



MORLEY COLLEGE LIMITED

**Report and Financial Statements
for the year ended 31 July 2022**

Registered number: 2829836

Registered charity number: 1023523

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Key Management Personnel, Board of Governors and Professional advisors

Key management personnel

Key management personnel are defined as Senior Post Holders and were represented by the following in 2021/22:

Dr Andrew Gower - Principal and CEO; Accounting Officer

Marco Macchitella - Deputy Principal and Deputy CEO

Ralph Moran – Chief Finance Officer

Governing Body

The full list of Governors is provided on pages 29 to 32 of this report. Martin McNeill acted as Clerk to the Governing Body and Company Secretary throughout the period.

General information and professional advisors

Registered Office

61 Westminster Bridge Road

London SE1 7HT

Financial statements auditors and reporting accountants

Buzzacott LLP

130 Wood Street

London EC2V 6DL

Internal auditors

RSM UK Audit LLP

25 Farringdon Street

London EC4A 4AB

Bankers

National Westminster Bank plc

91 Westminster Bridge Road

London SE1 7HW

Solicitors

Eversheds Sutherland

1 Wood Street

London EC2V 7WS

Morley College London - Introduction

Morley College Limited trades as Morley College London.

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

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

Our students include:

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

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

Prior to both the merger and the Covid-19 pandemic, Kensington and Chelsea College had delivered significant operating financial deficits over a number of years. The challenge of delivering a financially viable merged college was recognised by the Education and Skills Funding Agency, and resulted in the provision of a £3.5M restructuring facility that can be drawn down in the event that operating cash levels fall below an agreed threshold. As at the date of the approval of these financial statements the College has drawn down £1.5M of the £3.5M facility

The combined college, operating primarily from three main Centres in Chelsea, North Kensington, and Waterloo, aims to meet the learning needs of a growing number of students, and to be a force for public good within the communities that we serve.

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

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

The legacy of the global COVID-19 pandemic continued to be a significant factor during 2021/22. The disruption caused has proved to be multi-faceted and long-lasting. In response to significant challenges, the College has carefully co-ordinated its response, to ensure alignment with Department for Education guidance and a clear focus on the safety of students, staff, and stakeholders. Through resilience and contingency planning, the College has sought to mitigate the social, educational, organisational, and financial impacts of the pandemic to maintain business continuity; adapt to online delivery; ensure financial management; and seek to secure the strongest possible performance during the academic year 2021/22.

Report of the Governing Body and Strategic Report

Nature, Objectives and Strategies

The Governing Body, which represents the Board of Directors for the purposes of company law and the Board of Trustees for the purposes of charity law, presents its report, incorporating its Directors' and Strategic Reports, and the audited financial statements of Morley College Limited ('the College' or 'Morley College London') for the year ended 31 July 2022. The college is registered as Morley College Limited and uses Morley College London for branding and trading purposes.

Legal status

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

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

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

Principal activities

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

Mission

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

Public benefit

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

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

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

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

The core-funding agency for the College during 2021/22 was the Greater London Authority (GLA), with additional funding from the Education and Skills Funding Agency (ESFA) in respect of 16-19 education and adult learners resident outside of the devolved authorities. The funding received is used to support unrestricted access to the beneficiaries. From 1 August 2019, the funding for London-based Adult Education learners transferred to the Greater London Authority (GLA). This devolved funding model provides further opportunities for the College to embrace the Skills for Londoners initiatives. ESFA will continue to fund the College for adult students that are based outside London. The College continually develops its curriculum to address the priorities of its communities and works closely with the London Economic Action Partnership (LEAP), which is the local enterprise partnership for London.

Implementation of strategic plan

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

- Create outstanding learning opportunities

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

- Deliver an outstanding student experience

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

- Achieve financial sustainability

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

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

Performance indicators

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

The KPIs for 2021/22 show a high standard of delivery, with most showing a significant improvement in comparison to 2020/21. The ongoing impacts of the Covid-19 pandemic on study patterns and recruitment have impacted EBITDA, Room Utilisation and Attendance. The College is making continued progress across all three strategic goals. The following table captures College performance against non-financial targets for the College.

Measure	Actual	Target	Status
Education Specific EBITDA	-£705k	+£19k	•
Student satisfaction	92.6%	90.0%	✓
% of students who feel the college is a safe place to study	94.4%	90.0%	✓
Student retention	95.4%	91.0%	✓
Student achievement	91.6%	82.6%	✓
Student attendance	85.2%	90.0%	•
Room utilisation (day)	58.4%	75.0%	•
Room utilisation (evening)	30.1%	58.0%	•
Student destination	95.6%	92.0%	✓
Staff satisfaction	79.9%	85.0%	•

In relation to the academic performance of students, the College's 2021-22 Self-Assessment Report (SAR) identifies many strengths, including:

- The college has a very strong curriculum intent that builds on the college's strengths, providing learning opportunities that respond to national skills needs and are highly relevant to Morley College London's communities of location and practice.
- The curriculum is expertly delivered by a wide range of part-time and full-time staff, many of whom are renowned practitioners in their own fields. Teaching staff are experienced and well qualified with very strong subject knowledge and/or industry experience and effectively motivate and enthuse students who clearly enjoy their learning and are very focused and hard working.
- Teachers use assessment effectively to ensure that learners embed key concepts in their long-term memory and apply them fluently and consistently. They are skilled at adjusting their teaching according to the needs of groups or individuals.
- The curriculum at Morley College London has a very positive impact on students. They consistently develop relevant and valuable skills in their respective fields that enable them to progress and achieve their goals, move on to the next stage of their learning or into volunteering or employment. They produce work of good, and often outstanding quality as evidenced in portfolios, written and practical work and end of year exhibitions and performances.
- Student retention and achievement on short, unaccredited courses (which constitute 71% of the college enrolments) are outstanding at 97.5% and 95.9% respectively. On these courses students consistently achieve their learning outcomes, developing subject related knowledge and skills as well as wider outcomes such as health and wellbeing; character, attitudes, and skills; integration and inclusion; and creativity and culture.
- Achievement on education programmes for young people is good. On level 3 study programmes, achievement is 85.7%, a significant improvement from the previous year when this was 59%.
- The behaviour and attitudes of students at Morley College London are excellent. Students' motivations to study are strong, sustained and encouraged by teachers. The learning environment at the college is safe and supportive and one where discrimination, abuse and bullying are not tolerated. The college's inclusive and tolerant culture promotes students' understanding of life in modern Britain and the wider world well.
- Opportunities for personal development are outstanding. Each of the college's centres enables its students to develop their attitudes, knowledge, and skills beyond the academic content of the curriculum through a wide range of extra-curriculum activities.
- Morley College London prepares students well for future success in education, employment, or training. Students benefit from high quality specialist and impartial advice and guidance available from pre-enrolment onwards from tutors, managers, and the Student Services Team.
- Leadership and management are strong. Leaders, managers, and governors were highly effective in successfully steering the college through challenging times during 2021-22 to secure a good quality of education for all its students and have established

a strong vision and curriculum intent for each of the college centres, with clear ambition for students' success and progression, including those difficult to engage. They have worked well to implement this vision through strong partnership networks, including those reaching into the local communities into higher education and employment. The impact of leadership and management on student outcomes is good, and senior leaders have successfully created structures that have positively transformed the lives of thousands of students in Lambeth, Southwark, Kensington and Chelsea, and across London.

- Managers have very high expectations of teaching staff. They expect good or better teaching to be the norm and provide teachers with the tools to achieve this. Regular CPD and individual support for teachers ensure that teaching across the college remains at least good and there are many instances of inspiring, outstanding professional practice.
- Governors have a clear understanding of the college's mission, vision and strategy, with a robust strategic plan and effective arrangements for monitoring its implementation. They display a strong commitment to the values and ethos of the college and rigorously monitor the college's performance.
- Safeguarding practices in the College are effective. Safeguarding is both explicit and well embedded in all College activities.

There were however a small number of significant areas for enhancement that will be the focus of enhancement activities during 2022-23. These include:

- Low recruitment on a number of short courses across the college, as the impact of the Covid-19 pandemic continues to affect people's lives and how people want to study and work in the future. This requires a review of, and adjustments to, the current curriculum in 2022-23 to ensure the offer remains viable, relevant and current.
- In a small number of areas, the design of learning, teaching and assessment requires improvement. More effective sequencing of learning, systematic monitoring and tracking of progress and enhanced feedback to students will ensure that the students' experience and their preparation for the next steps in learning are effective so that that all students are on track to achieve their qualification and/or their learning outcomes.

The College has completed the annual financial returns for the ESFA, which confirmed a Financial Health grade of 'requires improvement' based on 2020/21 outturn and 2022/23 budgeted performance. The financial performance detailed in these financial statements continues to support a Financial Health grade of 'requires improvement' under the ESFA assessment methodology.

Financial Position

Financial objectives

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

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

Financial results

Following the challenges of the Covid-19 pandemic, Governors approved a small surplus operating budget of £19K for 2021/22. This anticipated continuing effects on demand across the full range of courses, while anticipating some improvement on the impacts seen in 2020/21. Over the course of the year the College sought to maximise income streams and minimise costs while maintaining delivery across the whole range of educational programmes, continuing to develop and implement a responsive online provision.

The College has successfully delivered provision sufficient to meet the requirements of all funding body contracts, securing growth in 16-19 learner numbers that will generate additional income in 2022/23. Education contracts are maintained with a range of local

partners, which again have been delivered in full or exceeded during 2021/22, while tuition fee income across all categories has remained a challenge, delivery costs have been mitigated to the fullest extent possible.

Summary financial results are as follows:

- The actual outturn prior to FRS102 pension adjustments is a deficit of £1,243k (page 51). This financial performance reflects the continuing impact of Covid-19 on planned delivery, with tuition fee income of £3,408k down 17% from £4,109k in 2018/19 (Morley College London pre-merger).
- As the merged College has delivered a negative EBITDA ratio, the ESFA Health rating as calculated in accordance with ESFA methodology is 'requires improvement'.
- The College has total reserves of £43,978k after a reduction of £3,722k for pension liabilities.

The College invested £966k in additional tangible fixed assets during the year. The investment focused on the completion of the refurbishment of the Morley Gallery, as well as the College's contribution to the refurbishment works at the North Kensington Centre which have been ongoing throughout the year. The investment in the Gallery was funded by borrowing of £500k drawn down in July 2018, the College's own funds, a contribution from the LEAP, and an FE Capital Grant from the DfE.

The continuing capital investment in the Waterloo centre has delivered the refurbishment of the Morley Gallery, including the expansion of the available space through the conversion of the basement into exhibition space.

The College has significant reliance on the education sector funding bodies as its principal funding source, largely through recurrent grants. This reliance has decreased with 2021/22 grant income being 77% of the College's total income, compared to 81% in 2020/21 (excluding donations). This movement has been impacted by Covid-19 which has resulted in a reduction in the proportion of the College's income generated by tuition fees. The College also benefited from a significant legacy donation in 2021/22 in excess of £600k bring total donations to £690k (2020/21: £33k).

Treasury policies and objectives

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

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

Cash flows and liquidity

The implementation of the property strategy, combined with the ongoing impact of the Covid-19 pandemic has led to a reduction in cash liquidity.

Cash and cash equivalents held at 31 July 2022 totalled £1,460k, with net cash outflow from operating activities of £590k (see page 54). This reflects the impact significant staff restructuring totalling £490k and the residual impact of Covid-19 over the course of the year.

Reserves

The College recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support its operational and strategic goals. At the balance sheet date total reserves net of pension liabilities totalled £43,978k.

Current and future development and performance

Financial health

The ESFA last formally assessed the financial health of the College in their letter to the Principal of October 2022, and provided a grade of 'requires improvement' for 2021/22 and a projected grade of 'Outstanding' for 2022/23.

Student numbers and fee income

In 2021/22, the College has delivered activity that has generated £15.6m in funding body grants, an increase of £170k in comparison to 2020/21. Tuition fee and educational contracts income increased from £2.4m in 2020/21 to £3.8m in 2021/22. The College had 11,072 students and 22,198 enrolments; the average student enrolls onto 2.0 courses. Both student numbers and enrolments, while not at pre-pandemic levels, have shown an improvement in comparison on 2020/21. Average class sizes have also increased from 8.7 to 9.7.

Curriculum Developments and Quality Enhancement

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

The College holds contracts with the Royal Borough of Kensington and Chelsea (RBKC) and Lambeth Council for the provision of Community Learning covering a wide range of curriculum areas, responding to the needs of community groups and organisations, and in

accordance with local strategic priorities. In 2021-22, Community Learning courses were delivered in partnership with over 60 community, voluntary and statutory organisations and groups.

In 2021-22 the College offered 2,398 courses to 11,000 students making 22,000 enrolments. Courses were delivered mostly in-centre, whilst a small number of online courses were retained post-pandemic.

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

Clearly signposted pathways across all three Centres include:

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

In the Spring 2022 a post-merger Ofsted monitoring visit focused on the Chelsea and North Kensington Centres, following the former inspections of Kensington and Chelsea College which resulted in four consecutive 'requires improvement' judgements. The outcome of the monitoring visit stated that the College had made *significant progress* across all three areas under scrutiny. These included: leaders and managers very quickly establishing clear goals and a shared vision for the college; leaders, managers and governors taking decisive and rapid action to improve the weaknesses previously identified at the former Kensington and Chelsea College; and leaders providing teachers with a good range of training and development opportunities.

Payment performance

The Late Payment of Commercial Debts (Interest Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent.

During the accounting period 1 August 2021 to 31 July 2022, the College paid the majority of its invoices within 30 days but did not achieve the 95% target.

Events after the end of the reporting period

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

Future prospects and going concern

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

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

The merger financial plan is further supported by a grant from the DfE totalling £3.5M that can be drawn down if the College's available cash falls below an agreed level. As a result of the impact of Covid-19 on tuition fee income, the College has drawn down £1.5M of this facility in total. Notwithstanding this, there has been a return to growth during 2021/22, which has been cautiously programmed into plans for 2022/23, and the College financial plan projects continuing growth and financial sustainability over the life of the plan.

Having due regard to best practice developments in the UK Corporate Governance Code 2018 in respect of going concern and risk management reporting, the College believes it will be able to continue in operation and meet its liabilities taking account of the current position and principal risks for the foreseeable future, and at least until December 2023. The College's assessment of going concern is supported by:

- Careful cash flow management
- High quality facilities, bolstered by ongoing capital investment across all main centres
- A strong capacity to generate ongoing cash flow surpluses post pandemic

- Robust financial management and the College's actions to monitor budget performance
- The five-year merger financial plan agreed with the ESFA
- Robust risk management processes
- The availability of the £3.5M restructuring facility grant, with £2.0M yet undrawn

RESOURCES

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

Buildings and accommodation

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

At Stockwell, just behind the tube station, the College has established a satellite centre based in a former community centre building. The Lewington Centre in South Bermondsey is another satellite centre sharing facilities within a community centre; this Centre includes a crèche facility for students.

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

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

During the year, the College has continued to carry out work to its buildings in order to improve its facilities for learners and staff. This includes the continued works on the Morley Gallery, securing investment from Kensington and Chelsea in the maintenance of the Carlyle Building, as well as investment in the North Kensington Centre in partnership with the Department for Education, all as part of the property strategy.

Financial

The College has £43.8 million of unrestricted net assets (after taking account of the £3.7 million pension liability) and a balance of £343k of long-term debt.

People

The College employed on average 297 people during the year (expressed as full-time equivalents), of whom 150 are teaching staff, and 147 are non-teaching staff. This represented a reduction in comparison to 2020/21. The College undertook a significant staff

restructuring exercise during 2021/22, completed in July 2022 to align staff costs with post-pandemic income predictions. The College continues to outsource its cleaning and security across all centres and pays all directly employed staff above the London Living Wage.

Reputation

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

Staff and student involvement

The Governing Body includes elected staff and student members, and the College encourages staff and student involvement through membership of formal committees. Staff and students are encouraged to join and support the activities of the Friends of Morley, an association that also includes former students, staff and governors as well as external supporters of the College.

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

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

The College values and actively seeks feedback from all users of its services, particularly students. It monitors all formal complaints as well as reviewing its processes to ensure all matters are resolved in line with the College's policies. During 2021/22, there were 17 formal complaints, compared to 23 in 2020/21; 41% of those complaints were resolved satisfactorily within 15 working days, with more complex complaints resolved satisfactorily over a longer period.

Fundraising

The College undertakes fundraising in an ethical and responsible way, mindful of the communities within which it operates. The College employs systems and controls to separate and protect funds and ensure that all expenditure is in line with the terms of any donation. The College is mindful of its responsibilities under the Charities (Protection and Social Investment) Act 2016 and legal rules and ensures that all activities are agreed and monitored at Senior Leadership Team level in compliance with relevant legal rules. Recognised standards are applied to ensure that fundraising is open, honest, and respectful, protecting the public from undue pressure to donate. Complaints are handled and monitored

through the College’s complaints procedure and there were no complaints in-year or in the previous year.

The College has launched a fundraising campaign to support its property strategy and has called this the Morley Forward campaign. A professional fundraiser was appointed, and the campaign was launched in September 2019.

During 2021/22 the College received donation income of £690k. This income included funds from Trusts and Foundations and from legacy gifts. Donation income is reported in the year of receipt and the College aims to use the funds to support the donors’ aims within a timely period to ensure that the wider College benefits from their generosity.

Energy Use and Carbon Reporting

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

UK Greenhouse gas emissions and energy use data for the period	
Energy consumption used to calculate emissions (kWh)	2,666,930
Energy consumption breakdown (kWh) (optional)	
• gas,	1,100,017
• electricity,	1,566,913
<u>Scope 1 emissions in metric tonnes CO2e</u>	
Gas consumption	215
Owned transport – college cars	2
<u>Total scope 1</u>	218
<u>Scope 2 emissions in metric tonnes CO2e</u>	
Purchased electricity	355
Total gross emissions in metric tonnes CO2e	573
<u>Intensity ratio</u>	
Tonnes CO2e per student	0.05

Quantification and Reporting Methodology

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

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO₂e per student, the recommended ratio for the sector.

Measures taken to improve energy efficiency

During 2021/22 the College participated in a College Collaboration Fund project, developing draft operational plan to deliver Carbon Net Zero. This will be further developed during 2022/23, taken forward by the College's Sustainability Steering Group.

The newly refurbished North Kensington Centre has A+ energy gas boilers supporting a new heating system with all radiators being controlled locally with thermostatic valves. The insulation across the refurbishment project has been enhanced, particularly the new roof on which solar panels have been fitted. The performance of these will be monitored and reported on as part of quarterly energy consumption reporting.

The College promotes a 'Green Week' and has an active Green Group which as part of its activity has introduced wildflowers and high pollenating plants in the Garden at Waterloo. Positive curriculum developments have seen staff embed sustainability into their curriculum areas, and several projects have been undertaken in 'upcycling' materials, for example in the Fashion Department working with the Smart Works Charity and Stella McCartney.

PRINCIPAL RISKS AND UNCERTAINTIES

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

The following key strategic risks were considered during 2021/22:

- Failure to adapt to the changing landscape
- Reduction in public funding
- Failure to manage the college finances
- Failure to comply with funding body audit requirements
- Failure to manage health and safety
- Failure to safeguard children and vulnerable adults
- Failure to maintain business continuity
- Failure to achieve student recruitment targets
- Failure to manage capital programmes
- Failure to deliver an outstanding student experience
- Failure to recruit and retain competent and committed staff
- Failure to succession plan (senior staff and governors)
- Failure to maintain and enhance quality
- Failure of IT systems to meet the needs of students, staff or visitors
- Failure to prepare for a major system outage or data breach, including cyber attack
- Failure to build resistance in response to Covid-19 in respect of staff, students, reputation and financial sustainability

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

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

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

Maintenance of quality of provision (Risk 13)

Failure to maintain adequate quality in its provision represents a significant risk to the College, particularly as the Strategic Plan includes growth and responsiveness to student needs. The combination with Kensington and Chelsea College presents the further challenge of ensuring consistent high-quality provision across a multi-centre college. Additionally, there was the continuing challenge during 2021/22, following the impact on learners transitioning back to in-centre learning, and the sitting of formal examinations. This risk is mitigated in a number of ways:

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

The outcomes of the OFSTED inspection undertaken in June 2019 provide the evidence that the College's processes and scrutiny have been effective in driving quality improvement and leading to outstanding learning opportunities. The report also identifies the areas where the College can move from 'good' to 'outstanding'.

Additionally, OFSTED conducted an interim visit to the combined College during November 2020 and Spring 2022, where the College's rapid and effective response to the March 2020 lockdown, and its commitment to longer-term development of online learning were noted.

Maintenance of an outstanding student experience (Risk 10)

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

- A high-quality staff team with excellent subject knowledge and enthusiasm.
- Continual professional development of staff to ensure a high standard of professional practice.
- The use of external professional networks and partnerships to ensure expert and innovative learning, teaching and assessment.
- The ongoing focus on three cross-cutting themes: digital inclusion, progression and employability.
- A revised risk register which has better identified the triggers, controls and mitigating actions needed to maintain and improve student experience.
- Ofsted inspection in June 2019 confirming good with outstanding features, with a further interim visit to the combined College noting the effective response to the Covid-19 pandemic.
- Feedback and improvements targeted through 'Student Voice' (Student Council, Student Representatives, and Class Representatives).

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

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

The combined college benefits from a substantial estate with significant opportunity to expand delivery and grow income, a more efficient staffing structure and a robust

financial position in both cash and reserves. The college has developed a five-year financial plan and strategy to deliver full financial sustainability. This plan was subject to detailed scrutiny by the ESFA, and external due diligence. While this has been impacted by the Coronavirus pandemic, the College is well placed and well-resourced to respond to increased capacity post-pandemic.

The College has further mitigated the financial risk through the five-year planning period through the agreement for additional grant funding. To date £1.5M has been drawn down in 2021/22, when cash reserves fell below and agreed levels, with a further £2M available if required.

The Covid-19 pandemic had a direct and continuing impact on delivery income, and provided a test of the effective mitigation of financial risk. Detailed in-year financial forecasting enabled full delivery of funding body income to full contract values. While fee income was substantially reduced financial controls effectively managed costs. This, along with the cash flow support grant has enabled the College to maintain a closing cash position that was consistent with the five-year financial strategy.

The College has significant reliance on education sector funding bodies for its funding, largely from recurrent grants. This reliance has decreased with 2021/22 grant income being 77% of the College's total income, compared to 81% in 2020/21. This reflects some recovery in tuition fee income as we move into a later phase of the Covid-19 pandemic.

The financial statements report the share of the Local Government Pension Scheme deficit attributable to the College on the College's balance sheet in line with the requirements of FRS 102.

Although this does not affect its ESFA financial health assessment, the College recognises the risk presented by the pension liability arising from its membership of this scheme. The triennial valuation of this scheme completed in 2020 shows good progress in moving towards full funding for the scheme.

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

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

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

STAKEHOLDER RELATIONSHIPS

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

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

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

During 2021/22, the College continued to progress and develop its Partnerships Protocol. The protocol classifies each individual partnership as either; a creative projects partnership; curriculum development partnership; student progression partnership; quality enhancement partnership; or a fundraising partnership. This allows the College to develop each partnership with the appropriate links within the institution to best effect.

The College values its relationship with the trade unions representing its employees. Regular meeting of the Joint Consultative Committee were held, throughout 2021/22, in a positive and transparent manner.

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

Numbers of employees during the relevant period	FTE employee number
8	3.64

Percentage of time	Number of employees
0%	
1-50%	8
51-99%	
100%	

Total cost of facility time	£10,532
Total pay bill	£14,309,000
Percentage of total bill spent on facility time	0.07%

Time spent on paid trade union activities as a percentage of total paid facility time	100%
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Section 172 Statement

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

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

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

Engagement with employees

- The Senior Leadership Team actively engages staff through frequent all-staff briefings, use of internal communication tools, and regular 'Coffee with the Principal' sessions to provide updates on business developments and to answer questions directly. These have largely transitioned to online meetings following the impact of the Covid-19 pandemic.
- The College maintains a staff engagement platform, MyMorley, to aid effective engagement and provide access to staff rewards and discounts, which has been widely accessed.
- The College has continued to invest in staff wellbeing and the provision of support through the confidential Employee Assistance Programme.
- In full consultation with the Unions the College undertook a review of academic staff contracts for both established and hourly paid staff, resulting in improved and aligned terms and conditions.
- Reflecting the impact of the pandemic on College income a full consultation with staff and union representatives in advance of implementing a revised staffing structure, aligning staff costs with projected income.
- We have focused on mitigating employee risks arising from Covid-19 pandemic, including wellbeing while working remotely, developing hybrid working principles for the benefit of staff.

Engagement with stakeholders

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

Equality and Diversity

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

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

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

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

The College is strongly committed to supporting job applicants and staff with disabilities and long-term health conditions and is positive about mental health. The College has signed up to the Government's Disability Confident Scheme and has committed to the Mindful Employer's Charter. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion that, as far as possible, provide identical opportunities to those of non-disabled employees.

Disability statement

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

- a) As part of its property strategy the College is ensuring the entrances to all Centres are fully accessible, and continues to seek to improve the accessibility of the estate as a whole
- b) The College provides a range of specialist equipment and assistive technology to assist learners with disabilities

- c) The College includes on its staff specialist tutors and support assistants to support students with learning difficulties and/or disabilities
- d) There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for learners who have learning difficulties and/or disabilities
- e) Specialist programmes are described in college prospectuses and on the college website
- f) The progress and achievement of learners who have learning difficulties and/or disabilities is carefully monitored
- g) Counselling and welfare services are described in the College's Student Handbook that is issued to students at induction.

Disclosure of information to auditors

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

This report and the Strategic Report (included therein) was approved by the Governing Body, as the company's board of directors, on 12th December 2022



Leisha Fullick
Chair

Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in accordance with the Code of Good Governance for English Colleges (“the Code”) adopted by the College on 13 October 2015 and in a revised form on 18 July 2022 ; and
- iii. having due regard to the UK Corporate Governance Code 2018 insofar as it is applicable to the College.

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

In the opinion of the Governing Body, the College complies with or exceeds all the provisions of the Code, and it has complied throughout the year ended 31 July 2022. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

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

The Governing Body

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

Continuing Members

	Date of appointment	Term of office ends	Status of appointment	Committees served and offices held 2021-22	Meetings attended/ possible
Miss Justine Brian	27 February 2018 Reappointed 1 August 2021	31 July 2025	External member	Audit Quality and Standards Lead Governor for Safeguarding	7/12
Mr Alex Cole	29 March 2021	31 July 2024	External member	Audit	8/10
Mr Pedro Dias Ferreira	3 February 2020	31 July 2023	External member	Finance, Resources and Fundraising (Vice-chair) Joint Lead Governor for Development	9/11
Mr Nic Durston	13 April 2018 Reappointed 1 August 2021	31 July 2025	External member	Finance, Resources and Fundraising (Chair) Joint Lead Governor for Development	9/11
Ms Gill Evans	3 February 2020	31 July 2023	External member	Quality and Standards Joint Lead Governor for Equality, Diversity and Inclusion	8/9
Ms Heather Fry	18 October 2016 Reappointed 1 August 2020	31 July 2024	External member	Quality and Standards (Chair) Remuneration (Vice-chair)	10/10

	Date of appointment	Term of office ends	Status of appointment	Committees served and offices held 2021-22	Meetings attended/ possible
Ms Leisha Fullick	10 May 2021	31 July 2024	External member	Chair of Governing Body Quality and Standards Search and Governance	14/14
Mr Jerome Godfrey	21 February 2022	30 November 2023	Student member	Quality and Standards	5/6
Dr Andrew Gower	13 April 2015	NA	Principal and Chief Executive Officer	Quality and Standards Finance, Resources and Fundraising Search and Governance	18/18
Mrs Gail Le Coz	3 February 2020	31 July 2023	External member	Audit Search and Governance	10/13
Ms Susan Lindsey	27 March 2019 Reappointed 2 November 2020 and 3 February 2021	31 July 2024	Student member to 2 February 2021 External member from 3 February 2021)	Finance, Resources and Fundraising Lead Governor for Health, Safety and Sustainability	11/11
Mr Victor Olowe	2 April 2014 Reappointed 16 October 2017 and 1 August 2021	31 July 2023	External member	Vice-chair of Governing Body Audit (Vice-chair) Search and Governance (Vice-chair)	13/13
Ms Jessie Peramal	31 August 2022	31 July 2026	External member	NA	NA

	Date of appointment	Term of office ends	Status of appointment	Committees served and offices held 2021-22	Meetings attended/ possible
Mrs Debbie Ryle	1 August 2020 Reappointed 1 August 2022	31 July 2024	Staff member	Quality and Standards	10/11
Ms Moyra Samuels	3 February 2020	31 July 2023	External member	Finance, Resources and Fundraising Search and Governance Joint Lead Governor for Equality, Diversity and Inclusion	8/15
Dr Melissa Score	3 November 2021	31 July 2023	Staff member	Quality and Standards	9/9
Mr Jonathan Slater	1 August 2021	31 July 2025	External member	Finance, Resources and Fundraising	9/11
Mr James Ward	3 February 2020	31 July 2023	External member	Quality and Standards (Vice-chair) Lead Governor for Careers Education and Guidance	8/9
Mr Raymundo Zuñiga	31 August 2022	31 July 2026	External member	NA	NA

Retiring Members

	Date of appointment	Term of office ended	Status of appointment	Committees served and offices held 2021-22	Meetings Attended/ Possible
Miss Shola Bryan	3 February 2020 Reappointed 2 November 2020 and 3 February 2021	1 October 2021	Student member	NA	NA
Ms Pauline Egan	2 April 2014 Reappointed 16 October 2017 and 1 August 2021	1 April 2022	External member	Vice-chair of Governing Body Audit Remuneration (Chair) Search and Governance	7/9
Ms Lesley Mills Tagoe	16 February 2022	31 August 2022	Student member	Finance, Resources and Fundraising	1/6
Ms Heather Smith	13 April 2018 Reappointed 31 July 2021	31 July 2022	External member	Audit (Chair)	5/9
Mr Adhip Waghe	26 March 2021	1 October 2021	Student member	NA	NA

Mr Martin McNeill served as Clerk to the Governing Body and Company Secretary throughout the year.

Directors and their interests

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

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

Limited liability

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

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

The Governing Body is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Governing Body meets at least four times per year.

In 2021-22 the Governing Body received advice on the conduct of its business from five committees. Each committee had terms of reference approved by the Governing Body. Those committees were: Audit; Finance, Resources and Fundraising; Quality and Standards; Remuneration; and Search and Governance.

Individual Governors ('lead governors') also assisted and advised the Governing Body in the oversight of particular areas of its responsibility, specifically Careers Education and Guidance, Development, Equality, Diversity and Inclusion, Health, Safety and Sustainability and Safeguarding. The range and remit of committees and the contribution that each makes to effective governance is under continual review.

Full minutes of all meetings, except those deemed to be confidential by the Governing Body, are available from the Clerk to the Governing Body and Company Secretary at the College's registered office:

61 Westminster Bridge Road
London
SE1 7HT

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

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

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

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

Appointments to the Governing Body

Appointments to the Governing Body are matters for the consideration of the Governing Body as a whole. In 2021-22, the Governing Body had a Search and Governance Committee (now replaced by a Governance and Nomination Committee), which was responsible for the recruitment, selection and nomination of new external members for the Governing Body's consideration and for considering and nominating retiring governors for re-appointment. The Governing Body is responsible for ensuring that appropriate training is provided as required.

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

Governing Body performance

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

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

External review of governance

In 2021-22 the Governing Body commissioned an external review of governance. This review (postponed from 2020-21 because of the appointment of a new Chair) was carried out between late February and early April by a team from Advance HE and, in addition to a review of board and committee agendas and minutes and governance documents, included:

- one-to-one interviews with the Chair, Vice-chair, Committee Chairs, Principal and Clerk;
- four focus group meetings with other governors (giving all but two governors the opportunity to talk to the reviewers) and a separate focus group for five SLT members; and
- observation of two committee meetings (Finance, Resources and Fundraising and Quality and Standards) and the 28 March board meeting.

The review found governance to be effective, particularly in fostering a shared culture and vision following merger. The reviewers commended the clarity and distinctiveness of the Strategic Plan and the part that the Governing Body had played in shaping it; the Governing Body's detailed and considered approach to risk; and its shared and united commitment to delivering financial sustainability. Good practice was also evident in the Governing Body's engagement with the student voice and the positive and committed involvement of the student governors.

The review made fourteen recommendations. The Governing Body has drawn up an Action Plan to address these, and the two recommendations relating to the committee structure have already been implemented. The Action Plan gives priority to the four recommendations identified by Advance HE as likely to have high impact. These were:

Board diversity: Increase diversity through co-option onto committees to improve the range of perspectives, experiences and skills involved in the governance arrangements.

College Engagement: Governors increase their contacts with staff and students via a range of actions to broaden and deepen their links with student body and with College Centres

Strategy: Ensure the College strategy more obviously drives the business of the board. This may include introducing strategic updates at each Board meeting and linking the strategy more clearly to Board papers and cover sheets.

Performance: Review the use of high level KPIs and agree the number and frequency to then be monitored by the Board

The Action Plan also prioritises one other recommendation:

Student Voice: Engage with student governors to improve ways in which student voice can be strengthened and support them in engaging more widely with the student body.

Governor development interviews

All governors were interviewed by either the Chair or the Vice-chair of the Governing Body in September-October 2022. The interviews revealed that governors considered the College to be well governed overall, with increased engagement with students and staff identified as a particularly positive development in 2021-22.

Self-assessment and quality enhancement

As governors' views of the effectiveness of governance had been obtained through the external review and the development interviews we did not undertake a formal survey this year.

Nevertheless, having considered the evidence available, the Governing Body is satisfied that the key strengths of governance at the College continue to be:

- a clear understanding of the College's mission, vision and strategy, with a robust Strategic Plan and effective arrangements for monitoring its implementation;
- a strong commitment to the values and ethos of the College;
- rigorous monitoring of performance, supported by high-quality reports, including detailed performance analysis, with further assurance, particularly in relation to financial controls, risk management and safeguarding, provided through the work of well-focused and well-led committees;
- a good balance of support and challenge to the Senior Leadership Team, founded on a shared understanding of the respective roles of governance and management; and
- a systematic approach to reviewing and seeking continuous improvement in governance performance and effectiveness.

The following areas have been identified as having scope for enhancement in 2022-23 and have been included in the Governance Quality Enhancement Plan:

- to develop closer engagement with students, staff and other stakeholders and build strong relationships through regular interactions and accessible and transparent communications that encourage feedback;
- to promote greater diversity within the Governing Body and the Senior Leadership Team through rigorous analysis of skills needs, careful succession planning and appropriate professional development; and
- to ensure that governance processes, including board and committee papers and the management of meetings, enable the Governing Body to focus on strategic issues by presenting strategic challenges and encouraging the exploration of solutions based on accurate, relevant and timely information.

Committees of the Governing Body

Audit Committee

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

The Audit Committee meets at least termly and provides a forum for reporting by the College's internal and financial statements auditors, and by the accountants appointed to report on regularity, all of whom have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main funding bodies as they affect the College's business.

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

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

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

Curriculum and Quality Committee

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

In 2021-22 these responsibilities were discharged by the Quality and Standards Committee, which also had oversight of all aspects of equality, diversity and inclusion across the College.

External Relations Committee

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

In 2021-22 these responsibilities were discharged by the Finance, Resources and Fundraising Committee and (in the case of fellowships and awards) the Search and Governance Committee.

Finance, Resources and Sustainability Committee

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

In 2021-22 these responsibilities were discharged by the Finance, Resources and Fundraising Committee, which also had oversight of marketing and communications, fundraising and human resources.

Governance and Nomination Committee

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

In 2021-22 these responsibilities were discharged by the Search and Governance Committee, which also advised the Governing Body on the appointment of the conferring of fellowships and awards.

People Committee

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

In 2021-22 these responsibilities were discharged by the Finance, Resources and Fundraising Committee (people management), the Quality and Standards Committee (equality, diversity and inclusion) and the Remuneration Committee (senior leadership development and succession planning)

Remuneration Committee

The Remuneration Committee comprises three members of the Governing Body (excluding staff and student members and the Accounting Officer). The Committee advises the Governing Body on the remuneration and benefits of the Accounting Officer and other holders of senior posts and on leadership development and succession planning for the Senior Leadership Team. The senior post-holders within the remit of the Remuneration Committee comprise the Principal, the Deputy Principal, the Chief Finance Officer and the Clerk to the Governing Body and Company Secretary. The Governing Body has a clear policy on the remuneration of senior post holders, which is determined following consideration by the Remuneration Committee of the value of and market rate for each role with due regard to the overall financial position of the College, the median rate of pay for College staff and any overall staff pay award. The policy also provides for the payment of non-consolidated awards of up to three per cent of salary to recognise exceptional performance and places restrictions on earnings from external work.

Details of remuneration for the year ended 31 July 2022 are set out in note 7 to the financial statements.

Internal control

Scope of responsibility

The Governing Body is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather

than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

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

The purpose of the system of internal control

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

Capacity to handle risk

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

The risk and control framework

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

- comprehensive budgeting systems, with an annual budget which is reviewed and agreed by the Governing Body;
- regular reviews by the Governing Body of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines; and
- the adoption of formal project management disciplines, where appropriate.

The College has commissioned an internal audit service, which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Governing Body on the recommendation of the Audit Committee. A new internal audit service provider was appointed in March 2021 and has undertaken a number of investigations, providing individual reports to the Governing Body.

Review of effectiveness

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

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

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

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

The Risk Management Committee and the Audit Committee also receive regular reports from the internal audit service provider and other providers of assurance, which may include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Governing Body's agenda includes a regular item for consideration of risk and control and it receives relevant reports from the Senior Leadership Team and the Audit Committee. The emphasis is on obtaining the appropriate degree of assurance and not merely reporting by exception.

At its December 2022 meeting, the Governing Body carried out the annual assessment for the year ended 31 July 2022 by considering documentation from the Senior Leadership Team and internal audit, and taking account of events since 31 July 2022.

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

Going concern

After making appropriate enquiries, and taking account of:

- the sound level of liquidity as at 31 July 2022
- the College's performance against budget, reflecting the impact of Covid-19
- the five-year Financial Plan in support of the merger agreed with the ESFA
- the future availability of a further £2.0 million of the £3.5 million grant facility to provide cashflow support over the life of the plan, if required

the Governing Body considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Governing Body on 12 December 2022 and signed on its behalf by:

Signed



Leisha Fullick
Chair

Signed



Dr Andrew Gower
Accounting Officer

Statement of Regularity, Propriety and Compliance

The Governing Body has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the College's grant funding agreements and contracts with the ESFA. As part of our consideration, we have had due regard to the requirements of the grant funding agreements and contracts with the ESFA.

We confirm on behalf of the College that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding, under the College's grant funding agreements and contracts with the ESFA, or any other public funder.

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



Dr Andrew Gower
Accounting Officer
12 December 2022



Leisha Fullick
Chair of Governors
12 December 2022

Statement of Responsibilities of the Governing Body

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

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

In preparing the financial statements, the Governing Body is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess whether the College is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate; and
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

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

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

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

The Governing Body is responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, it is responsible for ensuring that funds from the ESFA and any other public funds are used only in accordance with the ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time by the ESFA or any other public funder. Members of the Governing Body must

ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the Governing Body are responsible for securing economical, efficient and effective management of the College's resources and expenditure so that the benefits that should be derived from the application of public funds from the ESFA and other public bodies are not put at risk.

Approved by order of the Governing Body on 12 December 2022 and signed on its behalf by:



Leisha Fullick

Chair of Governors

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

Opinion

We have audited the financial statements of Morley College London (the 'College') for the year ended 31 July 2022 which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet, the statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2022 and of its deficit of income under expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- in all material respects, funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- in all material respects, funds provided by the Office for Students (OfS), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of OfS's accounts direction have been met
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Governing Body is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the College and its environment obtained in the course of the audit, we have not identified material misstatements in the Governors' report including the strategic report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Governors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

- the College's grant and fee income, as disclosed in note 3 to these financial statements has been materially misstated.

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

Responsibilities of the Governing Body

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

In preparing the financial statements, the Governing Body are responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Governing Body either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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

- ◆ the Senior Statutory Auditor ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- ◆ we identified the laws and regulations applicable to the College through discussions with management, and from our knowledge and experience of the sector;
- ◆ we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the College, including the Further and Higher Education Act 1992, Companies Act 2006, funding agreements with the ESFA and associated funding rules, ESFA regulations, data protection legislation, anti-bribery, safeguarding, employment, health and safety legislation;

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

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

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

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

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

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

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

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

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

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

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

**Independent auditor's report to the Governing Body of Morley College London
(continued)**

Use of our report

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



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

Date: 21 December 2022

Reporting accountant's assurance report on regularity

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

In accordance with the terms of our engagement letter dated 25 June 2022 and further to the requirements and conditions of funding in the ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by Morley College Limited during the period 1 August 2021 to 31 July 2022 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice (the Code) issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record data returns, for which the ESFA has other assurance arrangements in place.

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

Respective responsibilities of Morley College Limited and the reporting accountant

The corporation of Morley College Limited is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed, and income received, are applied for the purposes intended by Parliament, and the financial transactions conform to the authorities that govern them. Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received, during the period 1 August 2021 to 31 July 2022 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued by the ESFA. We performed a limited assurance engagement as defined in that framework. The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion. Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the corporation's income and expenditure.

The work undertaken to draw to our conclusion includes:

- An assessment of the risk of material irregularity and impropriety across all of the College's activities;
- Further testing and review of the areas identified through the risk assessment including enquiry, identification of control processes and examination of supporting

evidence across all areas identified as well as additional verification work where considered necessary; and

- Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

Conclusion

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

Buzzacott LLP

Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

Date: 21 December 2022

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 July 2022

	Notes	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
INCOME			
Funding body grants	2	15,646	15,458
Tuition fees and education contracts	3	3,833	2,376
Other grants and contracts	4	19	655
Other income	5	812	371
Investment income	6	9	13
Donations	7	690	33
Total income		<u>21,009</u>	<u>18,906</u>
EXPENDITURE			
Staff costs	9	16,996	16,404
Other operating expenses	10	5,819	5,724
Depreciation	12	1,321	1,279
Interest and other finance costs	11	271	237
Total expenditure		<u>24,407</u>	<u>23,644</u>
(Deficit) before other gains and losses		(3,398)	(4,738)
(Loss)/Gain on investments	13	(1)	21
(Deficit) before tax		<u>(3,399)</u>	<u>(4,717)</u>
Taxation		-	-
(Deficit)/surplus for the year		<u>(3,399)</u>	<u>(4,717)</u>
Actuarial gain in respect of pensions schemes	22	15,326	2,467
Total Comprehensive income (expenditure) for the year		<u><u>11,927</u></u>	<u><u>(2,250)</u></u>
Represented by:			
Unrestricted comprehensive income (expenditure)		11,927	(2,250)
Restricted comprehensive income (expenditure)		<u>-</u>	<u>-</u>
		<u><u>11,927</u></u>	<u><u>(2,250)</u></u>
Memo item: deficit prior to FRS102 pensions adjustments			
(Deficit) before other gains and losses		(3,398)	(4,738)
Interest and other finance costs		271	237
FRS102 pension costs within staff costs		1,884	1,636
Loss after FRS102 pensions adjustments		<u>(1,243)</u>	<u>(2,865)</u>

STATEMENT OF CHANGES IN RESERVES
For the year ended 31 July 2022

	Income and Expenditure account	Restricted Reserves	Revaluation Reserve	Total
	£'000	£'000	£'000	£'000
Balance at 31st July 2020	9,944	160	24,197	34,301
Deficit from the income and expenditure account	(4,738)	-	-	(4,738)
Other comprehensive income	2,467	-	-	2,467
Other gains	-	-	21	21
	<hr style="border-top: 1px solid black;"/> (2,271)	-	21	(2,250)
Balance at 31st July 2021	7,673	160	24,218	32,051
Deficit from the income and expenditure account	(3,398)	-	-	(3,398)
Other comprehensive income	15,326	-	-	15,326
Other losses	-	-	(1)	(1)
	<hr style="border-top: 1px solid black;"/> 11,928	-	(1)	11,927
Balance at 31st July 2022	19,601	160	24,217	43,978

BALANCE SHEET
As at at 31 July 2022

	Notes	2022 £'000	2021 £'000
Fixed assets			
Tangible fixed assets	12	49,948	50,168
Intangible fixed assets	12	235	214
Investments	13	243	244
		<u>50,426</u>	<u>50,626</u>
Current assets			
Trade and other receivables	14	1,954	835
Cash and cash equivalents	18	1,460	3,195
		<u>3,414</u>	<u>4,030</u>
Less: Creditors – amounts falling due within one year	15	(3,650)	(3,150)
Net current assets		<u>(236)</u>	<u>880</u>
Total assets less current liabilities		50,190	51,506
Less: Creditors – amounts falling due after more than one year	16	(2,490)	(2,560)
Provisions			
Defined benefit obligations	22	(3,722)	(16,893)
Total net assets		<u>43,978</u>	<u>32,053</u>
Restricted reserves	21	160	160
Unrestricted reserves			
Pension reserve	21	(3,722)	(16,893)
Income and expenditure account	21	23,468	24,566
Revaluation reserve	21	24,072	24,218
Total unrestricted reserves		<u>43,818</u>	<u>31,891</u>
Total reserves		<u>43,978</u>	<u>32,051</u>

The financial statements on pages 51 to 54 were approved and authorised for issue by the Corporation on 12 December 2022 and were signed on its behalf on that date by:



Leisha Fullick
Chair



Dr Andrew Gower
Accounting Officer

Statement of Cash Flows

	Notes	2022 £'000	2021 £'000
Cash (outflow) inflow from operating activities			
Deficit for the year		(3,399)	(4,737)
Adjustment for non cash items			
Depreciation and amortisation		1,321	1,279
(Increase)/decrease in debtors		(1,119)	136
Increase in creditors due within one year		500	33
(Decrease) / increase in creditors due after one year		(39)	1,441
Pensions costs less contributions payable		2,155	1,873
Adjustment for investing or financing activities			
Investment income		(9)	(13)
		<u>(590)</u>	<u>11</u>
Net cash flow from operating activities			
Cash flows from investing activities			
Investment income		9	13
Purchase of non-current assets - tangible assets		(966)	(2,072)
Purchase of non-current assets - intangible assets		(158)	(35)
		<u>(1,115)</u>	<u>(2,094)</u>
Cash flows from financing activities			
Repayments of amounts borrowed		(30)	(30)
		<u>(30)</u>	<u>(30)</u>
Decrease in cash and cash equivalents in the year			
		<u>(1,735)</u>	<u>(2,113)</u>
Cash and cash equivalents at beginning of the year	19	3,195	5,308
Cash and cash equivalents at end of the year	19	1,460	3,195

Morley College Limited – Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2021 to 2022 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the use of previous valuations as deemed cost at transition for certain non-current assets and for fixed asset investments that are carried at market value.

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

Going concern

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

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

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

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

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

While the impact of Covid-19, which was not anticipated in the merger financial plan, has been extremely challenging, the College has maintained cash balances, drawing on £1.5M of the Restructuring Facility Grant. A further £2.0M remains undrawn.

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

Recognition of income

Revenue grant funding

The recurrent grant from the ESFA represents the funding allocations attributable to the current financial year and is credited direct to the income and expenditure account. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Education Budget, unless within tolerance limits, is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year-end reconciliation process with correspondence from the funding body and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

Tuition fee income

Income from tuition fees is stated gross of any expenditure, which is not a discount and is recognised in the period for which it is received; this includes all fees payable by students or their sponsors.

Investment income

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

Capital grant funding

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Other, non-governmental, capital grants are recognised in income when the

College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

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

Donations and Legacies

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

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

Accounting for post-employment benefits

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

Teachers' Pension Scheme (TPS)

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

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

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

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

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency

to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

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

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

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

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

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

Short-term employment benefits

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

Termination of employment costs

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

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2019 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

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

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

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

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2022. They are not depreciated until they are brought into use.

Equipment

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

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

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

Subsequent expenditure on existing fixed assets

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

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

Heritage Assets

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

Intangible Assets

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

Leased assets

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

Fixed asset investments

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

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Taxation

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

The College received no similar exemption in respect of value added tax. For this reason, and because the College is not VAT registered, the College is unable to recover the input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT.

Provisions and contingent liabilities

Provisions are recognised when

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

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

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

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2022. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

The College is a member of two LGPS schemes. A surplus on either scheme is not carried on the balance sheet in accordance with the requirements of FRS 102. Accordingly, a corresponding adjustment against the actuarial gain has been made to bring the net LGPS position of the scheme in surplus to £nil on the balance sheet.

As there is no right to offset an asset in one scheme against a liability in another scheme, the scheme in surplus is included on the balance sheet at £nil, and the liability of the scheme in deficit has been recognised in full.

- *Impact of Covid-19*

To estimate the impact of the Covid-19 pandemic on the future income and expenditure flows of the College and on its short to medium term financial stability in assessing going concern.

2 Funding body grants

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Recurrent grants		
Education and Skills Funding Agency/GLA - adult	12,624	12,230
Education and Skills Funding Agency - 16 -18	863	2,037
Office for Students	15	95
Specific Grants		
Teacher Pension Scheme contribution grant	429	468
Restructuring facility grant	1,500	564
Release of government capital grants	185	34
Release of GLA LEAP capital grant	30	30
Total	15,646	15,458

3 Tuition fees and education contracts

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Tuition fees	2,682	1,490
Education contracts	1,151	886
Total	3,833	2,376

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
3a Analysis of Higher Education grant and fee income		
Grant income from the Office for Students	15	95
Fee income for taught awards at level 4 and above	67	5
	82	100

4 Other grants and contracts

	Year ended 31 July	Year ended 31 July
	2022 £'000	2021 £'000
Coronavirus Job Retention Scheme grant	19	655
	<u>19</u>	<u>655</u>
Total		

The corporation furloughed a combination of management, support, teaching and casual staff both salaried and hourly paid under the government's Coronavirus Job Retention Scheme. The funding of £19k (2021:£655k) relates to staff costs which are included within the staff costs note as appropriate.

5 Other income

	Year ended 31 July	Year ended 31 July
	2022 £'000	2021 £'000
Other income generating activities	812	371
	<u>812</u>	<u>371</u>
Total		

6 Investment income

	Year ended 31 July	Year ended 31 July
	2022 £'000	2021 £'000
Other interest receivable	9	13
	<u>9</u>	<u>13</u>

7 Donations

	Year ended 31 July	Year ended 31 July
	2022 £'000	2021 £'000
Legacy donations	679	0
Unrestricted donations	11	33
	<u>690</u>	<u>33</u>

8 Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Management Team. This comprised of the Principal & Chief Executive, Deputy Principal & Deputy CEO and Chief Finance Officer.

Staff costs include compensation paid to key management personnel for loss of office.

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

	2022 No.	2021 No.
The number of key management personnel including the Accounting Officer was:	3	3

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

	Senior post-holders		Other staff	
	2022 No.	2021 No.	2022 No.	2021 No.
£90,000 to £95,000	2	2		
£125,001 to £130,000	1	1	-	-
	<u>3</u>	<u>3</u>	<u>-</u>	<u>-</u>

Key management personnel compensation is made up as follows:

	2022 £'000	2021 £'000
Salaries - gross of salary sacrifice	320	320
Employers National Insurance	42	41
Benefits in kind	-	0
	<u>362</u>	<u>361</u>
Pension contributions	69	76
Fundamental restructuring costs - contractual	-	-
Total emoluments	<u><u>431</u></u>	<u><u>437</u></u>

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place. The above compensation includes amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2022 £'000	2021 £'000
Salaries	130	130
Benefits in kind	<u>-</u>	<u>-</u>
	<u>130</u>	<u>130</u>
Pension contributions	<u>31</u>	<u>31</u>
Total emoluments	<u>161</u>	<u>161</u>

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

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

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

The multiple of median earnings represented by the Principal's salary is 3.89 times (2021 :3.88). Based on total emoluments the multiple of median earnings is 4.11 times (2021 :3.88). The median salary for the College is £33,426 (2021 :£33,487).

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

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

The members of the Governing Body other than the Accounting Officer and the staff members did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. During the year 2 governors (2021 :1) with total expenses of £130 (2021 :£52) were paid to or on their behalf.

9 Staff costs

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

	2022	2021
	No.	No.
Teaching staff	150	161
Non teaching staff	<u>147</u>	<u>149</u>
	<u>297</u>	<u>310</u>

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

	2022	2021
	No.	No.
Teaching staff	643	572
Non teaching staff	<u>204</u>	<u>208</u>
	<u>847</u>	<u>780</u>

Staff costs for the above persons

	2022	2021
	£'000	£'000
Wages and salaries	11,424	11,582
Social security costs	1,034	935
Other pension costs	2,001	1,961
FRS 102 pension cost adjustments	<u>1,884</u>	<u>1,636</u>
Sub total	16,343	16,114
Contracted out staffing services	<u>162</u>	<u>242</u>
	16,505	16,356
Fundamental restructuring costs - contractual	490	48
non contractual	-	-
	<u>16,995</u>	<u>16,404</u>

Restructuring costs of £319,000 were incurred in respect of the redundancy pay for 21 members of staff.

10 Other operating expenses

	Year ended 31 July	Year ended 31 July
	2022	2021
	£'000	£'000
Teaching costs	1,300	1,056
Non teaching costs	2,670	3,239
Premises costs	<u>1,849</u>	<u>1,429</u>
Total	<u><u>5,819</u></u>	<u><u>5,724</u></u>

Other operating expenses include:

	2022	2021
	£'000	£'000
Auditors' remuneration:		
Financial statements audit (including regularity)	51	48
Audit Fees (under)/overaccrued previous year	(22)	32
Internal audit	12	36
Hire of assets under operating leases	75	96

11 Interest payable

	2022	2021
	£'000	£'000
Net interest on defined pension liability (note 22)	<u>271</u>	<u>237</u>
Total	<u><u>271</u></u>	<u><u>237</u></u>

12 Tangible fixed assets

	Freehold Land and buildings	Leasehold Land and buildings	Equipmen t	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2021	38,967	10,425	5,999	3,320	58,711
Reclassifications	3,736	0	148	(3,736)	148
Additions	95	34	305	532	966
At 31 July 2022	42,798	10,459	6,452	116	59,825
Depreciation					
At 1 August 2021	3,456	311	4,778	-	8,545
Reclassifications			146		146
Charge for the year	461	234	491		1,186
At 31 July 2022	3,917	545	5,415	-	9,877
Net book value at 31 July 2022	38,881	9,914	1,037	116	49,948
Net book value at 31 July 2021	35,511	10,114	1,221	3,320	50,166

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

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

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

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

12a Intangible assets

	Software
Cost or valuation	£'000
At 1 August 2021	741
Reclassifications	(148)
Additions	158
At 31 July 2022	<u>751</u>
Depreciation	
At 1 August 2021	527
Reclassifications	(146)
Charge for the year	135
At 31 July 2022	<u>516</u>
Net book value at 31 July 2022	<u>235</u>
Net book value at 31 July 2021	<u>214</u>

12 Capital commitments

	Year ended	Year ended
	31 July	31 July
	2022	2021
	£'000	£'000
Contracts for future capital expenditure not provided	<u>35</u>	<u>213</u>

13 Non current investments

	2022	2021
	£'000	£'000
(i) M & G Charifund investments	60	61
(ii) STIC Global investments	118	118
(iii) COIF Bursary and Prize Fund investments	65	65
Total	243	244

Total investment losses in the year were £1k (2021: gains of £21k)

Note (i) M & G Charifund investments

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

	2022	2021
	£'000	£'000
Cost	5	5
Revaluation surplus brought forward	56	45
Revaluation movement in year (Note 21)	(1)	11
Market value at 31 July 2022	60	61

Note (ii) STIC Global investments

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

	2022	2021
	£	£
Market value as at 31 July 2022	117,921	117,623

Note (iii) Charities Official Investment Fund (COIF)

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

	Number of Shares	2022 £	2021 £
Cost of shares			
Martineau Memorial Fund	473	491	491
Emma Cons (Morley College) Memorial Fund	68	70	70
Sheddon Memorial Fund	1,844	1,961	1,961
Anstruther Sheepshanks Scholarship	365	379	379
Group Theatre (Morley College)	587	610	610
Total cost of shares	3,337	3,511	3,511

Cost of Capital Shares

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

Cost of Income Shares

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

Cost	3,511	3,511
Revaluation surplus bought forward	61,800	52,462
Revaluation movement in the year	(716)	9,338
Market value as at 31 July 2022 as above	64,595	65,311

Notes to the Accounts (continued)

14 Trade and other receivables

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Trade receivables	513	287
Accrued income	934	236
Prepayments	507	312
Total	<u>1,954</u>	<u>835</u>

15 Creditors: amounts falling due within one year

	notes	2022 £'000	2021 £'000
Bank loans and overdrafts	17	39	39
Payments received in advance / deferred income		474	603
Trade payables		625	384
Other taxation and social security		304	277
Accruals		756	600
Other creditors		868	825
Amounts owed to the ESFA /GLA		373	358
Deferred income - government and GLA capital grants		212	64
Total		<u>3,650</u>	<u>3,150</u>

Deferred Income

Deferred income at 1 August	603	159
Resources deferred in the year	474	603
Amount released from previous years	(603)	(159)
Deferred income at 31 July	<u>474</u>	<u>603</u>

16 Creditors: amounts falling due after one year

		2022 £'000	2021 £'000
Bank loans	17	343	374
Deferred income - government and GLA capital grants		2,147	2,186
Total		<u>2,490</u>	<u>2,560</u>

Deferred Capital Grants

At 1 August	2,250	803
Received in the year	322	1,511
Released to the income and expenditure account	(212)	(64)
Deferred income at 31 July	<u>2,360</u>	<u>2,250</u>

17 Maturity of debt

Bank loans

Bank loans are repayable as follows:

		2022 £'000	2021 £'000
In one year or less	15	39	39
Between one and two years		42	39
Between two and five years		125	117
In five years or more		176	218
Total		<u>382</u>	<u>413</u>

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

18 Cash and cash equivalents

	At 1 August 2021	Cash flows	Other changes	At 31 July 2022
	£'000	£'000	£'000	£'000
Cash and cash equivalents	3,195	(1,735)	-	1,460
Total	<u>3,195</u>	<u>(1,735)</u>	<u>-</u>	<u>1,460</u>

19 Analysis of changes in net funds

	At 1 August 2021	Cash flows	New finance leases	Other non-cash changes	Changes in market value and exchange rates	At 31 July 2022
	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	3,195	(1,735)	-	-	-	1,460
	<u>3,195</u>	<u>(1,735)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,460</u>
Bank loans	(413)	30	-	-	-	(383)
Net debt	<u>2,782</u>	<u>(1,705)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,077</u>

20 Financial instruments

The college has the following financial instruments:

		2022 £'000	2021 £'000
Financial assets			
Financial assets measured at fair value through profit and loss	13	<u>243</u>	<u>244</u>

21 Funds

	As at 31 July 2021 £000s	Income £000's	Expenditure £000s	Other gains £000s	Transfers £000s	As at 31 July 2022 £000s
Restricted Funds						
Bursary and Investments	86	-	-	-	-	86
Special Projects	74	-	-	-	-	74
	160	-	-	-	-	160
Unrestricted Funds						
General Reserve	24,195	21,009	(22,252)	-	-	22,952
Revaluation Reserve	24,073	-	-	(1)	-	24,072
Development Fund	433	-	-	-	-	433
Other Designated Funds						
Bursary fund	58	-	-	-	-	58
Special Projects	18	-	-	-	-	18
Heritage Fund	7	-	-	-	-	7
Total Unrestricted Funds	48,784	21,009	(22,252)	(1)	-	47,540
Total Funds (excluding Pension Reserve)	48,944	21,009	(22,252)	(1)	-	47,700
Pension reserve	(16,893)	0	(2,155)	15,326		(3,722)
Total reserves	32,051	21,009	(24,407)	15,325	-	43,978

Restricted funds

There were no movements within the restricted funds in year.

Unrestricted funds: Revaluation Reserve

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

Development Reserve

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

COIF Bursary Fund

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

Special Projects Fund

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

Heritage Fund

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

22 Defined benefit obligations

The College's employees belong to three principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff, the London Local Government Pension Scheme (LGPS) for non-teaching staff based at the Waterloo centre, which is managed by the London Pension Fund Authority, and the London Local Government Pension Scheme (LGPS) for non-teaching staff based at North Kensington and Chelsea centre, which is managed by the Royal Borough of Kensington and Chelsea. All three are multi-employer defined-benefit plans. The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2019 and of the LGPS 31 March 2020.

Total pension cost for the year	2022 £'000	2021 £'000
Teachers Pension Scheme: contributions paid	1,333	1,398
Local Government Pension Schemes:		
Contributions paid	676	664
FRS 102 (28) charge	<u>1,884</u>	<u>1,636</u>
Charge to the Statement of Comprehensive Income	2,560	2,300
Total Pension Cost for Year	<u><u>3,893</u></u>	<u><u>3,698</u></u>

Contributions amounting to £235k were payable to the schemes as at 31 July 2022 and are included in creditors (2021:£261k).

Teachers' Pension Scheme

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

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

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The college is unable to identify its share of the underlying assets and liabilities of the plan. Accordingly, the college has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The college has set out above the information available on the plan and the implications for the college in terms of the anticipated contribution rates.

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

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

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19. DfE continues to pay a teacher pension employer contribution grant to cover the additional costs during the 2021-22 academic year.

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

The pension costs paid to TPS in the year amounted to £1,332,930 (2021: £1,398,091)

22 Defined benefit obligations (continued)

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

Local Government Pension Scheme - London Pension Fund Authority

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the London Pension Fund Authority. The total contribution made for the year ended 31 July 2022 was £658k, of which employer's contributions totalled £452k and employees' contributions totalled £206k. The agreed contribution rates for future years are 15.1% for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

Principal Actuarial Assumptions

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

	At 31 July 2022	At 31 July 2021
Rate of increase in salaries	3.80%	3.85%
Future pensions increases	2.80%	2.85%
Discount rate for scheme liabilities	3.40%	1.60%
Inflation assumption (CPI)	2.85%	2.85%

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

	At 31 July 2022	At 31 July 2021
	years	years
<i>Retiring today</i>		
Males	23.0	22.9
Females	23.7	23.6
<i>Retiring in 20 years</i>		
Males	23.1	23.0
Females	25.7	25.6

Due to high periods of inflation up to 31 July 2022, an adjustment has been made to the year end valuation to account for the estimated impact on the Pension Order Increase due to be implemented from 1 April 2023. The estimated impact of the defined benefit obligation has been recognised as an experience loss of £977,000. This charge has been made against Other Comprehensive Income, however is not directly reflected within the listed actuarial assumptions above.

22 Defined benefit obligations (continued)

Local Government Pension Scheme - London Pension Fund Authority (Continued)

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

	Long-term rate of return expected at 31 July 2022	Fair Value at 31 July 2022	Long-term rate of return expected at 31 July 2021	Fair Value at 31 July 2021
		£'000		£'000
Equities	57%	8,475	56%	7,434
Target Return Portfolio	22%	3,242	22%	2,899
Infrastructure	11%	1,571	9%	1,188
Property	10%	1,467	9%	1,119
Cash	1%	180	4%	523
Total market value of assets		14,935		13,163

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

	2022 £'000	2021 £'000
Fair value of plan assets	14,935	13,163
Present value of plan liabilities	(18,657)	(25,196)
Net pensions liability	(3,722)	(12,033)

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

	2022 £'000	2021 £'000
Amounts included in staff costs		
Current service cost	1,783	1,519
Past service cost	-	-
Total	1,783	1,519

Amounts included in investment income

Net interest income	189	146
Administration expenses	17	15
	206	161

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	872	1,203
Other actuarial gains on assets	-	-
Experience losses / (gains) arising on defined benefit obligations	(1,566)	447
Changes in assumptions underlying the present value of plan liabilities	10,542	(1,802)
Amount recognised in Other Comprehensive Income	9,848	(152)

22 Defined benefit obligations (continued)

Local Government Pension Scheme - London Pension Fund Authority (Continued)

Movement in net defined benefit (liability) during the year

	2022	2021
	£'000	£'000
Deficit in scheme at 1 August	(12,033)	(10,631)
Movement in year:		
Current service cost	(1,783)	(1,519)
Employer contributions	452	430
Past service cost	-	-
Administration expenses	(17)	(15)
Net interest on the defined liability	(189)	(146)
Actuarial gain or loss	9,848	(152)
Net defined benefit liability at 31 July	<u>(3,722)</u>	<u>(12,033)</u>

Asset and Liability Reconciliation

	2022	2021
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	25,196	22,125
Current Service cost	1,783	1,519
Interest cost	405	309
Contributions by Scheme participants	210	199
Experience gains and losses on defined benefit obligations	1,566	(280)
Changes in financial assumptions	(10,542)	(447)
Estimated benefits paid	44	2,082
Unfunded pension payments	(5)	(5)
Past service cost	-	(306)
Defined benefit obligations at end of period	<u>18,657</u>	<u>25,196</u>

Reconciliation of Assets

Fair value of plan assets at start of period	13,163	11,494
Interest on plan assets	216	163
Return on plan assets	872	1,203
Other actuarial gains	-	-
Administration expenses	(17)	(15)
Employer contributions	452	430
Contributions by Scheme participants	210	199
Estimated benefits paid	39	(311)
Fair value of plan assets at end of period	<u>14,935</u>	<u>13,163</u>

22 Defined benefit obligations (continued)

Local Government Pension Scheme - Royal Borough of Kensington and Chelsea

Morley College joined the LGPS funded defined-benefit plan, with the assets held in separate funds administered by the Royal Borough of Kensington and Chelsea on 3 February 2020 at the point of merger with Kensington and Chelsea College. The total contribution made for the period ended 31 July 2022 was £325,453 of which employer's contributions totalled £229,175 and employees' contributions totalled £96,278. The agreed contribution rates for future years are 16.3% for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

Principal Actuarial Assumptions

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

	At 31 July 2022	At 31 July 2021
Rate of increase in salaries	3.80%	3.85%
Future pensions increases	3.10%	2.85%
Discount rate for scheme liabilities	3.45%	1.60%
Inflation assumption (CPI)	3.10%	2.85%

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

	At 31 July 2022	At 31 July 2021
	years	years
<i>Retiring today</i>		
Males	21.4	21.6
Females	24.1	24.3
<i>Retiring in 20 years</i>		
Males	22.9	22.9
Females	26.1	25.7

22 Defined benefit obligations (continued)

Local Government Pension Scheme-Royal Borough of Kensington and Chelsea (Continued)

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

	Long-term rate of return expected at 31 July 2022	Long-term rate of return expected at 31 July 2021	Fair Value at 31 July 2022	Fair Value at 31 July 2021
			£'000	£'000
Equities	76%	82%	19,430	20,118
Property	8%	5%	2,045	1,307
Cash plus funds	16%	13%	4,091	3,310
Cash	0%	0%	0	120
Total market value of assets			25,566	24,855

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

	2022 £'000	2021 £'000
Fair value of plan assets	25,566	24,855
Present value of plan liabilities	(20,813)	(29,715)
Cap on plan assets*	(4,753)	-
Net pensions (liability)/asset	-	(4,860)

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

	2022 £'000	2021 £'000
Amounts included in staff costs		
Current service cost	773	747
Past service cost	-	-
Total	773	747

Amounts included in investment income

Net interest income	(82)	91
Administration expenses	11	19
	(71)	110

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	463	3,707
Other actuarial gains/(losses) on assets	-	-
Experience losses arising on defined benefit obligations	(66)	-
Changes in assumptions underlying the present value of plan liabilities	9,834	2,002
Amount recognised in Other Comprehensive Income	10,231	5,709

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

22 Defined benefit obligations (continued)

Local Government Pension Scheme-Royal Borough of Kensington and Chelsea (Continued)

Movement in net defined benefit (liability) during the year

	2022	2021
	£'000	£'000
Surplus/(deficit) in scheme at 1 August	(4,860)	(6,856)
Movement in year:		
Current service cost	(773)	(747)
Employer contributions	248	234
Administration expenses	(11)	(19)
Net interest on the defined liability	(82)	(91)
Actuarial gain or loss	10,231	2,619
Cap on plan assets	(4,753)	
Net defined benefit liability at 31 July	-	(4,860)

Asset and Liability Reconciliation

	2022	2021
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	29,715	28,142
Current Service cost	773	747
Interest cost	478	376
Contributions by Scheme participants	96	97
Change in demographic assumptions	-	(346)
Experience gains and losses on defined benefit obligations	66	(574)
Changes in financial assumptions	(9,834)	2,008
Estimated benefits paid	(492)	(735)
Defined benefit obligations at end of period	20,802	29,715

Reconciliation of Assets

Fair value of plan assets at start of period	24,855	21,286
Interest on plan assets	396	285
Return on plan assets	463	3,707
Administration expenses	(11)	(19)
Employer contributions	248	234
Contributions by Scheme participants	96	97
Estimated benefits paid	(492)	(735)
Fair value of plan assets at end of period	25,555	24,855

23 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £130 for 2 governors (2021: £52 for 1 governor). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2021: Nil).

The College paid for a subscription with the South Bank Employers Group (SBEG). It is the normal operating practice of SBEG to appoint a representative from member organisations to its Board. The Principal and CEO, Andrew Gower, was a director until 28 September 2021, with the Director of Community Learning, Gerald Jones being appointed to represent the College from 21st October 2021. The cost of the subscription was £10,000 during the year 2021/22 (2021: £11,750). The College paid for a subscription with the Safer Business Network CIC, for the annual membership of 'Safer Lambeth' totalling £1,320 (2021: £1,320). Nic Durston, Governor and Chair of the Finance, Resources and Fundraising Committee is a member to the Board of the Safer Business Network CIC.

24 Lease Obligations

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

	2022	2021
	£'000	£'000
Future minimum lease payments due		
Not later than one year	75	96
Later than one year and not later than five years	40	106
later than five years	53	63
	<u>168</u>	<u>265</u>

25 Post Balance Sheet Events

On 29 November 2022, the Office for National Statistics reclassified all college corporations to Central Government sector with immediate effect. This will mean that colleges will now be subject to the framework for financial management set out in Managing Public Money (MPM) and the Department for Education will introduce new rules for colleges, some of which will take effect immediately.