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 enrols 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 coursers 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 theperiod	
Energy consumption used to calculate emissions (kWh)	**2,655,040**
Energy consumption break down (kWh) (optional) • gas, • electricity,	 1,254,260 1,400,780
Scope 1 emissions in metric tonnes CO2e Gas consumption Owned transport – college cars Total scope 1	 230.62 3.32 233.94
Scope 2 emissions in metric tonnes CO2e Purchased electricity	 492.82
Total gross emissions in metric tonnes CO2e	**726.76**
Intensity ratio Tonnes CO2e 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 targetingboth 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 thecommunities 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 expertand 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 delivery 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 forecastingupdates.
- 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 localenterprise funding.
- Continuously ensuring the College is rigorous in delivering high qualityeducation and training, thus ensuring value for money for students.
- Close monitoring of the demand for courses linked to a responsive pricingstrategy.
- 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

Leisha 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 Appoint-ment	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 Appoint-ment	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 Appoint-ment	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 Appoint-ment	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	Signed
Leisha Fullick	Dr Andrew Gower
Chair	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:

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 Bodyis 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 (expenditureincome		**-**	**-**
		(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

Leisha Fullick
Chair

Andrew Gower

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)
Net cash flow from operating activities		**10**	**(391)**
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)
		(2,094)	4,943
Cash flows from financing activities			
Repayments of amounts borrowed		(30)	(23)
		(30)	(23)
(Decrease) increase in cash and cash equivalents in the year		**(2,113)**	**4,529**
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
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
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
	13	**12**

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
	33	**22,009**

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	**2020**
	No.	**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	**2020**	**2021**	**2020**
	No.	**No.**	**No.**	**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	**2020**
	£'000	**£'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
	130	123
Pension contributions	31	28
Total emoluments	**161**	**151**

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	1,429	1,310
Total	**5,724**	**5,527**

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	2020
	£'000	£'000
Net interest on defined pension liability (note 24)	237	164
Total	**237**	**164**

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 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
Cost or valuation	**£'000**
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 £'000	2021 £'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 £'000**	**2020 £'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):

Cost of shares	**Number of Shares**	**2021 £**	**2020 £**
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		52,462	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 £'000	2020 £'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 £'000	2020 £'000
Bank loans and overdrafts	19	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

	2021 £'000	2020 £'000
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 £'000	2020 £'000
Bank loans	19	374	409
Deferred income - government and GLA capital grants		2,186	740
Total		**2,560**	**1,149**

Deferred Capital Grants

	2021 £'000	2020 £'000
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

Bank loans are repayable as follows:		2021 £'000	2020 £'000
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
	160	-	-	-	-	160
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	51,627	25,525	(21,533)	21	-	55,640
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	34,300	18,906	(23,643)	2,488	-	32,051

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	1,636		1,104	
Charge to the Statement of Comprehensive Income		2,300		1,694
Total Pension Cost for Year		**3,698**		**2,699**

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 establishmentss. 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**
Retiring today		
Males	22.9	21.2
Females	23.6	23.9
Retiring in 20 years		
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	Long-term rate of return expected at 31 July 2020	Fair Value at 31 July 2020
		£'000		£'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	2020
	£'000	£'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	2020
	£'000	£'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)
Changes in assumptions underlying the present value of plan liabilities	(1,802)	(2,834)
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 £'000	2020 £'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 £'000	2020 £'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

	2021 £'000	2020 £'000
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**
Retiring today		
Males	21.6	21.8
Females	24.3	24.4
Retiring in 20 years		
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	2020
	£'000	£'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	2020
	£'000	£'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 £'000	2020 £'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 £'000	2020 £'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

	2021 £'000	2020 £'000
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
	265	361

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 £'000	2020 £'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