



**MORLEY COLLEGE LIMITED**

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

**Registered number: 2829836**

**Registered charity number: 1023523**

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## **Key Management Personnel, Board of Governors and Professional advisors**

### **Key management personnel**

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

Dr Andrew Gower - Principal and CEO; Accounting Officer

Marco Macchitella - Deputy Principal and Deputy CEO

Ralph Moran – Chief Finance Officer

### **Governing Body**

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

## **General information and professional advisors**

### **Registered Office**

61 Westminster Bridge Road

London SE1 7HT

### **Financial statements auditors and reporting accountants**

Buzzacott LLP

130 Wood Street

London EC2V 6DL

### **Internal auditors**

RSM UK Audit LLP

25 Farringdon Street

London EC4A 4AB

### **Bankers**

National Westminster Bank plc

91 Westminster Bridge Road

London SE1 7HW

### **Solicitors**

Eversheds Sutherland

1 Wood Street

London EC2V 7WS

## **Morley College London - Introduction**

Morley College Limited trades as Morley College London.

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

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

Our students include:

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

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

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

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

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

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

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

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

## **Report of the Governing Body and Strategic Report**

### **Nature, Objectives and Strategies**

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

### **Legal status**

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

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

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

### **Principal activities**

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

### **Mission**

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

### **Public benefit**

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

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

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

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

The core-funding agency for the College during 2022/23 was the Greater London Authority (GLA), with additional funding from the Education and Skills Funding Agency (ESFA) in respect of 16-19 education and adult learners resident outside of the devolved authorities. The funding received is used to support unrestricted access to the beneficiaries. From 1 August 2019, the funding for London-based Adult Education learners transferred to the Greater London Authority (GLA). This devolved funding model provides further opportunities for the College to embrace the Skills for Londoners initiatives. The ESFA will continue to fund the College for adult students that are based outside London. The College continually develops its curriculum to address the priorities of its communities and works closely with the London Economic Action Partnership (LEAP), which is the local enterprise partnership for London.

### **Implementation of strategic plan**

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

- Create outstanding learning opportunities  
We will offer choice and flexibility to students by delivering an ambitious range of exciting and engaging courses in response to the interests of students and the learning needs of the communities we serve.
- Deliver an outstanding student experience  
We will build the capacity and resilience to invest in high quality learning environments supported by high quality learning resources. With the support of funders, a comprehensive estates strategy will see significant investment into the North Kensington Centre for Skills.
- Achieve financial sustainability  
Working within a closely defined Financial Strategy, we will work towards achieving the sustainability of the College by growing our revenue whilst maintaining close control of costs.

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

### Performance indicators

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

The KPIs for 2022/23 show a high standard of delivery, with most above target and showing an improvement in comparison to 2021/22. The College is making continued progress across all three strategic goals. The following table captures college performance against non-financial targets for the College.

Measure	Actual	Target	Status
Student Recruitment	81.7%	80.0%	✓
Achievement rates	88.3%	86.2%	✓
Student satisfaction	92.0%	90.0%	✓
Student destination	TBC	90.0%	

In relation to the academic performance of students, the College's 2022-23 Self-Assessment Report (SAR) identifies many strengths, including:

- The College has a curriculum intent that builds on the college's strengths, providing learning opportunities that respond to national skills needs and are highly relevant to Morley College London's communities of location and practice.



- The curriculum is expertly delivered by a wide range of part-time and full-time staff, many of whom are renowned practitioners in their own fields. Teaching staff are experienced and well qualified with very strong subject knowledge and/or industry experience and effectively motivate and enthuse students who clearly enjoy their learning and are very focused and hard working.
- The curriculum at Morley College London has a very positive impact on students. They consistently develop relevant and valuable skills in their respective fields that enable them to progress and achieve their goals, move on to the next stage of their learning or into volunteering or employment. They produce work of good, and often outstanding quality as evidenced in portfolios, written and practical work and end of year exhibitions and performances.
- Student retention and achievement on short, unaccredited courses (which constitute 71% of the College enrolments) are at 97.1% and 95.5% respectively, 0.6% and 0.3% above the national average. On these courses students consistently achieve their learning outcomes, developing subject related knowledge and skills as well as wider outcomes such as health and wellbeing; character, attitudes, and skills; integration and inclusion; and creativity and culture.
- Achievement on education programmes for young people is good. On level 3 study programmes, achievement is 80.4%, 0.6% above national average.
- The behaviour and attitudes of students at Morley College London are excellent. Students' motivations to study are strong, sustained and encouraged by teachers. The learning environment at the College is safe and supportive and one where discrimination, abuse and bullying are not tolerated. The College's inclusive and tolerant culture promotes students' understanding of life in modern Britain and the wider world well.
- Opportunities for personal development are very good. Each of the College's centres enables its students to develop their attitudes, knowledge, and skills beyond the academic content of the curriculum through a wide range of extra-curriculum activities.
- In February 2023 OFSTED undertook a full inspection of Morley College London. This inspection awarded the college a 'Good' overall, with Good awarded for all three provision types and with an outstanding judgement for Behaviour and Attitudes. The College was also recognised for its work with employers and stakeholders with a 'Strong' skills judgement, the highest achievement for this new category.
- The College participated in the Teaching Excellence Framework. This national recognised scheme for Higher Education specifically and led by the Office for Students scrutinises the quality of the student experience and student outcomes. The College was awarded a 'Gold' for the quality of the student experience and a Silver for Student Outcomes, with an overall rating of Gold ('typically outstanding').
- The Chelsea Centre for Creative Industries was awarded by the Mayor of London's office the Quality Mark for Creative Industries. An award that recognises training providers who have demonstrated high-quality skills provision within a key sector for London.
- Morley College London prepares students well for future success in education, employment, or training. Students benefit from high quality specialist and impartial

advice and guidance available from pre-enrolment onwards from tutors, managers, and the Student Services Team.

- Leadership and management are strong. Leaders, managers, and governors were highly effective in successfully steering the College through challenging times during 2022-23 to secure a good quality of education for all its students and have established a strong vision and curriculum intent for each of the College centres, with clear ambition for students' success and progression, including those difficult to engage. They have worked well to implement this vision through strong partnership networks, including those reaching into the local communities into higher education and employment. The impact of leadership and management on student outcomes is good, and senior leaders have successfully created structures that have positively transformed the lives of thousands of students in Lambeth, Southwark, Kensington, Chelsea, and across London.
- Managers have very high expectations of teaching staff. They expect good or better teaching to be the norm and provide teachers with the tools to achieve this. Regular CPD and individual support for teachers ensure that teaching across the College remains at least good and there are many instances of inspiring, outstanding professional practice.
- Governors have a clear understanding of the college's mission, vision and strategy, with a robust strategic plan and effective arrangements for monitoring its implementation. They display a strong commitment to the values and ethos of the College and rigorously monitor the college's performance.
- Safeguarding practices in the College are effective. Safeguarding is both explicit and well embedded in all College activities.

There were however a small number of significant areas for enhancement that will be the focus of enhancement activities during 2023-24. These include:

- For Adult students a tutorial programme, appropriate to the learning experience that fosters enhanced engagement with careers opportunities and British values.
- For Education Programmes for Young People (including those with high needs) that work experience to be applied in a more timely way and the positive impact and opportunities to be more fully understood by students.
- Basic English and Maths outcomes are below national averages for retention and achievement.

The College has completed the annual financial returns for the ESFA, which confirmed a Financial Health grade of 'Outstanding' based on 2022/23 outturn and 2023/24 budgeted performance. The financial performance detailed in these financial statements continues to support a Financial Health grade of 'Outstanding' under the ESFA assessment methodology.

## Financial Position

### Financial objectives

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

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

### Financial results

Governors approved a surplus operating budget of £214K for 2022/23, anticipating a continuing improvement in recruitment across all courses compared to the impacts seen in 2021/22. Over the course of the year the College sought to maximise income streams and minimise costs while maintaining delivery across the whole range of educational programmes.

The College has successfully delivered provision sufficient to meet the requirements of all funding body contracts, securing growth in 16-19 learner numbers that will generate additional income in 2023/24. Education contracts are maintained with a range of local partners, which again have been delivered in full or exceeded during 2022/23, except for

the contract for RBKC Community Learning. Tuition fee/loan income across all categories has remained a challenge, where delivery costs have been mitigated to the fullest extent possible.

Summary financial results are as follows:

- The actual outturn prior to FRS102 pension adjustments is a surplus of £491k (page 48).
- The ESFA Health rating as calculated in accordance with ESFA methodology is 'Outstanding'.
- The College has total reserves of £48,189k, after an increase of £4,290k following a reduction in pension liabilities.

The College invested £948k in additional tangible fixed assets during the year. The investment focused on the installation of information technology and the fit out of the North Kensington Centre following its refurbishment, as well as works undertaken at the Chelsea Centre and Waterloo Centres, including the relocation of the Creche to Waterloo.

The College has significant reliance on the education sector funding bodies as its principal funding source, largely through recurrent grants. This reliance has remained constant with 2022/23 grant income being 77% of the College's total income, compared to 77% in 2021/22 (excluding donations).

### **Treasury policies and objectives**

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

The College has a separate Treasury Management Policy in place. Short-term borrowing for temporary revenue purposes is authorised by the Accounting Officer, though this has not been required in recent years. All other borrowing requires the authorisation of the Governing Body and must comply with the requirements of the Financial Memorandum with the ESFA, Government Accounting, and the College's Financial Regulations.

### **Cash flows and liquidity**

Cash and cash equivalents held at 31 July 2023 totalled £5,373k, with net cash inflow from operating activities of £4,858k (see page 51). This reflects the receipt of £2,633k of capital grants which have been deferred, with expenditure planned in 2023/24 and 2024/25.

### **Reserves**

The College recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support its operational and strategic goals. At the balance sheet date total reserves net of pension liabilities totalled £48,189k.

## **Current and future development and performance**

### **Financial health**

The ESFA last formally assessed the financial health of the College in their letter to the Principal of November 2023, and provided a grade of 'Outstanding' for 2022/23 and a projected grade of 'Outstanding' for 2023/24.

### **Student numbers and fee income**

In 2022/23, the College has delivered activity that has generated £16.7m in funding body grants, an increase of £1,096k in comparison to 2021/22. Tuition fee and educational contracts income increased from £3.8m in 2022/23 to £4.1m in 2022/23. The College had 11,086 students and 22,865 enrolments; the average student enrolls onto 2.1 courses. Both student numbers and enrolments, while not at pre-pandemic levels, have shown an improvement in comparison on 2021/22. Average class sizes have also increased from 9.7 to 10.5.

### **Curriculum Developments and Quality Enhancement**

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

The College holds contracts with the Royal Borough of Kensington and Chelsea (RBKC) and Lambeth Council for the provision of Community Learning covering a wide range of curriculum areas, responding to the needs of community groups and organisations, and in accordance with local strategic priorities. In 2022-23, Community Learning courses were delivered in partnership with over 60 community, voluntary and statutory organisations and groups.

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

- Clearly defined learning Clearly signposted pathways across all three Centres include: opportunities for 16–18-year-olds at North Kensington and Chelsea that inspire students to achieve and progress into employment, further training or university.
- Health, Education and Science; Business and IT; and Arts and Humanities programmes for adults at North Kensington

- Creative Discovery, Fine Arts, Media, Creative Technology programmes for adults at Chelsea, including short, introductory courses to stimulate interest and progression into higher levels of study. These include new, industry-relevant, advanced and higher-level diplomas leading to employment opportunities in the Creative Industries sector.
- Fashion, Visual and Digital Arts, Music and Performance, Health and Social Care, Humanities and Science adult programmes at Waterloo, including progression opportunities from our local communities into on-site short courses and further into accredited provision in advanced and higher learning.

A full Ofsted inspection was completed in February 2023, and the College was assessed overall as 'good' with 'outstanding' for behaviour and attitudes, and a judgment of 'strong' in its contribution to skills.

### **Payment performance**

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

During the accounting period 1 August 2022 to 31 July 2023, the College paid 96% of its invoices within terms or 30 days.

### **Events after the end of the reporting period**

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

### **Future prospects and going concern**

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

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

The merger financial plan is further supported by a grant from the DfE totalling £3.5M that can be drawn down if the College's available cash falls below an agreed level. As a result

of the impact of Covid-19 on tuition fee income, the College has drawn down £3.0M of this facility in total. Notwithstanding this, there has been a return to growth during 2022/23, with the College delivering an operating surplus, with further cautious growth programmed into plans for 2023/24, and the College financial plan projects continuing growth and financial sustainability over the life of the plan.

Having due regard to best practice developments in the UK Corporate Governance Code 2018 in respect of going concern and risk management reporting, the College believes it will be able to continue in operation and meet its liabilities taking account of the current position and principal risks for the foreseeable future, and at least until December 2024. The College's assessment of going concern is supported by:

- Careful cash flow management.
- High quality facilities, bolstered by ongoing capital investment across all main centres.
- A strong capacity to generate ongoing cash flow surpluses.
- Robust financial management and the College's actions to monitor budget performance.
- The five-year merger financial plan agreed with the ESFA.
- Robust risk management processes.
- The availability of the £3.5m restructuring facility grant, with £0.5m yet undrawn.

## **RESOURCES**

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

### **Buildings and accommodation**

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

At Stockwell, just behind the tube station, the College has established a satellite centre based in a former community centre building. The College also operated from The Lewington Centre in South Bermondsey during 2022/23, however operations from this centre have been discontinued from 2023/24 onwards.

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

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

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

## **Financial**

The College has £48.1 million of unrestricted net assets and a balance of £304k of long-term debt.

## **People**

The College employed on average 282 people during the year (expressed as full-time equivalents), of whom 153 are teaching staff, and 129 are non-teaching staff. This represented a reduction in comparison to 2021/22. The College undertook a limited staff restructuring exercise during 2022/23, completed in July 2023 focussed on delivering savings in senior management costs. The College continues to outsource its cleaning and security across all centres and pays all directly employed staff above the London Living Wage.

## **Reputation**

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

## **Staff and student involvement**

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

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

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

The College values and actively seeks feedback from all users of its services, particularly students. It monitors all formal complaints as well as reviewing its processes to ensure all matters are resolved in line with the College's policies. During 2022/23, there were 17 formal complaints, compared to 17 in 2021/22; 46% of those complaints were resolved satisfactorily



within 15 working days, with more complex complaints resolved satisfactorily over a longer period.

### Fundraising

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

During 2022/23 the College received donated income of £57k. Donated income is reported in the year of receipt and the College aims to use the funds to support the donors’ aims within a timely period to ensure that the wider College benefits from their generosity.

### Energy Use and Carbon Reporting

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

<b>UK Greenhouse gas emissions and energy use data for the period</b>	
Energy consumption used to calculate emissions (kWh)	<b>2,487,766</b>
Energy consumption breakdown (kWh) (optional)	
• gas,	783,272
• electricity,	1,704,494
<u>Scope 1 emissions in metric tonnes CO2e</u>	
Gas consumption	153
Owned transport – College cars	2
<u>Total scope 1</u>	155
<u>Scope 2 emissions in metric tonnes CO2e</u>	
Purchased electricity	397
<b>Total gross emissions in metric tonnes CO2e</b>	<b>540</b>

<u>Intensity ratio</u>	
Tonnes CO2e per student	<b>0.049</b>

## Quantification and Reporting Methodology

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

### Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per student, the recommended ratio for the sector. The 2022/23 figure of 0.049 tonnes CO2 per student compares to 0.050 tonnes CO2 per student in 2021/22.

### Measures taken to improve energy efficiency

During 2022/23 the College has continued to progress projects to improve energy efficiency. These will be implemented early in 2023/24 which will see additional benefits. These include capital investment to upgrade all lighting systems to LEDs at the Waterloo Centre, and the installation of voltage optimisation. In addition to physical investment the College has sought to utilise the estate more effectively consolidating activity and reducing opening times where possible. This will be further developed during 2023/24, taken forward by the College's Sustainability Steering Group.

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

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

## PRINCIPAL RISKS AND UNCERTAINTIES

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

The following key strategic risks were considered during 2022/23:

- Failure to adapt to the changing landscape
- Reduction in public funding
- Failure to manage the College finances
- Failure to comply with funding body audit requirements
- Failure to manage health and safety
- Failure to safeguard children and vulnerable adults

- Failure to maintain business continuity
- Failure to achieve student recruitment targets
- Failure to manage capital programmes
- Failure to deliver an outstanding student experience
- Failure to recruit and retain competent and committed staff
- Failure to succession plan (senior staff and governors)
- Failure to maintain and enhance quality
- Failure of IT systems to meet the needs of students, staff or visitors
- Failure to prepare for a major system outage or data breach, including cyber attack

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

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

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

### **Maintenance of quality of provision (Risk 13)**

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

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

- targeting both technical and pedagogy skills.
- Effective use of management information systems to support quality enhancement
- Development of a property strategy driven by the needs of the developing curriculum and building a level of reserves to support this strategy.

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

### **Maintenance of an outstanding student experience (Risk 10)**

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

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

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

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

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

The College has further mitigated the financial risk through the five-year planning period through the agreement for additional grant funding. To date £3.0m has been drawn down, with a further £0.5m available if required.

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

The College has significant reliance on education sector funding bodies for its funding, largely from recurrent grants. This reliance has continued with 2022/23 grant income being 77% of the College's total income as it was in 2021/22.

Following the 2022 triennial valuation of Local Government Pension Schemes and a favourable FRS102 valuation of the LGPS schemes resulted in a significant pension asset which has been capped at £Nil in the financial statements. As such there is no deficit in the Local Government Pension Scheme deficit attributable to the College on the College's balance sheet in line with the requirements of FRS 102.

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

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

Each risk owner within the Senior Leadership Team is held to account for their actions against their risk(s) through the College's Risk Management Committee reporting to the Audit Committee of the Governing Body. Risks are mitigated through both short-term actions, working towards a longer-term sustainable solution for the College.

## STAKEHOLDER RELATIONSHIPS

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

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

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

The College values its relationship with the trade unions representing its employees. Regular meeting of the Joint Consultative Committee were held, throughout 2022/23, in a positive and transparent manner.

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the College to publish the following information to outline the facility time arrangements for trade union officials at the College. Facility time with a total estimated value of £27,620 was available.

Numbers of employees during the relevant period	FTE employee number
10	4.64

Percentage of time	Number of employees
0%	
1-50%	10
51-99%	
100%	

Total cost of facility time	£2,854
Total pay bill	£14,330,000
Percentage of total bill spent on facility time	0.02%

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

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

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

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

## **Engagement with employees**

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

## **Engagement with stakeholders**

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

## **Equality and Diversity**

The College celebrates and values diversity and is committed to providing the education and support that enable all members of the learning community to achieve their full potential.



Action to promote Equality and Diversity is core to the College's mission, values, and strategic goals. Morley College London's vision identifies the College as a provider of inspiring, distinctive, and excellent adult learning, as a college that contributes to, and is responsive to, the communities it serves.

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

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

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

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

### **Disability statement**

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

- a) As part of its property strategy the College is ensuring the entrances to all Centres are fully accessible, and continues to seek to improve the accessibility of the estate as a whole
- b) The College provides a range of specialist equipment and assistive technology to assist learners with disabilities
- c) The College includes on its staff specialist tutors and support assistants to support students with learning difficulties and/or disabilities
- d) There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for learners who have learning difficulties and/or disabilities

- e) Specialist programmes are described in College prospectuses and on the College website
- f) The progress and achievement of learners who have learning difficulties and/or disabilities is carefully monitored
- g) Counselling and welfare services are described in the College's Student Handbook that is issued to students at induction.

### **Disclosure of information to auditors**

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

**This report and the Strategic Report (included therein) was approved by the Governing Body, as the company's board of directors, on 11th December 2023**



Leisha Fullick  
Chair

## Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2022 to 31 July 2023 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

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

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

In the opinion of the Governing Body, the College complies with or exceeds all the provisions of the Code, and it has complied throughout the year ended 31 July 2023. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

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

Following the reclassification of the College to the central government sector with effect from 29 November 2022 the College has updated the financial regulations and approval processes to identify and handle any transactions for which DfE approval is now required.

## The Governing Body

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

### Continuing Members

	<b>Date of appointment</b>	<b>Term of office ends</b>	<b>Status of appointment</b>	<b>Committees served and offices held 2022-23</b>	<b>Meetings attended/ possible</b>
Miss Justine Brian	27 February 2018 Reappointed 1 August 2021	31 July 2025	External member	Audit External Relations (Vice-Chair) Lead Governor for Safeguarding and Prevent	12/12
Mr Alex Cole	29 March 2021	31 July 2024	External member	Audit (Vice-Chair) Finance, Resources and Sustainability	13/15
Mr Nic Durston	13 April 2018 Reappointed 1 August 2021	31 July 2025	External member	Finance, Resources and Sustainability (Chair) Remuneration External Relations	16/17
Ms Gill Evans	3 February 2020 Reappointed 1 August 2023	31 July 2027	External member	Curriculum and Quality People Joint Lead Governor for Equality, Diversity and Inclusion	8/12
Ms Heather Fry	18 October 2016 Reappointed 1 August 2020	31 July 2024	External member	Curriculum and Quality (Chair) Remuneration (Chair)	10/12

	<b>Date of appointment</b>	<b>Term of office ends</b>	<b>Status of appointment</b>	<b>Committees served and offices held 2022-23</b>	<b>Meetings attended/ possible</b>
Ms Leisha Fullick	10 May 2021	31 July 2024	External member	Chair of Governing Body Curriculum and Quality Governance and Nominations (Chair)	15/15
Dr Andrew Gower	13 April 2015	NA	Principal and Chief Executive Officer	Curriculum and Quality Finance, Resources and Sustainability Governance and Nominations People External Relations	22/23
Mrs Gail Le Coz	3 February 2020 Reappointed 1 August 2023	31 July 2027	External member	Audit (Chair) Governance and Nominations	11/12
Ms Susan Lindsey	27 March 2019 Reappointed 2 November 2020 and 3 February 2021	31 July 2024	Student member to 2 February 2021 External member from 3 February 2021)	Finance, Resources and Sustainability People (Chair) Lead Governor for Health, Safety and Sustainability	13/14
Ms Marshal Ngcongco	23 November 2022	30 November 2024	Student member	Curriculum and Quality Finance, Resources and Sustainability	8/12

	<b>Date of appointment</b>	<b>Term of office ends</b>	<b>Status of appointment</b>	<b>Committees served and offices held 2022-23</b>	<b>Meetings attended/ possible</b>
Mr Victor Olowe	2 April 2014 Reappointed 16 October 2017, 1 August 2021 and 1 August 2023	31 July 2025	External member	Vice-chair of Governing Body Audit Governance and Nomination (Vice-chair) People	14/14
Ms Jessie Peramal	31 August 2022	31 July 2026	External member	Audit People (Vice-Chair)	7/11
Mrs Debbie Ryle	1 August 2020 Reappointed 1 August 2022	31 July 2024	Staff member	Finance, Resources and Sustainability People	8/12
Dr Melissa Score	3 November 2021	31 July 2024	Staff member	Curriculum and Quality People	10/10
Mr James Ward	3 February 2020 Reappointed 01 August 2023	31 July 2027	External member	Curriculum and Quality (Vice-Chair) People Lead Governor for Careers Education and Guidance	8/12
Mr Raymundo Zuñiga	31 August 2022	31 July 2026	External member	Audit External Relations	8/11

## Retiring Members

	<b>Date of appointment</b>	<b>Term of office ended</b>	<b>Status of appointment</b>	<b>Committees served and offices held 2021-22</b>	<b>Meetings Attended/ Possible</b>
Mr Pedro Dias Ferreira	3 February 2020	31 July 2023	External member	Finance, Resources and Sustainability (Vice-chair) External Relations (Chair)	09/15
Mr Jerome Godfrey	21 February 2022	31 July 2023	Student member	Curriculum and Standards External Relations	6/11
Ms Moyra Samuels	3 February 2020	31 July 2023	External member	Governance and Nominations External Relations Joint Lead Governor for Equality, Diversity and Inclusion	4/12
Mr Jonathan Slater	1 August 2021	20 November 2023	External member	Finance, Resources and Sustainability Governance and Nominations	13/15

Mr Martin McNeill served as Clerk to the Governing Body and Company Secretary throughout the year, retiring on 1 August 2023 when Ms Georgia Cocks was appointed Director of Governance and Company Secretary.

### Directors and their interests

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

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

### Limited liability

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

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

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

In 2022-23 the Governing Body received advice on the conduct of its business from seven committees. Each committee had terms of reference approved by the Governing Body. Those committees were: Audit; External Relations; Finance, Resources and Fundraising; Curriculum and Quality; Remuneration; Governance and Nomination; and People.

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

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

61 Westminster Bridge Road  
London  
SE1 7HT

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

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

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

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

### **Appointments to the Governing Body**

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

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



## **Governing Body performance**

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

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

### *External review on meeting local needs*

The Governing Body was responsive to the new, statutory duty for colleges to meet local needs, leading an external review involving consultation with a wide range of internal and external stakeholders. The recommendations of the Meeting Local Needs Review informed the College's Accountability Agreement 2022/23.

### *Self-assessment and quality enhancement*

The annual survey of governors' views of the effectiveness of governance was carried out in the Summer of 2023. The results from the survey showed that the key strengths of governance at the College continue to be:

- ensuring that there are organised and clear governance and management structures and that there are regular reviews of governance performance and effectiveness.
- formulating and agreeing the mission and strategy of the College including defining its ethos;
- being collectively accountable for the business of the College, taking decisions on all matters within its duties and responsibilities;

The following areas have been identified as having scope for enhancement in 2023-24 and have been included in the Governance Quality Enhancement Plan:

- Keeping students, staff and other stakeholders well informed
- Seeking feedback from College users (particularly students) and acting on it
- Engaging students and hearing student voice at all levels, including at Board level
- Progressing the College's long-term strategy for carbon reduction and improving environmental sustainability
- Ensuring the professional development and succession planning within the SLT and the Board

## **Committees of the Governing Body**

### *Audit Committee*

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

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

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

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

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

### *Curriculum and Quality Committee*

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

### *External Relations Committee*

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

### *Finance, Resources and Sustainability Committee*

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

### *Governance and Nomination Committee*

The Governance and Nomination Committee comprises between four and six members of the Governing Body (excluding staff and student members). The Committee advises the Governing Body on the composition and membership of the Governing Body, the

appointment and re-appointment of external members and on all matters relating to the governance of the College, including the development of the Board as a whole and of individual governors, the setting of targets for Governing Body performance and the related performance review arrangements.

#### *People Committee*

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

#### *Remuneration Committee*

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

Details of remuneration for the year ended 31 July 2023 are set out in note 7 to the financial statements.

### **Internal control**

#### *Scope of responsibility*

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

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

#### *The purpose of the system of internal control*

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

for the year ended 31 July 2023 and up to the date of approval of the annual report and accounts.

### *Capacity to handle risk*

The Governing Body has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Governing Body is of the view that there is a formal ongoing process for identifying, evaluating, and managing the College's significant risks that has been in place for the period ending 31 July 2023 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Governing Body.

### *The risk and control framework*

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

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

The College has commissioned an internal audit service, which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Governing Body on the recommendation of the Audit Committee.

### *Review of effectiveness*

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

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

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

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

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

At its December 2023 meeting, the Governing Body carried out the annual assessment for the year ended 31 July 2023 by considering documentation from the Senior Leadership Team and internal audit, and taking account of events since 31 July 2023.

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

### Going concern

After making appropriate enquiries, and taking account of:

- the sound level of liquidity as at 31 July 2023
- the College's performance against budget, reflecting the impact of Covid-19
- the five-year Financial Plan in support of the merger agreed with the ESFA
- the future availability of a further £0.5 million of the £3.5 million grant facility to provide cashflow support over the life of the plan, if required

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

**Approved by order of the members of the Governing Body on 11 December 2023 and signed on its behalf by:**

Signed

Signed



Leisha Fullick  
Chair

Dr Andrew Gower  
Accounting Officer

### **Statement of Regularity, Propriety, and Compliance**

As accounting officer, I confirm that the corporation has had due regard to the framework of authorities governing regularity, propriety and compliance, and the requirements of grant funding agreements and contracts with ESFA, and has considered its responsibility to notify ESFA of material irregularity, impropriety and non-compliance with those authorities and terms and conditions of funding.

I confirm on behalf of the corporation that after due enquiry, and to the best of my knowledge, I am able to identify any material irregular or improper use of funds by the corporation, or material non-compliance with the framework of authorities and the terms and conditions of funding under the corporation's grant funding agreements and contracts with ESFA, or any other public funder. This includes the elements outlined in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides.

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



Dr Andrew Gower

Accounting Officer

11 December 2023

### **Statement of the Chair of Governors**

On behalf of the corporation, I confirm that the accounting officer has discussed their statement of regularity, propriety and compliance with the board and that I am content that it is materially accurate.



Leisha Fullick

Chair of Governors

11 December 2023

## Statement of Responsibilities of the Members of the Corporation

The members of the corporation are required to present audited financial statements for each financial year.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess whether the corporation is a going concern, noting the key supporting assumptions, qualifications or mitigating actions, as appropriate (which must be consistent with other disclosures in the accounts and auditor's report);
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the corporation will continue in operation;

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

The corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the corporation and which enable it to ensure that the financial statements are prepared in accordance with relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities. The corporation is responsible for the maintenance and integrity of its website(s); the work carried out by auditors does not involve consideration of these matters and, accordingly, auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the corporation are responsible for ensuring that expenditure and income are applied for the purposes intended and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from ESFA, and any other public funds, are used only in accordance with ESFA's grant funding agreements and contracts and any other conditions, that may be prescribed from time to time by ESFA, or any other public funder, including that any transactions entered into by the corporation are within the delegated authorities set out in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides. Members of the corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly.

In addition, members of the corporation are responsible for securing economic, efficient and effective management of the corporation's resources and expenditure so that the benefits that should be derived from the application of public funds from ESFA and other public bodies are not put at risk.

Approved by order of the members of the corporation on 11 December 2023 and signed on its behalf by:

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

Leisha Fullick

Chair of Governors



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

### **Opinion**

We have audited the financial statements of Morley College London (the 'College') for the year ended 31 July 2023 which comprise the statement of comprehensive income and expenditure, the statement of changes in reserves and balance sheets, the statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2023 and of its deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- In all material respects, funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- in all material respects, funds provided by the OfS, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of OfS's accounts direction have been met.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

## **Independent Auditor's Report to the Governing Body of Morley College London (continued)**

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

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

### **Other information**

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

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

We have nothing to report in this regard.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Post 16 Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

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

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

## **Independent Auditor's Report to the Governing Body of Morley College London (continued)**

### **Responsibilities of the Corporation**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

## **Independent Auditor's Report to the Governing Body of Morley College London (continued)**

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

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

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

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

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

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

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

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

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

**Independent Auditor's Report to the Governing Body of Morley College London**  
**(continued)**

A further description of our responsibilities is available on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](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 Corporation, as a body, in accordance with the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation as a body, for our audit work, for this report, or for the opinions we have formed.



**Buzzacott LLP**  
**Chartered Accountants and Registered Auditor**  
**130 Wood Street**  
**London**  
**EC2V 6DL**

Date: 15 December 2023

## **Independent Reporting Accountant's Report on Regularity**

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

In accordance with the terms of our engagement letter dated 25 June 2021 and further to the requirements and conditions of funding in the ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by Morley College during the period 1 August 2022 to 31 July 2023 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice (the Code) issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder.

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

### **Respective responsibilities of Morley College and the reporting accountant**

The corporation of Morley College is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed, and income received, are applied for the purposes intended by Parliament, and the financial transactions conform to the authorities that govern them.

Our responsibilities for this engagement are established in the United Kingdom by the Code our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received, during the period 1 August 2022 to 31 July 2023 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

### **Approach**

We conducted our engagement in accordance with the Code issued by the ESFA. We performed a limited assurance engagement as defined in that framework. The objective of a limited assurance engagement is to perform such procedures as to obtain information and

explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion. Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the corporation's income and expenditure.

The work undertaken to draw to our conclusion includes:

- An assessment of the risk of material irregularity and impropriety across all of the College's activities;
- Further testing and review of the areas identified through the risk assessment including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

## **Conclusion**

In the course of our work, nothing has come to our attention which suggests that in all material respects, the expenditure disbursed and income received during the period 1 August 2022 to 31 July 2023 has not been applied to purposes intended by Parliament, and the financial transactions do not conform to the authorities that govern them.



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

Date: 15 December 2023

## STATEMENT OF COMPREHENSIVE INCOME

### For the year ended 31 July 2023

	Notes	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
<b>INCOME</b>			
Funding body grants	2	16,742	15,646
Tuition fees and education contracts	3	4,079	3,833
Other grants and contracts	4	-	19
Other income	5	746	812
Investment income	6	30	9
Donations	7	57	690
Interest	11	84	
<b>Total income</b>		<b>21,738</b>	<b>21,009</b>
<b>EXPENDITURE</b>			
Staff costs	9	14,621	16,996
Other operating expenses	10	5,898	5,819
Depreciation	12	1,297	1,321
Interest and other finance costs	11	-	271
<b>Total expenditure</b>		<b>21,816</b>	<b>24,407</b>
<b>(Deficit) before other gains and losses</b>		<b>(77)</b>	<b>(3,398)</b>
(Loss)/Gain on investments	13	(1)	(1)
<b>(Deficit) before tax</b>		<b>(78)</b>	<b>(3,399)</b>
Taxation		-	-
<b>(Deficit) for the year</b>		<b>(78)</b>	<b>(3,399)</b>
Actuarial gain in respect of pensions schemes	22	4,290	15,326
<b>Total Comprehensive income (expenditure) for the year</b>		<b>4,212</b>	<b>11,927</b>
<b>Represented by:</b>			
<b>Unrestricted comprehensive income (expenditure)</b>		<b>4,212</b>	<b>11,927</b>
<b>Restricted comprehensive income (expenditure)</b>		<b>-</b>	<b>-</b>
		<b>4,212</b>	<b>11,927</b>
<b>Memo item: deficit prior to FRS102 pensions adjustments</b>			
(Deficit) before other gains and losses		(77)	(3,398)
Interest and other finance (income)/ costs		(84)	271
FRS102 pension costs within staff costs		652	1,884
Gain /(Loss) after FRS102 pensions adjustments		491	(1,243)



## STATEMENT OF CHANGES IN RESERVES

### For the year ended 31 July 2023

	Income and Expenditure account	Restricted Reserves	Revaluation Reserve	Total
	£'000	£'000	£'000	£'000
<b>Balance at 31st July 2021</b>	<b>7,673</b>	<b>160</b>	<b>24,218</b>	<b>32,051</b>
Deficit from the income and expenditure account	(3,398)	-	-	(3,398)
Other comprehensive income	15,326	-	-	15,326
Other losses	-	-	(1)	(1)
	<hr/>			
	11,928	-	(1)	11,927
	<hr/>			
<b>Balance at 31st July 2022</b>	<b>19,601</b>	<b>160</b>	<b>24,217</b>	<b>43,978</b>
Deficit from the income and expenditure account	(77)	-	-	(77)
Other comprehensive income	4,290	-	-	4,290
Other losses	-	-	(1)	(1)
	<hr/>			
	4,213	-	(1)	4,212
	<hr/>			
<b>Balance at 31st July 2023</b>	<b>23,813</b>	<b>160</b>	<b>24,216</b>	<b>48,189</b>

**BALANCE SHEET**  
**As at 31 July 2023**

	Notes	2023 £'000	2022 £'000
<b>Fixed assets</b>			
Tangible fixed assets	12	49,620	49,948
Intangible fixed assets	12	213	235
Investments	13	242	243
		<u>50,075</u>	<u>50,426</u>
<b>Current assets</b>			
Trade and other receivables	14	1,007	1,954
Cash and cash equivalents	18	5,373	1,460
		<u>6,380</u>	<u>3,414</u>
<b>Less: Creditors – amounts falling due within one year</b>	15	(3,181)	(3,650)
<b>Net current assets / (liabilities)</b>		<u>3,199</u>	<u>(236)</u>
<b>Total assets less current liabilities</b>		53,274	50,190
Less: Creditors – amounts falling due after more than one year	16	(5,085)	(2,490)
<b>Provisions</b>			
Defined benefit obligations	22	-	(3,722)
<b>Total net assets</b>		<u><u>48,189</u></u>	<u><u>43,978</u></u>
<b>Restricted reserves</b>	21	160	160
<b>Unrestricted reserves</b>			
Pension reserve	21	-	(3,722)
Income and expenditure account	21	24,244	23,468
Revaluation reserve	21	23,785	24,072
<b>Total unrestricted reserves</b>		<u>48,029</u>	<u>43,818</u>
<b>Total reserves</b>		<u><u>48,189</u></u>	<u><u>43,978</u></u>

The financial statements on pages 48 to 51 were approved and authorised for issue by the Corporation on 11 December 2023 and were signed on its behalf on that date by:



.....  
Leisha Fullick  
Chair



.....  
Dr Andrew Gower  
Accounting Officer

## Statement of Cash Flows

	Notes	2023 £'000	2022 £'000
<b>Cash (outflow) inflow from operating activities</b>			
Surplus / (Deficit) for the year		(78)	(3,399)
<b>Adjustment for non cash items</b>			
Depreciation and amortisation		1,297	1,321
(Increase)/decrease in debtors		947	(1,119)
Increase/(decrease) in creditors due within one year		(470)	500
(Decrease) / increase in creditors due after one year		2,622	(39)
Pensions costs less contributions payable		570	2,155
<b>Adjustment for investing or financing activities</b>			
Investment income		(30)	(9)
		<u>4,858</u>	<u>(590)</u>
<b>Net cash flow from operating activities</b>			
<b>Cash flows from investing activities</b>			
Investment income		30	9
Purchase of non-current assets - tangible assets		(948)	(966)
Purchase of non-current assets - intangible assets		-	(158)
		<u>(918)</u>	<u>(1,115)</u>
<b>Cash flows from financing activities</b>			
Repayments of amounts borrowed		(27)	(30)
		<u>(27)</u>	<u>(30)</u>
<b>Decrease in cash and cash equivalents in the year</b>			
		<u>3,913</u>	<u>(1,735)</u>
Cash and cash equivalents at beginning of the year	19	1,460	3,195
Cash and cash equivalents at end of the year	19	5,373	1,460

## **Morley College Limited – Notes to the Accounts**

### **1. Statement of accounting policies and estimation techniques**

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

#### **Basis of preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2022 to 2023 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

#### **Basis of accounting**

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

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

#### **Going concern**

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

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

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

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

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

While the impact of Covid-19, which was not anticipated in the merger financial plan, has been extremely challenging, the College has maintained cash balances, drawing on £3.0M of the Restructuring Facility Grant. A further £0.5M remains undrawn.

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

## **Recognition of income**

### *Revenue grant funding*

The recurrent grants from the ESFA and GLA represent the funding allocations attributable to the current financial year and are credited direct to the income and expenditure account. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Education Budget, unless within tolerance limits, is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year-end reconciliation process with correspondence from the funding body and the results of any funding audits. 16-19 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

### *Tuition fee income*

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

### *Investment income*

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

### *Capital grant funding*

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

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

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

#### *Donations and Legacies*

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

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

#### **Accounting for post-employment benefits**

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

#### *Teachers' Pension Scheme (TPS)*

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

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

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

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

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

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

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

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

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

### **Short-term employment benefits**

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

### **Termination of employment costs**

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

### **Non-current Assets - Tangible fixed assets**

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

### **Land and buildings**

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

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

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

### **Assets under construction**

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2023. They are not depreciated until they are brought into use.

### **Equipment**

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

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

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

### **Subsequent expenditure on existing fixed assets**

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

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



as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

### **Heritage Assets**

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

### **Intangible Assets**

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

### **Leased assets**

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

### **Fixed asset investments**

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

### **Cash and cash equivalents**

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

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

### **Financial liabilities and equity**

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

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

## **Taxation**

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

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

## **Provisions and contingent liabilities**

Provisions are recognised when

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

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

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

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

## **Judgements in applying accounting policies and key sources of estimation uncertainty**

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

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

### *Other key sources of estimation uncertainty*

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2022 has been used by the actuary in valuing the pensions liability at 31 July 2023. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

- *Impact of Covid-19*

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

**2 Funding body grants**

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
<b>Recurrent grants</b>		
Education and Skills Funding Agency/GLA - adult	12,825	12,624
Education and Skills Funding Agency - 16 -18	1,717	863
Office for Students	25	15
<b>Specific Grants</b>		
Teacher Pension Scheme contribution grant	512	429
Restructuring facility grant	1,500	1,500
Release of government capital grants	134	185
Release of GLA Leap capital grant	30	30
<b>Total</b>	<b>16,743</b>	<b>15,646</b>

**3 Tuition fees and education contracts**

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Tuition fees	2,823	2,682
Education contracts	1,256	1,151
<b>Total</b>	<b>4,079</b>	<b>3,833</b>

**3a Analysis of Higher Education grant and fee income**

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Grant income from the Office for Students	25	15
Fee income for taught awards at level 4 and above	57	67
	<b>82</b>	<b>82</b>

**4 Other grants and contracts**

	Year ended 31 July	Year ended 31 July
	2023 £'000	2022 £'000
Coronavirus Job Retention Scheme grant	0	19
	<u>0</u>	<u>19</u>
<b>Total</b>	<b><u>0</u></b>	<b><u>19</u></b>

In the financial year 21/22, the corporation furloughed a combination of management, support, teaching and casual staff both salaried and hourly paid under the government's Coronavirus Job Retention Scheme. The funding of £nil (2022:£19k) relates to staff costs which are included within the staff costs note as appropriate.

**5 Other income**

	Year ended 31 July	Year ended 31 July
	2023 £'000	2022 £'000
Other income generating activities	746	812
	<u>746</u>	<u>812</u>
<b>Total</b>	<b><u>746</u></b>	<b><u>812</u></b>

**6 Investment income**

	Year ended 31 July	Year ended 31 July
	2023 £'000	2022 £'000
Other interest receivable	30	9
	<u>30</u>	<u>9</u>

**7 Donations**

	Year ended 31 July	Year ended 31 July
	2023 £'000	2022 £'000
Legacy donations	57	679
Unrestricted donations	0	11
	<u>57</u>	<u>690</u>

## 8 Key Management Personnel

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

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

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

	<b>2023</b>	<b>2022</b>
	<b>No.</b>	<b>No.</b>
The number of key management personnel including the Accounting Officer was:	3	3

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

	<b>Senior post-holders</b>		<b>Other staff</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
£90,001 to £95,000	-	2		
£95,001 to £100,000	1	-		
£125,001 to £130,000	-	1		
£130,001 to £135,000	1	-		
£135,001 to £140,000	1	-		
	<u>3</u>	<u>3</u>	<u>-</u>	<u>-</u>

Key management personnel compensation is made up as follows:

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Salaries - gross of salary sacrifice	370	320
Employers National Insurance	49	42
Benefits in kind	4	2
	<u>423</u>	<u>364</u>
Pension contributions	67	69
<b>Total emoluments</b>	<u><b>490</b></u>	<u><b>433</b></u>

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

	<b>2023</b> <b>£'000</b>	<b>2022</b> <b>£'000</b>
Salaries	134	130
Benefits in kind	<u>2</u>	<u>1</u>
	<u>136</u>	<u>131</u>
Pension contributions	<u>32</u>	<u>31</u>
<b>Total emoluments</b>	<u><u>167</u></u>	<u><u>162</u></u>

<sup>†</sup> regular remuneration, not considering a pay in lieu of notice payment made to another key management member as part of a planned restructure exercise

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

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

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

The multiple of median earnings represented by the Principal's salary is 3.73 times (2022 :3.89). Based on total emoluments the multiple of median earnings is 3.91 times (2022 :4.11). The median salary for the College is £35,884 (2021 :£33,426).

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

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

The members of the Governing Body other than the Accounting Officer and the staff members did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. During the year 2 governors (2022 :2) with total expenses of £130 (2022 :£130) were paid to or on their behalf.

## 9 Staff costs

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

	<b>2023</b>	<b>2022</b>
	<b>No.</b>	<b>No.</b>
Teaching staff	153	150
Non teaching staff	<u>129</u>	<u>147</u>
	<u><b>282</b></u>	<u><b>297</b></u>

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

	<b>2023</b>	<b>2022</b>
	<b>No.</b>	<b>No.</b>
Teaching staff	570	643
Non teaching staff	<u>159</u>	<u>204</u>
	<u><b>729</b></u>	<u><b>847</b></u>

### Staff costs for the above persons

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	10,750	11,424
Social security costs	989	1,034
Other pension costs	1,940	2,001
FRS 102 pension cost adjustments	<u>652</u>	<u>1,884</u>
<b>Sub total</b>	<b>14,331</b>	<b>16,343</b>
Contracted out staffing services	96	162
	<u><b>14,427</b></u>	<u><b>16,505</b></u>
Fundamental restructuring costs -		
contractual	193	490
non contractual	-	-
	<u><b>14,620</b></u>	<u><b>16,995</b></u>

Restructuring costs of £193,000 were incurred in respect of the redundancy pay for 10 members of staff.



**10 Other operating expenses**

	Year ended 31 July	Year ended 31 July
	2023	2022
	£'000	£'000
Teaching costs	979	1,300
Non teaching costs	3,004	2,670
Premises costs	1,916	1,849
	<u>5,899</u>	<u>5,819</u>
<b>Total</b>	<b><u>5,899</u></b>	<b><u>5,819</u></b>

**Other operating expenses include:**

	2023	2022
	£'000	£'000
Auditors' remuneration:		
Financial statements audit (including regularity)	52	51
Audit Fees (under)/overaccrued previous year	2	(22)
Other audit services	6	-
Internal audit	46	12
Hire of assets under operating leases	97	75
	<u>97</u>	<u>75</u>

**11 Interest receivable**

	2023	2022
	£'000	£'000
Net interest on defined pension liability (note 22)	(84)	271
	<u>(84)</u>	<u>271</u>
<b>Total</b>	<b><u>(84)</u></b>	<b><u>271</u></b>

**12 Tangible fixed assets**

	<b>Freehold Land and buildings</b>	<b>Leasehold Land and buildings</b>	<b>Equipment</b>	<b>Assets under Construction</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or valuation</b>					
At 1 August 2022	42,798	10,459	6,452	116	59,825
Reclassifications	(300)	298	2		-
Transfers	113	71	87	(345)	(74)
Additions	71	49	407	421	948
<b>At 31 July 2023</b>	<b>42,682</b>	<b>10,877</b>	<b>6,948</b>	<b>192</b>	<b>60,699</b>
<b>Depreciation</b>					
At 1 August 2022	3,917	545	5,415	-	9,877
Reclassifications					
Charge for the year	443	234	524		1,201
<b>At 31 July 2023</b>	<b>4,360</b>	<b>779</b>	<b>5,939</b>	<b>-</b>	<b>11,078</b>
<b>Net book value at 31 July 2023</b>	<b>38,322</b>	<b>10,098</b>	<b>1,009</b>	<b>192</b>	<b>49,621</b>
Net book value at 31 July 2022	38,881	9,914	1,036	116	49,947

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

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

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

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

**12a Intangible assets**

	<b>Software</b>
<b>Cost or valuation</b>	<b>£'000</b>
At 1 August 2022	751
Transfers	74
Additions	0
<b>At 31 July 2023</b>	<b><u>825</u></b>
<b>Depreciation</b>	
At 1 August 2022	516
Charge for the year	96
<b>At 31 July 2023</b>	<b><u>612</u></b>
<b>Net book value at 31 July 2023</b>	<b><u>213</u></b>
Net book value at 31 July 2022	<u>235</u>

**12 Capital commitments**

	<b>Year ended</b>	<b>Year ended</b>
	<b>31 July</b>	<b>31 July</b>
	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Contracts for future capital expenditure not provided	<u>0</u>	<u>35</u>

**13 Non current investments**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
(i) M & G Charifund investments	57	60
(ii) STIC Global investments	121	118
(iii) COIF Bursary and Prize Fund investments	63	65
<b>Total</b>	<b>241</b>	<b>243</b>

Total investment losses in the year were £1k (2022: £1k)

**Note (i) M & G Charifund investments**

The College owns 3,982 M & G Charifund income units:	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Cost	5	5
Revaluation surplus brought forward	55	56
Revaluation movement in year (Note 21)	(3)	(1)
Market value at 31 July 2023	<b>57</b>	<b>60</b>

**Note (ii) STIC Global investments**

The College owns 116,973 £1 shares in STIC Global:	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Market value as at 31 July 2023	<b>121,494</b>	<b>117,921</b>

**Note (iii) Charities Official Investment Fund (COIF)**

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

<b>Cost of shares</b>	<b>Number of Shares</b>	<b>2023 £</b>	<b>2022 £</b>
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
<b>Total cost of shares</b>	<b>3,337</b>	<b>3,511</b>	<b>3,511</b>

**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
<b>Total capital shares</b>	<b>2,655</b>	<b>2,655</b>

**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
<b>Total income shares</b>	<b>856</b>	<b>856</b>

Cost	3,511	3,511
Revaluation surplus bought forward	61,084	61,800
Revaluation movement in the year	(1,454)	(716)
<b>Market value as at 31 July 2023 as above</b>	<b>63,141</b>	<b>64,595</b>

**14 Trade and other receivables**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year: Trade receivables	158	513
Accrued income	297	934
Prepayments	552	507
<b>Total</b>	<b><u>1,007</u></b>	<b><u>1,954</u></b>

**15 Creditors: amounts falling due within one year**

	<b>notes</b>	<b>2023</b>	<b>2022</b>
		<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts	17	50	39
Payments received in advance / deferred income		494	474
Trade payables		506	625
Other taxation and social security		261	304
Accruals		569	756
Other creditors		679	868
Amounts owed to the ESFA /GLA		458	373
Deferred income - government and GLA capital grants		164	212
<b>Total</b>		<b><u>3,181</u></b>	<b><u>3,651</u></b>

Deferred Income

Deferred income at 1 August	474	603
Resources deferred in the year	494	474
Amount released from previous years	(474)	(603)
Deferred income at 31 July	<u>494</u>	<u>474</u>

**16 Creditors: amounts falling due after one year**

		<b>2023</b>	<b>2022</b>
		<b>£'000</b>	<b>£'000</b>
Bank loans	17	304	343
Deferred income - government and GLA capital grants		4,780	2,147
<b>Total</b>		<b><u>5,084</u></b>	<b><u>2,490</u></b>

Deferred Capital Grants

At 1 August	2,360	2,250
Received in the year	2,747	322
Released to the income and expenditure account	(164)	(212)
Deferred income at 31 July	<u>4,943</u>	<u>2,360</u>

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

Bank loans are repayable as follows:

		<b>2023</b> <b>£'000</b>	<b>2022</b> <b>£'000</b>
In one year or less	15	50	39
Between one and two years		50	42
Between two and five years		150	125
In five years or more		104	176
<b>Total</b>		<b><u>354</u></b>	<b><u>382</u></b>

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**

	<b>At 1 August</b> <b>2022</b>	<b>Cash</b> <b>flows</b>	<b>Other</b> <b>changes</b>	<b>At 31 July</b> <b>2023</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents	1,460	3,913	-	5,373
<b>Total</b>	<b><u>1,460</u></b>	<b><u>3,913</u></b>	<b><u>-</u></b>	<b><u>5,373</u></b>

**19 Analysis of changes in net funds**

	<b>At 1 August</b> <b>2022</b>	<b>Cash</b> <b>flows</b>	<b>New finance</b> <b>leases</b>	<b>Other</b> <b>non-cash</b> <b>changes</b>	<b>Changes</b> <b>in market</b> <b>value and</b> <b>exchange</b> <b>rates</b>	<b>At 31 July</b> <b>2023</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents	1,460	3,913	-	-	-	5,373
	<u>1,460</u>	<u>3,913</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,373</u>
Bank loans	(383)	29	-	-	-	(354)
Net debt	<u>1,077</u>	<u>3,942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,019</u>

## 20 Financial instruments

The College has the following financial instruments:

		<b>2023</b>	<b>2022</b>
		<b>£'000</b>	<b>£'000</b>
<b>Financial assets</b>			
Financial assets measured at fair value through profit and loss	13	<u><b>242</b></u>	<u><b>243</b></u>

## 21 Funds

	<b>As at 31 July 2022</b>	<b>Income</b>	<b>Expenditure</b>	<b>Other gains</b>	<b>Transfers</b>	<b>As at 31 July 2023</b>
	<b>£000s</b>	<b>£000's</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Restricted Funds</b>						
Bursary and Investments	86	-	-	-	-	86
Special Projects	74	-	-	-	-	74
	<u>160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>160</u>
<b>Unrestricted Funds</b>						
General Reserve	23,093	21,738	(21,248)	-	145.00	23,728
Revaluation Reserve	23,931	-	-	(1)	(145.00)	23,785
Development Fund	433	-	-	-	-	433
Other Designated Funds						
Bursary fund	58	-	-	-	-	58
Special Projects	18	-	-	-	-	18
Heritage Fund	7	-	-	-	-	7
Total Unrestricted Funds	<u>47,540</u>	<u>21,738</u>	<u>(21,248)</u>	<u>(1)</u>	<u>-</u>	<u>48,029</u>
<b>Total Funds (excluding Pension Reserve)</b>	<b>47,700</b>	<b>21,738</b>	<b>(21,248)</b>	<b>(1)</b>	<b>-</b>	<b>48,189</b>
Pension reserve	(3,722)	0	(568)	4,290		0
Total reserves	<u><u>43,978</u></u>	<u><u>21,738</u></u>	<u><u>(21,816)</u></u>	<u><u>4,289</u></u>	<u><u>-</u></u>	<u><u>48,189</u></u>

### Restricted funds

There were no movements within the restricted funds in year.

### Unrestricted funds: Revaluation Reserve

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

#### Development Reserve

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

#### COIF Bursary Fund

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

#### Special Projects Fund

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

#### Heritage Fund

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



## 22 Defined benefit obligations

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

<b>Total pension cost for the year</b>	<b>2023</b> <b>£'000</b>	<b>2022</b> <b>£'000</b>
Teachers Pension Scheme: contributions paid	1,314	1,333
Local Government Pension Schemes:		
Contributions paid	624	676
FRS 102 (28) charge	652	1,884
Charge to the Statement of Comprehensive Income	<u>1,276</u>	<u>2,560</u>
<b>Total Pension Cost for Year</b>	<u><u>2,590</u></u>	<u><u>3,893</u></u>

Contributions amounting to £233k were payable to the schemes as at 31 July 2023 and are included in creditors (2022:£235k).

### Teachers' Pension Scheme

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

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

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

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

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

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

## 22 Defined benefit obligations (continued)

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19. DfE continues to pay a teacher pension employer contribution grant to cover the additional costs during the 2022-23 academic year.

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

The pension costs paid to TPS in the year amounted to £1,314,258 (2022: £1,332,930)

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

### Local Government Pension Scheme - London Pension Fund Authority

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the London Pension Fund Authority. The total contribution made for the year ended 31 July 2023 was £632k, of which employer's contributions totalled £449k and employees' contributions totalled £183k. The agreed contribution rates for future years are 16% for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2023 by a qualified independent actuary

	<b>At 31 July 2023</b>	<b>At 31 July 2022</b>
Rate of increase in salaries	3.85%	3.80%
Future pensions increases	2.85%	2.80%
Discount rate for scheme liabilities	5.15%	3.40%
Inflation assumption (CPI)	2.85%	2.85%

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

	<b>At 31 July 2023</b>	<b>At 31 July 2022</b>
	<b>years</b>	<b>years</b>
<i>Retiring today</i>		
Males	22.2	23.0
Females	23.1	23.7
<i>Retiring in 20 years</i>		
Males	21.6	23.1
Females	24.9	25.7

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

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

Asset allocation breakdown	%	2023	%	2022
		£'000		£'000
Equities	59%	9,361	57%	8,475
Target Return Portfolio	18%	2,840	22%	3,242
Infrastructure	12%	1,991	11%	1,571
Property	9%	1,508	10%	1,467
Cash	2%	240	1%	180
<b>Total market value of assets</b>		<b>15,940</b>		<b>14,935</b>

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

	2023	2022
	£'000	£'000
Fair value of plan assets	15,940	14,935
Present value of plan liabilities	(14,908)	(18,657)
Net pensions asset / (liability)	<b>1,032</b>	<b>(3,722)</b>
Adjustment recognised in actuarial losses to cap the scheme surplus	(1,032)	-
<b>Recognised in the financial statements</b>	<b>-</b>	<b>(3,722)</b>

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

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

	2023	2022
	£'000	£'000
<b>Amounts included in staff costs</b>		
Current service cost	911	1,783
<b>Total</b>	<b>911</b>	<b>1,783</b>

**Amounts included in investment income**

Net interest expense	122	189
Administration expenses	8	17
	<b>130</b>	<b>206</b>

**Amounts recognised in Other Comprehensive Income**

Return on pension plan assets	(64)	872
Other actuarial gains on assets	169	-
Changes in demographic assumptions	862	
Experience losses arising on defined benefit obligations	(1,582)	(1,566)
Changes in financial assumptions	5,961	10,542
<b>Remeasurement of the net assets</b>	<b>5,346</b>	<b>9,848</b>

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

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Deficit in scheme at 1 August	(3,722)	(12,033)
Movement in year:		
Current service cost	(841)	(1,783)
Past service cost	(70)	-
Employer contributions	449	452
Past service cost	-	-
Administration expenses	(8)	(17)
Net interest on the defined liability	(122)	(189)
Actuarial gain or loss	5,346	9,848
Adjustment recognised in actuarial losses to cap the scheme surplus	(1,032)	
<b>Net defined benefit assets / (liability) at 31 July</b>	<b>-</b>	<b>(3,722)</b>

**Asset and Liability Reconciliation**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	18,657	25,196
Current Service cost	841	1,783
Interest cost	636	405
Contributions by Scheme participants	183	210
Experience gains and losses on defined benefit obligations	1,582	1,566
Changes in financial assumptions	(5,961)	(10,542)
Estimated benefits paid	(233)	44
Unfunded pension payments	(5)	(5)
Past service costs, including curtailments	70	
Changes in demographic assumptions	(862)	-
<b>Defined benefit obligations at end of period</b>	<b>14,908</b>	<b>18,657</b>

**Reconciliation of Assets**

<b>Fair value of plan assets at start of period</b>	14,935	13,163
Interest on plan assets	514	216
Return on plan assets	(64)	872
Other actuarial gains	169	-
Administration expenses	(8)	(17)
Employer contributions	449	452
Contributions by Scheme participants	183	210
Estimated benefits paid	(238)	39
<b>Fair value of plan assets at end of period</b>	<b>15,940</b>	<b>14,935</b>

## 22 Defined benefit obligations (continued)

### Local Government Pension Scheme - Royal Borough of Kensington and Chelsea

Morely College joined the LGPS funded defined-benefit plan, with the assets held in separate funds administered by the Royal Borough of Kensington and Chelsea on 3 February 2020 at the point of merger with Kensington and Chelsea College. The total contribution made for the period ended 31 July 2023 was £316,164 of which employer's contributions totalled £221,806 and employees' contributions totalled £94,358. The agreed contribution rates for future years are 16.1% for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2023 by a qualified independent actuary

	<b>At 31 July 2023</b>	<b>At 31 July 2022</b>
Salary increase rate	4.00%	3.80%
Future pensions increases	3.00%	2.80%
Discount rate for scheme liabilities	5.05%	3.45%
Inflation assumption (CPI)	3.00%	3.10%

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

	<b>At 31 July 2023</b>	<b>At 31 July 2022</b>
	<b>years</b>	<b>years</b>
<i>Retiring today</i>		
Males	22.1	21.4
Females	24.0	24.1
<i>Retiring in 20 years</i>		
Males	22.4	22.9
Females	25.5	26.1

## 22 Defined benefit obligations (continued)

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

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

	2023	2023	2022	2022
Asset allocation breakdown	%	£'000	%	£'000
Equities	83%	23,736	76%	19,430
Property	10%	2,860	8%	2,045
Cash	3%	858	16%	4,091
Bonds	4%	1,144	0%	0
<b>Total market value of assets</b>		<b>28,598</b>		<b>25,566</b>

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

	2023	2022
	£'000	£'000
Fair value of plan assets	28,598	25,566
Present value of plan liabilities	(17,736)	(20,813)
Adjustment recognised in actuarial losses to cap the scheme surplus	(10,862)	(4,753)
<b>Recognised in the financial statements</b>	<b>-</b>	<b>-</b>

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

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

	2023	2022
	£'000	£'000
<b>Amounts included in staff costs</b>		
Current service cost	404	784
Past service cost	-	-
<b>Total</b>	<b>404</b>	<b>784</b>

**Amounts included in investment income**

Net interest income / (expenditure)	206	(82)
	<b>206</b>	<b>(82)</b>

**Amounts recognised in Other Comprehensive Income**

Return on pension plan assets	(246)	463
Changes in demographic assumptions	605	-
Other experience	(1,196)	(66)
Changes in financial assumptions	5,616	9,834
<b>Amount recognised in Other Comprehensive Income</b>	<b>4,779</b>	<b>10,231</b>

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

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Surplus/(deficit) in scheme at 1 August	-	(4,860)
Movement in year:		
Current service cost	(404)	(784)
Employer contributions	222	248
Administration expenses	-	-
Net interest on the defined liability	206	(82)
Actuarial gain or loss	4,779	10,231
Adjustment recognised in actuarial losses to cap the scheme surplus	(4,803)	(4,753)
<b>Net defined benefit asset / liability at 31 July</b>	<b>-</b>	<b>-</b>

**Asset and Liability Reconciliation**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes in the present value of defined benefit obligations</b>		
Defined benefit obligations at start of period	19,507	29,715
Current Service cost	404	784
Interest cost	674	478
Contributions by Scheme participants	94	96
Change in demographic assumptions	(605)	-
Experience gains and losses on defined benefit obligations	3,673	66
Changes in financial assumptions	(5,616)	(9,834)
Estimated benefits paid	(395)	(492)
<b>Defined benefit obligations at end of period</b>	<b>17,736</b>	<b>20,813</b>

**Reconciliation of Assets**

<b>Fair value of plan assets at start of period</b>	<b>25,566</b>	<b>24,855</b>
Interest on plan assets	880	396
Return on plan assets	(246)	463
Administration expenses	-	-
Employer contributions	222	248
Other experience	2,477	-
Contributions by Scheme participants	94	96
Estimated benefits paid	(395)	(492)
<b>Fair value of plan assets at end of period</b>	<b>28,598</b>	<b>25,566</b>

### 23 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £550 for 2 governors (2022: £130 for 2 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2022: Nil).

The College paid for a subscription with the South Bank Employers Group (SBEG). It is the normal operating practice of SBEG to appoint a representative from member organisations to its Board. The Director of Community Learning, Gerald Jones represented the College throughout the year. Nic Durston, Governor and Chair of the Finance, Resources and Fundraising Committee is the CEO of SBEG. The cost of the subscription was £16,500 during the year 2022/23 (2022: £10,000). The College paid for a subscription with the Safer Business Network CIC, for the annual membership of 'Safer Lambeth' totalling £1,320 (2022: £1,320). Nic Durston, Governor and Chair of the Finance, Resources and Fundraising Committee is a member to the Board of the Safer Business Network CIC.

The College received funds in support of two students from Accumulate - The Art School for the Homeless, where a Governor of the College, James Ward, is also a Trustee.

### 24 Lease Obligations

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

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Future minimum lease payments due</b>		
Not later than one year	98	75
Later than one year and not later than five years	40	40
later than five years	43	53
	<u>181</u>	<u>168</u>