that operating cash levels fell below an agreed threshold. As at the date of the approval of these financial statements the College has drawn down this facility in full.

The 2020 merger came about with the strong support of local stakeholders, and this enabled us to secure government support totalling £32.3 million to enable the purchase of the North Kensington Centre by the Department for Education, the renovation of the North Kensington and Chelsea Centres, and to develop a new, and broader, curriculum. These investments are in addition to the £3 million that the college has already spent and the further £15 million that it is aiming to raise to transform the facilities at Waterloo over the next ten years.

In the years since the global COVID-19 pandemic, the College has continued to mitigate the social, educational, organisational, and financial impacts of the pandemic to maintain business continuity; adapt to online delivery; ensure financial management; and seek to secure the strongest possible performance.

Report of the Governing Body and Strategic Report

Nature, Objectives and Strategies

The Governing Body, which represents the Board of Directors for the purposes of company law and the Board of Trustees for the purposes of charity law, presents its report, incorporating its Directors' and Strategic Reports, and the audited financial statements of Morley College Limited ('the College' or 'Morley College London') for the year ended 31 July 2024. The college is registered as Morley College Limited and uses Morley College London for branding and trading purposes.

Legal status

The college was incorporated on 18 June 1993 (Company Number 2829836) and began trading on 2 September 1993. This Company replaced the previous organisation, which was also known as Morley College, and had been in existence since it was founded in 1889. The college is an Institute for Adult Learning (formally a Specialist Designated Institution (SDI)) under the 1992 Further and Higher Education Act.

The College is a registered charity (no. 1023523) which is regulated by a scheme dated 2 September 1993, as amended 27 June 2000, 10 December 2007, 4 April 2018 and 15 July 2019. The College's application to HM Revenue and Customs for exemption from Corporation Tax was made on 6 September 1994 and was accepted on 13 September 1995. The College's activities do not fall within the scope of Corporation Tax.

A merger with Kensington and Chelsea College was completed on 3 February 2020.

Principal activities

The object of the College is the provision of education in such subjects and at such standards as the Governing Body from time to time determines.

Mission

The College's mission for the five years to 2025 is to inspire individuals and strengthen communities through the transformative impact of lifelong learning.

Public benefit

Morley College London was founded 130 years ago to provide a public benefit service to the community and has continued to build on and develop that service to the public throughout the years. The College's strategic goals, as agreed with the Governing Body, meet the aims of the Charity Commission's guidance on public benefit and particularly its supplementary guidance on the advancement of education. The College clearly demonstrates across its broad range of activities how it meets the requirement that all

organisations wishing to be recognised as charities must demonstrate, and explicitly, that its aims are for the public benefit.

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- General and specialist resources and facilities
- Widening participation and tackling social exclusion
- Evidence of improved employability for students
- Strong student support systems
- Links with local employers
- Recognised contribution to the cultural life of London

The core-funding agency for the College during 2023/24 was the Greater London Authority (GLA), with additional funding from the Education and Skills Funding Agency (ESFA) in respect of 16-19 education and adult learners resident outside of the devolved authorities. The funding received is used to support unrestricted access to the beneficiaries. From 1 August 2019, the funding for London-based Adult Education learners transferred to the Greater London Authority (GLA). This devolved funding model provides further opportunities for the College to embrace the Skills for Londoners initiatives. The ESFA has continued to fund the College for adult students that are based outside London. The College continually develops its curriculum to address the priorities of its communities and works closely with the GLA and Business LDN the employer representative body for London, contributing to the development and the delivery of the Local Skills Improvement Plan for London.

Implementation of strategic plan

In 2021, the College published a strategic plan for the five years to 2025. The plan defined Morley College London's strategic direction with its priorities expressed in the statement of three overarching strategic goals:

- Create outstanding learning opportunities

We will offer choice and flexibility to students by delivering an ambitious range of exciting and engaging courses in response to the interests of students and the learning needs of the communities we serve.

- Deliver an outstanding student experience

We will build the capacity and resilience to invest in high quality learning environments supported by high quality learning resources. With the support of funders, a comprehensive estates strategy will see significant investment into the North Kensington Centre for Skills.

- Achieve financial sustainability

Working within a closely defined Financial Strategy, we will work towards achieving the sustainability of the College by growing our revenue whilst maintaining close control of costs.

The mission, vision and strategic goals inform and are fed into the operational life of the College. The words are presented in large letters on the wall of the boardrooms at each teaching centre, to help remind management and inform our visitors of the College's strategic goals. The Senior Leadership Team support the strategic aims through their roles in leading the College Committees through curriculum, external engagement, quality and standards, health and safety, risk, and management meetings. The College's self-assessment review process helps identify the specific areas for improvement and supports colleagues to make the changes. Regular presentations to the Governors from operational areas of the College enable positive interactions and feedback.

Performance indicators

The College has developed a set of key performance indicators (KPIs) to enable the Governing Body to monitor the College's progress in implementing the Strategic Plan. The KPIs are aligned with the College strategic goals and are used by College Leadership to guide operational decisions. Each KPI has a target and actual performance is compared on a termly or annual basis as appropriate against this target and against previous performance. Wherever possible, KPIs are benchmarked against the performance of other colleges nationally. This comparison includes the ESFA's National Achievement Rate Tables (NARTs) and the FE Commissioner's financial benchmarks (FEC benchmarks). NARTs and FEC Benchmarks are both available on the gov.uk website. By analysing KPIs throughout the year, College leaders and the Governing Body can identify areas of concern and to take appropriate and timely action.

The KPIs for 2023/24 show a high standard of delivery, with most above target and showing an improvement in comparison to 2022/23. The College is making continued progress across all three strategic goals. The following table captures College performance against non-financial targets for the College.

Measure	Actual	Target	Status
Student Recruitment	111.8%	100.0%	✓
Achievement rates	92.5%	84.2%	✓
Student satisfaction	94.2%	90.0%	✓
Student destination	95.3%	92.0%	✓
Staff satisfaction (net promoter score)	10	-15	✓
External partner satisfaction	69	62	✓
Energy use and emissions (tonnes CO2/student)	0.068	<0.049	✗

In relation to the academic performance of students, the College's annual self-assessment of quality identifies many strengths, including:

- The college has a curriculum intent that builds on the college's strengths, providing learning opportunities that respond to national skills needs and are highly relevant to Morley College London's communities of location and practice.
- The curriculum is expertly delivered by a wide range of part-time and full-time staff, many of whom are renowned practitioners in their own fields. Teaching staff are experienced and well qualified with very strong subject knowledge and/or industry experience and effectively motivate and enthuse students who clearly enjoy their learning and are very focused and hard working.
- The curriculum at Morley College London has a very positive impact on students. They consistently develop relevant and valuable skills in their respective fields that enable them to progress and achieve their goals, move on to the next stage of their learning or into volunteering or employment. They produce work of good, and often outstanding quality as evidenced in portfolios, written and practical work and end of year exhibitions and performances.
- Overall achievement/pass rate for unaccredited courses is very high, at 95.7%. This is reflected across the centres, Chelsea 96.6%, North Kensington 94.5%, Waterloo 95.5%. This academic year 12.2% of adult students across all provision types and centres progressed up a level, internally, a significant increase by 50% from approximately 6.2% from 22-23. This is testament to the high-quality experience our adult learning provision offers.
- Achievement overall on 16-19 study programmes is 78.9% (retention 87.7%) -1.7% compared with 22/23 where achievement was 80.6% (retention 89.3%).
- The behaviour and attitudes of students at Morley College London are excellent. Students' motivations to study are strong, sustained and encouraged by teachers. The learning environment at the college is safe and supportive and one where discrimination, abuse and bullying are not tolerated. The college's inclusive and tolerant culture promotes students' understanding of life in modern Britain and the wider world well.
- Opportunities for personal development are very good. Each of the college's centres enables its students to develop their attitudes, knowledge, and skills beyond the academic content of the curriculum through a wide range of extra-curriculum activities.
- In February 2023 Ofsted undertook a full inspection of Morley College London. This inspection awarded the college a 'Good' overall, with Good awarded for all three provision types and with an outstanding judgement for Behaviour and Attitudes. The college was also recognised for its work with employers and stakeholders with a 'Strong' skills judgement, the highest achievement for this new category.
- The college participated in the Teaching Excellence Framework 2023. This national recognised scheme for Higher Education specifically and led by the Office for Students scrutinises the quality of the student experience and student outcomes. The College was awarded a 'Gold' for the quality of the student experience and a Silver for Student Outcomes, with an overall rating of Gold ('typically outstanding').
- Also in 2023, the Chelsea Centre for Creative Industries was awarded by the Mayor of London's Quality Mark for Creative Industries. An award that recognises training

providers who have demonstrated high-quality skills provision within a key sector for London.

- Morley College London prepares students well for future success in education, employment, or training. Students benefit from high quality specialist and impartial advice and guidance available from pre-enrolment onwards from tutors, managers, and the Student Services Team.
- Leadership and management are strong. Leaders, managers, and governors were highly effective in successfully steering the college through challenging times during the period of the pandemic, to secure a good quality of education for all its students; they have established a strong vision and curriculum intent for each of the college centres, with clear ambition for students' success and progression, including those difficult to engage. They have worked well to implement this vision through strong partnership networks, including those reaching into the local communities into higher education and employment. The impact of leadership and management on student outcomes is good, and senior leaders have successfully created structures that have positively transformed the lives of thousands of students in Lambeth, Southwark, Kensington, Chelsea, and across London.
- Managers have very high expectations of teaching staff. They expect good or better teaching to be the norm and provide teachers with the tools to achieve this. Regular CPD and individual support for teachers ensure that teaching across the college remains at least good and there are many instances of inspiring, outstanding professional practice.
- Governors have a clear understanding of the college's mission, vision and strategy, with a robust strategic plan and effective arrangements for monitoring its implementation. They display a strong commitment to the values and ethos of the college and rigorously monitor the college's performance.
- Safeguarding practices in the College are effective. Safeguarding is both explicit and well embedded in all College activities.

From the college's detailed self-assessment of quality, there are three areas for enhancement that will be the focus of the Quality Enhancement Plan (QEP) during 2024-2025. Action for enhancement will be taken in relation to: (1) student attendance, to achieve the college target of 90%; (2) retention and achievement, to be at or above national benchmark; and (3) careers guidance and progression advice, to ensure all students are confidently placed to proceed to their next steps in learning and/or work.

The College has completed annual financial returns for the ESFA, which confirmed a Financial Health grade of 'Good' based on 2023/24 outturn and 2024/25 budgeted performance. The financial performance detailed in these financial statements continues to support a Financial Health grade of 'Good' under the ESFA assessment methodology.

Financial Position

Financial objectives

The college's financial objectives, as set out in its Finance Strategy 2021-2025 are:

- To secure access to new and enhanced government funding streams that align with the Morley College London Vision, to provide new and expanded opportunities for outstanding learning.
- To secure access to additional funds through fundraising / charitable donation to support the delivery of existing outstanding learning opportunities, and wider opportunities not considered in scope for government support.
- Support Diverse Learning Needs by supporting engagement through the provision of a range of learner and learning support. Utilising a range of funding sources.
- Allocate available resources in such a way that they maximise the benefit of student experience, for both current and future students. (Both learning, access, capital, wellbeing).
- Engage with and proactively respond to student feedback to determine and reallocate available resources over the life to the strategy to improve the student experience and meet diverse learning needs.
- Embed environmental considerations in procurement processes, and in the ethical management of any college investments.
- Deliver overall growth in income by 2025 in accordance with the merger financial plan:
 - maximising growth and delivery of existing income sources
 - reducing dependency on funding body income through growth in fee income and fundraising activities.
 - mitigating financial risk through diversification of income sources
- Deliver improved efficiency of delivery and college operations, securing a return to a cash positive operating position by 2025.

Financial results

Governors approved a surplus operating budget of £251K for 2023/24, anticipating a continuing modest improvement in recruitment across all courses, whilst recognising the cost of living and inflationary impacts being actively experienced. Over the course of the year the College sought to maximise income streams and minimise costs while maintaining delivery across the whole range of educational programmes.

The College has successfully delivered provision sufficient to meet the requirements of all funding body contracts, securing growth in 16-19 learner numbers that will generate additional income in 2024/25. Education contracts are maintained with a range of local partners, which again have been delivered in full or exceeded during 2023/24, except for the contract for Non-Devolved Educations Skills Funding Agency Adult Education Budget (ESFAAEB) which must be delivered to non-London residents. This was due to a deliberate reduction in the use of sub-contractors. Tuition fee/loan income across all categories was closely aligned with budget.

Summary financial results are as follows:

- The actual outturn prior to FRS102 pension adjustments is a deficit of £412k (page 52).
- The ESFA Health rating as calculated in accordance with ESFA methodology is 'Good'.
- The College has total reserves of £47,793k, after a decrease of £396k, primarily due to a small actuarial loss on pension liabilities.

The College invested £1,762k in additional tangible fixed assets during the year. The investment focused on a refresh of information technology equipment across all centres, the completion of the refurbishment of the Chelsea Centre, as well as investment equipment to support the delivery of T-Levels and Higher Technical Qualifications funded from grant receipts.

The College has significant reliance on the education sector funding bodies as its principal funding source, largely through recurrent grants. This reliance has remained constant with 2023/24 grant income being 77% of the College's total income, compared to 77% in 2022/23.

Treasury policies and objectives

Treasury management is the effective control of the risks associated with the College's cash flows, its banking, money market and capital market transactions and the pursuit of optimum performance consistent with those risks.

The College has a separate treasury management policy in place. Short-term borrowing for temporary revenue purposes can be authorised by the Accounting Officer. All other borrowing requires the authorisation of the Governing Body and must comply with the requirements of the Financial Memorandum with the ESFA, Government Accounting, and the College's Financial Regulations.

Cash flows and liquidity

Cash and cash equivalents held at 31 July 2024 totalled £9,102k, with net cash inflow from operating activities of £5,437k (see page 55). This reflects the receipt of £4,784k of capital grants which have been deferred, with expenditure planned in 2024/25 and 2025/26.

Reserves

The College recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support its operational and strategic goals. At the balance sheet date total reserves net of pension liabilities totalled £47,793k.

Current and future development and performance

Financial health

The ESFA last formally assessed the financial health of the College in their letter to the Principal of November 2024, and provided a grade of 'Good' for 2023/24 and a projected grade of 'Good' for 2024/25.

Student numbers and fee income

In 2023/24, the College has delivered activity that has generated £17.3m in funding body grants, an increase of £529k in comparison to 2022/23, largely (£320k) as a result of a transfer of contracted activity into grant funded. Tuition fee and educational contracts income decreased from £4.1m in 2022/23 to £3.8m in 2023/24 for the same reason. The College had 10,786 students and 26,184 enrolments; the average student enrolls onto 2.4 courses. Both student numbers and enrolments, while not at pre-pandemic levels, have shown an improvement in comparison on 2022/23. Average class sizes have also increased from 10.5 to 10.9.

Curriculum Developments and Quality Enhancement

The College curriculum includes a wide range of courses for adults and young people in Arts, Culture and Social and Applied Sciences, with a diverse range of programmes that include Art and Design, Music and Performing Arts, Languages and Humanities, Applied Sciences, English for Speakers of Other Languages (ESOL), English and Mathematics. The College offers a wide range of accredited programmes from Entry Level to Level 6 and specialist, as well as short courses from beginner to mastery level that do not lead to a formal qualification.

The College holds contracts with the Royal Borough of Kensington and Chelsea (RBKC) and Lambeth Council for the provision of Community Learning covering a wide range of curriculum areas, responding to the needs of community groups and organisations, and in accordance with local strategic priorities. In 2023-24, Community Learning courses were

delivered in partnership with over 60 community, voluntary and statutory organisations and groups.

The College's extensive and progressive curriculum offer reflects the demand of the local and regional context and takes into account the needs of students, local communities and communities of interest, employers, and the local and regional economy. Curriculum managers have developed a responsive curriculum designed to suit different levels of experience, to offer progression routes, and support students' expectations and aspirations.

Clearly signposted pathways across all three Centres include:

- Clearly defined learning opportunities for 16 to 19-year-olds at North Kensington and Chelsea that inspire students to achieve and progress into employment, further training or university.
- Health, Education and Science; Business and IT; and Arts and Humanities programmes for adults at North Kensington
- Creative Discovery, Fine Arts, Media, Creative Technology programmes for adults at Chelsea, including short, introductory courses to stimulate interest and progression into higher levels of study. These include new, industry-relevant, advanced and higher-level diplomas leading to employment opportunities in the Creative Industries sector.
- Fashion, Visual and Digital Arts, Music and Performance, Health and Social Care, Humanities and Science adult programmes at Waterloo, including progression opportunities from our local communities into on-site short courses and further into accredited provision in advanced and higher learning.

A full Ofsted inspection was completed in February 2023. The overall effectiveness of the college was assessed by Ofsted as 'Good', with a strong contribution to meeting skills needs.

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 per cent.

During the accounting period 1 August 2023 to 31 July 2024, the College paid 96% of its invoices within terms or 30 days.

Events after the end of the reporting period

There were no post-balance sheet events considered material that have not been disclosed within the accounts.

Future prospects and going concern

Following the successful merger with Kensington and Chelsea College in February 2020 the College is well placed to capitalise on the expanded geographical reach, external investment in the College's estate, and the potential to bring the Morley College London experience to a considerably larger proportion of London as the largest Institute of Adult Learning, while also expanding the range and quality of provision available for younger learners at both the North Kensington and Chelsea Centres.

This growth and development are underpinned by a five-year financial strategy and plan agreed with the ESFA as part of the merger, and with considerable investment in the College's estate and systems, in particular the refurbishment of North Kensington which was completed in November 2022, as well as further developments at the Chelsea Centre completed in September 2023, and ongoing investment at the Waterloo Centre, funded partly from the College's financial reserves, but with significant contributions from the Department for Education (DfE) and the Greater London Authority.

The merger financial plan has been further supported by a grant from the DfE totalling £3.5M which has now been fully drawn down as a result of the impact of Covid-19 on tuition fee income, and the subsequent energy cost and cost of living crises. The College continued to grow during 2023/24 with the College delivering an operating surplus, with further cautious growth programmed into plans for 2024/25, and the College financial plan projects continuing growth and financial sustainability over the life of the plan.

Having due regard to best practice developments in the UK Corporate Governance Code 2018 in respect of going concern and risk management reporting, the College believes it will be able to continue in operation and meet its liabilities taking account of the current position and principal risks for the foreseeable future, and at least until December 2025. The College's assessment of going concern is supported by:

- Careful cash flow management
- High quality facilities, bolstered by ongoing capital investment across all main centres
- A strong capacity to generate ongoing cash flow surpluses
- Robust financial management and the College's actions to monitor budget performance
- The implementation of a robust Financial Framework, approved by the Governing Body
- Robust risk management processes

RESOURCES

The following sections provide more information about the College resources available to support its strategic goals.

Buildings and accommodation

The main College site at Westminster Bridge Road and the sculpture studio at Pelham Hall are both based within Waterloo. The main College site straddles the boroughs of Southwark and Lambeth with teaching space on both sides of a road that separates the two boroughs. The teaching facilities fully use the space that has grown over decades and in addition to flexible classroom spaces, the site includes soundproof music rooms, specialist artist spaces, a library, a café, and performance spaces and staff offices.

At Stockwell, just behind the tube station, the College has established a satellite centre based in a former community centre building, delivering a range of community learning and essential skills provision.

The College has the freehold on the main building at the Chelsea Centre, based in Hortensia Road, as well as a long-term (75 year) lease on a space within the Carlyle building immediately adjacent to the main centre.

Additionally, the College holds a 125-year lease on the North Kensington Centre, based in Wornington Road, at a peppercorn rent following its purchase by the DfE.

During the year, the College has continued to carry out work to its buildings in order to improve its facilities for learners and staff. This includes the completion of works at the Chelsea Centre and the initiation of a programme of renovation at the Waterloo Centre to be largely funded by the Further Education Capital Transformation Fund

Financial

The College has £47.8 million of unrestricted net assets and a balance of £279k of long-term debt.

People

The College employed on average 277 people during the year (expressed as full-time equivalents), of whom 152 are teaching staff, and 125 are non-teaching staff. This represented a slight reduction in comparison to 2022/23. The College continues to outsource its cleaning and security across all centres and pays all directly employed staff above the London Living Wage.

Reputation

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and creating external stakeholder relationships.

Staff and student involvement

The Governing Body includes elected staff and student members, and the College encourages staff and student involvement through membership of formal committees. Staff

and students are encouraged to join and support the activities of the Friends of Morley, an association that also includes former students, staff and governors as well as external supporters of the College.

The College considers good communication with its staff and students to be very important. Centre Principals hold regular meetings ('Student Experience Fora') with elected class representatives and a subset of these representatives self-nominate to the College-wide Student Council. The Principal and members of the Senior Leadership Team meet regularly with the Student Council and other student representative bodies.

Communication with staff takes a variety of forms, including open meetings for all staff with senior managers, monthly all staff briefings, regular management meetings, a well-developed intranet system and a regular staff newsletter. Annual corporate and social events are held bringing together all staff and departmental staff briefings are held regularly. Staff bulletins are produced weekly and made available through the staff engagement platform MyMorley to enhance communication.

The College values and actively seeks feedback from all users of its services, particularly students. It monitors all formal complaints as well as reviewing its processes to ensure all matters are resolved in line with the College's policies. During 2023-24, there were 14 formal complaints, compared to 17 in both 2021/22 and 2022/23; 57% of complaints were submitted near or during a term break contributing to delays in resolving complaints. 35% of the total complaints were resolved satisfactorily within 15 working days.

Fundraising

The College undertakes fundraising in an ethical and responsible way, mindful of the communities within which it operates. The College employs systems and controls to separate and protect funds and ensure that all expenditure is in line with the terms of any donation. The College is mindful of its responsibilities under the Charities (Protection and Social Investment) Act 2016 and legal rules and ensures that all activities are agreed and monitored at Senior Leadership Team level in compliance with relevant legal rules. Recognised standards are applied to ensure that fundraising is open, honest, and respectful, protecting the public from undue pressure to donate. Complaints are handled and monitored through the College's complaints procedure and there were no complaints in-year or in the previous year.

During 2023/24 the College received donated income of £28k. Donated income is reported in the year of receipt and the College aims to use the funds to support the donors' aims within a timely period to ensure that the wider College benefits from their generosity.

Energy Use and Carbon Reporting

The College is committed to reducing the environmental impact of its operations.

UK Greenhouse gas emissions and energy use data for the period	
Energy consumption used to calculate emissions (kWh)	3,448,523
Energy consumption breakdown (kWh) (optional)	
• gas,	1,716,877
• electricity,	1,731,647
<u>Scope 1 emissions in metric tonnes CO₂e</u>	
Gas consumption	335
Owned transport – college cars	1
<u>Total scope 1</u>	336
<u>Scope 2 emissions in metric tonnes CO₂e</u>	
Purchased electricity	403
Total gross emissions in metric tonnes CO ₂ e	738
<u>Intensity ratio</u>	
Tonnes CO ₂ e per student	0.068

Quantification and Reporting Methodology

We have followed HM Government's 2019 Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and the Government's Conversion Factors for Company Reporting (2020).

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO₂e per student, the recommended ratio for the sector. The 2023/24 figure of 0.068 tonnes CO₂ per student compares to 0.049 tonnes CO₂ per student in 2022/23.

Measures taken to improve energy efficiency

During 2023/24 the College has continued to progress projects to improve energy efficiency. Measures taken included capital investment to upgrade all lighting systems to LEDs at the Waterloo Centre, and the installation of voltage optimisation, again at the Waterloo Centre (with voltage optimisation already in place at North Kensington and Chelsea). In addition to physical investment the College has sought to utilise the estate more effectively consolidating activity and reducing opening times where possible. Sustainability and energy saving activities are overseen by the College's Sustainability Steering Group.

Further energy efficiency measures at the Waterloo Centre will be implemented through improvements in plant and insulation under the Waterloo Estates Renovation Programme during 2024/25.

The increase in the use of gas and consequent increase in the intensity ratio follows the return to full use of both the North Kensington and Chelsea Centres during 2023/24 following refurbishment.

The newly refurbished North Kensington Centre has A+ energy gas boilers supporting a new heating system with all radiators being controlled locally with thermostatic valves. The insulation across the refurbishment project has been enhanced, particularly the new roof on which solar panels have been fitted.

The College promotes a 'Sustainability Week' and has an active Sustainability Steering Group which as part of its activity has introduced wildflowers and high pollenating plants in the Garden at Waterloo. Positive curriculum developments have seen staff embed sustainability into their curriculum areas.

PRINCIPAL RISKS AND UNCERTAINTIES

The College's strategic risk register is reviewed over the course of the year by the Risk Management Committee and considered by Governors termly. Additional lower level and project-based risk registers are maintained as required.

The following key strategic risks were considered during 2023/24:

- Failure to adapt to the changing landscape
- Reduction in public funding
- Failure to manage the college finances
- Failure to comply with funding body audit requirements
- Failure to manage health and safety
- Failure to safeguard children and vulnerable adults
- Failure to maintain business continuity
- Failure to achieve student recruitment targets
- Failure to manage capital programmes
- Failure to deliver an outstanding student experience
- Failure to recruit and retain competent and committed staff
- Failure to succession plan (senior staff and governors)
- Failure to maintain and enhance quality

- Failure of IT systems to meet the needs of students, staff or visitors
- Failure to prepare for a major system outage or data breach, including cyber attack

Each risk listed is supported up by an individual risk report and this provides the detail to support the management of that risk, covering:

- Consequences of the risk occurring
- Events that could trigger the risk
- Risk ownership
- Risk scoring for probability and impact
- Controls in place to manage the risk
- Assurance in those controls
- Performance data to confirm that risk management is working or to identify an emerging risk
- Mitigating action that the College is undertaking to reduce the probability or mitigate the impact of the risk, or that it would take either for a major event risk or an emergent risk over time.

The following sections consider how effective the College has been at managing risk within its three strategic aims:

Maintenance of quality of provision (Risk 13)

Failure to maintain adequate quality in its provision represents a significant risk to the College, particularly as the Strategic Plan includes growth and responsiveness to student needs. This risk is mitigated in a number of ways:

- Scrutiny of key performance indicators by the Quality and Standards Committee.
- Regular review of the quality of provision against Ofsted inspection criteria.
- Review of quality against the requirements of the Office for Students and the Quality Assurance Agency.
- Continued development and monitoring of the Quality Enhancement Plan.
- Rigorous curriculum review process that ensures the curriculum meets student interest and demand in addition to addressing the priorities of the Local Skills Improvement Plan.
- Best practice in People Operations policies and procedures to ensure high quality in teaching and support staff.
- Continuing professional development programme for teaching staff targeting both technical and pedagogy skills.
- Effective use of management information systems to support

quality enhancement

- Development of a property strategy driven by the needs of the developing curriculum and building a level of reserves to support this strategy.

The outcomes of the Ofsted inspection undertaken in February 2023, which resulted in an assessment of 'good' provide the evidence that the College's processes and scrutiny have been effective in driving quality improvement and leading to outstanding learning opportunities. The report also identifies the areas where the College can move from 'good' to 'outstanding'.

During 2023 Morley College London was awarded TEF Gold, the highest standard for the Teaching of Higher Education. The Teaching Excellence Framework (TEF) is a national initiative by the Office for Students (OfS) aimed at promoting excellence in teaching, learning, and student outcomes. Morley College London's Gold rating is valid for four years.

Maintenance of an outstanding student experience (Risk 10)

The College aims to be highly effective in meeting the diverse learning needs of the communities it serves, addressing social exclusion and enhancing the flexibility and personalisation of learning. Failure to ensure quality of learning opportunities and student experience would represent a significant risk to meeting this goal. This is mitigated by:

- A high-quality staff team with excellent subject knowledge and enthusiasm.
- Continual professional development of staff to ensure a high standard of professional practice.
- The use of external professional networks and partnerships to ensure expert and innovative learning, teaching and assessment.
- The ongoing focus on three cross-cutting themes: digital inclusion, progression and employability.
- A revised risk register which has better identified the triggers, controls and mitigating actions needed to maintain and improve student experience.
- Ofsted inspection in February 2023 confirming good with outstanding for behaviour and attitudes.
- The achievement of the 'TEF Gold' standard for delivery of Higher Education provision.
- Feedback and improvements targeted through 'Student Voice' (Student Council, Student Representatives, and Class Representatives).

Maintenance of the financial viability of the College (Risk 3)

The College's current financial health score calculated in accordance with the ESFA methodology is 'Good' as described above. Prior to the business combination with KCC, adult education funding levels were the main constraint on the College's financial position. College funding has suffered from a sustained period of public sector spending cuts. The College has been able to grow income through growth in provision and increased student taught hours whilst aiming to maintain the student experience. However, the actual funded income per student hour has fallen in real terms over recent years. Kensington and Chelsea College as a stand-alone entity was not financially viable and had delivered significant deficits over recent years. While cash reserves were strong following the disposal of property, the College had delivered year-on-year negative cash flows. The Coronavirus pandemic previously limited the College's capacity to grow and expand provision. Financial viability has been preserved through effective action in maximising income streams and reducing costs.

The combined college benefits from a substantial estate with significant opportunity to expand delivery and grow income, a more efficient staffing structure and a robust financial position in both cash and reserves. The college has developed a five-year financial plan and strategy to deliver full financial sustainability. This plan was subject to detailed scrutiny by the ESFA, and external due diligence. While this has been impacted by the Coronavirus pandemic, the College remains well placed and well-resourced to respond to increased demand, and has seen growth particularly in 16-19 year old learners.

The College has further mitigated the financial risk through the five-year planning period through the agreement for additional grant funding, with the final £0.5m of the £3.5m grant drawn down in 2023/24.

The implementation of the Financial Framework ensures that the College sets and controls expenditure budgets within the constraints of core income and remains financially viable.

The College has significant reliance on education sector funding bodies for its funding, largely from recurrent grants. This reliance has continued with 2023/24 grant income being 77% of the College's total income as it was in 2022/23.

Following the 2022 triennial valuation of Local Government Pension Schemes and a favourable FRS102 valuation, the financial statements report that there is no deficit in the Local Government Pension Scheme deficit attributable to the College on the College's balance sheet in line with the requirements of FRS 102.

The risk to financial viability is mitigated in a number of ways:

- Financial sustainability of the College is one of the three core strategic goals.
- Budget setting procedures are rigorous and include sensitivity analysis testing.
- Monthly budget monitoring throughout the year.
- Robust financial controls and procedures.

- Detailed forward planning, forecast updates and regular cash flow forecasting updates.
- Diversification of income sources and optimising existing income streams.
- Strategies for curriculum development and growth linked to financial improvement.
- Creating, maintaining and managing key relationships with the funding bodies.
- Engagement with GLA and its various funding channels including active engagement with project-based funding initiatives (e.g. Multiply).
- Continuously ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students.
- Close monitoring of the demand for courses linked to a responsive pricing strategy.
- Monitoring and appraising the position of the pension scheme by Governors through the Finance, Resources and Fundraising Committee.

Governors hold the appropriate senior post-holders accountable for their actions against each risk. Risks are mitigated through both short-term actions and the work towards a longer-term sustainable solution for the College.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Morley College London has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- Government Offices including the FE Commissioner;
- Staff;
- Local employers (with specific links) including Business LDN and the Southbank Employers Group;
- Local authorities;
- Local community;
- Other FE and HE institutions;
- Quality Assurance Agencies including Ofsted and the Office for Students;
- Examining boards;
- Trade unions;
- Professional and membership bodies;
- Charity Commission.

The College recognises the importance of these relationships and engages in regular communication with these stakeholders. In addition, the College works in close partnership with a large number of voluntary sector, arts and other organisations to help fulfil its mission and achieve its strategic goals. Partnerships are vital to Morley College London's

development and institutional well-being, augmenting its reputation, profile and position and providing the connections and capacity it needs to support its communities of location and practice.

The College values its relationship with the trade unions representing its employees. Regular meeting of the Joint Consultative Committee were held, throughout 2023/24, in a positive and transparent manner.

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the college to publish the following information to outline the facility time arrangements for trade union officials at the College. Facility time with a total estimated value of £28,172 is available.

Numbers of employees during the relevant period	FTE employee number
5	2.60

Percentage of time	Number of employees
0%	
1-50%	5
51-99%	
100%	

Total cost of facility time	£23,953
Total pay bill	£14,401,000
Percentage of total bill spent on facility time	0.17%

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

Section 172 Statement

The Board of Directors are aware of their duty under s.172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company in achieving its charitable purpose and, in doing so, to have regard (amongst other matters) to:

- The likely consequences of any decision in the long term.
- The interests of the Company's employees.
- The need to foster the Company's business relationships with suppliers, customers and others.
- The impact of the Company's operations on the community and the environment.
- The desirability of the Company maintaining a reputation for high standards of business conduct.

Within this report, we have summarised our governance framework and how we are engaged with stakeholders during the year. The Trustees have considered the views and needs of key stakeholders in Board discussions and decision making. The following points are not intended to be an exhaustive list but are illustrative of how the Trustees have fulfilled these duties during the year.

Engagement with employees

- The Senior Leadership Team actively engages staff through frequent all-staff briefings, use of internal communication tools, and regular 'Coffee with the Principal' sessions to provide updates on business developments and to answer questions directly.
- The College maintains a staff engagement platform, MyMorley, to aid effective engagement and provide access to staff rewards and discounts, which has been widely accessed.
- The College has continued to invest in staff wellbeing and the provision of support through the confidential Employee Assistance Programme.
- Senior Managers actively engage with the Unions, working to achieve practical improvements in terms and conditions.
- Staff views are represented on the Governing Body through the inclusion of an academic and professional services Governor selected by staff.

Engagement with stakeholders

- The Trustees recognise the importance of external stakeholders such as applicants, providers, advisers, education and commercial customers, government and sector agencies, legal members, and suppliers, as well as internal stakeholders.

- The Trustees remain committed to effective engagement of all stakeholders and are mindful that the organisation's success depends on its ability to engage effectively, work together constructively and to take stakeholder views into account.
- The Trustees also review financial and operational performance, as well as information covering areas such as external drivers which includes the number of applications, staff, staff representatives including working with the Joint Consultative Committee to recognise Unison in addition to the University and College Union (UCU), pensions, delivery, and key risks. This information is provided to the Trustees through routine reports circulated in advance of each Board meeting which are then reviewed, discussed and approved, as necessary.
- The College has established Stakeholder Advisory Groups for each of the main College centres to ensure that it is able to take full account of local considerations in its decision making.

Equality and Diversity

The College celebrates and values diversity and is committed to providing the education and support that enable all members of the learning community to achieve their full potential. Action to promote Equality and Diversity is core to the College's mission, values, and strategic goals. Morley College London's vision identifies the College as a provider of inspiring, distinctive, and excellent adult learning, as a college that contributes to, and is responsive to, the communities it serves.

'Respect for diversity and the promotion of equality' is one of the five core values and is central to Morley College London's vision as it strives to provide relevant and challenging education and training for all sections of the community. Morley College London also strives to be an exemplary employer, and to ensure that it employs a diverse workforce that is equipped with the skills necessary to achieve shared ambitions.

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, sex, sexual orientation, disability, religion or belief and age. We aim to remove conditions that place people at a disadvantage, and we actively combat bigotry. The College's Equality and Diversity Policy is published on the College's Intranet site and website and actions to deliver the policy are regularly monitored.

The College publishes an Annual Equality and Diversity Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College is strongly committed to supporting job applicants and staff with disabilities and long-term health conditions and is positive about mental health. The College has signed up to the Government's Disability Confident Scheme and has committed to the Mindful Employer's Charter. The College considers all employment applications from disabled

persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion that, as far as possible, provide identical opportunities to those of non-disabled employees.

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010:

- a) As part of its property strategy the College is ensuring the entrances to all Centres are fully accessible, and continues to seek to improve the accessibility of the estate as a whole
- b) The College provides a range of specialist equipment and assistive technology to assist learners with disabilities
- c) The College includes on its staff specialist tutors and support assistants to support students with learning difficulties and/or disabilities
- d) There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for learners who have learning difficulties and/or disabilities
- e) Specialist programmes are described in college prospectuses and on the college website
- f) The progress and achievement of learners who have learning difficulties and/or disabilities is carefully monitored
- g) Counselling and welfare services are described in the College's Student Handbook that is issued to students at induction.

Disclosure of information to auditors

The members who held office at the date of approval of this report confirm that, as far as they are each aware, there is no relevant audit information of which the College's auditors are unaware. 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.

This report and the Strategic Report (included therein) was approved by the Governing Body, as the company's board of directors, on 16th December 2024



Leisha Fullick
Chair

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 2023 to 31 July 2024 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 Code of Good Governance for English Colleges (“the Code”) adopted by the College on 13 October 2015 and in a revised form on 25 March 2024 ; and
- iii. having due regard to the UK Corporate Governance Code 2018 insofar as it is applicable to the College.

The College is committed to exhibiting best practice in all aspects of corporate governance and accordingly the College has adopted and complies with the Code. While we have not adopted and therefore do not apply the UK Corporate Governance Code, we have reported on our corporate governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code that we consider to be relevant.

In the opinion of the Governing Body, the College complies with or exceeds all the provisions of the Code, and it has complied throughout the year ended 31 July 2024. The Governing Body 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.

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

The Governing Body

The members who served on the Governing Body during the year and **up to the date of signature of this report** were as listed in the table below. The Governors are directors and members of the College for the purposes of company law.

Continuing Members

	Date of appointment	Term of office ends	Status of appointment	Committees served and offices held 2023-24	Meetings attended/ possible in 23/24
Miss Justine Brian	27 February 2018 Reappointed 1 August 2021	31 July 2025	External member	Audit External Relations (Chair) Lead Governor for Safeguarding and Prevent	12/13
Mr Alex Cole	29 March 2021 Reappointed 31 July 2024	31 July 2028	External member	Audit Finance, Resources and Sustainability	11/14
Mr Nic Durston	13 April 2018 Reappointed 1 August 2021	31 July 2025	External member	Finance, Resources and Sustainability (Chair) Remuneration External Relations	13/15
Ms Gill Evans	3 February 2020 Reappointed 1 August 2023	31 July 2027	External member	Curriculum and Quality People Lead Governor for Equality, Diversity and Inclusion	12/13
Ms Leisha Fullick	10 May 2021 Reappointed 31 July 2024	31 July 2028	External member	Chair of Governing Body Curriculum and Quality Governance and Nomination (Chair)	13/14

	Date of appointment	Term of office ends	Status of appointment	Committees served and offices held 2023-24	Meetings attended/ possible in 23/24
Dr Andrew Gower	13 April 2015	NA	Principal and Chief Executive Officer	Curriculum and Quality Finance, Resources and Sustainability Governance and Nomination People External Relations	23/23
Mrs Gail Le Coz	3 February 2020 Reappointed 1 August 2023	31 July 2027	External member	Audit (Chair) Governance and Nomination	10/13
Mr Jack Davy	21 October 2024	31 July 2028	Staff member	Finance, Resources and Sustainability	
Mr Peter Hume	21 October 2024	31 July 2028	External member	Finance, Resources and Sustainability	
Mr Matthew Innes	21 October 2024	31 July 2028	External member	Curriculum and Quality	
Ms Susan Lindsey	27 March 2019 Reappointed 2 November 2020, 3 February 2021 and 31 July 2024	31 July 2026	Student member to 2 February 2021 External member from 3 February 2021)	Finance, Resources and Sustainability People (Chair) Lead Governor for Health, Safety and Sustainability	14/14
Ms Marshal Ngcongco	23 November 2022 Reappointed 15 July 2024	15 July 2026	Student member	Curriculum and Quality Finance, Resources and Sustainability	13/14
Mr Victor Olowe	2 April 2014	31 July 2025	External member	Vice-chair of Governing Body	16/16

	Date of appointment	Term of office ends	Status of appointment	Committees served and offices held 2023-24	Meetings attended/ possible in 23/24
	Reappointed 16 October 2017, 1 August 2021 and 1 August 2023			Audit Governance and Nomination (Vice-chair) People	
Ms Jessie Peramal	31 August 2022	31 July 2026	External member	Audit People (Vice-Chair)	4/6
Dr Melissa Score	3 November 2021	31 July 2025	Staff member	Curriculum and Quality People	12/13
Mr Naeem Uddin	21 October 2024	31 July 2028	External member	Finance, Resources and Sustainability	
Ms Jasmin Zapata Matas	30 October 2023	31 July 2027	Student member	Curriculum and Quality	7/10
Mr Raymundo Zuñiga	31 August 2022	31 July 2026	External member	Audit External Relations Lead Governor for Digital Technology	11/13

Retiring Members

	Date of appointment	Term of office ended	Status of appointment	Committees served and offices held 2023-24	Meetings Attended/ Possible
Ms Heather Fry	18 October 2016 Reappointed 1 August 2020	15 July 2024	External member	Curriculum and Quality (Chair) Remuneration (Chair)	11/11
Mrs Debbie Ryle	1 August 2020 Reappointed 1 August 2022	15 July 2024	Staff member	Finance, Resources and Sustainability People	13/14
Mr Jonathan Slater	1 August 2021	20 November 2023	External member	Finance, Resources and Sustainability Governance and Nomination	2/3
Mr James Ward	3 February 2020 Reappointed 01 August 2023	14 May 2024	External member	Curriculum and Quality (Vice-chair) People Lead Governor for Careers Information, Education and Guidance	10/11

Ms Georgia Cocks served as Director of Governance and Company Secretary throughout the year.

Directors and their interests

The directors of the Company are shown above and, except for any instances mentioned, served throughout the year. None of the directors has any interests in the Company.

The Company Secretary maintains a register of financial and personal interests of the members of the Governing Body and of senior post-holders. The register is available for inspection at the address below.

Limited liability

The Company does not have any share capital and is limited by guarantee. The liability of the members, who are the directors, is limited to £1 each in the event of the winding up of the Company.

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

The Governing Body is provided with regular and timely 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 personnel-related matters such as health and safety and environmental issues. The Governing Body meets at least four times per year.

In 2023-24 the Governing Body received advice on the conduct of its business from seven committees. Each committee had terms of reference approved by the Governing Body. Those committees were: Audit; External Relations; Finance, Resources and Sustainability; Curriculum and Quality; Governance and Nomination; and People.

Individual Governors ('lead governors') also assisted and advised the Governing Body in the oversight of areas of its responsibility, specifically Careers Information, Education and Guidance, Equality, Diversity and Inclusion, Health, Safety and Sustainability and Safeguarding and Prevent. The range and remit of committees and the contribution that each makes to effective governance is under continual review. Full minutes of all meetings, except those deemed to be confidential by the Governing Body, are available on the College's website.

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Director of Governance and Company Secretary, who is responsible to the Governing Body for ensuring that all applicable procedures and regulations are complied with. The appointment and removal of the Director of Governance are matters for the Governing Body as a whole. Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are provided on an ad hoc basis.

The Governing Body has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Governing Body 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 and Accounting Officer are separate.

Training and development

The Governing Body is committed to the training and development of both the Governors and the Director of Governance, and ensured that they received appropriate training and development throughout the year. For Governors this included: Safeguarding and Prevent training sessions, online carbon literacy training, department presentations, the Education

& Training Foundation's Governance Development Programme modules, law firm, Evershed's webinars, Board and Committee Chairs and Vice-Chairs briefings run by the Association of Colleges ('AoC'), the AoC Governors' Summit 2024 (online), the AoC Annual Conference and the AoC new Governor induction. The Director of Governance is experienced in the role and is supported by the Governing Body in her continuing training and development. She is a member of the FE Governance Professionals network, attends the annual AoC conference, and undertakes a range of professional development courses to stay appraised of the latest good governance practices.

Appointments to the Governing Body

Appointments to the Governing Body are matters for the consideration of the Governing Body as a whole. The Governance and Nomination Committee is responsible for the recruitment, selection, and nomination of new external members for the Governing Body's consideration and for considering and nominating retiring governors for re-appointment. The Governing Body is responsible for ensuring that appropriate training is provided as required.

Members of the Governing Body are appointed for a term of office not exceeding four years, except for student members who are appointed for a term not exceeding two years. Members generally serve for a maximum of eight years (student governors – four years).

Managing Public Money

Following the reclassification of College to the public sector by the Office of National Statistics (ONS) the College's Financial Regulations and other relevant policies and approval processes were updated to ensure full compliance with the requirements of 'Managing Public Money'.

Governing Body performance

The Governing Body has established a comprehensive framework for evaluating its own performance and enhancing the quality of governance, comprising:

- regular review of the composition of the Governing Body and the extent to which the skills and experience of members match the needs of the College;
- analysis of the extent to which members attend board and committee meetings, participate in training and development activities and take up opportunities to engage with the day-to-day work of the College, its staff and students;
- an annual survey of members' views of the effectiveness of the Governing Body;
- a biennial development interview with each member of the Governing Body;
- an annual review of the effectiveness of each committee in discharging the responsibilities delegated to it; and
- a periodic (triennial) review of the effectiveness of governance by an independent consultant.

Self-assessment and quality enhancement

Currently the Board undertakes an annual self-assessment of governance practices and produces an associated Quality Enhancement Plan.

External review of governance

In 2021-22 the Governing Body commissioned an external review of governance. The review found governance to be effective, particularly in fostering a shared culture. The review made a number of recommendations all of which have been fully implemented.

The next external review of the effectiveness of governance is due in 2025.

Committees of the Governing Body

Audit Committee

The Audit Committee is satisfied, based on the information provided to it by College management and the work, reports and audit opinions of the Internal Auditor, the Financial Statements and Regularity Auditor and others, that reliance can be placed on the College's risk management, control and governance systems. On the basis of reports received and work undertaken, it considers that there are satisfactory arrangements in respect of the system of financial control and measures to secure economy, efficiency and effectiveness at the College.

The Audit Committee comprises between three and six members of the Governing Body (excluding the Accounting Officer and the Chair of the Governing Body). The Committee operates in accordance with written terms of reference approved by the Governing Body.

It meets at least termly and provides a forum for reporting by the College's internal and financial statements auditors, and by the accountants appointed to report on regularity, all of whom 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 auditors 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 audit recommendations and internal audit undertakes periodic follow-up reviews to ensure that such recommendations have been implemented.

The Audit Committee also advises the Governing Body on the appointment of internal and financial statements auditors and of accountants to report on regularity and on their remuneration for audit and non-audit work. In common with all other committees, it provides an annual report to the Governing Body summarising its work over the preceding year.

Curriculum and Quality Committee

The Curriculum and Quality Committee comprises between six and eight members of the Governing Body. The Committee advises the Governing Body and provides it with assurance on matters relating to the College curriculum, the quality of education (including learning, teaching and assessment, outcomes for students and the student experience), student voice and customer feedback and the requirements of Ofsted and the Office for Students.

External Relations Committee

The External Relations Committee comprises between four and six members of the Governing Body. The Committee advises the Governing Body and provides it with assurance on matters relating to stakeholder engagement, stakeholder satisfaction, marketing, fundraising, the conferring of fellowships and awards and the work of the Morley Gallery and Morley Radio.

Finance, Resources and Sustainability Committee

The Finance, Resources and Sustainability Committee comprises between six and eight members of the Governing Body. The Committee advises the Governing Body and provides it with assurance on financial strategy, financial health, financial management, estates, health and safety, environmental sustainability, and digital transformation.

Governance and Nomination Committee

The Governance and Nomination Committee comprises between four and six members of the Governing Body (excluding staff and student members). The Committee advises the Governing Body on the composition and membership of the Governing Body, the appointment and re-appointment of external members and on all matters relating to the governance of the College, including the development of the Board as a whole and of individual governors, the setting of targets for Governing Body performance and the related performance review arrangements.

People Committee

The People Committee comprises between six and eight members of the Governing Body. The Committee advises the Governing Body and provides it with assurance on all matters relating to the recruitment and development of staff and their pay and conditions of employment, as well as on the promotion of equality, diversity, and inclusion.

Remuneration Committee

The Remuneration Committee comprises three members of the Governing Body (excluding staff and student members and the Accounting Officer). The Committee advises the Governing Body on the remuneration and benefits of the Accounting Officer and other holders of senior posts and on leadership development and succession planning for the Senior Leadership Team. The senior post-holders within the remit of the Remuneration

Committee comprise the Principal and the Chief Finance Officer. The Governing Body has a clear policy on the remuneration of senior post holders and the Director of Governance, Details of remuneration for the year ended 31 July 2024 are set out in note 8 to the financial statements.

Internal control

Scope of responsibility

The Governing Body 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 Governing Body has delegated to the Principal, as Accounting Officer, the day-to-day responsibility 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 he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between the College and the ESFA. He is also responsible for reporting to the Governing Body 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 ongoing 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 the College for the year ended 31 July 2024 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Governing Body 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 Governing Body is of the view that there is a formal ongoing process for identifying, evaluating, and managing the College's significant risks that has been in place for the period ending 31 July 2024 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Governing Body.

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative 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 Governing Body;
- regular reviews by the Governing Body 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; and
- the adoption of formal project management disciplines, where appropriate.

The College has commissioned an internal audit service, which operates in accordance with the requirements of the ESFA's 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 Governing Body on the recommendation of the Audit Committee.

Review of effectiveness

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

- the work of the internal audit service provider;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the College's financial statements auditors and the reporting accountants for regularity assurance 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 audit service provider and other assurance providers and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Risk Management Committee comprises members of the Senior Leadership Team and other co-opted members with an understanding of Health and Safety, Premises, IT, People Operations, Finance and academic issues. The Committee receives reports setting out key performance and risk indicators and considers possible control issues brought to its attention by early warning mechanisms, which are embedded across the College and reinforced by risk awareness training.

The Risk Management Committee and the Audit Committee also receive regular reports from the internal audit service provider and other providers of assurance, which may 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 Governing Body's agenda includes a regular item for consideration of risk and control and it receives relevant reports

from the Senior Leadership Team and the Audit Committee. The emphasis is on obtaining the appropriate degree of assurance and not merely reporting by exception.

At its December 2024 meeting, the Governing Body carried out the annual assessment for the year ended 31 July 2024 by considering documentation from the Senior Leadership Team and internal audit, and taking account of events since 31 July 2024.

Based on the advice of the Audit Committee and the Accounting Officer, the Governing Body is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for '*the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets*'.

Going concern

After making appropriate enquiries, and taking account of:

- the sound level of liquidity as at 31 July 2024
- the College's performance against budget, and
- the College's financial plan to 2026/27

the Governing Body 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.

Approved by order of the members of the Governing Body on 16 December 2024 and signed on its behalf by:

Signed



Leisha Fullick

Chair

Signed



Dr Andrew Gower

Accounting Officer

Statement of Regularity, Propriety and Compliance

As Accounting Officer, I confirm that the Governing Body has had due regard to the framework of authorities governing regularity, priority and compliance, and the requirements of the college's accountability agreement, funding agreements and contracts with ESFA and DfE, 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 Governing Body 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 college's accountability agreement, funding agreements and contracts with ESFA and DfE, 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.



Dr Andrew Gower
Accounting Officer
16 December 2024

Statement of the Chair of Governors

On behalf of the Governing Body, 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.

A handwritten signature in black ink, reading 'Leisha Fullick'. The signature is written in a cursive style with a small dot above the 'i' in 'Fullick'.

Leisha Fullick
Chair of Governors
16 December 2024

Statement of Responsibilities of the Governing Body

The Governing Body, as the board of trustees, is required to present audited financial statements for each financial year.

Within the terms and conditions of the college's accountability agreement, funding agreements and contracts with ESFA and DfE, the Governing Body is required to prepare financial statements which give a true and fair view of the financial performance and position of the College for the relevant period. Governing Bodies must also prepare a strategic report which includes an operating and financial review for the year. The bases for the preparation of the financial statements and strategic report are the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's College Accounts Direction and the UK's Generally Accepted Accounting Practice.

In preparing the financial statements, the Governing Body 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 College is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate; and
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

The Governing Body is also required to prepare a strategic report, in accordance with paragraphs 3.23 to 3.27 of the FE and HE SORP, that describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

The Governing Body 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 Governing Body is responsible for the maintenance and integrity of the College's 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.

The Governing Body is responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the

authorities that govern them. In addition, it is responsible for ensuring that funds from the ESFA, DfE, and any other public funds are used only in accordance with the accountability agreement, 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 Governing Body 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 Governing Body are responsible for securing economical, efficient and effective management of the College’s resources and expenditure so that the benefits that should be derived from the application of public funds from the ESFA, DfE, and other public bodies are not put at risk.

Approved by order of the Governing Body on 16 December 2024 and signed on its behalf by:

A handwritten signature in black ink, reading "Leisha Fullick". The signature is written in a cursive style with a small dot above the 'i' in Fullick.

Leisha Fullick
Chair of Governors

Independent auditor's report to the Governing Body of Morley College London

Opinion

We have audited the financial statements of Morley College London ("the College") for the year ended 31 July 2024 which comprise the statement of comprehensive income and expenditure, the statement of changes in reserves, the balance sheet, the statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and 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) and the College Accounts Direction 2023 to 2024 issued by the Education and Skills Funding Agency).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2024 and of its surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the requirements of the Companies Act 2006;
- have been prepared in accordance with the Statement of Recommended Practice; Accounting for Further and Higher Education (the 2019 FE HE SORP) and the Accounts Direction 2023 to 2024 issued by the ESFA;
- In all material respects, funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- in all material respects, funds provided by the OfS, the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of OfS's accounts direction have been met.

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 members of the Corporation'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 members of the Corporation 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 members of the Corporation 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the corporation report, which is also the directors' report for the purposes of company law and includes the strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the corporation report, which is also the directors' report for the purposes of company law and includes the strategic report, has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the College and its environment obtained in the course of the audit, we have not identified material misstatements in the annual report including the strategic report. We have nothing to report in respect of the following matters in relation to which the Post 16 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 returns adequate for our audit have not been received from branches not visited by us;
- the financial statements are not in agreement with the accounting records and returns;
or
- all the information and explanations required for the audit were not received; or
- certain disclosures of members' remuneration specified by law are not made.

We have nothing to report in respect of the following matter in relation to which the Office for Students requires us to report to you, if in our opinion:

- The College's grant and fee income, as disclosed in note 2 to these financial statements has been materially misstated.

Responsibilities of the Corporation

As explained more fully in the statement of responsibilities of members of the Corporation, the members of the Corporation 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 members of the Corporation 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 members of the Corporation are 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 members of the Corporation either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 it 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:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the College through discussions with management, and from our knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the College, including the Further and Higher Education Act 1992, funding agreements with the ESFA and associated funding rules, ESFA regulations, data protection legislation, anti-bribery, safeguarding, employment, health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the College's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions; and
- assessed whether judgements and assumptions made in determining the accounting estimates set out in the accounting policies were indicative of potential bias;

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of Corporation meetings;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing any available correspondence with HMRC and the College's legal advisors (although none was noted as being received by the College).

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the members of the Corporation and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available 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 Corporation, as a body, in accordance with the Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in dark ink, appearing to read "Buzacott LLP", is positioned above the printed name and address of the auditor.

Catherine Biscoe (Senior Statutory Auditor)
For and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

Date: 18 December 2024

Independent Reporting Accountant's Report on Regularity

To: The Corporation of Morley College London and Secretary of State for Education acting through Education and Skills Funding Agency (the ESFA)

In accordance with the terms of our engagement letter dated 4 June 2024 and further to the requirements and conditions of funding in the 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 Morley College London during the period 1 August 2023 to 31 July 2024 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 the 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 Morley College London and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Morley College London and the 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 Morley College London and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Morley College London and the reporting accountant

The corporation of Morley College London 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 the Code 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 2023 to 31 July 2024 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Independent Reporting Accountant's Report on Regularity (continued)

Approach

We conducted our engagement in accordance with the Code issued by the ESFA. We performed a limited assurance engagement as defined in that framework. The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. 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 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 the areas identified through the risk assessment 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 2023 to 31 July 2024 has not been applied to purposes intended by Parliament, and the financial transactions do not conform to the authorities that govern them.

A handwritten signature in black ink that reads "Buzzacott LLP". The script is cursive and fluid, with the letters "B", "L", and "P" being particularly prominent.

Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

Date: 18 December 2024

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 July 2024

	Notes	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
INCOME			
Funding body grants	2	17,271	16,742
Tuition fees and education contracts	3	3,815	4,079
Other grants and contracts		-	-
Other income	4	632	746
Investment income	5	113	30
Donations	6	28	57
Interest	10	611	84
Total income		22,470	21,738
EXPENDITURE			
Staff costs	8	14,950	14,621
Other operating expenses	9	5,993	5,873
Depreciation	11	1,387	1,297
Interest and other finance costs	9	25	25
Total expenditure		22,355	21,816
Surplus /(Deficit) before other gains and losses		115	(77)
Gain/(Loss) on investments	13	16	(1)
Surplus/(Deficit) before tax		131	(78)
Taxation		-	-
Surplus/(Deficit) for the year		131	(78)
Actuarial (loss) / gain in respect of pensions schemes	22	(527)	4,290
Total Comprehensive (expenditure) / income for the year		(396)	4,212
Represented by:			
Unrestricted comprehensive (expenditure) / income		(396)	4,212
Restricted comprehensive (expenditure) / income		-	-
		(396)	4,212
Memo item: deficit prior to FRS102 pensions adjustments			
Surplus/(Deficit) before other gains and losses		115	(77)
Interest and other finance (income)/ costs		(611)	(84)
FRS102 pension costs within staff costs		84	652
(Loss) / gain after FRS102 pensions adjustments		(412)	491

BALANCE SHEET

As at 31 July 2024

	Notes	2024 £'000	2023 £'000
Fixed assets			
Tangible fixed assets	11	50,099	49,620
Intangible fixed assets	11	144	213
Investments	13	258	242
		<u>50,501</u>	<u>50,075</u>
Current assets			
Trade and other receivables	14	1,311	1,007
Cash and cash equivalents	18	9,102	5,373
		<u>10,413</u>	<u>6,380</u>
Less: Creditors – amounts falling due within one year	15	(3,487)	(3,181)
Net current assets		<u>6,926</u>	<u>3,199</u>
Total assets less current liabilities		57,427	53,274
Less: Creditors – amounts falling due after more than one year	16	(9,634)	(5,085)
Provisions			
Defined benefit obligations	22	-	-
Total net assets		<u>47,793</u>	<u>48,189</u>
Restricted reserves	21	160	160
Unrestricted reserves			
Pension reserve	21	-	-
Income and expenditure account	21	23,401	24,244
Revaluation reserve	21	24,232	23,785
Total unrestricted reserves		<u>47,633</u>	<u>48,029</u>
Total reserves		<u>47,793</u>	<u>48,189</u>

The financial statements on pages 52 to 55 were approved and authorised for issue by the Corporation on 16 December 2024 and were signed on its behalf on that date by:



Leisha Fullick
Chair



Dr Andrew Gower
Accounting Officer

STATEMENT OF CHANGES IN RESERVES

For the year ended 31 July 2024

	Income and Expenditure account	Restricted Reserves	Revaluation Reserve	Total
	£'000	£'000	£'000	£'000
Balance at 31st July 2022	19,601	160	24,217	43,978
Deficit from the income and expenditure account	(77)	-	-	(77)
Other comprehensive income	4,290	-	-	4,290
Other losses	-	-	(1)	(1)
	<u>4,213</u>	<u>-</u>	<u>(1)</u>	<u>4,212</u>
Balance at 31st July 2023	23,813	160	24,216	48,189
Surplus from income and expenditure account	115	-	-	115
Other comprehensive income	(527)	-	-	(527)
Other Gains	-	-	16	16
	<u>(412)</u>	<u>-</u>	<u>16</u>	<u>(396)</u>
Balance at 31st July 2024	23,401	160	24,232	47,793

Statement of Cash Flows

	Notes	2024 £'000	2023 £'000
Cash (outflow) inflow from operating activities			
Surplus / (Deficit) for the year		115	(78)
Adjustment for non cash items			
Depreciation and amortisation		1,387	1,297
(Increase)/decrease in debtors		(304)	947
Increase/(decrease) in creditors due within one year		305	(470)
Increase in creditors due after one year		4,574	2,622
Pensions costs less contributions payable		(527)	570
Adjustment for investing or financing activities			
Investment income		(113)	(30)
		<u>5,437</u>	<u>4,858</u>
Net cash flow from operating activities			
Cash flows from investing activities			
Investment income		113	30
Purchase of non-current assets - tangible assets		(1,762)	(948)
Purchase of non-current assets - intangible assets		(34)	-
		<u>(1,683)</u>	<u>(918)</u>
Cash flows from financing activities			
Repayments of amounts borrowed		(25)	(27)
		<u>(25)</u>	<u>(27)</u>
Decrease in cash and cash equivalents in the year		<u>3,729</u>	<u>3,913</u>
Cash and cash equivalents at beginning of the year	19	5,373	1,460
Cash and cash equivalents at end of the year	19	9,102	5,373

Morley College Limited – Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2023 to 2024 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 modified using previous valuations as deemed cost at transition for certain non-current assets and for fixed asset investments that are carried at market value.

The College's financial statements are presented in sterling, which is also the functional currency of the College. Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

Going concern

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

The College has a loan for £500k, which was drawn down in July 2018 and has a term of 20 years. This borrowing was deployed to support the property strategy, creating a new college entrance, reception, and the refurbishment of the gallery.

The College completed its business combination with Kensington and Chelsea College (KCC) on 3 February 2020. Under the business combination under the Statement of Recommended Practice: Accounting for Further and Higher Education, KCC merged into Morley College London.

As part of the merger process, the College agreed a five-year merger financial plan with the ESFA. Recognising the challenge associated with the overall merger transaction the merger financial plan is supported by a £3.5M Restructuring Facility Grant provided by the ESFA.

This may be drawn down to provide additional cashflow should cash balances fall below an agreed level.

While the impact of Covid-19, which was not anticipated in the merger financial plan, has been extremely challenging, the College has maintained cash balances, drawing on the £3.5M of the Restructuring Facility Grant.

The 2024/25 Budget and financial plans to 2026/27 indicate a strong balance sheet with closing cash in excess of 45 cash days at each year end.

Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

Revenue grant funding

The recurrent grants from the ESFA and GLA represent the funding allocations attributable to the current financial year and are credited direct to the income and expenditure account. 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 achievement for the Adult Education Budget, unless within tolerance limits, 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 correspondence from the funding body and the results of any funding audits. 16-19 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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 after 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.

Tuition 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; this includes all fees payable by students or their sponsors.

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.

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 model 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.

The deferred income is allocated between creditors due within one year and those due after more than one year.

Donations and Legacies

Income from donations and legacies is recognised when the following three criteria are met:

- entitlement: arises when a resource is receivable or control over the rights or other access to economic benefit has passed to the College
- probable: it is more likely than not that the economic benefit associated with the transaction or gift will flow to the College
- measurement: then the monetary value of the income can be reliably measured, and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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 funded by the College and contracted out of the State Second Pension.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated 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.

Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Local Government Pension Schemes (LGPS): London Pensions Fund Authority (LPFA) and Royal Borough of Kensington and Chelsea (RBKC)

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 actuarial gains and losses.

The following quote is taken from the LPFA annual valuation report, which the valuation used in the accounts:

“On 22 January 2018, the Government published the outcome to its Indexation and equalisation of Guaranteed Minimum Pensions (GMP) in public service pension schemes consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals’ public service pension would be extended to those individuals reaching State Pension Age (SPA) before 6 April 2021. HM Treasury published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016.

Our valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that the Fund will be required to pay the entire inflationary increase. Therefore we do not believe we need to make any adjustments to the value placed on the liabilities as a result of the above outcome.”.

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.

Termination of employment costs

The best estimate of expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the College is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

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 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

The College's buildings are specialised buildings and therefore it is not appropriate to value them based on open market value. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 50 years.

Internal buildings improvements or modifications, which add to the long-term value of the building, are depreciated over a period of up to twenty years.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the income and expenditure account. On adoption of FRS 102, the College followed the transitional provision and elected to use the fair value of land at 1 August 2014 as deemed cost but not to adopt a policy of revaluations of land in the future. The College retained the book value of all other assets.

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 2024. They are not depreciated until they are brought into use.

Equipment

Equipment costing less than £3,000 per individual item is recognised as expenditure in the period of acquisition, unless part of a larger project or grouped asset with a total cost of more than £3,000. All other equipment is capitalised at cost and depreciated over its useful economic life on a straight-line as follows:

General equipment	3 to 10 years
Computer equipment	3 years
Pianos	10 years
Lift	10 years
Boilers	10 years

In the year of acquisition, assets are depreciated from the starting month of the assets' useful economic life. Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged 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. The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

Heritage Assets

The College has a collection of paintings, drawings and sculptures, which are held to enhance the fabric of its buildings or to celebrate its distinguished history in the liberal arts and add to the College's contribution to knowledge and culture. The Governing Body considers that, owing to the incomparable nature of these paintings, drawings and sculptures, conventional valuation approaches lack sufficient reliability and that, even if the valuations could be obtained, the costs would be onerous compared with the additional benefits derived by the College and users of the accounts. As a result, no value is reported for these assets in the balance sheet.

Intangible Assets

Intangible assets comprise software licences and information technology. Items costing less than £3,000 are written off to the income and expenditure account in the year of acquisition. All other items are capitalised and amortised over five years.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure.

Fixed asset investments

Fixed asset investments are carried at their market value less any provision for impairment in their value. Any increase or decrease in value during the year is credited or debited to the revaluation reserve.

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.

Taxation

The College is a registered charity and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010. 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 received no similar exemption in respect of value added tax. For this reason, and because the College is not VAT registered, the College is unable to recover the input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT.

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.

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 as 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 College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability of the asset. 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 2023 has been used by the actuary in valuing the pensions liability at 31 July 2024. 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.

2 Funding body grants

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
Recurrent grants		
Education and Skills Funding Agency/GLA - adult	13,245	12,824
Education and Skills Funding Agency - 16 -19	2,446	1,717
Office for Students	20	25
Specific Grants		
Teacher Pension Scheme contribution grant	668	512
Restructuring facility grant	705	1,500
Release of government capital grants	175	134
Release of GLA Leap capital grant	12	30
Total	17,271	16,742

3 Tuition fees and education contracts

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
Tuition fees	2,868	2,823
Education contracts	947	1,256
Total	3,815	4,079

3a Analysis of Higher Education grant and fee income

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
Grant income from the Office for Students	20	25
Fee income for taught awards at level 4 and above	140	57
	160	82

4 Other income

	Year ended 31 July	Year ended 31 July
	2024 £'000	2022 £'000
Other income generating activities	632	746
	<u>632</u>	<u>746</u>
Total	<u>632</u>	<u>746</u>

5 Investment income

	Year ended 31 July	Year ended 31 July
	2024 £'000	2023 £'000
Other interest receivable	<u>113</u>	<u>30</u>
	<u>113</u>	<u>30</u>

6 Donations

	Year ended 31 July	Year ended 31 July
	2024 £'000	2023 £'000
Legacy donations	-	57
Unrestricted donations	<u>28</u>	<u>-</u>
	<u>28</u>	<u>57</u>

7 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 Senior Management Team. This comprised of the Principal & Chief Executive and Chief Finance Officer.

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

	2024 No.	2023 No.
The number of key management personnel including the Accounting Officer was:	2	3

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:

	Senior post-holders		Other staff	
	2024 No.	2023 No.	2024 No.	2023 No.
£60,001 to £65,000			4	4
£65,001 to £70,000			5	1
£75,001 to £80,000			-	1
£80,001 to £85,000			-	3
£85,001 to £90,000			3	2
£90,001 to £95,000			3	-
£95,001 to £100,000	-	1	-	-
£100,001 to £110,000	1	-	-	-
£130,001 to £135,000	-	1	-	-
£135,001 to £140,000	-	1	-	-
£140,001 to £145,000	1	-	-	-
	2	3	15	11

Key management personnel compensation is made up as follows:

	2024 £'000	2023 £'000
Salaries - gross of salary sacrifice	247	370
Employers National Insurance	32	49
Benefits in kind	-	4
	279	423
Pension contributions	60	67
Fundamental restructuring costs - contractual	-	-
Total emoluments	339	490

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 (who is also the highest paid officer) of:

	2024 £'000	2023 £'000
Salaries	142	134
Benefits in kind	<u>-</u>	<u>2</u>
	<u>142</u>	<u>136</u>
Pension contributions	<u>36</u>	<u>32</u>
Total emoluments	<u>179</u>	<u>168</u>

In considering the Remuneration of Senior Post Holders due consideration has been given to the Committee of University Chairs (CUC) Higher Education Senior Staff Remuneration Code.

The remuneration and performance of all Senior Post Holders including the Accounting Officer is reviewed annually by the Remuneration Committee.

The pension contributions in respect of the Accounting Officer and key management personnel are in respect of employers' contributions to the Teachers' or Local Government Pension Schemes and are paid at the same rate as for other employees.

The multiple of median earnings represented by the Principal's salary is 3.93 times (2023 :3.73). Based on total emoluments the multiple of median earnings is 3.85 times (2023 :3.93). The median salary for the College is £36,207 (2023 :£35,884).

The pension contributions in respect of the Accounting Officer and key management personnel are in respect of employers' contributions to the Teachers' or Local Government Pension Schemes and are paid at the same rate as for other employees.

The Accounting Officer and staff members only receive remuneration in respect of services they provide undertaking their roles of Principal and staff members under contracts of employment and not in respect of their roles as governors.

The members of the Governing Body other than the Accounting Officer and the staff members did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. During the year 6 governors (2023 :2) with total expenses of £1,512 (2023 :£130) were paid to or on their behalf, due to increased attendance at external training events for the benefit of the College.

8 Staff costs

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

	2024 No.	2023 No.
Teaching staff	152	153
Non teaching staff	<u>125</u>	<u>129</u>
	<u>277</u>	<u>282</u>

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

	2024 No.	2023 No.
Teaching staff	526	570
Non teaching staff	<u>181</u>	<u>159</u>
	<u>707</u>	<u>729</u>

Staff costs for the above persons

	2024 £'000	2023 £'000
Wages and salaries	11,175	10,750
Social security costs	1,060	989
Other pension costs	2,082	1,940
FRS 102 pension cost adjustments	<u>84</u>	<u>652</u>
Sub total	14,401	14,331
Contracted out staffing services	<u>519</u>	<u>97</u>
	14,920	14,427
Fundamental restructuring costs - contractual	30	193
non contractual	-	-
	<u>14,950</u>	<u>14,621</u>

Restructuring costs of £30,201 were incurred in respect of the redundancy pay for 2 members of staff.

9 Other operating expenses

	Year ended 31 July	Year ended 31 July
	2024	2023
	£'000	£'000
Teaching costs	1,034	979
Non teaching costs	2,858	3,004
Premises costs	<u>2,126</u>	<u>1,915</u>
Total	<u>6,018</u>	<u>5,898</u>

Other operating expenses include:

	2024	2023
	£'000	£'000
Auditors' remuneration:		
Financial statements audit (including regularity)	56	52
Audit Fees (under)/overaccrued previous year	1	2
Other audit services	4	6
Internal audit	37	46
Interest Payable on Bank Loan	25	25
Hire of assets under operating leases	<u>196</u>	<u>97</u>

10 Interest receivable

	2024	2023
	£'000	£'000
Net interest on defined pension liability (note 22)	<u>(611)</u>	<u>(84)</u>
Total	<u>(611)</u>	<u>(84)</u>

11 Tangible fixed assets

	Freehold Land and buildings	Leasehold Land and buildings	Equipmen t	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2023	42,682	10,877	6,948	192	60,699
Disposals	(1,584)	(21)	(3,314)	-	(4,919)
Transfers	181	70	98	(349)	-
Additions	88	70	1,283	321	1,762
At 31 July 2024	41,367	10,996	5,015	164	57,542
Depreciation					
At 1 August 2023	4,360	779	5,939	-	11,078
Disposals	(1,584)	(21)	(3,314)	-	(4,919)
Charge for the year	435	248	601	-	1,284
At 31 July 2024	3,211	1,006	3,226	-	7,443
Net book value at 31 July 2024	38,156	9,990	1,789	164	50,099
Net book value at 31 July 2023	38,322	10,098	1,008	192	49,620

Land and buildings were valued at 1 August 2014 at depreciated replacement cost by Gerald Eve LLP, a firm of independent chartered surveyors.

The College has given a fixed charge over some of the College's freehold land and buildings to the London Pensions Fund Authority. This action secures a reduced employer contribution to the pension scheme through reduced pension risk.

In addition to the assets outlined above, the College owns a collection of artworks of historical and artistic importance, which it deems to be heritage assets as defined under FRS 102 (34). The collection comprises paintings, drawings and sculptures, which have been commissioned or acquired at various times by the College either to enhance the fabric of its buildings or to celebrate its distinguished history in the liberal arts. The collection is considered to be part of the College's ethos in relation to its educational approach and integral to its broader objective of educating the public in the arts. It is not practical to ascertain the cost of these assets

The College considers that these heritage assets cannot be reasonably valued and has therefore, and in accordance with paragraph 18.14 of the Charities SORP 2019, not included them in its balance sheet.

11a Intangible assets

	Software
Cost or valuation	£'000
At 1 August 2023	825
Transfers	(331)
Additions	34
At 31 July 2024	528
Depreciation	
At 1 August 2023	612
Disposals	(331)
Charge for the year	103
At 31 July 2024	384
Net book value at 31 July 2024	144
Net book value at 31 July 2023	213

12 Capital commitments

	Year ended 31 July 2024	Year ended 31 July 2023
	£'000	£'000
Contracts for future capital expenditure not provided	-	-

13 Non current investments

	2024	2023
	£'000	£'000
(i) M & G Charifund investments	62	57
(ii) STIC Global investments	128	122
(iii) COIF Bursary and Prize Fund investments	68	63
Total	258	242

Total investment gains in the year were £16k (2023: loss of £1k)

Note (i) M & G Charifund investments

The College owns 3,982 M & G Charifund income units:

	2024	2023
	£'000	£'000
Cost	5	5
Revaluation surplus brought forward	52	55
Revaluation movement in year (Note 21)	5	(3)
Market value at 31 July 2024	62	57

Note (ii) STIC Global investments

The College owns 116,973 £1 shares in STIC Global:

	2024	2023
	£'000	£'000
Market value as at 31 July	128	122

Note (iii) Charities Official Investment Fund (COIF)

The College owns shares in the Charities Official Investment Fund (COIF):

	Number of Shares	2024 £	2023 £
Cost of shares			
Martineau Memorial Fund	473	491	491
Emma Cons (Morley College) Memorial Fund	68	70	70
Sheddon Memorial Fund	1,844	1,961	1,961
Anstruther Sheepshanks Scholarship	365	379	379
Group Theatre (Morley College)	587	610	610
Total cost of shares	3,337	3,511	3,511

Cost of Capital Shares

Martineau Memorial Fund	371	371
Emma Cons (Morley College) Memorial Fund	67	67
Sheddon Memorial Fund	1,242	1,242
Anstruther Sheepshanks Scholarship	379	379
Group Theatre (Morley College)	596	596
Total capital shares	2,655	2,655

Cost of Income Shares

Martineau Memorial Fund	120	120
Emma Cons (Morley College) Memorial Fund	3	3
Sheddon Memorial Fund	719	719
Group Theatre (Morley College)	14	14
Total income shares	856	856

Cost	3	3
Revaluation surplus bought forward	60	62
Revaluation movement in the year	5	(2)
Market value as at 31 July 2024 as above	68	63

14 Trade and other receivables

	2024	2023
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	214	158
Accrued income	332	297
Prepayments	765	552
Total	<u>1,311</u>	<u>1,007</u>

15 Creditors: amounts falling due within one year

	notes	2024	2023
		£'000	£'000
Bank loans and overdrafts	17	50	50
Payments received in advance / deferred income		541	494
Trade payables		394	506
Other taxation and social security		260	261
Accruals		386	569
Holiday Pay		270	270
Other creditors		719	409
Amounts owed to the ESFA /GLA		681	458
Deferred income - government and GLA capital grants		186	164
Total		<u>3,487</u>	<u>3,181</u>
Deferred Income			
Deferred income at 1 August		494	474
Resources deferred in the year		541	494
Amount released from previous years		(494)	(474)
Deferred income at 31 July		<u>541</u>	<u>494</u>

16 Creditors: amounts falling due after one year

		2024 £'000	2023 £'000
Bank loans	17	279	304
Deferred income - government and GLA capital grants		9,355	4,781
Total		9,634	5,085
Deferred Capital Grants			
At 1 August		4,943	2,360
Received in the year		4,784	2,747
Released to the income and expenditure account		(186)	(164)
Deferred income at 31 July		9,541	4,943

17 Maturity of debt**Bank loans**

Bank loans are repayable as follows:

		2024 £'000	2023 £'000
In one year or less	15	50	50
Between one and two years		50	50
Between two and five years		151	150
In five years or more		78	104
Total		329	354

Bank loans at 2 per cent above base rate repayable by instalments falling due between 1 August 2018 and 31 July 2033 totalling £500,000 are secured on a portion of the freehold land and buildings of the College (the Nancy Seear Building).

18 Cash and cash equivalents

	At 1 August 2023	Cash flows	Other changes	At 31 July 2024
	£'000	£'000	£'000	£'000
Cash and cash equivalents	5,373	3,729	-	9,102
Total	5,373	3,729	-	9,102

19 Analysis of changes in net funds

	At 1 August 2023	Cash flows	Cash flows from business combination	New finance leases	Other non-cash changes	Changes in market value and exchange rates	At 31 July 2024
	£'000	£'000		£'000	£'000	£'000	£'000
Cash and cash equivalents	5,373	3,729	-	-	-	-	9,102
	5,373	3,729	-	-	-	-	9,102
Bank loans	(354)	25	-	-	-	-	(329)
Net debt	5,019	3,754	-	-	-	-	8,773

20 Financial instruments

The college has the following financial instruments:

	2024 £'000	2023 £'000
Financial assets		
Financial assets measured at fair value through profit and loss	13	258
		242

21 Funds

	As at 31 July 2023 £000s	Income £000's	Expenditure £000s	Other gains £000s	Transfers £000s	As at 31 July 2024 £000s
Restricted Funds						
Bursary and Investments	86	-	-	-	-	86
Special Projects	74	-	-	-	-	74
	160	-	-	-	-	160
Unrestricted Funds						
General Reserve	23,728	22,470	(22,883)	-	85	23,401
Revaluation Reserve	23,785	-	-	16	(85)	23,716
Development Fund	433	-	-	-	-	433
Other Designated Funds		-	-	-	-	
Bursary fund	58	-	-	-	-	58
Special Projects	18	-	-	-	-	18
Heritage Fund	7	-	-	-	-	7
Total Unrestricted Funds	48,029	22,470	(22,883)	16	-	47,632
Total Funds (excluding Pension Reserve)	48,189	22,470	(22,883)	16	-	47,793
Pension reserve	-	-	527	(527)	-	-
Total reserves	48,189	22,470	(22,356)	(511)	-	47,793

Restricted funds

There were no movements within the restricted funds in year.

Unrestricted funds: Revaluation Reserve

The revaluation reserve smooths out the effects over time of changes in the value of the College's investment portfolio. Current practice is to increase or decrease the size of the reserve by the increase or decrease in the value of investments so that this movement does not impact the income and expenditure account. This reserve also includes the increase in the value of land on adoption of FRS102.

Development Reserve

The Development Reserve is a designated fund that has been established to improve and extend the College's buildings, its environment and the facilities available for students in accordance with the College Property Strategy. The College's reserves policy is to retain a minimum level of general reserves (excluding losses or gains in respect of the pension scheme) equivalent to one term (four months) expenditure to cover the risks and uncertainties of operating its main business and continue building up the Development Reserve from annual operating surpluses. The Development Reserve was not adjusted within the year.

COIF Bursary Fund

This unrestricted Bursary Fund was established to supplement the restricted bursary fund, and is held to provide support for learners to attend College whose financial circumstances otherwise preclude them from doing so. There were no movements on the fund within the year.

Special Projects Fund

The Special Projects Fund exists to help the College develop new initiatives, support innovation and pilot new work and performances that will strengthen the College's reputation and profile. There were no movements to this fund in year.

Heritage Fund

The Heritage Fund exists to maintain, promote and celebrate the College's history and heritage including the restoration, renovation and expansion of the College art collection. There were no movements to this fund in year.

22 Defined benefit obligations

The College's employees belong to three principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff, the London Local Government Pension Scheme (LGPS) for non-teaching staff based at the Waterloo centre, which is managed by the London Pension Fund Authority, and the London Local Government Pension Scheme (LGPS) for non-teaching staff based at North Kensington and Chelsea centre, which is managed by the Royal Borough of Kensington and Chelsea. All three are multi-employer defined-benefit plans. The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2020 and of the LGPS 31 March 2022.

Total pension cost for the year	2024 £'000	2023 £'000
Teachers Pension Scheme: contributions paid	1,429	1,314
Local Government Pension Schemes:		
Contributions paid	669	624
FRS 102 (28) charge	84	652
Charge to the Statement of Comprehensive Income	753	1,276
Total Pension Cost for Year	2,182	2,590

Contributions amounting to £271k were payable to the schemes as at 31 July 2024 and are included in creditors (2023:£233k).

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.

The latest actuarial review of the TPS was carried out as at 21 March 2020. The valuation report was published by the Department for Education (the Department) in October 2023. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £262 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £222 billion giving a notional past service deficit of £40 billion (compared to the £22 billion in the 2016 valuation.)

As a result of the valuation, new employer contribution rates will rise to 28.68% from April 2024 (compared to 23.68% during 2022/23 and in the first eight months of 2023/24.) DfE continues to pay a teacher pension employer contribution grant to cover the additional costs during the 2023-24 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 £1,428,875 (2023: £1,314,258)

22 Defined benefit obligations (continued)

The college is a member of two Local Government Pensions Schemes, the London Pension Fund Authority (LPFA) and the Royal Borough of Kensington and Chelsea Scheme (RBKC)

Local Government Pension Scheme - London Pension Fund Authority

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the London Pension Fund Authority. The total contribution made for the year ended 31 July 2024 was £645k, of which employer's contributions totalled £453k and employees' contributions totalled £192k. The agreed contribution rates for future years are 16% for employers and range from 5.5% to 12.5% cent for employees, depending on salary. The next scheme valuation for LGPS will be 31 March 2025, with the new employer contribution rates applicable from 1

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2024 by a qualified independent actuary

	At 31 July 2024	At 31 July 2023
Rate of increase in salaries	3.90%	3.85%
Future pensions increases	2.90%	2.85%
Discount rate for scheme liabilities	5.05%	5.15%
Inflation assumption (CPI)	3.20%	2.85%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2024 years	At 31 July 2023 years
<i>Retiring today</i>		
Males	22.1	22.2
Females	23.2	23.1
<i>Retiring in 20 years</i>		
Males	21.6	21.6
Females	25.0	24.9

22 Defined benefit obligations (continued)**Local Government Pension Scheme - London Pension Fund Authority (Continued)**

The College's share of the assets in the plan were:

Asset allocation breakdown	%	2024	%	2023
		£'000		£'000
Equities	61%	10,438	59%	9,361
Target Return Portfolio	16%	2,832	18%	2,840
Infrastructure	11%	1,859	12%	1,991
Property	9%	1,549	9%	1,508
Cash	3%	558	2%	240
Total market value of assets		17,236		15,940

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

	2024	2023
	£'000	£'000
Fair value of plan assets	17,236	15,940
Present value of plan liabilities	(16,239)	(14,908)
Net pensions asset / (liability)	997	1,032
Adjustment recognised in actuarial losses to cap the scheme surplus	(997)	(1,032)
Recognised in the financial statements	-	-

As the surplus is deemed to be irrecoverable, recognition of the surplus on the balance sheet has been restricted to £nil by adjusting the actuarial gain

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

	2024	2023
	£'000	£'000
Amounts included in staff costs		
Current service cost	446	911
Total	446	911
Amounts included in investment income		
Net interest income	(64)	122
Administration expenses	5	8
	(59)	130

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	222	(64)
Other actuarial gains on assets	-	169
Changes in demographic assumptions	34	862
Experience losses arising on defined benefit obligations	80	(1,582)
Changes in financial assumptions	(437)	5,961
Remeasurement of the net assets	(101)	5,346

22 Defined benefit obligations (continued)**Local Government Pension Scheme - London Pension Fund Authority (Continued)****Movement in net defined benefit (liability) during the year**

	2024	2023
	£'000	£'000
Surplus / (Deficit) in scheme at 1 August	-	(3,722)
Movement in year:		
Current service cost	(446)	(841)
Past service cost	-	(70)
Employer contributions	453	449
Past service cost	-	-
Administration expenses	(5)	(8)
Net interest on the defined liability	64	(122)
Actuarial gain or loss	(101)	5,346
Adjustment recognised in actuarial losses to cap the scheme surplus	35	(1,032)
Net defined benefit assets / (liability) at 31 July	-	-

Asset and Liability Reconciliation

	2024	2023
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	14,908	18,657
Current Service cost	446	841
Interest cost	763	636
Contributions by Scheme participants	192	183
Experience gains and losses on defined benefit obligations	(80)	1,582
Changes in financial assumptions	437	(5,961)
Estimated benefits paid	(388)	(233)
Unfunded pension payments	(5)	(5)
Past service costs, including curtailments	-	70
Changes in demographic assumptions	(34)	(862)
Defined benefit obligations at end of period	16,239	14,908

Reconciliation of Assets

	2024	2023
	£'000	£'000
Fair value of plan assets at start of period	15,940	14,935
Interest on plan assets	827	514
Return on plan assets	222	(64)
Other actuarial gains	-	169
Administration expenses	(5)	(8)
Employer contributions	453	449
Contributions by Scheme participants	192	183
Estimated benefits paid	(393)	(238)
Fair value of plan assets at end of period	17,236	15,940

22 Defined benefit obligations (continued)

Local Government Pension Scheme - Royal Borough of Kensington and Chelsea

Morely College joined the LGPS funded defined-benefit plan, with the assets held in separate funds administered by the Royal Borough of Kensington and Chelsea on 3 February 2020 at the point of merger with Kensington and Chelsea College. The total contribution made for the period ended 31 July 2024 was £307k, of which employer's contributions totalled £217k and employees' contributions totalled £90k. The agreed contribution rates for future years are 16.1% for employers and range from 5.5% to 12.5% cent for employees, depending on salary. The next scheme valuation for LGPS will be 31 March 2025, with the new employer

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2024 by a qualified independent actuary

	At 31 July 2024	At 31 July 2023
Salary increase rate	3.75%	4.00%
Future pensions increases	2.75%	3.00%
Discount rate for scheme liabilities	5.00%	5.05%
Inflation assumption (CPI)	2.75%	3.00%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2024	At 31 July 2023
	years	years
<i>Retiring today</i>		
Males	22	22.1
Females	24.0	24
<i>Retiring in 20 years</i>		
Males	22.3	22.4
Females	25.5	25.5

22 Defined benefit obligations (continued)**Local Government Pension Scheme-Royal Borough of Kensington and Chelsea (Continued)**

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

	2024	2024	2023	2023
Asset allocation breakdown	%	£'000	%	£'000
Equities	81%	25,983	83%	23,736
Property	11%	3,529	10%	2,860
Cash	4%	1,283	3%	858
Bonds	4%	1,283	4%	1,144
Total market value of assets		32,078		28,598

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

	2024 £'000	2023 £'000
Fair value of plan assets	32,078	28,598
Present value of plan liabilities	(18,435)	(17,736)
Adjustment recognised in actuarial losses to cap the scheme surplus	(13,643)	(10,862)
Recognised in the financial statements	-	-

As the surplus is not expected to be recovered, recognition of the surplus on the balance sheet has been restricted to £nil by adjusting the actuarial gain through other comprehensive income.

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

	2024 £'000	2023 £'000
Amounts included in staff costs		
Current service cost	303	404
Past service cost	-	-
Total	303	404

Amounts included in investment income

Net interest income	547	206
	547	206

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	2,179	(246)
Changes in demographic assumptions	37	605
Other experience	(607)	(1,196)
Changes in financial assumptions	711	5,616
Amount recognised in Other Comprehensive Income	2,320	4,779

22 Defined benefit obligations (continued)**Local Government Pension Scheme-Royal Borough of Kensington and Chelsea (Continued)****Movement in net defined benefit (liability) during the year**

	2024	2023
	£'000	£'000
Surplus/(deficit) in scheme at 1 August	-	-
Movement in year:		
Current service cost	(303)	(404)
Employer contributions	217	222
Administration expenses	-	-
Net interest on the defined liability	547	206
Actuarial gain or loss	2,320	4,779
Adjustment recognised in actuarial losses to cap the scheme surplus	(2,781)	(4,803)
Net defined benefit asset / liability at 31 July	-	-

Asset and Liability Reconciliation

	2024	2023
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	17,736	19,507
Current Service cost	303	404
Interest cost	894	674
Contributions by Scheme participants	90	94
Change in demographic assumptions	(37)	(605)
Experience gains and losses on defined benefit obligations	607	3,673
Changes in financial assumptions	(711)	(5,616)
Estimated benefits paid	(447)	(395)
Defined benefit obligations at end of period	18,435	17,736

Reconciliation of Assets

Fair value of plan assets at start of period	28,598	25,566
Interest on plan assets	1,441	880
Return on plan assets	2,179	(246)
Administration expenses	-	-
Employer contributions	217	222
Other experience	-	2,477
Contributions by Scheme participants	90	94
Estimated benefits paid	(447)	(395)
Fair value of plan assets at end of period	32,078	28,598

23 Related party transactions

Due to the nature of the College's operations and the composition of the Governing Body 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 Governing Body 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 £1,511 for 6 governors (2023: £550 for 2 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings in their official capacity.

No Governor has received any remuneration or waived payments from the College during the year (2023: Nil).

The College paid for a subscription with the South Bank Employers Group (SBEG). It is the normal operating practice of SBEG to appoint a representative from member organisations to its Board. The Centre Principal (Waterloo centre), Bushra Iqbal, represented the College throughout the year. Nic Durston, Governor and Chair of the Finance, Resources and Fundraising Committee is the CEO of SBEG. The cost of the subscription was £16,500 during the year 2023/24 (2023: £16,500). The College paid for a subscription with the Safer Business Network CIC, for the annual membership of 'Safer Lambeth' totalling £1,440 (2023: £1,320). Nic Durston, Governor and Chair of the Finance, Resources and Fundraising Committee is a member to the Board of the Safer Business Network CIC.

24 Lease Obligations

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

	2024	2023
	£'000	£'000
Future minimum lease payments due		
Not later than one year	199	98
Later than one year and not later than five years	427	40
later than five years	33	43
	<u><u>659</u></u>	<u><u>181</u></u>

MORLEY COLLEGE LIMITED

England & Wales - Charity number 1023523

Accounts



MORLEY COLLEGE LIMITED

**Report and Financial Statements
for the year ended 31 July 2023**

Registered number: 2829836

Registered charity number: 1023523

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Key Management Personnel, Board of Governors and Professional advisors

Key management personnel

Key management personnel are defined as Senior Post Holders and were represented by the following in 2022/23:

Dr Andrew Gower - Principal and CEO; Accounting Officer

Marco Macchitella - Deputy Principal and Deputy CEO

Ralph Moran – Chief Finance Officer

Governing Body

The full list of Governors is provided on pages 28 to 30 of this report. Martin McNeill acted as Clerk to the Governing Body and Company Secretary throughout the period.

General information and professional advisors

Registered Office

61 Westminster Bridge Road

London SE1 7HT

Financial statements auditors and reporting accountants

Buzzacott LLP

130 Wood Street

London EC2V 6DL

Internal auditors

RSM UK Audit LLP

25 Farringdon Street

London EC4A 4AB

Bankers

National Westminster Bank plc

91 Westminster Bridge Road

London SE1 7HW

Solicitors

Eversheds Sutherland

1 Wood Street

London EC2V 7WS

Morley College London - Introduction

Morley College Limited trades as Morley College London.

Morley College London is a unique college within the learning landscape of London. With teaching centres both north and south of the Thames, Morley College London is celebrated for its strong social values, its exceptional creativity, and its commitment to meeting the needs of students and their communities.

We advocate lifelong learning as vital for personal achievement, academic progression, and career development.

Our students include:

- adults looking to reskill so they can change careers or return to work;
- mature students with few traditional qualifications who now want to improve their prospects in work or education;
- 16-to-18-year-olds (at our North Kensington and Chelsea Centres) looking to progress to employment or higher education;
- international students who wish to improve their English language abilities for work, study, or everyday life;
- school leavers who want to build professional skills and get qualified, but are concerned about the time and financial commitments of going to university; and
- many others who find opportunities for personal development and enrichment through our study programmes in Arts, Culture and Applied Sciences.

The College took its present form in February 2020 following the combination of Morley College London and Kensington and Chelsea College. Both institutions had long shared the same values, with roots going back to the 19th century, and a proud record of serving learners in their respective boroughs and beyond. With a Mission to empower individuals and strengthen communities through lifelong learning, Morley College London's social values and diversity of learning opportunities have an important role within the communities of North Kensington, as local people rebuild their lives in the aftermath of the tragedy of the Grenfell Tower fire on 14 June 2017.

Prior to both the merger and the Covid-19 pandemic, Kensington and Chelsea College had delivered significant operating financial deficits over a number of years. The challenge of delivering a financially viable merged college was recognised by the Education and Skills Funding Agency, and resulted in the provision of a £3.5M restructuring facility that can be drawn down in the event that operating cash levels fall below an agreed threshold. As at the date of the approval of these financial statements the College has drawn down £3.0M of the £3.5M facility.

The College offers a broad and complementary range of provision from its three main centres: the North Kensington Centre for Skills, the Chelsea Centre for Creative Industries and the Waterloo Centre for Adult Education. Morley is active in meeting the learning needs

of a growing number of students and is committed to being a force for public good within the communities that it serves.

As London's largest specialist Institute of Adult Learning, Morley College London also has an important contribution to make in delivering the priorities of the Mayor of London's Skills for Londoners Strategy (2018): to empower Londoners to access the education and skills to participate in society and progress in education and work, and to meet the needs of London's economy and employers.

The combination of Morley College London and Kensington and Chelsea College came about with the support of local stakeholders and government support totalling £32.3 million. The financial support enabled the purchase of the North Kensington Centre by the Department for Education, as well as the renovation of the North Kensington and Chelsea Centres to develop an expanded range of learning opportunities.

The legacy of the global COVID-19 pandemic continued to be a significant factor during 2022/23. The disruption caused has proved to be multi-faceted and long-lasting. In response to significant challenges, the College has carefully co-ordinated its response, to ensure alignment with Department for Education guidance and a clear focus on the safety of students, staff, and stakeholders. Through resilience and contingency planning, the College sought to mitigate the social, educational, organisational, and financial impacts of the pandemic to maintain business continuity; adapt to online delivery; ensure financial management; and seek to secure the strongest possible performance during the academic year 2022/23.

Report of the Governing Body and Strategic Report

Nature, Objectives and Strategies

The Governing Body, which represents the Board of Directors for the purposes of company law and the Board of Trustees for the purposes of charity law, presents its report, incorporating its Directors' and Strategic Reports, and the audited financial statements of Morley College Limited ('the College' or 'Morley College London') for the year ended 31 July 2023. The College is registered as Morley College Limited and uses Morley College London for branding and trading purposes.

Legal status

The College was incorporated on 18 June 1993 (Company Number 2829836) and began trading on 2 September 1993. This Company replaced the previous organisation, which was also known as Morley College, and had been in existence since it was founded in 1889. The College is an Institute for Adult Learning (formally a Specialist Designated Institution (SDI)) under the 1992 Further and Higher Education Act.

The College is a registered charity (no. 1023523) which is regulated by a scheme dated 2 September 1993, as amended 27 June 2000, 10 December 2007, 4 April 2018 and 15 July 2019. The College's application to HM Revenue and Customs for exemption from Corporation Tax was made on 6 September 1994 and was accepted on 13 September 1995. The College's activities do not fall within the scope of Corporation Tax.

A merger with Kensington and Chelsea College was completed on 3 February 2020, following the dissolution of Kensington and Chelsea College.

Principal activities

The object of the College is the provision of education in such subjects and at such standards as the Governing Body from time to time determines.

Mission

The College's mission for the five years to 2025 is to inspire individuals and strengthen communities through the transformative impact of lifelong learning.

Public benefit

Morley College London was founded 130 years ago to provide a public benefit service to the community and has continued to build on and develop that service to the public throughout the years. The College's strategic goals, as agreed with the Governing Body, meet the aims of the Charity Commission's guidance on public benefit and particularly its supplementary guidance on the advancement of education. The College clearly demonstrates across its broad range of activities how it meets the requirement that all

organisations wishing to be recognised as charities must demonstrate, and explicitly, that its aims are for the public benefit.

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- General and specialist resources and facilities
- Widening participation and tackling social exclusion
- Evidence of improved employability for students
- Strong student support systems
- Links with local employers
- Recognised contribution to the cultural life of London

The core-funding agency for the College during 2022/23 was the Greater London Authority (GLA), with additional funding from the Education and Skills Funding Agency (ESFA) in respect of 16-19 education and adult learners resident outside of the devolved authorities. The funding received is used to support unrestricted access to the beneficiaries. From 1 August 2019, the funding for London-based Adult Education learners transferred to the Greater London Authority (GLA). This devolved funding model provides further opportunities for the College to embrace the Skills for Londoners initiatives. The ESFA will continue to fund the College for adult students that are based outside London. The College continually develops its curriculum to address the priorities of its communities and works closely with the London Economic Action Partnership (LEAP), which is the local enterprise partnership for London.

Implementation of strategic plan

In September 2021, the College published a strategic plan for the five years to 2025. The plan defined Morley College London's strategic direction with its priorities expressed in the statement of three overarching strategic goals:

- Create outstanding learning opportunities

We will offer choice and flexibility to students by delivering an ambitious range of exciting and engaging courses in response to the interests of students and the learning needs of the communities we serve.

- Deliver an outstanding student experience

We will build the capacity and resilience to invest in high quality learning environments supported by high quality learning resources. With the support of funders, a comprehensive estates strategy will see significant investment into the North Kensington Centre for Skills.

- Achieve financial sustainability

Working within a closely defined Financial Strategy, we will work towards achieving the sustainability of the College by growing our revenue whilst maintaining close control of costs.

The mission, vision and strategic goals inform and are fed into the operational life of the College. The words are presented in large letters on the wall of the boardrooms at each teaching centre, to help remind management and inform our visitors of the College's strategic goals. The Senior Leadership Team support the strategic aims through their roles in leading the College Committees through curriculum, external engagement, quality and standards, health and safety, risk, and management meetings. The College's self-assessment review process helps identify the specific areas for improvement and supports colleagues to make the changes. Regular presentations to the Governors from operational areas of the College enable positive interactions and feedback.

Performance indicators

The College has developed a set of key performance indicators (KPIs) to enable the Governing Body to monitor the college's progress in implementing the Strategic Plan. The KPIs are aligned with the College strategic goals and are used by College Leadership to guide operational decisions. Each KPI has a target and actual performance is compared on a termly or annual basis as appropriate against this target and against previous performance. Wherever possible, KPIs are benchmarked against the performance of other colleges nationally. This comparison includes the ESFA's National Achievement Rate Tables (NARTs) and the FE Commissioner's financial benchmarks (FEC benchmarks). NARTs and FEC Benchmarks are both available on the gov.uk website. By analysing KPIs throughout the year, College leaders and the Governing Body can identify areas of concern and to take appropriate and timely action.

The KPIs for 2022/23 show a high standard of delivery, with most above target and showing an improvement in comparison to 2021/22. The College is making continued progress across all three strategic goals. The following table captures college performance against non-financial targets for the College.

Measure	Actual	Target	Status
Student Recruitment	81.7%	80.0%	✓
Achievement rates	88.3%	86.2%	✓
Student satisfaction	92.0%	90.0%	✓
Student destination	TBC	90.0%	

In relation to the academic performance of students, the College's 2022-23 Self-Assessment Report (SAR) identifies many strengths, including:

- The College has a curriculum intent that builds on the college's strengths, providing learning opportunities that respond to national skills needs and are highly relevant to Morley College London's communities of location and practice.

- The curriculum is expertly delivered by a wide range of part-time and full-time staff, many of whom are renowned practitioners in their own fields. Teaching staff are experienced and well qualified with very strong subject knowledge and/or industry experience and effectively motivate and enthuse students who clearly enjoy their learning and are very focused and hard working.
- The curriculum at Morley College London has a very positive impact on students. They consistently develop relevant and valuable skills in their respective fields that enable them to progress and achieve their goals, move on to the next stage of their learning or into volunteering or employment. They produce work of good, and often outstanding quality as evidenced in portfolios, written and practical work and end of year exhibitions and performances.
- Student retention and achievement on short, unaccredited courses (which constitute 71% of the College enrolments) are at 97.1% and 95.5% respectively, 0.6% and 0.3% above the national average. On these courses students consistently achieve their learning outcomes, developing subject related knowledge and skills as well as wider outcomes such as health and wellbeing; character, attitudes, and skills; integration and inclusion; and creativity and culture.
- Achievement on education programmes for young people is good. On level 3 study programmes, achievement is 80.4%, 0.6% above national average.
- The behaviour and attitudes of students at Morley College London are excellent. Students' motivations to study are strong, sustained and encouraged by teachers. The learning environment at the College is safe and supportive and one where discrimination, abuse and bullying are not tolerated. The College's inclusive and tolerant culture promotes students' understanding of life in modern Britain and the wider world well.
- Opportunities for personal development are very good. Each of the College's centres enables its students to develop their attitudes, knowledge, and skills beyond the academic content of the curriculum through a wide range of extra-curriculum activities.
- In February 2023 OFSTED undertook a full inspection of Morley College London. This inspection awarded the college a 'Good' overall, with Good awarded for all three provision types and with an outstanding judgement for Behaviour and Attitudes. The College was also recognised for its work with employers and stakeholders with a 'Strong' skills judgement, the highest achievement for this new category.
- The College participated in the Teaching Excellence Framework. This national recognised scheme for Higher Education specifically and led by the Office for Students scrutinises the quality of the student experience and student outcomes. The College was awarded a 'Gold' for the quality of the student experience and a Silver for Student Outcomes, with an overall rating of Gold ('typically outstanding').
- The Chelsea Centre for Creative Industries was awarded by the Mayor of London's office the Quality Mark for Creative Industries. An award that recognises training providers who have demonstrated high-quality skills provision within a key sector for London.
- Morley College London prepares students well for future success in education, employment, or training. Students benefit from high quality specialist and impartial

advice and guidance available from pre-enrolment onwards from tutors, managers, and the Student Services Team.

- Leadership and management are strong. Leaders, managers, and governors were highly effective in successfully steering the College through challenging times during 2022-23 to secure a good quality of education for all its students and have established a strong vision and curriculum intent for each of the College centres, with clear ambition for students' success and progression, including those difficult to engage. They have worked well to implement this vision through strong partnership networks, including those reaching into the local communities into higher education and employment. The impact of leadership and management on student outcomes is good, and senior leaders have successfully created structures that have positively transformed the lives of thousands of students in Lambeth, Southwark, Kensington, Chelsea, and across London.
- Managers have very high expectations of teaching staff. They expect good or better teaching to be the norm and provide teachers with the tools to achieve this. Regular CPD and individual support for teachers ensure that teaching across the College remains at least good and there are many instances of inspiring, outstanding professional practice.
- Governors have a clear understanding of the college's mission, vision and strategy, with a robust strategic plan and effective arrangements for monitoring its implementation. They display a strong commitment to the values and ethos of the College and rigorously monitor the college's performance.
- Safeguarding practices in the College are effective. Safeguarding is both explicit and well embedded in all College activities.

There were however a small number of significant areas for enhancement that will be the focus of enhancement activities during 2023-24. These include:

- For Adult students a tutorial programme, appropriate to the learning experience that fosters enhanced engagement with careers opportunities and British values.
- For Education Programmes for Young People (including those with high needs) that work experience to be applied in a more timely way and the positive impact and opportunities to be more fully understood by students.
- Basic English and Maths outcomes are below national averages for retention and achievement.

The College has completed the annual financial returns for the ESFA, which confirmed a Financial Health grade of 'Outstanding' based on 2022/23 outturn and 2023/24 budgeted performance. The financial performance detailed in these financial statements continues to support a Financial Health grade of 'Outstanding' under the ESFA assessment methodology.

Financial Position

Financial objectives

The college's financial objectives, as set out in its Finance Strategy 2021-2025 are:

- To secure access to new and enhanced government funding streams that align with the Morley College London Vision, to provide new and expanded opportunities for outstanding learning.
- To secure access to additional funds through fundraising / charitable donation to support the delivery of existing outstanding learning opportunities, and wider opportunities not considered in scope for government support.
- Support Diverse Learning Needs by supporting engagement through the provision of a range of learner and learning support. Utilising a range of funding sources.
- Allocate available resources in such a way that they maximise the benefit of student experience, for both current and future students. (Both learning, access, capital, wellbeing).
- Engage with and proactively respond to student feedback to determine and allocate available resources over the life of the strategy to improve the student experience and meet diverse learning needs.
- Embed environmental considerations in procurement processes, and in the ethical management of any College investments.
- Deliver overall growth in income by 2025 in accordance with the merger financial plan:
 - maximising growth and delivery of existing income sources
 - reducing dependency on funding body income through growth in fee income and fundraising activities.
 - mitigating financial risk through diversification of income sources
- Deliver improved efficiency of delivery and College operations, securing a return to a cash positive operating position by 2025.

Financial results

Governors approved a surplus operating budget of £214K for 2022/23, anticipating a continuing improvement in recruitment across all courses compared to the impacts seen in 2021/22. Over the course of the year the College sought to maximise income streams and minimise costs while maintaining delivery across the whole range of educational programmes.

The College has successfully delivered provision sufficient to meet the requirements of all funding body contracts, securing growth in 16-19 learner numbers that will generate additional income in 2023/24. Education contracts are maintained with a range of local partners, which again have been delivered in full or exceeded during 2022/23, except for

the contract for RBKC Community Learning. Tuition fee/loan income across all categories has remained a challenge, where delivery costs have been mitigated to the fullest extent possible.

Summary financial results are as follows:

- The actual outturn prior to FRS102 pension adjustments is a surplus of £491k (page 48).
- The ESFA Health rating as calculated in accordance with ESFA methodology is 'Outstanding'.
- The College has total reserves of £48,189k, after an increase of £4,290k following a reduction in pension liabilities.

The College invested £948k in additional tangible fixed assets during the year. The investment focused on the installation of information technology and the fit out of the North Kensington Centre following its refurbishment, as well as works undertaken at the Chelsea Centre and Waterloo Centres, including the relocation of the Creche to Waterloo.

The College has significant reliance on the education sector funding bodies as its principal funding source, largely through recurrent grants. This reliance has remained constant with 2022/23 grant income being 77% of the College's total income, compared to 77% in 2021/22 (excluding donations).

Treasury policies and objectives

Treasury management is the effective control of the risks associated with the College's cash flows, its banking, money market and capital market transactions and the pursuit of optimum performance consistent with those risks.

The College has a separate Treasury Management Policy in place. Short-term borrowing for temporary revenue purposes is authorised by the Accounting Officer, though this has not been required in recent years. All other borrowing requires the authorisation of the Governing Body and must comply with the requirements of the Financial Memorandum with the ESFA, Government Accounting, and the College's Financial Regulations.

Cash flows and liquidity

Cash and cash equivalents held at 31 July 2023 totalled £5,373k, with net cash inflow from operating activities of £4,858k (see page 51). This reflects the receipt of £2,633k of capital grants which have been deferred, with expenditure planned in 2023/24 and 2024/25.

Reserves

The College recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support its operational and strategic goals. At the balance sheet date total reserves net of pension liabilities totalled £48,189k.

Current and future development and performance

Financial health

The ESFA last formally assessed the financial health of the College in their letter to the Principal of November 2023, and provided a grade of 'Outstanding' for 2022/23 and a projected grade of 'Outstanding' for 2023/24.

Student numbers and fee income

In 2022/23, the College has delivered activity that has generated £16.7m in funding body grants, an increase of £1,096k in comparison to 2021/22. Tuition fee and educational contracts income increased from £3.8m in 2022/23 to £4.1m in 2022/23. The College had 11,086 students and 22,865 enrolments; the average student enrolls onto 2.1 courses. Both student numbers and enrolments, while not at pre-pandemic levels, have shown an improvement in comparison on 2021/22. Average class sizes have also increased from 9.7 to 10.5.

Curriculum Developments and Quality Enhancement

The College curriculum includes a wide range of courses for adults and young people in Arts, Culture and Social and Applied Sciences, with a diverse range of programmes that include Art and Design, Music and Performing Arts, Languages and Humanities, Applied Sciences, English for Speakers of Other Languages (ESOL), English and Mathematics. The College offers a wide range of accredited programmes from Entry Level to Level 6 and specialist, as well as short courses from beginner to mastery level that do not lead to a formal qualification.

The College holds contracts with the Royal Borough of Kensington and Chelsea (RBKC) and Lambeth Council for the provision of Community Learning covering a wide range of curriculum areas, responding to the needs of community groups and organisations, and in accordance with local strategic priorities. In 2022-23, Community Learning courses were delivered in partnership with over 60 community, voluntary and statutory organisations and groups.

The College's extensive and progressive curriculum offer reflects the demand of the local and regional context and takes into account the needs of students, local communities and communities of interest, employers, and the local and regional economy. Curriculum managers have developed a responsive curriculum designed to suit different levels of experience, to offer progression routes, and support students' expectations and aspirations.

- Clearly defined learning Clearly signposted pathways across all three Centres include: opportunities for 16–18-year-olds at North Kensington and Chelsea that inspire students to achieve and progress into employment, further training or university.
- Health, Education and Science; Business and IT; and Arts and Humanities programmes for adults at North Kensington

- Creative Discovery, Fine Arts, Media, Creative Technology programmes for adults at Chelsea, including short, introductory courses to stimulate interest and progression into higher levels of study. These include new, industry-relevant, advanced and higher-level diplomas leading to employment opportunities in the Creative Industries sector.
- Fashion, Visual and Digital Arts, Music and Performance, Health and Social Care, Humanities and Science adult programmes at Waterloo, including progression opportunities from our local communities into on-site short courses and further into accredited provision in advanced and higher learning.

A full Ofsted inspection was completed in February 2023, and the College was assessed overall as 'good' with 'outstanding' for behaviour and attitudes, and a judgment of 'strong' in its contribution to skills.

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 per cent.

During the accounting period 1 August 2022 to 31 July 2023, the College paid 96% of its invoices within terms or 30 days.

Events after the end of the reporting period

There were no post-balance sheet events considered material that have not been disclosed within the accounts.

Future prospects and going concern

Following the successful merger with Kensington and Chelsea College in February 2020 the College is well placed to capitalise on the expanded geographical reach, external investment in the College's estate, and the potential to bring the Morley College London experience to a considerably larger proportion of London as the largest Institute of Adult Learning, while also expanding the range and quality of provision available for younger learners at both the North Kensington and Chelsea Centres.

This growth and development are underpinned by a five-year financial strategy and plan agreed with the ESFA as part of the merger, and with considerable investment in the College's estate and systems, in particular the refurbishment of North Kensington which was completed in November 2022, as well as further developments at the Chelsea Centre completed in September 2023, and ongoing investment at the Waterloo Centre, funded partly from the College's financial reserves, but with significant contributions from the Department for Education (DfE) and the Greater London Authority.

The merger financial plan is further supported by a grant from the DfE totalling £3.5M that can be drawn down if the College's available cash falls below an agreed level. As a result

of the impact of Covid-19 on tuition fee income, the College has drawn down £3.0M of this facility in total. Notwithstanding this, there has been a return to growth during 2022/23, with the College delivering an operating surplus, with further cautious growth programmed into plans for 2023/24, and the College financial plan projects continuing growth and financial sustainability over the life of the plan.

Having due regard to best practice developments in the UK Corporate Governance Code 2018 in respect of going concern and risk management reporting, the College believes it will be able to continue in operation and meet its liabilities taking account of the current position and principal risks for the foreseeable future, and at least until December 2024. The College's assessment of going concern is supported by:

- Careful cash flow management.
- High quality facilities, bolstered by ongoing capital investment across all main centres.
- A strong capacity to generate ongoing cash flow surpluses.
- Robust financial management and the College's actions to monitor budget performance.
- The five-year merger financial plan agreed with the ESFA.
- Robust risk management processes.
- The availability of the £3.5m restructuring facility grant, with £0.5m yet undrawn.

RESOURCES

The following sections provide more information about the College resources available to support its strategic goals.

Buildings and accommodation

The main College site at Westminster Bridge Road and the sculpture studio at Pelham Hall are both based within Waterloo. The main College site straddles the boroughs of Southwark and Lambeth with teaching space on both sides of a road that separates the two boroughs. The teaching facilities fully use the space that has grown over decades and in addition to flexible classroom spaces, the site includes soundproof music rooms, specialist artist spaces, a library, a café, and performance spaces and staff offices.

At Stockwell, just behind the tube station, the College has established a satellite centre based in a former community centre building. The College also operated from The Lewington Centre in South Bermondsey during 2022/23, however operations from this centre have been discontinued from 2023/24 onwards.

The College has the freehold on the main building at the Chelsea Centre, based in Hortensia Road, as well as a long-term (75 year) lease on a space within the Carlyle building immediately adjacent to the main centre.

Additionally, the College holds a 125-year lease on the North Kensington Centre, based in Wornington Road, at a peppercorn rent following its purchase by the DfE.

During the year, the College has continued to carry out work to its buildings in order to improve its facilities for learners and staff. This includes the continued works at the North Kensington Centre and the Chelsea Centre, securing investment from Kensington and Chelsea in the maintenance of the Carlyle Building, all as part of the property strategy.

Financial

The College has £48.1 million of unrestricted net assets and a balance of £304k of long-term debt.

People

The College employed on average 282 people during the year (expressed as full-time equivalents), of whom 153 are teaching staff, and 129 are non-teaching staff. This represented a reduction in comparison to 2021/22. The College undertook a limited staff restructuring exercise during 2022/23, completed in July 2023 focussed on delivering savings in senior management costs. The College continues to outsource its cleaning and security across all centres and pays all directly employed staff above the London Living Wage.

Reputation

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and creating external stakeholder relationships.

Staff and student involvement

The Governing Body includes elected staff and student members, and the College encourages staff and student involvement through membership of formal committees. Staff and students are encouraged to join and support the activities of the Friends of Morley, an association that also includes former students, staff and governors as well as external supporters of the College.

The College considers good communication with its staff and students to be very important. Centre Principals hold regular meetings ('Student Experience Fora') with elected class representatives and a subset of these representatives are appointed to the College-wide Student Council. The Principal and members of the Senior Leadership Team meet regularly with the Student Council and other student representative bodies.

Communication with staff takes a variety of forms, including open meetings for all staff with senior managers, regular management meetings, a well-developed intranet system and a regular staff newsletter. Annual corporate and social events are held bringing together all staff and departmental staff briefings are held regularly. Staff bulletins are produced weekly and made available through the staff engagement platform MyMorley to enhance communication.

The College values and actively seeks feedback from all users of its services, particularly students. It monitors all formal complaints as well as reviewing its processes to ensure all matters are resolved in line with the College's policies. During 2022/23, there were 17 formal complaints, compared to 17 in 2021/22; 46% of those complaints were resolved satisfactorily

within 15 working days, with more complex complaints resolved satisfactorily over a longer period.

Fundraising

The College undertakes fundraising in an ethical and responsible way, mindful of the communities within which it operates. The College employs systems and controls to separate and protect funds and ensure that all expenditure is in line with the terms of any donation. The College is mindful of its responsibilities under the Charities (Protection and Social Investment) Act 2016 and legal rules and ensures that all activities are agreed and monitored at Senior Leadership Team level in compliance with relevant legal rules. Recognised standards are applied to ensure that fundraising is open, honest, and respectful, protecting the public from undue pressure to donate. Complaints are handled and monitored through the College's complaints procedure and there were no complaints in-year or in the previous year.

During 2022/23 the College received donated income of £57k. Donated income is reported in the year of receipt and the College aims to use the funds to support the donors' aims within a timely period to ensure that the wider College benefits from their generosity.

Energy Use and Carbon Reporting

The College is committed to reducing the environmental impact of its operations.

UK Greenhouse gas emissions and energy use data for the period	
Energy consumption used to calculate emissions (kWh)	2,487,766
Energy consumption breakdown (kWh) (optional)	
• gas,	783,272
• electricity,	1,704,494
<u>Scope 1 emissions in metric tonnes CO₂e</u>	
Gas consumption	153
Owned transport – College	2
<u>cars Total scope 1</u>	155
<u>Scope 2 emissions in metric tonnes CO₂e</u>	
Purchased electricity	397
Total gross emissions in metric tonnes CO₂e	540

<u>Intensity ratio</u>	
Tonnes CO2e per student	0.049

Quantification and Reporting Methodology

We have followed HM Government's 2019 Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and the Government's Conversion Factors for Company Reporting (2020).

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per student, the recommended ratio for the sector. The 2022/23 figure of 0.049 tonnes CO2 per student compares to 0.050 tonnes CO2 per student in 2021/22.

Measures taken to improve energy efficiency

During 2022/23 the College has continued to progress projects to improve energy efficiency. These will be implemented early in 2023/24 which will see additional benefits. These include capital investment to upgrade all lighting systems to LEDs at the Waterloo Centre, and the installation of voltage optimisation. In addition to physical investment the College has sought to utilise the estate more effectively consolidating activity and reducing opening times where possible. This will be further developed during 2023/24, taken forward by the College's Sustainability Steering Group.

The newly refurbished North Kensington Centre has A+ energy gas boilers supporting a new heating system with all radiators being controlled locally with thermostatic valves. The insulation across the refurbishment project has been enhanced, particularly the new roof on which solar panels have been fitted. The performance of these will be monitored and reported on as part of quarterly energy consumption reporting.

The College promotes a 'Green Week' and has an active Green Group which as part of its activity has introduced wildflowers and high pollenating plants in the Garden at Waterloo. Positive curriculum developments have seen staff embed sustainability into their curriculum areas.

PRINCIPAL RISKS AND UNCERTAINTIES

The College's strategic risk register is reviewed over the course of the year by the Risk Management Committee and considered by Governors termly. Additional lower level and project-based risk registers are maintained as required.

The following key strategic risks were considered during 2022/23:

- Failure to adapt to the changing landscape
- Reduction in public funding
- Failure to manage the College finances
- Failure to comply with funding body audit requirements
- Failure to manage health and safety
- Failure to safeguard children and vulnerable adults

- Failure to maintain business continuity
- Failure to achieve student recruitment targets
- Failure to manage capital programmes
- Failure to deliver an outstanding student experience
- Failure to recruit and retain competent and committed staff
- Failure to succession plan (senior staff and governors)
- Failure to maintain and enhance quality
- Failure of IT systems to meet the needs of students, staff or visitors
- Failure to prepare for a major system outage or data breach, including cyber attack

Each risk listed is supported up by an individual risk report and this provides the detail to support the management of that risk, covering:

- Consequences of the risk occurring
- Events that could trigger the risk
- Risk ownership
- Risk scoring for probability and impact
- Controls in place to manage the risk
- Assurance in those controls
- Performance data to confirm that risk management is working or to identify an emerging risk
- Mitigating action that the College is undertaking to reduce the probability or mitigate the impact of the risk, or that it would take either for a major event risk or an emergent risk over time.

The following sections consider how effective the College has been at managing risk within its three strategic aims:

Maintenance of quality of provision (Risk 13)

Failure to maintain adequate quality in its provision represents a significant risk to the College, particularly as the Strategic Plan includes growth and responsiveness to student needs. This risk is mitigated in a number of ways:

- Scrutiny of key performance indicators by the Quality and Standards Committee.
- Regular review of the quality of provision against Ofsted inspection criteria.
- Review of quality against the requirements of the Office for Students and the Quality Assurance Agency.
- Continued development and monitoring of the Quality Enhancement Plan.
- Rigorous curriculum review process that ensures the curriculum meets student interest and demand in addition to addressing the priorities of the LEAP.
- Best practice in People Operations policies and procedures to ensure high quality in teaching and support staff.
- Continuing professional development programme for teaching staff

- targeting both technical and pedagogy skills.
- Effective use of management information systems to support quality enhancement
- Development of a property strategy driven by the needs of the developing curriculum and building a level of reserves to support this strategy.

The outcomes of the Ofsted inspection undertaken in February 2023, which resulted in an assessment of 'good' provide the evidence that the College's processes and scrutiny have been effective in driving quality improvement and leading to outstanding learning opportunities. The report also identifies the areas where the College can move from 'good' to 'outstanding'.

Maintenance of an outstanding student experience (Risk 10)

The College aims to be highly effective in meeting the diverse learning needs of the communities it serves, addressing social exclusion and enhancing the flexibility and personalisation of learning. Failure to ensure quality of learning opportunities and student experience would represent a significant risk to meeting this goal. This is mitigated by:

- A high-quality staff team with excellent subject knowledge and enthusiasm.
- Continual professional development of staff to ensure a high standard of professional practice.
- The use of external professional networks and partnerships to ensure expert and innovative learning, teaching and assessment.
- The ongoing focus on three cross-cutting themes: digital inclusion, progression and employability.
- A revised risk register which has better identified the triggers, controls and mitigating actions needed to maintain and improve student experience.
- Ofsted inspection in February 2023 confirming good with outstanding for behaviour and attitudes.
- Feedback and improvements targeted through 'Student Voice' (Student Council, Student Representatives, and Class Representatives).

Maintenance of the financial viability of the College (Risk 3)

The College's current financial health score calculated in accordance with the ESFA methodology is 'Outstanding' as described above. Prior to the business combination with KCC, adult education funding levels were the main constraint on the College's financial position. College funding has suffered from a sustained period of public sector spending cuts. The College has been able to grow income through growth in provision and increased student taught hours whilst aiming to maintain the student experience. However, the actual funded income per student hour has fallen in real terms over recent years. Kensington and Chelsea College as a stand-alone entity was not financially viable and had delivered significant deficits over recent years. While cash reserves were strong following the disposal of property, KCC had delivered year-on-year negative cash flows. The Coronavirus pandemic previously limited the College's capacity to grow and expand provision. Financial viability has been preserved through effective action in maximising income streams and reducing costs.

The combined College benefits from a substantial estate with significant opportunity to expand delivery and grow income, a more efficient staffing structure and a robust financial position in both cash and reserves. The College has developed a five-year financial plan and strategy to deliver full financial sustainability. This plan was subject to detailed scrutiny by the ESFA, and external due diligence. While this has been impacted by the Coronavirus pandemic, the College is well placed and well-resourced to respond to increased capacity post-pandemic.

The College has further mitigated the financial risk through the five-year planning period through the agreement for additional grant funding. To date £3.0m has been drawn down, with a further £0.5m available if required.

The Covid-19 pandemic had a direct and continuing impact on delivery income, and provided a test of the effective mitigation of financial risk. Detailed in-year financial forecasting enabled full delivery of funding body income to full contract values. While fee income was substantially reduced financial controls effectively managed costs. This, along with the cash flow support grant has enabled the College to maintain a closing cash position that was consistent with the five-year financial strategy.

The College has significant reliance on education sector funding bodies for its funding, largely from recurrent grants. This reliance has continued with 2022/23 grant income being 77% of the College's total income as it was in 2021/22.

Following the 2022 triennial valuation of Local Government Pension Schemes and a favourable FRS102 valuation of the LGPS schemes resulted in a significant pension asset which has been capped at £Nil in the financial statements. As such there is no deficit in the Local Government Pension Scheme deficit attributable to the College on the College's balance sheet in line with the requirements of FRS 102.

The risk to financial viability is mitigated in a number of ways:

- Financial sustainability of the College is one of the three core strategic goals.
- Budget setting procedures are rigorous and include sensitivity analysis testing.
- Monthly budget monitoring throughout the year.
- Robust financial controls and procedures.
- Detailed forward planning, forecast updates and regular cash flow forecasting updates.
- Diversification of income sources and optimising existing income streams.
- Strategies for curriculum development and growth linked to financial improvement.
- Creating, maintaining and managing key relationships with the funding bodies.
- Engagement with GLA and its various funding channels including local enterprise funding.
- Continuously ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students.
- Close monitoring of the demand for courses linked to a responsive pricing strategy.
- Monitoring and appraising the position of the pension scheme by Governors through the Finance, Resources and Fundraising Committee.

Each risk owner within the Senior Leadership Team is held to account for their actions against their risk(s) through the College's Risk Management Committee reporting to the Audit Committee of the Governing Body. Risks are mitigated through both short-term actions, working towards a longer-term sustainable solution for the College.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Morley College London has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- Government Offices including the FE Commissioner;
- Staff;
- Local employers (with specific links) including Business LDN and the Southbank Employers Group;
- Local authorities;
- London Economic Action Partnership (LEAP);
- Local community;
- Other FE and HE institutions;
- Quality Assurance Agencies including Ofsted and the Office for Students;
- Examining boards;
- Trade unions;
- Professional and membership bodies;
- Charity Commission.

The College recognises the importance of these relationships and engages in regular communication with these stakeholders. In addition, the College works in close partnership with a large number of voluntary sector, arts and other organisations to help fulfil its mission and achieve its strategic goals. Partnerships are vital to Morley College London's development and institutional well-being, augmenting its reputation, profile and position and providing the connections and capacity it needs to support its communities of location and practice.

The College values its relationship with the trade unions representing its employees. Regular meeting of the Joint Consultative Committee were held, throughout 2022/23, in a positive and transparent manner.

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the College to publish the following information to outline the facility time arrangements for trade union officials at the College. Facility time with a total estimated value of £27,620 was available.

Numbers of employees during the relevant period	FTE employee number
10	4.64

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

Total cost of facility time	£2,854
Total pay bill	£14,330,000
Percentage of total bill spent on facility time	0.02%

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

Section 172 Statement

The Board of Directors are aware of their duty under s.172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company in achieving its charitable purpose and, in doing so, to have regard (amongst other matters) to:

- The likely consequences of any decision in the long term.
- The interests of the Company's employees.
- The need to foster the Company's business relationships with suppliers, customers and others.
- The impact of the Company's operations on the community and the environment.
- The desirability of the Company maintaining a reputation for high standards of business conduct.

Within this report, we have summarised our governance framework and how we are engaged with stakeholders during the year. The Trustees have considered the views and needs of key stakeholders in Board discussions and decision making. The following points are not intended to be an exhaustive list but are illustrative of how the Trustees have fulfilled these duties during the year.

Engagement with employees

- The Senior Leadership Team actively engages staff through frequent all-staff briefings and use of internal communication tools to provide updates on business developments. These have largely transitioned to online meetings following the impact of the Covid-19 pandemic.
- The College maintains a staff engagement platform, MyMorley, to aid effective engagement and provide access to staff rewards and discounts, which has been widely accessed.
- The College has continued to invest in staff wellbeing and the provision of support through the confidential Employee Assistance Programme.
- In full consultation with the Unions the College undertook a review of academic staff contracts for both established and hourly paid staff, resulting in improved and aligned terms and conditions.
- Reflecting the impact of the pandemic on College income a full consultation with staff and union representatives in advance of implementing a revised staffing structure, aligning staff costs with projected income.
- We have focused on mitigating employee risks arising from Covid-19 pandemic, including wellbeing while working remotely, developing hybrid working principles for the benefit of staff.

Engagement with stakeholders

- The Trustees recognise the importance of external stakeholders such as applicants, providers, advisers, education and commercial customers, government and sector agencies, legal members, and suppliers, as well as internal stakeholders.
- The Trustees remain committed to effective engagement of all stakeholders and are mindful that the organisation's success depends on its ability to engage effectively, work together constructively and to take stakeholder views into account.
- The Trustees also review financial and operational performance, as well as information covering areas such as external drivers which includes the number of applications, staff, staff representatives including working with the Joint Consultative Committee to recognise Unison in addition to the University and College Union (UCU), pensions, delivery, and key risks. This information is provided to the Trustees through routine reports circulated in advance of each Board meeting which are then reviewed, discussed and approved, as necessary.
- The College has established Stakeholder Advisory Groups for each of the main College centres to ensure that it is able to take full account of local considerations in its decision making.

Equality and Diversity

The College celebrates and values diversity and is committed to providing the education and support that enable all members of the learning community to achieve their full potential.

Action to promote Equality and Diversity is core to the College's mission, values, and strategic goals. Morley College London's vision identifies the College as a provider of inspiring, distinctive, and excellent adult learning, as a college that contributes to, and is responsive to, the communities it serves.

'Respect for diversity and the promotion of equality' is one of the five core values and is central to Morley College London's vision as it strives to provide relevant and challenging education and training for all sections of the community. Morley College London also strives to be an exemplary employer, and to ensure that it employs a diverse workforce that is equipped with the skills necessary to achieve shared ambitions.

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, sex, sexual orientation, disability, religion or belief and age. We aim to remove conditions that place people at a disadvantage, and we actively combat bigotry. The College's Equality and Diversity Policy is published on the College's Intranet site and website and actions to deliver the policy are regularly monitored.

The College publishes an Annual Equality and Diversity Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College is strongly committed to supporting job applicants and staff with disabilities and long-term health conditions and is positive about mental health. The College has signed up to the Government's Disability Confident Scheme and has committed to the Mindful Employer's Charter. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion that, as far as possible, provide identical opportunities to those of non-disabled employees.

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010:

- a) As part of its property strategy the College is ensuring the entrances to all Centres are fully accessible, and continues to seek to improve the accessibility of the estate as a whole
- b) The College provides a range of specialist equipment and assistive technology to assist learners with disabilities
- c) The College includes on its staff specialist tutors and support assistants to support students with learning difficulties and/or disabilities
- d) There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for learners who have learning difficulties and/or disabilities

- e) Specialist programmes are described in College prospectuses and on the College website
- f) The progress and achievement of learners who have learning difficulties and/or disabilities is carefully monitored
- g) Counselling and welfare services are described in the College's Student Handbook that is issued to students at induction.

Disclosure of information to auditors

The members who held office at the date of approval of this report confirm that, as far as they are each aware, there is no relevant audit information of which the College's auditors are unaware. 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.

This report and the Strategic Report (included therein) was approved by the Governing Body, as the company's board of directors, on 11th December 2023



Leisha Fullick
Chair

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 Code of Good Governance for English Colleges (“the Code”) adopted by the College on 13 October 2015 and in a revised form on 18 July 2022 ; and
- iii. having due regard to the UK Corporate Governance Code 2018 insofar as it is applicable to the College.

The College is committed to exhibiting best practice in all aspects of corporate governance and accordingly the College has adopted and complies with the Code. While we have not adopted and therefore do not apply the UK Corporate Governance Code, we have reported on our corporate governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code that we consider to be relevant.

In the opinion of the Governing Body, the College complies with or exceeds all the provisions of the Code, and it has complied throughout the year ended 31 July 2023. The Governing Body 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.

The College is a registered 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.

Following the reclassification of the College to the central government sector with effect from 29 November 2022 the College has updated the financial regulations and approval processes to identify and handle any transactions for which DfE approval is now required.

The Governing Body

The members who served on the Governing Body during the year and **up to the date of signature of this report** were as listed in the table below. The Governors are directors and members of the College for the purposes of company law.

Continuing Members

	Date of appointment	Term of office ends	Status of appointment	Committees served and offices held 2022-23	Meetings attended/ possible
Miss Justine Brian	27 February 2018 Reappointed 1 August 2021	31 July 2025	External member	Audit External Relations (Vice-Chair) Lead Governor for Safeguarding and Prevent	12/12
Mr Alex Cole	29 March 2021	31 July 2024	External member	Audit (Vice-Chair) Finance, Resources and Sustainability	13/15
Mr Nic Durston	13 April 2018 Reappointed 1 August 2021	31 July 2025	External member	Finance, Resources and Sustainability (Chair) Remuneration External Relations	16/17
Ms Gill Evans	3 February 2020 Reappointed 1 August 2023	31 July 2027	External member	Curriculum and Quality People Joint Lead Governor for Equality, Diversity and Inclusion	8/12
Ms Heather Fry	18 October 2016 Reappointed 1 August 2020	31 July 2024	External member	Curriculum and Quality (Chair) Remuneration (Chair)	10/12

	Date of appointment	Term of office ends	Status of appointment	Committees served and offices held 2022-23	Meetings attended/ possible
Ms Leisha Fullick	10 May 2021	31 July 2024	External member	Chair of Governing Body Curriculum and Quality Governance and Nominations (Chair)	15/15
Dr Andrew Gower	13 April 2015	NA	Principal and Chief Executive Officer	Curriculum and Quality Finance, Resources and Sustainability Governance and Nominations People External Relations	22/23
Mrs Gail Le Coz	3 February 2020 Reappointed 1 August 2023	31 July 2027	External member	Audit (Chair) Governance and Nominations	11/12
Ms Susan Lindsey	27 March 2019 Reappointed 2 November 2020 and 3 February 2021	31 July 2024	Student member to 2 February 2021 External member from 3 February 2021)	Finance, Resources and Sustainability People (Chair) Lead Governor for Health, Safety and Sustainability	13/14
Ms Marshal Ngcongco	23 November 2022	30 November 2024	Student member	Curriculum and Quality Finance, Resources and Sustainability	8/12

	Date of appointment	Term of office ends	Status of appointment	Committees served and offices held 2022-23	Meetings attended/ possible
Mr Victor Olowe	2 April 2014 Reappointed 16 October 2017, 1 August 2021 and 1 August 2023	31 July 2025	External member	Vice-chair of Governing Body Audit Governance and Nomination (Vice-chair) People	14/14
Ms Jessie Peramal	31 August 2022	31 July 2026	External member	Audit People (Vice-Chair)	7/11
Mrs Debbie Ryle	1 August 2020 Reappointed 1 August 2022	31 July 2024	Staff member	Finance, Resources and Sustainability People	8/12
Dr Melissa Score	3 November 2021	31 July 2024	Staff member	Curriculum and Quality People	10/10
Mr James Ward	3 February 2020 Reappointed 01 August 2023	31 July 2027	External member	Curriculum and Quality (Vice-Chair) People Lead Governor for Careers Education and Guidance	8/12
Mr Raymundo Zuñiga	31 August 2022	31 July 2026	External member	Audit External Relations	8/11

Retiring Members

	Date of appointment	Term of office ended	Status of appointment	Committees served and offices held 2021-22	Meetings Attended/ Possible
Mr Pedro Dias Ferreira	3 February 2020	31 July 2023	External member	Finance, Resources and Sustainability (Vice-chair) External Relations (Chair)	09/15
Mr Jerome Godfrey	21 February 2022	31 July 2023	Student member	Curriculum and Standards External Relations	6/11
Ms Moyra Samuels	3 February 2020	31 July 2023	External member	Governance and Nominations External Relations Joint Lead Governor for Equality, Diversity and Inclusion	4/12
Mr Jonathan Slater	1 August 2021	20 November 2023	External member	Finance, Resources and Sustainability Governance and Nominations	13/15

Mr Martin McNeill served as Clerk to the Governing Body and Company Secretary throughout the year, retiring on 1 August 2023 when Ms Georgia Cocks was appointed Director of Governance and Company Secretary.

Directors and their interests

The directors of the Company are shown above and, except for any instances mentioned, served throughout the year. None of the directors has any interests in the Company.

The Company Secretary maintains a register of financial and personal interests of the members of the Governing Body and of senior post-holders. The register is available for inspection at the address below.

Limited liability

The Company does not have any share capital and is limited by guarantee. The liability of the members, who are the directors, is limited to £1 each in the event of the winding up of the Company.

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

The Governing Body is provided with regular and timely 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 personnel-related matters such as health and safety and environmental issues. The Governing Body meets at least four times per year.

In 2022-23 the Governing Body received advice on the conduct of its business from seven committees. Each committee had terms of reference approved by the Governing Body. Those committees were: Audit; External Relations; Finance, Resources and Fundraising; Curriculum and Quality; Remuneration; Governance and Nomination; and People.

Individual Governors ('lead governors') also assisted and advised the Governing Body in the oversight of areas of its responsibility, specifically Careers Education and Guidance, Development, Equality, Diversity and Inclusion, Health, Safety and Sustainability and Safeguarding and Prevent. The range and remit of committees and the contribution that each makes to effective governance is under continual review.

Full minutes of all meetings, except those deemed to be confidential by the Governing Body, are available from the Director of Governance and Company Secretary at the College's registered office:

61 Westminster Bridge Road
London
SE1 7HT

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

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

The Governing Body has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Governing Body 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 and Accounting Officer are separate.

Appointments to the Governing Body

Appointments to the Governing Body are matters for the consideration of the Governing Body as a whole. The Governance and Nomination Committee is responsible for the recruitment, selection, and nomination of new external members for the Governing Body's consideration and for considering and nominating retiring governors for re-appointment. The Governing Body is responsible for ensuring that appropriate training is provided as required.

Members of the Governing Body are appointed for a term of office not exceeding four years, except for student members who are appointed for a term not exceeding two years. Members generally serve for a maximum of eight years (student governors – four years).

Governing Body performance

The Governing Body has established a comprehensive framework for evaluating its own performance and enhancing the quality of governance, comprising:

- regular review of the composition of the Governing Body and the extent to which the skills and experience of members match the needs of the College;
- analysis of the extent to which members attend board and committee meetings, participate in training and development activities and take up opportunities to engage with the day-to-day work of the College, its staff and students;
- an annual survey of members' views of the effectiveness of the Governing Body;
- an annual review of the impact of the Governing Body on the success of the College;
- a biennial development interview with each member of the Governing Body;
- an annual review of the effectiveness of each committee in discharging the responsibilities delegated to it; and
- a periodic (currently triennial) review of the effectiveness of governance by an independent consultant.

External review on meeting local needs

The Governing Body was responsive to the new, statutory duty for colleges to meet local needs, leading an external review involving consultation with a wide range of internal and external stakeholders. The recommendations of the Meeting Local Needs Review informed the College's Accountability Agreement 2022/23.

Self-assessment and quality enhancement

The annual survey of governors' views of the effectiveness of governance was carried out in the Summer of 2023. The results from the survey showed that the key strengths of governance at the College continue to be:

- ensuring that there are organised and clear governance and management structures and that there are regular reviews of governance performance and effectiveness.
- formulating and agreeing the mission and strategy of the College including defining its ethos;
- being collectively accountable for the business of the College, taking decisions on all matters within its duties and responsibilities;

The following areas have been identified as having scope for enhancement in 2023-24 and have been included in the Governance Quality Enhancement Plan:

- Keeping students, staff and other stakeholders well informed
- Seeking feedback from College users (particularly students) and acting on it
- Engaging students and hearing student voice at all levels, including at Board level
- Progressing the College's long-term strategy for carbon reduction and improving environmental sustainability
- Ensuring the professional development and succession planning within the SLT and the Board

Committees of the Governing Body

Audit Committee

The Audit Committee comprises between three and six members of the Governing Body (excluding the Accounting Officer and the Chair of the Governing Body). The Committee operates in accordance with written terms of reference approved by the Governing Body.

It meets at least termly and provides a forum for reporting by the College's internal and financial statements auditors, and by the accountants appointed to report on regularity, all of whom 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 auditors 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 audit recommendations and internal audit undertakes periodic follow-up reviews to ensure that such recommendations have been implemented.

The Audit Committee also advises the Governing Body on the appointment of internal and financial statements auditors and of accountants to report on regularity and on their remuneration for audit and non-audit work. In common with all other committees, it provides an annual report to the Governing Body summarising its work over the preceding year.

Curriculum and Quality Committee

The Curriculum and Quality Committee comprises between six and eight members of the Governing Body. The Committee advises the Governing Body and provides it with assurance on matters relating to the College curriculum, the quality of education (including learning, teaching and assessment, outcomes for students and the student experience), student voice and customer feedback and the requirements of Ofsted and the Office for Students.

External Relations Committee

The External Relations Committee comprises between four and six members of the Governing Body. The Committee advises the Governing Body and provides it with assurance on matters relating to stakeholder engagement, stakeholder satisfaction, marketing, fundraising, the conferring of fellowships and awards and the work of the Morley Gallery and Morley Radio.

Finance, Resources and Sustainability Committee

The Finance, Resources and Sustainability Committee comprises between six and eight members of the Governing Body. The Committee advises the Governing Body and provides it with assurance on financial strategy, financial health, financial management, estates, health and safety, environmental sustainability, and digital transformation.

Governance and Nomination Committee

The Governance and Nomination Committee comprises between four and six members of the Governing Body (excluding staff and student members). The Committee advises the Governing Body on the composition and membership of the Governing Body, the

appointment and re-appointment of external members and on all matters relating to the governance of the College, including the development of the Board as a whole and of individual governors, the setting of targets for Governing Body performance and the related performance review arrangements.

People Committee

The People Committee comprises between six and eight members of the Governing Body. The Committee advises the Governing Body and provides it with assurance on all matters relating to the recruitment and development of staff and their pay and conditions of employment, as well as on the promotion of equality, diversity, and inclusion.

Remuneration Committee

The Remuneration Committee comprises three members of the Governing Body (excluding staff and student members and the Accounting Officer). The Committee advises the Governing Body on the remuneration and benefits of the Accounting Officer and other holders of senior posts and on leadership development and succession planning for the Senior Leadership Team. The senior post-holders within the remit of the Remuneration Committee comprise the Principal, the Deputy Principal, the Chief Finance Officer and the Clerk and Company Secretary. The Governing Body has a clear policy on the remuneration of senior post holders, which is determined following consideration by the Remuneration Committee of the value of and market rate for each role with due regard to the overall financial position of the College, the median rate of pay for College staff and any overall staff pay award. The policy also provides for the payment of non-consolidated awards of up to three per cent of salary to recognise exceptional performance and places restrictions on earnings from external work.

Details of remuneration for the year ended 31 July 2023 are set out in note 7 to the financial statements.

Internal control

Scope of responsibility

The Governing Body 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 Governing Body has delegated to the Principal, as Accounting Officer, the day-to-day responsibility 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 he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between the College and the ESFA. He is also responsible for reporting to the Governing Body 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 ongoing 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 the College

for the year ended 31 July 2023 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Governing Body 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 Governing Body is of the view that there is a formal ongoing 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 Governing Body.

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative 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 Governing Body;
- regular reviews by the Governing Body 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; and
- the adoption of formal project management disciplines, where appropriate.

The College has commissioned an internal audit service, which operates in accordance with the requirements of the ESFA's 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 Governing Body on the recommendation of the Audit Committee.

Review of effectiveness

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

- the work of the internal audit service provider;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the College's financial statements auditors and the reporting accountants for regularity assurance 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 audit service provider and other assurance providers and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Risk Management Committee comprises members of the Senior Leadership Team and other co-opted members with an understanding of Health and Safety, Premises, IT, People Operations, Finance and academic issues. The Committee receives reports setting out key performance and risk indicators and considers possible control issues brought to its attention by early warning mechanisms, which are embedded across the College and reinforced by risk awareness training.

The Risk Management Committee and the Audit Committee also receive regular reports from the internal audit service provider and other providers of assurance, which may 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 Governing Body's agenda includes a regular item for consideration of risk and control and it receives relevant reports from the Senior Leadership Team and the Audit Committee. The emphasis is on obtaining the appropriate degree of assurance and not merely reporting by exception.

At its December 2023 meeting, the Governing Body carried out the annual assessment for the year ended 31 July 2023 by considering documentation from the Senior Leadership Team and internal audit, and taking account of events since 31 July 2023.

Based on the advice of the Audit Committee and the Accounting Officer, the Governing Body is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for *'the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets'*.

Going concern

After making appropriate enquiries, and taking account of:

- the sound level of liquidity as at 31 July 2023
- the College's performance against budget, reflecting the impact of Covid-19
- the five-year Financial Plan in support of the merger agreed with the ESFA
- the future availability of a further £0.5 million of the £3.5 million grant facility to provide cashflow support over the life of the plan, if required

the Governing Body 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.

Approved by order of the members of the Governing Body on 11 December 2023 and signed on its behalf by:

Signed



Leisha Fullick
Chair

Signed



Dr Andrew Gower
Accounting 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, propriety 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.



Dr Andrew Gower

Accounting Officer

11 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.



Leisha Fullick

Chair of Governors

11 December 2023

Statement of Responsibilities of the Members of the Corporation

The members of the corporation 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 and GLA, the corporation is required to prepare financial statements which give a true and fair view of the financial performance and position of the corporation for the relevant period. Corporations must also prepare a strategic report which includes an operating and financial review for the year. The bases for the preparation of the financial statements and strategic report are the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's College Accounts Direction and the UK's Generally Accepted Accounting Practice. 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 (which must be consistent with other disclosures in the accounts and auditor's report);
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the corporation will continue in operation;

The corporation is also required to prepare a strategic report, in accordance with paragraphs 3.23 to 3.27 of the FE and HE SORP, that 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 corporation 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(s); the work carried out by auditors does not involve consideration of these matters and, accordingly, 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 11 December 2023 and signed on its behalf by:

A handwritten signature in black ink, reading 'Leisha Fullick'. The signature is written in a cursive style with a small dot above the 'i' in 'Fullick'.

Leisha Fullick

Chair of Governors

Independent auditor's report to the Governing Body of Morley College London

Opinion

We have audited the financial statements of Morley College London (the 'College') for the year ended 31 July 2023 which comprise the statement of comprehensive income and expenditure, the statement of changes in reserves and balance sheets, the statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and 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 of its deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- In all material respects, funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- in all material respects, funds provided by the OfS, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of OfS's accounts direction have been met.

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 members of the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Independent Auditor's Report to the Governing Body of Morley College London (continued)

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 members of the Corporation 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 members of the Corporation 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 Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns;
or
- all the information and explanations required for the audit were not received.

We have nothing to report in respect of the following matter in relation to which the Office for Students requires us to report to you, if in our opinion:

- The College's grant and fee income, as disclosed in note 2 to these financial statements has been materially misstated.

Independent Auditor's Report to the Governing Body of Morley College London (continued)

Responsibilities of the Corporation

As explained more fully in the statement of responsibilities of members of the Corporation, the members of the Corporation 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 members of the Corporation 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 members of the Corporation are 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 members of the Corporation either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 it 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:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the College through discussions with management, and from our knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the College, including the Further and Higher Education Act 1992, funding agreements with the ESFA and associated funding rules, ESFA regulations, data protection legislation, anti-bribery, safeguarding, employment, health and safety legislation;

Independent Auditor's Report to the Governing Body of Morley College London (continued)

- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the College's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions; and
- assessed whether judgements and assumptions made in determining the accounting estimates set out in the accounting policies were indicative of potential bias;

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of Corporation meetings;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing any available correspondence with HMRC and the College's legal advisors (although none was noted as being received by the College).

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the members of the Corporation and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

Independent Auditor's Report to the Governing Body of Morley College London (continued)

A further description of our responsibilities is available 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 Corporation, as a body, in accordance with the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation as a body, for our audit work, for this report, or for the opinions we have formed.



Buzzacott LLP
Chartered Accountants and Registered Auditor
130 Wood Street
London
EC2V 6DL

Date: 15 December 2023

Independent Reporting Accountant's Report on Regularity

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

In accordance with the terms of our engagement letter dated 25 June 2021 and further to the requirements and conditions of funding in the 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 Morley 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 the 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 Morley College and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Morley College and the 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 Morley College and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Morley College and the reporting accountant

The corporation of Morley 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 the Code 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 the ESFA. We performed a limited assurance engagement as defined in that framework. The objective of a limited assurance engagement is to perform such procedures as to obtain information and

explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. 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 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 the areas identified through the risk assessment 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, and the financial transactions do not conform to the authorities that govern them.



Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

Date: 15 December 2023

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 July 2023

	Notes	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
INCOME			
Funding body grants	2	16,742	15,646
Tuition fees and education contracts	3	4,079	3,833
Other grants and contracts	4	-	19
Other income	5	746	812
Investment income	6	30	9
Donations	7	57	690
Interest	11	84	
Total income		21,738	21,009
EXPENDITURE			
Staff costs	9	14,621	16,996
Other operating expenses	10	5,898	5,819
Depreciation	12	1,297	1,321
Interest and other finance costs	11	-	271
Total expenditure		21,816	24,407
(Deficit) before other gains and losses		(77)	(3,398)
(Loss)/Gain on investments	13	(1)	(1)
(Deficit) before tax		(78)	(3,399)
Taxation		-	-
(Deficit) for the year		(78)	(3,399)
Actuarial gain in respect of pensions schemes	22	4,290	15,326
Total Comprehensive income (expenditure) for the year		4,212	11,927
Represented by:			
Unrestricted comprehensive income expenditure)		4,212	11,927
Restricted comprehensive income (expenditure)		-	-
		4,212	11,927
Memo item: deficit prior to FRS102 pensions adjustments			
(Deficit) before other gains and losses		(77)	(3,398)
Interest and other finance (income)/ costs		(84)	271
FRS102 pension costs within staff costs		652	1 884
Gain /(Loss) after FRS102 pensions adjustments		491	(1,243)

STATEMENT OF CHANGES IN RESERVES

For the year ended 31 July 2023

	Income and Expenditure account	Restricted Reserves	Revaluation Reserve	Total
	£'000	£'000	£'000	£'000
Balance at 31st July 2021	7,673	160	24,218	32,051
Deficit from the income and expenditure account	(3,398)	-	-	(3,398)
Other comprehensive income	15,326	-	-	15,326
Other losses	-	-	(1)	(1)
	11,928	-	(1)	11,927
Balance at 31st July 2022	19,601	160	24,217	43,978
Deficit from the income and expenditure account	(77)	-	-	(77)
Other comprehensive income	4,290	-	-	4,290
Other losses	-	-	(1)	(1)
	4,213	-	(1)	4,212
Balance at 31st July 2023	23,813	160	24,216	48,189

BALANCE SHEET

As at 31 July 2023

	Notes	2023 £'000	2022 £'000
Fixed assets			
Tangible fixed assets	12	49,620	49,948
Intangible fixed assets	12	213	235
Investments	13	242	243
		<u>50,075</u>	<u>50,426</u>
Current assets			
Trade and other receivables	14	1,007	1,954
Cash and cash equivalents	18	<u>5,373</u>	<u>1,460</u>
		6,380	3,414
Less: Creditors – amounts falling due within one year	15	(3,181)	(3,650)
Net current assets / (liabilities)		<u>3,199</u>	<u>(236)</u>
Total assets less current liabilities		53,274	50,190
Less: Creditors – amounts falling due after more than one year	16	(5,085)	(2,490)
Provisions			
Defined benefit obligations	22	-	(3,722)
Total net assets		<u><u>48,189</u></u>	<u><u>43,978</u></u>
Restricted reserves	21	160	160
Unrestricted reserves			
Pension reserve	21	-	(3,722)
Income and expenditure account	21	24,244	23,468
Revaluation reserve	21	23,785	24,072
Total unrestricted reserves		<u>48,029</u>	<u>43,818</u>
Total reserves		<u><u>48,189</u></u>	<u><u>43,978</u></u>

The financial statements on pages 48 to 51 were approved and authorised for issue by the Corporation on 11 December 2023 and were signed on its behalf on that date by:



.....
Leisha Fullick
Chair



.....
Dr Andrew Gower
Accounting Officer

Statement of Cash Flows

	Notes	2023 £'000	2022 £'000
Cash (outflow) inflow from operating activities			
Surplus / (Deficit) for the year		(78)	(3,399)
Adjustment for non cash items			
Depreciation and amortisation		1,297	1,321
(Increase)/decrease in debtors		947	(1,119)
Increase/(decrease) in creditors due within one year		(470)	500
(Decrease) / increase in creditors due after one year		2,622	(39)
Pensions costs less contributions payable		570	2,155
Adjustment for investing or financing activities			
Investment income		(30)	(9)
		<u>4,858</u>	<u>(590)</u>
Net cash flow from operating activities			
Cash flows from investing activities			
Investment income		30	9
Purchase of non-current assets - tangible assets		(948)	(966)
Purchase of non-current assets - intangible assets		-	(158)
		<u>(918)</u>	<u>(1,115)</u>
Cash flows from financing activities			
Repayments of amounts borrowed		(27)	(30)
		<u>(27)</u>	<u>(30)</u>
Decrease in cash and cash equivalents in the year		<u>3,913</u>	<u>(1,735)</u>
Cash and cash equivalents at beginning of the year	19	1,460	3,195
Cash and cash equivalents at end of the year	19	5,373	1,460

Morley College Limited – Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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 modified using previous valuations as deemed cost at transition for certain non-current assets and for fixed asset investments that are carried at market value.

The College's financial statements are presented in sterling, which is also the functional currency of the College. Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

Going concern

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

The College has a loan for £500k, which was drawn down in July 2018 and has a term of 20 years. This borrowing was deployed to support the property strategy, creating a new college entrance, reception, and the refurbishment of the gallery.

The College completed its business combination with Kensington and Chelsea College (KCC) on 3 February 2020. Under the business combination under the Statement of Recommended Practice: Accounting for Further and Higher Education, KCC merged into Morley College London.

As part of the merger process, the College agreed a five-year merger financial plan with the ESFA. Recognising the challenge associated with the overall merger transaction the merger financial plan is supported by a £3.5M Restructuring Facility Grant provided by the ESFA.

This may be drawn down to provide additional cashflow should cash balances fall below an agreed level.

While the impact of Covid-19, which was not anticipated in the merger financial plan, has been extremely challenging, the College has maintained cash balances, drawing on £3.0M of the Restructuring Facility Grant. A further £0.5M remains undrawn.

Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

Revenue grant funding

The recurrent grants from the ESFA and GLA represent the funding allocations attributable to the current financial year and are credited direct to the income and expenditure account. 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 achievement for the Adult Education Budget, unless within tolerance limits, 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 correspondence from the funding body and the results of any funding audits. 16-19 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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 after 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.

Tuition 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; this includes all fees payable by students or their sponsors.

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.

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 model 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.

The deferred income is allocated between creditors due within one year and those due after more than one year.

Donations and Legacies

Income from donations and legacies is recognised when the following three criteria are met:

- entitlement: arises when a resource is receivable or control over the rights or other access to economic benefit has passed to the College
- probable: it is more likely than not that the economic benefit associated with the transaction or gift will flow to the College
- measurement: then the monetary value of the income can be reliably measured, and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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 funded by the College and contracted out of the State Second Pension.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated 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.

Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Local Government Pension Schemes (LGPS): London Pensions Fund Authority (LPFA) and Royal Borough of Kensington and Chelsea (RBKC)

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 actuarial gains and losses.

Our valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that the Fund will be required to pay the entire inflationary increase. Therefore we do not believe we need to make any adjustments to the value placed on the liabilities as a result of the above outcome.”.

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.

Termination of employment costs

The best estimate of expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the College is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

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 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

The College’s buildings are specialised buildings and therefore it is not appropriate to value them based on open market value. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 50 years.

Internal buildings improvements or modifications, which add to the long-term value of the building, are depreciated over a period of up to twenty years.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the income and expenditure account. On adoption of FRS 102, the College followed the transitional provision and elected to use the fair value of land at 1 August 2014 as deemed cost but not to adopt a policy of revaluations of land in the future. The College retained the book value of all other assets.

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 2023. They are not depreciated until they are brought into use.

Equipment

Equipment costing less than £3,000 per individual item is recognised as expenditure in the period of acquisition, unless part of a larger project or grouped asset with a total cost of more than £3,000. All other equipment is capitalised at cost and depreciated over its useful economic life on a straight-line as follows:

General equipment	3 to 10 years
Computer equipment	3 years
Pianos	10 years
Lift	10 years
Boilers	10 years

In the year of acquisition, assets are depreciated from the starting month of the assets' useful economic life. Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged 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. The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised

as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

Heritage Assets

The College has a collection of paintings, drawings and sculptures, which are held to enhance the fabric of its buildings or to celebrate its distinguished history in the liberal arts and add to the College's contribution to knowledge and culture. The Governing Body considers that, owing to the incomparable nature of these paintings, drawings and sculptures, conventional valuation approaches lack sufficient reliability and that, even if the valuations could be obtained, the costs would be onerous compared with the additional benefits derived by the College and users of the accounts. As a result, no value is reported for these assets in the balance sheet.

Intangible Assets

Intangible assets comprise software licences and information technology. Items costing less than £3,000 are written off to the income and expenditure account in the year of acquisition. All other items are capitalised and amortised over five years.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure.

Fixed asset investments

Fixed asset investments are carried at their market value less any provision for impairment in their value. Any increase or decrease in value during the year is credited or debited to the revaluation reserve.

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.

Taxation

The College is a registered charity and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010. 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 received no similar exemption in respect of value added tax. For this reason, and because the College is not VAT registered, the College is unable to recover the input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT.

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.

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 as 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 College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability of the asset. 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.

- *Impact of Covid-19*

To estimate the impact of the Covid-19 pandemic on the future income and expenditure flows of the College and on its short to medium term financial stability in assessing going concern.

2 Funding body grants

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Recurrent grants		
Education and Skills Funding Agency/GLA - adult	12,825	12,624
Education and Skills Funding Agency - 16 -18	1,717	863
Office for Students	25	15
Specific Grants		
Teacher Pension Scheme contribution grant	512	429
Restructuring facility grant	1,500	1,500
Release of government capital grants	134	185
Release of GLA Leap capital grant	30	30
Total	16,743	15,646

3 Tuition fees and education contracts

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Tuition fees	2,823	2,682
Education contracts	1,256	1,151
Total	4,079	3,833

3a Analysis of Higher Education grant and fee income

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Grant income from the Office for Students	25	15
Fee income for taught awards at level 4 and above	57	67
	82	82

4 Other grants and contracts

	Year ended 31 July	Year ended 31 July
	2023 £'000	2022 £'000
Coronavirus Job Retention Scheme grant	0	19
	<u>0</u>	<u>19</u>
Total	0	19

In the financial year 21/22, the corporation furloughed a combination of management, support, teaching and casual staff both salaried and hourly paid under the government's Coronavirus Job Retention Scheme. The funding of £nil (2022:£19k) relates to staff costs which are included within the staff costs note as appropriate.

5 Other income

	Year ended 31 July	Year ended 31 July
	2023 £'000	2022 £'000
Other income generating activities	746	812
	<u>746</u>	<u>812</u>
Total	746	812

6 Investment income

	Year ended 31 July	Year ended 31 July
	2023 £'000	2022 £'000
Other interest receivable	30	9
	<u>30</u>	<u>9</u>

7 Donations

	Year ended 31 July	Year ended 31 July
	2023 £'000	2022 £'000
Legacy donations	57	679
Unrestricted donations	0	11
	<u>57</u>	<u>690</u>

8 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 Senior Management Team. This comprised of the Principal & Chief Executive, Deputy Principal & Deputy CEO and Chief Finance Officer.

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:	3	3

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:

	Senior post-holders		Other staff	
	2023 No.	2022 No.	2023 No.	2022 No.
£90,001 to £95,000	-	2		
£95,001 to £100,000	1	-		
£125,001 to £130,000	-	1		
£130,001 to £135,000	1	-		
£135,001 to £140,000	1	-		
	<u>3</u>	<u>3</u>	<u>-</u>	<u>-</u>

Key management personnel compensation is made up as follows:

	2023 £'000	2022 £'000
Salaries - gross of salary sacrifice	370	320
Employers National Insurance	49	42
Benefits in kind	4	2
	<u>423</u>	<u>364</u>
Pension contributions	67	69
Total emoluments	<u>490</u>	<u>433</u>

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 (who is also the highest paid officer[†]) of:

	2023 £'000	2022 £'000
Salaries	134	130
Benefits in kind	<u>2</u>	<u>1</u>
	<u>136</u>	<u>131</u>
Pension contributions	<u>32</u>	<u>31</u>
Total emoluments	<u>167</u>	<u>162</u>

[†] regular remuneration, not considering a pay in lieu of notice payment made to another key management member as part of a planned restructure exercise

In considering the Remuneration of Senior Post Holders due consideration has been given to the Committee of University Chairs (CUC) Higher Education Senior Staff Remuneration Code.

The remuneration and performance of all Senior Post Holders including the Accounting Officer is reviewed annually by the Remuneration Committee.

The pension contributions in respect of the Accounting Officer and key management personnel are in respect of employers' contributions to the Teachers' or Local Government Pension Schemes and are paid at the same rate as for other employees.

The multiple of median earnings represented by the Principal's salary is 3.73 times (2022 :3.89). Based on total emoluments the multiple of median earnings is 3.91 times (2022 :4.11). The median salary for the College is £35,884 (2021 :£33,426).

The pension contributions in respect of the Accounting Officer and key management personnel are in respect of employers' contributions to the Teachers' or Local Government Pension Schemes and are paid at the same rate as for other employees.

The Accounting Officer and staff members only receive remuneration in respect of services they provide undertaking their roles of Principal and staff members under contracts of employment and not in respect of their roles as governors.

The members of the Governing Body other than the Accounting Officer and the staff members did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. During the year 2 governors (2022 :2) with total expenses of £130 (2022 :£130) were paid to or on their behalf.

9 Staff costs

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	153	150
Non teaching staff	<u>129</u>	<u>147</u>
	<u>282</u>	<u>297</u>

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

	2023 No.	2022 No.
Teaching staff	570	643
Non teaching staff	<u>159</u>	<u>204</u>
	<u>729</u>	<u>847</u>

Staff costs for the above persons

	2023 £'000	2022 £'000
Wages and salaries	10,750	11,424
Social security costs	989	1,034
Other pension costs	1,940	2,001
FRS 102 pension cost adjustments	<u>652</u>	<u>1,884</u>
Sub total	14,331	16,343
Contracted out staffing services	<u>96</u>	<u>162</u>
	14,427	16,505
Fundamental restructuring costs - contractual	193	490
non contractual	-	-
	<u>14,620</u>	<u>16,995</u>

Restructuring costs of £193,000 were incurred in respect of the redundancy pay for 10 members of staff.

10 Other operating expenses

	Year ended 31 July	Year ended 31 July
	2023	2022
	£'000	£'000
Teaching costs	979	1,300
Non teaching costs	3,004	2,670
Premises costs	1,916	1,849
	<u>5,899</u>	<u>5,819</u>
Total	5,899	5,819

Other operating expenses include:

	2023	2022
	£'000	£'000
Auditors' remuneration:		
Financial statements audit (including regularity)	52	51
Audit Fees (under)/overaccrued previous year	2	(22)
Other audit services	6	-
Internal audit	46	12
Hire of assets under operating leases	97	75
	<u>97</u>	<u>75</u>

11 Interest receivable

	2023	2022
	£'000	£'000
Net interest on defined pension liability (note 22)	<u>(84)</u>	<u>271</u>
Total	(84)	271

12 Tangible fixed assets

	Freehold Land and buildings	Leasehold Land and buildings	Equipment	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2022	42,798	10,459	6,452	116	59,825
Reclassifications	(300)	298	2		-
Transfers	113	71	87	(345)	(74)
Additions	71	49	407	421	948
At 31 July 2023	42,682	10,877	6,948	192	60,699
Depreciation					
At 1 August 2022	3,917	545	5,415	-	9,877
Reclassifications					
Charge for the year	443	234	524		1,201
At 31 July 2023	4,360	779	5,939	-	11,078
Net book value at 31 July 2023	38,322	10,098	1,009	192	49,621
Net book value at 31 July 2022	38,881	9,914	1,036	116	49,947

Land and buildings were valued at 1 August 2014 at depreciated replacement cost by Gerald Eve LLP, a firm of independent chartered surveyors.

The College has given a fixed charge over some of the College's freehold land and buildings to the London Pensions Fund Authority. This action secures a reduced employer contribution to the pension scheme through reduced pension risk.

In addition to the assets outlined above, the College owns a collection of artworks of historical and artistic importance, which it deems to be heritage assets as defined under FRS 102 (34). The collection comprises paintings, drawings and sculptures, which have been commissioned or acquired at various times by the College either to enhance the fabric of its buildings or to celebrate its distinguished history in the liberal arts. The collection is considered to be part of the College's ethos in relation to its educational approach and integral to its broader objective of educating the public in the arts. It is not practical to ascertain the cost of these assets

The College considers that these heritage assets cannot be reasonably valued and has therefore, and in accordance with paragraph 18.14 of the Charities SORP 2015, not included them in its balance sheet.

12a Intangible assets

	Software
Cost or valuation	£'000
At 1 August 2022	751
Transfers	74
Additions	0
At 31 July 2023	<u>825</u>
Depreciation	
At 1 August 2022	516
Charge for the year	96
At 31 July 2023	<u>612</u>
Net book value at 31 July 2023	<u>213</u>
Net book value at 31 July 2022	<u>235</u>

12 Capital commitments

	Year ended 31 July 2023	Year ended 31 July 2022
	£'000	£'000
Contracts for future capital expenditure not provided	<u>0</u>	<u>35</u>

13 Non current investments

	2023	2022
	£'000	£'000
(i) M & G Charifund investments	57	60
(ii) STIC Global investments	121	118
(iii) COIF Bursary and Prize Fund investments	63	65
Total	241	243

Total investment losses in the year were £1k (2022: £1k)

Note (i) M & G Charifund investments

The College owns 3,982 M & G Charifund income units:

	2023	2022
	£'000	£'000
Cost	5	5
Revaluation surplus brought forward	55	56
Revaluation movement in year (Note 21)	(3)	(1)
Market value at 31 July 2023	57	60

Note (ii) STIC Global investments

The College owns 116,973 £1 shares in STIC Global:

	2023	2022
	£	£
Market value as at 31 July 2023	121,494	117,921

Note (iii) Charities Official Investment Fund (COIF)

The College owns shares in the Charities Official Investment Fund (COIF):

	Number of Shares	2023 £	2022 £
Cost of shares			
Martineau Memorial Fund	473	491	491
Emma Cons (Morley College) Memorial Fund	68	70	70
Sheddon Memorial Fund	1,844	1,961	1,961
Anstruther Sheepshanks Scholarship	365	379	379
Group Theatre (Morley College)	587	610	610
Total cost of shares	3,337	3,511	3,511

Cost of Capital Shares

Martineau Memorial Fund	371	371
Emma Cons (Morley College) Memorial Fund	67	67
Sheddon Memorial Fund	1,242	1,242
Anstruther Sheepshanks Scholarship	379	379
Group Theatre (Morley College)	596	596
Total capital shares	2,655	2,655

Cost of Income Shares

Martineau Memorial Fund	120	120
Emma Cons (Morley College) Memorial Fund	3	3
Sheddon Memorial Fund	719	719
Group Theatre (Morley College)	14	14
Total income shares	856	856

Cost	3,511	3,511
Revaluation surplus bought forward	61,084	61,800
Revaluation movement in the year	(1,454)	(716)
Market value as at 31 July 2023 as above	63,141	64,595

14 Trade and other receivables

	2023 £'000	2022 £'000
Amounts falling due within one year: Trade receivables	158	513
Accrued income	297	934
Prepayments	552	507
Total	1,007	1,954

15 Creditors: amounts falling due within one year

	notes	2023 £'000	2022 £'000
Bank loans and overdrafts	17	50	39
Payments received in advance / deferred income		494	474
Trade payables		506	625
Other taxation and social security		261	304
Accruals		569	756
Other creditors		679	868
Amounts owed to the ESFA /GLA		458	373
Deferred income - government and GLA capital grants		164	212
Total		3,181	3,651

Deferred Income

Deferred income at 1 August	474	603
Resources deferred in the year	494	474
Amount released from previous years	(474)	(603)
Deferred income at 31 July	494	474

16 Creditors: amounts falling due after one year

	2023 £'000	2022 £'000
Bank loans	304	343
Deferred income - government and GLA capital grants	4,780	2,147
Total	5,084	2,490

Deferred Capital Grants

At 1 August	2,360	2,250
Received in the year	2,747	322
Released to the income and expenditure account	(164)	(212)
Deferred income at 31 July	4,943	2,360

17 Maturity of debt**Bank loans**

Bank loans are repayable as follows:

		2023 £'000	2022 £'000
In one year or less	15	50	39
Between one and two years		50	42
Between two and five years		150	125
In five years or more		104	176
Total		354	382

Bank loans at 2 per cent above base rate repayable by instalments falling due between 1 August 2018 and 31 July 2033 totalling £500,000 are secured on a portion of the freehold land and buildings of the College (the Nancy Seear Building).

18 Cash and cash equivalents

	At 1 August 2022	Cash flows	Other changes	At 31 July 2023
	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,460	3,913	-	5,373
Total	1,460	3,913	-	5,373

19 Analysis of changes in net funds

	At 1 August 2022	Cash flows	New finance leases	Other non-cash changes	Changes in market value and exchange rates	At 31 July 2023
	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,460	3,913	-	-	-	5,373
	1,460	3,913	-	-	-	5,373
Bank loans	(383)	29	-	-	-	(354)
Net debt	1,077	3,942	-	-	-	5,019

20 Financial instruments

The College has the following financial instruments:

		2023	2022
		£'000	£'000
Financial assets			
Financial assets measured at fair value through profit and loss	13	242	243

21 Funds

	As at 31 July 2022	Income	Expenditure	Other gains	Transfers	As at 31 July 2023
	£000s	£000's	£000s	£000s	£000s	£000s
Restricted Funds						
Bursary and Investments	86	-	-	-	-	86
Special Projects	74	-	-	-	-	74
	160	-	-	-	-	160
Unrestricted Funds						
General Reserve	23,093	21,738	(21,248)	-	145.00	23,728
Revaluation Reserve	23,931	-	-	(1)	(145.00)	23,785
Development Fund	433	-	-	-	-	433
Other Designated Funds		-	-	-	-	
Bursary fund	58	-	-	-	-	58
Special Projects	18	-	-	-	-	18
Heritage Fund	7	-	-	-	-	7
Total Unrestricted Funds	47,540	21,738	(21,248)	(1)	-	48,029
Total Funds (excluding Pension Reserve)	47,700	21,738	(21,248)	(1)	-	48,189
Pension reserve	(3,722)	0	(568)	4,290		0
Total reserves	43,978	21,738	(21,816)	4,289	-	48,189

Restricted funds

There were no movements within the restricted funds in year.

Unrestricted funds: Revaluation Reserve

The revaluation reserve smooths out the effects over time of changes in the value of the College's investment portfolio. Current practice is to increase or decrease the size of the reserve by the increase or decrease in the value of investments so that this movement does not impact the income and expenditure account. This reserve also includes the increase in the value of land on adoption of FRS102.

Development Reserve

The Development Reserve is a designated fund that has been established to improve and extend the College's buildings, its environment and the facilities available for students in accordance with the College Property Strategy. The College's reserves policy is to retain a minimum level of general reserves (excluding losses or gains in respect of the pension scheme) equivalent to one term (four months) expenditure to cover the risks and uncertainties of operating its main business and continue building up the Development Reserve from annual operating surpluses. The Development Reserve was not adjusted within the year.

COIF Bursary Fund

This unrestricted Bursary Fund was established to supplement the restricted bursary fund, and is held to provide support for learners to attend College whose financial circumstances otherwise preclude them from doing so. There were no movements on the fund within the year.

Special Projects Fund

The Special Projects Fund exists to help the College develop new initiatives, support innovation and pilot new work and performances that will strengthen the College's reputation and profile. There were no movements to this fund in year.

Heritage Fund

The Heritage Fund exists to maintain, promote and celebrate the College's history and heritage including the restoration, renovation and expansion of the College art collection. There were no movements to this fund in year.

22 Defined benefit obligations

The College's employees belong to three principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff, the London Local Government Pension Scheme (LGPS) for non-teaching staff based at the Waterloo centre, which is managed by the London Pension Fund Authority, and the London Local Government Pension Scheme (LGPS) for non-teaching staff based at North Kensington and Chelsea centre, which is managed by the Royal Borough of Kensington and Chelsea. All three are multi-employer defined-benefit plans. The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2019 and of the LGPS 31 March 2020.

Total pension cost for the year	2023 £'000	2022 £'000
Teachers Pension Scheme: contributions paid	1,314	1,333
Local Government Pension Schemes:		
Contributions paid	624	676
FRS 102 (28) charge	652	1,884
Charge to the Statement of Comprehensive Income	1,276	2,560
Total Pension Cost for Year	2,590	3,893

Contributions amounting to £233k were payable to the schemes as at 31 July 2023 and are included in creditors (2022:£235k).

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.

The latest actuarial review of the TPS was carried out as at 31 March 2019. 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.

22 Defined benefit obligations (continued)

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 2018/19. DfE continues to pay a teacher pension employer contribution grant to cover the additional costs during the 2022-23 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 £1,314,258 (2022: £1,332,930)

The College is a member of two Local Government Pensions Schemes, the London Pension Fund Authority (LPFA) and the Royal Borough of Kensington and Chelsea Scheme (RBKC)

Local Government Pension Scheme - London Pension Fund Authority

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the London Pension Fund Authority. The total contribution made for the year ended 31 July 2023 was £632k, of which employer's contributions totalled £449k and employees' contributions totalled £183k. The agreed contribution rates for future years are 16% for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

Principal Actuarial Assumptions

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	3.85%	3.80%
Future pensions increases	2.85%	2.80%
Discount rate for scheme liabilities	5.15%	3.40%
Inflation assumption (CPI)	2.85%	2.85%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2023 years	At 31 July 2022 years
<i>Retiring today</i>		
Males	22.2	23.0
Females	23.1	23.7
<i>Retiring in 20 years</i>		
Males	21.6	23.1
Females	24.9	25.7

22 Defined benefit obligations (continued)**Local Government Pension Scheme - London Pension Fund Authority (Continued)**

The College's share of the assets in the plan were:

Asset allocation breakdown	%	2023	%	2022
		£'000		£'000
Equities	59%	9,361	57%	8,475
Target Return Portfolio	18%	2,840	22%	3,242
Infrastructure	12%	1,991	11%	1,571
Property	9%	1,508	10%	1,467
Cash	2%	240	1%	180
Total market value of assets		15,940		14,935

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

	2023	2022
	£'000	£'000
Fair value of plan assets	15,940	14,935
Present value of plan liabilities	(14,908)	(18,657)
Net pensions asset / (liability)	1,032	(3,722)
Adjustment recognised in actuarial losses to cap the scheme surplus	(1,032)	-
Recognised in the financial statements	-	(3,722)

As the surplus is deemed to be irrecoverable, recognition of the surplus on the balance sheet has been restricted to £nil by adjusting the actuarial gain

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

	2023	2022
	£'000	£'000
Amounts included in staff costs		
Current service cost	911	1,783
Total	911	1,783

Amounts included in investment income

Net interest expense	122	189
Administration expenses	8	17
	130	206

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	(64)	872
Other actuarial gains on assets	169	-
Changes in demographic assumptions	862	
Experience losses arising on defined benefit obligations	(1,582)	(1,566)
Changes in financial assumptions	5,961	10,542
Remeasurement of the net assets	5,346	9,848

22 Defined benefit obligations (continued)**Local Government Pension Scheme - London Pension Fund Authority (Continued)****Movement in net defined benefit (liability) during the year**

	2023	2022
	£'000	£'000
Deficit in scheme at 1 August	(3,722)	(12,033)
Movement in year:		
Current service cost	(841)	(1,783)
Past service cost	(70)	-
Employer contributions	449	452
Past service cost	-	-
Administration expenses	(8)	(17)
Net interest on the defined liability	(122)	(189)
Actuarial gain or loss	5,346	9,848
Adjustment recognised in actuarial losses to cap the scheme surplus	(1,032)	
Net defined benefit assets / (liability) at 31 July	-	(3,722)

Asset and Liability Reconciliation

	2023	2022
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	18,657	25,196
Current Service cost	841	1,783
Interest cost	636	405
Contributions by Scheme participants	183	210
Experience gains and losses on defined benefit obligations	1,582	1,566
Changes in financial assumptions	(5,961)	(10,542)
Estimated benefits paid	(233)	44
Unfunded pension payments	(5)	(5)
Past service costs, including curtailments	70	
Changes in demographic assumptions	(862)	-
Defined benefit obligations at end of period	14,908	18,657

Reconciliation of Assets

	2023	2022
	£'000	£'000
Fair value of plan assets at start of period	14,935	13,163
Interest on plan assets	514	216
Return on plan assets	(64)	872
Other actuarial gains	169	-
Administration expenses	(8)	(17)
Employer contributions	449	452
Contributions by Scheme participants	183	210
Estimated benefits paid	(238)	39
Fair value of plan assets at end of period	15,940	14,935

22 Defined benefit obligations (continued)

Local Government Pension Scheme - Royal Borough of Kensington and Chelsea

Morely College joined the LGPS funded defined-benefit plan, with the assets held in separate funds administered by the Royal Borough of Kensington and Chelsea on 3 February 2020 at the point of merger with Kensington and Chelsea College. The total contribution made for the period ended 31 July 2023 was £316,164 of which employer's contributions totalled £221,806 and employees' contributions totalled £94,358. The agreed contribution rates for future years are 16.1% for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

Principal Actuarial Assumptions

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
Salary increase rate	4.00%	3.80%
Future pensions increases	3.00%	2.80%
Discount rate for scheme liabilities	5.05%	3.45%
Inflation assumption (CPI)	3.00%	3.10%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2023 years	At 31 July 2022 years
<i>Retiring today</i>		
Males	22.1	21.4
Females	24.0	24.1
<i>Retiring in 20 years</i>		
Males	22.4	22.9
Females	25.5	26.1

22 Defined benefit obligations (continued)**Local Government Pension Scheme-Royal Borough of Kensington and Chelsea (Continued)**

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

	2023	2023	2022	2022
Asset allocation breakdown	%	£'000	%	£'000
Equities	83%	23,736	76%	19,430
Property	10%	2,860	8%	2,045
Cash	3%	858	16%	4,091
Bonds	4%	1,144	0%	0
Total market value of assets		28,598		25,566

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

	2023	2022
	£'000	£'000
Fair value of plan assets	28,598	25,566
Present value of plan liabilities	(17,736)	(20,813)
Adjustment recognised in actuarial losses to cap the scheme surplus	(10,862)	(4,753)
Recognised in the financial statements	-	-

As the surplus is not expected to be recovered, recognition of the surplus on the balance sheet has been restricted to £nil by adjusting the actuarial gain through other comprehensive income.

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

	2023	2022
	£'000	£'000
Amounts included in staff costs		
Current service cost	404	784
Past service cost	-	-
Total	404	784

Amounts included in investment income

Net interest income / (expenditure)	206	(82)
	206	(82)

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	(246)	463
Changes in demographic assumptions	605	-
Other experience	(1,196)	(66)
Changes in financial assumptions	5,616	9,834
Amount recognised in Other Comprehensive Income	4,779	10,231

22 Defined benefit obligations (continued)**Local Government Pension Scheme-Royal Borough of Kensington and Chelsea (Continued)****Movement in net defined benefit (liability) during the year**

	2023	2022
	£'000	£'000
Surplus/(deficit) in scheme at 1 August	-	(4,860)
Movement in year:		
Current service cost	(404)	(784)
Employer contributions	222	248
Administration expenses	-	-
Net interest on the defined liability	206	(82)
Actuarial gain or loss	4,779	10,231
Adjustment recognised in actuarial losses to cap the scheme surplus	(4,803)	(4,753)
Net defined benefit asset / liability at 31 July	-	-

Asset and Liability Reconciliation

	2023	2022
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	19,507	29,715
Current Service cost	404	784
Interest cost	674	478
Contributions by Scheme participants	94	96
Change in demographic assumptions	(605)	-
Experience gains and losses on defined benefit obligations	3,673	66
Changes in financial assumptions	(5,616)	(9,834)
Estimated benefits paid	(395)	(492)
Defined benefit obligations at end of period	17,736	20,813

Reconciliation of Assets

Fair value of plan assets at start of period	25,566	24,855
Interest on plan assets	880	396
Return on plan assets	(246)	463
Administration expenses	-	-
Employer contributions	222	248
Other experience	2,477	-
Contributions by Scheme participants	94	96
Estimated benefits paid	(395)	(492)
Fair value of plan assets at end of period	28,598	25,566

23 Related party transactions

Due to the nature of the College's operations and the composition of the Governing Body 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 Governing Body 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 £550 for 2 governors (2022: £130 for 2 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2022: Nil).

The College paid for a subscription with the South Bank Employers Group (SBEG). It is the normal operating practice of SBEG to appoint a representative from member organisations to its Board. The Director of Community Learning, Gerald Jones represented the College throughout the year. Nic Durston, Governor and Chair of the Finance, Resources and Fundraising Committee is the CEO of SBEG. The cost of the subscription was £16,500 during the year 2022/23 (2022: £10,000). The College paid for a subscription with the Safer Business Network CIC, for the annual membership of 'Safer Lambeth' totalling £1,320 (2022: £1,320). Nic Durston, Governor and Chair of the Finance, Resources and Fundraising Committee is a member to the Board of the Safer Business Network CIC.

The College received funds in support of two students from Accumulate - The Art School for the Homeless, where a Governor of the College, James Ward, is also a Trustee.

24 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		
Not later than one year	98	75
Later than one year and not later than five years	40	40
later than five years	43	53
	<u><u>181</u></u>	<u><u>168</u></u>

MORLEY COLLEGE LIMITED

England & Wales - Charity number 1023523

Accounts



MORLEY COLLEGE LIMITED

**Report and Financial Statements
for the year ended 31 July 2022**

Registered number: 2829836

Registered charity number: 1023523

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Key Management Personnel, Board of Governors and Professional advisors

Key management personnel

Key management personnel are defined as Senior Post Holders and were represented by the following in 2021/22:

Dr Andrew Gower - Principal and CEO; Accounting Officer

Marco Macchitella - Deputy Principal and Deputy CEO

Ralph Moran – Chief Finance Officer

Governing Body

The full list of Governors is provided on pages 29 to 32 of this report. Martin McNeill acted as Clerk to the Governing Body and Company Secretary throughout the period.

General information and professional advisors

Registered Office

61 Westminster Bridge Road

London SE1 7HT

Financial statements auditors and reporting accountants

Buzzacott LLP

130 Wood Street

London EC2V 6DL

Internal auditors

RSM UK Audit LLP

25 Farringdon Street

London EC4A 4AB

Bankers

National Westminster Bank plc

91 Westminster Bridge Road

London SE1 7HW

Solicitors

Eversheds Sutherland

1 Wood Street

London EC2V 7WS

Morley College London - Introduction

Morley College Limited trades as Morley College London.

Morley College London is a unique college within the learning landscape of London. With teaching centres both north and south of the Thames, Morley College London is celebrated for its strong social values, its exceptional creativity, and its commitment to meeting the needs of students and their communities.

We advocate lifelong learning as vital for personal achievement, academic progression, and career development.

Our students include:

- adults looking to reskill so they can change careers or return to work;
- mature students with few traditional qualifications who now want to improve their prospects in work or education;
- 16-to-18-year-olds (at our North Kensington and Chelsea Centres) looking to progress to employment or higher education;
- international students who wish to improve their English language abilities for work, study, or everyday life;
- school leavers who want to build professional skills and get qualified, but are concerned about the time and financial commitments of going to university; and
- many others who find opportunities for personal development and enrichment through our study programmes in Arts, Culture and Applied Sciences.

The college took its present form in February 2020 following the combination of Morley College London and Kensington and Chelsea College. Both institutions had long shared the same values, with roots going back to the 19th century, and a proud record of serving learners in their respective boroughs and beyond. With a Mission to empower individuals and strengthen communities through lifelong learning, Morley College London's social values and diversity of learning opportunities have an important role within the communities of North Kensington, as local people rebuild their lives in the aftermath of the tragedy of the Grenfell Tower fire on 14 June 2017.

Prior to both the merger and the Covid-19 pandemic, Kensington and Chelsea College had delivered significant operating financial deficits over a number of years. The challenge of delivering a financially viable merged college was recognised by the Education and Skills Funding Agency, and resulted in the provision of a £3.5M restructuring facility that can be drawn down in the event that operating cash levels fall below an agreed threshold. As at the date of the approval of these financial statements the College has drawn down £1.5M of the £3.5M facility

The combined college, operating primarily from three main Centres in Chelsea, North Kensington, and Waterloo, aims to meet the learning needs of a growing number of students, and to be a force for public good within the communities that we serve.

As London's largest specialist Institute of Adult Learning, Morley College London also has an important contribution to make in delivering the priorities of the Mayor of London's Skills for Londoners Strategy (2018): to empower Londoners to access the education and skills to participate in society and progress in education and work, and to meet the needs of London's economy and employers.

The merger came about with the strong support of local stakeholders, and this enabled us to secure government support totalling £32.3 million to enable the purchase of the North Kensington Centre by the Department for Education, the renovation of the North Kensington and Chelsea Centres, and to develop a new, and broader, curriculum. These investments are in addition to the £3 million that the college has already spent and the further £15 million that it is aiming to raise to transform the facilities at Waterloo over the next ten years.

The legacy of the global COVID-19 pandemic continued to be a significant factor during 2021/22. The disruption caused has proved to be multi-faceted and long-lasting. In response to significant challenges, the College has carefully co-ordinated its response, to ensure alignment with Department for Education guidance and a clear focus on the safety of students, staff, and stakeholders. Through resilience and contingency planning, the College has sought to mitigate the social, educational, organisational, and financial impacts of the pandemic to maintain business continuity; adapt to online delivery; ensure financial management; and seek to secure the strongest possible performance during the academic year 2021/22.

Report of the Governing Body and Strategic Report

Nature, Objectives and Strategies

The Governing Body, which represents the Board of Directors for the purposes of company law and the Board of Trustees for the purposes of charity law, presents its report, incorporating its Directors' and Strategic Reports, and the audited financial statements of Morley College Limited ('the College' or 'Morley College London') for the year ended 31 July 2022. The college is registered as Morley College Limited and uses Morley College London for branding and trading purposes.

Legal status

The college was incorporated on 18 June 1993 (Company Number 2829836) and began trading on 2 September 1993. This Company replaced the previous organisation, which was also known as Morley College, and had been in existence since it was founded in 1889. The college is an Institute for Adult Learning (formally a Specialist Designated Institution (SDI)) under the 1992 Further and Higher Education Act.

The College is a registered charity (no. 1023523) which is regulated by a scheme dated 2 September 1993, as amended 27 June 2000, 10 December 2007, 4 April 2018 and 15 July 2019. The College's application to HM Revenue and Customs for exemption from Corporation Tax was made on 6 September 1994 and was accepted on 13 September 1995. The College's activities do not fall within the scope of Corporation Tax.

A merger with Kensington and Chelsea College was completed on 3 February 2020, following the dissolution of Kensington and Chelsea College.

Principal activities

The object of the College is the provision of education in such subjects and at such standards as the Governing Body from time to time determines.

Mission

The College's mission for the five years to 2025 is to inspire individuals and strengthen communities through the transformative impact of lifelong learning.

Public benefit

Morley College London was founded 130 years ago to provide a public benefit service to the community and has continued to build on and develop that service to the public throughout the years. The College's strategic goals, as agreed with the Governing Body, meet the aims of the Charity Commission's guidance on public benefit and particularly its supplementary guidance on the advancement of education. The College clearly demonstrates across its broad range of activities how it meets the requirement that all

organisations wishing to be recognised as charities must demonstrate, and explicitly, that its aims are for the public benefit.

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- General and specialist resources and facilities
- Widening participation and tackling social exclusion
- Evidence of improved employability for students
- Strong student support systems
- Links with local employers
- Recognised contribution to the cultural life of London

The core-funding agency for the College during 2021/22 was the Greater London Authority (GLA), with additional funding from the Education and Skills Funding Agency (ESFA) in respect of 16-19 education and adult learners resident outside of the devolved authorities. The funding received is used to support unrestricted access to the beneficiaries. From 1 August 2019, the funding for London-based Adult Education learners transferred to the Greater London Authority (GLA). This devolved funding model provides further opportunities for the College to embrace the Skills for Londoners initiatives. ESFA will continue to fund the College for adult students that are based outside London. The College continually develops its curriculum to address the priorities of its communities and works closely with the London Economic Action Partnership (LEAP), which is the local enterprise partnership for London.

Implementation of strategic plan

In September 2021, the College published a strategic plan for the five years to 2025. The plan defined Morley College London's strategic direction with its priorities expressed in the statement of three overarching strategic goals:

- Create outstanding learning opportunities

We will offer choice and flexibility to students by delivering an ambitious range of exciting and engaging courses in response to the interests of students and the learning needs of the communities we serve.

- Deliver an outstanding student experience

We will build the capacity and resilience to invest in high quality learning environments supported by high quality learning resources. With the support of funders, a comprehensive estates strategy will see significant investment into the North Kensington Centre for Skills.

- Achieve financial sustainability

Working within a closely defined Financial Strategy, we will work towards achieving the sustainability of the College by growing our revenue whilst maintaining close control of costs.

The mission, vision and strategic goals inform and are fed into the operational life of the College. The words are presented in large letters on the wall of the boardrooms at each teaching centre, to help remind management and inform our visitors of the College's strategic goals. The Senior Leadership Team support the strategic aims through their roles in leading the College Committees through curriculum, external engagement, quality and standards, health and safety, risk, and management meetings. The College's self-assessment review process helps identify the specific areas for improvement and supports colleagues to make the changes. Regular presentations to the Governors from operational areas of the College enable positive interactions and feedback.

Performance indicators

The College has developed a set of key performance indicators (KPIs) to enable the Governing Body to monitor the College's progress in implementing the Strategic Plan. The KPIs are aligned with the College strategic goals and are used by College Management to guide operational decisions. Each KPI has a target and actual performance is compared on a termly or annual basis as appropriate against this target and against previous performance. Wherever possible, KPIs are benchmarked against the performance of other colleges nationally. This comparison includes the results of a national student satisfaction survey, as well as the ESFA's National Achievement Rate Tables (NARTs). FE Choices data and NARTs are both available on the gov.uk website. By analysing KPIs throughout the year, College managers and the Governing Body can identify areas of concern and to take appropriate and timely action.

The KPIs for 2021/22 show a high standard of delivery, with most showing a significant improvement in comparison to 2020/21. The ongoing impacts of the Covid-19 pandemic on study patterns and recruitment have impacted EBITDA, Room Utilisation and Attendance. The College is making continued progress across all three strategic goals. The following table captures College performance against non-financial targets for the College.

Measure	Actual	Target	Status
Education Specific EBITDA	-£705k	+£19k	•
Student satisfaction	92.6%	90.0%	✓
% of students who feel the college is a safe place to study	94.4%	90.0%	✓
Student retention	95.4%	91.0%	✓
Student achievement	91.6%	82.6%	✓
Student attendance	85.2%	90.0%	•
Room utilisation (day)	58.4%	75.0%	•
Room utilisation (evening)	30.1%	58.0%	•
Student destination	95.6%	92.0%	✓
Staff satisfaction	79.9%	85.0%	•

In relation to the academic performance of students, the College's 2021-22 Self-Assessment Report (SAR) identifies many strengths, including:

- The college has a very strong curriculum intent that builds on the college's strengths, providing learning opportunities that respond to national skills needs and are highly relevant to Morley College London's communities of location and practice.
- The curriculum is expertly delivered by a wide range of part-time and full-time staff, many of whom are renowned practitioners in their own fields. Teaching staff are experienced and well qualified with very strong subject knowledge and/or industry experience and effectively motivate and enthuse students who clearly enjoy their learning and are very focused and hard working.
- Teachers use assessment effectively to ensure that learners embed key concepts in their long-term memory and apply them fluently and consistently. They are skilled at adjusting their teaching according to the needs of groups or individuals.
- The curriculum at Morley College London has a very positive impact on students. They consistently develop relevant and valuable skills in their respective fields that enable them to progress and achieve their goals, move on to the next stage of their learning or into volunteering or employment. They produce work of good, and often outstanding quality as evidenced in portfolios, written and practical work and end of year exhibitions and performances.
- Student retention and achievement on short, unaccredited courses (which constitute 71% of the college enrolments) are outstanding at 97.5% and 95.9% respectively. On these courses students consistently achieve their learning outcomes, developing subject related knowledge and skills as well as wider outcomes such as health and wellbeing; character, attitudes, and skills; integration and inclusion; and creativity and culture.
- Achievement on education programmes for young people is good. On level 3 study programmes, achievement is 85.7%, a significant improvement from the previous year when this was 59%.
- The behaviour and attitudes of students at Morley College London are excellent. Students' motivations to study are strong, sustained and encouraged by teachers. The learning environment at the college is safe and supportive and one where discrimination, abuse and bullying are not tolerated. The college's inclusive and tolerant culture promotes students' understanding of life in modern Britain and the wider world well.
- Opportunities for personal development are outstanding. Each of the college's centres enables its students to develop their attitudes, knowledge, and skills beyond the academic content of the curriculum through a wide range of extra-curriculum activities.
- Morley College London prepares students well for future success in education, employment, or training. Students benefit from high quality specialist and impartial advice and guidance available from pre-enrolment onwards from tutors, managers, and the Student Services Team.
- Leadership and management are strong. Leaders, managers, and governors were highly effective in successfully steering the college through challenging times during 2021-22 to secure a good quality of education for all its students and have established

a strong vision and curriculum intent for each of the college centres, with clear ambition for students' success and progression, including those difficult to engage. They have worked well to implement this vision through strong partnership networks, including those reaching into the local communities into higher education and employment. The impact of leadership and management on student outcomes is good, and senior leaders have successfully created structures that have positively transformed the lives of thousands of students in Lambeth, Southwark, Kensington and Chelsea, and across London.

- Managers have very high expectations of teaching staff. They expect good or better teaching to be the norm and provide teachers with the tools to achieve this. Regular CPD and individual support for teachers ensure that teaching across the college remains at least good and there are many instances of inspiring, outstanding professional practice.
- Governors have a clear understanding of the college's mission, vision and strategy, with a robust strategic plan and effective arrangements for monitoring its implementation. They display a strong commitment to the values and ethos of the college and rigorously monitor the college's performance.
- Safeguarding practices in the College are effective. Safeguarding is both explicit and well embedded in all College activities.

There were however a small number of significant areas for enhancement that will be the focus of enhancement activities during 2022-23. These include:

- Low recruitment on a number of short courses across the college, as the impact of the Covid-19 pandemic continues to affect people's lives and how people want to study and work in the future. This requires a review of, and adjustments to, the current curriculum in 2022-23 to ensure the offer remains viable, relevant and current.
- In a small number of areas, the design of learning, teaching and assessment requires improvement. More effective sequencing of learning, systematic monitoring and tracking of progress and enhanced feedback to students will ensure that the students' experience and their preparation for the next steps in learning are effective so that that all students are on track to achieve their qualification and/or their learning outcomes.

The College has completed the annual financial returns for the ESFA, which confirmed a Financial Health grade of 'requires improvement' based on 2020/21 outturn and 2022/23 budgeted performance. The financial performance detailed in these financial statements continues to support a Financial Health grade of 'requires improvement' under the ESFA assessment methodology.

Financial Position

Financial objectives

The college's financial objectives, as set out in its Finance Strategy 2021-2025 are:

- To secure access to new and enhanced government funding streams that align with the Morley College London Vision, to provide new and expanded opportunities for outstanding learning.
- To secure access to additional funds through fundraising / charitable donation to support the delivery of existing outstanding learning opportunities, and wider opportunities not considered in scope for government support.
- Support Diverse Learning Needs by supporting engagement through the provision of a range of learner and learning support. Utilising a range of funding sources.
- Allocate available resources in such a way that they maximise the benefit of student experience, for both current and future students. (Both learning, access, capital, wellbeing).
- Engage with and proactively respond to student feedback to determine and reallocated available resources over the life to the strategy to improve the student experience and meet diverse learning needs.
- Embed environmental considerations in procurement processes, and in the ethical management of any college investments
- Deliver overall growth in income by 2025 in accordance with the merger financial plan:
 - maximising growth and delivery of existing income sources
 - reducing dependency on funding body income through growth in fee income and fundraising activities.
 - mitigating financial risk through diversification of income sources
- Deliver improved efficiency of delivery and college operations, securing a return to a cash positive operating position by 2025.

Financial results

Following the challenges of the Covid-19 pandemic, Governors approved a small surplus operating budget of £19K for 2021/22. This anticipated continuing effects on demand across the full range of courses, while anticipating some improvement on the impacts seen in 2020/21. Over the course of the year the College sought to maximise income streams and minimise costs while maintaining delivery across the whole range of educational programmes, continuing to develop and implement a responsive online provision.

The College has successfully delivered provision sufficient to meet the requirements of all funding body contracts, securing growth in 16-19 learner numbers that will generate additional income in 2022/23. Education contracts are maintained with a range of local

partners, which again have been delivered in full or exceeded during 2021/22, while tuition fee income across all categories has remained a challenge, delivery costs have been mitigated to the fullest extent possible.

Summary financial results are as follows:

- The actual outturn prior to FRS102 pension adjustments is a deficit of £1,243k (page 51). This financial performance reflects the continuing impact of Covid-19 on planned delivery, with tuition fee income of £3,408k down 17% from £4,109k in 2018/19 (Morley College London pre-merger).
- As the merged College has delivered a negative EBITDA ratio, the ESFA Health rating as calculated in accordance with ESFA methodology is 'requires improvement'.
- The College has total reserves of £43,978k after a reduction of £3,722k for pension liabilities.

The College invested £966k in additional tangible fixed assets during the year. The investment focused on the completion of the refurbishment of the Morley Gallery, as well as the College's contribution to the refurbishment works at the North Kensington Centre which have been ongoing throughout the year. The investment in the Gallery was funded by borrowing of £500k drawn down in July 2018, the College's own funds, a contribution from the LEAP, and an FE Capital Grant from the DfE.

The continuing capital investment in the Waterloo centre has delivered the refurbishment of the Morley Gallery, including the expansion of the available space through the conversion of the basement into exhibition space.

The College has significant reliance on the education sector funding bodies as its principal funding source, largely through recurrent grants. This reliance has decreased with 2021/22 grant income being 77% of the College's total income, compared to 81% in 2020/21 (excluding donations). This movement has been impacted by Covid-19 which has resulted in a reduction in the proportion of the College's income generated by tuition fees. The College also benefited from a significant legacy donation in 2021/22 in excess of £600k bring total donations to £690k (2020/21: £33k).

Treasury policies and objectives

Treasury management is the effective control of the risks associated with the College's cash flows, its banking, money market and capital market transactions and the pursuit of optimum performance consistent with those risks.

The College has a separate treasury management policy in place. Short-term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Governing Body and must comply with the requirements of the Financial Memorandum with the ESFA and the College's Financial Regulations.

Cash flows and liquidity

The implementation of the property strategy, combined with the ongoing impact of the Covid-19 pandemic has led to a reduction in cash liquidity.

Cash and cash equivalents held at 31 July 2022 totalled £1,460k, with net cash outflow from operating activities of £590k (see page 54). This reflects the impact significant staff restructuring totalling £490k and the residual impact of Covid-19 over the course of the year.

Reserves

The College recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support its operational and strategic goals. At the balance sheet date total reserves net of pension liabilities totalled £43,978k.

Current and future development and performance

Financial health

The ESFA last formally assessed the financial health of the College in their letter to the Principal of October 2022, and provided a grade of 'requires improvement' for 2021/22 and a projected grade of 'Outstanding' for 2022/23.

Student numbers and fee income

In 2021/22, the College has delivered activity that has generated £15.6m in funding body grants, an increase of £170k in comparison to 2020/21. Tuition fee and educational contracts income increased from £2.4m in 2020/21 to £3.8m in 2021/22. The College had 11,072 students and 22,198 enrolments; the average student enrolls onto 2.0 courses. Both student numbers and enrolments, while not at pre-pandemic levels, have shown an improvement in comparison on 2020/21. Average class sizes have also increased from 8.7 to 9.7.

Curriculum Developments and Quality Enhancement

The College curriculum includes a wide range of courses for adults and young people in Arts, Culture and Social and Applied Sciences, with a diverse range of programmes that include Art and Design, Music and Performing Arts, Languages and Humanities, Applied Sciences, English for Speakers of Other Languages (ESOL), English and Mathematics. The College offers a wide range of accredited programmes from Entry Level to Level 6 and specialist, as well as short courses from beginner to mastery level that do not lead to a formal qualification.

The College holds contracts with the Royal Borough of Kensington and Chelsea (RBKC) and Lambeth Council for the provision of Community Learning covering a wide range of curriculum areas, responding to the needs of community groups and organisations, and in

accordance with local strategic priorities. In 2021-22, Community Learning courses were delivered in partnership with over 60 community, voluntary and statutory organisations and groups.

In 2021-22 the College offered 2,398 courses to 11,000 students making 22,000 enrolments. Courses were delivered mostly in-centre, whilst a small number of online courses were retained post-pandemic.

The College's extensive and progressive curriculum offer reflects the demand of the local and regional context and takes into account the needs of students, local communities and communities of interest, employers, and the local and regional economy. Curriculum managers have developed a responsive curriculum designed to suit different levels of experience, to offer progression routes, and support students' expectations and aspirations.

Clearly signposted pathways across all three Centres include:

- Clearly defined learning opportunities for 16–18-year-olds at North Kensington and Chelsea that inspire students to achieve and progress into employment, further training or university.
- Health, Education and Science; Business and IT; and Arts and Humanities programmes for adults at North Kensington
- Creative Discovery, Fine Arts, Media, Creative Technology programmes for adults at Chelsea, including short, introductory courses to stimulate interest and progression into higher levels of study. These include new, industry-relevant, advanced and higher-level diplomas leading to employment opportunities in the Creative Industries sector.
- Fashion, Visual and Digital Arts, Music and Performance, Health and Social Care, Humanities and Science adult programmes at Waterloo, including progression opportunities from our local communities into on-site short courses and further into accredited provision in advanced and higher learning.

In the Spring 2022 a post-merger Ofsted monitoring visit focused on the Chelsea and North Kensington Centres, following the former inspections of Kensington and Chelsea College which resulted in four consecutive 'requires improvement' judgements. The outcome of the monitoring visit stated that the College had made *significant progress* across all three areas under scrutiny. These included: leaders and managers very quickly establishing clear goals and a shared vision for the college; leaders, managers and governors taking decisive and rapid action to improve the weaknesses previously identified at the former Kensington and Chelsea College; and leaders providing teachers with a good range of training and development opportunities.

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 per cent.

During the accounting period 1 August 2021 to 31 July 2022, the College paid the majority of its invoices within 30 days but did not achieve the 95% target.

Events after the end of the reporting period

There were no post-balance sheet events considered material that have not been disclosed within the accounts.

Future prospects and going concern

Following the successful merger with Kensington and Chelsea College in February 2020 the College is well placed to capitalise on the expanded geographical reach, external investment in the College's estate, and the potential to bring the Morley College London experience to a considerably larger proportion of London as the largest Institute of Adult Learning, while also expanding the range and quality of provision available for younger learners at both the North Kensington and Chelsea Centres.

This growth and development are underpinned by a five-year financial strategy and plan agreed with the ESFA as part of the merger, and with considerable investment in the College's estate and systems, in particular the refurbishment of North Kensington which achieved practical completion in November 2022, as well as further developments at the Chelsea Centre, and ongoing investment at the Waterloo Centre, funded partly from the College's financial reserves, but with significant contributions from the Department for Education (DfE) and the Greater London Authority.

The merger financial plan is further supported by a grant from the DfE totalling £3.5M that can be drawn down if the College's available cash falls below an agreed level. As a result of the impact of Covid-19 on tuition fee income, the College has drawn down £1.5M of this facility in total. Notwithstanding this, there has been a return to growth during 2021/22, which has been cautiously programmed into plans for 2022/23, and the College financial plan projects continuing growth and financial sustainability over the life of the plan.

Having due regard to best practice developments in the UK Corporate Governance Code 2018 in respect of going concern and risk management reporting, the College believes it will be able to continue in operation and meet its liabilities taking account of the current position and principal risks for the foreseeable future, and at least until December 2023. The College's assessment of going concern is supported by:

- Careful cash flow management
- High quality facilities, bolstered by ongoing capital investment across all main centres
- A strong capacity to generate ongoing cash flow surpluses post pandemic

- Robust financial management and the College's actions to monitor budget performance
- The five-year merger financial plan agreed with the ESFA
- Robust risk management processes
- The availability of the £3.5M restructuring facility grant, with £2.0M yet undrawn

RESOURCES

The following sections provide more information about College resources available to support its strategic goals.

Buildings and accommodation

The main College site at Westminster Bridge Road and the sculpture studio at Pelham Hall are both based within Waterloo. The main College site straddles the boroughs of Southwark and Lambeth with teaching space on both sides of a road that separates the two boroughs. The teaching facilities fully use the space that has grown over decades and aside from flexible classroom spaces, the site includes soundproof music rooms, specialist artist spaces, library, a café, and performance spaces and staff offices.

At Stockwell, just behind the tube station, the College has established a satellite centre based in a former community centre building. The Lewington Centre in South Bermondsey is another satellite centre sharing facilities within a community centre; this Centre includes a crèche facility for students.

The College also has the freehold on the main building at the Chelsea Centre, based in Hortensia Road, as well as a long-term (75 year) lease on a space within the Carlyle building immediately adjacent to the main centre.

Additionally, the College holds a 125-year lease on the North Kensington Centre, based in Wornington Road, at a peppercorn rent following its purchase by the DfE.

During the year, the College has continued to carry out work to its buildings in order to improve its facilities for learners and staff. This includes the continued works on the Morley Gallery, securing investment from Kensington and Chelsea in the maintenance of the Carlyle Building, as well as investment in the North Kensington Centre in partnership with the Department for Education, all as part of the property strategy.

Financial

The College has £43.8 million of unrestricted net assets (after taking account of the £3.7 million pension liability) and a balance of £343k of long-term debt.

People

The College employed on average 297 people during the year (expressed as full-time equivalents), of whom 150 are teaching staff, and 147 are non-teaching staff. This represented a reduction in comparison to 2020/21. The College undertook a significant staff

restructuring exercise during 2021/22, completed in July 2022 to align staff costs with post-pandemic income predictions. The College continues to outsource its cleaning and security across all centres and pays all directly employed staff above the London Living Wage.

Reputation

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and creating external stakeholder relationships.

Staff and student involvement

The Governing Body includes elected staff and student members, and the College encourages staff and student involvement through membership of formal committees. Staff and students are encouraged to join and support the activities of the Friends of Morley, an association that also includes former students, staff and governors as well as external supporters of the College.

The College considers good communication with its staff and students to be very important. Centre Principals hold regular meetings ('Student Experience Fora') with elected class representatives and these Student Experience Fora make appointments to the College-wide Student Council. The Principal and the Senior Leadership Team meet regularly with the Student Council and other student representative bodies.

Communication with staff takes a variety of forms, including open meetings for all staff with senior managers, regular management meetings, a well-developed intranet system and a regular staff newsletter. A staff conference is held annually for all staff and departmental staff briefings are held regularly. Staff bulletins are produced weekly and made available through the staff engagement platform MyMorley to enhance communication.

The College values and actively seeks feedback from all users of its services, particularly students. It monitors all formal complaints as well as reviewing its processes to ensure all matters are resolved in line with the College's policies. During 2021/22, there were 17 formal complaints, compared to 23 in 2020/21; 41% of those complaints were resolved satisfactorily within 15 working days, with more complex complaints resolved satisfactorily over a longer period.

Fundraising

The College undertakes fundraising in an ethical and responsible way, mindful of the communities within which it operates. The College employs systems and controls to separate and protect funds and ensure that all expenditure is in line with the terms of any donation. The College is mindful of its responsibilities under the Charities (Protection and Social Investment) Act 2016 and legal rules and ensures that all activities are agreed and monitored at Senior Leadership Team level in compliance with relevant legal rules. Recognised standards are applied to ensure that fundraising is open, honest, and respectful, protecting the public from undue pressure to donate. Complaints are handled and monitored

through the College's complaints procedure and there were no complaints in-year or in the previous year.

The College has launched a fundraising campaign to support its property strategy and has called this the Morley Forward campaign. A professional fundraiser was appointed, and the campaign was launched in September 2019.

During 2021/22 the College received donation income of £690k. This income included funds from Trusts and Foundations and from legacy gifts. Donation income is reported in the year of receipt and the College aims to use the funds to support the donors' aims within a timely period to ensure that the wider College benefits from their generosity.

Energy Use and Carbon Reporting

The College is committed to reducing the environmental impact of its operations.

UK Greenhouse gas emissions and energy use data for the period	
Energy consumption used to calculate emissions (kWh)	2,666,930
Energy consumption breakdown (kWh) (optional)	
• gas,	1,100,017
• electricity,	1,566,913
<u>Scope 1 emissions in metric tonnes CO₂e</u>	
Gas consumption	215
Owned transport – college cars	2
<u>Total scope 1</u>	218
<u>Scope 2 emissions in metric tonnes CO₂e</u>	
Purchased electricity	355
Total gross emissions in metric tonnes CO₂e	573
<u>Intensity ratio</u>	
Tonnes CO ₂ e per student	0.05

Quantification and Reporting Methodology

We have followed HM Government's 2019 Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and the Government's Conversion Factors for Company Reporting (2020).

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO₂e per student, the recommended ratio for the sector.

Measures taken to improve energy efficiency

During 2021/22 the College participated in a College Collaboration Fund project, developing draft operational plan to deliver Carbon Net Zero. This will be further developed during 2022/23, taken forward by the College's Sustainability Steering Group.

The newly refurbished North Kensington Centre has A+ energy gas boilers supporting a new heating system with all radiators being controlled locally with thermostatic valves. The insulation across the refurbishment project has been enhanced, particularly the new roof on which solar panels have been fitted. The performance of these will be monitored and reported on as part of quarterly energy consumption reporting.

The College promotes a 'Green Week' and has an active Green Group which as part of its activity has introduced wildflowers and high pollenating plants in the Garden at Waterloo. Positive curriculum developments have seen staff embed sustainability into their curriculum areas, and several projects have been undertaken in 'upcycling' materials, for example in the Fashion Department working with the Smart Works Charity and Stella McCartney.

PRINCIPAL RISKS AND UNCERTAINTIES

The College's strategic risk register is reviewed over the course of the year by the Risk Management Committee and considered by Governors termly. Additional lower level and project-based risk registers are maintained as required.

The following key strategic risks were considered during 2021/22:

- Failure to adapt to the changing landscape
- Reduction in public funding
- Failure to manage the college finances
- Failure to comply with funding body audit requirements
- Failure to manage health and safety
- Failure to safeguard children and vulnerable adults
- Failure to maintain business continuity
- Failure to achieve student recruitment targets
- Failure to manage capital programmes
- Failure to deliver an outstanding student experience
- Failure to recruit and retain competent and committed staff
- Failure to succession plan (senior staff and governors)
- Failure to maintain and enhance quality
- Failure of IT systems to meet the needs of students, staff or visitors
- Failure to prepare for a major system outage or data breach, including cyber attack
- Failure to build resistance in response to Covid-19 in respect of staff, students, reputation and financial sustainability

Each risk listed is supported up by an individual risk report and this provides the detail to support the management of that risk, covering:

- Consequences of the risk occurring
- Events that could trigger the risk
- Risk ownership
- Risk scoring for probability and impact
- Controls in place to manage the risk
- Assurance in those controls
- Performance data to confirm that risk management is working or to identify an emerging risk
- Mitigating action that the College is undertaking to reduce the probability or mitigate the impact of the risk, or that it would take either for a major event risk or an emergent risk over time.

The following sections consider how effective the College has been at managing risk within its three strategic aims:

Maintenance of quality of provision (Risk 13)

Failure to maintain adequate quality in its provision represents a significant risk to the College, particularly as the Strategic Plan includes growth and responsiveness to student needs. The combination with Kensington and Chelsea College presents the further challenge of ensuring consistent high-quality provision across a multi-centre college. Additionally, there was the continuing challenge during 2021/22, following the impact on learners transitioning back to in-centre learning, and the sitting of formal examinations. This risk is mitigated in a number of ways:

- Scrutiny of key performance indicators by the Quality and Standards Committee.
- Regular review of the quality of provision against Ofsted inspection criteria.
- Review of quality against the requirements of the Office for Students and the Quality Assurance Agency.
- Continued development and monitoring of the Quality Enhancement Plan.
- Rigorous curriculum review process that ensures the curriculum meets student interest and demand in addition to addressing the priorities of the LEAP.
- Best practice in People Operations policies and procedures to ensure high quality in teaching and support staff.
- Continuing professional development programme for teaching staff targeting both technical and pedagogy skills.
- Effective use of management information systems to support quality enhancement
- Development of a property strategy driven by the needs of the developing curriculum and building a level of reserves to support this strategy.

The outcomes of the OFSTED inspection undertaken in June 2019 provide the evidence that the College's processes and scrutiny have been effective in driving quality improvement and leading to outstanding learning opportunities. The report also identifies the areas where the College can move from 'good' to 'outstanding'.

Additionally, OFSTED conducted an interim visit to the combined College during November 2020 and Spring 2022, where the College's rapid and effective response to the March 2020 lockdown, and its commitment to longer-term development of online learning were noted.

Maintenance of an outstanding student experience (Risk 10)

The College aims to be highly effective in meeting the diverse learning needs of the communities it serves, addressing social exclusion and enhancing the flexibility and personalisation of learning. Failure to ensure quality of learning opportunities and student experience would represent a significant risk to meeting this goal. This is mitigated by:

- A high-quality staff team with excellent subject knowledge and enthusiasm.
- Continual professional development of staff to ensure a high standard of professional practice.
- The use of external professional networks and partnerships to ensure expert and innovative learning, teaching and assessment.
- The ongoing focus on three cross-cutting themes: digital inclusion, progression and employability.
- A revised risk register which has better identified the triggers, controls and mitigating actions needed to maintain and improve student experience.
- Ofsted inspection in June 2019 confirming good with outstanding features, with a further interim visit to the combined College noting the effective response to the Covid-19 pandemic.
- Feedback and improvements targeted through 'Student Voice' (Student Council, Student Representatives, and Class Representatives).

Maintenance of the financial viability of the College (Risk 3)

The College's current financial health score calculated in accordance with the ESFA methodology is 'requires improvement' as described above. Prior to the business combination with KCC, adult education funding levels were the main constraint on the College's financial position. College funding has suffered from a sustained period of public sector spending cuts. The College has been able to grow income through growth in provision and increased student taught hours whilst aiming to maintain the student experience. However, the actual funded income per student hour has fallen in real terms over recent years. Kensington and Chelsea College as a stand-alone entity was not financially viable and had delivered significant deficits over recent years. While cash reserves were strong following the disposal of property, the College had delivered year-on-year negative cash flows. The Coronavirus pandemic has limited the College's capacity to grow and expand provision. Financial viability has been preserved through effective action in maximising income streams and reducing costs.

The combined college benefits from a substantial estate with significant opportunity to expand delivery and grow income, a more efficient staffing structure and a robust

financial position in both cash and reserves. The college has developed a five-year financial plan and strategy to deliver full financial sustainability. This plan was subject to detailed scrutiny by the ESFA, and external due diligence. While this has been impacted by the Coronavirus pandemic, the College is well placed and well-resourced to respond to increased capacity post-pandemic.

The College has further mitigated the financial risk through the five-year planning period through the agreement for additional grant funding. To date £1.5M has been drawn down in 2021/22, when cash reserves fell below and agreed levels, with a further £2M available if required.

The Covid-19 pandemic had a direct and continuing impact on delivery income, and provided a test of the effective mitigation of financial risk. Detailed in-year financial forecasting enabled full delivery of funding body income to full contract values. While fee income was substantially reduced financial controls effectively managed costs. This, along with the cash flow support grant has enabled the College to maintain a closing cash position that was consistent with the five-year financial strategy.

The College has significant reliance on education sector funding bodies for its funding, largely from recurrent grants. This reliance has decreased with 2021/22 grant income being 77% of the College's total income, compared to 81% in 2020/21. This reflects some recovery in tuition fee income as we move into a later phase of the Covid-19 pandemic.

The financial statements report the share of the Local Government Pension Scheme deficit attributable to the College on the College's balance sheet in line with the requirements of FRS 102.

Although this does not affect its ESFA financial health assessment, the College recognises the risk presented by the pension liability arising from its membership of this scheme. The triennial valuation of this scheme completed in 2020 shows good progress in moving towards full funding for the scheme.

The risk to financial viability is mitigated in a number of ways:

- Financial sustainability of the College is one of the three core strategic goals.
- Budget setting procedures are rigorous and include sensitivity analysis testing.
- Monthly budget monitoring throughout the year.
- Robust financial controls and procedures.
- Detailed forward planning, forecast updates and regular cash flow forecasting updates.
- Diversification of income sources and optimising existing income streams.
- Strategies for curriculum development and growth linked to financial improvement.
- Creating, maintaining and managing key relationships with the funding bodies.
- Engagement with GLA and its various funding channels including local enterprise funding.
- Continuously ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students.
- Close monitoring of the demand for courses linked to a responsive pricing strategy.
- Monitoring and appraising the position of the pension scheme by Governors through the Finance, Resources and Fundraising Committee.
- Agreed deficit recovery plan with the London Pension Fund Authority.

Governors hold the appropriate senior post-holders accountable for their actions against each risk. Risks are mitigated through both short-term actions and the work towards a longer-term sustainable solution for the College.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Morley College London has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- Government Offices including the FE Commissioner;
- Staff;
- Local employers (with specific links);
- Local authorities;
- London Economic Action Partnership (LEAP);
- Local community;
- Other FE and HE institutions;
- Quality Assurance Agencies including Ofsted and the Office for Students;
- Examining boards;
- Trade unions;
- Professional and membership bodies;
- Charity Commission.

The College recognises the importance of these relationships and engages in regular communication with these stakeholders. In addition, the College works in close partnership with a large number of voluntary sector, arts and other organisations to help fulfil its mission and achieve its strategic goals. Partnerships are vital to Morley College London's development and institutional well-being, augmenting its reputation, profile and position and providing the connections and capacity it needs to support its communities of location and practice.

During 2021/22, the College continued to progress and develop its Partnerships Protocol. The protocol classifies each individual partnership as either; a creative projects partnership; curriculum development partnership; student progression partnership; quality enhancement partnership; or a fundraising partnership. This allows the College to develop each partnership with the appropriate links within the institution to best effect.

The College values its relationship with the trade unions representing its employees. Regular meeting of the Joint Consultative Committee were held, throughout 2021/22, in a positive and transparent manner.

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

Numbers of employees during the relevant period	FTE employee number
8	3.64

Percentage of time	Number of employees
0%	
1-50%	8
51-99%	
100%	

Total cost of facility time	£10,532
Total pay bill	£14,309,000
Percentage of total bill spent on facility time	0.07%

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

Section 172 Statement

The Board of Directors are aware of their duty under s.172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company in achieving its charitable purpose and, in doing so, to have regard (amongst other matters) to:

- The likely consequences of any decision in the long term.
- The interests of the Company's employees.
- The need to foster the Company's business relationships with suppliers, customers and others.
- The impact of the Company's operations on the community and the environment.
- The desirability of the Company maintaining a reputation for high standards of business conduct.

Within this report, we have summarised our governance framework and how we are engaged with stakeholders during the year. The Trustees have considered the views and needs of key stakeholders in Board discussions and decision making. The following points are not intended to be an exhaustive list but are illustrative of how the Trustees have fulfilled these duties during the year.

Engagement with employees

- The Senior Leadership Team actively engages staff through frequent all-staff briefings, use of internal communication tools, and regular 'Coffee with the Principal' sessions to provide updates on business developments and to answer questions directly. These have largely transitioned to online meetings following the impact of the Covid-19 pandemic.
- The College maintains a staff engagement platform, MyMorley, to aid effective engagement and provide access to staff rewards and discounts, which has been widely accessed.
- The College has continued to invest in staff wellbeing and the provision of support through the confidential Employee Assistance Programme.
- In full consultation with the Unions the College undertook a review of academic staff contracts for both established and hourly paid staff, resulting in improved and aligned terms and conditions.
- Reflecting the impact of the pandemic on College income a full consultation with staff and union representatives in advance of implementing a revised staffing structure, aligning staff costs with projected income.
- We have focused on mitigating employee risks arising from Covid-19 pandemic, including wellbeing while working remotely, developing hybrid working principles for the benefit of staff.

Engagement with stakeholders

- The Trustees recognise the importance of external stakeholders such as applicants, providers, advisers, education and commercial customers, government and sector agencies, legal members, and suppliers, as well as internal stakeholders.
- The Trustees remain committed to effective engagement of all stakeholders and are mindful that the organisation's success depends on its ability to engage effectively, work together constructively and to take stakeholder views into account.
- The Trustees also review financial and operational performance, as well as information covering areas such as external drivers which includes the number of applications, staff, staff representatives including working with the Joint Consultative Committee to recognise Unison in addition to the University and College Union (UCU), pensions, delivery, and key risks. This information is provided to the Trustees through routine reports circulated in advance of each Board meeting which are then reviewed, discussed and approved, as necessary.
- The College has established Stakeholder Advisory Groups for each of the main College centres to ensure that it is able to take full account of local considerations in its decision making.

Equality and Diversity

The College celebrates and values diversity and is committed to providing the education and support that enable all members of the learning community to achieve their full potential. Action to promote Equality and Diversity is core to the College's mission, values, and strategic goals. Morley College London's vision identifies the College as a provider of inspiring, distinctive, and excellent adult learning, as a college that contributes to, and is responsive to, the communities it serves.

'Respect for diversity and the promotion of equality' is one of the five core values and is central to Morley College London's vision as it strives to provide relevant and challenging education and training for all sections of the community. Morley College London also strives to be an exemplary employer, and to ensure that it employs a diverse workforce that is equipped with the skills necessary to achieve shared ambitions.

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, sex, sexual orientation, disability, religion or belief and age. We aim to remove conditions that place people at a disadvantage, and we actively combat bigotry. The College's Equality and Diversity Policy is published on the College's Intranet site and website and actions to deliver the policy are regularly monitored.

The College publishes an Annual Equality and Diversity Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College is strongly committed to supporting job applicants and staff with disabilities and long-term health conditions and is positive about mental health. The College has signed up to the Government's Disability Confident Scheme and has committed to the Mindful Employer's Charter. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion that, as far as possible, provide identical opportunities to those of non-disabled employees.

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010:

- a) As part of its property strategy the College is ensuring the entrances to all Centres are fully accessible, and continues to seek to improve the accessibility of the estate as a whole
- b) The College provides a range of specialist equipment and assistive technology to assist learners with disabilities

- c) The College includes on its staff specialist tutors and support assistants to support students with learning difficulties and/or disabilities
- d) There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for learners who have learning difficulties and/or disabilities
- e) Specialist programmes are described in college prospectuses and on the college website
- f) The progress and achievement of learners who have learning difficulties and/or disabilities is carefully monitored
- g) Counselling and welfare services are described in the College's Student Handbook that is issued to students at induction.

Disclosure of information to auditors

The members who held office at the date of approval of this report confirm that, as far as they are each aware, there is no relevant audit information of which the College's auditors are unaware. 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.

This report and the Strategic Report (included therein) was approved by the Governing Body, as the company's board of directors, on 12th December 2022



Leisha Fullick
Chair

Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in accordance with the Code of Good Governance for English Colleges (“the Code”) adopted by the College on 13 October 2015 and in a revised form on 18 July 2022 ; and
- iii. having due regard to the UK Corporate Governance Code 2018 insofar as it is applicable to the College.

The College is committed to exhibiting best practice in all aspects of corporate governance and accordingly the College has adopted and complies with the Code. While we have not adopted and therefore do not apply the UK Corporate Governance Code, we have reported on our corporate governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code that we consider to be relevant.

In the opinion of the Governing Body, the College complies with or exceeds all the provisions of the Code, and it has complied throughout the year ended 31 July 2022. The Governing Body 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.

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

The Governing Body

The members who served on the Governing Body during the year and **up to the date of signature of this report** were as listed in the table below. The Governors are directors and members of the College for the purposes of company law.

Continuing Members

	Date of appointment	Term of office ends	Status of appointment	Committees served and offices held 2021-22	Meetings attended/ possible
Miss Justine Brian	27 February 2018 Reappointed 1 August 2021	31 July 2025	External member	Audit Quality and Standards Lead Governor for Safeguarding	7/12
Mr Alex Cole	29 March 2021	31 July 2024	External member	Audit	8/10
Mr Pedro Dias Ferreira	3 February 2020	31 July 2023	External member	Finance, Resources and Fundraising (Vice-chair) Joint Lead Governor for Development	9/11
Mr Nic Durston	13 April 2018 Reappointed 1 August 2021	31 July 2025	External member	Finance, Resources and Fundraising (Chair) Joint Lead Governor for Development	9/11
Ms Gill Evans	3 February 2020	31 July 2023	External member	Quality and Standards Joint Lead Governor for Equality, Diversity and Inclusion	8/9
Ms Heather Fry	18 October 2016 Reappointed 1 August 2020	31 July 2024	External member	Quality and Standards (Chair) Remuneration (Vice-chair)	10/10

	Date of appointment	Term of office ends	Status of appointment	Committees served and offices held 2021-22	Meetings attended/ possible
Ms Leisha Fullick	10 May 2021	31 July 2024	External member	Chair of Governing Body Quality and Standards Search and Governance	14/14
Mr Jerome Godfrey	21 February 2022	30 November 2023	Student member	Quality and Standards	5/6
Dr Andrew Gower	13 April 2015	NA	Principal and Chief Executive Officer	Quality and Standards Finance, Resources and Fundraising Search and Governance	18/18
Mrs Gail Le Coz	3 February 2020	31 July 2023	External member	Audit Search and Governance	10/13
Ms Susan Lindsey	27 March 2019 Reappointed 2 November 2020 and 3 February 2021	31 July 2024	Student member to 2 February 2021 External member from 3 February 2021)	Finance, Resources and Fundraising Lead Governor for Health, Safety and Sustainability	11/11
Mr Victor Olowe	2 April 2014 Reappointed 16 October 2017 and 1 August 2021	31 July 2023	External member	Vice-chair of Governing Body Audit (Vice-chair) Search and Governance (Vice-chair)	13/13
Ms Jessie Peramal	31 August 2022	31 July 2026	External member	NA	NA

	Date of appointment	Term of office ends	Status of appointment	Committees served and offices held 2021-22	Meetings attended/ possible
Mrs Debbie Ryle	1 August 2020 Reappointed 1 August 2022	31 July 2024	Staff member	Quality and Standards	10/11
Ms Moyra Samuels	3 February 2020	31 July 2023	External member	Finance, Resources and Fundraising Search and Governance Joint Lead Governor for Equality, Diversity and Inclusion	8/15
Dr Melissa Score	3 November 2021	31 July 2023	Staff member	Quality and Standards	9/9
Mr Jonathan Slater	1 August 2021	31 July 2025	External member	Finance, Resources and Fundraising	9/11
Mr James Ward	3 February 2020	31 July 2023	External member	Quality and Standards (Vice-chair) Lead Governor for Careers Education and Guidance	8/9
Mr Raymundo Zuñiga	31 August 2022	31 July 2026	External member	NA	NA

Retiring Members

	Date of appointment	Term of office ended	Status of appointment	Committees served and offices held 2021-22	Meetings Attended/ Possible
Miss Shola Bryan	3 February 2020 Reappointed 2 November 2020 and 3 February 2021	1 October 2021	Student member	NA	NA
Ms Pauline Egan	2 April 2014 Reappointed 16 October 2017 and 1 August 2021	1 April 2022	External member	Vice-chair of Governing Body Audit Remuneration (Chair) Search and Governance	7/9
Ms Lesley Mills Tagoe	16 February 2022	31 August 2022	Student member	Finance, Resources and Fundraising	1/6
Ms Heather Smith	13 April 2018 Reappointed 31 July 2021	31 July 2022	External member	Audit (Chair)	5/9
Mr Adhip Waghe	26 March 2021	1 October 2021	Student member	NA	NA

Mr Martin McNeill served as Clerk to the Governing Body and Company Secretary throughout the year.

Directors and their interests

The directors of the Company are shown above and, except for any instances mentioned, served throughout the year. None of the directors has any interests in the Company.

The Company Secretary maintains a register of financial and personal interests of the members of the Governing Body and of senior post-holders. The register is available for inspection at the address below.

Limited liability

The Company does not have any share capital and is limited by guarantee. The liability of the members, who are the directors, is limited to £1 each in the event of the winding up of the Company.

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

The Governing Body is provided with regular and timely 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 personnel-related matters such as health and safety and environmental issues. The Governing Body meets at least four times per year.

In 2021-22 the Governing Body received advice on the conduct of its business from five committees. Each committee had terms of reference approved by the Governing Body. Those committees were: Audit; Finance, Resources and Fundraising; Quality and Standards; Remuneration; and Search and Governance.

Individual Governors ('lead governors') also assisted and advised the Governing Body in the oversight of particular areas of its responsibility, specifically Careers Education and Guidance, Development, Equality, Diversity and Inclusion, Health, Safety and Sustainability and Safeguarding. The range and remit of committees and the contribution that each makes to effective governance is under continual review.

Full minutes of all meetings, except those deemed to be confidential by the Governing Body, are available from the Clerk to the Governing Body and Company Secretary at the College's registered office:

61 Westminster Bridge Road
London
SE1 7HT

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

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

The Governing Body has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Governing Body 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 and Accounting Officer are separate.

Appointments to the Governing Body

Appointments to the Governing Body are matters for the consideration of the Governing Body as a whole. In 2021-22, the Governing Body had a Search and Governance Committee (now replaced by a Governance and Nomination Committee), which was responsible for the recruitment, selection and nomination of new external members for the Governing Body's consideration and for considering and nominating retiring governors for re-appointment. The Governing Body is responsible for ensuring that appropriate training is provided as required.

Members of the Governing Body are appointed for a term of office not exceeding four years, except for student members who are appointed for a term not exceeding two years. Members generally serve for a maximum of eight years (student governors – four years).

Governing Body performance

The Governing Body has established a comprehensive framework for evaluating its own performance and enhancing the quality of governance, comprising:

- regular review of the composition of the Governing Body and the extent to which the skills and experience of members match the needs of the College;
- analysis of the extent to which members attend board and committee meetings, participate in training and development activities and take up opportunities to engage with the day-to-day work of the College, its staff and students;
- an annual survey of members' views of the effectiveness of the Governing Body;
- an annual review of the impact of the Governing Body on the success of the College;
- a biennial development interview with each member of the Governing Body;
- an annual review of the effectiveness of each committee in discharging the responsibilities delegated to it; and
- a periodic (currently triennial) review of the effectiveness of governance by an independent consultant.

External review of governance

In 2021-22 the Governing Body commissioned an external review of governance. This review (postponed from 2020-21 because of the appointment of a new Chair) was carried out between late February and early April by a team from Advance HE and, in addition to a review of board and committee agendas and minutes and governance documents, included:

- one-to-one interviews with the Chair, Vice-chair, Committee Chairs, Principal and Clerk;
- four focus group meetings with other governors (giving all but two governors the opportunity to talk to the reviewers) and a separate focus group for five SLT members; and
- observation of two committee meetings (Finance, Resources and Fundraising and Quality and Standards) and the 28 March board meeting.

The review found governance to be effective, particularly in fostering a shared culture and vision following merger. The reviewers commended the clarity and distinctiveness of the Strategic Plan and the part that the Governing Body had played in shaping it; the Governing Body's detailed and considered approach to risk; and its shared and united commitment to delivering financial sustainability. Good practice was also evident in the Governing Body's engagement with the student voice and the positive and committed involvement of the student governors.

The review made fourteen recommendations. The Governing Body has drawn up an Action Plan to address these, and the two recommendations relating to the committee structure have already been implemented. The Action Plan gives priority to the four recommendations identified by Advance HE as likely to have high impact. These were:

Board diversity: Increase diversity through co-option onto committees to improve the range of perspectives, experiences and skills involved in the governance arrangements.

College Engagement: Governors increase their contacts with staff and students via a range of actions to broaden and deepen their links with student body and with College Centres

Strategy: Ensure the College strategy more obviously drives the business of the board. This may include introducing strategic updates at each Board meeting and linking the strategy more clearly to Board papers and cover sheets.

Performance: Review the use of high level KPIs and agree the number and frequency to then be monitored by the Board

The Action Plan also prioritises one other recommendation:

Student Voice: Engage with student governors to improve ways in which student voice can be strengthened and support them in engaging more widely with the student body.

Governor development interviews

All governors were interviewed by either the Chair or the Vice-chair of the Governing Body in September-October 2022. The interviews revealed that governors considered the College to be well governed overall, with increased engagement with students and staff identified as a particularly positive development in 2021-22.

Self-assessment and quality enhancement

As governors' views of the effectiveness of governance had been obtained through the external review and the development interviews we did not undertake a formal survey this year.

Nevertheless, having considered the evidence available, the Governing Body is satisfied that the key strengths of governance at the College continue to be:

- a clear understanding of the College's mission, vision and strategy, with a robust Strategic Plan and effective arrangements for monitoring its implementation;
- a strong commitment to the values and ethos of the College;
- rigorous monitoring of performance, supported by high-quality reports, including detailed performance analysis, with further assurance, particularly in relation to financial controls, risk management and safeguarding, provided through the work of well-focused and well-led committees;
- a good balance of support and challenge to the Senior Leadership Team, founded on a shared understanding of the respective roles of governance and management; and
- a systematic approach to reviewing and seeking continuous improvement in governance performance and effectiveness.

The following areas have been identified as having scope for enhancement in 2022-23 and have been included in the Governance Quality Enhancement Plan:

- to develop closer engagement with students, staff and other stakeholders and build strong relationships through regular interactions and accessible and transparent communications that encourage feedback;
- to promote greater diversity within the Governing Body and the Senior Leadership Team through rigorous analysis of skills needs, careful succession planning and appropriate professional development; and
- to ensure that governance processes, including board and committee papers and the management of meetings, enable the Governing Body to focus on strategic issues by presenting strategic challenges and encouraging the exploration of solutions based on accurate, relevant and timely information.

Committees of the Governing Body

Audit Committee

The Audit Committee comprises between three and six members of the Governing Body (excluding the Accounting Officer and the Chair of the Governing Body). The Committee operates in accordance with written terms of reference approved by the Governing Body.

The Audit Committee meets at least termly and provides a forum for reporting by the College's internal and financial statements auditors, and by the accountants appointed to report on regularity, all of whom 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 auditors 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 audit recommendations and internal audit undertakes periodic follow-up reviews to ensure that such recommendations have been implemented.

The Audit Committee also advises the Governing Body on the appointment of internal and financial statements auditors and of accountants to report on regularity and on their remuneration for audit and non-audit work. In common with all other committees, it provides an annual report to the Governing Body summarising its work over the preceding year.

Curriculum and Quality Committee

The Curriculum and Quality Committee comprises between six and eight members of the Governing Body. The Committee advises the Governing Body and provides it with assurance on matters relating to the College curriculum, the quality of education (including learning, teaching and assessment, outcomes for students and the student experience), student voice and customer feedback and the requirements of Ofsted and the Office for Students.

In 2021-22 these responsibilities were discharged by the Quality and Standards Committee, which also had oversight of all aspects of equality, diversity and inclusion across the College.

External Relations Committee

The External Relations Committee comprises between four and six members of the Governing Body. The Committee advises the Governing Body and provides it with assurance on matters relating to stakeholder engagement, stakeholder satisfaction, marketing, fundraising, the conferring of fellowships and awards and the work of the Morley Gallery and Morley Radio.

In 2021-22 these responsibilities were discharged by the Finance, Resources and Fundraising Committee and (in the case of fellowships and awards) the Search and Governance Committee.

Finance, Resources and Sustainability Committee

The Finance, Resources and Sustainability Committee comprises between six and eight members of the Governing Body. The Committee advises the Governing Body and provides it with assurance on financial strategy, financial health, financial management, estates, health and safety, environmental sustainability and digital transformation.

In 2021-22 these responsibilities were discharged by the Finance, Resources and Fundraising Committee, which also had oversight of marketing and communications, fundraising and human resources.

Governance and Nomination Committee

The Governance and Nomination Committee comprises between four and six members of the Governing Body (excluding staff and student members). The Committee advises the Governing Body on the composition and membership of the Governing Body, the appointment and re-appointment of external members and on all matters relating to the governance of the College, including the development of the Board as a whole and of individual governors, the setting of targets for Governing Body performance and the related performance review arrangements.

In 2021-22 these responsibilities were discharged by the Search and Governance Committee, which also advised the Governing Body on the appointment of the conferring of fellowships and awards.

People Committee

The People Committee comprises between six and eight members of the Governing Body. The Committee advises the Governing Body and provides it with assurance on all matters relating to the recruitment and development of staff and their pay and conditions of employment, as well as on the promotion of equality, diversity and inclusion.

In 2021-22 these responsibilities were discharged by the Finance, Resources and Fundraising Committee (people management), the Quality and Standards Committee (equality, diversity and inclusion) and the Remuneration Committee (senior leadership development and succession planning)

Remuneration Committee

The Remuneration Committee comprises three members of the Governing Body (excluding staff and student members and the Accounting Officer). The Committee advises the Governing Body on the remuneration and benefits of the Accounting Officer and other holders of senior posts and on leadership development and succession planning for the Senior Leadership Team. The senior post-holders within the remit of the Remuneration Committee comprise the Principal, the Deputy Principal, the Chief Finance Officer and the Clerk to the Governing Body and Company Secretary. The Governing Body has a clear policy on the remuneration of senior post holders, which is determined following consideration by the Remuneration Committee of the value of and market rate for each role with due regard to the overall financial position of the College, the median rate of pay for College staff and any overall staff pay award. The policy also provides for the payment of non-consolidated awards of up to three per cent of salary to recognise exceptional performance and places restrictions on earnings from external work.

Details of remuneration for the year ended 31 July 2022 are set out in note 7 to the financial statements.

Internal control

Scope of responsibility

The Governing Body 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 Governing Body has delegated to the Principal, as Accounting Officer, the day-to-day responsibility 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 he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between the College and the ESFA. He is also responsible for reporting to the Governing Body 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 ongoing 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 the College for the year ended 31 July 2022 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Governing Body 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 Governing Body is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2022 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Governing Body.

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative 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 Governing Body;
- regular reviews by the Governing Body 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; and
- the adoption of formal project management disciplines, where appropriate.

The College has commissioned an internal audit service, which operates in accordance with the requirements of the ESFA's 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 Governing Body on the recommendation of the Audit Committee. A new internal audit service provider was appointed in March 2021 and has undertaken a number of investigations, providing individual reports to the Governing Body.

Review of effectiveness

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

- the work of the internal audit service provider;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the College's financial statements auditors and the reporting accountants for regularity assurance 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 audit service provider and other assurance providers and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Risk Management Committee comprises members of the Senior Leadership Team and other co-opted members with an understanding of Health and Safety, Premises, IT, People Operations, Finance and academic issues. The Committee receives reports setting out key performance and risk indicators and considers possible control issues brought to its attention by early warning mechanisms, which are embedded across the College and reinforced by risk awareness training.

The Risk Management Committee and the Audit Committee also receive regular reports from the internal audit service provider and other providers of assurance, which may 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 Governing Body's agenda includes a regular item for consideration of risk and control and it receives relevant reports from the Senior Leadership Team and the Audit Committee. The emphasis is on obtaining the appropriate degree of assurance and not merely reporting by exception.

At its December 2022 meeting, the Governing Body carried out the annual assessment for the year ended 31 July 2022 by considering documentation from the Senior Leadership Team and internal audit, and taking account of events since 31 July 2022.

Based on the advice of the Audit Committee and the Accounting Officer, the Governing Body is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for *'the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets'*.

Going concern

After making appropriate enquiries, and taking account of:

- the sound level of liquidity as at 31 July 2022
- the College's performance against budget, reflecting the impact of Covid-19
- the five-year Financial Plan in support of the merger agreed with the ESFA
- the future availability of a further £2.0 million of the £3.5 million grant facility to provide cashflow support over the life of the plan, if required

the Governing Body 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.

Approved by order of the members of the Governing Body on 12 December 2022 and signed on its behalf by:

Signed



Leisha Fullick
Chair

Signed



Dr Andrew Gower
Accounting Officer

Statement of Regularity, Propriety and Compliance

The Governing Body has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the College's grant funding agreements and contracts with the ESFA. As part of our consideration, we have had due regard to the requirements of the grant funding agreements and contracts with the ESFA.

We confirm on behalf of the College that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding, under the College's grant funding agreements and contracts with the ESFA, or any other public funder.

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



Dr Andrew Gower
Accounting Officer
12 December 2022



Leisha Fullick
Chair of Governors
12 December 2022

Statement of Responsibilities of the Governing Body

The Governing Body, as the board of trustees, is required to present audited financial statements for each financial year.

Within the terms and conditions of the Governing Body's grant funding agreements and contracts with the ESFA, the Governing Body – 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, the ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, which give a true and fair view of the state of affairs of the College and its deficit of income over expenditure for that period.

In preparing the financial statements, the Governing Body 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 College is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate; and
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

The Governing Body is also required to prepare a 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 College.

The Governing Body 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 Governing Body is responsible for the maintenance and integrity of the College's 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.

The Governing Body is responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, it is responsible for ensuring that funds from the ESFA and any other public funds are used only in accordance with the ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time by the ESFA or any other public funder. Members of the Governing Body 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 Governing Body are responsible for securing economical, efficient and effective management of the College's resources and expenditure so that the benefits that should be derived from the application of public funds from the ESFA and other public bodies are not put at risk.

Approved by order of the Governing Body on 12 December 2022 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Leisha Fullick', with a small dot above the 'i'.

Leisha Fullick

Chair of Governors

Independent auditor's report to the Governing Body of Morley College London

Opinion

We have audited the financial statements of Morley College London (the 'College') for the year ended 31 July 2022 which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet, the statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and 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 2022 and of its deficit of income under expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- in all material respects, funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- in all material respects, funds provided by the Office for Students (OfS), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of OfS's accounts direction have been met
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Governing Body with respect to going concern are described in the relevant sections of this report.

Independent auditor's report to the Governing Body of Morley College London (continued)

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 Governing Body is 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Governors' report, which is also the directors' report for the purposes of company law and includes the strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Governors' report, which is also the directors' report for the purposes of company law and includes the strategic report, has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the College and its environment obtained in the course of the audit, we have not identified material misstatements in the Governors' report including the strategic report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 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
- certain disclosures of Governors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of the following matters in relation to which the Office for Students requires us to report to you if, in our opinion:

- the College's grant and fee income, as disclosed in note 3 to these financial statements has been materially misstated.

Independent auditor's report to the Governing Body of Morley College London (continued)

Responsibilities of the Governing Body

As explained more fully in the statement of responsibilities of the Governing Body, 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 are 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 intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

Auditor's 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:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- ◆ the Senior Statutory Auditor ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- ◆ we identified the laws and regulations applicable to the College through discussions with management, and from our knowledge and experience of the sector;
- ◆ we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the College, including the Further and Higher Education Act 1992, Companies Act 2006, funding agreements with the ESFA and associated funding rules, ESFA regulations, data protection legislation, anti-bribery, safeguarding, employment, health and safety legislation;

Independent auditor's report to the Governing Body of Morley College London (continued)

- ◆ we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- ◆ identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the College's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- ◆ making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- ◆ considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- ◆ performed analytical procedures to identify any unusual or unexpected relationships;
- ◆ tested journal entries to identify unusual transactions; and
- ◆ assessed whether judgements and assumptions made in determining the accounting estimates set out in the accounting policies were indicative of potential bias.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- ◆ agreeing financial statement disclosures to underlying supporting documentation;
- ◆ reading the minutes of Governing Body meetings;
- ◆ enquiring of management as to actual and potential litigation and claims; and
- ◆ reviewing any available correspondence with HMRC and the College's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the Governing Body and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

Independent auditor's report to the Governing Body of Morley College London (continued)

Use of our report

This report is made solely to the College's members, as a body, in accordance with the Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the College's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the College's members as a body, for our audit work, for this report, or for the opinions we have formed.



Catherine Biscoe (Senior Statutory Auditor)
For and on behalf of Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

Date: 21 December 2022

Reporting accountant's assurance report on regularity

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

In accordance with the terms of our engagement letter dated 25 June 2022 and further to the requirements and conditions of funding in the 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 Morley College Limited during the period 1 August 2021 to 31 July 2022 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 the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record data returns, for which the ESFA has other assurance arrangements in place.

This report is made solely to the corporation of Morley College Limited and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Morley College Limited and the 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 Morley College Limited and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Morley College Limited and the reporting accountant

The corporation of Morley College Limited 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 2021 to 31 July 2022 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 the ESFA. We performed a limited assurance engagement as defined in that framework. The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. 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 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 the areas identified through the risk assessment 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 2021 to 31 July 2022 has not been applied to purposes intended by Parliament, and the financial transactions do not conform to the authorities that govern them.

Buzzacott LLP

Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

Date: 21 December 2022

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 July 2022

	Notes	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
INCOME			
Funding body grants	2	15,646	15,458
Tuition fees and education contracts	3	3,833	2,376
Other grants and contracts	4	19	655
Other income	5	812	371
Investment income	6	9	13
Donations	7	690	33
Total income		21,009	18,906
EXPENDITURE			
Staff costs	9	16,996	16,404
Other operating expenses	10	5,819	5,724
Depreciation	12	1,321	1,279
Interest and other finance costs	11	271	237
Total expenditure		24,407	23,644
(Deficit) before other gains and losses		(3,398)	(4,738)
(Loss)/Gain on investments	13	(1)	21
(Deficit) before tax		(3,399)	(4,717)
Taxation		-	-
(Deficit)/surplus for the year		(3,399)	(4,717)
Actuarial gain in respect of pensions schemes	22	15,326	2,467
Total Comprehensive income (expenditure) for the year		11,927	(2,250)
Represented by:			
Unrestricted comprehensive income expenditure)		11,927	(2,250)
Restricted comprehensive income (expenditure)		-	-
		11,927	(2,250)
Memo item: deficit prior to FRS102 pensions adjustments			
(Deficit) before other gains and losses		(3,398)	(4,738)
Interest and other finance costs		271	237
FRS102 pension costs within staff costs		1,884	1,636
Loss after FRS102 pensions adjustments		(1,243)	(2,865)

STATEMENT OF CHANGES IN RESERVES
For the year ended 31 July 2022

	Income and Expenditure account	Restricted Reserves	Revaluation Reserve	Total
	£'000	£'000	£'000	£'000
Balance at 31st July 2020	9,944	160	24,197	34,301
Deficit from the income and expenditure account	(4,738)	-	-	(4,738)
Other comprehensive income	2,467	-	-	2,467
Other gains	-	-	21	21
	(2,271)	-	21	(2,250)
Balance at 31st July 2021	7,673	160	24,218	32,051
Deficit from the income and expenditure account	(3,398)	-	-	(3,398)
Other comprehensive income	15,326	-	-	15,326
Other losses	-	-	(1)	(1)
	11,928	-	(1)	11,927
Balance at 31st July 2022	19,601	160	24,217	43,978

BALANCE SHEET

As at 31 July 2022

	Notes	2022 £'000	2021 £'000
Fixed assets			
Tangible fixed assets	12	49,948	50,168
Intangible fixed assets	12	235	214
Investments	13	243	244
		<u>50,426</u>	<u>50,626</u>
Current assets			
Trade and other receivables	14	1,954	835
Cash and cash equivalents	18	1,460	3,195
		<u>3,414</u>	<u>4,030</u>
Less: Creditors – amounts falling due within one year	15	(3,650)	(3,150)
Net current assets		<u>(236)</u>	<u>880</u>
Total assets less current liabilities		50,190	51,506
Less: Creditors – amounts falling due after more than one year	16	(2,490)	(2,560)
Provisions			
Defined benefit obligations	22	(3,722)	(16,893)
Total net assets		<u>43,978</u>	<u>32,053</u>
Restricted reserves	21	160	160
Unrestricted reserves			
Pension reserve	21	(3,722)	(16,893)
Income and expenditure account	21	23,468	24,566
Revaluation reserve	21	24,072	24,218
Total unrestricted reserves		<u>43,818</u>	<u>31,891</u>
Total reserves		<u>43,978</u>	<u>32,051</u>

The financial statements on pages 51 to 54 were approved and authorised for issue by the Corporation on 12 December 2022 and were signed on its behalf on that date by:



Leisha Fullick
Chair



Dr Andrew Gower
Accounting Officer

Statement of Cash Flows

	Notes	2022 £'000	2021 £'000
Cash (outflow) inflow from operating activities			
Deficit for the year		(3,399)	(4,737)
Adjustment for non cash items			
Depreciation and amortisation		1,321	1,279
(Increase)/decrease in debtors		(1,119)	136
Increase in creditors due within one year		500	33
(Decrease) / increase in creditors due after one year		(39)	1,441
Pensions costs less contributions payable		2,155	1,873
Adjustment for investing or financing activities			
Investment income		(9)	(13)
		<u>(590)</u>	<u>11</u>
Net cash flow from operating activities			
Cash flows from investing activities			
Investment income		9	13
Purchase of non-current assets - tangible assets		(966)	(2,072)
Purchase of non-current assets - intangible assets		(158)	(35)
		<u>(1,115)</u>	<u>(2,094)</u>
Cash flows from financing activities			
Repayments of amounts borrowed		(30)	(30)
		<u>(30)</u>	<u>(30)</u>
Decrease in cash and cash equivalents in the year		<u>(1,735)</u>	<u>(2,113)</u>
Cash and cash equivalents at beginning of the year	19	3,195	5,308
Cash and cash equivalents at end of the year	19	1,460	3,195

Morley College Limited – Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2021 to 2022 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the use of previous valuations as deemed cost at transition for certain non-current assets and for fixed asset investments that are carried at market value.

The College's financial statements are presented in sterling, which is also the functional currency of the College. Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

Going concern

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

The College has a loan for £500k, which was drawn down in July 2018 and has a term of 20 years. This borrowing was deployed to support the property strategy, creating a new college entrance, reception, and the refurbishment of the gallery.

The College completed its business combination with Kensington and Chelsea College (KCC) on 3 February 2020. Under the business combination under the Statement of Recommended Practice: Accounting for Further and Higher Education, KCC merged into Morley College London.

As part of the merger process, the College agreed a five-year merger financial plan with the ESFA. Recognising the challenge associated with the overall merger transaction the merger financial plan is supported by a £3.5M Restructuring Facility Grant provided by the ESFA.

This may be drawn down to provide additional cashflow should cash balances fall below an agreed level.

While the impact of Covid-19, which was not anticipated in the merger financial plan, has been extremely challenging, the College has maintained cash balances, drawing on £1.5M of the Restructuring Facility Grant. A further £2.0M remains undrawn.

Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

Revenue grant funding

The recurrent grant from the ESFA represents the funding allocations attributable to the current financial year and is credited direct to the income and expenditure account. 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 achievement for the Adult Education Budget, unless within tolerance limits, 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 correspondence from the funding body 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.

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 after 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.

Tuition 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; this includes all fees payable by students or their sponsors.

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.

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 model 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.

The deferred income is allocated between creditors due within one year and those due after more than one year.

Donations and Legacies

Income from donations and legacies is recognised when the following three criteria are met:

- entitlement: arises when a resource is receivable or control over the rights or other access to economic benefit has passed to the College
- probable: it is more likely than not that the economic benefit associated with the transaction or gift will flow to the College
- measurement: then the monetary value of the income can be reliably measured, and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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 and contracted out of the State Second Pension.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated 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.

Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Local Government Pension Schemes (LGPS): London Pensions Fund Authority (LPFA) and Royal Borough of Kensington and Chelsea (RBKC)

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 actuarial gains and losses.

The following quote is taken from the LPFA annual valuation report, which the valuation used in the accounts:

“On 22 January 2018, the Government published the outcome to its Indexation and equalisation of Guaranteed Minimum Pensions (GMP) in public service pension schemes consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals’ public service pension would be extended to those individuals reaching State Pension Age (SPA) before 6 April 2021. HM Treasury published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016.

Our valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that the Fund will be required to pay the entire inflationary increase. Therefore we do not believe we need to make any adjustments to the value placed on the liabilities as a result of the above outcome.”.

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.

Termination of employment costs

The best estimate of expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the College is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

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 2019 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

The College's buildings are specialised buildings and therefore it is not appropriate to value them based on open market value. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 50 years.

Internal buildings improvements or modifications, which add to the long-term value of the building, are depreciated over a period of up to twenty years.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the income and expenditure account. On adoption of FRS 102, the College followed the transitional provision and elected to use the fair value of land at 1 August 2014 as deemed cost but not to adopt a policy of revaluations of land in the future. The College retained the book value of all other assets.

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 2022. They are not depreciated until they are brought into use.

Equipment

Equipment costing less than £3,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost and depreciated over its useful economic life on a straight-line as follows:

General equipment	3 to 10 years
Computer equipment	3 years
Pianos	10 years
Lift	10 years
Boilers	10 years

In the year of acquisition, assets are depreciated from the starting month of the assets' useful economic life. Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged 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. The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

Heritage Assets

The College has a collection of paintings, drawings and sculptures, which are held to enhance the fabric of its buildings or to celebrate its distinguished history in the liberal arts and add to the College's contribution to knowledge and culture. The Governing Body considers that, owing to the incomparable nature of these paintings, drawings and sculptures, conventional valuation approaches lack sufficient reliability and that, even if the valuations could be obtained, the costs would be onerous compared with the additional benefits derived by the College and users of the accounts. As a result, no value is reported for these assets in the balance sheet.

Intangible Assets

Intangible assets comprise software licences and information technology. Items costing less than £3,000 are written off to the income and expenditure account in the year of acquisition. All other items are capitalised and amortised over five years.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure.

Fixed asset investments

Fixed asset investments are carried at their market value less any provision for impairment in their value. Any increase or decrease in value during the year is credited or debited to the revaluation reserve.

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.

Taxation

The College is a registered charity and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010. 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 received no similar exemption in respect of value added tax. For this reason, and because the College is not VAT registered, the College is unable to recover the input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT.

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.

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 as 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 College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability of the asset. 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 2019 has been used by the actuary in valuing the pensions liability at 31 July 2022. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

The College is a member of two LGPS schemes. A surplus on either scheme is not carried on the balance sheet in accordance with the requirements of FRS 102. Accordingly, a corresponding adjustment against the actuarial gain has been made to bring the net LGPS position of the scheme in surplus to £nil on the balance sheet.

As there is no right to offset an asset in one scheme against a liability in another scheme, the scheme in surplus is included on the balance sheet at £nil, and the liability of the scheme in deficit has been recognised in full.

- *Impact of Covid-19*

To estimate the impact of the Covid-19 pandemic on the future income and expenditure flows of the College and on its short to medium term financial stability in assessing going concern.

2 Funding body grants

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Recurrent grants		
Education and Skills Funding Agency/GLA - adult	12,624	12,230
Education and Skills Funding Agency - 16 -18	863	2,037
Office for Students	15	95
Specific Grants		
Teacher Pension Scheme contribution grant	429	468
Restructuring facility grant	1,500	564
Release of government capital grants	185	34
Release of GLA LEAP capital grant	30	30
Total	15,646	15,458

3 Tuition fees and education contracts

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Tuition fees	2,682	1,490
Education contracts	1,151	886
Total	3,833	2,376

3a Analysis of Higher Education grant and fee income

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Grant income from the Office for Students	15	95
Fee income for taught awards at level 4 and above	67	5
	82	100

4 Other grants and contracts

	Year ended 31 July	Year ended 31 July
	2022 £'000	2021 £'000
Coronavirus Job Retention Scheme grant	19	655
	<u>19</u>	<u>655</u>
Total		

The corporation furloughed a combination of management, support, teaching and casual staff both salaried and hourly paid under the government's Coronavirus Job Retention Scheme. The funding of £19k (2021:£655k) relates to staff costs which are included within the staff costs note as appropriate.

5 Other income

	Year ended 31 July	Year ended 31 July
	2022 £'000	2021 £'000
Other income generating activities	812	371
	<u>812</u>	<u>371</u>
Total		

6 Investment income

	Year ended 31 July	Year ended 31 July
	2022 £'000	2021 £'000
Other interest receivable	9	13
	<u>9</u>	<u>13</u>

7 Donations

	Year ended 31 July	Year ended 31 July
	2022 £'000	2021 £'000
Legacy donations	679	0
Unrestricted donations	11	33
	<u>690</u>	<u>33</u>

8 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 Senior Management Team. This comprised of the Principal & Chief Executive, Deputy Principal & Deputy CEO and Chief Finance Officer.

Staff costs include compensation paid to key management personnel for loss of office.

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

	2022 No.	2021 No.
The number of key management personnel including the Accounting Officer was:	3	3

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:

	Senior post-holders		Other staff	
	2022 No.	2021 No.	2022 No.	2021 No.
£90,000 to £95,000	2	2		
£125,001 to £130,000	1	1	-	-
	<u>3</u>	<u>3</u>	<u>-</u>	<u>-</u>

Key management personnel compensation is made up as follows:

	2022 £'000	2021 £'000
Salaries - gross of salary sacrifice	320	320
Employers National Insurance	42	41
Benefits in kind	-	0
	<u>362</u>	<u>361</u>
Pension contributions	69	76
Fundamental restructuring costs - contractual	-	-
Total emoluments	<u>431</u>	<u>437</u>

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 (who is also the highest paid officer) of:

	2022 £'000	2021 £'000
Salaries	130	130
Benefits in kind	-	-
	<u>130</u>	<u>130</u>
Pension contributions	<u>31</u>	<u>31</u>
Total emoluments	<u>161</u>	<u>161</u>

In considering the Remuneration of Senior Post Holders due consideration has been given to the Committee of University Chairs (CUC) Higher Education Senior Staff Remuneration Code.

The remuneration and performance of all Senior Post Holders including the Accounting Officer is reviewed annually by the Remuneration Committee.

The pension contributions in respect of the Accounting Officer and key management personnel are in respect of employers' contributions to the Teachers' or Local Government Pension Schemes and are paid at the same rate as for other employees.

The multiple of median earnings represented by the Principal's salary is 3.89 times (2021 :3.88). Based on total emoluments the multiple of median earnings is 4.11 times (2021 :3.88). The median salary for the College is £33,426 (2021 :£33,487).

The pension contributions in respect of the Accounting Officer and key management personnel are in respect of employers' contributions to the Teachers' or Local Government Pension Schemes and are paid at the same rate as for other employees.

The Accounting Officer and staff members only receive remuneration in respect of services they provide undertaking their roles of Principal and staff members under contracts of employment and not in respect of their roles as governors.

The members of the Governing Body other than the Accounting Officer and the staff members did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. During the year 2 governors (2021 :1) with total expenses of £130 (2021 :£52) were paid to or on their behalf.

9 Staff costs

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

	2022	2021
	No.	No.
Teaching staff	150	161
Non teaching staff	<u>147</u>	<u>149</u>
	<u>297</u>	<u>310</u>

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

	2022	2021
	No.	No.
Teaching staff	643	572
Non teaching staff	<u>204</u>	<u>208</u>
	<u>847</u>	<u>780</u>

Staff costs for the above persons

	2022	2021
	£'000	£'000
Wages and salaries	11,424	11,582
Social security costs	1,034	935
Other pension costs	2,001	1,961
FRS 102 pension cost adjustments	<u>1,884</u>	<u>1,636</u>
Sub total	16,343	16,114
Contracted out staffing services	<u>162</u>	<u>242</u>
	16,505	16,356
Fundamental restructuring costs - contractual	490	48
non contractual	-	-
	<u>16,995</u>	<u>16,404</u>

Restructuring costs of £319,000 were incurred in respect of the redundancy pay for 21 members of staff.

10 Other operating expenses

	Year ended 31 July	Year ended 31 July
	2022	2021
	£'000	£'000
Teaching costs	1,300	1,056
Non teaching costs	2,670	3,239
Premises costs	<u>1,849</u>	<u>1,429</u>
Total	<u>5,819</u>	<u>5,724</u>

Other operating expenses include:

	2022	2021
	£'000	£'000
Auditors' remuneration:		
Financial statements audit (including regularity)	51	48
Audit Fees (under)/overaccrued previous year	(22)	32
Internal audit	12	36
Hire of assets under operating leases	75	96

11 Interest payable

	2022	2021
	£'000	£'000
Net interest on defined pension liability (note 22)	<u>271</u>	<u>237</u>
Total	<u>271</u>	<u>237</u>

12 Tangible fixed assets

	Freehold Land and buildings	Leasehold Land and buildings	Equipmen t	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2021	38,967	10,425	5,999	3,320	58,711
Reclassifications	3,736	0	148	(3,736)	148
Additions	95	34	305	532	966
At 31 July 2022	42,798	10,459	6,452	116	59,825
Depreciation					
At 1 August 2021	3,456	311	4,778	-	8,545
Reclassifications			146		146
Charge for the year	461	234	491		1,186
At 31 July 2022	3,917	545	5,415	-	9,877
Net book value at 31 July 2022	38,881	9,914	1,037	116	49,948
Net book value at 31 July 2021	35,511	10,114	1,221	3,320	50,166

Land and buildings were valued at 1 August 2014 at depreciated replacement cost by Gerald Eve LLP, a firm of independent chartered surveyors.

The College has given a fixed charge over some of the College's freehold land and buildings to the London Pensions Fund Authority. This action secures a reduced employer contribution to the pension scheme through reduced pension risk.

In addition to the assets outlined above, the College owns a collection of artworks of historical and artistic importance, which it deems to be heritage assets as defined under FRS 102 (34). The collection comprises paintings, drawings and sculptures, which have been commissioned or acquired at various times by the College either to enhance the fabric of its buildings or to celebrate its distinguished history in the liberal arts. The collection is considered to be part of the College's ethos in relation to its educational approach and integral to its broader objective of educating the public in the arts. It is not practical to ascertain the cost of these assets

The College considers that these heritage assets cannot be reasonably valued and has therefore, and in accordance with paragraph 18.14 of the Charities SORP 2019, not included them in its balance sheet.

12a Intangible assets

Cost or valuation	Software £'000
At 1 August 2021	741
Reclassifications	(148)
Additions	158
At 31 July 2022	751

Depreciation

At 1 August 2021	527
Reclassifications	(146)
Charge for the year	<u>135</u>
At 31 July 2022	<u>516</u>

Net book value at 31 July 2022 **235**

Net book value at 31 July 2021 214

12 Capital commitments

	Year ended 31 July 2022	Year ended 31 July 2021
	£'000	£'000
Contracts for future capital expenditure not provided	35	213

13 Non current investments

	2022	2021
	£'000	£'000
(i) M & G Charifund investments	60	61
(ii) STIC Global investments	118	118
(iii) COIF Bursary and Prize Fund investments	65	65
Total	243	244

Total investment losses in the year were £1k (2021: gains of £21k)

Note (i) M & G Charifund investments

The College owns 3,982 M & G Charifund income units:

	2022	2021
	£'000	£'000
Cost	5	5
Revaluation surplus brought forward	56	45
Revaluation movement in year (Note 21)	(1)	11
Market value at 31 July 2022	60	61

Note (ii) STIC Global investments

The College owns 116,973 £1 shares in STIC Global:

	2022	2021
	£	£
Market value as at 31 July 2022	117,921	117,623

Note (iii) Charities Official Investment Fund (COIF)

The College owns shares in the Charities Official Investment Fund (COIF):

	Number of Shares	2022 £	2021 £
Cost of shares			
Martineau Memorial Fund	473	491	491
Emma Cons (Morley College) Memorial Fund	68	70	70
Sheddon Memorial Fund	1,844	1,961	1,961
Anstruther Sheepshanks Scholarship	365	379	379
Group Theatre (Morley College)	587	610	610
Total cost of shares	3,337	3,511	3,511

Cost of Capital Shares

Martineau Memorial Fund	371	371
Emma Cons (Morley College) Memorial Fund	67	67
Sheddon Memorial Fund	1,242	1,242
Anstruther Sheepshanks Scholarship	379	379
Group Theatre (Morley College)	596	596
Total capital shares	2,655	2,655

Cost of Income Shares

Martineau Memorial Fund	120	120
Emma Cons (Morley College) Memorial Fund	3	3
Sheddon Memorial Fund	719	719
Group Theatre (Morley College)	14	14
Total income shares	856	856

Cost	3,511	3,511
Revaluation surplus brought forward	61,800	52,462
Revaluation movement in the year	(716)	9,338
Market value as at 31 July 2022 as above	64,595	65,311

Notes to the Accounts (continued)**14 Trade and other receivables**

	2022	2021
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	513	287
Accrued income	934	236
Prepayments	507	312
Total	<u>1,954</u>	<u>835</u>

15 Creditors: amounts falling due within one year

	notes	2022	2021
		£'000	£'000
Bank loans and overdrafts	17	39	39
Payments received in advance / deferred income		474	603
Trade payables		625	384
Other taxation and social security		304	277
Accruals		756	600
Other creditors		868	825
Amounts owed to the ESFA /GLA		373	358
Deferred income - government and GLA capital grants		212	64
Total		<u>3,650</u>	<u>3,150</u>

Deferred Income

Deferred income at 1 August	603	159
Resources deferred in the year	474	603
Amount released from previous years	(603)	(159)
Deferred income at 31 July	<u>474</u>	<u>603</u>

16 Creditors: amounts falling due after one year

	2022	2021
	£'000	£'000
Bank loans	343	374
Deferred income - government and GLA capital grants	2,147	2,186
Total	<u>2,490</u>	<u>2,560</u>

Deferred Capital Grants

At 1 August	2,250	803
Received in the year	322	1,511
Released to the income and expenditure account	(212)	(64)
Deferred income at 31 July	<u>2,360</u>	<u>2,250</u>

17 Maturity of debt**Bank loans**

Bank loans are repayable as follows:

		2022	2021
		£'000	£'000
In one year or less	15	39	39
Between one and two years		42	39
Between two and five years		125	117
In five years or more		176	218
Total		382	413

Bank loans at 2 per cent above base rate repayable by instalments falling due between 1 August 2018 and 31 July 2033 totalling £500,000 are secured on a portion of the freehold land and buildings of the College (the Nancy Seear Building).

18 Cash and cash equivalents

	At 1 August 2021	Cash flows	Other changes	At 31 July 2022
	£'000	£'000	£'000	£'000
Cash and cash equivalents	3,195	(1,735)	-	1,460
Total	3,195	(1,735)	-	1,460

19 Analysis of changes in net funds

	At 1 August 2021	Cash flows	New finance leases	Other non-cash changes	Changes in market value and exchange rates	At 31 July 2022
	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	3,195	(1,735)	-	-	-	1,460
	3,195	(1,735)	-	-	-	1,460
Bank loans	(413)	30	-	-	-	(383)
Net debt	2,782	(1,705)	-	-	-	1,077

20 Financial instruments

The college has the following financial instruments:

		2022	2021
		£'000	£'000
Financial assets			
Financial assets measured at fair value through profit and loss	13	243	244

21 Funds

	As at 31 July 2021 £000s	Income £000's	Expenditure £000s	Other gains £000s	Transfers £000s	As at 31 July 2022 £000s
Restricted Funds						
Bursary and Investments	86	-	-	-	-	86
Special Projects	74	-	-	-	-	74
	160	-	-	-	-	160
Unrestricted Funds						
General Reserve	24,195	21,009	(22,252)	-	-	22,952
Revaluation Reserve	24,073	-	-	(1)	-	24,072
Development Fund	433	-	-	-	-	433
Other Designated Funds		-	-	-	-	
Bursary fund	58	-	-	-	-	58
Special Projects	18	-	-	-	-	18
Heritage Fund	7	-	-	-	-	7
Total Unrestricted Funds	48,784	21,009	(22,252)	(1)	-	47,540
Total Funds (excluding Pension Reserve)	48,944	21,009	(22,252)	(1)	-	47,700
Pension reserve	(16,893)	0	(2,155)	15,326		(3,722)
Total reserves	32,051	21,009	(24,407)	15,325	-	43,978

Restricted funds

There were no movements within the restricted funds in year.

Unrestricted funds: Revaluation Reserve

The revaluation reserve smooths out the effects over time of changes in the value of the College's investment portfolio. Current practice is to increase or decrease the size of the reserve by the increase or decrease in the value of investments so that this movement does not impact the income and expenditure account. This reserve also includes the increase in the value of land on adoption of FRS102.

Development Reserve

The Development Reserve is a designated fund that has been established to improve and extend the College's buildings, its environment and the facilities available for students in accordance with the College Property Strategy. The College's reserves policy is to retain a minimum level of general reserves (excluding losses or gains in respect of the pension scheme) equivalent to one term (four months) expenditure to cover the risks and uncertainties of operating its main business and continue building up the Development Reserve from annual operating surpluses. The Development Reserve was not adjusted within the year.

COIF Bursary Fund

This unrestricted Bursary Fund was established to supplement the restricted bursary fund, and is held to provide support for learners to attend College whose financial circumstances otherwise preclude them from doing so. There were no movements on the fund within the year.

Special Projects Fund

The Special Projects Fund exists to help the College develop new initiatives, support innovation and pilot new work and performances that will strengthen the College's reputation and profile. There were no movements to this fund in year.

Heritage Fund

The Heritage Fund exists to maintain, promote and celebrate the College's history and heritage including the restoration, renovation and expansion of the College art collection. There were no movements to this fund in year.

22 Defined benefit obligations

The College's employees belong to three principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff, the London Local Government Pension Scheme (LGPS) for non-teaching staff based at the Waterloo centre, which is managed by the London Pension Fund Authority, and the London Local Government Pension Scheme (LGPS) for non-teaching staff based at North Kensington and Chelsea centre, which is managed by the Royal Borough of Kensington and Chelsea. All three are multi-employer defined-benefit plans. The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2019 and of the LGPS 31 March 2020.

Total pension cost for the year	2022 £'000	2021 £'000
Teachers Pension Scheme: contributions paid	1,333	1,398
Local Government Pension Schemes:		
Contributions paid	676	664
FRS 102 (28) charge	<u>1,884</u>	<u>1,636</u>
Charge to the Statement of Comprehensive Income	2,560	2,300
Total Pension Cost for Year	<u>3,893</u>	<u>3,698</u>

Contributions amounting to £235k were payable to the schemes as at 31 July 2022 and are included in creditors (2021:£261k).

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.

The latest actuarial review of the TPS was carried out as at 31 March 2019. 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 2018/19. DfE continues to pay a teacher pension employer contribution grant to cover the additional costs during the 2021-22 academic year.

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

The pension costs paid to TPS in the year amounted to £1,332,930 (2021: £1,398,091)

22 Defined benefit obligations (continued)

The college is a member of two Local Government Pensions Schemes, the London Pension Fund Authority (LPFA) and the Royal Borough of Kensington and Chelsea Scheme (RBKC)

Local Government Pension Scheme - London Pension Fund Authority

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the London Pension Fund Authority. The total contribution made for the year ended 31 July 2022 was £658k, of which employer's contributions totalled £452k and employees' contributions totalled £206k. The agreed contribution rates for future years are 15.1% for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

Principal Actuarial Assumptions

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

	At 31 July 2022	At 31 July 2021
Rate of increase in salaries	3.80%	3.85%
Future pensions increases	2.80%	2.85%
Discount rate for scheme liabilities	3.40%	1.60%
Inflation assumption (CPI)	2.85%	2.85%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2022	At 31 July 2021
	years	years
<i>Retiring today</i>		
Males	23.0	22.9
Females	23.7	23.6
<i>Retiring in 20 years</i>		
Males	23.1	23.0
Females	25.7	25.6

Due to high periods of inflation up to 31 July 2022, an adjustment has been made to the year end valuation to account for the estimated impact on the Pension Order Increase due to be implemented from 1 April 2023. The estimated impact of the defined benefit obligation has been recognised as an experience loss of £977,000. This charge has been made against Other Comprehensive Income, however is not directly reflected within the listed actuarial assumptions above.

22 Defined benefit obligations (continued)**Local Government Pension Scheme - London Pension Fund Authority (Continued)**

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

	Long-term rate of return expected at 31 July 2022	Fair Value at 31 July 2022	Long-term rate of return expected at 31 July 2021	Fair Value at 31 July 2021
		£'000		£'000
Equities	57%	8,475	56%	7,434
Target Return Portfolio	22%	3,242	22%	2,899
Infrastructure	11%	1,571	9%	1,188
Property	10%	1,467	9%	1,119
Cash	1%	180	4%	523
Total market value of assets		14,935		13,163

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

	2022 £'000	2021 £'000
Fair value of plan assets	14,935	13,163
Present value of plan liabilities	(18,657)	(25,196)
Net pensions liability	(3,722)	(12,033)

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

	2022 £'000	2021 £'000
Amounts included in staff costs		
Current service cost	1,783	1,519
Past service cost	-	-
Total	1,783	1,519

Amounts included in investment income

Net interest income	189	146
Administration expenses	17	15
	206	161

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	872	1,203
Other actuarial gains on assets	-	-
Experience losses / (gains) arising on defined benefit obligations	(1,566)	447
Changes in assumptions underlying the present value of plan liabilities	10,542	(1,802)
Amount recognised in Other Comprehensive Income	9,848	(152)

22 Defined benefit obligations (continued)**Local Government Pension Scheme - London Pension Fund Authority (Continued)****Movement in net defined benefit (liability) during the year**

	2022	2021
	£'000	£'000
Deficit in scheme at 1 August	(12,033)	(10,631)
Movement in year:		
Current service cost	(1,783)	(1,519)
Employer contributions	452	430
Past service cost	-	-
Administration expenses	(17)	(15)
Net interest on the defined liability	(189)	(146)
Actuarial gain or loss	9,848	(152)
Net defined benefit liability at 31 July	(3,722)	(12,033)

Asset and Liability Reconciliation

	2022	2021
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	25,196	22,125
Current Service cost	1,783	1,519
Interest cost	405	309
Contributions by Scheme participants	210	199
Experience gains and losses on defined benefit obligations	1,566	(280)
Changes in financial assumptions	(10,542)	(447)
Estimated benefits paid	44	2,082
Unfunded pension payments	(5)	(5)
Past service cost	-	(306)
Defined benefit obligations at end of period	18,657	25,196

Reconciliation of Assets

Fair value of plan assets at start of period	13,163	11,494
Interest on plan assets	216	163
Return on plan assets	872	1,203
Other actuarial gains	-	-
Administration expenses	(17)	(15)
Employer contributions	452	430
Contributions by Scheme participants	210	199
Estimated benefits paid	39	(311)
Fair value of plan assets at end of period	14,935	13,163

22 Defined benefit obligations (continued)

Local Government Pension Scheme - Royal Borough of Kensington and Chelsea

Morley College joined the LGPS funded defined-benefit plan, with the assets held in separate funds administered by the Royal Borough of Kensington and Chelsea on 3 February 2020 at the point of merger with Kensington and Chelsea College. The total contribution made for the period ended 31 July 2022 was £325,453 of which employer's contributions totalled £229,175 and employees' contributions totalled £96,278. The agreed contribution rates for future years are 16.3% for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

Principal Actuarial Assumptions

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

	At 31 July 2022	At 31 July 2021
Rate of increase in salaries	3.80%	3.85%
Future pensions increases	3.10%	2.85%
Discount rate for scheme liabilities	3.45%	1.60%
Inflation assumption (CPI)	3.10%	2.85%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2022 years	At 31 July 2021 years
<i>Retiring today</i>		
Males	21.4	21.6
Females	24.1	24.3
<i>Retiring in 20 years</i>		
Males	22.9	22.9
Females	26.1	25.7

22 Defined benefit obligations (continued)**Local Government Pension Scheme-Royal Borough of Kensington and Chelsea (Continued)**

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

	Long-term rate of return expected at 31 July 2022	Long-term rate of return expected at 31 July 2021	Fair Value at 31 July 2022	Fair Value at 31 July 2021
			£'000	£'000
Equities	76%	82%	19,430	20,118
Property	8%	5%	2,045	1,307
Cash plus funds	16%	13%	4,091	3,310
Cash	0%	0%	0	120
Total market value of assets			25,566	24,855

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

	2022 £'000	2021 £'000
Fair value of plan assets	25,566	24,855
Present value of plan liabilities	(20,813)	(29,715)
Cap on plan assets*	(4,753)	-
Net pensions (liability)/asset	-	(4,860)

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

	2022 £'000	2021 £'000
Amounts included in staff costs		
Current service cost	773	747
Past service cost	-	-
Total	773	747

Amounts included in investment income

Net interest income	(82)	91
Administration expenses	11	19
	(71)	110

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	463	3,707
Other actuarial gains/(losses) on assets	-	-
Experience losses arising on defined benefit obligations	(66)	-
Changes in assumptions underlying the present value of plan liabilities	9,834	2,002
Amount recognised in Other Comprehensive Income	10,231	5,709

* As the LGPS surplus is irrecoverable, recognition of the surplus on the balance sheet has been restricted to £nil by adjusting the actuarial gain.

22 Defined benefit obligations (continued)**Local Government Pension Scheme-Royal Borough of Kensington and Chelsea (Continued)****Movement in net defined benefit (liability) during the year**

	2022	2021
	£'000	£'000
Surplus/(deficit) in scheme at 1 August	(4,860)	(6,856)
Movement in year:		
Current service cost	(773)	(747)
Employer contributions	248	234
Administration expenses	(11)	(19)
Net interest on the defined liability	(82)	(91)
Actuarial gain or loss	10,231	2,619
Cap on plan assets	(4,753)	
Net defined benefit liability at 31 July	-	(4,860)

Asset and Liability Reconciliation

	2022	2021
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	29,715	28,142
Current Service cost	773	747
Interest cost	478	376
Contributions by Scheme participants	96	97
Change in demographic assumptions	-	(346)
Experience gains and losses on defined benefit obligations	66	(574)
Changes in financial assumptions	(9,834)	2,008
Estimated benefits paid	(492)	(735)
Defined benefit obligations at end of period	20,802	29,715

Reconciliation of Assets

Fair value of plan assets at start of period	24,855	21,286
Interest on plan assets	396	285
Return on plan assets	463	3,707
Administration expenses	(11)	(19)
Employer contributions	248	234
Contributions by Scheme participants	96	97
Estimated benefits paid	(492)	(735)
Fair value of plan assets at end of period	25,555	24,855

23 Related party transactions

Due to the nature of the College's operations and the composition of the Governing Body 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 Governing Body 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 £130 for 2 governors (2021: £52 for 1 governor). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2021: Nil).

The College paid for a subscription with the South Bank Employers Group (SBEG). It is the normal operating practice of SBEG to appoint a representative from member organisations to its Board. The Principal and CEO, Andrew Gower, was a director until 28 September 2021, with the Director of Community Learning, Gerald Jones being appointed to represent the College from 21st October 2021. The cost of the subscription was £10,000 during the year 2021/22 (2021: £11,750). The College paid for a subscription with the Safer Business Network CIC, for the annual membership of 'Safer Lambeth' totalling £1,320 (2021: £1,320). Nic Durston, Governor and Chair of the Finance, Resources and Fundraising Committee is a member to the Board of the Safer Business Network CIC.

24 Lease Obligations

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

	2022 £'000	2021 £'000
Future minimum lease payments due		
Not later than one year	75	96
Later than one year and not later than five years	40	106
later than five years	53	63
	<u>168</u>	<u>265</u>

25 Post Balance Sheet Events

On 29 November 2022, the Office for National Statistics reclassified all college corporations to Central Government sector with immediate effect. This will mean that colleges will now be subject to the framework for financial management set out in Managing Public Money (MPM) and the Department for Education will introduce new rules for colleges, some of which will take effect immediately.

MORLEY COLLEGE LIMITED

England & Wales - Charity number 1023523

Accounts



MORLEY COLLEGE LIMITED

**Report and Financial Statements
for the year ended 31 July 2021**

Registered number: 2829836

Registered charity number: 1023523

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Key Management Personnel, Board of Governors and Professional advisors

Key management personnel

Key management personnel are defined as Senior Post Holders and were represented by the following in 2020/21:

Dr Andrew Gower - Principal and CEO; Accounting Officer

Marco Macchitella - Deputy Principal

Ralph Moran – Chief Finance Officer

Governing Body

The full list of Governors is provided on pages 28 to 32 of this report. Martin McNeill acted as Clerk to the Governing Body and Company Secretary throughout the period.

General information and professional advisors

Registered Office

61 Westminster Bridge Road
London SE1 7HT

Financial statements auditors and reporting accountants

Buzzacott LLP
130 Wood Street
London EC2V 6DL

Internal auditors

RSM UK Audit LLP
25 Farringdon Street
London EC4A 4AB

Bankers

National Westminster Bank plc
91 Westminster Bridge Road
London SE1 7HW

Solicitors

Eversheds Sutherland
1 Wood Street
London EC2V 7WS

Bates Wells & Braithwaite LLP
10 Queen Street Place
London EC4R 1BE

Morley College London - Introduction

Morley College Limited trades as Morley College London.

Morley College London is a unique college within the learning landscape of London. It is celebrated for its strong social values, its exceptional creativity, and its commitment to meeting the needs of students and their communities.

We advocate lifelong learning as vital for personal achievement, academic progression, and career development.

Our students include:

- adults looking to reskill so they can change careers or return to work;
- mature students with few traditional qualifications who now want to improve their prospects in work or education;
- 16-to-18-year-olds (at our North Kensington and Chelsea Centres) looking to progress to employment or higher education;
- international students who wish to improve their English language abilities for work, study, or everyday life;
- school leavers who want to build professional skills and get qualified, but are concerned about the time and financial commitments of going to university; and
- many others who find opportunities for personal development and enrichment through our study programmes in Arts, Culture and Applied Sciences.

The College took its present form in February 2020 following the combination of Morley College London and Kensington and Chelsea College. Both institutions had long shared the same values, with roots going back to the 19th century, and a proud record of serving learners in their respective boroughs and beyond. With a Mission to empower individuals and strengthen communities through lifelong learning, Morley's social values and diversity of learning opportunities have an important role within the communities of North Kensington, as local people rebuild their lives in the aftermath of the tragedy of the Grenfell Tower fire on 14 June 2017.

Prior to both the merger and the Covid-19 pandemic Kensington and Chelsea College had delivered significant operating financial deficits over a number of years. The challenge of delivering a financially viable merged college was recognised by the Education and Skills Funding Agency, and resulted in the provision of a £3.5M restructuring facility that can be drawn down in the event that operating cash levels fall below an agreed threshold. As at the date of the approval of these financial statements, and even considering the additional challenges presented by the Covid-19 pandemic the facility remains fully un-drawn.

The combined college, operating from three main Centres in Chelsea, North Kensington and Waterloo as well as online, aims to meet the learning needs of a growing number of students, and to be a force for public good within the communities that we serve.

As London's largest specialist Institute of Adult Learning, Morley College London also has an important contribution to make in delivering the priorities of the Mayor of London's Skills for Londoners Strategy (2018): to empower Londoners to access the education and skills to participate

in society and progress in education and work, and to meet the needs of London's economy and employers.

The combination came about with the strong support of local stakeholders, and this enabled us to secure government support totalling £32.3 million to enable the purchase of the North Kensington Centre by the DfE, to enable the renovation the North Kensington and Chelsea Centres and to develop a new, and broader, curriculum. These investments are in addition to the £3 million that the College has already spent and the further £15 million that it is aiming to raise to transform facilities at Waterloo over the next ten years.

The global COVID-19 pandemic continued to be a significant factor during 2020/21. The impacts of coronavirus on the College and the communities it serves are considerable. The disruption caused has proved to be multi-faceted and long-lasting. In response to significant challenges, the College has carefully co-ordinated its response, to ensure alignment with Department for Education guidance and a clear focus on the safety of students, staff and stakeholders. Through resilience and contingency planning the College has sought to mitigate the social, educational, organisational and financial impacts of the pandemic to maintain business continuity; adapt to online delivery; ensure financial management; and seek to secure the strongest possible start to the academic year 2021-22.

Report of the Governing Body and Strategic Report

Nature, Objectives and Strategies

The Governing Body, which represents the Board of Directors for the purposes of company law and the Board of Trustees for the purposes of charity law, presents its report, incorporating its Directors' and Strategic Reports, and the audited financial statements of Morley College Limited ('the College' or 'Morley') for the year ended 31 July 2021. The College is registered as Morley College Limited and uses Morley College London for branding and trading purposes.

Legal status

The College was incorporated on 18 June 1993 (Company Number 2829836) and began trading on 2 September 1993. This Company replaced the previous organisation, which was also known as Morley College, and had been in existence since it was founded in 1889. The College is an Institute for Adult Learning (formally a Specialist Designated Institution (SDI)) under the 1992 Further and Higher Education Act).

The College is a registered charity (no. 1023523) which is regulated by a scheme dated 2 September 1993, as amended 27 June 2000, 10 December 2007, 4 April 2018 and 15 July 2019. The College's application to HM Revenue and Customs for exemption from Corporation Tax was made on 6 September 1994 and was accepted on 13 September 1995. The College's activities do not fall within the scope of Corporation Tax.

A merger with Kensington and Chelsea College was completed on 3 February 2020.

Principal activities

The object of the College is the provision of education in such subjects and at such standards as the Governing Body from time to time determines.

Mission

The College's mission for the five years to 2020 was to empower individuals and strengthen communities through adult education in Arts, Culture and Applied Sciences.

During 2020/21 the College has developed and launched a new five year strategic plan for the period 2021/25.

Public benefit

Morley College was founded 130 years ago to provide a public benefit service to the community and has continued to build on and develop that service to the public throughout the years. The College's strategic goals, as agreed with the Governing Body, meet the aims of the Charity Commission's guidance on public benefit and particularly its supplementary guidance on the advancement of education. The College clearly demonstrates across its broad range of activities how it meets the requirement that all organisations wishing to be recognised as charities must demonstrate, and explicitly, that its aims are for the public benefit.

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- General and specialist resources and facilities
- Widening participation and tackling social exclusion
- Evidence of improved employability for students
- Strong student support systems
- Links with local employers
- Recognised contribution to the cultural life of London

The core-funding agency for the College during 2020/21 was the Greater London Authority (GLA), with additional funding from the Education and Skills Funding Agency (ESFA) in respect of 16-19 education and adult learners resident outside of the devolved authorities. The funding received is used to support unrestricted access to the beneficiaries. From 1 August 2019, the funding for London based Adult Education learners transferred to the Greater London Authority (GLA). This devolved funding model provides further opportunities for the College to embrace the Skills for Londoners initiatives. The ESFA will continue to fund the College for adult students that are based outside London. The College continually develops its curriculum to address the priorities of its communities and works closely with the London Economic Action Partnership (LEAP), which is the local enterprise partnership for London.

Implementation of strategic plan

In December 2015, the College adopted a strategic plan for the five years to 2020. The plan defined Morley's strategic direction with its priorities expressed in the statement of three overarching strategic goals:

- Create outstanding learning opportunities

By 2020, Morley College London is acknowledged locally, nationally and internationally as an outstanding adult education college specialising in the Arts, Culture and Applied Sciences, with a progressive range of participatory programmes from introductory through to higher levels of learning. Academic and artistic excellence remains central to the ambitious, enterprising and welcoming culture of the College, and ensures ever-increasing recognition of Morley as a destination within London's thriving cultural scene through an engaging programme of high-quality concerts, performances, workshops and exhibitions.

- Deliver an outstanding student experience

By 2020, Morley College London is acknowledged as highly effective in meeting the diverse learning needs of the communities we serve. The quality of learning opportunities and the associated student experience create a compelling proposition. The passion for learning embodied by the staff team through their subject knowledge, enthusiasm, professional practice and external professional networks, ensures expert and innovative learning, teaching and assessment. In addition, the creative application of digital technology is increasingly a distinguishing feature of Morley's approach in addressing social exclusion and enhancing the flexibility and personalisation of learning.

- Ensure financial sustainability

By 2020, Morley College London has established key strategic partnerships to extend its reach and influence. A growing reputation in responding to the needs of employees and their employers through workplace learning and professional training draws creatively on Morley's specialist areas of subject expertise. Effective financial controls and an increasingly diversified funding model are enabling operational stability and accurate forward planning.

The mission, vision and strategic goals inform and are fed into the operational life of the College. The words are presented in large letters on the wall of the main meeting room, to help remind management and inform our visitors of the College's strategic goals. The Senior Leadership Team support the strategic aims through their roles in leading the College Committees through curriculum, quality and standards, health and safety risk and management meetings. The College's self-assessment review process helps identify the specific areas for improvement and supports colleagues to make the changes. Regular presentations to the Governors from operational areas of the College enable positive interactions and feedback.

Performance indicators

The College has developed a set of key performance indicators (KPIs) to enable the Governing Body to monitor the College's progress in implementing the Strategic Plan. The KPIs are aligned with the College strategic goals and are used by College Management to guide operational decisions. Each KPI has a target and actual performance is compared on a termly or annual basis as appropriate against this target and against previous performance. Wherever possible, KPIs are benchmarked against the performance of other colleges nationally. This comparison includes the results of a national student satisfaction survey, as well as the ESFA's National Achievement Rate Tables (NARTs). FE Choices data and NARTs are both available on the gov.uk website. By analysing KPIs throughout the year, College managers and the Governing Body are able to identify areas of concern and to take appropriate and timely action.

The KPIs for 2020/21 show a generally high standard of delivery in the challenging environment presented by ongoing Covid-19 lockdowns which coincided with the first full year post-merger. The educational impact of the pandemic is demonstrated by lower than target attendance and achievement, as well as reduced utilisation of physical teaching spaces. Whilst student satisfaction remained strong, staff satisfaction will be further developed through the implementation of a new People Strategy in 2021/22.

Measure	Actual	Target	Status
Education Specific EBITDA	-£1,567k	-£2,323k	✓
Student satisfaction	93.9%	90.0%	✓
% of students who feel the college is a safe place to study	95.6%	90.0%	✓
Student retention	93.8%	91.0%	✓
Student achievement	79.8%	86.7%	✗
Student attendance	88.0%	90.0%	✗
Room utilisation (day)	40.5%	75.0%	✗
Room utilisation (evening)	13.9%	58.0%	✗
Student destination	95.6%	92.0%	✓
Staff satisfaction	75.9%	85.0%	✗

In relation to the academic performance of students, the combined College's 2020/21 Self-Assessment Report (SAR) identifies many strengths, including:

- Very high student satisfaction
- Very good support for disadvantaged students
- Outstanding retention and achievement on short courses
- An excellent range of personal development opportunities for students
- Effective promotion of equality, diversity and inclusion
- Excellent provision of impartial career information, advice and guidance
- Highly effective leadership and management in successfully steering the College through very turbulent and challenging times
- Strong governance
- Effective safeguarding arrangements across the organisation

There were however a small number of significant areas for enhancement that will be the focus of enhancement activities during 2021/22. These include:

- The quality of learning, teaching and assessment in some adult accredited programmes and study programmes for young people leading to:
- Low qualification achievement rates, often below national averages
- Low attendance especially on accredited courses.

The College's comprehensive Self-Assessment Report (SAR) 2020-21 provides full details of student achievement rates across all programmes and is published under the Policy section of the College's website.

The College has completed the annual financial returns for the ESFA, which confirmed a Financial Health grade of 'requires improvement' based on 2019/20 outturn and 2020/21 budgeted performance. The financial performance detailed in these financial statements, which is better than the 2020/21 budget, continues to support a Financial Health grade of 'requires improvement' under the ESFA assessment methodology.

Financial Position

Financial objectives

The College's financial objectives, as set out in its Finance Strategy 2016-20 are:

- to achieve in-year financial sustainability, generating positive earnings before interest, taxes, depreciation and amortisation (EBITDA) each year;
- to maintain a financial health rating of "good" or better;
- to diversify sources of income as determined by the changing mix of provision in the curriculum strategy and departmental business plans;
- to evaluate capital investment against the College's business and curriculum objectives;
- to contain borrowings to where there is clear infrastructural or strategic benefit and only to the extent determined by operational need;
- to ensure the fees policy reflects the objectives of the Strategic Plan;

- to allocate resources through a budget process that maintains delivery standards while generating sufficient funds to maintain required levels of liquidity and allow adequate capital investment; and
- to mitigate financial risk within the context of the Strategic Plan.

Financial results

In recognition of the challenges presented by the ongoing Covid-19 pandemic, Governors approved a deficit operating budget of £2.32M for 2020/21. This anticipated the continuation of “lockdown” impacts into the first term. As we now know, these impacts continued throughout 2020/21. Following the merger with Kensington and Chelsea College, Morley had highly developed plans for growth and had established delivery and support structure to support this development, as such the impact on income resulting from the ongoing pandemic proved a significant management challenge. Over the course of the year the College sought to maximise income streams and minimise costs while maintaining delivery across the whole range of educational programmes through a responsive transition online provision, and uninterrupted delivery of core College operations. This strategy sought to maintain operational and delivery capacity such that it would be possible to return to the merger financial plan performance levels during 2021/22.

Additional residual costs associated with the merger were supported by a restructuring facility grant provided by the ESFA. In support of staff and to maintain the capacity to recover strongly post-pandemic, the College engaged with the Coronavirus Job Retention Scheme in respect of staff who were not supported by public funding.

- The actual outturn prior to FRS102 pension adjustments is a deficit of £2,864k (page 47). This financial performance reflects the impact of Covid-19 on planned delivery, with tuition fee income of £1,490k down 74% from £4,109k in 2018/19 (Morley College pre-merger), as a result of the impact of Covid-19.
- As the merged College has delivered a negative EBITDA ratio, the ESFA Health rating as calculated in accordance with ESFA methodology is 'requires improvement', although the overall financial health score would generate a rating of 'good' if it were not for this limiting factor.
- The College has total reserves of £32,051k after a reduction of £23,749k for pension liabilities.

The College invested £2,072k in additional tangible fixed assets during the year. The investment focused on the completion of the refurbishment of the College reception area to create a fully accessible entrance, increased social and seminar space, a centralised Student Services function and a radio production studio which had been delayed due to the lead construction contractor going into administration during 2018/19 and the impact of 'lockdowns' during 2019/20 and 2020/21. This investment was funded by borrowing of £500k drawn down in July 2018, the College's own funds and a contribution from the LEAP.

The second phase of the capital investment in the Waterloo centre delivered the refurbishment of the Morley Gallery, including the expansion of the available space through the conversion of the basement into exhibition space. This £1M construction project started in August 2020 and was operational in September 2021 hosting a range of exciting exhibitions. This project was also supported by the College's own funds, and a contribution from the LEAP.

The College has significant reliance on the education sector funding bodies as its principal funding source, largely through recurrent grants. This reliance has increased with 2020/21 grant income being 81% of the College's total income, compared to 65% in 2019/20 (excluding donations). This movement has been impacted by Covid-19 which resulted in a reduction of tuition fees from 31% of total income to 13% in 2020/21.

Treasury policies and objectives

Treasury management is the effective control of the risks associated with the College's cash flows, its banking, money market and capital market transactions and the pursuit of optimum performance consistent with those risks.

The College has a separate treasury management policy in place. Short-term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Governing Body and must comply with the requirements of the Financial Memorandum with the ESFA and the College's Financial Regulations.

Cash flows and liquidity

The implementation of the property strategy, combined with the ongoing impact of the Covid-19 pandemic has led to a reduction in cash liquidity.

Cash and cash equivalents held at 31 July 2021 totalled £3,195k, with net cash inflow from operating activities of £10k (see page 50). This reflects the impact of the merger that took place in February 2020, and in particular the impact of Covid-19 in over the course of the year.

Reserves

The College recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support its operational and strategic goals. At the balance sheet date total reserves net of pension liabilities totalled £32,051k. It is the College's policy to build reserves over the long term.

Current and future development and performance

Financial health

The ESFA last formally assessed the financial health of the College in their letter to the Principal of May 2021, and provided a grade of 'requires improvement' for 2019/20 and a projected 'requires improvement' for 2020/21.

Student numbers and fee income

In 2020/21, the College has delivered activity that has generated £15.5m in funding body grants, an increase of £4.6m in comparison to 2019/20. This results from the combination with Kensington and Chelsea College, with comparator figures only including Kensington and Chelsea performance from February 2020 to July 2020. Tuition fee and educational contracts income reduced from £5.1m in 2019/20 to £2.4m in 2020/21. The College had 9,092 students and 18,097 enrolments; the average

student enrolls onto 2.0 courses. Both student numbers and enrolments have been adversely impacted by the coronavirus pandemic, with average class sizes reducing from 10.5 to 8.7.

Curriculum Developments and Quality Enhancement

2020/21 was the first full academic year that Morley operated as a merged college, and the curriculum offer reflects our new Curriculum Strategy, one of the sub strategies to the College's new Strategic Plan.

The College curriculum includes a wide range of courses for adults and young people in Arts, Culture and Social and Applied Sciences, with a diverse range of programmes that include Art and Design, Music and Performing Arts, Languages and Humanities, Applied Sciences, English for Speakers of Other Languages (ESOL), English and Mathematics. The College offers a wide range of accredited programmes from Entry Level to Level 6 and specialist, as well as short courses from beginner to mastery level that do not lead to a formal qualification.

The College holds contracts with the Royal Borough of Kensington and Chelsea (RBKC) and Lambeth Council for the provision of Community Learning covering a wide range of curriculum areas, responding to the needs of community groups and organisations, and in accordance with local strategic priorities. In 2020/21, Community Learning courses were delivered in partnership with over 70 community, voluntary and statutory organisations and groups.

In 2020/21 the College offered approximately 3,000 short courses and 500 accredited programmes. Courses were delivered in-centre, online and in a hybrid mode throughout the lockdowns imposed by the Covid-19 pandemic in order to provide continuity of learning to students and mitigate the financial impact of much reduced participation in learning and the subsequent reduction in fee income.

The merged College's extensive and progressive curriculum offer reflects the demand of the local and regional context and takes into account the needs of students, local communities and communities of interest, employers, and the local and regional economy. Curriculum managers have developed a responsive curriculum designed to suit different levels of experience, to offer progression routes, and support students' expectations and aspirations.

Clearly signposted pathways across all three Centres include:

- Clearly defined learning opportunities for 16–18-year-olds at North Kensington and Chelsea that inspire students to achieve and progress into employment, further training or university.
- Health, Education and Science; Business and IT; and Arts and Humanities programmes for adults at North Kensington

Creative Discovery, Fine Arts, Media, Creative Technology programmes for adults at Chelsea, including short, introductory courses to stimulate interest and progression into higher levels of study. These include new, industry-relevant, advanced and higher-level diplomas leading to employment opportunities in the Creative Industries sector.

- Fashion, Visual and Digital Arts, Music and Performance, Health and Social Care, Humanities and Science adult programmes at Waterloo, including progression opportunities from our local communities into on-site short courses and further into accredited provision in advanced and higher learning.

Morley College London has been a consistently good and improving college over the recent years. At the 2019 inspection the college was rated good in all areas but with *Personal development, behaviour and welfare* being rated 'outstanding'. On 3 February 2020 Morley College London merged with Kensington and Chelsea College (KCC), that had been rated as a college 'requiring improvement'. Upon Morley becoming a three-centre college it became clear that there were common areas for enhancement, legacy from both institutions. These were acknowledged in the 2019-20 SAR and Quality Enhancement Plan (QEP). The SAR also acknowledges that the *'cross-college approach to quality enhancement requires improvement so it is consistent and impactful across all centres'* and enables us to address those persistent areas for enhancement identified in both previous colleges. In 2020-21 the focus was on an accelerated turnaround of the quality of the provision to ensure that the college could be judged at least 'good'. This was supported by a highly targeted QEP designed to focus managers on supporting the eradication of provision that 'requires improvement' and to achieve the necessary enhancement for those areas that were identified at previous inspections (Morley and KCC) and within the latest self-assessment report.

Efforts towards these improvement objectives were at times diverted by the necessity to prioritise technological developments, online delivery and related professional development in response to the Covid-19 pandemic and consequent lockdowns. Student recruitment was badly affected by the pandemic in 2020/21, where during term 1 we re-implemented our curriculum delivery framework launched in May 2020 in response to the onset of the pandemic, maintaining social distancing and restricting the number of students within each college centre at any one time.

Following the government announcement of a four-week lockdown in November 2020, further adaptations were needed to increase online delivery. The subsequent government announcement of a further lockdown in January 2021 that saw schools and colleges being shut to most students, resulted in the decision to move all our provision online for the entire term 2, allowing access to the College centres for only a few of the most vulnerable students. As a result, all accredited courses were successfully delivered online for the remainder of the year. Short courses were adapted to online delivery wherever possible, but many had to be cancelled due to lack of access to the required specialist facilities.

In November 2020 the College had an Ofsted Interim Visit and the experience proved to be a useful opportunity for reflection on the impact of our transition to learning online for students, staff and stakeholders. Inspectors acknowledged that *'stakeholders and subcontractors talk very positively about the relationship that they have with the college and how the college responded to the Covid-19 pandemic. They appreciate how quickly leaders adapted the curriculum to meet the needs of the communities they serve'*.

The lifting of all restrictions over the summer enabled the return to in-centre delivery for September 2021, with most courses delivered face-to-face. The College has retained the option for remote delivery, offering approximately 350 courses online for those students who prefer this mode of study.

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 per cent.

During the accounting period 1 August 2020 to 31 July 2021, the College paid the majority of its invoices within 30 days, but did not achieve the 95% target.

Events after the end of the reporting period

There were no post-balance sheet events considered material that have not been disclosed within the accounts.

Future prospects and going concern

Following the successful merger with Kensington and Chelsea college in February 2020 the College is well placed to capitalise on the expanded geographical reach, external investment in the college's estate, and the potential to bring the Morley experience to a considerably larger proportion of London as the largest Institute of Adult Learning, while also expanding the range and quality of provision available for younger learners at both the North Kensington and Chelsea Centres.

This growth and development are underpinned by a five-year financial strategy and plan agreed with the ESFA as part of the merger, and with considerable investment in the College's estate and systems, in particular the refurbishment of North Kensington, further developments at the Chelsea Centre, and ongoing investment at the Waterloo Centre, funded partly from the College's financial reserves, but with significant contributions from the Department for Education (DfE) and the Greater London Authority.

The merger financial plan is further supported by a grant from the DfE totalling £3.5M that can be drawn down if the College's available cash falls below an agreed level. As such, prior to the impact of Covid-19 the merged college financial plan projected continuing growth and financial sustainability over the life of the plan.

Following the impact of Covid-19 the College has worked hard with stakeholders to maintain the pace of investment in the estate, which remains on track. While revenue for both 2019/20 and 2020/21 was reduced due to the impact of Covid-19, full and appropriate use has been made of all support measures, combined with effective cost control. This has enabled the College to maintain sufficient cash balances, such that it has not been necessary to seek emergency support from central government. Financial plans for 2020/21 were adapted to reflect the impact of the continuing pandemic. While a deficit budget was set for 2020/21, actual operating financial performance exceeded this, with expenditure savings and cash flow management ensuring that no emergency support was required during the academic year, including any requirement to draw against the DfE merger cash flow support grant.

Having due regard to best practice developments in the UK Corporate Governance Code 2018 in respect of going concern and risk management reporting, the College believes it will be able to continue in operation and meet its liabilities taking account of the current position and principal risks for the foreseeable future, and at least until December 2022. The College's assessment of going concern is supported by:

- Careful cash flow management
- High quality facilities, bolstered by ongoing capital investment across all main centres
- A strong capacity to generate ongoing cash flow surpluses post pandemic
- Robust financial management and the College's actions to monitor budget performance

- The five-year merger financial plan agreed with the ESFA
- Robust risk management processes
- The availability of the £3.5M restructuring facility grant, as yet undrawn

RESOURCES

The following sections provide more information about College resources available to support its strategic goals.

Buildings and accommodation

The main College site at Westminster Bridge Road and the sculpture studio at Pelham Hall are both based within Waterloo. The main College site straddles the boroughs of Southwark and Lambeth with teaching space on both sides of a road that separates the two boroughs. The teaching facilities fully use the space that has grown over decades and aside from flexible classroom spaces, the site includes soundproof music rooms, specialist artist spaces, library, a café, and performance spaces and staff offices.

At Stockwell, just behind the tube station, the College has established a satellite centre based in a former community centre building. The Lewington Centre in South Bermondsey is another satellite centre sharing facilities within a community centre; this Centre includes a crèche facility for students.

Following the merger, the College also has the freehold on the main building at the Chelsea Centre, based in Hortensia Road, as well as a long-term (75 year) lease on a space within the Carlyle building immediately adjacent to the main centre.

Additionally, also as part of the merger, the College secured a 125-year lease on the North Kensington Centre, based in Wornington Road, at a peppercorn rent following its purchase by the DfE.

During the year, the College has continued to carry out work to its buildings in order to improve its facilities for learners and staff. This includes the continued work on the entrance and reception and Morley Gallery as part of the property strategy.

Financial

The College has £31.9 million of unrestricted net assets (after taking account of £23.7 million pension liability) and a balance of £374k of long-term debt.

People

The College employed on average 310 people during the year (expressed as full-time equivalents), of whom 161 are teaching staff, and 149 are non-teaching staff. This represented a reduction in comparison to 2019/20 due to furloughed sessional staff not being reflected as full-time equivalents. The College continues to outsource its cleaning and security across all centres, while catering at the Waterloo Centre was brought back in-house during 2020/21.

Reputation

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and creating external stakeholder relationships.

Staff and student involvement

The Governing Body includes elected staff and student members, and the College encourages staff and student involvement through membership of formal committees. Staff and students are encouraged to join and support the activities of the Friends of Morley, an association that also includes former students, staff and governors as well as external supporters of the College.

The College considers good communication with its staff and students to be very important. Centre Principals hold regular meetings ('Student Experience Fora') with elected class representatives and these Student Experience Fora make appointments to the College-wide Student Council. The Principal and the Senior Leadership Team meet regularly with the Student Council and other student representative bodies.

Communication with staff takes a variety of forms, including open meetings for all staff with senior managers, regular management meetings, a well-developed intranet system and a regular staff newsletter. A staff conference is held annually for all staff and departmental staff briefings are held regularly. Staff bulletins are produced weekly and made available through the staff engagement platform MyMorley to enhance communication.

The College values and actively seeks feedback from all users of its services, particularly students. It monitors all formal complaints as well as reviewing its processes to ensure all matters are resolved in line with the College's policies. During 2020/21, there were 23 formal complaints, compared to 45 in 2019/20; 30% of those complaints were resolved satisfactorily within 15 working days, with more complex complaints resolved satisfactorily over a longer period.

Fundraising

The College undertakes fundraising in an ethical and responsible way, mindful of the communities within which it operates. The College employs systems and controls to separate and protect funds and ensure that all expenditure is in line with the terms of any donation. The College is mindful of its responsibilities under the Charities (Protection and Social Investment) Act 2016 and legal rules, and ensures that all activities are agreed and monitored at Senior Leadership Team level in compliance with relevant legal rules. Recognised standards are applied to ensure that fundraising is open, honest and respectful, protecting the public from undue pressure to donate. Complaints are handled and monitored through the College's complaints procedure and there were no complaints in-year or in the previous year.

The College has launched a fundraising campaign to support its property strategy and has called this the Morley Forward campaign. A professional fundraiser was appointed and the campaign was launched in September 2019.

During 2020/21 the College received donation income of £33k. This income included funds from Trusts and Foundations and from legacy gifts. Donation income is reported in the year of receipt and the College aims to use the funds to support the donors' aims within a timely period to ensure that the wider College benefits from their generosity .

Energy Use and Carbon Reporting

The College is committed to reducing the environmental impact of its operations.

UK Greenhouse gas emissions and energy use data for the period	
Energy consumption used to calculate emissions (kWh)	2,655,040
Energy consumption break down (kWh) (optional)	
• gas,	1,254,260
• electricity,	1,400,780
<u>Scope 1 emissions in metric tonnes CO₂e</u>	
Gas consumption	230.62
Owned transport – college cars	3.32
<u>Total scope 1</u>	233.94
<u>Scope 2 emissions in metric tonnes CO₂e</u>	
Purchased electricity	492.82
Total gross emissions in metric tonnes CO ₂ e	726.76
<u>Intensity ratio</u>	
Tonnes CO ₂ e per student	0.08

Quantification and Reporting Methodology:-

We have followed HM Government's 2019 Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and the Government's Conversion Factors for Company Reporting (2020).

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO₂e per student, the recommended ratio for the sector.

Measures taken to improve energy efficiency

The College actively seeks to replace equipment, plant and consumables with more energy-efficient alternatives (such as LED light fittings and building heating and cooling systems) whenever practical and affordable.

Following the combination, the College has switched energy providers and all electrical energy consumed since 2020/21 has come from renewable sources.

PRINCIPAL RISKS AND UNCERTAINTIES

The College's strategic risk register is reviewed over the course of the year by the Risk Management Committee, and considered by Governors termly. Additional lower level and project-based risk registers are maintained as required.

In the early stages of the Covid-19 pandemic, in response to the specific challenges presented by the situation the College established a Covid-19 Response Plan, overseen by the Board through a Covid Response Oversight Group. This continued to meet during 2020/21.

The following key strategic risks were considered during 2021/21:

- Failure to adapt to the changing landscape
- Reduction in public funding
- Failure to manage the college finances
- Failure to comply with funding body audit requirements
- Failure to manage health and safety
- Failure to safeguard children and vulnerable adults
- Failure to maintain business continuity
- Failure to achieve student recruitment targets
- Failure to manage capital programmes
- Failure to deliver an outstanding student experience
- Failure to recruit and retain competent and committed staff
- Failure to succession plan (senior staff and governors)
- Failure to maintain and enhance quality
- Failure of IT systems to meet the needs of students, staff or visitors
- Failure to prepare for a major system outage or data breach, including cyber attack
- Failure to build resistance in response to Covid-19 in respect of staff, students, reputation and financial sustainability

Each risk listed is supported up by an individual risk report and this provides the detail to support the management of that risk, covering:

- Consequences of the risk occurring
- Events that could trigger the risk
- Risk ownership
- Risk scoring for probability and impact
- Controls in place to manage the risk
- Assurance in those controls
- Performance data to confirm that risk management is working or to identify an emerging risk

- Mitigating action that the college is undertaking to reduce the probability or mitigate the impact of the risk, or that it would take either for a major event risk or an emergent risk over time.

The following sections consider how effective the College has been at managing risk within its three strategic aims:

Maintenance of quality of provision (Risk 13)

Failure to maintain adequate quality in its provision represents a significant risk to the College, particularly as the Strategic Plan includes growth and responsiveness to student needs. The combination with Kensington and Chelsea College presents the further challenge of ensuring consistent high-quality provision across a multi-centre college. Additionally, there was the continuing challenge during 2020/21 of the ongoing mix between in-centre delivery and online delivery. This risk is mitigated in a number of ways:

- Scrutiny of key performance indicators by the Quality and Standards Committee.
- Regular review of the quality of provision against Ofsted inspection criteria.
- Review of quality against the requirements of the Office for Students and the Quality Assurance Agency.
- Continued development and monitoring of the Quality Enhancement Plan.
- Rigorous curriculum review process that ensures the curriculum meets student interest and demand in addition to addressing the priorities of the LEAP.
- Best practice in People Operations policies and procedures to ensure high quality in teaching and support staff.
- Continuing professional development programme for teaching staff targeting both technical and pedagogy skills.
- Effective use of management information systems to support quality enhancement
- Development of a property strategy driven by the needs of the developing curriculum and building a level of reserves to support this strategy.

The outcomes of the OFSTED inspection undertaken in June 2019 provide the evidence that the College's processes and scrutiny have been effective in driving quality improvement and leading to outstanding learning opportunities. The report also identifies the areas where the College can move from 'good' to 'outstanding'.

Additionally OFSTED conducted an interim visit to the combined College during November 2020, where the College's rapid and effective response to the March 2020 lockdown, and its commitment to longer-term development of online learning were noted.

Maintenance of an outstanding student experience (Risk 10)

The College aims to be highly effective in meeting the diverse learning needs of the communities it serves, addressing social exclusion and enhancing the flexibility and personalisation of

learning. Failure to ensure quality of learning opportunities and student experience would represent a significant risk to meeting this goal. This is mitigated by:

- A high-quality staff team with excellent subject knowledge and enthusiasm.
- Continual professional development of staff to ensure a high standard of professional practice.
- The use of external professional networks and partnerships to ensure expert and innovative learning, teaching and assessment.
- The ongoing focus on three cross-cutting themes: digital inclusion, progression and employability.
- A revised risk register which has better identified the triggers, controls and mitigating actions needed to maintain and improve student experience.
- Ofsted inspection in June 2019 confirming good with outstanding features, with a further interim visit to the combined College noting the effective response to the Covid-19 pandemic.
- Feedback and improvements targeted through 'Student Voice' (Student Council, Student Representatives, and Class Representatives).

Maintenance of the financial viability of the College (Risk 3)

The College's current financial health score calculated in accordance with the ESFA methodology is 'requires improvement' as described above. Prior to the business combination with KCC, adult education funding levels were the main constraint on the College's financial position. College funding has suffered from a sustained period of public sector spending cuts. The College has been able to grow income through growth in provision and increased student taught hours whilst aiming to maintain the student experience. However, the actual funded income per student hour has fallen in real terms over recent years. Kensington and Chelsea College as a stand-alone entity was not financially viable, and had delivered significant deficits over recent years. While cash reserves were strong following the disposal of property, the College had delivered year-on-year negative cash flows. The ongoing Coronavirus pandemic has limited the College's capacity to grow and expand provision. Financial viability has been preserved through effective action in maximising income streams and reducing costs.

The combined college benefits from a substantial estate with significant opportunity to expand delivery and grow income, a more efficient staffing structure and a robust financial position in both cash and reserves. The college has developed a five-year financial plan and strategy to deliver full financial sustainability. This plan was subject to detailed scrutiny by the ESFA, and external due diligence. While this has been impacted by the Coronavirus pandemic, the College is well placed and well-resourced to respond to increased capacity post-pandemic.

The College has further mitigated the financial risk through the five-year planning period through the agreement for additional grant funding, if required, of up to £3.5M should college cash reserves fall below and agreed level.

The Covid-19 pandemic had a direct and immediate impact on delivery income, and provided a test of the effective mitigation of financial risk. Detailed in-year financial forecasting enabled full delivery of funding body income to full contract values. While fee income was substantially reduced financial controls effectively managed costs, while the College made full and appropriate use of government mitigations including the Coronavirus Job Retention Scheme. The financial response was further monitored by governors through the Covid-19 College Response Oversight Group. This enabled the College to maintain a closing cash position that was consistent with the five-year financial strategy.

The College has significant reliance on education sector funding bodies for its funding, largely from recurrent grants. This reliance has increased with 2020/21 grant income being 81% of the College's total income, compared to 65% in 2019/20. This movement is a result of the Covid-19 pandemic.

The financial statements report the share of the Local Government Pension Scheme deficit attributable to the College on the College's balance sheet in line with the requirements of FRS 102.

Although this does not affect its ESFA financial health assessment, the College recognises the risk presented by the pension liability arising from its membership of this scheme. The triennial valuation of this scheme completed in 2019 shows good progress in moving towards full funding for the scheme.

The risk to financial viability is mitigated in a number of ways:

- Financial sustainability of the College is one of the three core strategic goals.
- Budget setting procedures are rigorous and include sensitivity analysis testing.
- Monthly budget monitoring throughout the year.
- Robust financial controls and procedures.
- Detailed forward planning, forecast updates and regular cash flow forecasting updates.
- Diversification of income sources and optimising existing income streams.
- Strategies for curriculum development and growth linked to financial improvement.
- Creating, maintaining and managing key relationships with the funding bodies.
- Engagement with GLA and its various funding channels including local enterprise funding.
- Continuously ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students.
- Close monitoring of the demand for courses linked to a responsive pricing strategy.
- Monitoring and appraising the position of the pension scheme by Governors through the Finance, Resources and Fundraising Committee.
- Agreed deficit recovery plan with the London Pension Fund Authority.

Governors hold the appropriate senior post-holders accountable for their actions against each risk. Risks are mitigated through both short-term actions and the work towards a longer-term sustainable solution for the College.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Morley College has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- Government Offices including the FE Commissioner;
- Staff;
- Local employers (with specific links);
- Local authorities;
- London Economic Action Partnership (LEAP);
- Members of the Government Offices;
- Local community;
- Other FE and HE institutions;
- Quality Assurance Agencies including Ofsted and the Office for Students;
- Examining boards;
- Trade unions;
- Professional and membership bodies;
- Charity Commission.

The College recognises the importance of these relationships and engages in regular communication with these stakeholders. In addition, the College works in close partnership with a large number of voluntary sector, arts and other organisations to help fulfil its mission and achieve its strategic goals. Partnerships are vital to Morley's development and institutional well-being, augmenting its reputation, profile and position and providing the connections and capacity it needs to support its communities of location and practice.

During 2020/21, the College continued to progress and develop its Partnerships Protocol. The protocol classifies each individual partnership as either; a creative projects partnership; curriculum development partnership; student progression partnership; quality enhancement partnership; or a fundraising partnership. This allows the College to develop each partnership with the appropriate links within the institution to best effect.

The College values its relationship with the trade unions representing its employees. Regular meeting of the Joint Consultative Committee were held, throughout 2020/21, in a positive and transparent manner.

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

Numbers of employees during the relevant period	FTE employee number
8	3.64

Percentage of time	Number of employees
0%	
1-50%	8
51-99%	
100%	

Total cost of facility time	£9,732
Total pay bill	£14,477,000
Percentage of total bill spent on facility time	0.07%

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

Section 172 Statement

The Board of Directors are aware of their duty under s.172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company in achieving its charitable purpose and, in doing so, to have regard (amongst other matters) to:

- The likely consequences of any decision in the long term.
- The interests of the Company's employees.
- The need to foster the Company's business relationships with suppliers, customers and others.
- The impact of the Company's operations on the community and the environment.
- The desirability of the Company maintaining a reputation for high standards of business conduct.

Within this report, we have summarised our governance framework and how we are engaged with stakeholders during the year. The Trustees have considered the views and needs of key stakeholders in Board discussions and decision making. The following points are not intended to be an exhaustive list but are illustrative of how the Trustees have fulfilled these duties during the year.

Engagement with employees

- The Senior Leadership Team actively engages staff through frequent all-staff briefings, use of internal communication tools, and regular 'Coffee with the Principal' sessions to provide updates on business developments and to answer questions directly. These have transitioned to online meetings following the impact of the Covid-19 pandemic.

- The College has launched a staff engagement platform, MyMorley, to aid effective engagement and provide access to staff rewards and discounts, which has been widely accessed.
- The College has continued to invest in staff wellbeing and the provision of support through the confidential Employee Assistance Programme.
- We conducted a full consultation with staff and union representatives in advance of implementing a revised staffing structure, involving an overall increase in staffing, to deliver the college's three centre model.
- In line with our objective of being an employer of choice, the Directors have recently engaged with the National Centre for Diversity and are working towards full Investors in Diversity accreditation.
- We have focused on mitigating employee risks arising from Covid-19 pandemic, including wellbeing while working remotely.

Engagement with stakeholders

- The Trustees recognise the importance of external stakeholders such as applicants, providers, advisers, education and commercial customers, government and sector agencies, legal members, and suppliers, as well as internal stakeholders.
- The Trustees remain committed to effective engagement of all stakeholders and are mindful that the organisation's success depends on its ability to engage effectively, work together constructively and to take stakeholder views into account.
- The Trustees also review financial and operational performance, as well as information covering areas such as external drivers which includes the number of applications, staff, staff representatives including working with the Joint Consultative Committee to recognise Unison in addition to the University and College Union (UCU), pensions, delivery, and key risks. This information is provided to the Trustees through routine reports circulated in advance of each Board meeting which are then reviewed, discussed and approved, as necessary.
- Governors responded to Covid-19 by establishing a special purpose committee – the Covid-19 College Response Oversight Group – to provide oversight of the College's response and protect the interests of stakeholders.
- The College has established Stakeholder Advisory Groups for each of the main college centres to ensure that it is able to take full account of local considerations in its decision making.

Equality and Diversity

The College celebrates and values diversity and is committed to providing the education and support that enable all members of the learning community to achieve their full potential. Action to promote Equality and Diversity is core to the College's mission, values and strategic goals. Morley's vision identifies the College as a provider of inspiring, distinctive and excellent adult learning, as a college that contributes to, and is responsive to, the communities it serves.

'Respect for diversity and the promotion of equality' is one of the five core values and is central to Morley's vision as it strives to provide relevant and challenging education and training for all sections of the community. Morley also strives to be an exemplary employer, and to ensure that it employs a diverse workforce that is equipped with the skills necessary to achieve shared ambitions.

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, sex, sexual orientation, disability, religion or belief and age. We aim to remove conditions that place people at a disadvantage, and we actively combat bigotry. The College's Equality and Diversity Policy is published on the College's Intranet site and website and actions to deliver the policy are regularly monitored.

The College publishes an Annual Equality and Diversity Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College is strongly committed to supporting job applicants and staff with disabilities and long-term health conditions and is positive about mental health. The College has signed up to the Government's Disability Confident Scheme and has committed to the Mindful Employer's Charter. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion that, as far as possible, provide identical opportunities to those of non-disabled employees.

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010:

- a) As part of its property strategy the College is ensuring the entrances to all Centres are fully accessible, and continues to seek to improve the accessibility of the estate as a whole
- b) The College provides a range of specialist equipment and assistive technology to assist learners with disabilities
- c) The College includes on its staff specialist tutors and support assistants to support students with learning difficulties and/or disabilities
- d) There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for learners who have learning difficulties and/or disabilities
- e) Specialist programmes are described in college prospectuses and on the college website
- f) The progress and achievement of learners who have learning difficulties and/or disabilities is carefully monitored
- g) Counselling and welfare services are described in the College's Student Handbook that is issued to students at induction.

Disclosure of information to auditors

The members who held office at the date of approval of this report confirm that, as far as they are each aware, there is no relevant audit information of which the College's auditors are unaware. 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.

This report and the Strategic Report (included therein) was approved by the Governing Body, as the company's board of directors, on 13th December 2021

A handwritten signature in black ink, reading "Leisha Fullick". The signature is written in a cursive style with a small dot above the 'i' in Fullick.

Leisha Fullick
Chair

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 2020 to 31 July 2021 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 full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges 2015 as amended in 2018 ("the Code"); and
- iii. having due regard to the UK Corporate Governance Code 2018 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 adopted and complied with the Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code that we consider to be relevant to the further education sector.

In the opinion of the Governors, the College complies with or exceeds all the provisions of the Code, and it has complied throughout the year ended 31 July 2021. The Governing Body 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.

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

The Governing Body

The members who served on the Governing Body during the year **and up to the date of signature of this report** were as listed in the table below. The Governors are directors and members of the College for the purposes of company law.

Continuing Members

	Date of Appointment	Term of office ends	Status of appointment	Committees served and offices held 2020-21	Meetings Attended/ Possible
Miss Justine Brian	27 February 2018 Reappointed 1 August 2021	31 July 2025	External member	Audit Quality and Standards Lead Governor for Safeguarding	16/16
Mr Alex Cole	29 March 2021	31 July 2024	External member	Audit	6/6
Mr Pedro Dias Ferreira	3 February 2020	31 July 2023	External member	Finance, Resources and Fundraising (Vice-chair) Covid-19 College Response Oversight Group	11/15
Mr Nic Durston	13 April 2018 Reappointed 1 August 2021	31 July 2025	External member	Finance, Resources and Fundraising (Chair) Covid-19 College Response Oversight Group Lead Governor for Fundraising	14/16
Ms Pauline Egan	2 April 2014 Reappointed 16 October 2017 and 1 August 2021	1 April 2022	External member	Vice-chair of Governing Body Audit Remuneration (Chair) Search and Governance	20/20

	Date of Appointment	Term of office ends	Status of appointment	Committees served and offices held 2020-21	Meetings Attended/ Possible
Ms Gill Evans	3 February 2020	31 July 2023	External member	Quality and Standards Lead Governor for Equality and Diversity (joint from 2 November 2020)	11/11
Ms Heather Fry	18 October 2016 Reappointed 1 August 2020	31 July 2024	External member	Quality and Standards (Chair) Remuneration (Vice-chair)	11/12
Ms Leisha Fullick	10 May 2021	31 July 2024	External member	None	3/3
Dr Andrew Gower	13 April 2015	N/A	Principal and Chief Executive Officer	Quality and Standards Finance, Resources and Fundraising Search and Governance	19/19
Mrs Gail Le Coz	3 February 2020	31 July 2023	External member	Audit Covid-19 College Response Oversight Group Search and Governance	21/21
Ms Susan Lindsey	27 March 2019 Reappointed 2 November 2020 and 3 February 2021	31 July 2024	Student member to 2 February 2021 External member from 3 February 2021)	Finance, Resources and Fundraising Covid-19 College Response Oversight Group Lead Governor for Health and Safety	13/15
Mr Victor Olowe	2 April 2014 Reappointed 16 October	31 July 2023	External member	Audit (Vice-chair) Search and Governance (Vice-	19/19

	Date of Appointment	Term of office ends	Status of appointment	Committees served and offices held 2020-21	Meetings Attended/ Possible
	2017 and 1 August 2021			chair)	
Mrs Debbie Ryle	1 August 2020	31 July 2022	Staff member	Quality and Standards	NA
Ms Moyra Samuels	3 February 2020	31 July 2023	External member	Quality and Standards Search and Governance Joint Lead Governor for Equality and Diversity (from 2 November 2020)	12/17
Dr Melissa Score	3 November 2021	31 July 2023	Staff member	NA	NA
Mr Jonathan Slater	1 August 2021	31 July 2025	External member	NA	NA
Ms Heather Smith	13 April 2018	31 July 2021	External member	Audit (Chair)	13/13
Mr James Ward	3 February 2020	31 July 2023	External member	Quality and Standards (Vice-chair)	10/11

Retiring Members

	Date of Appointment	Term of office ended	Status of appointment	Committees served and offices held 2020-21	Meetings Attended/ Possible
Mr Martin Bamford	15 December 2015 Reappointed 11 December 2017 Co-opted wef 1 December 2019	30 November 2020	Student member (to 30 November 2019) Co-opted member (from 1 December 2019)	Audit Quality and Standards Covid-19 College Response Oversight Group	2/5
Miss Shola Bryan	3 February 2020 Reappointed 2 November 2020 and 3 February 2021	30 November 2021	Student member	Quality and Standards	7/11
Dr Stuart Edwards	14 December 2009 Reappointed 10 December 2013 and 16 October 2017	31 July 2021	External member	Chair of Governing Body Finance, Resources and Fundraising Remuneration Search and Governance (Chair) Covid-19 College Response Oversight Group (Chair)	20/20
Mrs Irene Lax	3 February 2020 Co-opted for a further term 2 November 2020	2 February 2021	Co-opted member	Quality and Standards	0/5

Ms Charlotte Thompson	1 August 2020	31 July 2021	Staff member	Finance, Resources and Fundraising	11/11
Mr Adhip Waghe	26 March 2021	30 November 2021	Student member	Finance, Resources and Fundraising	4/6

Mr Martin McNeill served as Clerk to the Governing Body and Company Secretary throughout the year.

Directors and their interests

The directors of the Company are shown above and, except for any instances mentioned, served throughout the year. None of the directors has any interests in the Company.

The Clerk maintains a register of financial and personal interests of the members of the Governing Body and of senior post-holders. The register is available for inspection at the address below.

Limited liability

The Company does not have any share capital and is limited by guarantee. The liability of the members, who are the directors, is limited to £1 each in the event of the winding up of the Company.

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

The Governing Body is provided with regular and timely 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 personnel-related matters such as health and safety and environmental issues. The Governing Body meets at least four times per year.

The Governing Body receives advice on the conduct of its business from five committees. Each committee has terms of reference, which have been approved by the Governing Body. These committees are: Audit; Finance, Resources and Fundraising; Quality and Standards; Remuneration; and Search and Governance. The Governing Body also received advice from a Covid-19 College Response Oversight Group, comprising six (later five) governors, on the adequacy and effectiveness of the actions being taken to ensure the resilience of the College in the face of the Covid-19 pandemic.

Individual Governors ('lead governors') also assisted and advised the Governing Body in the oversight of particular areas of its responsibility, specifically Equality and Diversity, Fundraising, Health and Safety and Safeguarding. The range and remit of committees and the contribution that each makes to effective governance is under continual review.

Full minutes of all meetings, except those deemed to be confidential by the Governing Body, are available from the Clerk to the Governing Body at the College's registered office:

61 Westminster Bridge Road

London

SE1 7HT

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

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

The Governing Body has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Governing Body 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 and Accounting Officer are separate.

Appointments to the Governing Body

Appointments to the Governing Body are matters for the consideration of the Governing Body as a whole. The Governing Body has a Search and Governance Committee, which is responsible for the selection and nomination of any new external member for the Governing Body's consideration and for considering and nominating retiring governors for re-appointment. The Governing Body is responsible for ensuring that appropriate training is provided as required.

Members of the Governing Body are appointed for a term of office not exceeding four years, except for student members who are appointed for a term not exceeding two years. Members generally serve for a maximum of eight years (student governors – four years).

Governing Body performance

The Governing Body has established a comprehensive framework for evaluating its own performance and enhancing the quality of governance, comprising:

- regular review of the composition of the Governing Body and the extent to which the skills and experience of members match the needs of the College;
- analysis of the extent to which members attend board and committee meetings, participate in training and development activities and take up opportunities to engage with the day-to-day work of the College, its staff and students;
- an annual survey of members' views of the effectiveness of the Governing Body;
- an annual review of the impact of the Governing Body on the success of the College;
- a biennial development interview with each member of the Governing Body;
- an annual review of the effectiveness of each committee in discharging the responsibilities delegated to it; and
- a periodic (currently triennial) evaluation of the effectiveness of governance by an independent consultant.

Having considered its overall performance in 2020/21, the Governing Body has identified the following five key strengths of governance at the College:

- a clear understanding of the College's mission, vision and strategy, with a robust Strategic Plan and effective arrangements for monitoring its implementation;
- a strong commitment to the values and ethos of the College;
- rigorous monitoring of performance, supported by high-quality reports, including detailed performance analysis, with further assurance, particularly in relation to financial controls, risk management and safeguarding, provided through the work of well-focused and well-led committees;
- a good balance of support and challenge to the Senior Leadership Team, founded on a shared understanding of the respective roles of governance and management; and
- a systematic approach to reviewing and seeking continuous improvement in governance performance and effectiveness.

The following areas have been identified as having scope for enhancement in the 2021-22 QEP:

- to continue to engage with existing stakeholders (particularly students, but also wider communities), and build strong relationships with new stakeholders by communicating in an accessible and transparent manner that encourages feedback;
- to promote greater diversity within the Governing Body and the Senior Leadership Team through careful succession planning and professional development;
- to ensure that a concern for environmental sustainability informs all College activity; and
- to further develop the efficiency of governance processes to enable all governors to gain assurance as to the quality of learning and teaching and the delivery of the strategic objectives that the Board has set.

Committees of the Governing Body

Audit Committee

The Audit Committee comprises between three and six members of the Governing Body (excluding staff members, the Accounting Officer and the Chair of the Governing Body). The Committee operates in accordance with written terms of reference approved by the Governing Body.

The Audit Committee meets at least termly and provides a forum for reporting by the College's internal and financial statements auditors, and by the accountants appointed to report on regularity, all of whom 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 auditors 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 audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Governing Body on the appointment of internal and financial statements auditors and of accountants to report on regularity and on their remuneration for audit

and non-audit work. In common with all other committees, it provides an annual report to the Governing Body summarising its work over the preceding year.

Finance, Resources and Fundraising Committee

The Finance, Resources and Fundraising Committee comprises between six and eight members of the Governing Body. The Committee advises the Governing Body and provides it with assurance on matters relating to its responsibilities for oversight of financial health, financial management, estates, human resources, marketing and communications, fundraising, health and safety and environmental sustainability.

Quality and Standards Committee

The Quality and Standards Committee comprises between six and eight members of the Governing Body. The Committee advises the Governing Body and provides it with assurance on the quality of learning, teaching and assessment, with particular reference to standards, outcomes for learners, curriculum offer, inclusion and the enhancement of the Morley student experience.

Remuneration Committee

The Remuneration Committee comprises four members of the Governing Body (excluding staff and student members and the Accounting Officer). The Committee advises the Governing Body on the remuneration and benefits of the Accounting Officer and other holders of senior posts and on leadership development and succession planning for the Senior Leadership Team. The senior post-holders within the remit of the Remuneration Committee comprise the Principal, the Deputy Principal, the Chief Finance Officer and the Clerk to the Governing Body and Company Secretary. The Governing Body has a clear policy on the remuneration of senior post holders, which is determined following consideration by the Remuneration Committee of the value of and market rate for each role with due regard to the overall financial position of the College, the median rate of pay for College staff and any overall staff pay award. The policy also provides for the payment of non-consolidated awards of up to three per cent of salary to recognise exceptional performance and places restrictions on earnings from external work.

Details of remuneration for the year ended 31 July 2021 are set out in note 8 to the financial statements.

Search and Governance Committee

The Search and Governance Committee comprises between four and seven members of the Governing Body (excluding staff and student members). The Committee advises the Governing Body on the appointment and re-appointment of external members and on all matters relating to the governance of the College, including the development of the Board as a whole and of individual governors, the setting of targets for Governing Body performance and the related performance review arrangements.

Internal control

Scope of responsibility

The Governing Body 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 Governing Body has delegated to the Principal, as Accounting Officer, the day-to-day responsibility 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 he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between the College and the ESFA. He is also responsible for reporting to the Governing Body 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 ongoing 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 the College for the year ended 31 July 2021 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Governing Body 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 Governing Body is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2021 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Governing Body.

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative 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 Governing Body;
- regular reviews by the Governing Body 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; and
- the adoption of formal project management disciplines, where appropriate.

The College has commissioned an internal audit service, which operates in accordance with the requirements of the ESFA's *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 Governing Body on the recommendation of the Audit Committee. A new internal audit service provider was appointed in March 2021 and has undertaken a number of investigations, providing individual reports to the Governing Body.

Review of effectiveness

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

- the work of the internal audit service provider;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the College's financial statements auditors and the reporting accountants for regularity assurance 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 audit service provider and other assurance providers and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Risk Management Committee comprises members of the Senior Leadership Team and other co-opted members with an understanding of Health and Safety, Premises, IT, HR, Finance and academic issues. The Committee receives reports setting out key performance and risk indicators and considers possible control issues brought to its attention by early warning mechanisms, which are embedded across the College and reinforced by risk awareness training.

The Risk Management Committee and the Audit Committee also receive regular reports from the internal audit service provider and other providers of assurance, which may 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 Governing Body's agenda includes a regular item for consideration of risk and control and it receives relevant reports from the Senior Leadership Team and the Audit Committee. The emphasis is on obtaining the appropriate degree of assurance and not merely reporting by exception.

At its December 2021 meeting, the Governing Body carried out the annual assessment for the year ended 31 July 2021 by considering documentation from the Senior Leadership Team and internal audit, and taking account of events since 31 July 2021.

Based on the advice of the Audit Committee and the Accounting Officer, the Governing Body is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "*the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets*".

Going concern

After making appropriate enquiries, and taking account of:

- the sound level of liquidity as at 31 July 2021
- the College's performance against budget, reflecting the impact of Covid-19
- the five-year Financial Plan in support of the merger agreed with the ESFA
- the availability of the £3.5 million grant facility to provide cashflow support over the life of the plan, if required.

The Governing Body 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.

Approved by order of the members of the Governing Body on 13th December 2021 and signed on its behalf by:

Signed



Leisha Fullick

Chair

Signed



Dr Andrew Gower

Accounting Officer

Statement of Regularity, Propriety and Compliance

The Governing Body has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the College's grant funding agreements and contracts with the ESFA. As part of our consideration, we have had due regard to the requirements of the grant funding agreements and contracts with the ESFA.

We confirm on behalf of the College that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding, under the College's grant funding agreements and contracts with the ESFA, or any other public funder.

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



Dr Andrew Gower
Accounting Officer
13 December 2021



Leisha Fullick
Chair of Governors
13 December 2021

Statement of Responsibilities of the Governing Body

The Governing Body, as the board of trustees, is required to present audited financial statements for each financial year.

Within the terms and conditions of the Governing Body's grant funding agreements and contracts with the ESFA, the Governing Body – 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, the ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, which give a true and fair view of the state of affairs of the College and its deficit of income over expenditure for that period.

In preparing the financial statements, the Governing Body 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 College is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate; and
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

The Governing Body is also required to prepare a 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 College.

The Governing Body 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 Governing Body is responsible for the maintenance and integrity of the College's 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.

The Governing Body is responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, it is responsible for ensuring that funds from the ESFA and any other public funds are used only in accordance with the ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time by the ESFA or any other public funder. Members of the Governing Body 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 Governing Body are responsible for securing economical, efficient and effective management of the College's resources and expenditure so that the benefits that should be derived from the application of public funds from the ESFA and other public bodies are not put at risk.

Approved by order of the Governing Body on 13 December 2021 and signed on its behalf by:

A handwritten signature in black ink, reading 'Leisha Fullick'. The signature is written in a cursive style with a small dot above the 'i' in 'Fullick'.

Leisha Fullick

Chair of Governors

Independent auditor's report to the Governing Body of Morley College

Opinion

We have audited the financial statements of Morley College (the 'College') for the year ended 31 July 2021 which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet, the statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and 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 2021 and of its deficit of income under expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- in all material respects, funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- in all material respects, funds provided by the Office for Students (OfS), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of OfS's accounts direction have been met
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Governing Body with respect to going concern are described in the relevant sections of this report.

Independent auditor's report to the Governing Body of Morley College (continued)

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 Governing Body is 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Governors' report, which is also the directors' report for the purposes of company law and includes the strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Governors' report, which is also the directors' report for the purposes of company law and includes the strategic report, has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the College and its environment obtained in the course of the audit, we have not identified material misstatements in the Governors' report including the strategic report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 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
- certain disclosures of Governors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of the following matters in relation to which the Office for Students requires us to report to you if, in our opinion:

- the College's grant and fee income, as disclosed in note 3 to these financial statements has been materially misstated.

Independent auditor's report to the Governing Body of Morley College (continued)

Responsibilities of the Governing Body

As explained more fully in the statement of responsibilities of the Governing Body, 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 are 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 intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

Auditor's 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:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- ◆ the Senior Statutory Auditor ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- ◆ we identified the laws and regulations applicable to the College through discussions with management, and from our knowledge and experience of the sector;
- ◆ we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the College, including the Further and Higher Education Act 1992, Companies Act 2006, funding agreements with the ESFA and associated funding rules, ESFA regulations, data protection legislation, anti-bribery, safeguarding, employment, health and safety legislation;
- ◆ we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and

Independent auditor's report to the Governing Body of Morley College (continued)

- ◆ identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the College's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- ◆ making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- ◆ considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- ◆ performed analytical procedures to identify any unusual or unexpected relationships;
- ◆ tested journal entries to identify unusual transactions; and
- ◆ assessed whether judgements and assumptions made in determining the accounting estimates set out in the accounting policies were indicative of potential bias.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- ◆ agreeing financial statement disclosures to underlying supporting documentation;
- ◆ reading the minutes of Governing Body meetings;
- ◆ enquiring of management as to actual and potential litigation and claims; and
- ◆ reviewing any available correspondence with HMRC and the College's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the Governing Body and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

Independent auditor's report to the Governing Body of Morley College (continued)

Use of our report

This report is made solely to the College's members, as a body, in accordance with the Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the College's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the College's members as a body, for our audit work, for this report, or for the opinions we have formed.

Buzzacott LLP

Catherine Biscoe (Senior Statutory Auditor)
For and on behalf of Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

Date: 17 December 2021

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 July 2021

	Notes	Year ended 31 July 2021	Year ended 31 July 2020
		£'000	£'000
INCOME			
Funding body grants	2	15,458	10,847
Tuition fees and education contracts	3	2,376	5,119
Other grants and contracts	4	655	390
Other income	5	371	253
Investment income	6	13	12
Donations	7	33	22,009
Total income		18,906	38,630
EXPENDITURE			
Staff costs	9	16,404	12,218
Other operating expenses	10	5,724	5,527
Depreciation	12,13	1,279	1,137
Interest and other finance costs	11	237	164
Total expenditure		23,643	19,046
(Deficit/surplus before other gains and losses)		(4,737)	19,584
Gain(loss) on investments	15	21	(13)
(Deficit/surplus before tax)		(4,716)	19,571
Taxation		-	-
(Deficit/surplus for the year)		(4,716)	19,571
Unrealised gain on revaluation of assets		-	10,000
Actuarial gain/(loss) in respect of pensions schemes	24	2,467	(6,851)
Total Comprehensive (expenditure income for the year)		(2,249)	22,720
Represented by:			
Unrestricted comprehensive (expenditure income)		(2,249)	22,720
Restricted comprehensive (expenditure income)		-	-
		(2,249)	22,720
Memo item: surplus prior to FRS102 pensions adjustments			
(Deficit)/surplus before other gains and losses		(4,737)	19,584
Interest and other finance costs		236	164
FRS102 pension costs within staff costs		1,636	813
Loss(gain) prior to FRS102 pensions adjustments		(2,864)	20,561

STATEMENT OF CHANGES IN RESERVES
For the year ended 31 July 2021

	Income and Expenditure account	Restricted Reserves	Revaluation Reserve	Total
	£'000	£'000	£'000	£'000
Balance at 1st August 2019	(2,790)	160	14,210	11,580
Surplus from the income and expenditure account	19,576	8	-	19,584
Other comprehensive income	(6,851)	-	10,000	3,149
Other losses	-	-	(13)	(13)
	12,725	8	9,987	22,720
Balance at 31st July 2020	9,935	168	24,197	34,300
Surplus/(deficit) from the income and expenditure account	(4,737)	-	-	(4,737)
Other comprehensive income	2,467	-	-	2,467
Other gains	-	-	21	21
	(2,270)	-	21	(2,249)
Balance at 31st July 2021	7,664	168	24,218	32,051

BALANCE SHEET
As at at 31 July 2021

	Notes	2021 £'000	2020 £'000
Fixed assets			
Tangible fixed assets	12	50,165	49,307
Intangible fixed assets	13	214	244
Investments	15	244	223
		50,623	49,774
Current assets			
Stocks			
Trade and other receivables	16	836	971
Cash and cash equivalents	20	3,195	5,308
		4,031	6,279
Less: Creditors – amounts falling due within one year	17	(3,150)	(3,117)
Net current assets		881	3,162
Total assets less current liabilities		51,504	52,936
Less: Creditors – amounts falling due after more than one year	18	(2,560)	(1,149)
Provisions			
Defined benefit obligations	24	(16,893)	(17,487)
Total net assets		32,051	34,300
Restricted reserves		160	160
Unrestricted reserves			
Pension reserve		(23,749)	(17,487)
Income and expenditure account	23	31,422	27,430
Revaluation reserve	23	24,218	24,197
Total unrestricted reserves		31,891	34,140
Total reserves		32,051	34,300

The financial statements on pages 47 to 50 were approved and authorised for issue by the Governing Body on 13 December 2021 and were signed on its behalf on that date by:



Leisha Fullick
Chair



Dr Andrew Gower
Accounting Officer

Statement of Cash Flows

	Notes	2021 £'000	2020 £'000
Cash (outflow) inflow from operating activities			
(Deficit) surplus for the year		(4,737)	19,584
Adjustment for non cash items			
Depreciation and amortisation		1,279	1,137
Decrease in debtors		135	367
Increase/(decrease) in creditors due within one year		33	(723)
Increase in creditors due after one year		1,450	223
Pensions costs less contributions payable		1,873	977
Fair value of assets and liabilities acquired on business combination		-	(21,944)
Adjustment for investing or financing activities			
Investment income		(13)	(12)
		<u>10</u>	<u>(391)</u>
Net cash flow from operating activities			
Cash flows from investing activities			
Investment income		13	12
Cash and cash equivalents acquired on business combination		-	6,626
Purchase of non-current assets - tangible assets		(2,072)	(1,487)
Purchase of non-current assets - intangible assets		(35)	(208)
		<u>(2,094)</u>	<u>4,943</u>
Cash flows from financing activities			
Repayments of amounts borrowed		(30)	(23)
		<u>(30)</u>	<u>(23)</u>
(Decrease) increase in cash and cash equivalents in the year		<u>(2,113)</u>	<u>4,529</u>
Cash and cash equivalents at beginning of the year	20	5,308	779
Cash and cash equivalents at end of the year	20	3,195	5,308

Morley College Limited – Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2020 to 2021 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 modified by the use of previous valuations as deemed cost at transition for certain non-current assets and for fixed asset investments that are carried at market value.

The College's financial statements are presented in sterling, which is also the functional currency of the College. Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

Going concern

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

The College has a loan for £500k, which was drawn down in July 2018 and has a term of 20 years. This borrowing was deployed to support the property strategy, creating a new college entrance, reception, and the refurbishment of the gallery.

The College completed its business combination with Kensington and Chelsea College (KCC) on 3 February 2020. Under the business combination under the Statement of Recommended Practice: Accounting for Further and Higher Education, KCC merged into Morley College.

As part of the merger process, the College agreed a five-year merger financial plan with the ESFA. Recognising the challenge associated with the overall merger transaction the merger financial plan is supported by a £3.5M Restructuring Facility Grant provided by the ESFA. This may be drawn down to provide additional cashflow should cash balances fall below an agreed level.

While the impact of Covid-19, which was not anticipated in the merger financial plan, has been extremely challenging, the College has maintained cash balances and the full Restructuring Facility Grant remains undrawn.

Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

Revenue grant funding

The recurrent grant from the ESFA represents the funding allocations attributable to the current financial year and is credited direct to the income and expenditure account. 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 achievement for the Adult Education Budget, unless within tolerance limits, 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 correspondence from the funding body 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.

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 after 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.

Tuition 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; this includes all fees payable by students or their sponsors.

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.

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 model 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.

The deferred income is allocated between creditors due within one year and those due after more than one year.

Donations and Legacies

Income from donations and legacies is recognised when the following three criteria are met:

- entitlement: arises when a resource is receivable or control over the rights or other access to economic benefit has passed to the College

- probable: it is more likely than not that the economic benefit associated with the transaction or gift will flow to the College
- measurement: then the monetary value of the income can be reliably measured, and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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 and contracted out of the State Second Pension.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated 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.

Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Local Government Pension Schemes (LGPS): London Pensions Fund Authority (LPFA) and Royal Borough of Kensington and Chelsea (RBKC)

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 actuarial gains and losses.

The following quote is taken from the LPFA annual valuation report, which the valuation used in the accounts:

"On 22 January 2018, the Government published the outcome to its Indexation and equalisation of Guaranteed Minimum Pensions (GMP) in public service pension schemes consultation, concluding

that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching State Pension Age (SPA) before 6 April 2021. HM Treasury published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016.

Our valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that the Fund will be required to pay the entire inflationary increase. Therefore we do not believe we need to make any adjustments to the value placed on the liabilities as a result of the above outcome.”.

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.

Termination of employment costs

The best estimate of expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the College is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

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 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

The College's buildings are specialised buildings and therefore it is not appropriate to value them based on open market value. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 50 years.

Internal buildings improvements or modifications, which add to the long-term value of the building, are depreciated over a period of up to twenty years.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the income and expenditure account. On adoption of FRS 102, the College followed the transitional provision and elected to use the fair value of land at 1 August 2014 as deemed cost but not to adopt a policy of revaluations of land in the future. The College retained the book value of all other assets.

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 2021. They are not depreciated until they are brought into use.

Equipment

Equipment costing less than £3,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost and depreciated over its useful economic life on a straight-line as follows:

General equipment	3 to 10 years
Computer equipment	3 years
Pianos	10 years
Lift	10 years
Boilers	10 years

In the year of acquisition, assets are depreciated from the starting month of the assets' useful economic life. Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged 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. The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

Heritage Assets

The College has a collection of paintings, drawings and sculptures, which are held to enhance the fabric of its buildings or to celebrate its distinguished history in the liberal arts and add to the College's contribution to knowledge and culture. The Governing Body considers that, owing to the incomparable nature of these paintings, drawings and sculptures, conventional valuation approaches lack sufficient reliability and that, even if the valuations could be obtained, the costs would be onerous compared with the additional benefits derived by the College and users of the accounts. As a result, no value is reported for these assets in the balance sheet.

Intangible Assets

Intangible assets comprise software licences and information technology. Items costing less than £3,000 are written off to the income and expenditure account in the year of acquisition. All other items are capitalised and amortised over five years.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure.

Fixed asset investments

Fixed asset investments are carried at their market value less any provision for impairment in their value. Any increase or decrease in value during the year is credited or debited to the revaluation reserve.

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.

Taxation

The College is a registered charity and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010. 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 received no similar exemption in respect of value added tax. For this reason, and because the College is not VAT registered, the College is unable to recover the input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT.

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.

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 as 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 College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability of the asset. 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 21, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2021. 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.

- *Impact of Covid-19*

To estimate the impact of the Covid-19 pandemic on the future income and expenditure flows of the College and on its short to medium term financial stability in assessing going concern.

2 Funding body grants

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Recurrent grants		
Education and Skills Funding Agency/GLA - adult	12,230	9,074
Education and Skills Funding Agency - 16 -18	2,037	883
Office for Students	95	33
Specific Grants		
Teacher Pension Scheme contribution grant	468	410
Restructuring facility grant	564	330
Strategic College Improvement Fund	-	41
Release of government capital grants	34	46
Release of GLA LEAP capital grant	30	30
Total	15,458	10,847

3 Tuition fees and education contracts

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Tuition fees	1,490	4,109
Education contracts	886	1,010
Total	2,376	5,119

3a Analysis of Higher Education grant and fee income

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Grant income from the Office for Students	95	33
Fee income for taught awards at level 4 and above	351	971
	100	1,004

4 Other grants and contracts

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Coronavirus Job Retention Scheme grant	655	390
	<u>655</u>	<u>390</u>
Total	655	390

The College furloughed a combination of management, support, teaching and casual staff both salaried and hourly paid under the government's Coronavirus Job Retention Scheme. The funding of £655k (2020:£390k) relates to staff costs which are included within the staff costs note as appropriate.

5 Other income

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Other income generating activities	371	253
	<u>371</u>	<u>253</u>
Total	371	253

6 Investment income

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Other investment income	-	5
Other interest receivable	13	7
	<u>13</u>	<u>12</u>

7 Donations

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Gift of fair value of net assets of Kensington & Chelsea College on combination	-	21,944
Unrestricted donations	33	65
	<u>33</u>	<u>22,009</u>

8 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 Senior Management Team. This comprised of the Principal & Chief Executive, Deputy Principal & Deputy CEO and Chief Finance Officer.

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

	2021 No.	2020 No.
The number of key management personnel including the Accounting Officer was:	3	5

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:

	Senior post-holders		Other staff	
	2021 No.	2020 No.	2021 No.	2020 No.
£30,001 to £35,000	-	1	n/a	n/a
£65,001 to £70,000	-	-	-	2
£70,001 to £75,000	-	1	-	-
£80,001 to £85,000	-	1	-	-
£85,001 to £90,000	-	1	-	-
£90,000 to £95,000	2	-	-	-
£110,000 to £120,000	-	1	-	-
£125,001 to £130,000	1	-	-	-
	3	5	0	2

Key management personnel compensation is made up as follows:

	2021 £'000	2020 £'000
Salaries - gross of salary sacrifice	320	325
Employers National Insurance	41	46
Benefits in kind	-	2
	361	373
Pension contributions	76	213
Fundamental restructuring costs - contractual	-	72
Total emoluments	437	658

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 (who is also the highest paid officer) of:

	2021 £'000	2020 £'000
Salaries	130	122
Benefits in kind	-	1
	<u>130</u>	<u>123</u>
Pension contributions	<u>31</u>	<u>28</u>
Total emoluments	<u>161</u>	<u>151</u>

In considering the Remuneration of Senior Post Holders due consideration has been given to the Colleges' Senior Staff Remuneration Code published by the Governors' Council of the AoC, which fully aligns with the Committee of University Chairs (CUC) Higher Education Senior Staff Remuneration Code.

The remuneration and performance of all Senior Post Holders including the Accounting Officer is reviewed annually by the Remuneration Committee.

The pension contributions in respect of the Accounting Officer and key management personnel are in respect of employers' contributions to the Teachers' or Local Government Pension Schemes and are paid at the same rate as for other employees.

The multiple of median earnings represented by the Principal's salary is 3.88 times (2020 :4.04). Based on total emoluments the multiple of median earnings is 3.88 times (2020 :3.91). The median salary for the College is £33,487 (2020 :£32,157).

The pension contributions in respect of the Accounting Officer and key management personnel are in respect of employers' contributions to the Teachers' or Local Government Pension Schemes and are paid at the same rate as for other employees.

The Accounting Officer and staff members only receive remuneration in respect of services they provide undertaking their roles of Principal and staff members under contracts of employment and not in respect of their roles as governors.

The members of the Governing Body other than the Accounting Officer and the staff members did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. During the year 1 governor (2020 :1) with total expenses of £52 (2020 : £100) were paid to or on their behalf.

9 Staff costs

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

	2021 No.	2020 No.
Teaching staff	161	255
Non teaching staff	149	133
	310	388

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

	2021 No.	2020 No.
Teaching staff	572	516
Non teaching staff	208	171
	780	687

Staff costs for the above persons

	2021 £'000	2020 £'000
Wages and salaries	11,582	8,703
Social security costs	935	692
Other pension costs	1,961	1,595
FRS 102 pension cost adjustments	1,636	813
Sub total	16,114	11,803
Contracted out staffing services	242	126
	16,355	11,929
Fundamental restructuring costs - contractual	48	212
non contractual	-	77
	16,404	12,218

Restructuring costs of £48k were incurred in respect of the redundancy pay for two members of staff (2020 £289k in respect of 12 members of staff).

10 Other operating expenses

	Year 2021	Year 2020
	£'000	£'000
Teaching costs	1,056	2,006
Non teaching costs	3,239	2,211
Premises costs	<u>1,429</u>	<u>1,310</u>
Total	<u>5,724</u>	<u>5,527</u>
Other operating expenses include:	2021	2020
	£'000	£'000
Auditors' remuneration (inclusive of VAT):		
Financial statements audit (including regularity)	48	40
Audit Fees underaccrued previous year	32	98
Internal audit	36	9
Hire of assets under operating leases	96	95

The financial statements audit fee includes the audit of the Teachers' Pension Scheme and for 2021 the completion of ESFA Subcontracting Controls Audit.

Internal Audit expenses for 2020 include the completion of the ESFA Subcontracting Controls Audit.

11 Interest payable

	2021 £'000	2020 £'000
Net interest on defined pension liability (note 24)	<u>237</u>	<u>164</u>
Total	<u>237</u>	<u>164</u>

12 Tangible fixed assets

	Freehold Land and buildings £'000	Leasehold Land and buildings £'000	Equipment £'000	Assets under Construction £'000	Total £'000
Cost or valuation					
At 1 August 2020	37,867	10,425	5,554	2,792	56,638
Reclassifications	1,100		104	(1,204)	-
Additions	-		341	1,731	2,072
At 31 July 2021	38,967	10,425	5,999	3,320	58,710
Depreciation					
At 1 August 2020	2,965	100	4,266	-	7,331
Charge for the year	491	211	512	-	1,214
At 31 July 2021	3,456	311	4,778	-	8,545
Net book value at 31 July 2021	35,511	10,114	1,221	3,319	50,165
Net book value at 31 July 2020	34,902	10,325	1,288	2,793	49,307

Land and buildings were valued at 1 August 2014 at depreciated replacement cost by Gerald Eve LLP, a firm of independent chartered surveyors.

13 Intangible assets

	Software £'000
Cost or valuation	
At 1 August 2020	706
Additions	35
At 31 July 2021	741
Depreciation	
At 1 August 2020	462
Reclassification	0
Charge for the year	65
At 31 July 2021	527
Net book value at 31 July 2021	214
Net book value at 31 July 2020	244

The College has given a fixed charge over some of the College's freehold land and buildings to the London Pensions Fund Authority. This action secures a reduced employer contribution to the pension scheme through reduced pension risk.

In addition to the assets outlined above, the College owns a collection of artworks of historical and artistic importance, which it deems to be heritage assets as defined under FRS 102 (34). The collection comprises paintings, drawings and sculptures, which have been commissioned or acquired at various times by the College either to enhance the fabric of its buildings or to celebrate its distinguished history in the liberal arts. The collection is considered to be part of the College's ethos in relation to its educational approach and integral to its broader objective of educating the public in the arts. It is not practical to ascertain the cost of these assets

The College considers that these heritage assets cannot be reasonably valued and has therefore, and in accordance with paragraph 18.14 of the Charities SORP 2015, not included them in its balance sheet.

14 Capital commitments

	Year ended 31 July 2021	Year ended 31 July 2020
	£'000	£'000
Contracts for future capital expenditure not provided	213	151

15 Non current investments

	2021	2021
	£'000	£'000
(i) M & G Charifund investments	61	50
(ii) STIC Global investments	118	117
(iii) COIF Bursary and Prize Fund investments	65	56
Total	244	223

Total investment gains in the year were £21k (2020: loss of £13k)

Note (i) M & G Charifund investments

The College owns 3,982 M & G Charifund income units:

	2021	2020
	£'000	£'000
Cost	5	5
Revaluation surplus brought forward	45	59
Revaluation movement in year (Note 21)	11	(14)
Market value at 31 July 2021	61	50

Note (ii) STIC Global investments

The College owns 116,973 £1 shares in STIC Global:

	2021	2020
	£	£
Market value as at 31 July 2021	117,647	117,623

Note (iii) Charities Official Investment Fund (COIF)

The College owns shares in the Charities Official Investment Fund (COIF):

	Number of	2021	2020
	Shares	£	£
Cost of shares			
Martineau Memorial Fund	473	491	491
Emma Cons (Morley College) Memorial Fund	68	70	70
Sheddon Memorial Fund	1,844	1,961	1,961
Anstruther Sheepshanks Scholarship	365	379	379
Group Theatre (Morley College)	587	610	610
Total cost of shares	3,337	3,511	3,511

Cost of Capital Shares

Martineau Memorial Fund	371	371
Emma Cons (Morley College) Memorial Fund	67	67
Sheddon Memorial Fund	1,242	1,242
Anstruther Sheepshanks Scholarship	379	379
Group Theatre (Morley College)	596	596
Total capital shares	2,655	2,655

Cost of Income Shares

Martineau Memorial Fund	120	120
Emma Cons (Morley College) Memorial Fund	3	3
Sheddon Memorial Fund	719	719
Group Theatre (Morley College)	14	14
Total income shares	856	856

Cost	3,511	3,511
Revaluation surplus brought forward	52,462	47,561
Revaluation movement in the year	9,338	4,777
Market value as at 31 July 2021 as above	65,311	55,849

16 Trade and other receivables

	2021	2020
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	287	353
Accrued income	236	222
Prepayments	312	386
Amounts owed by the GLA	-	10
Total	835	971

17 Creditors: amounts falling due within one year

	2021	2020
	£'000	£'000
Bank loans and overdrafts	39	34
Payments received in advance / deferred income	603	159
Trade payables	384	973
Other taxation and social security	277	232
Accruals	600	742
Other creditors	825	868
Amounts owed to the ESFA /GLA	358	46
Deferred income - government and GLA capital grants	64	63
Total	3,150	3,117

Deferred Income

Deferred income at 1 August	159	452
Resources deferred in the year	603	159
Amount released from previous years	(159)	(452)
Deferred income at 31 July	603	159

18 Creditors: amounts falling due after one year

	2021	2020
	£'000	£'000
Bank loans	374	409
Deferred income - government and GLA capital grants	2,186	740
Total	2,560	1,149

Deferred Capital Grants

At 1 August	803	577
Received in the year	1,383	302
Released to the income and expenditure account	(64)	(76)
Deferred income at 31 July	2,122	803

19 Maturity of debt**Bank loans**

		2021 £'000	2020 £'000
Bank loans are repayable as follows:			
In one year or less	16	39	34
Between one and two years		39	34
Between two and five years		117	103
In five years or more		218	272
Total		413	443

Bank loans at 2 per cent above base rate repayable by instalments falling due between 1 August 2018 and 31 July 2033 totalling £500,000 are secured on a portion of the freehold land and buildings of the College (the Nancy Seear Building).

20 Cash and cash equivalents

	At 1 August 2020	Cash flows	Other changes	At 31 July 2021
	£'000	£'000	£'000	£'000
Cash and cash equivalents	5,308	(2,113)	-	3,195
Total	5,308	(2,113)	-	3,195

21 Analysis of changes in net funds

	At 1 August 2020	Cash flows	New finance leases	Other non-cash changes	Changes in market value and exchange rates	At 31 July 2021
	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	5,308	(2,113)	-	-	-	3,195
Bank loans	(443)	(30)	-	-	-	(413)
Net debt	4,865	(2,143)	-	-	-	2,782

22 Financial instruments

The college has the following financial instruments:

	2021 £'000	2020 £'000
Financial assets		
Financial assets measured at fair value through profit and loss	13	244
		223

23 Funds

	As at 31 July 2020 £000s	Income £000's	Expenditure £000s	Other gains £000s	Transfers £000s	As at 31 July 2021 £000s
Restricted Funds						
Bursary and Investments	86	-	-	-	-	86
Special Projects	74	-	-	-	-	74
	<u>160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>160</u>
Unrestricted Funds						
General Reserve	26,915	25,525	(21,533)	-	-	30,907
Revaluation Reserve	24,197	-	-	21	-	24,218
Development Fund	433	-	-	-	-	433
Other Designated Funds		-	-	-	-	
Bursary fund	58	-	-	-	-	58
Special Projects	18	-	-	-	-	18
Heritage Fund	6	-	-	-	-	6
Total Unrestricted Funds	<u>51,627</u>	<u>25,525</u>	<u>(21,533)</u>	<u>21</u>	<u>-</u>	<u>55,640</u>
Total Funds (excluding Pension Reserve)	51,787	25,525	(21,533)	21	-	55,800
Pension reserve	(17,487)	(6,619)	(2,110)	2,467	-	(23,749)
Total reserves excluding pension reserve	<u>34,300</u>	<u>18,906</u>	<u>(23,643)</u>	<u>2,488</u>	<u>-</u>	<u>32,051</u>

Restricted funds

There were no movements within the restricted funds in year.

Unrestricted funds: Revaluation Reserve

The revaluation reserve smooths out the effects over time of changes in the value of the College's investment portfolio. Current practice is to increase or decrease the size of the reserve by the increase or decrease in the value of investments so that this movement does not impact the income and expenditure account. This reserve also includes the increase in the value of land on adoption of FRS102.

Development Reserve

The Development Reserve is a designated fund that has been established to improve and extend the College's buildings, its environment and the facilities available for students in accordance with the College Property Strategy. The College's reserves policy is to retain a minimum level of general reserves (excluding losses or gains in respect of the pension scheme) equivalent to one term (four months) expenditure to cover the risks and uncertainties of operating its main business and continue building up the Development Reserve from annual operating surpluses. The Development Reserve was not adjusted within the year.

COIF Bursary Fund

This unrestricted Bursary Fund was established to supplement the restricted bursary fund, and is held to provide support for learners to attend College whose financial circumstances otherwise preclude them from doing so. There were no movements on the fund within the year.

Special Projects Fund

The Special Projects Fund exists to help the College develop new initiatives, support innovation and pilot new work and performances that will strengthen the College's reputation and profile. There were no movements to this fund in year.

Heritage Fund

The Heritage Fund exists to maintain, promote and celebrate the College's history and heritage including the restoration, renovation and expansion of the College art collection. There were no movements to this fund in year.

24 Defined benefit obligations

The College's employees belong to three principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff, the London Local Government Pension Scheme (LGPS) for non-teaching staff based at the Waterloo centre, which is managed by the London Pension Fund Authority, and the London Local Government Pension Scheme (LGPS) for non-teaching staff based at North Kensington and Chelsea centre, which is managed by the Royal Borough of Kensington and Chelsea. All three are multi-employer defined-benefit plans. The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2019 and of the LGPS 31 March 2020.

Total pension cost for the year	2021 £'000	2020 £'000
Teachers Pension Scheme: contributions paid	1,398	1,005
Local Government Pension Schemes:		
Contributions paid	664	590
FRS 102 (28) charge	<u>1,636</u>	<u>1,104</u>
Charge to the Statement of Comprehensive Income	2,300	1,694
Total Pension Cost for Year	<u>3,698</u>	<u>2,699</u>

Contributions amounting to £261k were payable to the schemes as at 31 July 2021 and are included in creditors (2020:£147k).

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.

The latest actuarial review of the TPS was carried out as at 31 March 2019. 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 2018/19. 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 £1,398,091 (2020: £1,005,000)

24 Defined benefit obligations (continued)

The college is a member of two Local Government Pensions Schemes, the London Pension Fund Authority (LPFA) and the Royal Borough of Kensington and Chelsea Scheme (RBKC)

Local Government Pension Scheme - London Pension Fund Authority

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the London Pension Fund Authority. The total contribution made for the year ended 31 July 2021 was £629k, of which employer's contributions totalled £430k and employees' contributions totalled £199k. The agreed contribution rates for future years are 15.1% for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2021 by a qualified independent actuary

	At 31 July 2021	At 31 July 2020
Rate of increase in salaries	3.85%	3.25%
Future pensions increases	2.85%	2.25%
Discount rate for scheme liabilities	1.60%	1.40%
Inflation assumption (CPI)	2.85%	2.25%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2021	At 31 July 2020
	years	years
<i>Retiring today</i>		
Males	22.9	21.2
Females	23.6	23.9
<i>Retiring in 20 years</i>		
Males	23.0	22.7
Females	25.6	25.4

24 Defined benefit obligations (continued)**Local Government Pension Scheme - London Pension Fund Authority (Continued)**

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

	Long-term rate of return expected at 31 July 2021	Fair Value at 31 July 2021 £'000	Long-term rate of return expected at 31 July 2020	Fair Value at 31 July 2020 £'000
Equities	56%	7,434	55%	6,313
Target Return Portfolio	22%	2,899	23%	2,615
Infrastructure	9%	1,188	7%	794
Property	9%	1,119	9%	1,066
Cash	4%	523	6%	706
Total market value of assets		13,163		11,494

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

	2021 £'000	2020 £'000
Fair value of plan assets	13,163	11,494
Present value of plan liabilities	(25,196)	(22,125)
Net pensions liability	(12,033)	(10,631)

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

	2021 £'000	2020 £'000
Amounts included in staff costs		
Current service cost	1,519	928
Past service cost	0	127
Total	1,519	1,055

Amounts included in investment income

Net interest income	146	139
Administration expenses	15	14
	161	153

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	1,203	346
Other actuarial gains on assets	-	7
Experience losses arising on defined benefit obligations	447	(611)
	(1,802)	(2,834)
Changes in assumptions underlying the present value of plan liabilities		
Amount recognised in Other Comprehensive Income	(152)	(3,092)

24 Defined benefit obligations (continued)**Local Government Pension Scheme - London Pension Fund Authority (Continued)****Movement in net defined benefit (liability) during the year**

	2021	2020
	£'000	£'000
Deficit in scheme at 1 August	(10,631)	(6,784)
Movement in year:		
Current service cost	(1,519)	(928)
Employer contributions	430	453
Past service cost	-	(127)
Administration expenses	(15)	(14)
Net interest on the defined liability	(146)	(139)
Actuarial gain or loss	(152)	(3,092)
Net defined benefit liability at 31 July	(12,033)	(10,631)

Asset and Liability Reconciliation

	2021	2020
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	22,125	17,390
Current Service cost	1,519	928
Interest cost	309	365
Contributions by Scheme participants	199	158
Experience gains and losses on defined benefit obligations	(280)	611
Changes in financial assumptions	(447)	2,834
Estimated benefits paid	2,082	(288)
Unfunded pension payments	(5)	-
Past service cost	(306)	127
Defined benefit obligations at end of period	25,196	22,125

Reconciliation of Assets

Fair value of plan assets at start of period	11,494	10,606
Interest on plan assets	163	226
Return on plan assets	1,203	346
Other actuarial gains	-	7
Administration expenses	(15)	(14)
Employer contributions	430	453
Contributions by Scheme participants	199	158
Estimated benefits paid	(311)	(288)
Fair value of plan assets at end of period	13,163	11,494

24 Defined benefit obligations (continued)**Local Government Pension Scheme - Royal Borough of Kensington and Chelsea**

Morely College joined the LGPS funded defined-benefit plan, with the assets held in separate funds administered by the Royal Borough of Kensington and Chelsea on 3 February 2020 at the point of merger with Kensington and Chelsea College. The total contribution made for the period ended 31 July 2021 was £331,299, of which employer's contributions totalled £233,794 and employees' contributions totalled £97,504. The agreed contribution rates for future years are 16.3% for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2021 by a qualified independent actuary

	At 31 July 2021	At 31 July 2020
Rate of increase in salaries	3.85%	3.25%
Future pensions increases	2.85%	2.35%
Discount rate for scheme liabilities	1.60%	2.10%
Inflation assumption (CPI)	2.85%	2.35%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates.

The assumed life expectations on retirement age 65 are:

	At 31 July 2021	At 31 July 2020
	years	years
<i>Retiring today</i>		
Males	21.6	21.8
Females	24.3	24.4
<i>Retiring in 20 years</i>		
Males	22.9	23.2
Females	25.7	25.9

24 Defined benefit obligations (continued)**Local Government Pension Scheme-Royal Borough of Kensington and Chelsea**

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

	Long-term rate of return expected at 31 July 2021	Long-term rate of return expected at 31 July 2020	Fair Value at 31 July 2021	Fair Value at 31 July 2020
			£'000	£'000
Equities	81%	77%	20,118	16,327
Property	5%	5%	1,307	1,069
Cash plus funds	13%	18%	3,310	3,768
Cash	0%	1%	120	122
Total market value of			24,855	21,286

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

	2021 £'000	2020 £'000
Fair value of plan assets	24,855	21,286
Present value of plan liabilities	(29,715)	(28,142)
Net pensions (liability)/asset	(4,860)	(6,856)

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

	2021 £'000	2020 £'000
Amounts included in staff costs		
Current service cost	747	312
Past service cost	-	-
Total	747	312

Amounts included in investment income

Net interest income	91	25
Administration expenses	19	7
	110	32

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	3,707	(978)
Other actuarial gains/(losses) on assets	-	-
Experience losses arising on defined benefit obligations	-	-
Changes in assumptions underlying the present value of plan liabilities	2,002	(2,781)
Amount recognised in Other Comprehensive Income	5,709	(3,759)

24 Defined benefit obligations (continued)**Local Government Pension Scheme-Royal Borough of Kensington and Chelsea (Continued)****Movement in net defined benefit (liability) during the year**

	2021	2020
	£'000	£'000
Surplus/(deficit) in scheme at 1 August	(6,856)	(2,875)
Movement in year:		
Current service cost	(747)	(312)
Employer contributions	234	122
Administration expenses	(19)	(7)
Net interest on the defined liability	(91)	(25)
Actuarial gain or loss	2,619	(3,759)
Net defined benefit liability at 31 July	(4,860)	(6,856)

Asset and Liability Reconciliation

	2021	2020
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	28,142	24,960
Current Service cost	747	312
Interest cost	376	216
Contributions by Scheme participants	97	49
Change in demographic assumptions	(346)	-
Experience gains and losses on defined benefit obligations	(574)	-
Changes in financial assumptions	2,008	2,781
Estimated benefits paid	(735)	(176)
Defined benefit obligations at end of period	29,715	28,142

Reconciliation of Assets

Fair value of plan assets at start of period	21,286	22,085
Interest on plan assets	285	191
Return on plan assets	3,707	(978)
Administration expenses	(19)	(7)
Employer contributions	234	122
Contributions by Scheme participants	97	49
Estimated benefits paid	(735)	(176)
Fair value of plan assets at end of period	24,855	21,286

25 Related party transactions

Due to the nature of the College's operations and the composition of the Governing Body 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 Governing Body 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 £52 for 1 governor (2020: £109 for 1 governor). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2020: Nil).

The College paid for a subscription with the South Bank Employers Group (SBEG). It is the normal operating practice of SBEG to appoint a representative from member organisations to its Board. The Principal and CEO, Andrew Gower, was a director until 28 September 2021, with the Centre Principal for Waterloo, Gerald Jones being appointed to represent the College from 21st October 2021. The cost of the subscription was £11,750 during the year 2020/21 (2020: £23,500).

The College paid for a subscription with the Safer Business Network CIC, for the annual membership of 'Safer Lambeth' totalling £1,320. Nic Durston, Governor and Chair of the Finance, Resources and Fundraising Committee was appointed to the Board of the Safer Business Network CIC during 2020/21.

26 Contingent Assets

The College has a contingency asset in respect of an agreed contribution of £250k from the Garfield Weston Foundation to a planned capital project. This contribution is conditional on the project proceeding and the raising of additional capital funding.

The College has a contingent asset in respect of a legacy donation consisting of property. The value is subject to confirmation and is estimated at £600k.

27 Lease Obligations

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

	2021 £'000	2020 £'000
Future minimum lease payments due		
Not later than one year	96	96
Later than one year and not later than five years	106	192
later than five years	63	73
	<u>265</u>	<u>361</u>

28 Business combination with Kensington and Chelsea College

Kensington and Chelsea College merged with Morley College on 3 February 2020. The merger was classed as a type B merger with the Kensington and Chelsea College corporation being dissolved and all trade, assets and liabilities transferring to Morley College on 3 February 2020 at £nil consideration. The transaction has been treated as a gift in substance in line with FRS102, PBE 34.77 to PBE 34.79.

a Fair value of assets and liabilities and gift

The assets and liabilities that were brought into Morley College at fair value were as follows:

	2021	2020
	£'000	£'000
Non Current Asstes		
Tangible fixed assets	0	20,076
Current Assets		
Trade and other receivables	-	766
Investments	-	5,013
Cash and cash equivalents	-	1,613
	-	7,392
Less: Creditors - amounts falling due within one year	-	(2,649)
Net current assets	-	4,743
Total assets less current liabilities	-	24,819
Provisions		
Defined benefit obligations	-	(2,875)
Total net assets/Gift	-	21,944

The gift of the fair value of net assets is included in the Statement of Comprehensive Income at 31 July 2020.

Reporting accountant's assurance report on regularity

To: The Governing Body of Morley College Limited and Secretary of State for Education, acting through Education and Skills Funding Agency (the ESFA)

In accordance with the terms of our engagement letter dated 25 June 2021 and further to the requirements and conditions of funding in the 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 Morley College Limited during the period 1 August 2020 to 31 July 2021 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 the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record data returns, for which the ESFA has other assurance arrangements in place.

This report is made solely to the Governing Body of Morley College Limited and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Governing Body of Morley College Limited and the 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 Governing Body of Morley College and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Morley College Limited and the reporting accountant

The Governing Body of Morley College Limited 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 2020 to 31 July 2021 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 the ESFA. We performed a limited assurance engagement as defined in that framework. The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. 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 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 the areas identified through the risk assessment 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 2020 to 31 July 2021 has not been applied to purposes intended by Parliament, and the financial transactions do not conform to the authorities that govern them.

Buzzacott LLP

Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

Date: 17 December 2021

MORLEY COLLEGE LIMITED

England & Wales - Charity number 1023523

Accounts



MORLEY COLLEGE LIMITED

**Report and Financial Statements
for the year ended 31 July 2020**

Registered number: 2829836

Registered charity number: 1023523

Key Management Personnel, Board of Governors and Professional advisors

Key management personnel

Key management personnel are defined as Senior Post-holders who are members of the College Senior Leadership Team (SLT) and were represented by the following in 2019/20:

Dr Andrew Gower - Principal and CEO; Accounting Officer

Marco Macchitella - Deputy Principal and Deputy CEO

Nicholas Rampley - Vice Principal (up to 2 February, 2020)

Kevin Jones – Director of Finance (up to 2 February, 2020)

Ralph Moran – Chief Finance Officer (from 3 February, 2020)

Governing Body

The full list of Governors is provided on pages 28 to 31 of this report. Martin McNeill acted as Clerk to the Governing Body and Company Secretary throughout the period.

General information and professional advisors

Registered Office

61 Westminster Bridge Road

London SE1 7HT

Financial statements auditors and reporting accountants

RSM UK Audit LLP

25 Farringdon Street

London EC4A 4AB

Internal auditors

Wylie & Bisset LLP

168 Bath Street

Glasgow G2 4TP

Bankers

National Westminster Bank plc

91 Westminster Bridge Road

London SE1 7HW

Solicitors

Eversheds Sutherland

1 Wood Street

London EC2V 7WS

Bates Wells LLP

10 Queen Street Place

London EC4R 1BE

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Morley College London - Introduction

Morley College Limited trades as Morley College London.

Morley College London is a unique college within the learning landscape of London. It is celebrated for its strong social values, its exceptional creativity and its commitment to meeting the needs of students and their communities.

We advocate lifelong learning as vital for personal achievement, academic progression and career development.

Our students include:

- adults looking to reskill so they can change careers or return to work;
- mature students with few traditional qualifications who now want to improve their prospects in work or education;
- 16-to-18-year-olds (at our North Kensington and Chelsea Centres) looking to progress to employment or higher education;
- international students who wish to improve their English language abilities for work, study, or everyday life;
- school leavers who want to build professional skills and get qualified, but are concerned about the time and financial commitments of going to university; and
- many others who find opportunities for personal development and enrichment through our study programmes in Arts, Culture and Applied Sciences.

The College took its present form in February 2020 following the combination of Morley College London and Kensington and Chelsea College. Both institutions had long shared the same values, with roots going back to the 19th century, and a proud record of serving learners in their respective boroughs and beyond. With a Mission to empower individuals and strengthen communities through lifelong learning, Morley's social values and diversity of learning opportunities have an important role within the communities of North Kensington, as local people rebuild their lives in the aftermath of the tragedy of the Grenfell Tower fire on 14 June 2017.

The combined college, operating from three main Centres in Chelsea, North Kensington and Waterloo as well as online, aims to meet the learning needs of a growing number of students, and to be a force for public good within the communities that we serve.

As London's largest specialist Institute of Adult Learning, Morley College London also has an important contribution to make in delivering the priorities of the Mayor of London's Skills for Londoners Strategy (2018): to empower Londoners to access the education and skills to participate in society and progress in education and work, and to meet the needs of London's economy and employers.

The combination came about with the strong support of local stakeholders, and this enabled us to secure government finance for investments totaling £32.3 million to renovate the North Kensington and Chelsea Centres and to develop a new, and broader, curriculum. These investments are in addition to the £3 million that the College has already spent and the further £15 million that it is aiming to raise to transform facilities at Waterloo over the next ten years.

The global COVID-19 pandemic was a significant factor during 2020. The impacts of coronavirus on the College and the communities it serves are considerable. The disruption caused has proved to be multi-faceted and long-lasting. In response to significant challenges, the College has carefully co-ordinated its response, to ensure alignment with Department for Education guidance and clear focus on the safety of students, staff and stakeholders. Through resilience and contingency planning the College has sought to mitigate the social, educational, organisational and financial impacts of the pandemic to maintain business continuity; adapt to online delivery; ensure financial management; and seek to secure the strongest possible start to the academic year 2021-22.

Report of the Governing Body and Strategic Report

NATURE, OBJECTIVES AND STRATEGIES

The Governing Body, which represents the Board of Directors for the purposes of company law and the Board of Trustees for the purposes of charity law, presents its report, incorporating its Directors' and Strategic Reports, and the audited financial statements of Morley College Limited ('the College' or 'Morley') for the year ended 31 July 2020. The College is registered as Morley College Limited and uses the name Morley College London for branding and trading purposes.

Legal status

The College was incorporated on 18 June 1993 (Company Number 2829836) and began trading on 2 September 1993. This Company replaced the previous organisation, which was also known as Morley College, and had been in existence since it was founded in 1889. The College is an Institute for Adult Learning (formally a Specialist Designated Institution (SDI)) under the 1992 Further and Higher Education Act).

The College is a registered charity (no. 1023523) which is regulated by a scheme dated 2 September 1993, as amended 27 June 2000, 10 December 2007, 4 April 2018 and 15 July 2019. The College's application to HM Revenue and Customs for exemption from Corporation Tax was made on 6 September 1994 and was accepted on 13 September 1995. The College's charitable activities do not fall within the scope of Corporation Tax.

A business combination between Morley College Limited and Kensington and Chelsea College was completed on 3 February 2020, at which point Kensington and Chelsea College was dissolved and all assets, liabilities and activities were transferred to Morley College Limited.

Principal activities

The object of the College is the provision of education in such subjects and at such standards as the Governing Body from time to time determines.

Mission

The College's mission is to empower individuals and strengthen communities through adult education in Arts, Culture and Applied Sciences.

Public benefit

Morley was founded 130 years ago to provide a public benefit service to the community and has continued to build on and develop that service to the public throughout the years. The College's strategic goals, as agreed by the Governing Body, meet the aims of the Charity Commission's guidance on public benefit and particularly its supplementary guidance on the advancement of education. The College clearly demonstrates across its broad range of activities how it meets the requirement that all organisations wishing to be recognised as charities must demonstrate explicitly that their aims are for the public benefit.

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- General and specialist resources and facilities
- Widening participation and tackling social exclusion
- Evidence of improved employability for students
- Strong student support systems
- Links with local employers
- Recognised contribution to the cultural life of London

The core-funding agency for the College during 2019/20 was the Greater London Authority (GLA), with additional funding from the Education & Skills Funding Agency (ESFA) in respect of 16-19 education and adult learners resident outside the boundaries of the GLA and other devolved authorities. The funding received is used to support unrestricted access for the beneficiaries.

From 1 August 2019, the funding for London-based Adult Education learners transferred to the GLA. This devolved funding model provides further opportunities for the College to embrace the Mayor of London's Skills for Londoners initiatives. The ESFA continues to fund the College for the five per cent of students who are based outside London.

The College continually develops its curriculum to address the priorities of its communities and works closely with the London Economic Action Partnership (LEAP), which is the local enterprise partnership for London.

Implementation of strategic plan

In December 2015, the College adopted a strategic plan for the five years to 2020. The plan defines Morley's strategic direction with its priorities expressed in the statement of three overarching strategic goals:

- Create outstanding learning opportunities

By 2020, Morley College London is acknowledged locally, nationally and internationally as an outstanding adult education college specialising in the Arts, Culture and Applied Sciences, with a progressive range of participatory programmes from introductory through to higher levels of learning. Academic and artistic excellence remains central to the ambitious, enterprising and welcoming culture of the College, and ensures ever-increasing recognition of Morley as a destination within London's thriving cultural scene through an engaging programme of high-quality concerts, performances, workshops and exhibitions.

- Deliver an outstanding student experience

By 2020, Morley College London is acknowledged as highly effective in meeting the diverse learning needs of the communities we serve. The quality of learning opportunities and the associated student experience create a compelling proposition. The passion for learning embodied by the staff team through their subject knowledge, enthusiasm, professional practice and external professional networks, ensures expert and innovative learning, teaching and assessment. In addition, the creative application of digital technology is increasingly a distinguishing feature of Morley's approach in addressing social exclusion and enhancing the flexibility and personalisation of learning.

- Ensure financial sustainability

By 2020, Morley College London has established key strategic partnerships to extend its reach and influence. A growing reputation in responding to the needs of employees and their employers through workplace learning and professional training draws creatively on Morley's specialist areas of subject expertise. Effective financial controls and an increasingly diversified funding model are enabling operational stability and accurate forward planning.

The mission, vision and strategic goals inform and are fed into the operational life of the College. The words are presented in large letters on the wall of the main meeting room in the Waterloo Centre, to help remind management and inform our visitors of the College's strategic goals. Members of the Senior Leadership Team support the strategic aims through their roles in leading the College Committees through curriculum, quality and standards, health and safety risk and management meetings. The College's self-assessment review process helps identify the specific areas for improvement and supports colleagues to make the changes. Regular presentations to the Governors from operational areas of the College enable positive interactions and feedback.

A new five year strategy for the future of the combined College has been developed during 2019/20 and will be launched in 2020/21. This is supported by a five year financial strategy and plan, agreed with the ESFA as detailed below.

Performance indicators and quality enhancement

The College has developed a set of key performance indicators (KPIs) to enable the Governing Body to monitor the College's progress in implementing the Strategic Plan. The KPIs are aligned with the College strategic goals and are used by College Management to guide operational decisions. Each KPI has a target and actual performance is compared on a termly or annual basis as appropriate against this target and against previous performance. Wherever possible, KPIs are benchmarked against the performance of other colleges nationally, using the data available from FE Choices. This comparison includes the results of a national student satisfaction survey, as well as the ESFA's National Achievement Rate Tables (NARTs). FE Choices data and NARTs are both available on the gov.uk website. By analysing KPIs throughout the year, College managers and the Governing Body are able to identify areas of concern and to take appropriate and timely action.

The KPIs for 2019/20 show a good standard of delivery in comparison to 2018/19, and continued progress towards all three strategic goals. Targets for Room Utilisation were not achieved due to the impact of Covid-19 during the summer term which saw the College successfully transition to online delivery. The following table sets out performance against non-financial targets for the combined college. Performance has been impacted by the Covid-19 pandemic, with EBITDA outturn reflecting the impact of both Covid-19 and the merger, in comparison to the target for Morley as a stand-alone college.

Measure	Actual	Target	Status
Education Specific EBITDA	(£323k)	£781k	X
Student satisfaction evaluation at the end of each course	96.4%	90.0%	√
% of students who feel the college is a safe place to study	97.3%	90.0%	√
Student retention	94.8%	94.5%	√
Student attendance	85.2%	83.8%	√
Room utilisation (day)	55.4%	75.0%	X
Room utilisation (evening)	41.0%	58.0%	X
Student destination	89.5%	78.0%	√
Staff satisfaction	89.3%	87.5%	√

In relation to the academic performance of students, the combined College's 2019/20 Self-Assessment Report (SAR) identifies many strengths, including:

- Very high student satisfaction
- Very good support for disadvantaged students
- Outstanding retention and achievement on short courses
- An excellent range of personal development opportunities for students
- Effective promotion of equality, diversity and inclusion
- Excellent provision of impartial career information, advice and guidance
- Highly effective leadership and management in successfully steering the College through very turbulent and challenging times
- Strong governance
- Effective Safeguarding arrangements across the organisation

There were however a small number of significant areas for enhancement that will be the focus of enhancement activities during 2020/21. These include:

- The quality of learning, teaching and assessment in some adult accredited programmes and study programmes for young people leading to:
 - Low qualification achievement rates, often below national averages
 - Low attendance especially on accredited courses.

The College's comprehensive Self-Assessment Report (SAR) 2019-20 provides full details of student achievement rates across all programmes and is published under the Policy section of the College's website.

In respect of financial reporting, the College has completed the annual financial returns for the ESFA, and is yet to receive formal notification of a financial health score following the combination. In the year prior to the combination KCC had a financial health score of "Requires Improvement", while Morley had a financial health score of "Good".

FINANCIAL POSITION

Financial objectives

The College's financial objectives, as set out in its Finance Strategy 2016-20 are:

- to achieve in-year financial sustainability, generating positive earnings before interest, taxes, depreciation and amortisation (EBITDA) each year;
- to maintain a financial health rating of "good" or better;
- to diversify sources of income as determined by the changing mix of provision in the curriculum strategy and departmental business plans;
- to evaluate capital investment against the College's business and curriculum objectives;
- to contain borrowings to where there is clear infrastructural or strategic benefit and only to the extent determined by operational needs;
- to ensure the fees policy reflects the objectives of the Strategic Plan;

- to allocate resources through a budget process that maintains delivery standards while generating sufficient funds to maintain required levels of liquidity and allow adequate capital investment; and
- to mitigate financial risk within the context of the Strategic Plan.

Financial results

Governors approved a small surplus budget (£66,000) for 2019/20 for Morley as a stand-alone college in line with a strategy of investment in new courses and facilities to achieve longer-term growth. The growth areas include advanced learning and higher education courses and link to a broader strategy of extending the learner pathways available to meet the aspirations of the existing and growing Morley student community. This budget was set in advance of the combination with Kensington and Chelsea College, and before the onset of the Covid-19 pandemic.

- The actual outturn prior to FRS102 pension adjustments is a surplus of £20,561k (page 44).
- This financial performance reflects the in-year business combination with Kensington and Chelsea College, which had set a significant full year deficit budget, and the costs of combination as well as the impact of Covid-19 on planned delivery.
- Fee income of £4,109k is down 2.2% from £4,202k in 2018/19, primarily as a result of the impact of Covid-19.

As the combined College has delivered negative EBITDA (£323k), the ESFA Health rating as calculated in accordance with ESFA methodology is “requires improvement”, although the overall financial health score would generate a rating of “Good” if not for this limiting factor.

The College has total reserves of £34,300k after a reduction of £14,612k for pension liabilities. This includes the addition of reserves of £21,944k, after a reduction of £2,875k for pension liabilities, following the combination with Kensington and Chelsea College.

The College invested £1,487k in additional tangible fixed assets and £208k in intangible fixed assets during the year, as well as acquiring fixed assets at a fair value of £20,076k from Kensington and Chelsea College on combination. The College also received a 125 year ‘peppercorn’ lease (valued at £10 million) on the Wornington Road Centre, which will be fully refurbished by the Department for Education (DfE) during 2021/22.

This investment focused on the refurbishment of the Waterloo centre reception area to create a fully accessible entrance, increased social and seminar space, a centralised Student Services function and a radio production studio. In November 2018, the lead construction contractor went into administration and this delayed the project into 2019/20.

The project was then further delayed due to the March 2020 lockdown in response to the Covid-19 pandemic which resulted in the works not being finally completed until after the year-end. Most of the internal works were completed within the year, with the Student Services area fully operational and Morley Radio launching in June 2019 and

having an instant impact for many students. This investment was funded by a combination of additional borrowing of £500k drawn down in July 2018, the College's own funds and a contribution from the London Economic Action Partnership.

The College invested in the refurbishment of classrooms, purchase of teaching equipment and enhancing the learning environment. There were also significant upgrades to spaces within the School of Music and Performing Arts started in July 2019 and made available to students in September 2019.

The College has significant reliance on education sector funding bodies for its funding, largely from recurrent grants. This reliance has increased with 2019/20 grant income being 65% of the College's total income, compared to 53% in 2018/19. This movement has been impacted by the Covid-19 pandemic, and the combination with KCC, which resulted in a reduction of tuition fees, from 37% of total income in 2018/19 to 31% in 2019/20.

Treasury policies and objectives

Treasury management is the effective control of the risks associated with the College's cash flows, its banking, money market and capital market transactions and the pursuit of optimum performance consistent with those risks.

The College has a separate treasury management policy in place. Short-term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Governing Body and must comply with the requirements of the Financial Memorandum with the ESFA and the College's Financial Regulations.

Cash flows and liquidity

The implementation of the Waterloo Centre property strategy required a planned temporary reduction in liquidity, which fell below the level agreed with Governors in the early part of 2020. Prior to the combination with Kensington and Chelsea College the cash flow plan for 2019/20 showed lower levels of liquidity, with funds projected to grow again once the first phase of the property strategy was complete. Following the completion of the business combination cash and cash equivalents of £6,626k were transferred from Kensington and Chelsea College. Total College borrowing consists of a loan of £500k in support of the property strategy that was drawn down in July 2018.

Cash and cash equivalents held at 31 July 2020 totalled £5,308k, with net cash outflow from operating activities of £391k (see page 47). This reflects the investment in new courses and the development of the College in the period, the impact of the combination, and in particular the impact of Covid-19 in the final term of the year.

Reserves

The College considers it practicable and desirable to retain a minimum level of general reserves (excluding losses or gains in respect of the pension scheme) equivalent to one term (four months) expenditure to cover the risks and uncertainties of operating its main business. The College therefore maintains a general reserve of

at least this amount. Any surplus unrestricted reserves are applied in support of strategic goals. According to the College's budget for 2020/21, four months of expenditure (excluding depreciation) equates to £6,892k. The General Reserve of £24,039k per note 19 is significantly in excess of the required minimum level, and would normally be transferred to the Development Reserve. However since the current surplus has arisen wholly as a result of the business combination with KCC it is being held as a General Reserve.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Financial health

The ESFA last formally assessed the financial health of the College in their letter to the Principal in October 2019, and provided a grade of “Good” for 2018/19 and a projected “Good” for 2019/20 prior to the combination. Kensington and Chelsea College had been operating at a significant annual deficit for several years prior to the combination and following the combination of the two organisations in February 2020 financial health was projected to reduce to “Requires Improvement” due to the impact of this operating deficit in 2019/20. While the ESFA has not issued any further formal assessment of financial health during the pandemic period, the combined college’s financial health calculation based on 2019/20 outturn remains at “Requires Improvement”.

Student numbers and fee income

In 2019/20, the College has delivered activity that has produced £10.8m in funding body main allocation funding, an increase on £4.8m in 2018/19 primarily due to the combination with Kensington and Chelsea College. Tuition fee and educational contracts income was up to £5.1m from £5.0m in 2018/19. The College had 12,251 students and 25,389 enrolments; the average student enrolls onto 2.0 courses. Both student numbers and enrolments have been adversely impacted by the Covid-19 pandemic, with a consequent reduction in fee income of in excess of £2.8m compared to plan.

Curriculum Developments

During 2019-20 Morley College London and Kensington and Chelsea College operated independently up to 2 February 2020 and then as a combined college, offering a wide range of courses for adults and young people in Arts, Culture and Applied Sciences, with a diverse range of programmes that include Art and Design, Music and Performing Arts, Languages and Humanities, Applied Sciences, English for Speakers of Other Languages (ESOL), English and Mathematics. Both colleges offered a wide range of accredited programmes from Entry Level to Level 6 and specialist, short courses from beginners to masters level that do not lead to a formal qualification, which the combined Morley College London continues to take forward.

The College holds contracts with the Royal Borough of Kensington and Chelsea (RBKC) and the London Borough of Lambeth for the provision of Community Learning covering a wide range of curriculum areas, in response to the needs of

community groups and organisations and in line with the main local strategic priorities. In 2019-20, Community Learning courses were delivered in partnership with over 70 community, voluntary and statutory organisations and groups.

During 2019-20 the combined college curriculum included approximately 500 accredited programmes and 2,000 short courses. The onset of the Covid-19 pandemic at the end of term 2 forced the College to move swiftly to online delivery in order to continue providing as many learning opportunities to students as possible and the curriculum in term 3 was delivered entirely online.

2019/20 also saw the early stages of the development of our new curriculum strategy 2021-25 which will be fully developed during 2020/21.

The Strategy will see the curriculum at the North Kensington Centre remaining broadly similar to 2019/20 for the next couple of years due to space limitation as a result of the planned refurbishment work. From September 2022 there will be a significant expansion of learning opportunities at North Kensington, mainly in five sector subject areas: health, public services and care; business, enterprise, administration, finance and law; leisure, travel and tourism (including customer service and retail); social sciences; and IT and computing.

At the Chelsea Centre we aim to build on successful existing provision and in so doing achieve a deepening of specialism in the creative arts and industries, with a realignment of the curriculum offer that enables the introduction of new, industry-relevant, advanced and higher-level diplomas in areas such as digital publishing, marketing and design. The first phase of growth in September 2020 saw the introduction of a substantial unaccredited curriculum (approximately 400 short courses throughout the year) that will both complement existing accredited provision and offer new learning opportunities for adults.

In the run-up to the combination the Waterloo Centre has continued to offer a diversified curriculum portfolio that through continual renewal and innovation is attractive to current and potential students and communities who wish to study for personal development and wellbeing, academic progression or career advancement. Post-combination the Waterloo Centre continues to deliver and develop its distinctive curriculum offer in Arts, Culture and Applied Sciences with a very wide and unique range of short, specialist courses from beginner to advanced levels and distinctive, accredited progression pathways in foundation learning (from entry level to level 2), advanced learning (level 3) and higher education (from level 4 to 6).

The combined College's extensive and progressive curriculum offer in 2019/20 reflects the demands of the local and regional context and takes into account the needs of students, local communities and communities of interest, employers, and the local and regional economy. Curriculum managers have developed a responsive curriculum designed to suit different levels of experience, to offer progression routes, and to support students' expectations and aspirations.

In moving to online delivery in response to the Covid-19 pandemic the College sought to provide continuity of learning to students and mitigate the financial impact of much reduced participation in learning and the subsequent reduction in fee income. Tutors' successful use of digital technologies and creative approaches enabled an effective response to the challenges posed. Despite these challenges the College managed to

successfully deliver approximately 150 courses. All year-long accredited courses (e.g. GCSE English and Maths, ESOL, Level 3 Diplomas, Higher Education) continued successfully online and students were able to complete their assessment in line with the new guidelines provided by the 25 awarding organisations with which the College works.

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 per cent.

During the accounting period 1 August 2019 to 31 July 2020, the College endeavoured to pay at least 95 per cent of its invoices within 30 days. Actual performance was impacted by the Covid-19 pandemic.

Events after the end of the reporting period

There were no post-balance sheet events considered material that have not been disclosed within the accounts.

Future prospects and going concern

Following the successful combination with Kensington and Chelsea college in February 2020 the College is well placed to capitalise on its expanded geographical reach, external investment in the College's estate, and the potential to bring the Morley College London adult learning experience to a considerably larger proportion of London, while also expanding the range and quality of provision available for younger learners at both the North Kensington and Chelsea Centres.

This growth and development is underpinned by a five-year financial strategy and plan agreed with the ESFA as part of the combination, and by considerable investment in the College's estate, in particular the refurbishment of the North Kensington Centre, further developments at the Chelsea Centre, and ongoing investment at the Waterloo Centre, funded in part from the College's financial reserves, but with significant contributions from the Department for Education (DfE) and the GLA.

The five-year financial plan is further supported by a grant from the DfE totalling £3.5M that can be drawn down in the event that the College's available cash falls below an agreed level. Prior to the onset of Covid-19 the combined college financial plan projected continuing growth and financial sustainability over the life of the plan.

In the Covid-19 environment the College has worked hard with stakeholders to maintain the pace of investment in the estate, which remains on track. While revenue for 2019/20 was reduced due to the impact of the pandemic, full and

appropriate use has been made of all support measures, combined with effective cost control. This has enabled the College to maintain sufficient cash balances, so that it has not been necessary to seek emergency support from central government. Financial plans for 2020/21 have been adapted to reflect the impact of the continuing pandemic. While a deficit budget was set for 2020/21, cash flow forecasts project that no emergency support will be required during the year, and that there will be no requirement to draw on the DfE cash flow support grant. The cash-flow forecast based on current conditions indicates a year-end cash balance for 2020/21 of circa £3m decreasing slightly to circa £2.8m at the end of October 2021 without the requirement for support.

Having due regard to best practice developments in the UK Corporate Governance Code 2018 in respect of going concern and risk management reporting, the College believes it will be able to continue in operation and meet its liabilities taking account of the current position and principal risks for the foreseeable future. The College's assessment of going concern is supported by:

- Careful cash flow management
- Generation of ongoing cash flow surpluses as noted in the Statement of Cash Flows
- Strong balance sheet
- The College's actions to monitor budget performance
- The combined College's five-year Financial Plan
- Robust risk management processes

RESOURCES

The following sections provide more information about the College's resources available to support its strategic goals.

Buildings and accommodation

The College owns the freehold of the Waterloo Centre in Westminster Bridge Road and the nearby sculpture studio at Pelham Hall. The main College site straddles the boroughs of Southwark and Lambeth with teaching space on both sides of the road that separates the two boroughs. The teaching facilities fully use the space that has grown over the decades and aside from flexible classroom spaces, the site includes soundproof music rooms, specialist artist spaces, a library, a café, and performance spaces and staff offices.

At Stockwell, just behind the tube station, the College has established a satellite centre based in a former community centre building. At Lewington, there is also a satellite centre in shared facilities within a community centre; this site includes a crèche facility for students.

Following the combination, the College also has the freehold of the main building at the Chelsea Centre, in Hortensia Road, as well as a long-term (75-year) lease on a space within the Carlyle building immediately adjacent to the main centre.

Additionally, also as part of the combination, the College secured a 125 year lease on the North Kensington Centre at a rent of a 'peppercorn', following its purchase by the DfE.

Throughout the year, the College has continued to carry out work to its buildings in order to improve facilities for learners and staff. This has included continued work on the entrance and reception at Waterloo as part of the property strategy as well as new facilities within the School of Music and Performing Arts school and the creation of two radio studios (Morley Radio).

Financial

The College has £34.1 million of unrestricted net assets (after taking account of £17.5 million pension liability) and a balance of £409k of long-term debt.

People

The College employed on average 388 people during the year (expressed as full-time equivalents), of whom 255 were teaching staff, and 133 non-teaching staff. The College continues to outsource its cleaning, security and catering at the Waterloo Centre.

Reputation

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and creating external stakeholder relationships.

Staff and student involvement

The Governing Body includes elected staff and student members and the College encourages staff and student involvement through membership of College committees. Staff and students are encouraged to join and support the activities of the Friends of Morley, an association that also confers membership of the College. The College considers good communication with its staff and students to be very important. The Principal and members of the Senior Leadership Team meet regularly with the Student Council and other student representative bodies. Communication with staff takes a variety of forms, including open meetings for all staff with senior managers, regular management meetings, a well-developed intranet system a regular staff newsletter. A staff conference is held annually at each centre and there are monthly all-staff briefings. Staff bulletins are produced weekly and made available through the staff engagement platform My Morley.

The College values and actively seeks feedback from all users of its services, particularly students. It monitors all formal complaints as well as reviewing its processes to ensure all matters are resolved in line with the College's policies. During 2019/20, there were 44 formal complaints, compared to 50 in 2018/19; 59% of these complaints were resolved satisfactorily within 15 working days, with more complex complaints resolved satisfactorily after this period.

Fundraising

The College undertakes fundraising in an ethical and responsible way, mindful of the communities within which it operates. The College employs systems and controls to separate and protect funds and to ensure that any donated funds are spent in accordance with the terms of the donation. The College is mindful of its responsibilities under the Charities (Protection and Social Investment) Act 2016 and other legislation, and ensures that all activities are agreed and monitored at Senior Leadership Team level in compliance with relevant legal rules. Recognised standards are applied to ensure that fundraising is open, honest and respectful, protecting the public from undue pressure to donate. Complaints are handled and monitored through the College's complaints procedure and there were no complaints in 2019/20 or in the previous year.

In late December 2019 the College launched a fundraising campaign to support its property strategy and is calling this the Morley Forward campaign. A professional fundraiser was appointed prior to the campaign launch in September 2019.

During 2019/20 The College received donation income of £65k. This income included funds from Trusts and Foundations and from legacy gifts. Donation income is reported in the year of receipt and the College aims to use the funds to support the donors' aims within a timely period to ensure that the wider College benefits from the generosity of the donations. Where appropriate donations are held a restricted funds.

Energy Use and Carbon Reporting

The college is committed to reducing the environmental impact of its operations.

UK Greenhouse gas emissions and energy use data for the period 1	
Energy consumption used to calculate emissions (kWh)	1,975,158
Energy consumption break down (kWh) (optional)	
• gas,	902,738
• electricity,	1,072,419
<u>Scope 1 emissions in metric tonnes CO2e</u>	
Gas consumption	165.99
Owned transport – college cars	2.15
<u>Total scope 1</u>	168.14
<u>Scope 2 emissions in metric tonnes CO2e</u>	
Purchased electricity	250.02
Total gross emissions in metric tonnes CO2e	418.16
<u>Intensity ratio</u>	
Tonnes CO2e per student	0.03

Quantification and Reporting Methodology:-

We have followed HM Government's 2019 Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and the Government's Conversion Factors for Company Reporting (2020).

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per student, the recommended ratio for the sector.

Measures taken to improve energy efficiency

The College actively seeks to replace equipment, plant and consumables with more energy efficient alternatives (such as LED light fittings, and building heating and cooling systems) whenever practical and affordable.

Following the combination, the College has switched energy providers and all energy consumed during 2020/21 will come from renewable sources.

PRINCIPAL RISKS AND UNCERTAINTIES

The College's strategic risk register is reviewed over the course of the year by the Risk Management Committee, and considered by Governors termly. Additional lower level and project-based risk registers are maintained as required.

In the early stages of the Covid-19 pandemic, in response to the specific challenges presented by the situation the College established a Covid-19 Response Plan, overseen by the Board through a Covid Response Oversight Group.

In addition to this the following key strategic risks were considered during 2019/20:

- Failure to adapt to the changing landscape
- Reduction in public funding
- Failure to manage the college finances
- Failure to comply with funding body audit requirements
- Failure to manage health and safety
- Failure to safeguard children and vulnerable adults
- Failure to maintain business continuity
- Failure to achieve student recruitment targets
- Failure to manage capital programmes
- Failure to deliver an outstanding student experience
- Failure to recruit and retain competent and committed staff
- Failure to succession plan (senior staff and governors)
- Failure to maintain and enhance quality
- Failure of IT systems to meet the needs of students, staff or visitors
- Failure to prepare for a major system outage or data breach, including cyber attack
- Failure to deliver the proposed combination as planned
- Failure to build resistance in response to Covid-19 in respect of staff, students, reputation and financial sustainability

Each risk listed is supported up by an individual risk report and this provides the detail to support the management of that risk. This covers

- Consequences of the risk occurring
- Events that could trigger the risk
- Risk ownership
- Risk scoring for probability and impact
- Controls in place to manage the risk
- Assurance in those controls
- Performance data to confirm that risk management is working or to identify an emerging risk
- Mitigating actions the college would take either for a major event risk or an emergent risk over time.

The following sections consider how effective the College has been at managing the risk within the three strategic aims of the College.

Maintenance of quality of provision (Risk 13)

Failure to maintain adequate quality in its provision represents a significant risk to the College, particularly as the Strategic Plan includes growth and responsiveness to student needs. The combination with Kensington and Chelsea College presents the further challenge of ensuring consistent high quality provision across a multi-centre college. Additionally there was the specific challenge during 2019/20 of rapidly switching from in-centre delivery to online delivery. This risk is mitigated in a number of ways:

- Scrutiny of key performance indicators by the Quality and Standards Committee.
- Regular review of the quality of provision against Ofsted inspection criteria.
- Review of quality against the requirements of the Office for Students and the Quality Assurance Agency.
- Continued development and monitoring of the Quality Enhancement Plan.
- Rigorous curriculum review process that ensures the curriculum meets student interest and demand in addition to addressing the priorities of the LEAP.
- Best practice in Human Resources policies and procedures to ensure high quality in teaching and support staff.
- Continuing professional development programme for teaching staff targeting both technical and pedagogy skills.
- Effective use of management information systems to support quality enhancement
- Development of a property strategy driven by the needs of the developing curriculum and building a level of reserves to support this strategy.

The outcomes of the OFSTED inspection undertaken in June 2019 provide the evidence that the College's processes and scrutiny have been effective in driving quality improvement and leading to outstanding learning opportunities. The report also identifies the areas where the College can move from "good" to "outstanding".

Additionally OFSTED conducted an interim visit to the combined College during November 2020, where the College's rapid and effective response to the March 2020 lockdown, and the commitment to longer-term development of online learning were noted.

Maintenance of an outstanding student experience (Risk 10)

The College aims to be highly effective in meeting the diverse learning needs of the communities it serves, addressing social exclusion and enhancing the flexibility and personalisation of learning. Failure to ensure quality of learning opportunities and student experience would represent a significant risk to meeting this goal. This is mitigated by:

- A high quality staff team with excellent subject knowledge and enthusiasm.
- Continual professional development of staff to ensure a high standard of professional practice.
- The use of external professional networks and partnerships to ensure expert and innovative learning, teaching and assessment.
- The ongoing focus on three cross-cutting themes: digital inclusion, progression and employability.
- A revised risk register which has better identified the triggers, controls and mitigating actions needed to maintain and improve student experience.
- Ofsted inspection in June 2019 confirming good with outstanding features, with a further interim visit to the combined college noting the effective response to the Covid-19 pandemic.
- Feedback and improvements targeted through “Student Voice” (Student Council, Student Representatives, and Class Representatives).

Maintenance of the financial viability of the College (Risk 3)

The College's current financial health score calculated in accordance with the ESFA methodology is "Requires Improvement" as described above. Prior to the business combination with KCC, adult education funding levels were the main constraint on the College's financial position. College funding has suffered from a sustained period of public sector spending cuts. The College has been able to grow income through growth in provision and increased student taught hours whilst aiming to maintain the student experience. However, the actual funded income per student hour has fallen in real terms over recent years. Kensington and Chelsea College as a stand-alone entity was not financially viable, and had delivered significant deficits over recent years. While cash reserves were strong following the disposal of property, the College had delivered year on year negative cash flows.

The combined college benefits from a substantial estate with significant opportunity to expand delivery and grow income, a more efficient staffing structure and a robust financial position in both cash and reserves. The college has developed a five-year financial plan and strategy to delivery full financial sustainability. This plan was subject to detailed scrutiny by the ESFA, and external due diligence.

The College has further mitigated the financial risk through the five year planning period through the agreement for additional grant funding, if required, of up to £3.5M should college cash reserves fall below and agreed level.

The Covid-19 Pandemic had a direct and immediate impact on delivery income, and provided a test of the effective mitigation of financial risk. Detailed in-year financial forecasting enabled full delivery of funding body income to full contract values. While fee income was substantially reduced financial controls effectively managed costs, while the College made full and appropriate use of government mitigations including

the Coronavirus Job Retention Scheme. The financial response was further monitored by governors through the Coronavirus Response Oversight Group. This enabled the College to maintain a closing cash position that was consistent with the five year financial strategy.

The College has significant reliance on education sector funding bodies for its funding, largely from recurrent grants. This reliance has increased with 2019/20 grant income being 65% of the College's total income, compared to 53% in 2018/19. This movement has been impacted by the Covid-19 pandemic, and the combination with KCC, which resulted in a reduction of tuition fees, from 37% of total income in 2018/19 to 31% in 2019/20.

The College continues to have considerable reliance on continued government funding through the further education sector funding bodies and to a lesser extent through the Student Loan Company and Office for Students. In 2019/20, 65% of the College's revenue was ultimately publicly funded and, despite diversification, a high level of reliance is expected to continue. Following the business combination the flexibility of Specialist Designated Institute status for the College will continue and applies across the combined entity.

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102. Although this does not affect its ESFA financial health assessment, the College recognises the risk presented by the pension liability arising from its membership of this scheme. The Triennial Valuation of this scheme completed in 2020 shows good progress in moving towards full funding for the scheme.

The risk to financial viability is mitigated in a number of ways:

- Financial sustainability of the College is one of the three core strategic goals.
- Budget setting procedures are rigorous and include sensitivity analysis testing.
- Monthly budget monitoring throughout the year.
- Robust financial controls and procedures.
- Detailed forward planning, forecast updates and regular cash flow forecasting updates.
- Diversification of income sources and optimising existing income streams.
- Strategies for curriculum development and growth linked to financial improvement.
- Creating, maintaining and managing key relationships with the funding bodies.
- Engagement with GLA and its various funding channels including local enterprise funding.
- Continuously ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students.
- Close monitoring of the demand for courses linked to a responsive pricing strategy.

- Monitoring and appraising the position of the pension scheme by Governors through the Finance, Resources and Fundraising Committee.
- Agreed deficit recovery plan with the London Pension Fund Authority.

Governors hold the appropriate senior post-holders accountable for their actions against each risk. Risks are mitigated through both short-term actions and the work towards a longer-term sustainable solution for the College.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Morley College London has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- Government Offices including the FE Commissioner;
- Staff;
- Local employers (with specific links);
- Local authorities;
- London Economic Action Partnership (LEAP);
- Members of the local community;
- Other FE and HE institutions;
- Quality Assurance Agencies including Ofsted and the Office for Students (OfS);
- Examining boards;
- Trade unions;
- Professional and membership bodies;
- Charity Commission.

The College recognises the importance of these relationships and engages in regular communication with these stakeholders. In addition, the College works in close partnership with a large number of voluntary sector, arts and other organisations to help fulfil its mission and achieve its strategic goals. Partnerships are vital to Morley's development and institutional well-being, augmenting its reputation, profile and position and providing the connections and capacity it needs to support its communities of location and practice.

During 2019/20, the College continued to progress and develop its Partnerships Protocol. The protocol classifies each individual partnership as either: a creative projects partnership; a curriculum development partnership; a student progression partnership; a quality enhancement partnership; or a fundraising partnership. This allows the College to develop each partnership using the appropriate links within the partner institution to best effect.

Recognising the significance of the decision to progress the business combination between Kensington and Chelsea College and Morley, both colleges consulted widely and comprehensively across relevant national and local stakeholders. This extensive consultation has continued with the establishment of Stakeholder Advisory Groups for each College Centre, and the active recruitment of college governors from the local community.

The College values its relationship with the trade unions representing its employees. Regular meetings of the Joint Consultative Committee were held throughout 2019/20, in a positive and transparent manner. The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the College to publish the following information to outline the facility time arrangements for trade union officials at the college.

Numbers of employees during the relevant period	FTE employee number
8	3.64

Percentage of time	Number of employees
0%	
1-50%	8
51-99%	
100%	

Total cost of facility time	£9,732
Total pay bill	£12,218,000
Percentage of total bill spent on facility time	0.08%

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

Section 172 Statement

The Board of Directors are aware of their duty under s.172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company in achieving its charitable purpose and, in doing so, to have regard (amongst other matters) to:

- The likely consequences of any decision in the long term.
- The interests of the Company's employees.
- The need to foster the Company's business relationships with suppliers, customers and others.
- The impact of the Company's operations on the community and the environment.
- The desirability of the Company maintaining a reputation for high standards of business conduct.

Within this report, we have summarised our governance framework and how we are engaged with stakeholders during the year. The Trustees have considered the views

and needs of key stakeholders in Board discussions and decision making. The following points are not intended to be an exhaustive list but are illustrative of how the Trustees have fulfilled these duties during the year.

Engagement with employees

- The Senior Leadership Team are actively involved in the engagement of staff through frequent all staff briefings, use of internal communication tools, and regular “Coffee with the Principal” sessions to provide updates on business developments and to answer questions directly. These have transitioned to online meetings following the impact of the Covid-19 pandemic.
- The College has launched a staff engagement platform, MyMorley to aid effective engagement, and provide access to staff rewards and discounts which has been widely accessed.
- Continued investing in wellbeing and the provision of support through the confidential Employee Assistance programme.
- Conducted a full consultation with staff and union representatives in advance of implementing a revised staffing structure involving and overall increase in staffing to deliver the college’s three centre model.
- In line with our objective of being an employer of choice, the Directors have recently engaged with the National Centre for Diversity and are working towards full Investors in Diversity accreditation.
- Have been focused on mitigating employee risks arising from Covid-19 pandemic, including wellbeing while working remotely.

Engagement with stakeholders

- The Trustees recognise the importance of a number of external stakeholders such as applicants, providers, advisers, education and commercial customers, government and sector agencies, legal members and suppliers, as well as internal stakeholders.
- The Trustees remain committed to effective engagement of all stakeholders and are mindful that the organisation’s success depends on its ability to engage effectively, work together constructively and to take stakeholder views into account.
- The Trustees also review financial and operational performance, as well as information covering areas such as external drivers which includes the number of applications, staff, staff representatives including working with the Joint Consultative Committee to recognise Unison in addition to the University and College Union (UCU), pensions, delivery, and key risks. This information is provided to the Trustees through routine reports circulated in advance of each Board meeting which are then reviewed, discussed and approved, as necessary.
- Responded to Covid-19 by establishing a special purpose committee – the Coronavirus Response Oversight Group to provide oversight of the college’s response, and protecting the interests of stakeholders.

- Established Stakeholder Advisory Groups for each of the main college centres to ensure that the College is able to take full account of local considerations in its decision making.

Equality and Diversity

The College celebrates and values the diversity brought by all members of its community, and is committed to providing the education and support that enable all members of the learning community to achieve their full potential. Action to promote Equality and Diversity is core to the College's mission, values and strategic goals. Morley's vision identifies the College as a provider of inspiring, distinctive and excellent adult learning and a College that contributes to, and is responsive to, the communities it serves.

'Respect for diversity and the promotion of equality' is one of the College's five core values and is central to Morley's vision as the College strives to provide relevant and challenging education and training for all sections of the community. Morley also strives to be an exemplary employer, and to ensure that it employs a diverse workforce that is equipped with the skills necessary to achieve shared ambitions.

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, sex, sexual orientation, disability, religion or belief and age. We aim to remove conditions that place people at a disadvantage and we actively combat bigotry. The College's Equality and Diversity Policy is published on the College's Intranet site and website and actions to deliver the policy are regularly monitored.

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College is strongly committed to supporting job applicants and staff with disabilities and long-term health conditions and is positive about mental health. The College has signed up to the Government's Disability Confident Scheme and has committed to the Mindful Employer's Charter. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion that, as far as possible, provide identical opportunities to those of non-disabled employees.

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010:

- a) As part of its property strategy the College is ensuring the main entrances to all Centres are fully accessible
- b) The College provides a range of specialist equipment and assistive technology to assist learners with disabilities
- c) The College includes on its staff a number of specialist tutors and support assistants to support students with learning difficulties and/or disabilities
- d) There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for learners who have learning difficulties and/or disabilities
- e) Specialist programmes are described in College prospectuses and on the College website
- f) The progress and achievement of learners who have learning difficulties and/or disabilities is carefully monitored
- g) Counselling and welfare services are described in the College's Student Handbook that is issued to students at induction.

Disclosure of information to auditors

The members who held office at the date of approval of this report confirm that, as far as they are each aware, there is no relevant audit information of which the College's auditors are unaware. 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.

This report and the Strategic Report (included therein) was approved by the Governing Body, as the company's board of directors, on 28 January 2021



Dr Stuart Edwards
Chair

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 2019 to 31 July 2020 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 full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges 2015 as amended in 2018 ("the Code"); and
- iii. having due regard to the UK Corporate Governance Code 2018 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 adopted and complied with the Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code that we consider to be relevant to the further education sector.

In the opinion of the Governors, the College complies with or exceeds all the provisions of the Code, and it has complied throughout the year ended 31 July 2020. The Governing Body 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.

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

The Governing Body

The members who served on the Governing Body during the year **and up to the date of signature of this report** were as listed in the table below. The Governors are directors and members of the College for the purposes of company law.

Continuing Members

	Date of appointment	Term of office ends	Status of appointment	Committees served and offices held 2018-19	Meetings Attended/ Possible
Miss J Brian	27 February 2018	31 July 2021	External member	Audit Quality and Standards Lead Governor for Safeguarding	14/15

	Date of appointment	Term of office ends	Status of appointment	Committees served and offices held 2018-19	Meetings Attended/ Possible
Miss S Bryan	3 February 2020 Reappointed 2 November 2020	2 February 2021	Student member	Quality and Standards	3/5
Mr P Dias Ferreira	3 February 2020	31 July 2023	External member	Finance, Resources and Fundraising (Vice-chair from 12 May 2020) Covid-19 College Response Oversight Group	6/10
Mr N Durston	13 April 2018	31 July 2021	External member	Finance, Resources and Fundraising (Vice-chair; Chair from 12 May 2020) Covid-19 College Response Oversight Group Lead Governor for Fundraising	12/16
Dr S Edwards	14 December 2009 Reappointed 10 December 2013 and 16 October 2017	31 July 2021	External member	Chair of Governing Body Finance, Resources and Fundraising Remuneration Search and Governance (Chair) Joint Transition Committee (Joint Chair) Covid-19 College Response Oversight Group (Chair)	28/28
Ms P Egan	2 April 2014 Reappointed 16 October 2017	31 July 2021	External member	Vice-chair of Governing Body Audit Remuneration (Chair) Search and Governance Joint Transition Committee Lead Governor for Equality and Diversity (to 30 March 2020)	22/24
Ms G Evans	3 February 2020	31 July 2023	External member	Quality and Standards Lead Governor for Equality and Diversity (from 30 March 2020; joint from 2 November 2020)	5/5
Dr A Gower	13 April 2015	N/A	Principal and Chief Executive Officer	Quality and Standards Finance, Resources and Fundraising Search and Governance Joint Transition Committee	24/24

	Date of appointment	Term of office ends	Status of appointment	Committees served and offices held 2018-19	Meetings Attended/ Possible
Ms H Fry	18 October 2016 Reappointed wef 1 August 2020	31 July 2024	External member	Quality and Standards (Chair) Remuneration	12/13
Mrs G Le Coz	3 February 2020	31 July 2023	External member	Audit Covid-19 College Response Oversight Group	9/9
Mrs I Lax	3 February 2020 Reappointed 2 November 2020	2 February 2021	Co-opted member	Quality and Standards	3/5
Ms S Lindsey	27 March 2019 Reappointed 2 November 2020	2 February 2021	Student member	Finance, Resources and Fundraising Joint Transition Committee (alternate member) Covid-19 College Response Oversight Group (from 1 June 2020) Lead Governor for Health and Safety (from 1 April 2020)	15/15
Mr V Olowe	2 April 2014 Reappointed 16 October 2017	31 July 2021	External member	Audit (Vice-chair) Search and Governance (Vice-chair)	15/15
Mrs D Ryle	1 August 2020	31 July 2022	Staff member	Quality and Standards	NA
Ms M Samuels	3 February 2020	31 July 2023	External member	Quality and Standards Search and Governance Joint Lead Governor for Equality and Diversity (from 2 November 2020)	5/6
Ms H Smith	13 April 2018	31 July 2021	External member	Audit (Chair)	10/12
C Thompson	1 August 2020	31 July 2022	Staff member	Finance, Resources and Fundraising	NA
Mr J Ward	3 February 2020	31 July 2023	External member	Quality and Standards	4/5

Retiring Members

	Date of appointment	Term of office ended	Status of appointment	Committees served and offices held 2017-18	Meetings Attended/ Possible
Mrs J Bailey	3 February 2020	27 September 2020	External member	Finance, Resources and Fundraising Search and Governance Covid-19 College Response Oversight Group	9/11
Mr M Bamford	15 December 2015 Reappointed 11 December 2017 Co-opted wef 1 December 2019	30 November 2020	Student member (to 30 November 2019) Co-opted member (from 1 December 2019)	Audit Quality and Standards Joint Transition Committee Covid-19 College Response Oversight Group	22/24
Mr M Doolan	3 February 2020	31 July 2020	Co-opted member	Finance, Resources and Fundraising	6/6
Mr L Howson	1 August 2016	31 July 2020	Staff member	Finance, Resources and Fundraising	12/12
Dr S Ketteridge	15 February 2013 Reappointed 6 February 2017	31 March 2020	External member	Finance, Resources and Fundraising Quality and Standards (Vice-chair) Search and Governance Joint Transition Committee	13/18
Mrs S Robertson-Jonas	15 October 2015 Reappointed 15 July 2019	31 July 2020	Staff member	Quality and Standards	10/10
Mr M Seriki	15 February 2013 Reappointed 6 February 2017	26 February 2020	External member	Finance, Resources and Fundraising (Chair) Remuneration (Vice-chair)	6/10

Mr Martin McNeill served as Clerk to the Governing Body and Company Secretary throughout the year.

Directors and their interests

The directors of the Company are shown above and, except for any instances mentioned, served throughout the year. None of the directors has any interests in the Company.

The Clerk maintains a register of financial and personal interests of the members of the Governing Body and of senior post-holders. The register is available for inspection at the address below.

Limited liability

The Company does not have any share capital and is limited by guarantee. The liability of the members, who are the directors, is limited to £1 each in the event of the winding up of the Company.

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

The Governing Body is provided with regular and timely 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 personnel-related matters such as health and safety and environmental issues. The Governing Body meets at least four times per year.

The Governing Body receives advice on the conduct of its business from five committees. Each committee has terms of reference, which have been approved by the Governing Body. These committees are: Audit; Finance, Resources and Fundraising; Quality and Standards; Remuneration; and Search and Governance. Up to January 2020, the Governing Body also received advice on matters relating to the proposed combination with Kensington and Chelsea College from a Joint Transition Committee comprising members of both colleges' governing bodies and working within terms of reference approved by both colleges' governing bodies. In June 2020 the Governing Body established a Covid-19 College Response Oversight Group, continuing the work of an informal group of governors that had been formed in April 2020.

Individual Governors ('lead governors') also assisted and advised the Governing Body in the oversight of particular areas of its responsibility, specifically Equality and Diversity, Fundraising, Health and Safety and Safeguarding. The range and remit of committees and the contribution that each makes to effective governance is under continual review.

Full minutes of all meetings, except those deemed to be confidential by the Governing Body, are available from the Clerk to the Governing Body at the College's registered office:

61 Westminster Bridge Road
London
SE1 7HT

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

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

The Governing Body has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Governing Body 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 and Accounting Officer are separate.

Appointments to the Governing Body

Appointments to the Governing Body are matters for the consideration of the Governing Body as a whole. The Governing Body has a Search and Governance Committee, which is responsible for the selection and nomination of any new external member for the Governing Body's consideration and for considering and nominating retiring governors for re-appointment. The Governing Body is responsible for ensuring that appropriate training is provided as required.

Members of the Governing Body are appointed for a term of office not exceeding four years, except for student members who are appointed for a term not exceeding two years. Members generally serve for a maximum of eight years (student governors – four years). In the case of a member who holds the office of Chair or Vice-chair of the Governing Body the maximum period of service may be extended to 12 years.

Governing Body performance

The Governing Body has established a comprehensive framework for evaluating its own performance and enhancing the quality of governance, comprising:

- regular review of the composition of the Governing Body and the extent to which the skills and experience of members match the needs of the College;
- analysis of the extent to which members attend board and committee meetings, participate in training and development activities and take up opportunities to engage with the day-to-day work of the College, its staff and students;
- an annual survey of members' views of the effectiveness of the Governing Body;
- an annual review of the impact of the Governing Body on the success of the College;
- a biennial development interview with each member of the Governing Body;
- an annual review of the effectiveness of each committee in discharging the responsibilities delegated to it; and
- a periodic (currently triennial) evaluation of the effectiveness of governance by an independent consultant.

Having considered its overall performance in 2019-20, the Governing Body has identified the following five key strengths of governance at the College:

- a clear understanding of the College's mission, vision and strategy, with a robust Strategic Plan and effective arrangements for monitoring its implementation;
- a strong commitment to the values and ethos of the College;

- rigorous monitoring of performance, supported by high-quality reports, including detailed performance analysis, with further assurance provided through the work of well-focused and well-led committees;
- a good balance of support and challenge to the Senior Management Team, founded on a shared understanding of the respective roles of governance and management; and
- a systematic approach to reviewing and seeking continuous improvement in governance performance and effectiveness.

The following areas have been identified as having scope for enhancement in 2020-21 and have been included in the Governance Quality Enhancement Plan (QEP):

- to continue to engage with existing stakeholders (particularly students, but also wider communities), and build strong relationships with new stakeholders by communicating in an accessible and transparent manner that encourages feedback;
- to strengthen financial governance and risk management, taking account of the recommendations of the FE Commissioner and the ESFA;
- to promote greater diversity within the Governing Body and the Senior Leadership Team;
- to ensure through careful succession planning that key competencies are maintained and further diversity introduced while (if possible) reducing the number of governors on the Board; and
- to develop new ways of governing that ensure the continued high quality of provision and its effective monitoring in an increasingly online environment.

Committees of the Governing Body

Audit Committee

The Audit Committee comprises between three and six members of the Governing Body (excluding staff members, the Accounting Officer and the Chair of the Governing Body). The Committee operates in accordance with written terms of reference approved by the Governing Body.

The Audit Committee meets at least termly and provides a forum for reporting by the College's internal and financial statements auditors, and by the accountants appointed to report on regularity, all of whom 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 auditors 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 audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Governing Body on the appointment of internal and financial statements auditors and of accountants to report on regularity and on their remuneration for audit and non-audit work. In common with all other committees, it provides an annual report to the Governing Body summarising its work over the preceding year.

Finance, Resources and Fundraising Committee

The Finance, Resources and Fundraising Committee comprises between six and eight members of the Governing Body. The Committee advises the Governing Body and provides it with assurance on matters relating to its responsibilities for oversight of financial health, financial management, estates, human resources, fundraising, health and safety and environmental sustainability.

Quality and Standards Committee

The Quality and Standards Committee comprises between six and eight members of the Governing Body. The Committee advises the Governing Body and provides it with assurance on the quality of learning, teaching and assessment, with particular reference to standards, outcomes for learners, curriculum offer, inclusion and the enhancement of the Morley student experience.

Remuneration Committee

The Remuneration Committee comprises four members of the Governing Body (excluding staff and student members and the Accounting Officer). The Committee advises the Governing Body on the remuneration and benefits of the Accounting Officer and other holders of senior posts and on leadership development and succession planning for the Senior Leadership Team. The senior post-holders within the remit of the Remuneration Committee comprise the Principal, the Deputy Principal, the Chief Finance Officer and the Clerk to the Governing Body and Company Secretary. The Governing Body has a clear policy on the remuneration of senior post holders, which is determined following consideration by the Remuneration Committee of the value of and market rate for each role with due regard to the overall financial position of the College, the median rate of pay for College staff and any overall staff pay award. The policy also provides for the payment of non-consolidated awards of up to three per cent of salary to recognise exceptional performance and places restrictions on earnings from external work.

Details of remuneration for the year ended 31 July 2020 are set out in note 8 to the financial statements.

Search and Governance Committee

The Search and Governance Committee comprises between four and seven members of the Governing Body (excluding staff and student members). The Committee advises the Governing Body on the appointment and re-appointment of external members and on all matters relating to the governance of the College, including the development of the Board as a whole and of individual governors, the setting of targets for Governing Body performance and the related performance review arrangements.

Joint Transition Committee

The Joint Transition Committee was set up to oversee business combination preparations and consisted of members from the Governing Bodies and Senior

Leadership Teams of both Morley College London and Kensington and Chelsea College. This committee was disbanded at the point of combination.

Internal control

Scope of responsibility

The Governing Body 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 Governing Body has delegated to the Principal, as Accounting Officer, the day-to-day responsibility 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 he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between the College and the ESFA. He is also responsible for reporting to the Governing Body 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 ongoing 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 the College for the year ended 31 July 2020 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Governing Body 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 Governing Body is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2020 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Governing Body.

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative 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 Governing Body;
- regular reviews by the Governing Body 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; and
- the adoption of formal project management disciplines, where appropriate.

The College has commissioned an internal audit service, which operates in accordance with the requirements of the ESFA's *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 Governing Body on the recommendation of the Audit Committee. The internal audit service provider undertook several investigations over the course of the year and provided individual reports to the Governing Body on areas of interest.

Review of effectiveness

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

- the work of the internal audit service provider;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the College's financial statements auditors and the reporting accountants for regularity assurance 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 audit service provider and other assurance providers and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Risk Management Committee comprises members of the Senior Leadership Team and other co-opted members with an understanding of Health and Safety, Premises, IT, HR, Finance and academic issues. The Committee receives reports setting out key performance and risk indicators and considers possible control issues brought to its attention by early warning mechanisms, which are embedded across the College and reinforced by risk awareness training.

The Risk Management Committee and the Audit Committee also receive regular reports from the internal audit service provider and other providers of assurance, which may 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 Governing Body's agenda includes a regular item for consideration of risk and control and it receives relevant reports from the Senior Leadership Team and the Audit Committee. The emphasis is on obtaining the appropriate degree of assurance and not merely reporting by exception.

At its January 2021 meeting, the Governing Body carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the Senior Leadership Team, internal audit reports, and taking account of events since 31 July 2020.

Based on the advice of the Audit Committee and the Accounting Officer, the Governing Body is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for *“the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets”*.

Going concern

After making appropriate enquiries, and taking account of:

- the sound level of liquidity as at 31 July 2020
- the College’s performance against budget, reflecting the impact of Covid-19
- the five-year Financial Plan in support of the combination agreed with the ESFA
- the availability of a £3.5 million grant facility to provide cashflow support over the life of the plan, if required.

The Governing Body 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.

Approved by order of the members of the Governing Body on 28 January 2021 and signed on its behalf by:

Signed



Dr Stuart Edwards
Chair

Signed



Dr Andrew Gower
Accounting Officer

Governing Body's Statement on the College's Regularity, Propriety and Compliance with Funding Body terms and conditions of funding

The Governing Body has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the College's financial memorandum. As part of our consideration we have had due regard to the requirements of the financial memorandum.

We confirm on behalf of the Governing Body, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the College's financial memorandum.

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



Dr Stuart Edwards
Chair

28 January 2021



Dr Andrew Gower
Accounting Officer

28 January 2021

Statement of Responsibilities of the Members of the Governing Body

The members of the Governing Body (who act as trustees for the charitable activities of the College, and are also the directors of the College for the purposes of company law) are required to present audited financial statements for each financial year.

Company law and the law applicable to charities in England and the terms and conditions of the Financial Memorandum between the ESFA and the Governing Body of the College, require the Governing Body of the College to prepare financial statements and the Report of the Governing Body and Strategic Report for each financial year, in accordance with the *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions*, the *Accounts Direction* issued by the ESFA, and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) and which give a true and fair view of the state of affairs of the College's deficit of income over expenditure for that period.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the College and of the College's surplus/deficit of income over expenditure for that period.

In preparing the financial statements, the Governing Body 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
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy, at any time, the financial position of the College, and which enable them to ensure that the financial statements are prepared in accordance with the Companies Act 2006 and other relevant accounting standards. They are responsible for taking steps in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the College website is the responsibility of the Governing Body of the College; the work carried out by the 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 Governing Body are responsible for ensuring that funds from the ESFA, and GLA through devolution, are used only in accordance with the authorities that govern them as defined by and in accordance with the Further and Higher Education Act 1992, subsequent legislation and related regulations and the Financial Memorandum with the ESFA and any other conditions that may be prescribed from time to time.

Approved by order of the members of the Governing Body on 28 January 2021 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Stuart Edwards', written in a cursive style.

Dr Stuart Edwards, Chair

INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF MORLEY COLLEGE LIMITED

Opinion

We have audited the financial statements of Morley College Limited (the 'College') for the year ended 31 July 2020 which comprise the college statement of comprehensive income, the college balance sheet, the college statement of changes in reserves, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 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 2020 and of the College's deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006.

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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. The governors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Governing Body and the incorporated strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Governing Body and the incorporated strategic report have been prepared in accordance with applicable legal requirements.

Opinion on other matters prescribed by the Office for Students' Accounts Direction

In our opinion, in all material respects:

- funds from whatever source administered by the college for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Reasearch England), the Education and Skills Funding Agency and Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the Office for Students' accounts direction for the relevant year's financial statements have been met.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 or the Post-16 Audit Code of Practice 2019 to 2020 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;
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations required for our audit.

We have nothing to report in respect of the following matters where the Office for Students' accounts direction requires us to report to you if:

- the College's grant and fee income, as disclosed in the note to the accounts, has been materially misstated.

Responsibilities of the Governing Body of Morley College Limited

As explained more fully in the Statement of the Governing Body's Responsibilities set out on page 31, the Governing Body (who act as trustees for the charitable activities of the college, and are also the directors and members of the company for the purposes of company law) is responsible for the preparation of 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 intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

Auditor's 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Governing Body, as a body, those matters we are engaged 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.

RSM UK Audit LLP

HANNAH CATCHPOOL (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB
29 January 2021

Statement of Comprehensive Income

For the year ended 31 July 2020

	Notes	2020 £'000	2019 £'000
INCOME			
Funding body grants	2	10,847	6,002
Tuition fees and education contracts	3	5,119	4,991
Other grants and contracts	4	390	-
Other income	5	253	304
Endowment and investment income	6	12	11
Donations	7	22,009	120
Total income		38,630	11,428
EXPENDITURE			
Staff costs	8	12,218	8,814
Other operating expenses	9	5,527	2,732
Depreciation and amortisation	11	1,137	699
Interest and other finance costs	10	164	157
Total expenditure		19,046	12,402
Surplus / (Deficit) before other gains and losses		19,584	(974)
(Loss)/gain on investments		(13)	4
Surplus/(Deficit) before tax		19,571	(970)
Taxation		-	-
Surplus/(Deficit) for the year	10	19,571	(970)
Unrealised gain on revaluation of assets		10,000	-
Remeasurement of defined benefit pensions liability	22	(6,851)	(440)
Total Comprehensive Income for the year		22,720	(1,410)
Represented by:			
Unrestricted comprehensive income		22,720	(1,418)
Restricted comprehensive income		-	8
		22,720	(1,410)
Memo item: surplus prior to FRS102 pensions adjustments			
Surplus/(Deficit) before other gains and losses		19,584	(974)
Interest and other finance costs relating to defined pension benefit scheme	9	164	157
FRS 102 pension costs within staff costs	6	813	600
Surplus/(Deficit) prior to FRS102 pensions adjustments		20,561	(217)

Statement of Changes in Reserves

For the year ended 31 July 2020

	Income and Expenditure account	Restricted Reserves	Revaluation reserve	Total
	£'000	£'000	£'000	£'000
Balance at 31st July 2018	(1,368)	152	14,206	12,990
(Deficit) from the income and expenditure account	(982)	8	-	(974)
Other comprehensive income	(440)	-	-	(440)
Other gains	-	-	4	4
Total comprehensive income for the year	(1,422)	8	4	(1,410)
Balance at 31st July 2019	(2,790)	160	14,210	11,580
Surplus from the income and expenditure account	19,584	-	-	19,584
Other comprehensive income	(6,851)	-	10,000	3,149
Other losses	-	-	(13)	(13)
Total comprehensive income for the year	12,733	-	9,987	22,720
Balance at 31st July 2020	9,943	160	24,197	34,300

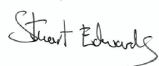
Other gains/(losses) represent gains and losses in investments as shown in the Statement of Comprehensive Income.

Balance sheet as at 31 July 2020

Company registration number 2829836

	Notes	2020 £'000	2019 £'000
Fixed assets			
Tangible fixed assets	11	49,307	18,830
Intangible assets	11	244	87
Investments	13	223	236
		49,774	19,153
Current assets			
Trade and other receivables	14	971	572
Cash and cash equivalents	18	5,308	779
		6,279	1,351
Less: Creditors – amounts falling due within one year	15	(3,117)	(1,190)
Net current assets		3,162	161
Total assets less current liabilities		52,936	19,314
Less: Creditors – amounts falling due after more than one year	16	(1,149)	(950)
Provisions			
Defined benefit pension scheme	22	(17,487)	(6,784)
Total net assets		34,300	11,580
Restricted reserves	21	160	160
Unrestricted reserves			
Pension reserve	22	(17,487)	(6,784)
Income and expenditure account	21	27,430	3,994
Revaluation reserve	21	24,197	14,210
Total unrestricted reserves		34,140	11,420
Total reserves		34,300	11,580

The financial statements on pages 44 to 77 were approved and authorised for issue by the Governing Body on 28 January 2021 and were signed on its behalf on that date by:



Dr Stuart Edwards, Chair



Dr Andrew Gower, Accounting Officer

Statement of Cash Flows

For the year ended 31 July 2020

	Notes	2020 £'000	2019 £'000
Operating activities			
(Deficit) for the year		19,584	(974)
Adjustment for non-cash items			
Depreciation and amortisation		1,137	699
Decrease/ (increase) in debtors		367	27
(Decrease)/ increase in creditors due within one year		(723)	(362)
Increase in creditors due after one year		223	101
Pensions costs less contributions payable		977	757
Fair value of other assets and liabilities acquired on business combination		(21,944)	-
Adjustment for investing or financing activities			
Investment income		(12)	(11)
Net cash flow from operating activities		(391)	237
Cash flows from investing activities			
Investment income		12	11
Cash and cash equivalents acquired on business combination		6,626	-
Purchase of non-current assets – tangible assets	11	(1,487)	(957)
Purchase of non-current assets – intangible assets	11	(208)	(55)
		4,943	(1,001)
Financing activities			
Repayments of amounts borrowed		(23)	(34)
Increase/(Decrease) in cash and cash equivalents in the year		4,529	(798)
Cash and cash equivalents at beginning of the year	18	779	1,577
Relating to bank balances and short term deposits included in "cash and cash equivalents"		5,308	779

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2019 to 2020 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 modified by the use of previous valuations as deemed cost at transition for certain non-current assets and for fixed asset investments that are carried at market value.

The College's financial statements are presented in sterling, which is also the functional currency of the College. Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

Going concern

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

The College has a loan for £500k, which was drawn down in July 2018 and has a term of 20 years. This borrowing supports the current property strategy to create a new College entrance, reception and a second phase to refurbish the gallery at the Waterloo Centre.

The College completed its business combination with Kensington and Chelsea College (KCC) on 3 February 2020. Under the business combination under the Statement of Recommended Practice: Accounting for Further and Higher Education, KCC combined into Morley. The combined College is considered a going concern based on an assessment of forecast income and expenditure to 2021/22, the basis for this assessment is sourced from within the detailed financial plan for the period to 2024/25 as agreed with ESFA. The financial model has also been subjected to due diligence, using an independent team from RSM Corporate Finance LLP, and the review included sensitivity testing. A funding package for the combination has been negotiated with

the ESFA and this includes funding for improvements to the Chelsea Centre, and to refurbish the North Kensington Centre on which Morley holds a 125 year lease. Also included is a cash flow support fund of £3.5m to ensure that cash does not drop below 45 days cover throughout the period to July 2025. Cash flow projections indicate that this facility will not be required during the 2020/21 academic year.

Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

Revenue grant funding

The recurrent grant from the ESFA represents the funding allocations attributable to the current financial year and is credited direct to the income and expenditure account. 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 achievement for the Adult Education Budget, unless within tolerance limits, 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 correspondence from the funding body 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.

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 after 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.

Tuition 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; this includes all fees payable by students or their sponsors.

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.

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 model 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.

The deferred income is allocated between creditors due within one year and those due after more than one year.

Agency arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds and any other arrangements. 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 and contracted out of the State Second Pension.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated 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.

Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Local Government Pension Scheme (LGPS), London Pensions Fund Authority (LPFA) and Royal Borough of Kensington and Chelsea (RBKC)

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 actuarial gains and losses.

The following quote is taken from the LPFA annual valuation report, which the valuation used in the accounts:

“On 22 January 2018, the Government published the outcome to its Indexation and equalisation of GMP in public service pension schemes consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals’ public service pension would be extended to those individuals reaching State Pension Age (SPA) before 6 April 2021. HM Treasury published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016.

Our valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that the Fund will be required to pay the entire inflationary increase. Therefore we do not believe we need to make any adjustments to the value placed on the liabilities as a result of the above outcome.”

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.

Termination of employment costs

The best estimate of expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the College is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

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 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

The College’s buildings are specialised buildings and therefore it is not appropriate to value them based on open market value. Freehold land is not depreciated. Freehold

buildings are depreciated over their expected useful economic life to the College of 50 years.

Long leasehold interests in land and buildings are amortised over the shorter of 50 years or the lease term.

Internal buildings improvements or modifications, which add to the long-term value of the building, are depreciated over a period of up to twenty years.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the income and expenditure account. On adoption of FRS 102, the College followed the transitional provision and elected to use the fair value of land at 1 August 2014 as deemed cost but not to adopt a policy of revaluations of land in the future. The College retained the book value of all other assets.

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 2020. They are not depreciated until they are brought into use.

Equipment

Equipment costing less than £3,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost and depreciated over its useful economic life on a straight-line as follows:

General equipment	3 to 10 years
Computer equipment	3 years
Pianos	10 years
Lift	10 years
Boilers	10 years

In the year of acquisition, assets are depreciated from the starting month of the assets' useful economic life. Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged 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. The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

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

recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

Heritage Assets

The College has a collection of paintings, drawings and sculptures, which are held to enhance the fabric of its buildings or to celebrate its distinguished history in the liberal arts and add to the College's contribution to knowledge and culture. The Governing Body considers that, owing to the incomparable nature of these paintings, drawings and sculptures, conventional valuation approaches lack sufficient reliability and that, even if the valuations could be obtained, the costs would be onerous compared with the additional benefits derived by the College and users of the accounts. As a result, no value is reported for these assets in the balance sheet.

Intangible Assets

Intangible assets comprise software licences and information technology. Items costing less than £3,000 are written off to the income and expenditure account in the year of acquisition. All other items are capitalised and amortised over five years.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure.

Fixed asset investments

Fixed asset investments are carried at their market value less any provision for impairment in their value. Any increase or decrease in value during the year is credited or debited to the revaluation reserve.

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.

Taxation

The College is a registered charity and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010. 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 received no similar exemption in respect of value added tax. For this reason, and because the College is not VAT registered, the College is unable to recover the input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT.

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.

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 as 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 College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability of the asset. 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.

- *Fair value of assets and liabilities transferred on business combination*

The fair value assets and liabilities of Kensington and Chelsea College (KCC) have been transferred to the College at the carrying value in the closing accounts of KCC.

- *Lease valuation of Wornington Road*

The College benefits from a 125 year lease on the North Kensington Centre at a cost of a "peppercorn". This has been assessed to have a value of £10M.

- *Local Government Pension Schemes*

The present value of the Local Government Pension Schemes defined benefit liabilities 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 liabilities. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. 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.

2 Funding body grants

	2020 £'000	2019 £'000
Recurrent grants		
Education and Skills Funding Agency – adult	9,074	5,869
Education and Skills Funding Agency – 16-18	883	21
Office for Students	33	17
Specific Grants		
Teachers' Pension Scheme contribution grant	410	-
Restructuring facility grant	330	-
Strategic College Improvement Fund grant	41	-
Releases of government capital grants	46	76
Release of GLA LEAP capital award	30	19
Total	10,847	6,002

3 Tuition fees and education contracts

	2020 £'000	2019 £'000
Tuition fees	4,109	4,202
Education contracts	1,010	789
Total	5,119	4,991

Higher education income

	2020 £'000	2019 £'000
Grant income from the Office for Students	33	17
Fee income for taught awards at level 4 and above	971	415
Total	1,004	432

4 Other grants and contracts

	2020 £'000	2019 £'000
Coronavirus Job Retention Scheme grant	390	-
Total	390	-

5 Other income

	2020	2019
	£'000	£'000
Other income generating activities	253	304
Total	253	304

6 Investment income

	2020	2019
	£'000	£'000
Other investment income	5	7
Other interest receivable	7	4
Total	12	11

7 Donations

	2020	2019
	£'000	£'000
Gift of fair value of net assets of Kensington & Chelsea on combination	21,944	-
Unrestricted donations	65	120
Total	22,009	120

8 Staff costs

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

	2020 No.	2019 No.
Teaching staff	255	113
Non-teaching staff	133	82
	388	195

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

	2020 No.	2019 No.
Teaching staff	516	442
Non-teaching staff	171	91
	687	533

Staff costs for the above persons

	2020 £'000	2019 £'000
Wages and salaries	8,703	6,802
Social security costs	692	531
Other pension costs	1,595	868
FRS 102 pension cost adjustments	813	600
Sub total	11,803	8,801
Contracted out staffing costs	126	-
Sub total	11,929	8,801
Restructuring costs – contractual	212	13
non-contractual	77	-
	12,218	8,814

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 Senior Leadership Team. Until February 2020, this comprised of the Principal & Chief Executive, Deputy Principal & Deputy CEO, Vice Principal and Director of Finance. From February 2020 this comprised of the Principal & Chief Executive, Deputy Principal and Chief Finance Officer.

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

	2020 No.	2019 No.
The number of key management personnel including the Accounting Officer was:	5	4

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	
	2020 No.	2019 No.	2020 No.	2019 No.
£30,001 to £35,000	1	-	n/a	n/a
£60,001 to £65,000	-	-	-	1
£65,001 to £70,000	-	-	2	-
£70,001 to £75,000	1	-	-	-
£75,001 to £80,000	-	3	-	-
£80,001 to £85,000	1	-	-	-
£85,001 to £90,000	1	-	-	-
£110,001 to £120,000	-	1	-	-
£120,001 to £130,000	1	-	-	-
	5	4	2	1

Key management personnel compensation is made up as follows:

	2020 £'000	2019 £'000
Salaries - gross of salary sacrifice and waived emoluments	325	349
Employers National Insurance	46	43
Benefits in kind	2	3
	373	395
Pension contributions	213	50
Restructuring costs – contractual	72	-
Total emoluments	658	445

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 (who is also the highest paid officer) of:

	2020 £'000	2019 £'000
Salaries	122	110
Benefits in kind	1	1
	123	111

Pension contributions	28	18
	<u> </u>	<u> </u>
Total emoluments	151	129
	<u> </u>	<u> </u>

The multiple of median earnings represented by the Principal's salary is 4.04 times (2018/19 = 3.49). Based on total emoluments the multiple of median earnings is 3.91 times (2018/19 = 4.55). The median salary for the College is £32,157 (2018/19 = £31,415).

The pension contributions in respect of the Accounting Officer and key management personnel are in respect of employers' contributions to the Teachers' or Local Government Pension Schemes and are paid at the same rate as for other employees.

The accounting officers and staff members only receive remuneration in respect of services they provide undertaking their roles of Principal and staff members under contracts of employment and not in respect of their roles as governors.

The members of the Governing Body other than the Accounting Officer and the staff members did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. During the year 1 governor (2018/19 = 4) was reimbursed total expenses of £109 (2018/19 = £2,915).

9 Other operating expenses

	2020 £'000	2019 £'000
Teaching costs	2,006	727
Non-teaching costs	2,211	1,052
Premises costs	1,310	953
	<u> </u>	<u> </u>
Total	5,527	2,732
	<u> </u>	<u> </u>

Other operating expenses include:

	2020 £'000	2019 £'000
Auditors' remuneration:		
Financial statements audit (including regularity)	40	27
Non-Audit Fees Paid to Financial Statements Auditor	98	-
Internal audit	9	20
Hire of assets under operating leases	95	101
	<u> </u>	<u> </u>

10 Interest payable

	2020 £'000	2019 £'000
Net interest on defined pension liability (note 22)	164	157
	<u> </u>	<u> </u>
Total	164	157
	<u> </u>	<u> </u>

11 Tangible fixed assets

	Freehold land and buildings	Long Leasehold land and buildings	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2019	19,145	-	4,109	1,821	25,075
Reclassification	(313)	-	313	-	-
Acquisitions through business combinations	18,952	10,425	699	-	30,076
Additions	83	-	433	971	1,487
At 31 July 2020	37,867	10,425	5,554	2,792	56,638
Depreciation					
At 1 August 2019	2,583	-	3,662	-	6,245
Reclassification	(121)	-	117	-	(4)
Charge for the year	503	100	487	-	1,090
At 31 July 2020	2,965	100	4,266	-	7,331
Net book value at 31 July 2020	34,902	10,325	1,288	2,792	49,307
Net book value at 31 July 2019	16,562	-	447	1,821	18,830

The value of freehold land not depreciated is £23.8m of which £9.3m was acquired during the combination with Kensington and Chelsea College. Previously owned land was valued at £14.5m as at 1 August 2014 by Gerald Eve LLP, a firm of independent chartered surveyors.

The College benefits from a long leasehold on the North Kensington Centre (Wornington Road) of 125 years at a "peppercorn". Following independent advice this lease has been valued at £10m.

Intangible assets

	Software £'000
Cost or valuation	
At 1 August 2019	498
Additions	208
At 31 July 2020	706
Amortisation	
At 1 August 2019	411
Reclassification	4
Charge for the year	47
At 31 July 2020	462

Net book value at 31 July 2020	244
Net book value at 31 July 2019	87

The College has given a fixed charge over some of the College's freehold land and buildings to the London Pensions Fund Authority. This action secures a reduced employer contribution to the pension scheme through reduced pension risk.

In addition to the assets outlined above, the College owns a collection of artworks of historical and artistic importance, which it deems to be heritage assets as defined under FRS 102 (34). The collection comprises paintings, drawings and sculptures, which have been commissioned or acquired at various times by the College either to enhance the fabric of its buildings or to celebrate its distinguished history in the liberal arts. The collection is considered to be part of the College's ethos in relation to its educational approach and integral to its broader objective of educating the public in the arts. It is not practical to ascertain the cost of these assets.

The College considers that these heritage assets cannot be reasonably valued and has therefore, and in accordance with paragraph 18.14 of the Charities SORP 2015, not included them in its balance sheet.

12 Capital commitments

	2020 £'000	2019 £'000
Contracts for future capital expenditure not provided	151	500

13 Non-current investments

	2020 £'000	2019 £'000
(i) M & G Charifund investments	50	63
(ii) STIC Global investments	117	117
(iii) COIF Bursary and Prize Fund investments	56	56
Total	223	236

Total investment losses in the year were £13k (2018: gains of £4k).

(i) M & G Charifund investments

The College owns 3,982 M & G Charifund income units:	2020	2019
	£	£
Cost	4,999	4,999
Revaluation surplus brought forward	58,559	60,042
Revaluation movement in year	(13,879)	(1,483)
Market value at 31 July 2020	49,679	63,558

(ii) STIC Global investments

The College owns 117,623 (2019 = 116,973) £1 shares in STIC Global:

	2020	2019
	£	£
Market value as at 31 July 2020	117,623	116,973

(iii) Charities Official Investment Fund (COIF)

The College owns shares in the Charities Official Investment Fund (COIF):

	Number of Shares	2020 £	2019 £
Cost of shares			
Martineau Memorial Fund	473	491	491
Emma Cons (Morley College) Memorial Fund	68	70	70
Sheddon Memorial Fund	1,844	1,961	1,961
Anstruther Sheepshanks Scholarship	365	379	379
Group Theatre (Morley College)	587	610	610
Total cost of shares	3,337	3,511	3,511
Cost of Capital Shares			
Martineau Memorial Fund		371	371
Emma Cons (Morley College) Memorial Fund		67	67
Sheddon Memorial Fund		1,242	1,242
Anstruther Sheepshanks Scholarship		379	379
Group Theatre (Morley College)		596	596
Total capital shares		2,655	2,655
Cost of Income Shares			
Martineau Memorial Fund		120	120
Emma Cons (Morley College) Memorial Fund		3	3
Sheddon Memorial Fund		719	719
Group Theatre (Morley College)		14	14
Total income shares		856	856
Cost		3,511	3,511
Revaluation surplus bought forward		52,338	47,561
Revaluation movement in the year (Note 19)		124	4,777
Market value as at 31 July 2020 as above		55,973	55,849

14 Trade and other receivables

	2020	2019
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	353	40
Other debtors	222	372
Prepayments and accrued income	386	160
Owed by the GLA	10	-
Total	971	572

15 Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Bank loans and overdrafts	34	33
Payments received in advance / deferred income	159	452
Trade payables	973	138
Other taxation and social security	232	258
Accruals	742	112
Other creditors	868	137
Amounts owed to the ESFA	46	-
Deferred Capital Grant (funding body)	63	60
Total	3,117	1,190
Deferred Income		
Deferred income at 1 August	452	449
Resources deferred in the year	159	452
Amount released from previous years	(452)	(449)
Deferred income at 31 July	159	452

Deferred income comprises of funding body income and tuition fees paid in advance

16 Creditors: amounts falling due after one year

	2020	2019
	£'000	£'000
Bank loans	409	433
Deferred Capital Grant (funding body)	740	517
Total	1,149	950

Deferred Capital Grants

At 1 August	577	434
Received in the year	302	238
Released to income and expenditure account	<u>(76)</u>	<u>(95)</u>
At 31 July	<u>803</u>	<u>577</u>

17 Maturity of debt

Bank loans

Bank loans are repayable as follows:

	2020	2019
	£	£
In one year or less	34,059	33,333
Between one and two years	34,059	33,333
Between two and five years	102,178	100,000
In five years or more	272,474	300,001
Total	<u>442,770</u>	<u>466,667</u>

Bank loans at 2 per cent above base rate repayable by instalments falling due between 1 August 2018 and 31 July 2033 totalling £500,000 are secured on a portion of the freehold land and buildings of the College (the Nancy Seear Building).

18 Cash and cash equivalents

	At 1 August 2019	Cash flows	Other changes	At 31 July 2020
	£'000	£'000	£'000	£'000
Cash and cash equivalents	779	4,529	-	5,308
Total	<u>779</u>	<u>4,529</u>	<u>-</u>	<u>5,308</u>

19 Analysis of changes in net funds

	At 1 August 2019	Cash flows	Cash flows from business combination	New finance leases	Other non-cash changes	Changes in market value and exchange rates	At 31 July 2020
	£'000	£'000		£'000	£'000	£'000	£'000
Cash and cash equivalents	779	(2,097)	6,626	-	-	-	5,308
Bank overdrafts	-	-	-	-	-	-	-
Debt factoring	-	-	-	-	-	-	-
	779	(2,097)	6,626	-	-	-	5,308
Bank loans	(467)	23	-	-	-	-	(444)
Finance leases	-	-	-	-	-	-	-
Current asset investments	-	-	-	-	-	-	-
Net debt	312	(2,074)	6,626	-	-	-	4,864

20 Financial instruments

The college has the following financial instruments:

	2020 £'000	2019 £'000
Financial assets		
Financial assets measured at fair value through profit and loss	223	236
Financial liabilities		
Financial liabilities measured at fair value through profit and loss	-	-

21 Funds

	As at 31 July 2019 £'000	Incoming Resources £'000	Resources Expended £'000	Other gains £'000	Transfer s £'000	As at 31 July 2020 £'000
Restricted Funds						
Bursary and Investments	86	-	-	-	-	86
Special Projects	74	-	-	-	-	74
	160	-	-	-	-	160
Unrestricted Funds						
General Reserve	3,485	41,335	(17,905)	-	-	26,915
Revaluation Reserve	14,210	-	-	9,987	-	24,197
Development Reserve	433	-	-	-	-	433
Other Designated Funds:						
Bursary fund	52	6	-	-	-	58
Special Projects	18	-	-	-	-	18
Heritage Fund	6	-	-	-	-	6
Total Unrestricted Funds	18,204	41,341	(17,905)	9,987	-	51,627
Total Funds (excluding Pension Reserve)	18,364	41,341	(17,905)	9,987	-	51,627
Pension reserve	(6,784)	(2,711)	(1,141)	(6,851)	-	(17,487)
Total reserves excluding pension reserve	11,580	38,630	(19,046)	3,136	-	34,300

Previous year for comparison:

	As at 31 July 2018 £'000	Incoming Resources £'000	Resources Expended £'000	Other gains £'000	Transfers £'000	As at 31 July 2019 £'000
Restricted Funds						
Bursary and Investments	78	41	(33)	-	-	86
Special Projects	74	-	-	-	-	74
	152	41	(33)	-	-	160
Unrestricted Funds						
General Reserve	3,710	11,387	(11,612)	-	-	3,485
Revaluation Reserve	14,206	-	-	4	-	14,210
Development Reserve	433	-	-	-	-	433
Other Designated Funds:						
Bursary fund	52	-	-	-	-	52
Special Projects	18	-	-	-	-	18
Heritage Fund	6	-	-	-	-	6
Total Unrestricted Funds	18,425	11,387	(11,612)	4	-	18,204
Total Funds (excluding Pension Reserve)	18,577	11,428	(11,645)	4	-	18,364
Pension reserve	(5,587)	-	(757)	(440)	-	(6,784)
Total reserves excluding pension reserve	12,990	11,428	(12,402)	(436)	-	11,580

Restricted funds

Restricted funds are held for the specific purposes identified by the funding terms. During the year, income was received from two separate trusts and foundations for the purpose of funding bursaries and the terms were considered to meet the needs of the restricted funds. Income received amounted to £nil and expenditure against this income in year was £nil. The balance is shown as the movement in the restricted funds.

Unrestricted funds: Revaluation Reserve

The revaluation reserve smooths out the effects over time of changes in the value of the College's investment portfolio. Current practice is to increase or decrease the size of the reserve by the increase or decrease in the value of investments so that this movement does not impact the income and expenditure account. This reserve also includes the increase in the value of land on adoption of FRS102.

Land and buildings inherited from the Local Education Authority by KCC were revalued as at 31st July 1999. The revaluation was performed by Drivers Jonas, Chartered Surveyors and was done on an "existing use" basis.

The College benefits from a 125 year lease on the Wornington Road Centre at a cost of a "peppercorn". Following professional advice this lease has been valued at £10m.

	2020	2019
	£'000	£'000
At 1 August	14,210	14,206
Revaluations in the period (note 13)		
M & G Charifund investments	(13)	(1)
STIC Global investments	-	1
COIF Bursary and Prize Fund investments	-	4
Revaluation reserve acquired as part of the business combination with Kensington and Chelsea College	12,413	-
Total	26,610	14,210

Development Reserve

The Development Reserve is a designated fund that has been established to improve and extend the College's buildings, its environment and the facilities available for students in accordance with the College Property Strategy. The College's reserves policy is to retain a minimum level of general reserves (excluding losses or gains in respect of the pension scheme) equivalent to one term (four months) expenditure to cover the risks and uncertainties of operating its main business and continue building up the Development Reserve from annual operating surpluses.

COIF Bursary Fund

This unrestricted Bursary Fund was established to supplement the restricted bursary fund, and is held to provide support for learners to attend College whose financial circumstances otherwise preclude them from doing so. There were no movements on the fund within the year.

Special Projects Fund

The Special Projects Fund exists to help the College develop new initiatives, support innovation and pilot new work and performances that will strengthen the College's reputation and profile. There were no movements to this fund in year.

Heritage Fund

The Heritage Fund exists to maintain, promote and celebrate the College's history and heritage including the restoration, renovation and expansion of the College art collection. There were no movements to this fund in year.

22 Defined benefit obligations

The College's employees belong to three principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff, the London Local Government Pension Scheme (LGPS) for non-teaching staff based at the Waterloo centre, which is managed by the London Pension Fund Authority, and the London Local Government Pension Scheme (LGPS) for non-teaching staff based at North Kensington and Chelsea centre, which is managed by the Royal Borough of Kensington and Chelsea. All three are multi-employer defined-benefit plans. The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2016 and of the LGPS 31 March 2020.

Total pension cost for the year	2020	2019
	£'000	£'000
Teachers Pension Scheme: contributions paid	1,005	596
Local Government Pension Scheme:		
Contributions paid	590	273
FRS 102 (28) charge	813	600
Charge to the Statement of Comprehensive Income	1,403	873
Total pension cost for year within staff costs	2,408	1,469

Contributions amounting to £147k were payable to the schemes as at 31 July 2020 and are included in creditors (£196k in 2019).

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.

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.

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 2019-20 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 £1,005,000 (2019: £596,000)

Local Government Pensions Schemes

The college is a member of two Local Government Pension Schemes, the London Pension Fund Authority (LPFA) and the Royal Borough of Kensington and Chelsea Scheme (RBKC).

	Asset	Liability	Net Liability
LPFA	11,494	(22,125)	(10,631)
RBKC	21,286	(28,142)	(6,856)
Total	32,780	(50,267)	(17,487)

Local Government Pension Scheme – London Pension Fund Authority

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the London Pension Fund Authority. The total contribution made for the year ended 31 July 2020 was £611k, of which employer's contributions totalled £453k and employees' contributions totalled £158k. The agreed contribution rates for future years are 15.1% for employers and range from 5.5% to 9.9% cent for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2020 by a qualified independent actuary.

	At 31 July 2020	At 31 July 2019
Rate of increase in salaries	3.25%	3.85%
Future pensions increases	2.25%	2.35%
Discount rate for scheme liabilities	1.40%	2.65%

Inflation assumption (CPI)	2.25%	2.35%
Commutation of pensions to lump sums	0%	50%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2020 years	At 31 July 2019 years
<i>Retiring today</i>		
Males	21.20	20.30
Females	23.90	23.20
<i>Retiring in 20 years</i>		
Males	22.70	22.10
Females	25.40	25.10

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

	Long-term rate of return expected at 31 July 2020	Fair Value at 31 July 2020	Long-term rate of return expected at 31 July 2019	Fair Value at 31 July 2019
		£'000		£'000
Equities	55.00%	6,313	55.00%	5,779
Target Return Portfolio	23.00%	2,615	25.00%	2,694
Infrastructure	7.00%	794	6.00%	608
Property	9.00%	1,066	9.00%	966
Cash	6.00%	706	5.00%	559
Total market value of assets		11,494		10,606

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

	2020 £'000	2019 £'000
Fair value of plan assets	11,494	10,606
Present value of plan liabilities	(22,125)	(17,390)
Net pensions liability	(10,631)	(6,784)

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

	2020	2019
	£'000	£'000
Amounts included in staff costs		
Current service cost	928	739
Past service cost	127	134
Total	1,055	873
	2020	2019
	£'000	£'000
Amounts included in investment income		
Net interest income	139	145
Administration expenses	14	12
	<u>153</u>	<u>157</u>
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	346	692
Other actuarial gains on assets	7	-
Experience losses arising on defined benefit obligations	(611)	(4)
Changes in assumptions underlying the present value of plan liabilities	(2,834)	(1,128)
	<u>(3,092)</u>	<u>(440)</u>
Amount recognised in Other Comprehensive Income	<u>(3,092)</u>	<u>(440)</u>

Movement in net defined benefit (liability) during the year

	2020	2019
	£'000	£'000
(Deficit) in scheme at 1 August	(6,784)	(5,587)
Movement in year:		
Current service cost	(928)	(739)
Employer contributions	453	273
Past service cost	(127)	(134)
Administration expenses	(14)	(12)
Net interest on the defined liability	(139)	(145)
Actuarial gain or loss	(3,092)	(440)
Net defined benefit liability at 31 July	<u>(10,631)</u>	<u>(6,784)</u>

	2020 £'000	2019 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	17,390	15,043
Current Service cost	928	739
Past Service cost	127	134
Interest cost	365	398
Contributions by Scheme participants	158	146
Experience gains and losses on defined benefit obligations	611	4
Changes in financial assumptions	2,834	1,128
Estimated benefits paid	(288)	(202)
Defined benefit obligations at end of period	22,125	17,390
Reconciliation of Assets		
	2020 £'000	2019 £'000
Fair value of plan assets at start of period	10,606	9,456
Interest on plan assets	226	253
Return on plan assets	346	692
Other actuarial gains	7	-
Administration expenses	(14)	(12)
Employer contributions	453	273
Contributions by Scheme participants	158	146
Estimated benefits paid	(288)	(202)
Fair value of plan assets at end of period	11,494	10,606

Local Government Pension Scheme - Royal Borough of Kensington and Chelsea

Morley joined the LGPS funded defined-benefit plan, with the assets held in separate funds administered by the Royal Borough of Kensington and Chelsea, on 3 February when it combined with Kensington and Chelsea College. The total contribution made for the period ended 31 July 2020 was £171,311, of which employer's contributions totalled £122,321 and employees' contributions totalled £48,990. The agreed contribution rates for future years are 16.3% for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2020 by a qualified independent actuary.

	At 31 July 2020
Rate of increase in salaries	3.25%
Future pensions increases	2.35%
Discount rate for scheme liabilities	2.10%
Inflation assumption (CPI)	2.35%
Commutation of pensions to lump sums	0%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2020 years
<i>Retiring today</i>	
Males	21.80
Females	24.40
<i>Retiring in 20 years</i>	
Males	23.20
Females	25.90

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

	Long-term rate of return expected at 31 July 2020	Fair Value at 31 July 2020 £'000
Equities	77.00%	16,327
Property	5.00%	1,069
Cash plus funds	18.00%	3,768
Cash	1.00%	122
Total market value of assets		21,286

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

	2020 £'000
Fair value of plan assets	21,286
Present value of plan liabilities	(28,142)
Net pensions liability	(6,856)

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

	2020 £'000
Amounts included in staff costs	
Current service cost	312
Total	312

	2020
	£'000
Amounts included in investment income	
Net interest income	25
Administration expenses	7
	<u>32</u>

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	(978)
Changes in assumptions underlying the present value of plan liabilities	(2,781)
	<u></u>
Amount recognised in Other Comprehensive Income	<u>(3,759)</u>

Movement in net defined benefit (liability)/asset during the year

	2020
	£'000
(Deficit) in scheme on transfer from Kensington & Chelsea College at 3 February	(2,875)
Movement in year:	
Current service cost	(312)
Employer contributions	122
Past service cost	-
Administration expenses	(7)
Net interest on the defined liability	(25)
Actuarial gain or loss	(3,759)
Net defined benefit liability at 31 July	<u>(6,856)</u>

	2020
	£'000
Changes in the present value of defined benefit obligations	
Defined benefit obligations on transfer from Kensington & Chelsea College at 3 February	24,960
Current Service cost	312
Past Service cost	-
Interest cost	216
Contributions by Scheme participants	49
Experience gains and losses on defined benefit obligations	-
Changes in financial assumptions	2,781
Estimated benefits paid	(176)
Defined benefit obligations at end of period	<u>28,142</u>

Reconciliation of Assets	2020 £'000
Fair value of plan assets at start of period	22,085
Interest on plan assets	191
Return on plan assets	(978)
Other actuarial gains	-
Administration expenses	(7)
Employer contributions	122
Contributions by Scheme participants	49
Estimated benefits paid	(176)
Fair value of plan assets at end of period	21,286

23 Related party transactions

Due to the nature of the College's operations and the composition of the Governing Body 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 Governing Body 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 £109 (2018/19: £2,915). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2018/19: Nil).

The College paid for a subscription with the South Bank Employers Group of which the Principal and CEO, Andrew Gower, is a director. The cost of the subscription was £23k during 2019/20 (2018/19: £23k) with a nil balance as 31 July 2020.

24 Lease obligations

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

	2020 £'000	2019 £'000
Future minimum lease payments due		
Not later than one year	96	109
Later than one year and not later than five years	192	277
Later than five years	73	83
Total	361	469

25 Business combination with Kensington and Chelsea College

Kensington and Chelsea College combined with Morley on 3 February 2020. The combination was classed as a type B combination with the Kensington and Chelsea College corporation being dissolved and all trade, assets and liabilities transferring to Morley on 3 February 2020 at £nil consideration. The transaction has been treated as a gift in substance in line with FRS102, PBE 34.77 to PBE 34.79.

The results attributable to Kensington and Chelsea College since the business combination on 3 February 2020 are as follows:

	£'000
Income	<u>2,058,543</u>
Deficit	<u>(725,565)</u>

These amounts have been calculated based upon the proportion of income attributable to KCC operations post-combination and an allocation of costs.

The assets and liabilities that were brought into Morley at fair value on 3 February 2020 were as follows:

	£'000
Non-current assets	
Tangible fixed assets	20,076
Current assets	
Trade and other receivables	766
Investments	5,013
Cash and cash equivalents	<u>1,613</u>
	7,392
Less: creditors - amounts falling due within one year	<u>(2,649)</u>
Net current assets	4,743
Total assets less current liabilities	<u>24,819</u>
Provisions	
Defined benefit obligations	<u>(2,875)</u>
Total net assets/gift	<u><u>21,944</u></u>

The gift of the fair value of net assets is included in the Statement of Comprehensive Income.