MORLEY COLLEGE LIMITED

Report and Financial Statements
for the year ended 31 July 2020

Registered number: 2829836

Registered charity number: 1023523

Key Management Personnel, Board of Governors and Professional advisors

Key management personnel

Key management personnel are defined as Senior Post-holders who are members of the College Senior Leadership Team (SLT) and were represented by the following in 2019/20:

Dr Andrew Gower - Principal and CEO; Accounting Officer

Marco Macchitella - Deputy Principal and Deputy CEO

Nicholas Rampley - Vice Principal (up to 2 February, 2020)

Kevin Jones – Director of Finance (up to 2 February, 2020)

Ralph Moran – Chief Finance Officer (from 3 February, 2020)

Governing Body

The full list of Governors is provided on pages 28 to 31 of this report. Martin McNeill acted as Clerk to the Governing Body and Company Secretary throughout the period.

General information and professional advisors

Registered Office

61 Westminster Bridge Road

London SE1 7HT

Financial statements auditors and reporting accountants

RSM UK Audit LLP

25 Farringdon Street

London EC4A 4AB

Internal auditors

Wylie & Bisset LLP

168 Bath Street

Glasgow G2 4TP

Bankers

National Westminster Bank plc

91 Westminster Bridge Road

London SE1 7HW

Solicitors

Eversheds Sutherland

1 Wood Street

London EC2V 7WS

Bates Wells LLP

10 Queen Street Place

London EC4R 1BE

CONTENTS

Morley College London - Introduction

Morley College Limited trades as Morley College London.

Morley College London is a unique college within the learning landscape of London. It is celebrated for its strong social values, its exceptional creativity and its commitment to meeting the needs of students and their communities.

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

Our students include:

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

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

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

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

The combination came about with the strong support of local stakeholders, and this enabled us to secure government finance for investments totaling £32.3 million to renovate the North Kensington and Chelsea Centres and to develop a new, and broader, curriculum. These investments are in addition to the £3 million that the College has already spent and the further £15 million that it is aiming to raise to transform facilities at Waterloo over the next ten years.

The global COVID-19 pandemic was a significant factor during 2020. The impacts of coronavirus on the College and the communities it serves are considerable. The disruption caused has proved to be multi-faceted and long-lasting. In response to significant challenges, the College has carefully co-ordinated its response, to ensure alignment with Department for Education guidance and clear focus on the safety of students, staff and stakeholders. Through resilience and contingency planning the College has sought to mitigate the social, educational, organisational and financial impacts of the pandemic to maintain business continuity; adapt to online delivery; ensure financial management; and seek to secure the strongest possible start to the academic year 2021-22.

Report of the Governing Body and Strategic Report

NATURE, OBJECTIVES AND STRATEGIES

The Governing Body, which represents the Board of Directors for the purposes of company law and the Board of Trustees for the purposes of charity law, presents its report, incorporating its Directors' and Strategic Reports, and the audited financial statements of Morley College Limited ('the College' or 'Morley') for the year ended 31 July 2020. The College is registered as Morley College Limited and uses the name Morley College London for branding and trading purposes.

Legal status

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

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

A business combination between Morley College Limited and Kensington and Chelsea College was completed on 3 February 2020, at which point Kensington and Chelsea College was dissolved and all assets, liabilities and activities were transferred to Morley College Limited.

Principal activities

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

Mission

The College's mission is to empower individuals and strengthen communities through adult education in Arts, Culture and Applied Sciences.

Public benefit

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

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

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

The core-funding agency for the College during 2019/20 was the Greater London Authority (GLA), with additional funding from the Education & Skills Funding Agency (ESFA) in respect of 16-19 education and adult learners resident outside the boundaries of the GLA and other devolved authorities. The funding received is used to support unrestricted access for the beneficiaries.

From 1 August 2019, the funding for London-based Adult Education learners transferred to the GLA. This devolved funding model provides further opportunities for the College to embrace the Mayor of London's Skills for Londoners initiatives. The ESFA continues to fund the College for the five per cent of students who are based outside London.

The College continually develops its curriculum to address the priorities of its communities and works closely with the London Economic Action Partnership (LEAP), which is the local enterprise partnership for London.

Implementation of strategic plan

In December 2015, the College adopted a strategic plan for the five years to 2020. The plan defines Morley's strategic direction with its priorities expressed in the statement of three overarching strategic goals:

- Create outstanding learning opportunities

  By 2020, Morley College London is acknowledged locally, nationally and internationally as an outstanding adult education college specialising in the Arts, Culture and Applied Sciences, with a progressive range of participatory programmes from introductory through to higher levels of learning. Academic and artistic excellence remains central to the ambitious, enterprising and welcoming culture of the College, and ensures ever-increasing recognition of Morley as a destination within London's thriving cultural scene through an engaging programme of high-quality concerts, performances, workshops and exhibitions.

- Deliver an outstanding student experience

  By 2020, Morley College London is acknowledged as highly effective in meeting the diverse learning needs of the communities we serve. The quality of learning opportunities and the associated student experience create a compelling proposition. The passion for learning embodied by the staff team through their subject knowledge, enthusiasm, professional practice and external professional networks, ensures expert and innovative learning, teaching and assessment. In addition, the creative application of digital technology is increasingly a distinguishing feature of Morley's approach in addressing social exclusion and enhancing the flexibility and personalisation of learning.

- Ensure financial sustainability

  By 2020, Morley College London has established key strategic partnerships to extend its reach and influence. A growing reputation in responding to the needs of employees and their employers through workplace learning and professional training draws creatively on Morley's specialist areas of subject expertise. Effective financial controls and an increasingly diversified funding model are enabling operational stability and accurate forward planning.

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

A new five year strategy for the future of the combined College has been developed during 2019/20 and will be launched in 2020/21. This is supported by a five year financial strategy and plan, agreed with the ESFA as detailed below.

Performance indicators and quality enhancement

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

The KPIs for 2019/20 show a good standard of delivery in comparison to 2018/19, and continued progress towards all three strategic goals. Targets for Room Utilisation were not achieved due to the impact of Covid-19 during the summer term which saw the College successfully transition to online delivery. The following table sets out performance against non-financial targets for the combined college. Performance has been impacted by the Covid-19 pandemic, with EBITDA outturn reflecting the impact of both Covid-19 and the merger, in comparison to the target for Morley as a stand-alone college.

Measure	**Actual**	**Target**	**Status**
Education Specific EBITDA	(£323k)	£781k	**X**
Student satisfaction evaluation at the end of each course	96.4%	90.0%	√
% of students who feel the college is a safe place to study	97.3%	90.0%	√
Student retention	94.8%	94.5%	√
Student attendance	85.2%	83.8%	√
Room utilisation (day)	55.4%	75.0%	**X**
Room utilisation (evening)	41.0%	58.0%	**X**
Student destination	89.5%	78.0%	√
Staff satisfaction	89.3%	87.5%	√

In relation to the academic performance of students, the combined College's 2019/20 Self-Assessment Report (SAR) identifies many strengths, including:

- Very high student satisfaction
- Very good support for disadvantaged students
- Outstanding retention and achievement on short courses
- An excellent range of personal development opportunities for students
- Effective promotion of equality, diversity and inclusion
- Excellent provision of impartial career information, advice and guidance
- Highly effective leadership and management in successfully steering the College through very turbulent and challenging times
- Strong governance
- Effective Safeguarding arrangements across the organisation

There were however a small number of significant areas for enhancement that will be the focus of enhancement activities during 2020/21. These include:

- The quality of learning, teaching and assessment in some adult accredited programmes and study programmes for young people leading to:
    - Low qualification achievement rates, often below national averages
    - Low attendance especially on accredited courses.

The College's comprehensive Self-Assessment Report (SAR) 2019-20 provides full details of student achievement rates across all programmes and is published under the Policy section of the College's website.

In respect of financial reporting, the College has completed the annual financial returns for the ESFA, and is yet to receive formal notification of a financial health score following the combination. In the year prior to the combination KCC had a financial health score of "Requires Improvement", while Morley had a financial health score of "Good".

FINANCIAL POSITION

Financial objectives

The College's financial objectives, as set out in its Finance Strategy 2016-20 are:

- to achieve in-year financial sustainability, generating positive earnings before interest, taxes, depreciation and amortisation (EBITDA) each year;
- to maintain a financial health rating of "good" or better;
- to diversify sources of income as determined by the changing mix of provision in the curriculum strategy and departmental business plans;
- to evaluate capital investment against the College's business and curriculum objectives;
- to contain borrowings to where there is clear infrastructural or strategic benefit and only to the extent determined by operational needs;
- to ensure the fees policy reflects the objectives of the Strategic Plan;

- to allocate resources through a budget process that maintains delivery standards while generating sufficient funds to maintain required levels of liquidity and allow adequate capital investment; and
- to mitigate financial risk within the context of the Strategic Plan.

Financial results

Governors approved a small surplus budget (£66,000) for 2019/20 for Morley as a stand-alone college in line with a strategy of investment in new courses and facilities to achieve longer-term growth. The growth areas include advanced learning and higher education courses and link to a broader strategy of extending the learner pathways available to meet the aspirations of the existing and growing Morley student community. This budget was set in advance of the combination with Kensington and Chelsea College, and before the onset of the Covid-19 pandemic.

- The actual outturn prior to FRS102 pension adjustments is a surplus of £20,561k (page 44).
- This financial performance reflects the in-year business combination with Kensington and Chelsea College, which had set a significant full year deficit budget, and the costs of combination as well as the impact of Covid-19 on planned delivery.
- Fee income of £4,109k is down 2.2% from £4,202k in 2018/19, primarily as a result of the impact of Covid-19.

As the combined College has delivered negative EBITDA (£323k), the ESFA Health rating as calculated in accordance with ESFA methodology is “requires improvement”, although the overall financial health score would generate a rating of “Good” if not for this limiting factor.

The College has total reserves of £34,300k after a reduction of £14,612k for pension liabilities. This includes the addition of reserves of £21,944k, after a reduction of £2,875k for pension liabilities, following the combination with Kensington and Chelsea College.

The College invested £1,487k in additional tangible fixed assets and £208k in intangible fixed assets during the year, as well as acquiring fixed assets at a fair value of £20,076k from Kensington and Chelsea College on combination. The College also received a 125 year ‘peppercorn’ lease (valued at £10 million) on the Wornington Road Centre, which will be fully refurbished by the Department for Education (DfE) during 2021/22.

This investment focused on the refurbishment of the Waterloo centre reception area to create a fully accessible entrance, increased social and seminar space, a centralised Student Services function and a radio production studio. In November 2018, the lead construction contractor went into administration and this delayed the project into 2019/20.

The project was then further delayed due to the March 2020 lockdown in response to the Covid-19 pandemic which resulted in the works not being finally completed until after the year-end. Most of the internal works were completed within the year, with the Student Services area fully operational and Morley Radio launching in June 2019 and having an instant impact for many students. This investment was funded by a combination of additional borrowing of £500k drawn down in July 2018, the College's own funds and a contribution from the London Economic Action Partnership.

The College invested in the refurbishment of classrooms, purchase of teaching equipment and enhancing the learning environment. There were also significant upgrades to spaces within the School of Music and Performing Arts started in July 2019 and made available to students in September 2019.

The College has significant reliance on education sector funding bodies for its funding, largely from recurrent grants. This reliance has increased with 2019/20 grant income being 65% of the College's total income, compared to 53% in 2018/19. This movement has been impacted by the Covid-19 pandemic, and the combination with KCC, which resulted in a reduction of tuition fees, from 37% of total income in 2018/19 to 31% in 2019/20.

Treasury policies and objectives

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

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

Cash flows and liquidity

The implementation of the Waterloo Centre property strategy required a planned temporary reduction in liquidity, which fell below the level agreed with Governors in the early part of 2020. Prior to the combination with Kensington and Chelsea College the cash flow plan for 2019/20 showed lower levels of liquidity, with funds projected to grow again once the first phase of the property strategy was complete. Following the completion of the business combination cash and cash equivalents of £6,626k were transferred from Kensington and Chelsea College. Total College borrowing consists of a loan of £500k in support of the property strategy that was drawn down in July 2018.

Cash and cash equivalents held at 31 July 2020 totalled £5,308k, with net cash outflow from operating activities of £391k (see page 47). This reflects the investment in new courses and the development of the College in the period, the impact of the combination, and in particular the impact of Covid-19 in the final term of the year.

Reserves

The College considers it practicable and desirable to retain a minimum level of general reserves (excluding losses or gains in respect of the pension scheme) equivalent to one term (four months) expenditure to cover the risks and uncertainties of operating its main business. The College therefore maintains a general reserve of at least this amount. Any surplus unrestricted reserves are applied in support of strategic goals. According to the College's budget for 2020/21, four months of expenditure (excluding depreciation) equates to £6,892k. The General Reserve of £24,039k per note 19 is significantly in excess of the required minimum level, and would normally be transferred to the Development Reserve. However since the current surplus has arisen wholly as a result of the business combination with KCC it is being held as a General Reserve.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Financial health

The ESFA last formally assessed the financial health of the College in their letter to the Principal in October 2019, and provided a grade of "Good" for 2018/19 and a projected "Good" for 2019/20 prior to the combination. Kensington and Chelsea College had been operating at a significant annual deficit for several years prior to the combination and following the combination of the two organisations in February 2020 financial health was projected to reduce to "Requires Improvement" due to the impact of this operating deficit in 2019/20. While the ESFA has not issued any further formal assessment of financial health during the pandemic period, the combined college's financial health calculation based on 2019/20 outturn remains at "Requires Improvement".

Student numbers and fee income

In 2019/20, the College has delivered activity that has produced £10.8m in funding body main allocation funding, an increase on £4.8m in 2018/19 primarily due to the combination with Kensington and Chelsea College. Tuition fee and educational contracts income was up to £5.1m from £5.0m in 2018/19. The College had 12,251 students and 25,389 enrolments; the average student enrols onto 2.0 courses. Both student numbers and enrolments have been adversely impacted by the Covid-19 pandemic, with a consequent reduction in fee income of in excess of £2.8m compared to plan.

Curriculum Developments

During 2019-20 Morley College London and Kensington and Chelsea College operated independently up to 2 February 2020 and then as a combined college, offering a wide range of courses for adults and young people in Arts, Culture and Applied Sciences, with a diverse range of programmes that include Art and Design, Music and Performing Arts, Languages and Humanities, Applied Sciences, English for Speakers of Other Languages (ESOL), English and Mathematics. Both colleges offered a wide range of accredited programmes from Entry Level to Level 6 and specialist, short courses from beginners to masters level that do not lead to a formal qualification, which the combined Morley College London continues to take forward.

The College holds contracts with the Royal Borough of Kensington and Chelsea (RBKC) and the London Borough of Lambeth for the provision of Community Learning covering a wide range of curriculum areas, in response to the needs of community groups and organisations and in line with the main local strategic priorities. In 2019-20, Community Learning courses were delivered in partnership with over 70 community, voluntary and statutory organisations and groups.

During 2019-20 the combined college curriculum included approximately 500 accredited programmes and 2,000 short courses. The onset of the Covid-19 pandemic at the end of term 2 forced the College to move swiftly to online delivery in order to continue providing as many learning opportunities to students as possible and the curriculum in term 3 was delivered entirely online.

2019/20 also saw the early stages of the development of our new curriculum strategy 2021-25 which will be fully developed during 2020/21.

The Strategy will see the curriculum at the North Kensington Centre remaining broadly similar to 2019/20 for the next couple of years due to space limitation as a result of the planned refurbishment work. From September 2022 there will be a significant expansion of learning opportunities at North Kensington, mainly in five sector subject areas: health, public services and care; business, enterprise, administration, finance and law; leisure, travel and tourism (including customer service and retail); social sciences; and IT and computing.

At the Chelsea Centre we aim to build on successful existing provision and in so doing achieve a deepening of specialism in the creative arts and industries, with a realignment of the curriculum offer that enables the introduction of new, industry-relevant, advanced and higher-level diplomas in areas such as digital publishing, marketing and design. The first phase of growth in September 2020 saw the introduction of a substantial unaccredited curriculum (approximately 400 short courses throughout the year) that will both complement existing accredited provision and offer new learning opportunities for adults.

In the run-up to the combination the Waterloo Centre has continued to offer a diversified curriculum portfolio that through continual renewal and innovation is attractive to current and potential students and communities who wish to study for personal development and wellbeing, academic progression or career advancement. Post-combination the Waterloo Centre continues to deliver and develop its distinctive curriculum offer in Arts, Culture and Applied Sciences with a very wide and unique range of short, specialist courses from beginner to advanced levels and distinctive, accredited progression pathways in foundation learning (from entry level to level 2), advanced learning (level 3) and higher education (from level 4 to 6).

The combined College’s extensive and progressive curriculum offer in 2019/20 reflects the demands of the local and regional context and takes into account the needs of students, local communities and communities of interest, employers, and the local and regional economy. Curriculum managers have developed a responsive curriculum designed to suit different levels of experience, to offer progression routes, and to support students’ expectations and aspirations.

In moving to online delivery in response to the Covid-19 pandemic the College sought to provide continuity of learning to students and mitigate the financial impact of much reduced participation in learning and the subsequent reduction in fee income. Tutors’ successful use of digital technologies and creative approaches enabled an effective response to the challenges posed. Despite these challenges the College managed to successfully deliver approximately 150 courses. All year-long accredited courses (e.g. GCSE English and Maths, ESOL, Level 3 Diplomas, Higher Education) continued successfully online and students were able to complete their assessment in line with the new guidelines provided by the 25 awarding organisations with which the College works.

Payment performance

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

During the accounting period 1 August 2019 to 31 July 2020, the College endeavoured to pay at least 95 per cent of its invoices within 30 days. Actual performance was impacted by the Covid-19 pandemic.

Events after the end of the reporting period

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

Future prospects and going concern

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

This growth and development is underpinned by a five-year financial strategy and plan agreed with the ESFA as part of the combination, and by considerable investment in the College's estate, in particular the refurbishment of the North Kensington Centre, further developments at the Chelsea Centre, and ongoing investment at the Waterloo Centre, funded in part from the College's financial reserves, but with significant contributions from the Department for Education (DfE) and the GLA.

The five-year financial plan is further supported by a grant from the DfE totalling £3.5M that can be drawn down in the event that the College's available cash falls below an agreed level. Prior to the onset of Covid-19 the combined college financial plan projected continuing growth and financial sustainability over the life of the plan.

In the Covid-19 environment the College has worked hard with stakeholders to maintain the pace of investment in the estate, which remains on track. While revenue for 2019/20 was reduced due to the impact of the pandemic, full and appropriate use has been made of all support measures, combined with effective cost control. This has enabled the College to maintain sufficient cash balances, so that it has not been necessary to seek emergency support from central government. Financial plans for 2020/21 have been adapted to reflect the impact of the continuing pandemic. While a deficit budget was set for 2020/21, cash flow forecasts project that no emergency support will be required during the year, and that there will be no requirement to draw on the DfE cash flow support grant. The cash-flow forecast based on current conditions indicates a year-end cash balance for 2020/21 of circa £3m decreasing slightly to circa £2.8m at the end of October 2021 without the requirement for support.

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

- Careful cash flow management
- Generation of ongoing cash flow surpluses as noted in the Statement of Cash Flows
- Strong balance sheet
- The College's actions to monitor budget performance
- The combined College's five-year Financial Plan
- Robust risk management processes

RESOURCES

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

Buildings and accommodation

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

At Stockwell, just behind the tube station, the College has established a satellite centre based in a former community centre building. At Lewington, there is also a satellite centre in shared facilities within a community centre; this site includes a crèche facility for students.

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

Additionally, also as part of the combination, the College secured a 125 year lease on the North Kensington Centre at a rent of a 'peppercorn', following its purchase by the DfE.

Throughout the year, the College has continued to carry out work to its buildings in order to improve facilities for learners and staff. This has included continued work on the entrance and reception at Waterloo as part of the property strategy as well as new facilities within the School of Music and Performing Arts school and the creation of two radio studios (Morley Radio).

Financial

The College has £34.1 million of unrestricted net assets (after taking account of £17.5 million pension liability) and a balance of £409k of long-term debt.

People

The College employed on average 388 people during the year (expressed as full-time equivalents), of whom 255 were teaching staff, and 133 non-teaching staff. The College continues to outsource its cleaning, security and catering at the Waterloo Centre.

Reputation

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

Staff and student involvement

The Governing Body includes elected staff and student members and the College encourages staff and student involvement through membership of College committees. Staff and students are encouraged to join and support the activities of the Friends of Morley, an association that also confers membership of the College. The College considers good communication with its staff and students to be very important. The Principal and members of the Senior Leadership Team meet regularly with the Student Council and other student representative bodies. Communication with staff takes a variety of forms, including open meetings for all staff with senior managers, regular management meetings, a well-developed intranet system a regular staff newsletter. A staff conference is held annually at each centre and there are monthly all-staff briefings. Staff bulletins are produced weekly and made available through the staff engagement platform My Morley.

The College values and actively seeks feedback from all users of its services, particularly students. It monitors all formal complaints as well as reviewing its processes to ensure all matters are resolved in line with the College's policies. During 2019/20, there were 44 formal complaints, compared to 50 in 2018/19; 59% of these complaints were resolved satisfactorily within 15 working days, with more complex complaints resolved satisfactorily after this period.

Fundraising

The College undertakes fundraising in an ethical and responsible way, mindful of the communities within which it operates. The College employs systems and controls to separate and protect funds and to ensure that any donated funds are spent in accordance with the terms of the donation. The College is mindful of its responsibilities under the Charities (Protection and Social Investment) Act 2016 and other legislation, and ensures that all activities are agreed and monitored at Senior Leadership Team level in compliance with relevant legal rules. Recognised standards are applied to ensure that fundraising is open, honest and respectful, protecting the public from undue pressure to donate. Complaints are handled and monitored through the College's complaints procedure and there were no complaints in 2019/20 or in the previous year.

In late December 2019 the College launched a fundraising campaign to support its property strategy and is calling this the Morley Forward campaign. A professional fundraiser was appointed prior to the campaign launch in September 2019.

During 2019/20 The College received donation income of £65k. This income included funds from Trusts and Foundations and from legacy gifts. Donation income is reported in the year of receipt and the College aims to use the funds to support the donors' aims within a timely period to ensure that the wider College benefits from the generosity of the donations. Where appropriate donations are held a restricted funds.

Energy Use and Carbon Reporting

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

UK Greenhouse gas emissions and energy use data for the period 1	
Energy consumption used to calculate emissions (kWh)	**1,975,158**
Energy consumption break down (kWh) (optional)	
• gas,	902,738
• electricity,	1,072,419
Scope 1 emissions in metric tonnes CO2e	
Gas consumption	165.99
Owned transport – college cars	2.15
Total scope 1	168.14
Scope 2 emissions in metric tonnes CO2e	
Purchased electricity	250.02
Total gross emissions in metric tonnes CO2e	**418.16**
Intensity ratio	
Tonnes CO2e per student	**0.03**

Quantification and Reporting Methodology:-

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

Intensity measurement

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

Measures taken to improve energy efficiency

The College actively seeks to replace equipment, plant and consumables with more energy efficient alternatives (such as LED light fittings, and building heating and cooling systems) whenever practical and affordable.

Following the combination, the College has switched energy providers and all energy consumed during 2020/21 will come from renewable sources.

PRINCIPAL RISKS AND UNCERTAINTIES

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

In the early stages of the Covid-19 pandemic, in response to the specific challenges presented by the situation the College established a Covid-19 Response Plan, overseen by the Board through a Covid Response Oversight Group.

In addition to this the following key strategic risks were considered during 2019/20:

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

Each risk listed is supported up by an individual risk report and this provides the detail to support the management of that risk. This covers

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

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

Maintenance of quality of provision (Risk 13)

Failure to maintain adequate quality in its provision represents a significant risk to the College, particularly as the Strategic Plan includes growth and responsiveness to student needs. The combination with Kensington and Chelsea College presents the further challenge of ensuring consistent high quality provision across a multi-centre college. Additionally there was the specific challenge during 2019/20 of rapidly switching from in-centre delivery to online delivery. This risk is mitigated in a number of ways:

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

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

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

Maintenance of an outstanding student experience (Risk 10)

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

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

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

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

The combined college benefits from a substantial estate with significant opportunity to expand delivery and grow income, a more efficient staffing structure and a robust financial position in both cash and reserves. The college has developed a five-year financial plan and strategy to delivery full financial sustainability. This plan was subject to detailed scrutiny by the ESFA, and external due diligence.

The College has further mitigated the financial risk through the five year planning period through the agreement for additional grant funding, if required, of up to £3.5M should college cash reserves fall below and agreed level.

The Covid-19 Pandemic had a direct and immediate impact on delivery income, and provided a test of the effective mitigation of financial risk. Detailed in-year financial forecasting enabled full delivery of funding body income to full contract values. While fee income was substantially reduced financial controls effectively managed costs, while the College made full and appropriate use of government mitigations including the Coronavirus Job Retention Scheme. The financial response was further monitored by governors through the Coronavirus Response Oversight Group. This enabled the College to maintain a closing cash position that was consistent with the five year financial strategy.

The College has significant reliance on education sector funding bodies for its funding, largely from recurrent grants. This reliance has increased with 2019/20 grant income being 65% of the College’s total income, compared to 53% in 2018/19. This movement has been impacted by the Covid-19 pandemic, and the combination with KCC, which resulted in a reduction of tuition fees, from 37% of total income in 2018/19 to 31% in 2019/20.

The College continues to have considerable reliance on continued government funding through the further education sector funding bodies and to a lesser extent through the Student Loan Company and Office for Students. In 2019/20, 65% of the College's revenue was ultimately publicly funded and, despite diversification, a high level of reliance is expected to continue. Following the business combination the flexibility of Specialist Designated Institute status for the College will continue and applies across the combined entity.

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102. Although this does not affect its ESFA financial health assessment, the College recognises the risk presented by the pension liability arising from its membership of this scheme. The Triennial Valuation of this scheme completed in 2020 shows good progress in moving towards full funding for the scheme.

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

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

- Monitoring and appraising the position of the pension scheme by Governors through the Finance, Resources and Fundraising Committee.
- Agreed deficit recovery plan with the London Pension Fund Authority.

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

STAKEHOLDER RELATIONSHIPS

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

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

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

During 2019/20, the College continued to progress and develop its Partnerships Protocol. The protocol classifies each individual partnership as either: a creative projects partnership; a curriculum development partnership; a student progression partnership; a quality enhancement partnership; or a fundraising partnership. This allows the College to develop each partnership using the appropriate links within the partner institution to best effect.

Recognising the significance of the decision to progress the business combination between Kensington and Chelsea College and Morley, both colleges consulted widely and comprehensively across relevant national and local stakeholders. This extensive consultation has continued with the establishment of Stakeholder Advisory Groups for each College Centre, and the active recruitment of college governors from the local community.

The College values its relationship with the trade unions representing its employees. Regular meetings of the Joint Consultative Committee were held throughout 2019/20, in a positive and transparent manner. The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the College to publish the following information to outline the facility time arrangements for trade union officials at the college.

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

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

Total cost of facility time	£9,732
Total pay bill	£12,218,000
Percentage of total bill spent on facility time	0.08%

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

Section 172 Statement

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

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

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

Engagement with employees

- The Senior Leadership Team are actively involved in the engagement of staff through frequent all staff briefings, use of internal communication tools, and regular “Coffee with the Prinicipal” sessions to provide updates on business developments and to answer questions directly. These have transitioned to online meetings following the impact of the Covid-19 pandemic.
- The College has launched a staff engagement platform, MyMorley to aid effective engagement, and provide access to staff rewards and discounts which has been widely accessed.
- Continued investing in wellbeing and the provision of support through the confidential Employee Assistance programme.
- Conducted a full consultation with staff and union representatives in advance of implementing a revised staffing structure involving and overall increase in staffing to deliver the college’s three centre model.
- In line with our objective of being an employer of choice, the Directors have recently engaged with the National Centre for Diversity and are working towards full Investors in Diversity accreditation.
- Have been focused on mitigating employee risks arising from Covid-19 pandemic, including wellbeing while working remotely.

Engagement with stakeholders

- The Trustees recognise the importance of a number of external stakeholders such as applicants, providers, advisers, education and commercial customers, government and sector agencies, legal members and suppliers, as well as internal stakeholders.
- The Trustees remain committed to effective engagement of all stakeholders and are mindful that the organisation’s success depends on its ability to engage effectively, work together constructively and to take stakeholder views into account.
- The Trustees also review financial and operational performance, as well as information covering areas such as external drivers which includes the number of applications, staff, staff representatives including working with the Joint Consultative Committee to recognise Unison in addition to the University and College Union (UCU), pensions, delivery, and key risks. This information is provided to the Trustees through routine reports circulated in advance of each Board meeting which are then reviewed, discussed and approved, as necessary.
- Responded to Covid-19 by establishing a special purpose committee – the Coronavirus Response Oversight Group to provide oversight of the college’s response, and protecting the interests of stakeholders.

- Established Stakeholder Advisory Groups for each of the main college centres to ensure that the College is able to take full account of local considerations in its decision making.

Equality and Diversity

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

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

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

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

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

Disability statement

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

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

Disclosure of information to auditors

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

This report and the Strategic Report (included therein) was approved by the Governing Body, as the company's board of directors, on 28 January 2021

Stuart Edwards

Dr Stuart Edwards
Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2019 to 31 July 2020 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges 2015 as amended in 2018 (“the Code”); and
iii. having due regard to the UK Corporate Governance Code 2018 insofar as it is applicable to the further education sector.

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

In the opinion of the Governors, the College complies with or exceeds all the provisions of the Code, and it has complied throughout the year ended 31 July 2020. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

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

The Governing Body

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

Continuing Members

	Date of appointment	Term of office ends	Status of appointment	Committees served and offices held 2018-19	Meetings Attended/ Possible
Miss J Brian	27 February 2018	31 July 2021	External member	Audit Quality and Standards Lead Governor for Safeguarding	14/15

	Date of appointment	Term of office ends	Status of appointment	Committees served and offices held 2018-19	Meetings Attended/ Possible
Miss S Bryan	3 February 2020 Reappointed 2 November 2020	2 February 2021	Student member	Quality and Standards	3/5
Mr P Dias Ferreira	3 February 2020	31 July 2023	External member	Finance, Resources and Fundraising (Vice-chair from 12 May 2020) Covid-19 College Response Oversight Group	6/10
Mr N Durston	13 April 2018	31 July 2021	External member	Finance, Resources and Fundraising (Vice-chair; Chair from 12 May 2020) Covid-19 College Response Oversight Group Lead Governor for Fundraising	12/16
Dr S Edwards	14 December 2009 Reappointed 10 December 2013 and 16 October 2017	31 July 2021	External member	Chair of Governing Body Finance, Resources and Fundraising Remuneration Search and Governance (Chair) Joint Transition Committee (Joint Chair) Covid-19 College Response Oversight Group (Chair)	28/28
Ms P Egan	2 April 2014 Reappointed 16 October 2017	31 July 2021	External member	Vice-chair of Governing Body Audit Remuneration (Chair) Search and Governance Joint Transition Committee Lead Governor for Equality and Diversity (to 30 March 2020)	22/24
Ms G Evans	3 February 2020	31 July 2023	External member	Quality and Standards Lead Governor for Equality and Diversity (from 30 March 2020; joint from 2 November 2020)	5/5
Dr A Gower	13 April 2015	N/A	Principal and Chief Executive Officer	Quality and Standards Finance, Resources and Fundraising Search and Governance Joint Transition Committee	24/24

	Date of appointment	Term of office ends	Status of appointment	Committees served and offices held 2018-19	Meetings Attended/ Possible
Ms H Fry	18 October 2016 Reappointed wef 1 August 2020	31 July 2024	External member	Quality and Standards (Chair) Remuneration	12/13
Mrs G Le Coz	3 February 2020	31 July 2023	External member	Audit Covid-19 College Response Oversight Group	9/9
Mrs I Lax	3 February 2020 Reappointed 2 November 2020	2 February 2021	Co-opted member	Quality and Standards	3/5
Ms S Lindsey	27 March 2019 Reappointed 2 November 2020	2 February 2021	Student member	Finance, Resources and Fundraising Joint Transition Committee (alternate member) Covid-19 College Response Oversight Group (from 1 June 2020) Lead Governor for Health and Safety (from 1 April 2020)	15/15
Mr V Olowe	2 April 2014 Reappointed 16 October 2017	31 July 2021	External member	Audit (Vice-chair) Search and Governance (Vice-chair)	15/15
Mrs D Ryle	1 August 2020	31 July 2022	Staff member	Quality and Standards	NA
Ms M Samuels	3 February 2020	31 July 2023	External member	Quality and Standards Search and Governance Joint Lead Governor for Equality and Diversity (from 2 November 2020)	5/6
Ms H Smith	13 April 2018	31 July 2021	External member	Audit (Chair)	10/12
C Thompson	1 August 2020	31 July 2022	Staff member	Finance, Resources and Fundraising	NA
Mr J Ward	3 February 2020	31 July 2023	External member	Quality and Standards	4/5

Retiring Members

	Date of appointment	Term of office ended	Status of appointment	Committees served and offices held 2017-18	Meetings Attended/ Possible
Mrs J Bailey	3 February 2020	27 September 2020	External member	Finance, Resources and Fundraising Search and Governance Covid-19 College Response Oversight Group	9/11
Mr M Bamford	15 December 2015 Reappointed 11 December 2017 Co-opted wef 1 December 2019	30 November 2020	Student member (to 30 November 2019) Co-opted member (from 1 December 2019)	Audit Quality and Standards Joint Transition Committee Covid-19 College Response Oversight Group	22/24
Mr M Doolan	3 February 2020	31 July 2020	Co-opted member	Finance, Resources and Fundraising	6/6
Mr L Howson	1 August 2016	31 July 2020	Staff member	Finance, Resources and Fundraising	12/12
Dr S Ketteridge	15 February 2013 Reappointed 6 February 2017	31 March 2020	External member	Finance, Resources and Fundraising Quality and Standards (Vice-chair) Search and Governance Joint Transition Committee	13/18
Mrs S Robertson-Jonas	15 October 2015 Reappointed 15 July 2019	31 July 2020	Staff member	Quality and Standards	10/10
Mr M Seriki	15 February 2013 Reappointed 6 February 2017	26 February 2020	External member	Finance, Resources and Fundraising (Chair) Remuneration (Vice-chair)	6/10

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

Directors and their interests

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

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

Limited liability

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

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

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

The Governing Body receives advice on the conduct of its business from five committees. Each committee has terms of reference, which have been approved by the Governing Body. These committees are: Audit; Finance, Resources and Fundraising; Quality and Standards; Remuneration; and Search and Governance. Up to January 2020, the Governing Body also received advice on matters relating to the proposed combination with Kensington and Chelsea College from a Joint Transition Committee comprising members of both colleges' governing bodies and working within terms of reference approved by both colleges' governing bodies. In June 2020 the Governing Body established a Covid-19 College Response Oversight Group, continuing the work of an informal group of governors that had been formed in April 2020.

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

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

61 Westminster Bridge Road
London
SE1 7HT

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

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

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

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

Appointments to the Governing Body

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

Members of the Governing Body are appointed for a term of office not exceeding four years, except for student members who are appointed for a term not exceeding two years. Members generally serve for a maximum of eight years (student governors – four years). In the case of a member who holds the office of Chair or Vice-chair of the Governing Body the maximum period of service may be extended to 12 years.

Governing Body performance

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

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

Having considered its overall performance in 2019-20, the Governing Body has identified the following five key strengths of governance at the College:

- a clear understanding of the College's mission, vision and strategy, with a robust Strategic Plan and effective arrangements for monitoring its implementation;
- a strong commitment to the values and ethos of the College;

- rigorous monitoring of performance, supported by high-quality reports, including detailed performance analysis, with further assurance provided through the work of well-focused and well-led committees;
- a good balance of support and challenge to the Senior Management Team, founded on a shared understanding of the respective roles of governance and management; and
- a systematic approach to reviewing and seeking continuous improvement in governance performance and effectiveness.

There following areas have been identified as having scope for enhancement in 2020-21 and have been included in the Governance Quality Enhancement Plan (QEP):

- to continue to engage with existing stakeholders (particularly students, but also wider communities), and build strong relationships with new stakeholders by communicating in an accessible and transparent manner that encourages feedback;
- to strengthen financial governance and risk management, taking account of the recommendations of the FE Commissioner and the ESFA;
- to promote greater diversity within the Governing Body and the Senior Leadership Team;
- to ensure through careful succession planning that key competencies are maintained and further diversity introduced while (if possible) reducing the number of governors on the Board; and
- to develop new ways of governing that ensure the continued high quality of provision and its effective monitoring in an increasingly online environment.

Committees of the Governing Body

Audit Committee

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

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

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

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

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

Finance, Resources and Fundraising Committee

The Finance, Resources and Fundraising Committee comprises between six and eight members of the Governing Body. The Committee advises the Governing Body and provides it with assurance on matters relating to its responsibilities for oversight of financial health, financial management, estates, human resources, fundraising, health and safety and environmental sustainability.

Quality and Standards Committee

The Quality and Standards Committee comprises between six and eight members of the Governing Body. The Committee advises the Governing Body and provides it with assurance on the quality of learning, teaching and assessment, with particular reference to standards, outcomes for learners, curriculum offer, inclusion and the enhancement of the Morley student experience.

Remuneration Committee

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

Details of remuneration for the year ended 31 July 2020 are set out in note 8 to the financial statements.

Search and Governance Committee

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

Joint Transition Committee

The Joint Transition Committee was set up to oversee business combination preparations and consisted of members from the Governing Bodies and Senior

Leadership Teams of both Morley College London and Kensington and Chelsea College. This committee was disbanded at the point of combination.

Internal control

Scope of responsibility

The Governing Body is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the College for the year ended 31 July 2020 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Governing Body has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Governing Body is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2020 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Governing Body.

The risk and control framework

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

- comprehensive budgeting systems, with an annual budget which is reviewed and agreed by the Governing Body;
- regular reviews by the Governing Body of periodic and annual financial reports which indicate financial performance against forecasts;

- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines; and
- the adoption of formal project management disciplines, where appropriate.

The College has commissioned an internal audit service, which operates in accordance with the requirements of the ESFA's *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Governing Body on the recommendation of the Audit Committee. The internal audit service provider undertook several investigations over the course of the year and provided individual reports to the Governing Body on areas of interest.

Review of effectiveness

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

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

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

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

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

At its January 2021 meeting, the Governing Body carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the Senior Leadership Team, internal audit reports, and taking account of events since 31 July 2020.

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

Going concern

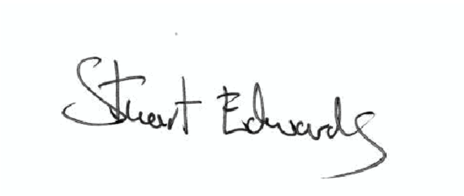
After making appropriate enquiries, and taking account of:

- the sound level of liquidity as at 31 July 2020
- the College's performance against budget, reflecting the impact of Covid-19
- the five-year Financial Plan in support of the combination agreed with the ESFA
- the availability of a £3.5 million grant facility to provide cashflow support over the life of the plan, if required.

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

Approved by order of the members of the Governing Body on 28 January 2021 and signed on its behalf by:

Signed



Dr Stuart Edwards
Chair

Signed

Dr Andrew Gower
Accounting Officer

Governing Body's Statement on the College's Regularity, Propriety and Compliance with Funding Body terms and conditions of funding

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

We confirm on behalf of the Governing Body, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the College's financial memorandum.

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

Dr Stuart Edwards
Chair

28 January 2021

Dr Andrew Gower
Accounting Officer

28 January 2021

Statement of Responsibilities of the Members of the Governing Body

The members of the Governing Body (who act as trustees for the charitable activities of the College, and are also the directors of the College for the purposes of company law) are required to present audited financial statements for each financial year.

Company law and the law applicable to charities in England and the terms and conditions of the Financial Memorandum between the ESFA and the Governing Body of the College, require the Governing Body of the College to prepare financial statements and the Report of the Governing Body and Strategic Report for each financial year, in accordance with the *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions,* the *Accounts Direction* issued by the ESFA, and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) and which give a true and fair view of the state of affairs of the College's deficit of income over expenditure for that period.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the College and of the College's surplus/deficit of income over expenditure for that period.

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

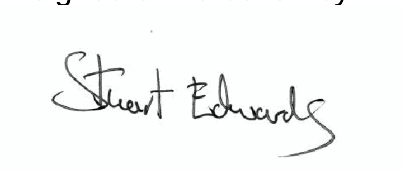
- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy, at any time, the financial position of the College, and which enable them to ensure that the financial statements are prepared in accordance with the Companies Act 2006 and other relevant accounting standards. They are responsible for taking steps in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Governing Body are responsible for ensuring that funds from the ESFA, and GLA through devolution, are used only in accordance with the authorities that govern them as defined by and in accordance with the Further and Higher Education Act 1992, subsequent legislation and related regulations and the Financial Memorandum with the ESFA and any other conditions that may be prescribed from time to time.

Approved by order of the members of the Governing Body on 28 January 2021 and signed on its behalf by:



Dr Stuart Edwards, Chair

INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF MORLEY COLLEGE LIMITED

Opinion

We have audited the financial statements of Morley College Limited (the 'College') for the year ended 31 July 2020 which comprise the college statement of comprehensive income, the college balance sheet, the college statement of changes in reserves, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2020 and of the College's deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. The governors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Report of the Governing Body and the incorporated strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Governing Body and the incorporated strategic report have been prepared in accordance with applicable legal requirements.

Opinion on other matters prescribed by the Office for Students' Accounts Direction

In our opinion, in all material respects:

- funds from whatever source administered by the college for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Reasearch England), the Education and Skills Funding Agency and Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the Office for Students' accounts direction for the relevant year's financial statements have been met.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 or the Post-16 Audit Code of Practice 2019 to 2020 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

We have nothing to report in respect of the following matters where the Office for Students' accounts direction requires us to report to you if:

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

Responsibilities of the Governing Body of Morley College Limited

As explained more fully in the Statement of the Governing Body's Responsibilities set out on page 31, the Governing Body (who act as trustess for the charitable activities of the college, and are also the directors and members of the company for the purposes of company law) is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Governing Body determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

RSM UK Audit LLP

HANNAH CATCHPOOL (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB
29 January 2021

Statement of Comprehensive Income
For the year ended 31 July 2020

	Notes	2020 £'000	2019 £'000
INCOME			
Funding body grants	2	10,847	6,002
Tuition fees and education contracts	3	5,119	4,991
Other grants and contracts	4	390	-
Other income	5	253	304
Endowment and investment income	6	12	11
Donations	7	22,009	120
Total income		**38,630**	**11,428**
EXPENDITURE			
Staff costs	8	12,218	8,814
Other operating expenses	9	5,527	2,732
Depreciation and amortisation	11	1,137	699
Interest and other finance costs	10	164	157
Total expenditure		**19,046**	**12,402**
Surplus / (Deficit) before other gains and losses		**19,584**	**(974)**
(Loss)/gain on investments		(13)	4
Surplus/(Deficit) before tax		19,571	(970)
Taxation		-	-
Surplus/(Deficit) for the year	10	19,571	(970)
Unrealised gain on revaluation of assets		10,000	-
Remeasurement of defined benefit pensions liability	22	(6,851)	(440)
Total Comprehensive Income for the year		**22,720**	**(1,410)**
Represented by:			
Unrestricted comprehensive income		22,720	(1,418)
Restricted comprehensive income		-	8
		22,720	**(1,410)**

Memo item: surplus prior to FRS102 pensions adjustments

Surplus/(Deficit) before other gains and losses		19,584	(974)
Interest and other finance costs relating to defined pension benefit scheme	9	164	157
FRS 102 pension costs within staff costs	6	813	600
Surplus/(Deficit) prior to FRS102 pensions adjustments		**20,561**	**(217)**

Statement of Changes in Reserves
For the year ended 31 July 2020

	Income and Expenditure account	Restricted Reserves	Revaluation reserve	Total
	£'000	**£'000**	**£'000**	**£'000**
Balance at 31st July 2018	**(1,368)**	**152**	**14,206**	**12,990**
(Deficit) from the income and expenditure account	(982)	8	-	(974)
Other comprehensive income	(440)	-	-	(440)
Other gains	-	-	4	4
Total comprehensive income for the year	(1,422)	8	4	(1,410)
Balance at 31st July 2019	**(2,790)**	**160**	**14,210**	**11,580**
Surplus from the income and expenditure account	19,584	-	-	19,584
Other comprehensive income	(6,851)	-	10,000	3,149
Other losses	-	-	(13)	(13)
Total comprehensive income for the year	12,733	-	9,987	22,720
Balance at 31st July 2020	**9,943**	**160**	**24,197**	**34,300**

Other gains/(losses) represent gains and losses in investments as shown in the Statement of Comprehensive Income.

Balance sheet as at 31 July 2020

Company registration number 2829836

	Notes	2020 £'000	2019 £'000
Fixed assets			
Tangible fixed assets	11	49,307	18,830
Intangible assets	11	244	87
Investments	13	223	236
		49,774	**19,153**
Current assets			
Trade and other receivables	14	971	572
Cash and cash equivalents	18	5,308	779
		6,279	**1,351**
Less: Creditors – amounts falling due within one year	15	(3,117)	(1,190)
Net current assets		**3,162**	**161**
Total assets less current liabilities		**52,936**	**19,314**
Less: Creditors – amounts falling due after more than one year	16	(1,149)	(950)
Provisions			
Defined benefit pension scheme	22	(17,487)	(6,784)
Total net assets		**34,300**	**11,580**
Restricted reserves	21	160	160
Unrestricted reserves			
Pension reserve	22	(17,487)	(6,784)
Income and expenditure account	21	27,430	3,994
Revaluation reserve	21	24,197	14,210
Total unrestricted reserves		**34,140**	**11,420**
Total reserves		**34,300**	**11,580**

The financial statements on pages 44 to 77 were approved and authorised for issue by the Governing Body on 28 January 2021 and were signed on its behalf on that date by:

Stuart Edwards

Dr Stuart Edwards, Chair

Andrew Gower

Dr Andrew Gower, Accounting Officer

Statement of Cash Flows
For the year ended 31 July 2020

	Notes	2020 £'000	2019 £'000
Operating activities			
(Deficit) for the year		19,584	(974)
Adjustment for non-cash items			
Depreciation and amortisation		1,137	699
Decrease/ (increase) in debtors		367	27
(Decrease)/ increase in creditors due within one year		(723)	(362)
Increase in creditors due after one year		223	101
Pensions costs less contributions payable		977	757
Fair value of other assets and liabilities acquired on business combination		(21,944)	-
Adjustment for investing or financing activities			
Investment income		(12)	(11)
Net cash flow from operating activities		**(391)**	**237**
Cash flows from investing activities			
Investment income		12	11
Cash and cash equivalents acquired on business combination		6,626	-
Purchase of non-current assets – tangible assets	11	(1,487)	(957)
Purchase of non-current assets – intangible assets	11	(208)	(55)
		4,943	(1,001)
Financing activities			
Repayments of amounts borrowed		(23)	(34)
Increase/(Decrease) in cash and cash equivalents in the year		**4,529**	**(798)**
Cash and cash equivalents at beginning of the year	18	779	1,577
Relating to bank balances and short term deposits included in "cash and cash equivalents"		5,308	779

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2019 to 2020 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

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

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

Going concern

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

The College has a loan for £500k, which was drawn down in July 2018 and has a term of 20 years. This borrowing supports the current property strategy to create a new College entrance, reception and a second phase to refurbish the gallery at the Waterloo Centre.

The College completed its business combination with Kensington and Chelsea College (KCC) on 3 February 2020. Under the business combination under the Statement of Recommended Practice: Accounting for Further and Higher Education, KCC combined into Morley. The combined College is considered a going concern based on an assessment of forecast income and expenditure to 2021/22, the basis for this assessment is sourced from within the detailed financial plan for the period to 2024/25 as agreed with ESFA. The financial model has also been subjected to due diligence, using an independent team from RSM Corporate Finance LLP, and the review included sensitivity testing. A funding package for the combination has been negotiated with the ESFA and this includes funding for improvements to the Chelsea Centre, and to refurbish the North Kensington Centre on which Morley holds a 125 year lease. Also included is a cash flow support fund of £3.5m to ensure that cash does not drop below 45 days cover throughout the period to July 2025. Cash flow projections indicate that this facility will not be required during the 2020/21 academic year.

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

Recognition of income

Revenue grant funding

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

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

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

Tuition fee income

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

Investment income

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

Capital grant funding

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Other, non-governmental, capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

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

Agency arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds and any other arrangements. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Accounting for post-employment benefits

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

Teachers' Pension Scheme (TPS)

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

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

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

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

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

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

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

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

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

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

Short-term employment benefits

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

Termination of employment costs

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

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

The College’s buildings are specialised buildings and therefore it is not appropriate to value them based on open market value. Freehold land is not depreciated. Freehold

buildings are depreciated over their expected useful economic life to the College of 50 years.
Long leasehold interests in land and buildings are amortised over the shorter of 50 years or the lease term.

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

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

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2020. They are not depreciated until they are brought into use.

Equipment

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

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

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

Subsequent expenditure on existing fixed assets

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

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

Heritage Assets

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

Intangible Assets

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

Leased assets

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

Fixed asset investments

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

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Taxation

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

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

Provisions and contingent liabilities

Provisions are recognised when

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

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

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

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Fair value of assets and liabilities transferred on business combination*

The fair value assets and liabilities of Kensington and Chelsea College (KCC) have been transferred to the College at the carrying value in the closing accounts of KCC.

- *Lease valuation of Wornington Road*

The College benefits from a 125 year lease on the North Kensington Centre at a cost of a "peppercorn". This has been assessed to have a value of £10M.

- *Local Government Pension Schemes*

The present value of the Local Government Pension Schemes defined benefit liabilities depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, will impact the carrying amount of the pension liabilities. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	2020 £'000	2019 £'000
Recurrent grants		
Education and Skills Funding Agency – adult	9,074	5,869
Education and Skills Funding Agency – 16-18	883	21
Office for Students	33	17
Specific Grants		
Teachers' Pension Scheme contribution grant	410	-
Restructuring facility grant	330	-
Strategic College Improvement Fund grant	41	-
Releases of government capital grants	46	76
Release of GLA LEAP capital award	30	19
Total	**10,847**	**6,002**

3 Tuition fees and education contracts

	2020 £'000	2019 £'000
Tuition fees	4,109	4,202
Education contracts	1,010	789
Total	**5,119**	**4,991**

Higher education income

	2020 £'000	2019 £'000
Grant income from the Office for Students	**33**	**17**
Fee income for taught awards at level 4 and above	971	415
Total	**1,004**	**432**

4 Other grants and contracts

	2020 £'000	2019 £'000
Coronavirus Job Retention Scheme grant	390	-
Total	**390**	**-**

5 Other income

	2020 £'000	2019 £'000
Other income generating activities	253	304
Total	**253**	**304**

6 Investment income

	2020 £'000	2019 £'000
Other investment income	5	7
Other interest receivable	7	4
Total	**12**	**11**

7 Donations

	2020 £'000	2019 £'000
Gift of fair value of net assets of Kensington & Chelsea on combination	21,944	-
Unrestricted donations	65	120
Total	**22,009**	**120**

8 Staff costs

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

	2020 No.	2019 No.
Teaching staff	255	113
Non-teaching staff	133	82
	388	**195**

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

	2020 No.	2019 No.
Teaching staff	516	442
Non-teaching staff	171	91
	687	**533**

Staff costs for the above persons	**2020 £'000**	**2019 £'000**
Wages and salaries	8,703	6,802
Social security costs	692	531
Other pension costs	1,595	868
FRS 102 pension cost adjustments	813	600
Sub total	**11,803**	**8,801**
Contracted out staffing costs	126	-
Sub total	**11,929**	**8,801**
Restructuring costs – contractual	212	13
non-contractual	77	-
	12,218	**8,814**

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Leadership Team. Until February 2020, this comprised of the Principal & Chief Executive, Deputy Principal & Deputy CEO, Vice Principal and Director of Finance. From February 2020 this comprised of the Principal & Chief Executive, Deputy Principal and Chief Finance Officer.

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

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

	2020 No.	2019 No.
The number of key management personnel including the Accounting Officer was:	5	4

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

	Key management personnel		Other staff	
	2020 No.	2019 No.	2020 No.	2019 No.
£30,001 to £35,000	1	-	n/a	n/a
£60,001 to £65,000	-	-	-	1
£65,001 to £70,000	-	-	2	
£70,001 to £75,000	1	-	-	-
£75,001 to £80,000	-	3	-	-
£80,001 to £85,000	1	-	-	-
£85,001 to £90,000	1	-	-	-
£110,001 to £120,000	-	1	-	-
£120,001 to £130,000	1	-	-	-
	5	**4**	**2**	**1**

Key management personnel compensation is made up as follows:

	2020 £'000	2019 £'000
Salaries - gross of salary sacrifice and waived emoluments	325	349
Employers National Insurance	46	43
Benefits in kind	2	3
	373	**395**
Pension contributions	213	50
Restructuring costs – contractual	72	-
Total emoluments	**658**	**445**

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

	2020 £'000	2019 £'000
Salaries	122	110
Benefits in kind	1	1
	123	111

Pension contributions	28	18
Total emoluments	**151**	**129**

The multiple of median earnings represented by the Principal's salary is 4.04 times (2018/19 = 3.49). Based on total emoluments the multiple of median earnings is 3.91 times (2018/19 = 4.55). The median salary for the College is £32,157 (2018/19 =£31,415).

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

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

The members of the Governing Body other than the Accounting Officer and the staff members did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. During the year 1 governor (2018/19 = 4) was reimbursed total expenses of £109 (2018/19 = £2,915).

9 Other operating expenses

	2020 £'000	2019 £'000
Teaching costs	2,006	727
Non-teaching costs	2,211	1,052
Premises costs	1,310	953
Total	**5,527**	**2,732**

Other operating expenses include:	**2020 £'000**	**2019 £'000**
Auditors' remuneration:		
Financial statements audit (including regularity)	40	27
Non-Audit Fees Paid to Financial Statements Auditor	98	-
Internal audit	9	20
Hire of assets under operating leases	95	101

10 Interest payable

	2020 £'000	2019 £'000
Net interest on defined pension liability (note 22)	164	157
Total	**164**	**157**

11 Tangible fixed assets

	Freehold land and buildings	Long Leasehold land and buildings	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2019	19,145	-	4,109	1,821	25,075
Reclassification	(313)	-	313	-	-
Acquisitions through business combinations	18,952	10,425	699	-	30,076
Additions	83	-	433	971	1,487
At 31 July 2020	**37,867**	**10,425**	**5,554**	**2,792**	**56,638**
Depreciation					
At 1 August 2019	2,583	-	3,662	-	6,245
Reclassification	(121)	-	117	-	(4)
Charge for the year	503	100	487	-	1,090
At 31 July 2020	**2,965**	**100**	**4,266**	**-**	**7,331**
Net book value at 31 July 2020	**34,902**	**10,325**	**1,288**	**2,792**	**49,307**
Net book value at 31 July 2019	16,562	-	447	1,821	18,830

The value of freehold land not depreciated is £23.8m of which £9.3m was acquired during the combination with Kensington and Chelsea College. Previously owned land was valued at £14.5m as at 1 August 2014 by Gerald Eve LLP, a firm of independent chartered surveyors.

The College benefits from a long leasehold on the North Kensington Centre (Wornington Road) of 125 years at a "peppercorn". Following independent advice this lease has been valued at £10m.

Intangible assets

	Software
Cost or valuation	£'000
At 1 August 2019	498
Additions	208
At 31 July 2020	706
Amortisation	
At 1 August 2019	411
Reclassification	4
Charge for the year	47
At 31 July 2020	462

Net book value at 31 July 2020	244
Net book value at 31 July 2019	87

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

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

The College considers that these heritage assets cannot be reasonably valued and has therefore, and in accordance with paragraph 18.14 of the Charities SORP 2015, not included them in its balance sheet.

12 Capital commitments

	2020 £'000	2019 £'000
Contracts for future capital expenditure not provided	**151**	**500**

13 Non-current investments

	2020 £'000	2019 £'000
(i) M & G Charifund investments	50	63
(ii) STIC Global investments	117	117
(iii) COIF Bursary and Prize Fund investments	56	56
Total	**223**	**236**

Total investment losses in the year were £13k (2018: gains of £4k).

(i) M & G Charifund investments

The College owns 3,982 M & G Charifund income units:	2020 £	2019 £
Cost	4,999	4,999
Revaluation surplus brought forward	58,559	60,042
Revaluation movement in year	(13,879)	(1,483)
Market value at 31 July 2020	**49,679**	**63,558**

(ii) STIC Global investments

The College owns 117,623 (2019 = 116,973) £1 shares in STIC Global:

	2020	2019
	£	£
Market value as at 31 July 2020	**117,623**	**116,973**

(iii) Charities Official Investment Fund (COIF)

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

Cost of shares	Number of Shares	2020 £	2019 £
Martineau Memorial Fund	473	491	491
Emma Cons (Morley College) Memorial Fund	68	70	70
Sheddon Memorial Fund	1,844	1,961	1,961
Anstruther Sheepshanks Scholarship	365	379	379
Group Theatre (Morley College)	587	610	610
Total cost of shares	**3,337**	**3,511**	**3,511**
Cost of Capital Shares			
Martineau Memorial Fund		371	371
Emma Cons (Morley College) Memorial Fund		67	67
Sheddon Memorial Fund		1,242	1,242
Anstruther Sheepshanks Scholarship		379	379
Group Theatre (Morley College)		596	596
Total capital shares		**2,655**	**2,655**
Cost of Income Shares			
Martineau Memorial Fund		120	120
Emma Cons (Morley College) Memorial Fund		3	3
Sheddon Memorial Fund		719	719
Group Theatre (Morley College)		14	14
Total income shares		**856**	**856**
Cost		3,511	3,511
Revaluation surplus bought forward		52,338	47,561
Revaluation movement in the year (Note 19)		124	4,777
Market value as at 31 July 2020 as above		**55,973**	**55,849**

14 Trade and other receivables

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade receivables	353	40
Other debtors	222	372
Prepayments and accrued income	386	160
Owed by the GLA	10	-
Total	**971**	**572**

15 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Bank loans and overdrafts	34	33
Payments received in advance / deferred income	159	452
Trade payables	973	138
Other taxation and social security	232	258
Accruals	742	112
Other creditors	868	137
Amounts owed to the ESFA	46	-
Deferred Capital Grant (funding body)	63	60
Total	**3,117**	**1,190**

	2020 £'000	2019 £'000
Deferred Income		
Deferred income at 1 August	452	449
Resources deferred in the year	159	452
Amount released from previous years	(452)	(449)
Deferred income at 31 July	**159**	**452**

Deferred income comprises of funding body income and tuition fees paid in advance

16 Creditors: amounts falling due after one year

	2020 £'000	2019 £'000
Bank loans	409	433
Deferred Capital Grant (funding body)	740	517
Total	**1,149**	**950**

Deferred Capital Grants

At 1 August	577	434
Received in the year	302	238
Released to income and expenditure account	(76)	(95)
At 31 July	**803**	**577**

17 Maturity of debt

Bank loans

Bank loans are repayable as follows:

	2020 **£**	**2019** **£**
In one year or less	34,059	33,333
Between one and two years	34,059	33,333
Between two and five years	102,178	100,000
In five years or more	272,474	300,001
Total	**442,770**	**466,667**

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

18 Cash and cash equivalents

	At 1 August 2019 £'000	**Cash flows £'000**	**Other changes £'000**	**At 31 July 2020 £'000**
Cash and cash equivalents	779	4,529	-	5,308
Total	**779**	**4,529**	**-**	**5,308**

19 Analysis of changes in net funds

	At 1 August 2019	Cash flows	Cash flows from business combination	New finance leases	Other non-cash changes	Changes in market value and exchange rates	At 31 July 2020
	£'000	£'000		£'000	£'000	£'000	£'000
Cash and cash equivalents	779	(2,097)	6,626	-	-	-	5,308
Bank overdrafts	-	-	-	-	-	-	-
Debt factoring	-	-	-	-	-	-	-
	779	(2,097)	6,626	-	-	-	5,308
Bank loans	(467)	23	-	-	-	-	(444)
Finance leases	-	-	-	-	-	-	-
Current asset investments	-	-	-	-	-	-	-
Net debt	312	(2,074)	6,626	-	-	-	4,864

20 Financial instruments

The college has the following financial instruments:	2020 £'000	2019 £'000
Financial assets		
Financial assets measured at fair value through profit and loss	223	236
Financial liabilities		
Financial liabilities measured at fair value through profit and loss	-	-

21 Funds

	As at 31 July 2019 £'000	Incoming Resources £'000	Resources Expended £'000	Other gains £'000	Transfers £'000	As at 31 July 2020 £'000
Restricted Funds						
Bursary and Investments	86	-	-	-	-	86
Special Projects	74	-	-	-	-	74
	160	-	-	-	-	160
Unrestricted Funds						
General Reserve	3,485	41,335	(17,905)	-	-	26,915
Revaluation Reserve	14,210	-	-	9,987	-	24,197
Development Reserve	433	-	-	-		433
Other Designated Funds:						
Bursary fund	52	6	-	-	-	58
Special Projects	18	-	-	-	-	18
Heritage Fund	6	-	-	-	-	6
Total Unrestricted Funds	18,204	41,341	(17,905)	9,987	-	51,627
Total Funds (excluding Pension Reserve)	18,364	41,341	(17,905)	9,987	-	51,627
Pension reserve	(6,784)	(2,711)	(1,141)	(6,851)	-	(17,487)
Total reserves excluding pension reserve	11,580	38,630	(19,046)	3,136	-	34,300

Previous year for comparison:

	As at 31 July 2018 £'000	Incoming Resources £'000	Resources Expended £'000	Other gains £'000	Transfers £'000	As at 31 July 2019 £'000
Restricted Funds						
Bursary and Investments	78	41	(33)	-	-	86
Special Projects	74	-	-	-	-	74
	152	41	(33)	-	-	160
Unrestricted Funds						
General Reserve	3,710	11,387	(11,612)	-		3,485
Revaluation Reserve	14,206	-	-	4	-	14,210
Development Reserve	433	-	-	-		433
Other Designated Funds:						
Bursary fund	52	-	-	-	-	52
Special Projects	18	-	-	-	-	18
Heritage Fund	6	-	-	-	-	6
Total Unrestricted Funds	18,425	11,387	(11,612)	4	-	18,204
Total Funds (excluding Pension Reserve)	18,577	11,428	(11,645)	4	-	18,364
Pension reserve	(5,587)	-	(757)	(440)	-	(6,784)
Total reserves excluding pension reserve	12,990	11,428	(12,402)	(436)	-	11,580

Restricted funds

Restricted funds are held for the specific purposes identified by the funding terms. During the year, income was received from two separate trusts and foundations for the purpose of funding bursaries and the terms were considered to meet the needs of the restricted funds. Income received amounted to £nil and expenditure against this income in year was £nil. The balance is shown as the movement in the restricted funds.

Unrestricted funds: Revaluation Reserve

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

Land and buildings inherited from the Local Education Authority by KCC were revalued as at 31st July 1999. The revaluation was performed by Drivers Jonas, Chartered Surveyors and was done on an "existing use" basis.

The College benefits from a 125 year lease on the Wornington Road Centre at a cost of a "peppercorn". Following professional advice this lease has been valued at £10m.

	2020	**2019**
	£'000	**£'000**
At 1 August	14,210	14,206
Revaluations in the period (note 13)		
M & G Charifund investments	(13)	(1)
STIC Global investments	-	1
COIF Bursary and Prize Fund investments	-	4
Revaluation reserve acquired as part of the business combination with Kensington and Chelsea College	12,413	-
Total	**26,610**	**14,210**

Development Reserve

The Development Reserve is a designated fund that has been established to improve and extend the College's buildings, its environment and the facilities available for students in accordance with the College Property Strategy. The College's reserves policy is to retain a minimum level of general reserves (excluding losses or gains in respect of the pension scheme) equivalent to one term (four months) expenditure to cover the risks and uncertainties of operating its main business and continue building up the Development Reserve from annual operating surpluses.

COIF Bursary Fund

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

Special Projects Fund

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

Heritage Fund

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

22 Defined benefit obligations

The College's employees belong to three principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff, the London Local Government Pension Scheme (LGPS) for non-teaching staff based at the Waterloo centre, which is managed by the London Pension Fund Authority, and the London Local Government Pension Scheme (LGPS) for non-teaching staff based at North Kensington and Chelsea centre, which is managed by the Royal Borough of Kensington and Chelsea. All three are multi-employer defined-benefit plans. The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2016 and of the LGPS 31 March 2020.

Total pension cost for the year		**2020**		**2019**
		£'000		**£'000**
Teachers Pension Scheme: contributions paid		1,005		596
Local Government Pension Scheme:				
Contributions paid	590		273	
FRS 102 (28) charge	813		600	
Charge to the Statement of Comprehensive Income		1,403		873
Total pension cost for year within staff costs		**2,408**		**1,469**

Contributions amounting to £147k were payable to the schemes as at 31 July 2020 and are included in creditors (£196k in 2019).

Teachers' Pension Scheme

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

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

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

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The college is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the college has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The college has set out above the information available on the plan and the implications for the college in terms of the anticipated contribution rates.

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

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

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

The pension costs paid to TPS in the year amounted to £1,005,000 (2019: £596,000)

Local Government Pensions Schemes

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

	Asset	**Liability**	**Net Liability**
LPFA	11,494	(22,125)	(10,631)
RBKC	21,286	(28,142)	(6,856)
Total	32,780	(50,267)	(17,487)

Local Government Pension Scheme – London Pension Fund Authority

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the London Pension Fund Authority. The total contribution made for the year ended 31 July 2020 was £611k, of which employer's contributions totalled £453k and employees' contributions totalled £158k. The agreed contribution rates for future years are 15.1% for employers and range from 5.5% to 9.9% cent for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2020 by a qualified independent actuary.

	At 31 July 2020	**At 31 July 2019**
Rate of increase in salaries	3.25%	3.85%
Future pensions increases	2.25%	2.35%
Discount rate for scheme liabilities	1.40%	2.65%

Inflation assumption (CPI)	2.25%	2.35%
Commutation of pensions to lump sums	0%	50%

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

	At 31 July 2020 years	**At 31 July 2019 years**
Retiring today		
Males	21.20	20.30
Females	23.90	23.20
Retiring in 20 years		
Males	22.70	22.10
Females	25.40	25.10

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

	Long-term rate of return expected at 31 July 2020	**Fair Value at 31 July 2020**	**Long-term rate of return expected at 31 July 2019**	**Fair Value at 31 July 2019**
		£'000		**£'000**
Equities	55.00%	6,313	55.00%	5,779
Target Return Portfolio	23.00%	2,615	25.00%	2,694
Infrastructure	7.00%	794	6.00%	608
Property	9.00%	1,066	9.00%	966
Cash	6.00%	706	5.00%	559
Total market value of assets		**11,494**		**10,606**

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

	2020 £'000	**2019 £'000**
Fair value of plan assets	11,494	10,606
Present value of plan liabilities	(22,125)	(17,390)
Net pensions liability	**(10,631)**	**(6,784)**

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

	2020 £'000	2019 £'000
Amounts included in staff costs		
Current service cost	928	739
Past service cost	127	134
Total	**1,055**	**873**

	2020 £'000	2019 £'000
Amounts included in investment income		
Net interest income	139	145
Administration expenses	14	12
	153	**157**

Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	346	692
Other actuarial gains on assets	7	-
Experience losses arising on defined benefit obligations	(611)	(4)
Changes in assumptions underlying the present value of plan liabilities	(2,834)	(1,128)
Amount recognised in Other Comprehensive Income	**(3,092)**	**(440)**

Movement in net defined benefit (liability) during the year

	2020 £'000	2019 £'000
(Deficit) in scheme at 1 August	(6,784)	(5,587)
Movement in year:		
Current service cost	(928)	(739)
Employer contributions	453	273
Past service cost	(127)	(134)
Administration expenses	(14)	(12)
Net interest on the defined liability	(139)	(145)
Actuarial gain or loss	(3,092)	(440)
Net defined benefit liability at 31 July	**(10,631)**	**(6,784)**

	2020 £'000	2019 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	17,390	15,043
Current Service cost	928	739
Past Service cost	127	134
Interest cost	365	398
Contributions by Scheme participants	158	146
Experience gains and losses on defined benefit obligations	611	4
Changes in financial assumptions	2,834	1,128
Estimated benefits paid	(288)	(202)
Defined benefit obligations at end of period	**22,125**	**17,390**

Reconciliation of Assets

	2020 £'000	2019 £'000
Fair value of plan assets at start of period	10,606	9,456
Interest on plan assets	226	253
Return on plan assets	346	692
Other actuarial gains	7	-
Administration expenses	(14)	(12)
Employer contributions	453	273
Contributions by Scheme participants	158	146
Estimated benefits paid	(288)	(202)
Fair value of plan assets at end of period	**11,494**	**10,606**

Local Government Pension Scheme - Royal Borough of Kensington and Chelsea

Morley joined the LGPS funded defined-benefit plan, with the assets held in separate funds administered by the Royal Borough of Kensington and Chelsea, on 3 February when it combined with Kensington and Chelsea College. The total contribution made for the period ended 31 July 2020 was £171,311, of which employer's contributions totalled £122,321 and employees' contributions totalled £48,990. The agreed contribution rates for future years are 16.3% for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2020 by a qualified independent actuary.

	At 31 July 2020
Rate of increase in salaries	3.25%
Future pensions increases	2.35%
Discount rate for scheme liabilities	2.10%
Inflation assumption (CPI)	2.35%
Commutation of pensions to lump sums	0%

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

	At 31 July 2020 years
Retiring today	
Males	21.80
Females	24.40
Retiring in 20 years	
Males	23.20
Females	25.90

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

	Long-term rate of return expected at 31 July 2020	**Fair Value at 31 July 2020**
		£'000
Equities	77.00%	16,327
Property	5.00%	1,069
Cash plus funds	18.00%	3,768
Cash	1.00%	122
Total market value of assets		**21,286**

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

	2020
	£'000
Fair value of plan assets	21,286
Present value of plan liabilities	(28,142)
Net pensions liability	**(6,856)**

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

	2020
	£'000
Amounts included in staff costs	
Current service cost	312
Total	**312**

Amounts included in investment income	**2020 £'000**
Net interest income	25
Administration expenses	7
	32

Amounts recognised in Other Comprehensive Income	
Return on pension plan assets	(978)
Changes in assumptions underlying the present value of plan liabilities	(2,781)
Amount recognised in Other Comprehensive Income	**(3,759)**

Movement in net defined benefit (liability)/asset during the year

	2020 £'000
(Deficit) in scheme on transfer from Kensington & Chelsea College at 3 February	(2,875)
Movement in year:	
Current service cost	(312)
Employer contributions	122
Past service cost	-
Administration expenses	(7)
Net interest on the defined liability	(25)
Actuarial gain or loss	(3,759)
Net defined benefit liability at 31 July	**(6,856)**

Changes in the present value of defined benefit obligations	**2020 £'000**
Defined benefit obligations on transfer from Kensington & Chelsea College at 3 February	24,960
Current Service cost	312
Past Service cost	-
Interest cost	216
Contributions by Scheme participants	49
Experience gains and losses on defined benefit obligations	-
Changes in financial assumptions	2,781
Estimated benefits paid	(176)
Defined benefit obligations at end of period	**28,142**

Reconciliation of Assets	**2020** **£'000**
Fair value of plan assets at start of period	22,085
Interest on plan assets	191
Return on plan assets	(978)
Other actuarial gains	-
Administration expenses	(7)
Employer contributions	122
Contributions by Scheme participants	49
Estimated benefits paid	(176)
Fair value of plan assets at end of period	**21,286**

23 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £109 (2018/19: £2,915). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2018/19: Nil).

The College paid for a subscription with the South Bank Employers Group of which the Principal and CEO, Andrew Gower, is a director. The cost of the subscription was £23k during 2019/20 (2018/19: £23k) with a nil balance as 31 July 2020.

24 Lease obligations

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

	2020 **£'000**	**2019** **£'000**
Future minimum lease payments due		
Not later than one year	96	109
Later than one year and not later than five years	192	277
Later than five years	73	83
Total	361	469

25 Business combination with Kensington and Chelsea College

Kensington and Chelsea College combined with Morley on 3 February 2020. The combination was classed as a type B combination with the Kensington and Chelsea College corporation being dissolved and all trade, assets and liabilities transferring to Morley on 3 February 2020 at £nil consideration. The transaction has been treated as a gift in substance in line with FRS102, PBE 34.77 to PBE 34.79.

The results attributable to Kensington and Chelsea College since the business combination on 3 February 2020 are as follows:

	£'000
Income	**2,058,543**
Deficit	**(725,565)**

These amounts have been calculated based upon the proportion of income attributable to KCC operations post-combination and an allocation of costs.

The assets and liabilities that were brought into Morley at fair value on 3 February 2020 were as follows:

	£'000
Non-current assets	
Tangible fixed assets	20,076
Current assets	
Trade and other receivables	766
Investments	5,013
Cash and cash equivalents	1,613
	7,392
Less: creditors - amounts falling due within one year	(2,649)
Net current assets	4,743
Total assets less current liabilities	24,819
Provisions	
Defined benefit obligations	(2,875)
Total net assets/gift	21,944

The gift of the fair value of net assets is included in the Statement of Comprehensive Income.