



---

# The City Literary Institute

## Report & Financial Statements

### 2020

---

# Contents

Message from the Chair of Governors .....	3
Key Highlights and Achievements 2019/20 .....	5
Message from CEO and Principal .....	7
About City Lit .....	12
Operating and Financial Review (including the Strategic Report).....	15
Disclosure of Information to Auditors .....	23
Statement of Corporate Governance and Internal Control .....	24
Governing Body's Statement .....	32
Statement of Responsibilities of City Lit's Governing Body .....	33
Independent Auditor's Report to the Members of the City Literary Institute .....	35
Reporting Accountant's Assurance Report .....	38
Financial Statements for the Year Ended 31 July 2020 .....	40
Notes to the Financial Statements .....	44

# Message from The Chair of Governors

## Dame Moira Gibb



This, without doubt, has been an incredibly challenging year at City Lit. From the joys of the latter part of our Centenary to the shock of the untimely Covid closure in March, it has tested the college in many ways. Celebrating its hundred years, though, encourages us to take the longer view. The life-changing disruption caused by the global pandemic threatens to remove many certainties from our lives but should remind us, too, that City Lit is an institution born in adversity and used to weathering the storms which have blown through in our history.

When we first opened our doors for learning in 1919, the world was still in shock from the horrors of the First World War and in the grip of the Spanish Flu. During the Second World War, City Lit remained open for London through many dark days.

We need the really positive memories to balance such difficult times as they can outweigh the dark days, helping us get through them. We have a great store of them especially this last year including the last few months of our Centenary - highlights to reflect on and be proud of. Our beautiful new art gallery and remodelled entrance, was unveiled in September 2019 by London Mayor, Sadiq Khan. He took the opportunity to launch his 'Call for Action' for further skills devolution funding and responsibility in London; testament to the hard work which has been undertaken to grow the relationship between City Lit and the Greater London Authority (GLA) over the last few years

In October 2019, our annual Mental Wealth Festival saw us continue to work in partnership with other institutions, leading charities and organisations who contributed to the events, debates and workshops throughout the week.

The Festival shone a light on the difficulties faced by Black, Asian and minority ethnic communities and also the Deaf community in accessing mental health provision which takes into account their cultural and access needs. City Lit prides itself on creating opportunities for people to come together to enrich their lives through learning, forming communities, making friends across this great metropolis and supporting each other. Such opportunities seem particularly important at times of uncertainty, and show us just why we are such a valuable part of the fabric of London.

The arrival of the pandemic forced City Lit to innovate at the most rapid rate in our 100 year history. Ensuring the safety of our students and staff was of paramount concern, so we closed our doors to the public in line with Government advice. We were keen to ensure our learning provision continued, so within two weeks of the college closing for face to face teaching, 75% of our provision was switched to online. During the summer term we delivered over 1,300 courses online.

The entrepreneurial spirit and tenacity of City Lit staff and tutors meant that the digital delivery model we were able to implement provided thousands of Londoners (and people from across the UK) with learning and also a continued sense of community. The Governing Body have been so impressed with how they collectively rose to the challenge presented.

We have been able to leverage the knowledge and skill of our exceptional group of 1,000 plus tutors to provide high-quality learning experiences throughout lockdown and will continue with over 1,500 online courses in addition to the reintroduction of face to face teaching from September 2020. The Governing Body have been so impressed with how our colleagues collectively rose to this unprecedented challenge.

Reflection on our centenary reminds us of City Lit's deep roots and of all the hard work of those who went before us to build such a fantastic institution. The current cohort of staff and tutors have done their forbears proud and we hope that in years to come, others will come to reflect on their achievements and resilience in supporting Londoners through this difficult time.

We are fortunate to have the support of many outside the College who recognise the value of the work we do, and we are particularly grateful to those who have supported us and shared news of our wonderful community throughout this period. The Fellows of the college were particularly active during lockdown, lending their support through social media and in free online events for the City Lit community and beyond.

We, as well as individuals, organisations and businesses across the country, are facing enormous challenges in a Covid-19 world. Whilst we have worked tirelessly to ensure our learning remains available to as many people as possible, the pandemic has created a particularly difficult set of financial circumstances. Over the year to come, and beyond, we will continue to embrace online learning, as well as reintroduce in-person provision where it is safe to do so. We are readying ourselves for the difficult social and economic times that are ahead, conscious that in such times people need the solace and the opportunity that adult learning offers more than ever.

I am sure that working together, this extraordinary community, will not just survive but thrive and meet the many challenges ahead.



**Dame Moira Gibb DBE**  
**Chair of Governors**

## Key Highlights & Achievements 2019/20

- Almost exactly 100 years to the day since City Lit first opened its doors, the Mayor of London Sadiq Khan opened our new Gallery & Exhibition Space, funded through the Mayor's capital investment programme.
- Our annual Tutor Conference brought together over 400 teachers, with keynote speaker, Rt. Hon. David Lammy MP, giving a powerful speech about the critical role adult education plays in society.
- The fifth annual Mental Wealth Festival ran to coincide with World Mental Health Day. The festival featured events at City Lit, the National Gallery, The British Museum and the Houses of Parliament.
- Ofsted launched their new Education Inspection Framework in September 2019, with City Lit and the other Institutes of Adult Learning feeding into the consultation. The focus on Quality of Education aligns well with City Lit's quality strategy and the comprehensive rollout of our developmental approach to learning and teaching initiatives.
- We awarded our first Malorie Blackman Unheard Voices Scholarships to support study within our Creative Writing department.
- The first in a series of City Lit - Birkbeck collaborations called Psyched! took place - lively evenings of interactive discussions on the psychology of human behaviour featuring cutting-edge science, experimentation and practical advice.
- City Lit's annual Classics Day, in partnership with The British Museum, was delivered to a sold-out crowd of 330. The day's topic was Troy: Myth and Reality.
- We were delighted to announce three new City Lit Fellows: Professor Dame Mary Beard, Dame Evelyn Glennie and Dame Ruth Silver.
- Building works commenced on the development of our new Well-being Centre, where we are providing additional space to support curriculum growth in psychology, counselling and health and wellbeing.
- City Lit was shortlisted for a TES FE Award in two categories - Teacher of the year for Peter Brown, Centre for Deaf Education; and Adult and community learning provider of the year. We were also nominated for an Inside Out Mental Health Award for our work on the Mental Wealth Festival.
- A new partnership has developed with Jubba Youth Community Association, working with young refugees and young people at risk of violence and crime. We will be delivering a peer-mentoring programme to a group of volunteers.
- 600 students completed a survey to give their opinion on the quality of their online learning experience. Students valued the effort of their tutors and City Lit to make sure that their courses continued. They also praised tutors' flexibility, creativity and ability to deliver courses online at such a short notice.

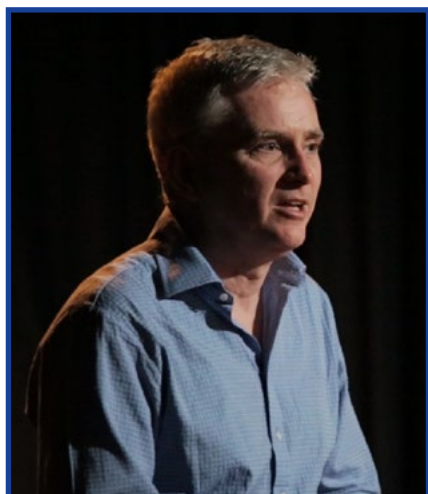
***"Nothing [needs improving], it's perfect now! Much better than commuting across London by tube!"***

- A Sign-Language Teacher Training Course, exclusively for Deaf people, was launched. This is the first step in delivering a bespoke curriculum that supports the Deaf community in London to be better skilled, more confident and better equipped to gain employment.
- In Term 3 we were able to deliver over 1,300 high-quality online classes, following the closure of the college to face-to-face due to the pandemic. This was an impressive achievement considering that prior to March 2020 we did not run any courses online.
- Curriculum teams across the college responded swiftly to the Extraordinary Regulatory Framework issued by the Department for Education to ensure that students studying on accredited programmes were not unfairly disadvantaged because of Covid-19 and supported to achieve their qualifications. This considerable effort has meant our students are able to progress to the next stage of their learning or careers without disruption.
- Three online City Lit Perspectives events were delivered to our community featuring City Lit Fellows Sir Vince Cable, Ruby Wax, author and journalist Saba Salman together with Paralympian Dan Pepper.
- City Lit won a grant from the GLA ESOL Plus Arts programme to develop an ESOL project in collaboration with the Empathy Museum and a professional storyteller.



# Message from CEO and Principal

## Mark Malcomson CBE



To celebrate 100 years is a massive achievement, and the final few months of the Centenary certainly rounded off an incredible year for us. The capstone of the year was the opening of our glorious Gallery and remodelled entrance by Mayor Sadiq Khan, allowing us to showcase our students' work all year round and greatly increase accessibility.

As the leading adult education college in Britain – the largest in Europe – we provide an unparalleled number of high-quality courses and an outstanding learning experience. We endeavour to enrich the lives of all of those who interact with us. Throughout our 100-year history we have embraced the diversity of London, been here through incredibly difficult times and welcomed everyone, whatever their background or ambition, to learn as equals and being better for it.

As I said on numerous occasions during this last year, I am incredibly proud to be leading City Lit at the start of our second 100 years. None of us could have known the global turmoil that we would find ourselves in one year later and how our amazing staff would rise to the huge challenges we have been presented with.

Prior to the pandemic, City Lit had been bucking the national trend of declining participation in adult education, with student numbers increasing over the past 5 years. We continue to have growth aspirations, and this will now be supported by our new endeavours into online learning.

### Still Here for London

City Lit is unique. Whilst public funding for, and participation in adult education has declined, our mixed delivery model has meant that we are exceptionally agile, ensuring that the effect on students of the public funding we receive is maximised. We work hard to cross-subsidise areas of specific provision and live out the principle of those who can afford to pay a fee, pay it, so helping others less fortunate. This approach has served us well and means we are able to include some of London's most vulnerable adults within our community in a safe and stimulating environment.

Although we were forced to close our doors for the first time in 100 years due to the pandemic, we have ensured that Londoners, and increasingly people across the UK, still receive high-quality learning, by reimagining our face to face offer into engaging and stimulating online classes. Putting the student at the heart of everything we do, we have made considerable efforts to support our various communities during this time. We continue to

**Our core purpose is: To bring people together to enrich lives through learning.**

Our strategy comprises three core goals:

1. We will put our audience at the heart of everything we do.
2. We will grow sustainably to benefit our diverse communities' needs.
3. We will help forge a positive future for learning for life.

provide crucial help and support to those who need it the most, including our students with learning disabilities and the Deaf community. We are also reaching out to those who come to City Lit as a means of providing invaluable social interaction, on top of high-quality education, as this is fundamental in combatting loneliness and isolation, as well as keeping people mentally and physically active.

## Essential to London's Recovery

Institutes of Adult Learning, which City Lit is one of a number around the country, will have an important part to play in the economic recovery of London and the UK if we are to limit unemployment caused by the pandemic and eventually thrive in our new economic landscape. Retraining and upskilling will be essential for those looking for new roles or considering career change. To do this, City Lit and adult education providers need to be able to proactively prepare for this and plan for our future.

Our financial model, mixing government funding with fee income, has been a huge part of our success over the last decade. However, the pandemic has hit us hard and our forecast surplus turned into a significant deficit as a result of the dramatic fall in fee income during the final part of the year.

City Lit has worked hard in collaboration with our partners and stakeholders to maximise the flexibility of our response to this crisis. We will need support going forward from those stakeholders so that we are able to execute our revised strategy, for what now appears to be a prolonged crisis.

Our team at City Lit are very conscious of the heritage of this great institution and the part it has played in so many lives over the last century. It is our wish to deliver it to our successors as a beacon of enlightenment and community, enabling countless more people to benefit from the work we do in the coming years. We know that with the right support we can pass on a City Lit to be proud of and play our part in the economic, social and emotional recovery of this incredible city and the country as a whole.



**Mark Malcomson CBE**  
Principal and Chief Executive

### City Lit - Here for London through adversity learning.

*1940 saw the beginning of The Blitz in London. Travel restrictions and the blackout all caused difficulties for City Lit, so the academic year was lengthened by seven weeks to ensure students were able to get to their classes. A few months later, classes were held in some 25 air raid shelters in Holborn and Westminster - notably in the local Tube stations of Covent Garden, Aldwych and Holborn. A piano from City Lit was pushed through the streets and taken down into Covent Garden Tube Station for Music classes and sing-songs.*

**John Cooper-Hammond, Former City Lit Principal**



**Angela**

**Student Bursary  
Recipient**

**Visual and Performing  
Arts Student**



“

*City Lit has been and still is a life saver, it is a powerful positive transformation place for me. This opportunity has allowed my soul to sing because I am actually doing what makes me free and happy.*

Angela Tulloch

”

Angela is a full-time carer for her mother who has several types of disabilities. It's hard on both of them, and Angela's responsibilities can be draining, both physically and mentally. A City Lit bursary has given her a chance to expand, and to balance her duties with classes in performing and visual arts.

## Missie



**Student Bursary  
Recipient**  
Creative Writing and  
Music Student

“

*The courses have given me a depth of clarity, which has transformed my perspective and approach. City Lit gives me a clear vision of the future, holds me accountable and responsible for myself. When I speak, I am heard and I listen. I feel hopeful and inspired.*

Missie Biellie-Dee

”

Missie Biellie-Dee was a carer for her mother while suffering from her own chronic health issues. She was also faced with the prospect of homelessness after her beloved mother passed away. She was awarded the bursary scheme at City Lit which gave her the opportunity to learn, re-connect and further develop her creative side. This has inspired her to writing her first Picture Book entitled, *Little Drummer Boy*, a small extract of which has been published in City Lit's *Between The Lines* Anthology.



## Beena



**Malorie Blackman  
'Unheard Voices'  
Scholarship Winner  
Creative Writing Student**

“

*The scholarship has given me permission to be more involved with writing - something I would love. City Lit has a rich culture in producing good authors and being taught by people who really know their stuff is what I was after. It's inspired me to take risks and give things a shot, and I feel I'll be able to do this properly with a great pedigree of people helping me to navigate the choppy waters of writing and maybe publishing.*

**Beena Nadeem**

”

City Lit launched the Malorie Blackman 'Unheard Voices' Scholarships in 2019. The programme seek to support and encourage the creative and professional development of 'unheard voices', and can be used to fund courses within the City Lit Creative Writing department. Beena Nadeem is one of the three recipients of the Malorie Blackman scholarship for 'Unheard Voices'.

## About City Lit

City Lit (The City Literary Institute) has a national and international reputation as a leading provider of part-time learning for adults.

Established in 1919 to improve post-war literacy, the Institute today offers more than 4,500 courses to over 26,000 students a year. Our wide range of courses include: visual and performing arts, languages, computing, counselling, health and movement, humanities, deaf education, speech therapy and provision for adults with learning disabilities.



We also work in communities across London with disadvantaged groups including: the homeless, immigrants and refugees, ex-offenders, and families.

Based in London's Covent Garden, City Lit occupies a purpose-designed home for adult learning and is the largest adult education institute in Europe.

City Lit is graded 'Good' (with outstanding features) by OFSTED and over 95% of our students rate our courses 'good' to 'excellent'. We hold the Queen's Anniversary Prize for outstanding work in the field of speech therapy and many of our teachers continue to be distinguished professionals including well-known authors, artists, actors, broadcasters, musicians and academics.

Famous alumni include: David Bowie; actors Steven Berkoff and Richard Wilson; authors Jake Arnott, Andrea Levy and former Children's Laureate, Malorie Blackman; comedians Jimmy Carr and Shazia Mirza.

“ City Lit is  
Where London learns... ”



## Fundraising

City Lit does not fundraise directly with individuals and therefore is not registered with the Fundraising Regulator. When donations from individuals are received City Lit aims to protect personal data and does not sell or swap data with other organisations. City Lit manages its own fundraising activities and undertakes to react to and investigate any complaints regarding its fundraising activities and to learn from them and improve its service. During the year ended 31 July 2020, City Lit did not receive any complaints about its fundraising activities.

## Public Benefit

City Lit is a registered charity (charity number 803007). The members of the Governing Body, who are trustees of the charity, are listed on pages 24 and 25. In setting and reviewing City Lit's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit. In delivering its mission, City Lit provides the following identifiable public benefits through the advancement of adult education: quality teaching and course offering, inclusive approach to student enrolment, tackling social exclusion and encouraging social participation, providing solutions to education inequality and delivering robust student support programmes.

## Force for good

City Lit prides itself on being inclusive and serving areas of the community that often get neglected in an adult college environment, these include:

- Adults with learning difficulties
- The deaf community
- Individuals with speech impediments
- Addicts and reformed criminals who are being rehabilitated
- Disadvantaged families
- We adopt the same approach and dedicate the same resources to fulfil the demands of these groups as we would for any other department within the Institute. The number of awards received for our work with these groups evidences this along with our reputation for delivering quality learning and making a real difference to people's lives.
- We are one of the country's leading adult [Deaf Education](#) facilities. Not only do we [support many deaf students developing skills in English, Maths and Computing](#), we also support many of those who work with deaf adults. Our British Sign Language courses are attended by people working in many aspects of London life where deaf awareness helps to support deaf people such as TfL; hospital trusts; schools and universities; and the police.



- Our approach to [Speech Therapy](#) has gained national and international recognition as a centre of excellence. Our tutors have published the methodology that we use and they are widely cited throughout the world with many professionals believing that ours is the most effective way to help people with stammers. As well as specialising in therapy for people who stammer we also work with people who have suffered from speech impairment as a result of a head injury or stroke. Our methodology and therapy helps improve speech, builds confidence and enables people to contribute more positively in all aspects of their lives, particularly at work.
- We believe that everyone is entitled to a second chance at education. We know much more now about learning difficulties than we did 20 years ago when children would usually have slipped through the traditional education system with little or no support. Students with [learning difficulties](#) at City Lit have opportunities to learn skills in a safe and encouraging environment, which builds confidence, pride and often leads to employment or further education. Our team works hard to ensure that the participants' positive learning experience continues outside of the classroom, including [pathways into work](#).
- We take City Lit into the [community](#) through a range of projects, including [regeneration projects](#), [family learning](#), and working with [potentially challenging individuals](#) who are looking to make a fresh start.

In addition to these very specific areas we also know that City Lit as a whole provides Health and Wellbeing benefits to many of our students, particularly our more mature students. Dementia has now been cited as the biggest threat to life and whilst the research continues, it has been claimed that maintaining an active body and mind helps to combat the onset of symptoms. We are also aware that loneliness can lead to mental health issues and we have always believed that in a digital age there is still a real need for interaction with other people in an open and social environment, something that City Lit provides.

Our 'public benefit' touches all parts of our work at City Lit from the plays that are performed to public, to artwork that is displayed for all to see, to the stimulating debates that provide a sense of purpose, to the nurturing of talent such as Andrea Levy, Malorie Blackman and Grayson Perry who entertain, amuse and stimulate millions of people through their work.

## Charitable status

- The City Literary Institute (City Lit) was established in 1919. It is one of six Specialist Designated Institutes (SDIs) within central London, whose special contribution to London's lifelong learning was recognised in the 1992 Further and Higher Education Act.
- City Lit is both a company limited by guarantee and a registered charity, whose charitable objective is: To advance, for the public benefit, education for adults.
- City Lit is part funded and regulated by the Education and Skills Funding Agency (ESFA) and the Greater London Authority (GLA).
- City Lit's trustees are its Governing Body, who are unpaid in their capacity as Governors and include members of staff, students and individuals with relevant business and professional expertise.

# Operating and Financial Review

## (including the Strategic Report)

### Performance indicators

City Lit is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA). The Finance Record produces a financial health grading. Prior to the Covid-19 pandemic we had been on a trajectory to achieve a grading of 'Good', following a sustained effort to increase our rating from 'Requires Improvement'. However, the Institute has been severely impacted financially and this is further reflected in our expected rating of 'Inadequate' for 2019-20.

### Treasury policies and objectives

Treasury management is the management of City Lit's cash flows, its banking and investment transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The Principal, who is also the Accounting Officer, authorises all significant investment transactions.

All borrowing requires the authorisation of the Governing Body and shall comply with the requirements of the Financial Memorandum previously agreed with the Learning and Skills Council (LSC) and subsequently transferred to the ESFA. Action has been taken to spread the risk of invested funds.

During the year we increased our bank overdraft facility with Barclays Bank from £2m to £5m (secured against the Keeley Street premises) to aid with liquidity following the closure of the Institute for face to face learning in March 2020. This facility will be reviewed every 6 months.

### Financial results

	2019-20	2018-19
	£'000	£'000
<b>Income</b>		
Funding bodies	8,881	8,062
Student fees and educational contracts	9,331	10,929
Other income	278	294
	<b>18,490</b>	<b>19,285</b>
<b>Expenditure</b>	<b>20,249</b>	<b>19,241</b>
<b>Surplus (before actuarial pension adjustments)</b>	<b>(1,759)</b>	<b>44</b>

## Financial results (continued)

The results of the financial year ended 31 July 2020 have been severely impacted by the Covid-19 pandemic. The Institute closed for face to face teaching in March 2020 and remained shut for the rest of the financial year. Prior to this, the Institute had been on track to deliver a surplus of £300k and was on a trajectory to achieve a financial health score of 'Good'. Despite our best efforts to move courses online, our sales for Term 3 suffered and we also had to issue refunds to our students.

Overall City Lit ended the year with a deficit, before actuarial pension adjustments, of £1.759m (2018-19: £44,000). The result for the year, including pension adjustments was a deficit of £9.3m (2018-19: deficit of £1.6m).

Combined income from student fees and educational contracts fell by 15% from £10.9m in 2018-19 to £9.3m (2018-19: increase of 4.4%). However, as we continued to pay our staff and suppliers throughout the closure period our cost base did not decrease in line with our fall in income. In fact, as this was the first year of the increased employer contribution rates for Teachers Pension Scheme, from 16.48% to 23.68%, our costs increased from last year. Also as a result of Covid-19 we incurred significant additional running costs to facilitate online learning and to make the building safe, and these will continue in the new financial year as we reopen for teaching.

City Lit had net liabilities of £9.2m at 31 July 2020 (2018-19: net assets of £169,000), after taking into account a pension liability of £19.1m (2018-19: liability of £11.5m). Without the pension liability, the Institute would have net assets of £9.9m (2019: net assets of £11.7m).

## Pension liability

At the year end the pension liability had increased from £11.5m (2018-19) to £19.1m (2019-20). As with all other bodies in the Local Government Pension Schemes, the liability has increased significantly in recent years. This is largely because the discount factor used to calculate it has reduced due to low interest rates. The liability recognised on the balance sheet differs significantly from the latest scheme valuation at 31 March 2019, which shows that we had a funding surplus of £140,000 and were 100.9% fully funded compared to a previous funding deficit of £528,000 (95.6% funded) at 31 March 2016. Our employee contribution rate increased from 12% to 12.9% from 1 April 2020, however we are no longer paying deficit contributions that previously totalled £93,000 a year, so the amount we are paying overall has remained stable.

## Cash flow

City Lit's cash inflow from operating activities was £1.3m (2018-19: £701,000 inflow) primarily as a result of an increase in creditors, due to deferred payments to HMRC and the Teachers Pension Scheme.

## Reserves policy

Our sector and its financial model which relies on a significant amount of statutory funding, does not lend itself to the accumulation of free reserves in the short to medium term. However the Governing Body recognises its responsibility to have financial headroom in the event of any financial shock. Such headroom is provided through a bank overdraft facility, the ability to dispose of or obtain secured borrowing against property assets, and management's proven ability to reduce variable expenditure when necessary in a strictly prioritised and controlled manner. Our net current liability at 31 July 2020 was £4.3m (2019: £1.6m). During the year the overdraft was increased from £2m to £5m to provide additional liquidity to assist with the financial strain of Covid-19. It is reviewed every six months.

## 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%. During the year ended 31 July 2020, City Lit paid 90% of its invoices within 30 days (2018-19: 88%).

## Employees

City Lit employs:

During the year City Lit employed an average of 1,452 employees (2018-19: 1,406). Included in this figure are 1,227 part-time tutors (2018-19: 1,177). The staff numbers in Note 8 only include employees that worked for City Lit in the year.

Our staff costs (excluding restructure and pension costs) increased from £13.8m to £14.6m. The costs were higher this year as the employer's contributions rate for Teachers Pension Scheme increased from 16.48% to 23.68%.

We received funding of £565,000 from the Coronavirus Job Retention Scheme. This additional funding helped to cover the costs of c350 employees that were placed on furlough. Although we saw a fall in income, our staff costs did not decrease as we committed to supporting our tutors by paying them throughout the closure period. Our costs were, however significantly lower than our budgeted staff costs for 2019-20 of £15.0m, primarily driven by vacancy savings during the year.

Further details of staff costs are provided in Note 8.

## Outlook for 2020-21

2020-21 is likely to prove an exceptionally challenging year from a financial perspective, as we attempt to manage our way through the continuing Covid-19 crisis, shift a significant proportion of our provision online; deal with our liquidity challenges; and ensure our long-term financial security and existence.

We reopened for face to face teaching on a reduced basis in September 2020 and are strengthening our online provision of courses which we now see as an alternative opportunity for growth. We will be closely monitoring sales performance, particularly during Term 1 and implementing cost saving initiatives as required.

We expect the financial impact of the pandemic to last into the long term, and we are putting plans in place to manage and mitigate this impact.

## Principal risks and uncertainties

City Lit has several embedded internal controls to manage and mitigate risk including a Risk Management Group who update and maintain the risk register. The risk register is reviewed termly by the Audit & Risk Committee, as well as a Board Assurance Framework which is a wide-reaching governance tool that informs the Governors of progress against strategic direction including risk management.

The principal risks and uncertainties for City Lit are:

- **A reduction in Government funding** - City Lit's new strategy is addressing this by continuing to build fee income and by strengthening our relationship with funders.
- **The impact of BREXIT** - BREXIT poses particular concerns for London and London's businesses. We will do all that we can to anticipate any changes that would impact our students and adapt accordingly.
- **The impact of the pandemic and economic uncertainty** - Pre pandemic, we derived over 60% of our income from students. The impact of the pandemic has significantly reduced our fee income. With the resulting economic uncertainty, it is possible that our fee paying students will want to protect their income and reduce the number of courses they purchase. Our strategy to review our offer and meet the needs of our students should enable us to provide a more flexible curriculum that is affordable in tougher times. Our goal to diversify income streams should enable us to continue offering places to the most vulnerable.
- A reduction in teaching standards has a negative impact on student experience and the Institute's success. This is addressed through a vigorous framework of teaching observations and monitoring and responding to student feedback.

## Our stakeholders

We have a wide range of stakeholders including:

- Our students
- Our staff - both tutors and salaried staff
- Our Governors
- Department for Education (DfE) and Ofsted
- Education sector funding bodies (ESFA)
- Employers who sponsor learners or contract directly for provision
- Employers
- Local Authorities \*
- City Lit Fellows
- The local community \*
- The Mayor of London, the Greater London Authority (GLA) and its constituent bodies
- Members of Parliament who represent London constituencies
- Partner organisations in learning (e.g. universities and colleges)
- Partner organisations which assist in the support of our students
- Member bodies: Association of Colleges (AoC); Learning and Work Institute; HOLEX
- Trade unions and Professional bodies.

\* The communities, organisations and agencies that we work with directly and indirectly, who contract for specific outputs or partner with City Lit in delivering programmes, primarily in the Community Outreach and Information, Advice and Guidance areas.

The Institute recognises the importance of these relationships and engages in regular communication with them.



## Equality and diversity

At City Lit we seek to achieve the objectives laid out in the Equality Act 2010.

One of our core principles is to value and promote equality and diversity. Equality is about the creation of a fairer organisation where everyone can participate and fulfill their potential as equals, free from discrimination and harassment. Diversity is about respecting, valuing and celebrating different views and cultures.

Our equality and diversity policy applies to all members of staff, Governors and students, and an equality and diversity strategy incorporates our equality schemes as required by the Equality Act 2010. The programme and service areas Self-Assessment Reports (SARs) contain detailed analysis of student progress by a number of diversity strands and equality impact assessments can be shown to lead to improvements in service and performance. We have targets for increasing the number of black and ethnic minority staff and students that are reflected in departmental SARs and we will continue to strive to improve the quality of our teaching by implementing and embedding excellent diversity practices.

Our policy is to provide support that ensures disabled employees have equality with regards to training, career development and promotion opportunities. Where an existing employee becomes disabled, every effort is made to ensure that employment can continue through targeted support.

We also have one of the largest centres for the education and training of deaf people and we employ a significant number of staff with severe hearing impairments. In our most recent staff satisfaction survey 86% of disabled staff said they were adequately supported with their disability.

We short list and appoint suitable candidates for employment in accordance with an approved policy and all relevant employment legislation. In so far as resources and opportunity permit, all employees, including temporary and agency staff, are entitled to training and development.

**Bursary scheme:** The ability of the less well-off to be able to access City Lit courses is an area of growing concern. To try and alleviate this problem City Lit setup a bursary scheme in 2011 (see note 22). This fund comprises amounts set aside out of City Lit general funds. This year we received £47,000 in donations and the balance on the fund at 31 July 2020 was £32,000 (31 July 2019: £4,000).

**Facilities:** The Keeley Street building was designed to comply with modern building standards, and to be fully accessible for staff and students with disabilities. The design process included an access audit. Further accessibility improvements have been made since, based on recommendations in specific access audits and feedback from staff and students. City Lit has a Learning Support Team that provides information, advice and arranges support where necessary for students with disabilities or additional learning support needs. The admissions procedure for students is described in the Student Handbook. Appeals against admission decisions are dealt with under the complaints procedure. There is a list of specialist equipment, such as radio aids, which the Institute can make available for use by students and a range of assistive technology is available in the supported learning centre and the Centre for the Deaf. City Lit has specialist tutors and support staff to assist students with additional learning needs and/or disabilities. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for such students. Counselling services are available to staff and students and are described in the Institute Student Handbook, which is available to all students.

Trade union facility time

The Trade Union (Facility Time Publication Requirements) regulations 2018 require the Institute to publish information on facility time arrangements for trade union officials at the Institute, for the period covering 1 April 2019-31 March 2020.

Number of employees who were trade union representatives: 6 (FTE: 3.3)

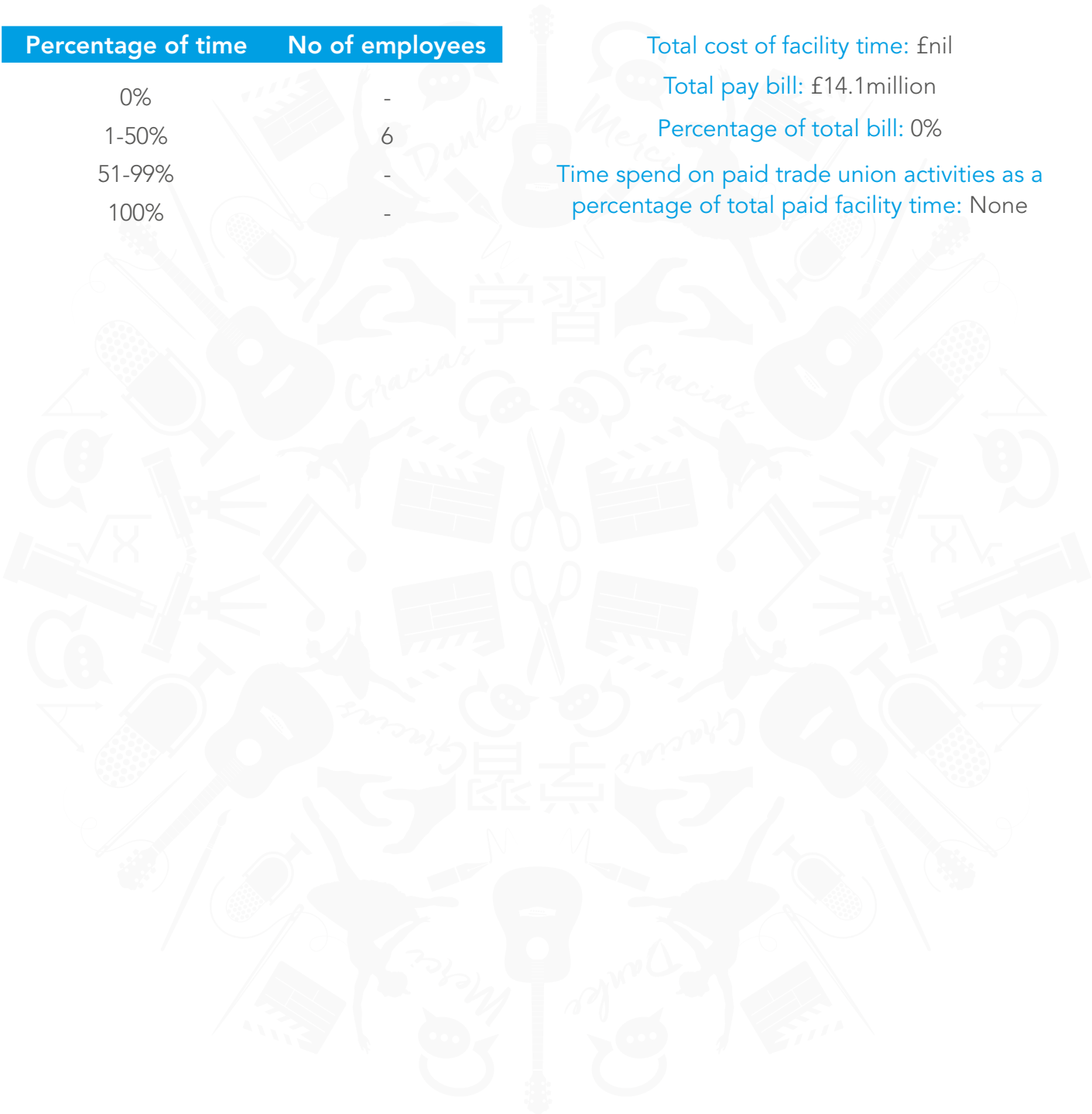
Percentage of time	No of employees
0%	-
1-50%	6
51-99%	-
100%	-

Total cost of facility time: £nil

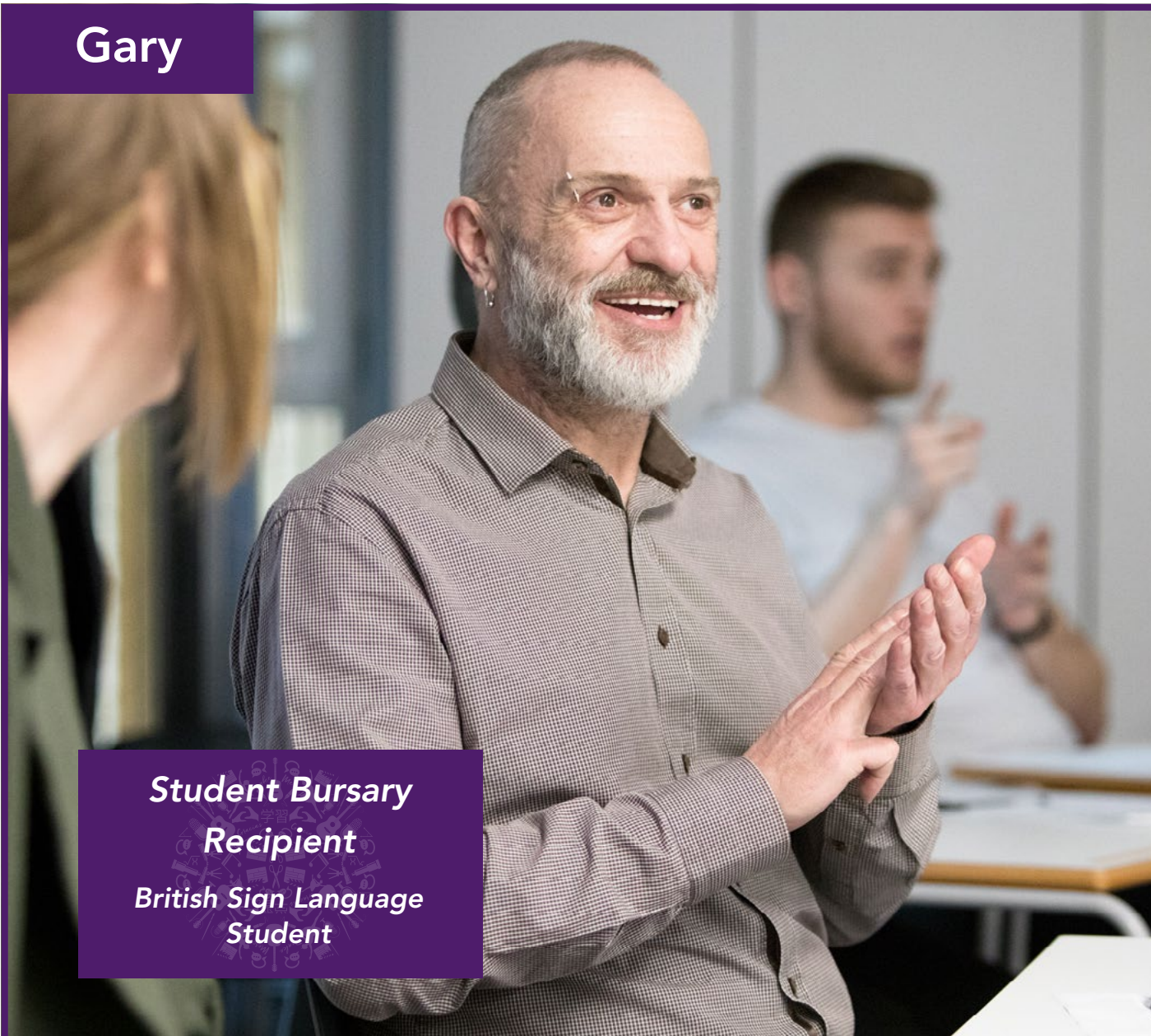
Total pay bill: £14.1million

Percentage of total bill: 0%

Time spend on paid trade union activities as a percentage of total paid facility time: None



## Gary



**Student Bursary  
Recipient**  
British Sign Language  
Student

“

*All my working life I had been an engineer, learning British Sign Language has given me the opportunity to further my education as well helping me tackle my social anxiety and my isolation with depression.*

Gary Law

”

After falling seriously ill, Gary Law realised he needed a new aspect on life. His previous career in engineering was no longer an option. At the age of 54, Gary started learning British Sign Language. This course has given him the opportunity to further his education as well as the prospect of a new career. It has also helped him to tackle his social anxiety and his isolation with depression.



## Celestine



**Malorie Blackman  
'Unheard Voices'  
Scholarship Winner**  
Creative Writing Student

“

*I feel extremely grateful to have this opportunity and I'm excited to explore different forms of creative writing during the year's scholarship – in particular screenwriting and fiction – to find the ones I most enjoy. I hope that in the future we see more characters with disabilities in our books and on our screens, because there are an awful lot of us who feel unrepresented by the media and its focus on able-bodied perspectives.*

Celestine Fraser

”

City Lit launched the Malorie Blackman 'Unheard Voices' Scholarships in 2019. The programme seek to support and encourage the creative and professional development of 'unheard voices', and can be used to fund courses within the City Lit Creative Writing department. Celestine is one of the three winners of the Malorie Blackman Scholarship for 'Unheard Voices'.

## Disclosure of Information to Auditors

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

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

**Approved by the Governing Body on 1 December 2020 and signed on its behalf by:**



**Dame Moira Gibb DBE**  
**Chair of Governors**

### Senior post-holders during this period:

Mark Malcomson CBE - Principal

Katrina O'Sullivan - Clerk to the Governors

### Financial statement and regularity auditors:

Buzzacott LLP, 130 Wood Street, London, EC2V 6DL

### Internal auditors:

BDO LLP, 55 Baker Street, London, W1U 7EU

### Bankers:

Barclays Bank Plc, One Churchill Place, London, E14 5HP



## Statement of Corporate Governance and Internal Control

The following statement is provided to clarify our governance and legal structure.

City Lit strives to conduct its operations:

- In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership)
- In full accordance with the guidance to colleges from the Association of Colleges in The English Colleges' Code of Good Governance (the Foundation Code)
- And having due regard to the UK Corporate Governance Code (the Code) insofar as it is applicable to the further education sector

In the opinion of the Governing Body, City Lit complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2020. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of 'The English Colleges' Code of Good Governance issued by the Association of Colleges in December 2011, which it formally adopted on 6th December 2011.

### 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 total number of meetings held in the year were as follows: Governing Body - 7 (plus 2 half day Strategic Review sessions not included in the figures below); Audit & Risk Committee - 3; Finance & Commercial Committee - 7; Governance and People Committee - 6; Quality Committee - 6; and Remuneration Committee - 1.

Name	No. of Governing Body meetings attended (not inc. Strategy Session)	Date of Appointment/ Re-appointment	Term of Office	Date of resignation	Status of appointment	Committees Served (number in brackets relates to no. of meetings attended in year)
Penny Allen	6	19/5/20	1 year		1	Quality – 5;
Annita Bennett	1 (out of a possible 1)	21/10/16	3 years	14/10/19	1	
Tim Bolderson	7	24/10/17	4 years		1	Quality – 6 Governance & People – 6
Edward Breen	6 (out of a possible 6)	14/10/19	4 years		2	Quality – 4 (out of a possible 5)
Jane Cooper (Deputy Chair)	7	9/12/17	4 years (plus 1 extended year)		1	Audit & Risk – 3; Governance & People – 6; Remuneration – 1
Jon Gamble	5	9/12/18	4 years		1	Audit & Risk – 3
Dame Moira Gibb (Chair)	7	4/7/17	4 years (plus 1 extended year)		1	Governance & People – 6; Remuneration – 1 Finance & Commercial – 3 (out of a possible 3)
Eric Hadley	5	4/12/18	2 years	01/12/20	3	Quality – 5

Name	No. of Governing Body meetings attended (not inc. Strategy Session)	Date of Appointment/ Re-appointment	Term of Office	Date of resignation	Status of appointment	Committees Served (number in brackets relates to no. of meetings attended in year)
Colin Jones	7	4/12/18	4 years		1	Finance & Commercial - 7
Simon Judge	First meeting in October 2020	13/10/20	4 years		1	Finance & Commercial - first meeting in November 2020
Mark Malcomson	7	11/6/11	N/A		4	Finance & Commercial - 7; Governance & People - 6; Quality - 6
Keith Moffitt	2 (out of a possible 3)	15/3/16	4 years	10/3/20	1	Quality - 2 (out of a possible 2)
Wendy Moss	1 (out of a possible 1)	20/10/15	4 years	14/10/19	2	Audit & Risk – 0 (out of 0)
Sophie Neary	0 (out of a possible 1)	6/2/18	4 years	14/10/19	1	Finance & Commercial - 0 (out of a possible 1)
Raj Parkash	7	16/10/16	4 years		1	Finance & Commercial - 7
Michael Simmonds	7	10/03/20	4 years		1	Finance & Commercial - 7; Governance & People - 5; Remuneration - 1
Paula Smith	5	4/7/17	4 years (plus extended year)		1	Audit & Risk - 3; Governance & People - 5
Jill Westerman	7	9/7/18	4 years		1	Quality - 6
Christine Kinnear		1/12/20	4 years		1	Finance & Commercial

**Notes:** 1 = Governors who have the necessary skills to ensure that the Governing Body carries out its function under Article 8; 2 = Elected by and from staff; 3 = Elected by and from students; 4 = The Principal.

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 City Lit 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 once a term but due to the Covid-19 pandemic the Governing Body and selected Committees met more frequently.

The Governing Body conducts its business through a number of Committees. Each Committee has terms of reference, which have been approved by the Governing Body. These Committees are: Finance & Commercial, Remuneration, Governance & People, Quality and Audit & Risk. Full minutes of all meetings, except those deemed to be confidential by the Governing Body, are available on request.

City Lit maintains a register of financial and personal interests of the Governors, which is available for inspection on request.

All Governors are able to obtain independent professional advice in furtherance of their duties at City Lit's expense and have access to the Clerk to the Governing Body, who is responsible to the Board

for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Governing Body as a whole. Formal agendas, papers and reports are supplied to Governors in a timely manner, prior to Board meetings. Briefings are also provided on an ad hoc basis.

The Governing Body has a strong and independent non-executive element, in addition to one staff member and one student member, 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**

Any new appointments to the Governing Body are a matter for consideration of the Governing Body as a whole. The Governing Body has a Governance and People Committee comprised of six Governors, which is responsible for the selection and nomination of any new member for the Governing Body's consideration. 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 and can be reappointed for a second term.

### **Finance & Commercial Committee**

The Finance & Commercial Committee is charged with monitoring the Institute's financial performance, and approving the annual budget. It met seven times in 2019-20 and comprises of five members of the Governing Body which has latterly included the Chair of Governors, who has joined the Committee temporarily during the Covid-19 pandemic.

### **Remuneration Committee**

The Remuneration Committee comprises three members of the Governing Body. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior post-holders.

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

### **Governance & People Committee**

The purpose of the Governance and People Committee is to advise the Governing Body on the appointment of new Governors and on the reappointment of existing members. The Committee is also responsible for overseeing the aspects of the College's People resource, and providing general advice to the Board on all governance matters. This Committee met six times during the year.

### **Quality Committee**

The Quality Committee met six times throughout 2019-20 and comprises of six members, including the student and staff governors. The aim of the Committee is to advise the Governing Body on the appropriateness and operation of the Institute's Quality Assurance systems, the quality of the learner experience and performance against key quality targets. It also makes recommendations on quality improvements for the Board's approval.

## **Audit & Risk Committee**

The Audit & Risk Committee comprises three members of the Governing Body (which does not include the Accounting Officer, Chair or members of the Finance & Commercial Committee). The Committee operates in accordance with written terms of reference approved by the Governing Body. Its purpose is to advise the Governing Body on the adequacy and effectiveness of City Lit's systems of internal control and its arrangements for risk management, control and governance processes.

The Audit & Risk Committee normally meets on a termly basis and provides a forum for reporting by City Lit's internal auditors and external auditors. The Committee also reviews the strategic risk register.

City Lit's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan and report their findings to Management and the Audit & Risk Committee.

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

The Audit & Risk Committee also makes a recommendation to the Governing Body on the appointment of internal, regularity and financial statements auditors and decides on their remuneration for both audit and non-audit work.

The Audit & Risk Committee meets at least once a year with the auditors without staff members present. The Committee met three times this year.

## **Internal Control**

City Lit's system of internal financial control includes:

- Clear definitions of the responsibilities, and the authority delegated to, schools and service managers
- A comprehensive medium and short-term planning process, supplemented by detailed annual budgets
- Regular reviews of key performance indicators and business risks and the management thereof
- Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approved levels set by the Governing Body
- Comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Finance & Commercial Committee

## Scope of responsibility

The Governing Body is ultimately responsible for City Lit'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 City Lit'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 City Lit and the funding bodies. 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 Institute 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 City Lit for the year ended 31 July 2020 and up to the date of approval of the annual report and financial statements.

## Capacity to handle risk

The Governing Body has reviewed the key risks to which City Lit 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 City Lit's significant risks that has been in place for the year ended 31 July 2020 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Governing Body.

City Lit has conducted a rigorous evaluation of all risks and has maintained a detailed risk register and action plan designed to mitigate to the extent possible, all significant risks identified. This has been approved by the Governing Body. City Lit is confident that it has embedded a culture of risk management into all aspects of its activities through a number of methods:

- Incorporating risk management into current systems for curriculum review, budget setting and new projects.
- Broadening the management group responsible for managing risk to include representatives from all major areas of operation.
- Providing training to all senior managers on risk management.



## 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.
- The adoption of formal project management disciplines, where appropriate.

As a result of the introduction of the Joint Audit Code of Practice (now known as the Post 16 Audit Code), the Institute is no longer required to have an internal audit function. The Audit Committee reviewed the internal audit arrangements during 2013-14 and believes that internal audit is a cornerstone of the systems of internal control. As a consequence City Lit retendered its internal audit contract during 2014-15, and appointed BDO LLP.

Under the Code of Practice, the Institute is required to have a Board Assurance Framework in place. The creation of this is a task that was taken on by the Audit & Risk Committee, with the assistance of the Executive. The Board Assurance Framework is a good Governance tool. It aims to cover all the areas of City Lit's operations and informs Governors on how the Institute is working according to the strategic direction set. It also sets out what specific parts Governors play in doing this, as a Governing Body, and through the various Committees. The Governing Body approved the Institute's Board Assurance framework in July 2014. This framework acts as an overarching control document to help see that City Lit's strategy is being executed. One aspect of that is checking that mechanisms are in place should things go wrong, which is a central part of the risk management process. The framework also acts to focus the work of internal audit.

## 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 executive managers within City Lit who have responsibility for the development and maintenance of the internal control framework.
- Comments made by City Lit's financial statements and regularity auditor in their management letter and other reports.
- The work of the internal auditors.

The Executive Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms.

Based on the advice of the Audit & Risk Committee and the Accounting Officer, the Governing Body is of the opinion that the Institute 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

The Institute incurred an operating deficit of £1.8m during the year (2019: £44k surplus) against an original budget of £300k surplus. The significant adverse variance was as a result of the pandemic and the consequent impact on tuition fees following the lockdown. At 31 July 2020, the Institute had net current liabilities of £4.3m (2019: £1.6m) and cash at bank £428k (2019: £1.07m). The Institute also has an overall net liability balance of £9.2m (2019 net assets of £169,000) at 31 July 2020. This included a net pension liability of £19.1m (2019: £11.5m) in regards to the Local Government Pension Scheme. Without the pension liability, the Institute would have net assets of £9.9m (2019: net assets of £11.7m). The pension liability has increased in the year and remains high because of the low discount factor, however, the triennial valuation by the actuary as at 31 March 2019 confirmed that the scheme was fully funded.

A £5m overdraft facility with Barclays Bank (to help with working capital) is in place and it has been renewed for a further 6 months to 30 June 2021. Given the unprecedented nature of economic uncertainty created by the pandemic, 2020-21 is likely to prove exceptionally challenging year financially and current forecasts and budgets predict a similar level of deficit to the current year. This is based on a number of key assumptions including:

- Certain level of tuition fees.
- Delivery of full adult education budget.
- Renewal of bank overdraft facility or a switch to longer term loan facility that provides the necessary cash flow support. Ongoing discussions with the bank are positive and they have given no indication that the facility will be withdrawn.

There are inherently material uncertainties within the above assumptions. Whilst recognising these are as a result of the Covid-19 pandemic, the Board considers that the use of the going concern basis of accounting is appropriate following assessment at its meeting in December 2020. The following factors provide the board assurance that the Institute remains a going concern, albeit with recognition that there are material uncertainties:

- Funding body grants from both the ESFA and GLA have been confirmed for the year to 31 July 2021.
- The Institute owns the freehold of its main campus in Covent Garden. The net book value of freehold land and buildings in the financial statements at 31 July 2020 was £14.2m. However, their market value (last revalued in March 2019) was significantly higher at £67m.
- Income from local authority contracts have increased for 2020/21 compared to 2019/20;
- The Institute has been awarded significant amounts of additional capital grants following the lockdown from both the GLA and ESFA, supporting that the funders have confidence in the key role of the Institute and its long term viability.

- The Institute has successfully transitioned 75% of its courses online now. Performance in Term 1 indicates that there is a strong demand from our students for online courses, and eight departments have exceeded their sales target, with three of them exceeding their sales from the prior year.
- Cashflows are reviewed and reforecast on a regular basis and based on key assumptions outlined above, indicate that whilst working capital management will need ongoing careful planning and monitoring given the challenging climate, we will aim to remain within the overdraft facility from 12 months from the date the Board signs the financial statements.
- We are in continued dialogue with the Education & Skills Funding Agency and GLA, and will seek emergency funding in the event that cashflows are not in line with projections;
- The Governing Body will continue to take steps to ensure that the Institute's income and expenditure are brought back to balance.

**Approved by the Governing Body on 1 December 2020 and signed on its behalf by:**



**Dame Moira Gibb DBE**  
**Chair of Governors**



**Mark Malcomson CBE**  
**Accounting Officer**

## Governing Body's Statement

### **Governing Body's statement on The City Literary Institute's regularity, propriety and compliance with funding body terms and conditions of funding**

The Governing Body has considered its responsibility to notify the Education and Skills Funding Agency of material irregularity, impropriety and non-compliance with Education and Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the Institute and the Education and Skills Funding Agency. As part of our consideration the Governing Body has had due regard to the requirements of the financial memorandum.

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

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

**Approved by the Governing Body on 1 December 2020 and signed on its behalf by:**



**Dame Moira Gibb DBE**  
**Chair of Governors**



**Mark Malcomson CBE**  
**Accounting Officer**



## Statement of Responsibilities of City Lit's Governing Body

The Governing Body of the Institute is required to present audited financial statements for each financial year.

Within the terms and conditions of the Financial Memorandum agreed between the Education and Skills Funding Agency and the Governing Body of the Institute, the Governing Body, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice - Accounting for Further and Higher Education Institutions and with the College Accounts Direction for 2019-20 Financial Statements issued by the Education and Skills Funding Agency, and which give a true and fair view of the state of affairs of the Institute and the result for that year.

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

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

The Governing Body is also required to prepare an operating and financial review, which describes what it is trying to do and how it is going about it, including the legal and administrative status of the Institute.

The Governing Body is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Institute and to enable it to ensure that the financial statements are prepared in accordance with the relevant legislation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard assets of the Institute and to prevent and detect fraud and other irregularities.

The work carried out by the auditor does not involve consideration of the maintenance and integrity of the Institute's website and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

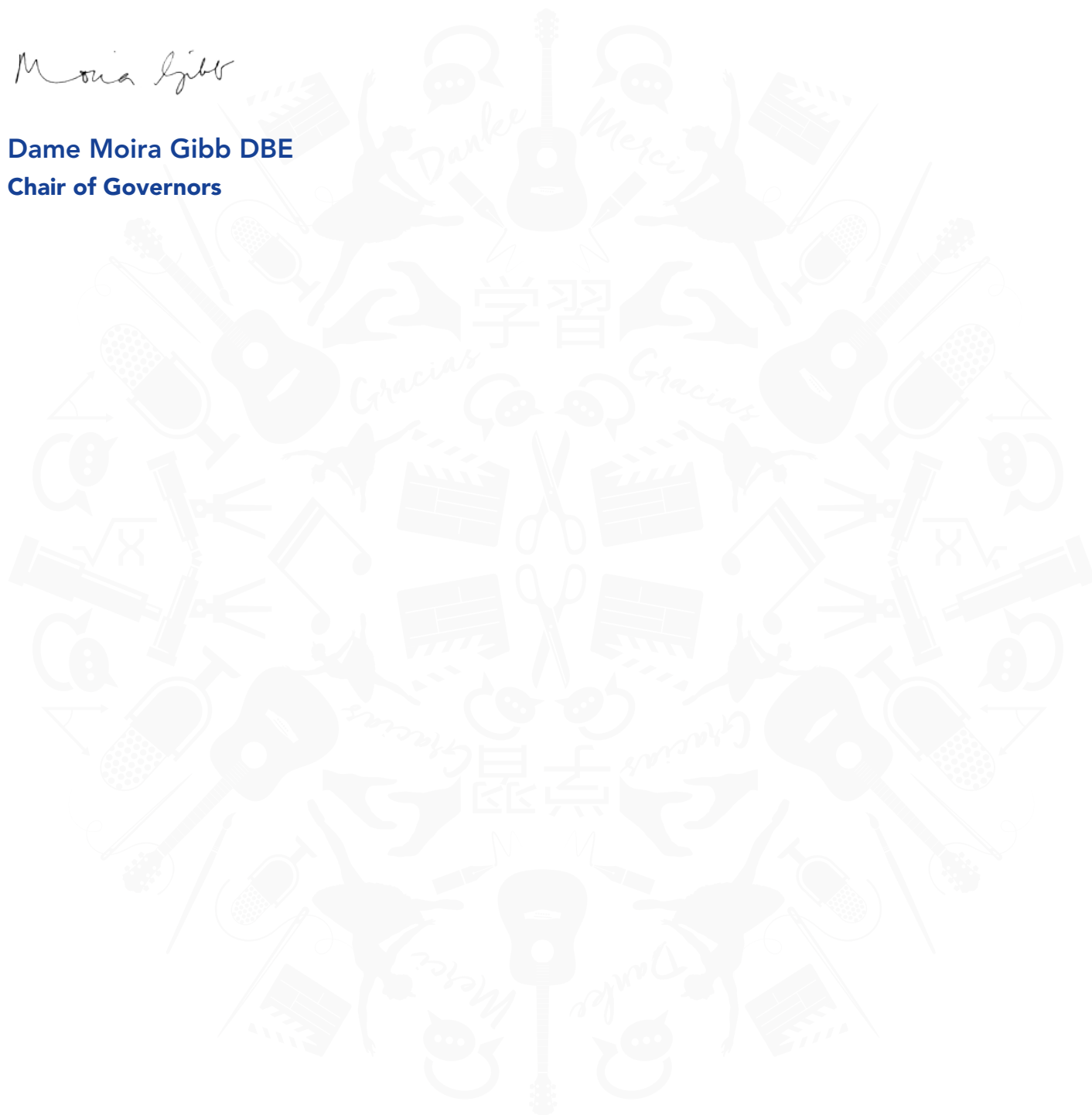
The Governing Body is responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Education and Skills Funding Agency are used only in accordance with the Financial Memorandum with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time. The Governing Body must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly.

In addition, the Governing Body is responsible for securing economical, efficient and effective management of the Institute's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Education and Skills Funding Agency are not put at risk.

**Approved by the Governing Body on 1 December 2020 and signed on its behalf by:**



**Dame Moira Gibb DBE**  
**Chair of Governors**



## Independent auditor's report to the members of The City Literary Institute

### Opinion

We have audited the financial statements of The City Literary Institute for the year ended 31 July 2020, which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is 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)

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

In our opinion, the financial statements:

- give a true and fair view of the state of the Institute's affairs as at 31 July 2020 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Institute 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.

### Material uncertainty related to going concern

We draw attention to the information contained in the Governors' Report on page 30 and principle accounting policies to these financial statements on page 44, which sets out the material uncertainties related to going concern. Our opinion is not modified in respect to this matter.

## Conclusions relating to going concern

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

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

## Other information

The Governing Body is responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. 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.

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

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the operating and financial review including the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the operating and financial review including the strategic report has been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the Institute and its environment obtained in the course of the audit, we have not identified material misstatements in the operational and financial review including the strategic report.



We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

## Responsibilities of the Governing Body

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

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

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

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

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



9 December 2020

## Shachi Blakemore (Senior Statutory Auditor)

For and on behalf of Buzzacott LLP, Statutory Auditor  
130 Wood Street  
London  
EC2V 6DL

## Reporting accountant's assurance report on regularity

### To: The Governing Body of The City Literary Institute and the Secretary of State for Education acting through the Department of Education ("the Department")

In accordance with the terms of our engagement letter and further to the requirements of the financial memorandum with Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by The City Literary Institute during the period 1 August 2019 to 31 July 2020 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 Department. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Department has other assurance arrangements in place.

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

### Respective responsibilities of the Governing Body of The City Literary Institute and the reporting accountant

The Governing Body of The City Literary Institute 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 is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the 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 2019 to 31 July 2020 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

## Reporting accountant's assurance report on regularity (continued)

### Approach

We conducted our engagement in accordance with the Code issued by the Department. 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.

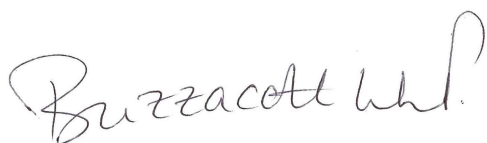
Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the Institute's income and expenditure.

The work undertaken to draw to our conclusion includes:

- An assessment of the risk of material irregularity and impropriety across all of the Institute's activities;
- Further testing and review of self-assessment questionnaire 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 opinion.

### 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 2019 to 31 July 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



9 December 2020

**Buzzacott LLP, Statutory Auditor**

130 Wood Street  
London  
EC2V 6DL

## Statement of Comprehensive Income for the year ended 31 July 2020

	Notes	2019-2020			2018-2019		
		Before actuarial pension adjustments	Actuarial pension adjustments (LGPS)	After actuarial pension adjustments	Before actuarial pension adjustments	Actuarial pension adjustments (LGPS)	After actuarial pension adjustments
		£'000	£'000	£'000	£'000	£'000	£'000
<b>INCOME</b>							
Funding body grants	2	8,881	-	8,881	8,062	-	8,062
Tuition fees and education contracts	5	9,331	-	9,331	10,929	-	10,929
Other income	6	193	-	193	245	-	245
Investment income	7	4	-	4	9	-	9
Donations	3, 4	81	-	81	40	-	40
<b>Total income</b>		<b>18,490</b>	<b>-</b>	<b>18,490</b>	<b>19,285</b>	<b>-</b>	<b>19,285</b>
<b>EXPENDITURE</b>							
Staff costs	8	14,611	1,092	15,703	13,760	831	14,591
Fundamental restructuring costs	8	89	-	89	148	-	148
Other operating expenses	10	4,487	-	4,487	4,341	-	4,341
Depreciation & amortisation	12, 13	1,062	-	1,062	992	-	992
Interest and other finance costs	11	-	243	243	-	255	255
<b>Total expenditure</b>		<b>20,249</b>	<b>1,335</b>	<b>21,584</b>	<b>19,241</b>	<b>1,086</b>	<b>20,327</b>
Surplus/(deficit) for the year		(1,759)	(1,335)	(3,094)	44	(1,086)	(1,042)
Actuarial loss in respect of pension schemes	17	-	(6,250)	(6,250)	-	(592)	(592)
<b>Total comprehensive (expenditure)/income for the year</b>		<b>(1,759)</b>	<b>(7,585)</b>	<b>(9,344)</b>	<b>44</b>	<b>(1,678)</b>	<b>(1,634)</b>
<b>Represented by:</b>							
Unrestricted comprehensive (expenditure)/income		(1,787)	(7,585)	(9,372)	40	(1,678)	(1,638)
Restricted comprehensive income	22	28	-	28	4	-	4
		(1,759)	(7,585)	(9,344)	44	(1,678)	(1,634)



## Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 31st July 2018	803	1,000	1,803
Deficit from the income and expenditure account	(1,042)	-	(1,042)
Other comprehensive expenditure	(592)	-	(592)
Total comprehensive expenditure for the year	(1,634)	-	(1,634)
Balance at 31st July 2019	(831)	1,000	169
Deficit from the income and expenditure account	(3,094)	-	(3,094)
Other comprehensive expenditure	(6,250)	-	(6,250)
Total comprehensive expenditure for the year	(9,344)	-	(9,344)
Balance at 31st July 2020	(10,175)	1,000	(9,175)

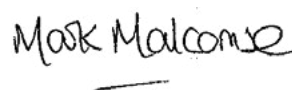
## Balance Sheet as at 31 July 2020

	Notes	2020 £'000	2019 £'000
<b>Fixed assets</b>			
Tangible fixed assets	12	17,977	17,092
Intangible fixed assets	13	652	677
		<b>18,629</b>	<b>17,769</b>
<b>Current assets</b>			
Trade and other receivables	14	1,052	1,363
Cash and cash equivalents	18	428	1,071
		<b>1,480</b>	<b>2,434</b>
Less: Creditors - amounts falling due within one year	15	(5,826)	(4,049)
<b>Net current liabilities</b>		<b>(4,346)</b>	<b>(1,615)</b>
<b>Total assets less current liabilities</b>		<b>14,283</b>	<b>16,154</b>
Less: Creditors - amounts falling due after more than one year	16	(4,297)	(4,403)
<b>Provisions</b>			
Defined benefit obligations	17, 21	(19,073)	(11,497)
Other provisions	17	(88)	(85)
<b>Total net assets</b>		<b>(9,175)</b>	<b>169</b>
<b>Funds</b>			
Income and expenditure account	21	(10,223)	(851)
Revaluation reserve	22	1,000	1,000
Restricted Bursary Fund	22	32	4
Restricted funds	22	16	16
<b>Total funds</b>		<b>(9,175)</b>	<b>169</b>

The financial statements on pages 40 to 71 were approved and authorised for issue by the Institute on 1 December 2020 and were signed on its behalf on that date by:



**Dame Moira Gibb DBE**, Chair



**Mark Malcomson CBE**, Accounting Officer

## Statement of Cash Flows as at 31 July 2020

	Notes	2019-20 £'000	2018-19 £'000
<b>Cash inflow from operating activities</b>			
Deficit for the year		(3,094)	(1,042)
<b>Adjustment for non cash items</b>			
Depreciation and amortisation	12, 13	1,062	992
Decrease/(Increase) in debtors	14	311	(37)
Increase/(Decrease) in creditors due within one year	15	1,777	(411)
(Decrease)/Increase in creditors due after one year	16	(106)	128
Increase in provisions	17	2	2
Pensions costs less contributions payable		1,357	1,078
<b>Adjustment for investing or financing activities</b>			
Investment income	7	(4)	(9)
<b>Net cash flow from operating activities</b>		<b>1,305</b>	<b>701</b>
<b>Cash flows from investing activities</b>			
Investment income	7	4	9
Withdrawal of deposits		-	100
Payments made to acquire tangible fixed assets	12	(1,784)	(1,249)
Payments made to acquire intangible fixed assets	13	(168)	(228)
		<b>(1,948)</b>	<b>(1,368)</b>
<b>Decrease in cash and cash equivalents in the year</b>		<b>(643)</b>	<b>(667)</b>
Cash and cash equivalents at beginning of the year	18	1,071	1,738
<b>Cash and cash equivalents at end of the year</b>	<b>18</b>	<b>428</b>	<b>1,071</b>

## Notes to the Financial Statements 1

### 1. Statement of accounting policies

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

#### Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2019-20 and in accordance with Financial Reporting Standard 102 - "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The Institute 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 Institute's accounting policies.

#### Basis of accounting

The financial statements are prepared in accordance with the historical cost convention, modified by the revaluation of certain fixed assets treated as deemed cost within these financial statements.

#### Going concern

The Institute incurred an operating deficit of £1.8m during the year (2019: £44k surplus) against an original budget of £300k surplus. The significant adverse variance was as a result of the pandemic and the consequent impact on tuition fees following the lockdown. At 31 July 2020, the Institute had net current liabilities of £4.3m (2019: £1.6m) and cash at bank £428k (2019: £1.07m). The Institute also has an overall net liability balance of £9.2m (2019 net assets of £169,000) at 31 July 2020. This included a net pension liability of £19.1m (2019: £11.5m) in regards to the Local Government Pension Scheme. Without the pension liability, the Institute would have net assets of £9.9m (2019: net assets of £11.7m). The pension liability has increased in the year and remains high because of the low discount factor, however, the triennial valuation by the actuary as at 31 March 2019 confirmed that the scheme was fully funded.

A £5m overdraft facility with Barclays Bank (to help with working capital) is in place and it has been renewed for a further 6 months to 30 June 2021. Given the unprecedented nature of economic uncertainty created by the pandemic, 2020-21 is likely to prove exceptionally challenging year financially and current forecasts and budgets predict a similar level of deficit to the current year. This is based on a number of key assumptions including:

- Certain level of tuition fees.
- Delivery of full adult education budget.
- Renewal of bank overdraft facility or a switch to longer term loan facility that provides the necessary cash flow support. Ongoing discussions with the bank are positive and they have given no indication that the facility will be withdrawn.



## Notes to the Financial Statements 1 (continued)

There are inherently material uncertainties within the above assumptions. Whilst recognising these are as a result of the Covid-19 pandemic, the Board considers that the use of the going concern basis of accounting is appropriate following assessment at its meeting in December 2020. The following factors provide the board assurance that the Institute remains a going concern, albeit with recognition that there are material uncertainties:

- Funding body grants from both the ESFA and GLA have been confirmed for the year to 31 July 2021.
- The Institute owns the freehold of its main campus in Covent Garden. The net book value of freehold land and buildings in the financial statements at 31 July 2020 was £14.2m. However, their market value (last revalued in March 2019) was significantly higher at £67m.
- Income from local authority contracts have increased for 2020/21 compared to 2019/20.
- The Institute has been awarded significant amounts of additional capital grants following the lockdown from both the GLA and ESFA, supporting that the funders have confidence in the key role of the Institute and its long term viability.
- The Institute has successfully transitioned 75% of its courses online now. Performance in Term 1 indicates that there is a strong demand from our students for online courses, and eight departments have exceeded their sales target, with three of them exceeding their sales from the prior year.
- Cashflows are reviewed and reforecast on a regular basis and based on key assumptions outlined above, indicate that whilst working capital management will need ongoing careful planning and monitoring given the challenging climate, we will aim to remain within the overdraft facility from 12 months from the date the Board signs the financial statements.
- We are in continued dialogue with the Education & Skills Funding Agency and GLA, and will seek emergency funding in the event that cashflows are not in line with projections;
- The Governing Body will continue to take steps to ensure that the Institute's income and expenditure are brought back to balance.

### Recognition of income

Government revenue grants include funding body recurrent grants and other grants are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Skills Budget 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 the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Grants from non-government sources are recognised in income when the Institute 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.

## Notes to the Financial Statements 1 (continued)

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the Institute is entitled to the funds subject to any performance related conditions being met.

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.

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.

### Post retirement benefits

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

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the Institute 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 the Institute is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. 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.

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 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 other recognised gains and losses.

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

### Short term Employment benefits

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

## Notes to the Financial Statements 1 (continued)

### Enhanced pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the Institute annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the Institute's income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

### Tangible fixed assets

Tangible fixed assets are stated at deemed 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*

Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

- Freehold buildings - 50 years
- Refurbishments - 10 years
- Freehold land is not depreciated

The Institute has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 10 and 50 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the statement of comprehensive income over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

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

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to the statement of comprehensive income in the period it is incurred, unless it increases the future benefits to the Institute, in which case it is capitalised and depreciated on the relevant basis.

### Equipment

Equipment costing less than £2,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

## Notes to the Financial Statements 1 (continued)

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

- Technical equipment 10-20 years
- Computer equipment 3-5 years
- Furniture, fixtures and fittings 3-5 years

### **Maintenance of premises**

The cost of routine corrective maintenance is charged to the statement of comprehensive income in the period that it is incurred.

### **Intangible assets**

Intangible fixed assets comprise of software licences and Information Technology development. Items costing less than £2,000 are written off to the statement of comprehensive income in the year of acquisition. All other items are capitalised at cost.

Software licenses are amortised over the length of the license. Development expenditure is amortised over the estimated useful life of the project, which is currently 5 years.

The carrying value of intangible fixed assets is reviewed for impairment, events or circumstances that indicate that the carrying value may not be recoverable.

### **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. Any lease premiums or incentives relating to leases signed after 1 August 2014 are spread over the minimum lease term where material.

### **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**

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

Short term deposits held by the Institute 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 Institute 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. Investments that are payable or receivable within one year are not discounted.



## Notes to the Financial Statements 1 (continued)

### Taxation

The Institute is considered to have passed the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Institute 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 Institute receives no similar exemption in respect of Value Added Tax. For this reason City Lit is generally unable to recover input VAT it suffers on goods and services purchased. VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

### Provisions and contingent liabilities

Provisions are recognised when the Institute 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 Institute 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 Institute. 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 there are indicators of impairment of the tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and 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, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation

and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- **Local Government Pension Scheme**

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

- **Impact of Covid-19**

Management have estimated the impact of the ongoing Covid-19 pandemic on the Institute's finances for the purpose of preparing budgets and cash flow forecasts for the years ended 31 July 2021 and 2022. These have been used to assist in the assessment of Institute's going concern. Confirmed income from funding and expenditure have been included where known and estimates have been used for student fees and related costs based on certain assumptions. In addition to the above, the full impact following the recent emergence of the global coronavirus pandemic is still unknown. It is therefore not currently possible to evaluate all the potential implications for the Institute's activities, beneficiaries, funders, suppliers and the wider economy.

## **Fund accounting**

Restricted funds comprise monies raised for, or their use restricted to, a specific purpose, or contributions subject to donor imposed conditions. Designated funds comprise monies set aside out of general funds and designated for specific purposes by the Governing Body.

## Notes to the Financial Statements 2, 3 & 4

### 2. Funding Body grants

	2019-20	2018-19
	£'000	£'000
<b>Recurrent grants</b>		
Education & Skills Funding Agency	8,185	7,883
<b>Specific Grants</b>		
Release of Government capital grants	256	179
Teachers Pension Scheme contribution grant	440	-
<b>Total</b>	<b>8,881</b>	<b>8,062</b>

### 3. Appeal fund donations

	2019-20	2018-19
	£'000	£'000
Release of appeal fund donations	2	2
<b>Total</b>	<b>2</b>	<b>2</b>

### 4. Other donations

	2019-20	2018-19
	£'000	£'000
Bursary donations received	47	38
Legacies	10	-
General Donations	22	-
<b>Total</b>	<b>79</b>	<b>38</b>

## Notes to the Financial Statements 5, 6 & 7

### 5. Tuition fees and education contracts

	2019-20	2018-19
	£'000	£'000
Gross tuition fees	7,879	9,760
Less: bursaries	(19)	(34)
Fees for FE loan supported courses	179	381
<b>Total tuition fees</b>	<b>8,039</b>	<b>10,107</b>
Centre for deaf contracts	332	372
Community outreach	351	367
Other grants and contracts	44	83
Coronavirus Job Retention Scheme grant	565	-
<b>Total education contracts</b>	<b>1,292</b>	<b>822</b>
<b>Total</b>	<b>9,331</b>	<b>10,929</b>

When the Institute closed for face to face teaching in March 2020, staff who were not able to perform their duties were furloughed under the government's Coronavirus Job Retention Scheme. The £565,000 funding received relates to staff costs which are included within the staff costs disclosed in note 8.

### 6. Other income

	2019-20	2018-19
	£'000	£'000
Sales relating to courses	9	13
Consultancy	30	45
Other income	154	187
<b>Total</b>	<b>193</b>	<b>245</b>

### 7. Investment income

	2019-20	2018-19
	£'000	£'000
Bank deposit Interest	4	9
<b>Total</b>	<b>4</b>	<b>9</b>



## Notes to the Financial Statements 8

### 8. Staff costs

The average number of persons (including senior post-holders) employed during the year was:

	2019-20	2018-19
	No.	No.
Teaching staff	630	617
Non teaching staff	79	88
<b>Total Staff</b>	<b>709</b>	<b>705</b>

Staff costs for the above persons, analysed by department	2019-20	2018-19
	£'000	£'000
Teaching departments	9,812	9,205
Administration and central services	4,671	4,335
Agency staff	128	220
Actuarial pension adjustment	1,092	831
<b>Total staff costs</b>	<b>15,703</b>	<b>14,591</b>

Restructuring costs	89	148
---------------------	----	-----

Staff costs, analysed by cost type	2019-20	2018-19
	£'000	£'000
Salaries	11,547	11,096
Social security costs	906	913
Other pension costs (excluding FRS 102 charge)	2,030	1,531
Agency staff	128	220
Actuarial pension adjustment	1,092	831
<b>Total staff costs</b>	<b>15,703</b>	<b>14,591</b>

Restructuring costs	89	148
---------------------	----	-----

Staff costs, analysed by type of contract	2019-20	2018-19
	£'000	£'000
Employment costs for staff on permanent contracts	8,919	8,572
Employment costs for staff on short term and temporary contracts	5,564	4,968
Agency staff	128	220
Actuarial pension adjustment	1,092	831
<b>Total staff costs</b>	<b>15,703</b>	<b>14,591</b>

Restructuring costs	89	148
---------------------	----	-----

## Notes to the Financial Statements 8 (continued)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Institute and are represented by the Institute's Executive Team.

The Executive Team comprises of the Principal, the Chief Financial Officer, the Vice Principal, the Executive Director of External Engagement, the Executive Director of Human Resources, the Executive Director of Partnerships and the Assistant Principal for Centres of Expertise. The post of Executive Director of Partnerships was made redundant in the year.

The Clerk to the Governors is also included within key management personnel. 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

	2019-20		2018-19	
	No.		No.	
The number of key management personnel at the end of the year was:	7		8	
The number of key management personnel and other staff who received annual emoluments, excluding employer's pension contributions and national insurance contributions, but including benefits in kind, in the following ranges was:				
	Key Management Personnel		Other	
	2019-20	2018-19	2019-20	2018-19
	No.	No.	No.	No.
£35,001 to £40,000	-	1	-	-
£40,001 to £45,000	1	-	-	-
£60,001 to £65,000	-	-	5	6
£65,001 to £70,000*	2	1	3	3
£70,001 to £75,000	-	-	1	-
£80,001 to £85,000	-	1	-	-
£85,001 to £90,000*	-	1	-	-
£90,001 to £95,000	4	3	-	-
£100,001 to £105,000*	-	1	-	-
£130,001 to £135,000	1	1	-	-
	8**	9	9**	9

\* These bands include one off compensation payments as detailed on page 56.

\*\* The total includes members of key management personnel who left during the year.

The above figures include the annualised remuneration for key management personnel and other staff who were appointed part way through the financial year.

## Notes to the Financial Statements 8 (continued)

Total key management personnel emoluments are detailed below.

Key management personnel emoluments are made up as follows:

	2019-20	2018-19
	£'000	£'000
Salaries	682	717
Employers National Insurance contributions	83	84
Pension contributions	98	91
<b>Total emoluments</b>	<b>863</b>	<b>892</b>

There were no amounts due to key management personnel that were waived in the year.

The emoluments above include amounts payable to the Accounting Officer of:

	2019-20	2018-19
	£'000	£'000
Salaries	132	132
Employers National Insurance contributions	17	17
Pension contributions	16	16
<b>Total emoluments</b>	<b>165</b>	<b>165</b>

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

The Accounting Officer reports to the Chair of the Governing Body, who undertakes an annual review of his performance against the college's overall objectives.

Accounting Officer pay and remuneration expressed as a multiple:

	2020	2019
Accounting Officer's basic salary as a multiple of the median of all staff	2.4	2.4
Accounting Officer's total remuneration as a multiple of the median of all staff	2.4	2.4

## Notes to the Financial Statements 8 (continued)

Compensation for loss of office paid to former key management personnel:

	2019-20	2018-19
	£'000	£'000
Compensation paid to one (2018-19 two) former key management personnel, including contractual and non contractual payments	21	29

The Governors other than the Accounting Officer did not receive any payments from City Lit other than the reimbursement of travel and subsistence expenses in attending Governor meetings and charity events in 2019-20 which totalled £1,317 for two Governors (2018-19: £2,015 two Governors).



## Notes to the Financial Statements 9 & 10

### 9. Taxation

City Lit is a charity with no additional trading activities. The Governing Body do not believe that any corporation tax liability was incurred in 2019-20 (2018-19: £nil).

### 10. Other operating expenses

	2019-20	2018-19
	£'000	£'000
Teaching purchases	268	364
Exam fees	96	101
<b>Teaching departments</b>	<b>364</b>	<b>465</b>
Learner services	50	59
<b>Teaching and other support services</b>	<b>50</b>	<b>59</b>
Administration purchases	1,238	1,150
Contracted out IT support	445	396
<b>Administration and central services</b>	<b>1,683</b>	<b>1,546</b>
<b>Marketing expenditure</b>	<b>543</b>	<b>487</b>
Premises running costs	1,357	1,408
Maintenance	202	77
Rent	288	299
<b>Premises</b>	<b>1,847</b>	<b>1,784</b>
<b>Total operating expenses</b>	<b>4,487</b>	<b>4,341</b>

## Notes to the Financial Statements 10 (continued) & 11

	2019-20	2018-19
	£'000	£'000
Total operating expenses includes the following:		
<b>Auditor's remuneration</b>		
Financial statements and regularity audit	24	23
Internal audit charge for the year	15	29
Other services provided by external auditors	3	-
	<b>42</b>	<b>52</b>
<b>Operating leases</b>		
Office Equipment	<b>30</b>	<b>30</b>
Loss on disposal of fixed assets	<b>43</b>	<b>-</b>

### 11. Interest payable

	31 July 2020	31 July 2019
	£'000	£'000
Pension finance costs (note 21)	241	253
Enhanced Pension finance costs (note 21)	2	2
<b>Total interest payable</b>	<b>243</b>	<b>255</b>

## Notes to the Financial Statements 12

### 12. Tangible fixed assets

	Freehold Land and Buildings	Building Refurbishment	Equipment	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2019	19,903	2,354	1,879	24,136
Additions	-	1,281	503	1,784
Disposals	-	(81)	(35)	(116)
<b>At 31 July 2020</b>	<b>19,903</b>	<b>3,554</b>	<b>2,347</b>	<b>25,804</b>
<b>Depreciation*</b>				
At 1 August 2019	5,287	487	1,270	7,044
Charge for the year	378	221	227	826
Elimination in respect of disposals	-	(34)	(9)	(43)
<b>At 31 July 2020</b>	<b>5,665</b>	<b>674</b>	<b>1,488</b>	<b>7,827</b>
<b>Net book value at 31 July 2020</b>	<b>14,238</b>	<b>2,880</b>	<b>859</b>	<b>17,977</b>
<b>Net book value at 31 July 2019</b>	<b>14,616</b>	<b>1,867</b>	<b>609</b>	<b>17,092</b>

\* Included within the depreciation and amortisation figure on the Statement of Comprehensive Income is a loss on disposal of £43,000. The overall expense charged is therefore £1,062,000.

On adoption of FRS 102 the Institute followed the transitional provision to retain the book value of land and buildings, which were revalued in 2004, as deemed cost but not to adopt a policy of revaluations of these properties in the future. This was a valuation by Governors on professional advice on the basis of an open market value for existing use.

At 31 July 2020, building and equipment, with a net book value of £4.1m and £462,000 have been financed by the ESFA and the GLA respectively. Should these assets be sold, the Institute may be required, under the terms of the funding agreement, to surrender the proceeds.

## Notes to the Financial Statements 13 & 14

### 13. Intangible fixed assets

#### Software Licences & Information Technology Development

£'000

#### Cost or valuation

At 1 August 2019	1,353
Additions	168
Disposals	(403)

<b>At 31 July 2020</b>	<b>1,118</b>
------------------------	--------------

#### Amortisation

At 1 August 2019	676
Charge for the year	193
Elimination in respect of disposals	(403)

<b>At 31 July 2020</b>	<b>466</b>
------------------------	------------

<b>Net book value at 31 July 2020</b>	<b>652</b>
---------------------------------------	------------

<b>Net book value at 31 July 2019</b>	<b>677</b>
---------------------------------------	------------

### 14. Trade and other receivables

31 July 2020

31 July 2019

£'000

£'000

Trade receivables	613	777
Other receivables	8	14
Prepayments and accrued fee income	431	572

<b>Total Debtors</b>	<b>1,052</b>	<b>1,363</b>
----------------------	--------------	--------------



## Notes to the Financial Statements 15 & 16

### 15. Creditors: amounts falling due within one year

	31 July 2020	31 July 2019
	£'000	£'000
Trade payables	368	338
Other taxation and social security	1,216	249
Accruals and deferred income	2,137	2,820
Deferred income - Government capital grants	282	193
Deferred income - Government revenue grants	207	103
Other creditors	1,616	346
<b>Total</b>	<b>5,826</b>	<b>4,049</b>

### 16. Creditors: amounts falling due after one year

	31 July 2020	31 July 2019
	£'000	£'000
Deferred income - Government capital grants	4,297	4,403
<b>Total</b>	<b>4,297</b>	<b>4,403</b>

## Notes to the Financial Statements 17, 18 & 19

### 17. Provisions

	Defined benefit obligations	Enhanced pensions	Total
	£'000	£'000	£'000
At 1 August 2019	11,497	85	11,582
Expenditure in the period	(567)	(6)	(573)
Charged to the income and expenditure account	1,900	2	1,902
Actuarial loss	6,243	7	6,250
<b>At 31 July 2020</b>	<b>19,073</b>	<b>88</b>	<b>19,161</b>

Defined benefit obligations relate to the liabilities under the Institute's membership of the Local Government Pension Scheme. Further details are given in note 21.

The enhanced pension provision relates to the cost of staff who have already left the Institute's employment and commitments for reorganisation costs from which the Institute cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2019-20	2018-19
Price inflation	2.20%	2.20%
Discount rate	1.30%	2.00%

### 18. Cash and cash equivalents

	At 1 August 2019	Cash flows	At 31 July 2020
	£'000	£'000	£'000
Cash and cash equivalents	1,071	(643)	428
<b>Total</b>	<b>1,071</b>	<b>(643)</b>	<b>428</b>

### 19. Capital commitments

	31 July 2020	31 July 2019
	£'000	£'000
Commitments contracted for at 31 July	139	373

## Notes to the Financial Statements 20

### 20. Lease Obligations

At 31 July 2020 the Institute had minimum lease payments under non-cancellable operating leases as follows:

	31 July 2020	31 July 2019
	£'000	£'000
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	343	197
Later than one year and not later than five years	1,014	474
Later than five years	753	63
	<b>2,111</b>	<b>734</b>
<b>Other</b>		
Not later than one year	27	30
	<b>27</b>	<b>30</b>
<b>Total lease payments payable</b>	<b>1,876</b>	<b>764</b>

## Notes to the Financial Statements 21

### 21. Defined benefit obligations

The Institute's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by London Pension Fund Authority. Both are multi-employer defined-benefit plans.

Pension cost for the year	2019-20	2018-19
	£'000	£'000
<b>Teachers Pension Scheme</b>		
Contributions paid (included within the general reserve)	1,473	990
<b>Local Government Pension Scheme</b>		
Pension costs	1,900	1,651
Contributions paid	(567)	(567)
<b>Total allocated to the pension reserve</b>	<b>1,333</b>	<b>1,084</b>
<b>Enhanced Pension</b>		
Pension costs (allocated to the pension reserve)	2	2
<b>Total pension costs within the pension reserve</b>	<b>1,335</b>	<b>1,086</b>
<b>Total actuarial loss</b>	<b>6,250</b>	<b>592</b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was as at 31 March 2016 and of the LGPS as at 31 March 2019.

Contributions amounting to £803,270 (2019: £198,334) payable to the schemes as at 31 July 2020 are included in creditors.

#### 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 and other educational establishments, including colleges. 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.



## Notes to the Financial Statements 21 (continued)

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

Accordingly, the Institute 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 Institute has set out above the information available on the plan and the implications for the Institute in terms of the anticipated contribution rates.

### Valuation of the Teachers' Pension Scheme

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

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019.

The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

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

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

The pension costs paid to TPS in the year amounted to £1,473,000 (2019: £990,000).

## Notes to the Financial Statements 22 (continued)

### Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by London Pension Fund Authority. The total contribution made for the year ended 31 July 2020 was £871,000 (2018-19: £841,000), of which employer's contributions totalled £567,000 (2018-19: £567,000) and employees' contributions totalled £304,000 (2018-19: £274,000). The agreed contribution rates for future years are 12.9% for employers and range from 5.5% to 12.5% 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 2020 by a qualified independent actuary.

	At 31 July 2020	At 31 July 2019
Rate of increase in salaries	2.20%	2.35%
Future pensions increases	2.20%	2.35%
Discount rate for scheme liabilities	1.40%	2.15%
Inflation assumption (CPI)	2.20%	2.35%
Commutation of pensions to lump sums	50%	50%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are shown in the table below. The life expectancies shown at 31 July 2019 are unweighted. The life expectations shown at 31 July 2020 are weighted by liability and unweighted. In future years, only the life expectancies weighted by liability will be shown.

	At 31 July 2020	At 31 July 2020	At 31 July 2019
	Years Weighted by liability	Years Unweighted	Years Unweighted
<b>Retiring today</b>			
Males	22.00	21.50	20.40
Females	24.30	24.30	23.60
<b>Retiring in 20 years</b>			
Males	23.70	22.90	22.20
Females	25.90	25.80	25.40

## Notes to the Financial Statements 21 (continued)

### Sensitivity analysis

The table below shows the impact of a change in key assumptions on the present value of the defined benefit obligation and the total service cost charge:

Change in discount rate	+0.1%	0.0%	-0.1%
Present value of defined benefit obligation (£'000)	36,982	37,893	38,827
Projected service cost (£,000)	2,150	2,226	2,305
Change in long term salary increase	+0.1%	0.0%	-0.1%
Present value of defined benefit obligation (£'000)	37,935	37,893	37,851
Projected service cost (£,000)	2,227	2,226	2,225
Change to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of defined benefit obligation (£'000)	38,776	37,893	37,030
Projected service cost (£,000)	2,303	2,226	2,152
Change in life expectancy assumptions	+1 year	None	-1 year
Present value of defined benefit obligation (£'000)	39,164	37,893	36,664
Projected service cost (£,000)	2,301	2,226	2,154

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

	Share of assets 31 July 2020	Fair Value at 31 July 2020 £'000	Share of assets 31 July 2019	Fair Value at 31 July 2019 £'000
Equities	55%	10,336	55%	9,572
Target return portfolio	23%	4,282	25%	4,462
Infrastructure	7%	1,301	6%	1,007
Property	9%	1,745	9%	1,600
Cash	6%	1,156	5%	927
<b>Total market value of assets</b>	<b>100%</b>	<b>18,820</b>	<b>100%</b>	<b>17,568</b>

	Long-term rate of return expected at 31 July 2020	Fair Value at 31 July 2020 (£'000)	Long-term rate of return expected at 31 July 2019	Fair Value at 31 July 2019 (£'000)
<b>Total market value of assets</b>		<b>18,820</b>		<b>17,568</b>
Weighted average expected long term rate of return	1.40%		2.15%	
Actual return on plan assets		946		1,565

## Notes to the Financial Statements 21 (continued)

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

	31 July 2020	31 July 2019
	£'000	£'000
Fair value of plan assets	18,820	17,568
Present value of plan liabilities	(37,893)	(29,065)
<b>Net pensions liability</b>	<b>(19,073)</b>	<b>(11,497)</b>

Amounts recognised in the statement of comprehensive income in respect of the plan are as follows:

	31 July 2020	31 July 2019
	£'000	£'000
<b>Amounts included in staff and investment costs</b>		
Service cost	1,636	1,378
Net interest on the defined liability	241	253
Administration expenses	23	20
<b>Total</b>	<b>1,900</b>	<b>1,651</b>

### Amounts recognised in other comprehensive income

Return on pension plan assets	563	1,145
Other actuarial loss on assets	(138)	-
Changes in assumptions underlying the present value of plan liabilities	(5,271)	(3,215)
Changes in demographic assumptions	(145)	1,484
Experience loss on defined benefit obligation	(1,252)	-
<b>Amount recognised in Other Comprehensive Income</b>	<b>(6,243)</b>	<b>(586)</b>

### Movement in net defined benefit liability during the year

	31 July 2020	31 July 2019
	£'000	£'000
Deficit in scheme at 1 August	(11,497)	(9,827)
<b>Movement in year:</b>		
Current service cost	(1,636)	(1,349)
Past service cost	-	(29)
Employer contributions	567	567
Net interest on the defined liability	(241)	(253)
Administration expenses	(23)	(20)
Actuarial loss	(6,243)	(586)
<b>Net defined pension liability at 31 July</b>	<b>(19,073)</b>	<b>(11,497)</b>



## Notes to the Financial Statements 21 (continued)

### Asset and liability reconciliation

	31 July 2020	31 July 2019
	£'000	£'000
<b>Changes in the present value of defined benefit obligations</b>		
Defined benefit obligations at start of period	29,065	25,487
Current service cost	1,636	1,349
Interest cost	624	673
Contributions by scheme participants	304	274
Experience loss on defined benefit obligations	1,252	-
Change in financial assumptions	5,271	3,215
Change in demographic assumptions	145	(1,484)
Estimated benefits paid	(404)	(478)
Past service costs, including curtailments	-	29
<b>Defined benefit obligations at end of the period</b>	<b>37,893</b>	<b>29,065</b>
<b>Reconciliation of assets</b>		
Fair value of plan assets at start of period	17,568	15,660
Interest on plan assets	383	420
Return on plan assets	563	1,145
Administration expenses	(23)	(20)
Employer contributions	567	567
Contributions by scheme participants	304	274
Estimated benefits paid	(404)	(478)
Other actuarial loss	(138)	-
<b>Assets at end of period</b>	<b>18,820</b>	<b>17,568</b>

## Notes to the Financial Statements 22

### 22. Reserves

	Notes	General Reserve	Pension Reserve	Revaluation Reserve	Restricted Bursary Fund	Restricted Funds	Total
Reserves as at 31 July 2019		10,646	(11,497)	1,000	4	16	169
Deficit for the year		(1,759)	-	-	-	-	(1,759)
Net FRS 102 pension charge	17	(2)	(1,333)	-	-	-	(1,335)
Actuarial loss in respect of pension scheme	17	-	(6,243)	-	-	-	(6,243)
Actuarial loss in respect of enhanced pension	17	(7)	-	-	-	-	(7)
Bursary donations received - transfer to restricted fund	4	(47)	-	-	47	-	-
Bursary resources expended - transfer from restricted fund	5	19	-	-	(19)	-	-
<b>Reserves as at 31 July 2020</b>		<b>8,850</b>	<b>(19,073)</b>	<b>1,000</b>	<b>32</b>	<b>16</b>	<b>(9,175)</b>

A bursary fund was established on 31 July 2011 by the Governors. City Lit's bursary schemes have been set up to help students with financial difficulties. The schemes provide help with course fees, books and materials and are particularly aimed at students who wish to study courses for vocational reasons or to help transform their lives.

The revaluation reserve was created on 1 April 1991 to account for the difference between the transfer cost of City Lit's land (£nil) and its market value at the time. Other restricted funds consist of four trust funds.

## Notes to the Financial Statements 23

### 23. Related party transactions

Owing to the nature of the Institute's operations and the composition of the Board of Governors 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 Institute's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £1,317; two Governors (2018-19: £2,015; two Governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the Institute during the year (2018-19: None).

