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# The City Literary Institute

## Report & Financial Statements

### 2018

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Mark Malcomson CBE, Lulu, and Principal's Award winner Stephen Bush

## City Lit Awards celebrate students and staff across the college

The City Lit Awards are a celebration of the outstanding work and achievements of various students and staff from across the college, as well as the transformation adult learning can bring. Winners were selected by our judging panel from a longlist of over 400 nominations from across the City Lit community. We were delighted to be joined this year by music icon Lulu, who presented award winners with their certificates and even performed an impromptu rendition of her smash hit 'Shout' with one of our award winners.

# Message from The Chair of Governors

## Moira Gibb



The last year has been hugely successful and positive for City Lit. As we enter our centenary year, we are justly proud of our long history of bringing people together to enrich their lives through learning.

During this past year we have welcomed more students than ever before, attracted by our high quality educational choices for all and unrivalled support for those experiencing career transitions. Most importantly, we offer an educational environment that is open, challenging, fun and at the centre of London's cultural life.

My colleagues on the Governing Body share my great sense of pride in City Lit, as do our staff, tutors and our students.

Our centenary year provides us with a fantastic opportunity to celebrate our considerable achievements but also to champion

adult learning and the benefits it brings to individuals, communities and employers. To do this, it is vital that we:

### Honour our heritage

Continue to be proud of our tradition of embracing the diversity of London, catering for the needs of everyone, whatever their ambition, whatever their background.

### Are mindful of the present

Provide an environment of excellence, with an exceptional student experience, where they can engage with great tutors and high quality course content.

### Prepare for the future

Must continuously improve, and remain a current and relevant service to future generations of people who wish to improve their lives through learning.

As we get closer to the time when the Mayor of London takes over responsibility for the Adult Education Budget in London, we have worked hard to ensure the Mayor and his team understand the vital role City Lit plays in London as a whole. I am pleased that the Institute has been able to inform the Mayor's Skills for London Strategy. We are also very pleased to have received significant capital funding to build new facilities for design and digital learning and create a brand new gallery.

As our centenary preparations remind us, City Lit has adapted and developed throughout its history to meet the requirements of our students and we will continue to do so now and in the future.

In this successful academic year, we have increased student numbers, maintained impressively high satisfaction rates and exceeded our financial targets. Among the many successful events held, we had an outstanding third year of our Mental Wealth Festival, now regarded as the 'Glastonbury of mental health'.



As a Governing Body, we continue to believe there are three key measures to the Institute's success:

- 1. Quality of teaching and learning** - This remains consistently high at City Lit and I am adamant that this must be something we strive to maintain. We are committed to being an exceptional provider of learning opportunities for adults and are therefore always alert to where and how to achieve this. We have outstanding teachers and tutors who have a wealth of experience and expertise to share with their students. We have developed a new Quality Strategy that looks to ensure that everyone experiences City Lit as an outstanding organisation in every encounter they have with us. In fact, I was incredibly proud that our Student Centre Team were nominated for the Professional Services Team of the Year Award at the National TES FE Awards in February.
- 2. Focus on our 'social impact'** - We believe what sets us apart from other Colleges is our extensive social and community provision. This includes support for deaf students; helping people overcome speech impediments; supporting adults with learning difficulties; and encouraging those who believe they have failed in education in the past. However, this is an area where we are keen to do more and we are developing plans to expand this work.
- 3. Financial sustainability** - Over recent years, we have been successful in raising our student fee income – this is income from students or their employers who can afford to pay. In 2018 this reached £9.6 million, representing £1.9 million more than we received from the Government and public investment. Growing fee income remains a real priority for us, particularly when Government funding has declined in recent years. It is vital that we continue to maintain and grow our strong student number base, as well as identify new ways to attract funds.

We are also incredibly proud of our City Lit Fellows and our new Fellows have been announced, including tireless social justice campaigner, David Lammy MP, the music icon, Lulu, and Gary Bourlet, Co-Founder of Learning Disability England.

Our Fellows are a vital source of inspiration and a growing 'force for good.' They are important advocates for City Lit and adult education in general. The Board looks forward to being part of the Institute's ongoing achievements and success in our landmark centenary year.

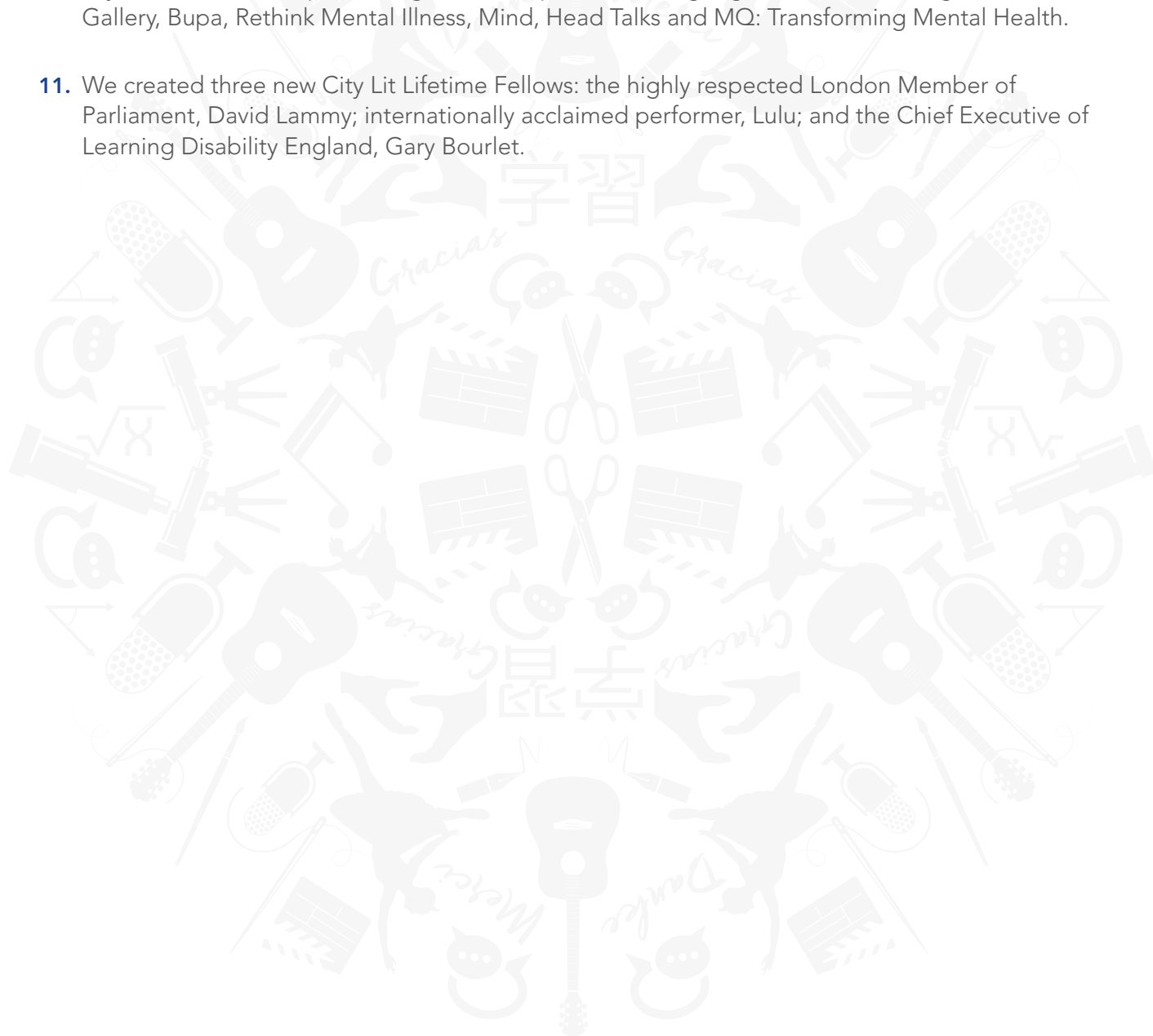
With the opportunity of City Lit's Centenary fast approaching, I hope people across London and beyond will be inspired to learn more about our work, the importance of adult education, and become part of our future.

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

## Key Highlights & Achievements at a glance

1. We continued to grow our course offering with new courses, in American History, by further development of City Lit's Art School (offering students an alternative a formal degree programme), in Psychology and Counselling and much more. This meant that our student numbers grew yet again, attracting over 50,000 enrolments.
2. Our first Student Open days were held in September and April, offering taster courses from across the Institute's portfolio. These attracted many people to City Lit for the first time, with the overwhelming majority deciding to enrol courses as a result.
3. We continue to develop our partnership with the British Museum: building on the huge success of Classics Day, which has been running for over a decade and was again a sell-out this year. Over 300 people attended 'Faith, Belief and Religion in the Classical World'. With the lecture hall buzzing and at full capacity, the audience were treated to fantastic lectures from experts in the field, illuminating such topics as the 'Cult of Divine Heroes', 'Rituals and Places of Worship', and 'The Spread of Different Faiths Across the Ancient Empire'. We also worked with them on their blockbuster Rodin exhibition producing a new course held at the Museum, and have numerous other initiatives in the pipeline.
4. We held a full programme of student art exhibitions including: Fine Art and Advanced Textiles shows at Espacio Gallery; Jewellery show at Red Gallery; Printmaking, Drawing and Professional Practice shows at RK Burt Gallery; and City Lit Flicks film and animation festival at Cinema Museum.
5. We celebrated our rich and diverse community through many great events this year including Deaf Day, The City Lit Awards, Watch Your Language conference, Festival of Writing and various plays and performances in our John Lyon's Theatre including "Welcome to Thebes", "Her Naked Skin", "So U Think I'm Crazy" and "Unspoken" – a play about stammering.
6. City Lit's Percussion Orchestra together with the Royal Academy of Music's Open Academy performed this year for the first time at the Royal Academy of Music. Our partnership provides a fantastic opportunity for students from both organisations to experience working creatively and collaboratively in ways that enable each person to grow and develop.
7. Results in our Basic Skills programmes are improving. The department undertook a curriculum review at the end of 2016-17 which resulted in the development of a new non-accredited programme for students on English and Maths courses. This is having a positive impact on the department with many more students staying to the end of their programme. Performance of our ESOL programme continues to be strong with the majority of learners completing their studies and passing their exams.
8. Our unique accredited and non-accredited English and Maths programme for Deaf people continues to provide Deaf students with the skills and confidence in English and Maths they need to progress in life and work. This year, more students than ever are completing their studies. The Deaf English and Maths team have been nominated for an award by the awarding body Signature in recognition of the Deaf student community that has been built at City Lit and that is so highly valued by our students.

9. In advance of full devolution of the Adult Education Budget, we have worked closely with the Mayor of London's team on a number of issues. City Lit was awarded a sizeable grant from the Skills for London Capital Investment Fund for our ambitious project to build a new state-of-the-art Design and Digital Hub, which opens in September 2018, and to create a new gallery in a transformed lobby.
10. The Mental Wealth Festival 2017, in partnership with Beyond Words, was a resounding success. The two day event was opened by Sir Vince Cable and we hosted over 100 events at City Lit, Parliament and, for the first time, The National Gallery. Inspirational speakers included, Ed Balls, Bryony Gordon and award-winning mental health campaigners Jonny Benjamin MBE and Neil Laybourn. We developed strong relationships with leading organisations including The National Gallery, Bupa, Rethink Mental Illness, Mind, Head Talks and MQ: Transforming Mental Health.
11. We created three new City Lit Lifetime Fellows: the highly respected London Member of Parliament, David Lammy; internationally acclaimed performer, Lulu; and the Chief Executive of Learning Disability England, Gary Bourlet.



## Introduction from CEO and Principal



Last year was a positive and eventful time for City Lit with several significant highlights.

With our population growing at a faster rate than ever; people living longer and staying healthy for longer; and people working for longer, changing jobs and careers more frequently, the place of learning, to improve skills, has never been more important. City Lit continues to provide the opportunity to access learning and development opportunities that work for individuals and fit with their busy working lives.

We know this is true, as we welcomed more students to City Lit this year than ever before, which in my view, demonstrates the significant relevance of our offering. If you consider how we maintained

impressively high satisfaction rates and exceeded our financial aspirations, this year has clearly been one of our most successful in the 99 years since we were established.

The award of £663k funding from The Mayor of London's Skills for London Capital Investment Fund for our ambitious project to build a new state-of-the-art Design and Digital Hub in 2018 and create a new gallery in a transformed lobby in 2019, is a huge vote of confidence in City Lit. We have also engaged in The Mayor's consultation on the Skills for London Strategy and established a positive relationship with key GLA staff, with City Lit now seen as a critical friend.

This investment will help improve much needed skills and employability for London's future economic success, particularly vital for sustaining London's pre-eminent position as the leading centre for the creative industries.

By bringing digital and design courses together in a multifunctional space, it also aims to improve well-being, deliver a greater sense of purpose and develop multi-disciplinary skills. In addition, the new gallery will provide a unique West End showcase for our learners' work and a welcoming, flexible space for performances and events.

This development highlights the critical role we continue to play in London's growth and development. With over 5,000 courses delivered last year, City Lit continues to be enormously popular, attracting people from across the London boroughs and beyond, contributing value to individuals, their companies and their communities. In addition, our work in areas like Speech Therapy and Deaf Education have a major impact on those in need across the country and internationally.

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

Our three year strategy comprises three core goals:

1. We will listen to the needs of our diverse audiences and design our programmes and services around them.
2. We will ensure our charitable/social expertise has maximum impact.
3. We will work with all of our stakeholders to have the greatest influence and financial security to continue to deliver our purpose.



We celebrated fantastic, high-profile events including our annual Mental Wealth Festival, Deaf Day and our Open Days. We celebrated the outstanding work and achievements of our tutors across the Institute during several events throughout the year including the City Lit Awards; where tutors Chika Nakagawa, Karen Betley and Martin Wimpres were awarded for their marvellous contributions to the Institute.

We continued to build strong relationships with key partners including The British Museum and The National Gallery and leading organisations including Metro Bank, Bupa and Transport for London.

### **Open to all**

City Lit is a microcosm of our hugely diverse city and we continue to be accessible, inclusive, and culturally diverse. Many students are new to Britain, including immigrants and refugees; we offer them an introduction to English language, new skills and opportunities, as well as sharing London's amazing culture with them. We teach adults who, later in life, still have the desire to learn and develop themselves.

For me, it is important that City Lit is not only the best place in London for our students to develop new skills to adapt to the changing pace of employment, but that we are also a great place to work. That is why we introduced our new Employee Assistance Programme this year, as well as new staff benefits including discounted gym membership, the cycle to work scheme, a NUS discount card and introduced Mental Health First Aid training by Rethink Mental Illness for front line staff for the first time - building on partnerships forged through the Mental Wealth Festival.

At City Lit, we take enormous pride in the diversity of our staff. People who come from different backgrounds hugely enhance who we are and the experience we give to our students. Education, at its best, is about inclusivity and open-mindedness and we are so much stronger because of that diversity. In 2018, the Government announced that there will be a scheme for EU residents in the UK to apply for residency and we will support our hugely valued EU staff by reimbursing their application fees.

### **A century old, a century young...**

With a century of commitment to London, we have always adapted and innovated to meet the capital's changing needs. We have always been committed to enriching people's lives in our fantastic city. It was important when we were founded in the aftermath of World War I and it remains our central purpose today.

September 2019 marks 100 years since we opened our doors, and throughout 2019, we'll host special events, both at City Lit and across the city to celebrate our centenary. The preparations are already in full swing and we are very much looking forward to celebrating with our community of students, staff and friends throughout the year.

**Mark Malcomson CBE**  
**Principal & CEO City Lit**

## David



*It was just nice to communicate at length and feel comfortable.*

“

**Stammering classes gave me the confidence to make my wedding speech**

I have lived with a stammer since childhood, but it was only after completing a stammering course at City Lit that I managed to build confidence speaking in public situations.

I got married last year and this course allowed me to give my wedding speech with confidence. My wife was really proud, and it was just nice to communicate at length and feel comfortable, it just gave me a much greater sense of confidence.

Seeing people that had different levels of severity in their stammer but having that sense of unity because all of us had this shared challenge, from the first week just felt so comfortable. The way I think that barriers were broken, it really is a special place.

”

## Russell

*I've also undertaken courses at City Lit so I have been a student, tutor and interpreter.*



Russell interpreting at The National Gallery into English for hearing non-signers who were attending an art lecture given by a deaf art historian.

“

My connection with City Lit goes back three decades. It started when I moved to London in 1989 aged 19 to study British Sign Language on a one-year full time course at City Lit. That served as a stepping stone to becoming a fully qualified Sign Language interpreter.

Whilst I still practice as an interpreter I also embarked on a teaching career and taught a number of professional development courses for working and aspiring interpreters including the City Lit interpreting diploma. I've also undertaken courses at City Lit so I have been a student, tutor and interpreter.

I am currently undertaking my doctoral research with the Institute of Education exploring 'translanguaging' (a pedagogical approach that focuses on the strategic use of one language to make meaning in another) and the role of BSL in the teaching of English to deaf adults.

”



## Farrah



*That first course  
ignited a passion for  
adult lifelong learning.*

“

In 2010, I found myself on a cusp of personal change. I was working for a Local Authority as a Domestic Violence Advocate and my father had died not so long before that. The council was offering voluntary redundancy to staff and I went for it. I had always wanted to re train as a massage therapist as I had always had an interest in complementary therapies. I took redundancy and embarked on for first massage course! I originally trained in Thai Yoga massage and completed my Anatomy and Physiology course at City Lit.

That first course ignited a passion for adult lifelong learning and over the years I continued to complete further professional and non-vocational training at City Lit. It really has been a transformative journey for me, both professionally and personally. And now I teach at City Lit too! I feel I have come full circle.

”



## Marley

*City Lit is a great place to learn and build relationships - I enjoyed the momentum that came with each course as it allowed me to challenge myself as an actor and collaborator.*



“

I was working for the Royal Mail as a postman and decided I wanted to study drama in my spare time because that was the subject that had always interested me in school and I heard about City Lit through a friend.

I first came to City Lit attending an introduction to acting course; I was then encouraged to audition for the one year Drama Foundation course and then continued with the Access Drama course.

City Lit is a great place to learn and build relationships - I enjoyed the momentum that came with each course as it allowed me to challenge myself as an actor and collaborator.

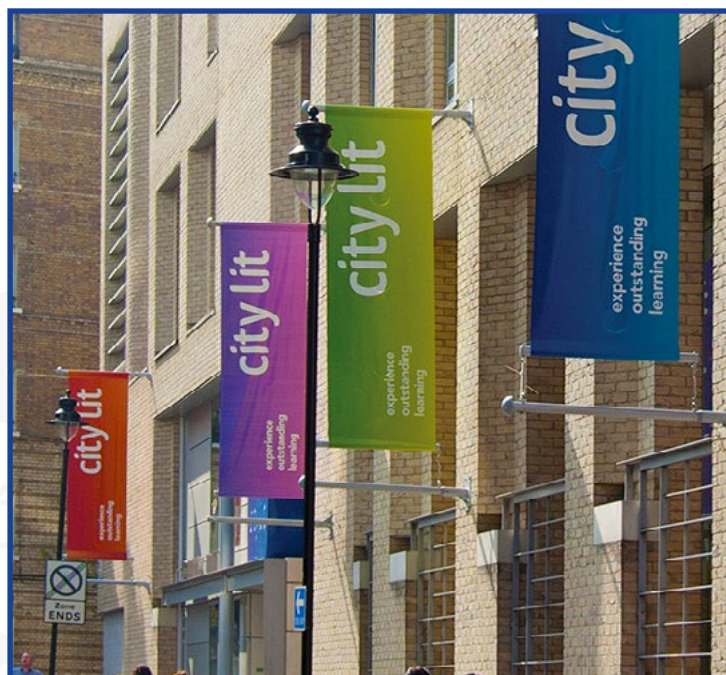
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## About City Lit

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 almost 5,000 courses to approximately 30,000 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 2018, 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 25 and 26. 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. In 2018 we formed a new partnership with Metro Bank and delivered deaf awareness courses to their front line staff and provided 'Mystery Shopper' visits and reports.

- 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).
- 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. Given our financial results in 2017-18, we expect our rating to increase from 'Satisfactory' to 'Good'.

### 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. A £1m bank overdraft facility (secured against the Keeley Street premises) has been put in place to assist with working capital management. To date the facility has not been used.

### Financial results

	2017-18	2016-17
	£'000	£'000
<b>Income</b>		
Funding bodies	7,835	7,608
Student fees and educational contracts	10,465	9,640
Other income	366	695
	<b>18,666</b>	<b>17,943</b>
<b>Expenditure</b>	<b>18,415</b>	<b>17,899</b>
<b>Surplus (before actuarial pension adjustments)</b>	<b>251</b>	<b>44</b>

City Lit generated a surplus, before actuarial pension adjustments, of £251,000 (2016-17: £44,000). This was driven by an increase in student fees from £8.8m to £9.6m and additional funding received during the year (£256k for over-provision in 2016-17 and £155k for over-provision for 2017-18). The surplus will be re-invested into the Institute, to enable us to continue to provide opportunities for life long learning.

## Financial results (continued)

Combined income from student fees and educational contracts increased by 8.5% to over £10m (2016-17: increase of 3.6%); an exceptional result towards our objective to improve our financial sustainability.

City Lit had net assets of £1,803,000 at 31 July 2018 (2016-17: £536,000), after taking into account a pension liability of £9,827,000 (2016-17: liability of £10,844,000).

### Cash flow

City Lit's cash inflow from operating activities was £782,000 (2016-17: £846,000 inflow) due to changes in working capital.

### 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 £1m 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.

### 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 2018, City Lit paid 88% of its invoices within 30 days (2016-17: 85%). City Lit incurred no interest charges in respect of late payment to suppliers for this period.

### Employees

City Lit employs:

298 FTE permanent staff (2016-17: 290), of which 230 (2016-17: 230) work in teaching departments.

1,064 part-time tutors (2016-17: 1,023) which equates to 136 Full Time Equivalents (2016-17: 126).

Further details of staff costs are provided in Note 8. There has been an increase in staff costs from £13.409m (2016-17) to £14.259m in 2017-18, in order to continue to invest in eCommerce and digitisation of our services; to explore ways to diversify our income streams and to ensure we have an appropriate level of governance in place.

## Pension liability

At the year end the pension liability had decreased from £10.844m (2016-17) to £9.827m (2017-18). Whilst the liability has decreased this year, as with all other bodies in the Local Government Pension Schemes, it has increased significantly in recent years. This is because the discount factor used to calculate it has reduced due to historically low interest rates. Although the liability has significantly reduced the Institute's net assets, it has not significantly changed the employer contribution rates. The contribution rates are determined at the triennial scheme valuation, which was last undertaken in 2016. This resulted in a reduction in the employer contribution rate.

## Outlook for 2018-19

Term one enrolments have been promising and as our strategic goals change the way we create and market our courses we believe that 2018-19 will show a strong financial performance for the Institute.

Economic uncertainty, the impact on disposable income and any decisions by Government to change the way that funding is allocated could have an adverse effect on our financial position but we have anticipated this in our strategy and expect to see funding from more diverse sources starting to come through in 2018-19.

## 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 establishing fund raising capability within the Institute to diversify streams of income.
- **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.
- **Economic uncertainty** - We derive almost 50% of our income from students that can afford to pay fees and those fees are used to subsidise other students who qualify for concessionary rates. If the economy worsens, it is possible that our fee paying students will want to protect their income. 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 Greater London Authority 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 has a bursary scheme (see note 23).

**Designated bursary fund:** This fund was set up in 2011 and comprises amounts set aside out of City Lit general funds. The balance on this fund at 31 July 2018 was nil (£30,000 at 31 July 2017). City Lit remains committed to providing financial assistance to students, and £35,000 will be allocated to the designated fund in 2018-19.

**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 2017 require the Institute to publish information on facility time arrangements for trade union officials at the Institute, for the period covering 1 April 2017- 31 March 2018.

Number of employees who were trade union representatives: 4 (FTE: 2.4)

Percentage of time	No of employees	Total cost of facility time: £nil
0%	-	Total pay bill: £13million
1-50%	4	Percentage of total bill: 0%
51-99%	-	Time spend on paid trade union activities as a percentage of total paid facility time: None
100%	-	

## Annemarie



*Coming to City Lit was life changing. It opened up a world of materials, skills, techniques and a community that I couldn't have accessed anywhere else in Britain.*

Annemarie's work has been featured in The New York Times, Country Living, Fabrika and the Irish Times.

“

I joined City Lit in 2006. I signed up for a basketry course which seemed like a ridiculously indulgent thing at the time, as I had no free time and money was very tight, but I had been quietly obsessing about baskets for a couple of years and couldn't find anyone to learn from near where I lived.

Coming to City Lit was life changing. It opened up a world of materials, skills, techniques and a community that I couldn't have accessed anywhere else in Britain.

Nowhere else in the country can you find such a rich mix of basketry courses: willow, coiling, cane, plaiting rush, knotting and netting, to name just a few.

I now work full time as a basket maker making a range of small scale domestic work through to large scale installations and sculptural work. I also regularly teach basketry courses at City Lit.

”



## Lucy & Dave



*We have now decided that we will be marking our anniversary each year by trying a new course - as you never know what might happen!*

“

We met at a photography taster course at the City Lit Visual Arts Open Day in 2017. We were two young Londoners who arrived ready to learn a few new camera tricks on a cold January morning. We started chatting during the class and by the end of the day we had arranged a date.

A few months later, we got married at the Mayfair Library and went to Paris for our honeymoon. Just before our wedding we found out that we were having a baby and our son, Gene Gabriel was born in late autumn.

We have now decided that we will be marking our anniversary each year by trying a new course - as you never know what might happen!

”

## 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 4 December 2018 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 2018. 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 - 5 (and also 1 Strategic Review session); Audit & Risk Committee - 3; Finance & Commercial Committee - 5; Governance and People Committee - 4; Quality Committee - 3; and Remuneration Committee - 1.

Name	No. of Governing Body meetings attended (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	3	08/05/16	4 years		1	Quality (3) Governance & People (3)
Annita Bennett	5	21/10/16	4 years		1	
Tim Bolderson	6	24/10/17	4 years		1	Quality (3)
Jane Cooper (Deputy Chair)	6	05/12/17	4 years		1	Audit & Risk (3), Governance & People (4) Remuneration (1)
Joseph Cullen	4	06/12/16	2 years		3	Quality (3)
Jonathan Flowers	2 (out of a possible 3)	23/3/14	4 years	14/03/18	1	Finance & Commercial (4) Governance & People (3)
Jon Gamble	5	09/12/14	4 years		1	Audit & Risk (2)
Dame Moira Gibb (Chair)	6	04/7/17	4 years		1	Governance & People (4) Remuneration (1)

Name	No. of Governing Body meetings attended (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)
Fiona Larden	0 - Leave of absence granted	17/03/15	4 years	14/03/17	1	Quality (0) Leave of absence
Mark Malcomson	6	11/06/11	N/A		4	Quality (3), Finance & Commercial (4), Governance & People (4)
Keith Moffitt	5	15/03/16	4 years		1	Quality (2)
Wendy Moss	5	20/10/15	4 years		2	Audit & Risk (3)
Sophie Neary	3 (out of a possible 4)	06/2/18	4 years		1	Finance & Commercial (1) (out of 2)
Raj Parkash	5	16/10/16	4 years		1	Finance & Commercial (5)
Sandy Pfeifer	3	21/10/14	4 years		1	Audit & Risk (3), Governance & People (4)
Paula Smith	5	04/07/17	4 years		1	Finance & Commercial (2)
Michael Simmonds	6	15/03/16	4 years		1	Finance & Commercial (5) Governance & People (4); Remuneration (1)
Jill Westerman	1	09/7/18	4 years		1	Quality (1)

**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.

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.

### **Co-opted members**

The Institute currently has one co-opted member of the Audit & Risk Committee, Alan Saffer, who attended three committee meetings during 2017-18.

### **Finance & Commercial Committee**

The Finance & Commercial Committee is charged with monitoring the Institute's financial performance, and approving the annual budget. It met five times in 2017-18 and comprises of five members of the Governing Body.

### **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 2018 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. Currently, the Committee has oversight of the External Engagement function. This Committee meets at least four times a year.

### **Quality Committee**

The Quality Committee met four times throughout 2017-18 and comprises of six members, one of these being the student Governor. 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 five members of the Governing Body (which does not include the Accounting Officer, Chair or members of the Finance & Commercial Committee) and one co-opted member. 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.

## **Internal Control**

City Lit's system of internal financial control includes:

- Clear definitions of the responsibilities and the authority delegated to, faculty 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 2018 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 2018 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**

After making appropriate enquiries, the Governing Body considers that City Lit has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

**Approved by the Governing Body on 4 December 2018 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 4 December 2018 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 2017-18 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.

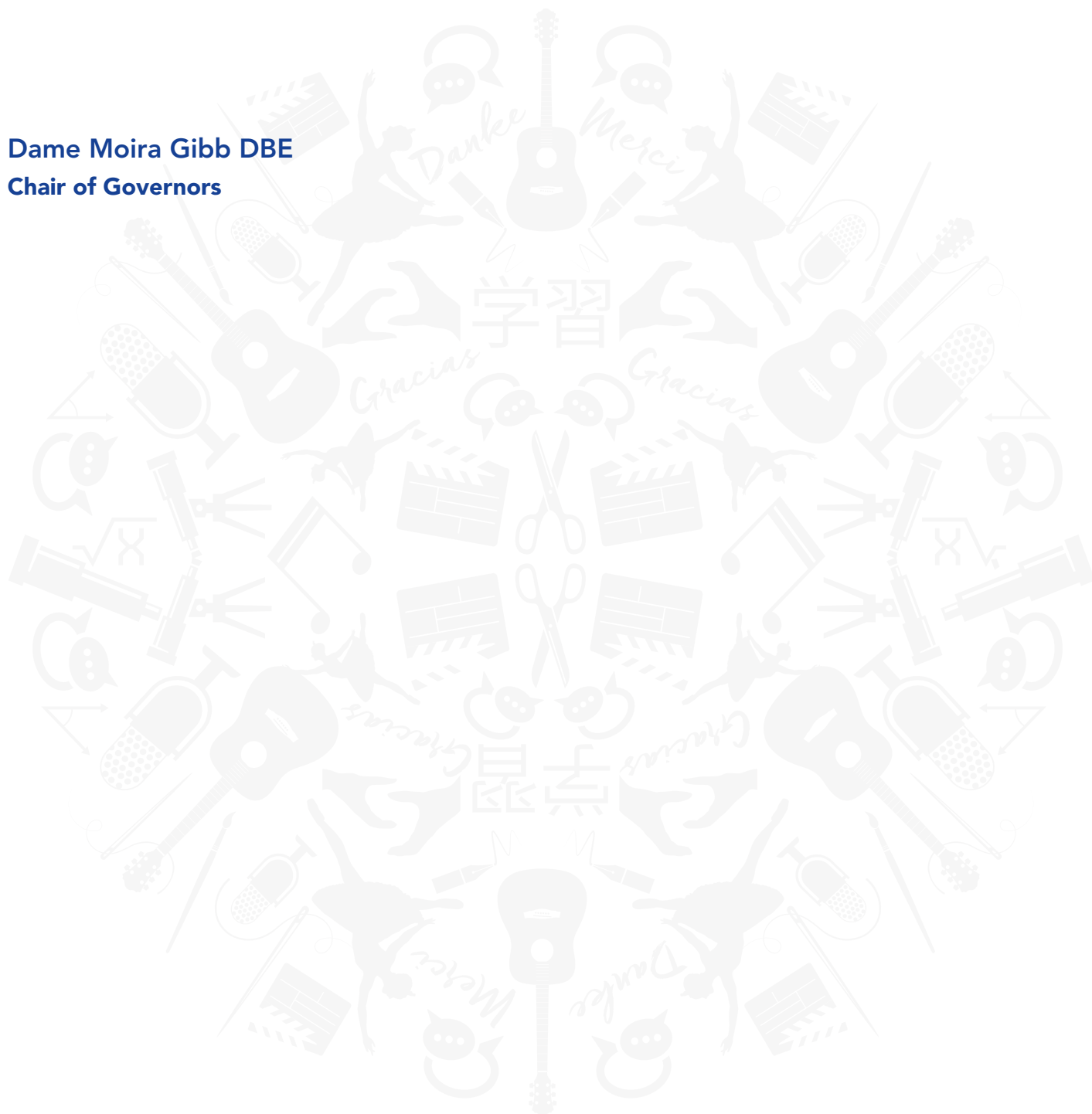
The work carried out by the auditor does not involve consideration of the maintenance and integrity of the Institute's website and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. 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 4 December 2018 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 2018, 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 2018 and of its surplus 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.

### 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.

### **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 1st August 2017 to 31 July 2018 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 2017 to 31 July 2018 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 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

### Buzzacott LLP, Statutory Auditor

130 Wood Street  
London  
EC2V 6DL

# Statement of Comprehensive Income for the year ended 31 July 2018

	Notes	2017-2018			2016-2017		
		Before actuarial pension adjustments	Actuarial pension adjustments	After actuarial pension adjustments	Before actuarial pension adjustments	Actuarial pension adjustments	After actuarial pension adjustments
		£'000	£'000	£'000	£'000	£'000	£'000
<b>INCOME</b>							
Funding body grants	2	7,835	-	7,835	7,608	-	7,608
Tuition fees and education contracts	5	10,465	-	10,465	9,640	-	9,640
Other income	6	337	-	337	219	-	219
Investment income	7	6	-	6	12	-	12
Donations	3, 4	23	-	23	464	-	464
<b>Total income</b>		<b>18,666</b>	<b>-</b>	<b>18,666</b>	<b>17,943</b>	<b>-</b>	<b>17,943</b>
<b>EXPENDITURE</b>							
Staff costs	8	13,236	1,023	14,259	12,773	636	13,409
Fundamental restructuring costs	8	257	-	257	182	-	182
Other operating expenses	10	4,077	-	4,077	4,148	-	4,148
Depreciation	12, 13	845	-	845	796	-	796
Interest and other finance costs	11	-	289	289	-	291	291
<b>Total expenditure</b>		<b>18,415</b>	<b>1,312</b>	<b>19,727</b>	<b>17,899</b>	<b>927</b>	<b>18,826</b>
Surplus/(deficit) for the year		251	(1,312)	(1,061)	44	(927)	(883)
Actuarial gain in respect of pension schemes	18, 22	-	2,328	2,328	-	1,393	1,393
<b>Total comprehensive income for the year</b>		<b>251</b>	<b>1,016</b>	<b>1,267</b>	<b>44</b>	<b>466</b>	<b>510</b>
<b>Represented by:</b>							
Unrestricted comprehensive income		251	1,016	1,267	53	466	519
Restricted comprehensive expenditure		-	-	-	(9)	-	(9)
		<b>251</b>	<b>1,016</b>	<b>1,267</b>	<b>44</b>	<b>466</b>	<b>510</b>



## Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 31st July 2017	(464)	1,000	536
Deficit from the income and expenditure account	(1,061)	-	(1,061)
Other comprehensive income	2,328	-	2,328
<b>Total comprehensive income for the year</b>	<b>1,267</b>	<b>-</b>	<b>1,267</b>
<b>Balance at 31st July 2018</b>	<b>803</b>	<b>1,000</b>	<b>1,803</b>

## Balance Sheet as at 31 July 2018

	Notes	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Tangible fixed assets	12	16,616	16,881
Intangible fixed assets	13	668	592
		<b>17,284</b>	<b>17,473</b>
<b>Current assets</b>			
Trade and other receivables	14	1,326	886
Investments	15	100	274
Cash and cash equivalents	19	1,738	1,432
		<b>3,164</b>	<b>2,592</b>
Less: Creditors - amounts falling due within one year	16	(4,460)	(4,243)
<b>Net current liabilities</b>		<b>(1,296)</b>	<b>(1,651)</b>
<b>Total assets less current liabilities</b>		<b>15,988</b>	<b>15,822</b>
Less: Creditors - amounts falling due after more than one year	17	(4,275)	(4,354)
<b>Provisions</b>			
Defined benefit obligations	18, 22	(9,827)	(10,844)
Other provisions	18	(83)	(88)
<b>Total net assets</b>		<b>1,803</b>	<b>536</b>
<b>Funds</b>			
Income and expenditure account	23	787	(510)
Revaluation reserve	23	1,000	1,000
Designated funds - Bursary Fund	23	-	30
Restricted funds	23	16	16
<b>Total funds</b>		<b>1,803</b>	<b>536</b>

The financial statements on pages 40 to 69 were approved and authorised for issue by the Institute on 4 December 2018 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 2018

	Notes	2017-18 £'000	2016-17 £'000
<b>Cash inflow from operating activities</b>			
Deficit for the year		(1,061)	(883)
<b>Adjustment for non cash items</b>			
Depreciation and amortisation	12,13	845	796
(Increase) in debtors		(440)	(263)
Increase in creditors due within one year		217	402
(Decrease) in creditors due after one year		(78)	(118)
Increase in provisions		807	785
Pensions costs less contributions payable		498	136
<b>Adjustment for investing or financing activities</b>			
Investment income	7	(6)	(12)
Loss on disposal of tangible fixed assets		-	3
<b>Net cash flow from operating activities</b>		<b>782</b>	<b>846</b>
<b>Cash flows from investing activities</b>			
Investment income	7	6	12
New deposits	15	174	650
Payments made to acquire tangible fixed assets	12	(411)	(898)
Payments made to acquire intangible fixed assets	13	(245)	(275)
		<b>(476)</b>	<b>(511)</b>
<b>(Decrease)/increase in cash and cash equivalents in the year</b>		<b>306</b>	<b>335</b>
Cash and cash equivalents at beginning of the year	19	1,432	1,097
<b>Cash and cash equivalents at end of the year</b>	<b>19</b>	<b>1,738</b>	<b>1,432</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 2017-18 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 financial statements have been prepared on a going concern basis. The going concern nature of the business was assessed by the Governing Body at its meeting in December 2018. The use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that cast significant doubt about the ability of the City Literary Institute to continue as a going concern. We have not received any indication from the Department for Education that funding will be withdrawn. The statement of financial position at 31 July 2018 shows that the City Literary Institute has overall net assets of £1,803,000. This is after net pension liabilities of £9,827,000.

Even though the pension liability has decreased in the year, it remains high because of the low discount factor which results in higher pension liabilities. Discussions with the actuaries have confirmed that there are no requirements to increase the employer contributions at this point in time. The activities of the Institute, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the Institute, its cash flow, liquidity and borrowings are presented in the financial statements and accompanying notes.

The Institute currently has a £1m unutilised bank overdraft facility available for unconditional drawdown with it all being secured by a fixed and floating charge on Institute assets. The terms of the existing agreement are renewed annually. The Institute’s forecasts and financial projections indicate that it will be able to operate without the need to utilise this facility for the foreseeable future. Accordingly the Institute has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its financial statements.



## Notes to the Financial Statements 1 (continued)

### 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.

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,

## Notes to the Financial Statements 1 (continued)

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.

### 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,

## Notes to the Financial Statements 1 (continued)

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.

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.

### **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.

## Notes to the Financial Statements 1 (continued)

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.

### 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.



## Notes to the Financial Statements 1 (continued)

### Agency arrangements

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

### 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 22, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. 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.

### 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

	2017-18	2016-17
	£'000	£'000
<b>Recurrent grants</b>		
Education & Skills Funding Agency	7,718	7,491
<b>Specific Grants</b>		
Release of Government capital grants	117	117
<b>Total</b>	<b>7,835</b>	<b>7,608</b>

### 3. Appeal fund donations

	2017-18	2016-17
	£'000	£'000
Release of appeal fund donations	2	2
<b>Total</b>	<b>2</b>	<b>2</b>

### 4. Other donations

	2017-18	2016-17
	£'000	£'000
Bursary donations received	1	8
Legacies	20	254
Grant from the John Lyon's Charity	-	200
<b>Total</b>	<b>21</b>	<b>462</b>

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

### 5. Tuition fees and education contracts

	2017-18	2016-17
	£'000	£'000
Gross tuition fees	9,290	8,485
Less: bursaries	(44)	(22)
Fees for FE loan supported courses	358	368
<b>Total tuition fees</b>	<b>9,604</b>	<b>8,831</b>
Centre for deaf contracts	509	442
Community outreach	302	331
Other grants and contracts	50	36
<b>Total education contracts</b>	<b>861</b>	<b>809</b>
<b>Total</b>	<b>10,465</b>	<b>9,640</b>

### 6. Other income

	2017-18	2016-17
	£'000	£'000
Sales relating to courses	14	12
Consultancy	63	81
Other income	260	126
<b>Total</b>	<b>337</b>	<b>219</b>

### 7. Investment income

	2017-18	2016-17
	£'000	£'000
Bank deposit Interest	6	12
<b>Total</b>	<b>6</b>	<b>12</b>

## Notes to the Financial Statements 8

### 8. Staff costs

The average number of persons (including senior post-holders) employed during the year, expressed as full-time equivalents, was:

	2017-18	2016-17
	No.	No.
Teaching staff	230	230
Non teaching staff	68	60
<b>Total Staff</b>	<b>298</b>	<b>290</b>

Staff costs for the above persons, analysed by department	2017-18	2016-17
	£'000	£'000
Teaching departments	8,993	8,958
Administration and central services	3,986	3,444
Agency staff	257	371
Actuarial pension adjustment	1,023	636
<b>Total staff costs</b>	<b>14,259</b>	<b>13,409</b>

Restructuring costs	257	182
---------------------	-----	-----

Staff costs, analysed by cost type	2017-18	2016-17
	£'000	£'000
Salaries	10,664	10,281
Social security costs	851	815
Other pension costs (excluding FRS 102 charge of £1,023,000 (2017 - £636,000))	1,464	1,306
Agency staff	257	371
Actuarial pension adjustment	1,023	636
<b>Total staff costs</b>	<b>14,259</b>	<b>13,409</b>

Restructuring costs	257	182
---------------------	-----	-----

Staff costs, analysed by type of contract	2017-18	2016-17
	£'000	£'000
Employment costs for staff on permanent contracts	8,074	7,884
Employment costs for staff on short term and temporary contracts	4,905	4,518
Agency staff	257	371
Actuarial pension adjustment	1,023	636
<b>Total staff costs</b>	<b>14,259</b>	<b>13,409</b>

Restructuring costs	257	182
---------------------	-----	-----



## 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 comprised of the Principal, the Chief Financial Officer, the Vice Principal, the Executive Director of External Engagement, the Executive Director of Human Resources and two Assistant Principals. During the year, the positions of Deputy Principal and Vice Principal (Standards) were made redundant. Key areas of responsibility were passed to other members of the Executive Team.

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

	2017-18		2016-17	
	No.		No.	
The number of key management personnel at the end of the year was:	8		10	
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	
	2017-18	2016-17	2017-18	2016-17
	No.	No.	No.	No.
£30,001 to £40,000	1	2	-	-
£60,001 to £70,000	2	3	4	-
£70,001 to £80,000	1	1	-	-
£80,001 to £90,000	3	3	1	-
£90,001 to £100,000*	1	3	-	-
£120,001 to £130,000	1	1	-	-
£130,001 to £140,000*	1	-	-	-
	10**	13**	5	-

\* These bands include one off compensation payments as detailed on page 54.

\*\* 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.

Total emoluments of posts in the new management structure were £815,124 (2016-17: £833, 266) which is comparable to prior years.

Key management personnel emoluments are made up as follows:

	2017-18	2016-17
	£'000	£'000
Salaries	851	881
Employers National Insurance contributions	96	96
Pension contributions	101	108
<b>Total emoluments</b>	<b>1,048</b>	<b>1,085</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:

	2017-18	2016-17
	£'000	£'000
Salaries	129	128
Employers National Insurance contributions	18	18
Pension contributions	15	15
<b>Total emoluments</b>	<b>162</b>	<b>161</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 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 2017-18 which totalled £1,145, two Governors (2016-17: £3,033 two Governors).

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

	2017-18	2016-17
	£'000	£'000
Compensation paid to two former key management personnel, including contractual and non contractual payments	92	90

The compensation payment was approved by the Institute's remuneration committee.

## 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 2017-18 (2016-17: £nil).

### 10. Other operating expenses

	2017-18	2016-17
	£'000	£'000
Teaching purchases	311	349
Exam fees	106	98
<b>Teaching departments</b>	<b>417</b>	<b>447</b>
Learner services	74	75
<b>Teaching and other support services</b>	<b>74</b>	<b>75</b>
Administration purchases	993	942
Contracted out IT support	370	367
<b>Administration and central services</b>	<b>1,363</b>	<b>1,309</b>
<b>Marketing expenditure</b>	<b>628</b>	<b>737</b>
Premises running costs	1,263	1,242
Maintenance	58	64
Rent	274	274
<b>Premises</b>	<b>1,595</b>	<b>1,580</b>
<b>Total operating expenses</b>	<b>4,077</b>	<b>4,148</b>

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

	2017-18	2016-17
	£'000	£'000
Total operating expenses includes the following:		
<b>Auditor's remuneration</b>		
Financial statements and regularity audit	23	21
Internal audit charge for the year	22	29
Other services provided by external auditors	-	3
	<b>45</b>	<b>53</b>
<b>Operating leases</b>		
Office Equipment	<b>12</b>	<b>18</b>

### 11. Interest payable

	31 July 2018	31 July 2017
	£'000	£'000
Pension finance costs (note 22)	286	288
Enhanced Pension finance costs (note 22)	3	3
<b>Total interest payable</b>	<b>289</b>	<b>291</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 2017	19,903	1,240	1,333	22,476
Additions	-	294	117	411
<b>At 31 July 2018</b>	<b>19,903</b>	<b>1,534</b>	<b>1,450</b>	<b>22,887</b>
<b>Depreciation</b>				
At 1 August 2017	4,531	172	892	5,595
Charge for the year	378	139	159	676
<b>At 31 July 2018</b>	<b>4,909</b>	<b>311</b>	<b>1,051</b>	<b>6,271</b>
<b>Net book value at 31 July 2018</b>	<b>14,994</b>	<b>1,223</b>	<b>399</b>	<b>16,616</b>
<b>Net book value at 31 July 2017</b>	<b>15,372</b>	<b>1,068</b>	<b>441</b>	<b>16,881</b>

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 2018, building and equipment, with a net book value of £4.352m have been financed by the ESFA. 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 2017

880

Additions

245

At 31 July 2018

1,125

#### Amortisation

At 1 August 2017

288

Charge for the year

169

At 31 July 2018

457

Net book value at 31 July 2018

668

Net book value at 31 July 2017

592

### 14. Trade and other receivables

31 July 2018

31 July 2017

£'000

£'000

Trade receivables

902

545

Other receivables

77

73

Prepayments and accrued fee income

347

268

Total Debtors

1,326

886

## Notes to the Financial Statements 15, 16 & 17

### 15. Current investments

	31 July 2018	31 July 2017
	£'000	£'000
Short term deposits	100	274
<b>Total</b>	<b>100</b>	<b>274</b>

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with more than three months maturity at the date of acquisition. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

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

	31 July 2018	31 July 2017
	£'000	£'000
Trade payables	406	474
Other taxation and social security	308	224
Accruals and deferred income	3,019	2,857
Deferred income - Government capital grants	119	119
Deferred income - Government revenue grants	241	334
Other creditors	367	235
<b>Total</b>	<b>4,460</b>	<b>4,243</b>

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

	31 July 2018	31 July 2017
	£'000	£'000
Deferred income - Government capital grants	4,275	4,354
<b>Total</b>	<b>4,275</b>	<b>4,354</b>

## Notes to the Financial Statements 18, 19 & 20

### 18. Provisions

	Defined benefit obligations	Enhanced pensions	Total
	£'000	£'000	£'000
At 1 August 2017	10,844	88	10,932
Expenditure in the period	(525)	(6)	(531)
Charged to the income and expenditure account	1,834	3	1,837
Actuarial gain	(2,326)	(2)	(2,328)
<b>At 31 July 2018</b>	<b>9,827</b>	<b>83</b>	<b>9,910</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 22.

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:

	2017-18	2016-17
Price inflation	2.30%	2.30%
Discount rate	1.30%	1.30%

### 19. Cash and cash equivalents

	At 1 August 2017	Cash flows	At 31 July 2018
	£'000	£'000	£'000
Cash and cash equivalents	1,432	306	1,738
<b>Total</b>	<b>1,432</b>	<b>306</b>	<b>1,738</b>

### 20. Capital commitments

	31 July 2018	31 July 2017
	£'000	£'000
Commitments contracted for at 31 July	32	128



## Notes to the Financial Statements 21

### 21. Lease Obligations

At 31 July 2018 the Institute had minimum lease payments under non-cancellable operating leases as follows:

	31 July 2018	31 July 2017
	£'000	£'000
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	173	173
Later than one year and not later than five years	234	330
Later than five years	122	180
	<b>529</b>	<b>683</b>
<b>Other</b>		
Not later than one year	30	30
	<b>30</b>	<b>30</b>
<b>Total lease payments payable</b>	<b>559</b>	<b>713</b>

## Notes to the Financial Statements 22

### 22. 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.

Total pension cost for the year	2017-18	2016-17
	£'000	£'000
Teachers Pension Scheme: contributions paid	944	910
Local Government Pension Scheme:		
Contributions paid	525	500
FRS 102 (28) charge	1,023	636
Charge to the Statement of Comprehensive Income	1,548	1,136
Enhanced pension charge to Statement of Comprehensive Income	3	3
<b>Total pension cost for year</b>	<b>2,495</b>	<b>2,049</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 2012 and of the LGPS as at 31 March 2016.

Contributions amounting to £201,837 (2017: £184,456) payable to the schemes as at 31 July 2018 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.

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.

## Notes to the Financial Statements 22 (continued)

### 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 2012. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- new employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191.5 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176.6 billion giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

The key assumptions used in the report are:

- an assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings.
- the rate of real earnings growth is assumed to be 2.75%.
- an assumed nominal rate of return is 5.06%.

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable some point in 2019.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

The pension costs paid to TPS in the year amounted to £944,000 (2017: £910,000).

## 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 2018 was £791,000

(2016-17: £728,000), of which employer's contributions totalled £525,000 (2016-17: £500,000) and employees' contributions totalled £266,000 (2016-17: £228,000). The agreed contribution rates for future years are 12% for employers and range from 5.5% to 11.4% for employees, depending on salary.

### Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2018 by a qualified independent actuary.

	At 31 July 2018	At 31 July 2017
Rate of increase in salaries	2.35%	2.70%
Future pensions increases	2.35%	2.70%
Discount rate for scheme liabilities	2.65%	2.70%
Inflation assumption (CPI)	2.35%	2.70%
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:

	At 31 July 2018	At 31 July 2017
	Years	Years
<b>Retiring today</b>		
Males	21.40	21.30
Females	24.60	24.50
<b>Retiring in 20 years</b>		
Males	23.70	23.60
Females	26.80	26.70

## Notes to the Financial Statements 22 (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)	24,920	25,487	26,067
Projected service cost (£,000)	1,272	1,309	1,347
Change in long term salary increase	+0.1%	0.0%	-0.1%
Present value of defined benefit obligation (£'000)	25,529	25,487	25,445
Projected service cost (£,000)	1,309	1,309	1,309
Change to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of defined benefit obligation (£'000)	26,062	25,487	24,960
Projected service cost (£,000)	1,347	1,309	1,272
Change in life expectancy assumptions	+1 year	None	-1 year
Present value of defined benefit obligation (£'000)	26,386	25,487	24,629
Projected service cost (£,000)	1,351	1,309	1,269

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

	Long-term rate of return expected at 31 July 2018	Fair Value at 31 July 2018	Long-term rate of return expected at 31 July 2017	Fair Value at 31 July 2017
		£'000		£'000
Equities	61%	9,494	61%	8,767
Target return portfolio	22%	3,467	21%	2,966
Infrastructure	5%	779	5%	644
Property	7%	1,202	7%	931
Cash	5%	718	6%	991
<b>Total market value of assets</b>	<b>100%</b>	<b>15,660</b>	<b>100%</b>	<b>14,299</b>
	Long-term rate of return expected at 31 July 2018	Fair Value at 31 July 2018	Long-term rate of return expected at 31 July 2017	Fair Value at 31 July 2017
<b>Total market value of assets</b>		<b>15,660</b>		<b>14,299</b>
Weighted average expected long term rate of return	2.65%		2.7%	
Actual return on plan assets		881		1,871



## Notes to the Financial Statements 22 (continued)

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

	31 July 2018	31 July 2017
	£'000	£'000
Fair value of plan assets	15,660	14,299
Present value of plan liabilities	(25,487)	(25,143)
<b>Net pensions liability</b>	<b>(9,827)</b>	<b>(10,844)</b>

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

	31 July 2018	31 July 2017
	£'000	£'000
<b>Amounts included in staff and investment costs</b>		
Service cost	1,529	1,120
Net interest on the defined liability	286	288
Administration expenses	19	16
<b>Total</b>	<b>1,834</b>	<b>1,424</b>

### Amounts recognised in other comprehensive income

Return on pension plan assets	488	1,550
Changes in assumptions underlying the present value of plan liabilities	1,838	(1,516)
Changes in demographic assumptions	-	450
Experience gain on defined benefit obligation	-	882
Other actuarial gains on assets	-	25
<b>Amount recognised in Other Comprehensive Income</b>	<b>2,326</b>	<b>1,391</b>

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

	31 July 2018	31 July 2017
	£'000	£'000
Deficit in scheme at 1 August	(10,844)	(11,311)
<b>Movement in year:</b>		
Service cost	(1,529)	(1,120)
Employer contributions	525	500
Net interest on the defined liability	(286)	(288)
Administration expenses	(19)	(16)
Actuarial gain	2,326	1,391
<b>Net defined pension liability at 31 July</b>	<b>(9,827)</b>	<b>(10,844)</b>

## Notes to the Financial Statements 22 (continued)

### Asset and liability reconciliation

	31 July 2018	31 July 2017
	£'000	£'000
<b>Changes in the present value of defined benefit obligations</b>		
Defined benefit obligations at start of period	25,143	23,553
Current service cost	1,449	1,076
Interest cost	679	609
Contributions by scheme participants	266	228
Experience (gain) and losses on defined benefit obligations	-	(882)
Change in financial assumptions	(1,838)	1,516
Change in demographic assumptions	-	(450)
Estimated benefits paid	(292)	(551)
Curtailments and settlements	80	44
<b>Defined benefit obligations at end of the period</b>	<b>25,487</b>	<b>25,143</b>
<b>Reconciliation of assets</b>		
Fair value of plan assets at start of period	14,299	12,242
Interest on plan assets	393	321
Return on plan assets	488	1,550
Administration expenses	(19)	(16)
Employer contributions	525	500
Contributions by scheme participants	266	228
Estimated benefits paid	(292)	(551)
Other actuarial gain	-	25
<b>Assets at end of period</b>	<b>15,660</b>	<b>14,299</b>

## Notes to the Financial Statements 23

### 23. Reserves

	Notes	General Reserve	Pension Reserve	Revaluation Reserve	Designated Funds	Restricted Funds	Total
Reserves as at 31 July 2017		10,334	(10,844)	1,000	30	16	536
Surplus for the year		248	-	-	-	-	248
FRS 102 (28) pension charge	22	-	(1,039)	-	-	-	(1,039)
Actuarial gain in respect of pension scheme	18	-	2,326	-	-	-	2,326
Actuarial gain in respect of enhanced pension	18	2	-	-	-	-	2
Bursary donations received - transfer to designated fund	4	(1)	-	-	1	-	-
Bursary resources expended - transfer from designated fund	5	31	-	-	(31)	-	-
<b>Reserves as at 31 July 2018</b>		<b>10,614</b>	<b>(9,827)</b>	<b>1,000</b>	<b>-</b>	<b>16</b>	<b>1,803</b>

A designated 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. A further £35,000 will be allocated to the fund for 2018-19.

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 24

### 24. 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 £1,145; two Governors (2016-17: £3,033; 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 (2016-17: None).







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# The City Literary Institute

## Report & Financial Statements

### 2018

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Mark Malcomson CBE, Lulu, and Principal's Award winner Stephen Bush

## City Lit Awards celebrate students and staff across the college

The City Lit Awards are a celebration of the outstanding work and achievements of various students and staff from across the college, as well as the transformation adult learning can bring. Winners were selected by our judging panel from a longlist of over 400 nominations from across the City Lit community. We were delighted to be joined this year by music icon Lulu, who presented award winners with their certificates and even performed an impromptu rendition of her smash hit 'Shout' with one of our award winners.

# Message from The Chair of Governors

## Moira Gibb



The last year has been hugely successful and positive for City Lit. As we enter our centenary year, we are justly proud of our long history of bringing people together to enrich their lives through learning.

During this past year we have welcomed more students than ever before, attracted by our high quality educational choices for all and unrivalled support for those experiencing career transitions. Most importantly, we offer an educational environment that is open, challenging, fun and at the centre of London's cultural life.

My colleagues on the Governing Body share my great sense of pride in City Lit, as do our staff, tutors and our students.

Our centenary year provides us with a fantastic opportunity to celebrate our considerable achievements but also to champion

adult learning and the benefits it brings to individuals, communities and employers. To do this, it is vital that we:

### Honour our heritage

Continue to be proud of our tradition of embracing the diversity of London, catering for the needs of everyone, whatever their ambition, whatever their background.

### Are mindful of the present

Provide an environment of excellence, with an exceptional student experience, where they can engage with great tutors and high quality course content.

### Prepare for the future

Must continuously improve, and remain a current and relevant service to future generations of people who wish to improve their lives through learning.

As we get closer to the time when the Mayor of London takes over responsibility for the Adult Education Budget in London, we have worked hard to ensure the Mayor and his team understand the vital role City Lit plays in London as a whole. I am pleased that the Institute has been able to inform the Mayor's Skills for London Strategy. We are also very pleased to have received significant capital funding to build new facilities for design and digital learning and create a brand new gallery.

As our centenary preparations remind us, City Lit has adapted and developed throughout its history to meet the requirements of our students and we will continue to do so now and in the future.

In this successful academic year, we have increased student numbers, maintained impressively high satisfaction rates and exceeded our financial targets. Among the many successful events held, we had an outstanding third year of our Mental Wealth Festival, now regarded as the 'Glastonbury of mental health'.



As a Governing Body, we continue to believe there are three key measures to the Institute's success:

- 1. Quality of teaching and learning** - This remains consistently high at City Lit and I am adamant that this must be something we strive to maintain. We are committed to being an exceptional provider of learning opportunities for adults and are therefore always alert to where and how to achieve this. We have outstanding teachers and tutors who have a wealth of experience and expertise to share with their students. We have developed a new Quality Strategy that looks to ensure that everyone experiences City Lit as an outstanding organisation in every encounter they have with us. In fact, I was incredibly proud that our Student Centre Team were nominated for the Professional Services Team of the Year Award at the National TES FE Awards in February.
- 2. Focus on our 'social impact'** - We believe what sets us apart from other Colleges is our extensive social and community provision. This includes support for deaf students; helping people overcome speech impediments; supporting adults with learning difficulties; and encouraging those who believe they have failed in education in the past. However, this is an area where we are keen to do more and we are developing plans to expand this work.
- 3. Financial sustainability** - Over recent years, we have been successful in raising our student fee income – this is income from students or their employers who can afford to pay. In 2018 this reached £9.6 million, representing £1.9 million more than we received from the Government and public investment. Growing fee income remains a real priority for us, particularly when Government funding has declined in recent years. It is vital that we continue to maintain and grow our strong student number base, as well as identify new ways to attract funds.

We are also incredibly proud of our City Lit Fellows and our new Fellows have been announced, including tireless social justice campaigner, David Lammy MP, the music icon, Lulu, and Gary Bourlet, Co-Founder of Learning Disability England.

Our Fellows are a vital source of inspiration and a growing 'force for good.' They are important advocates for City Lit and adult education in general. The Board looks forward to being part of the Institute's ongoing achievements and success in our landmark centenary year.

With the opportunity of City Lit's Centenary fast approaching, I hope people across London and beyond will be inspired to learn more about our work, the importance of adult education, and become part of our future.

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



## Key Highlights & Achievements at a glance

1. We continued to grow our course offering with new courses, in American History, by further development of City Lit's Art School (offering students an alternative a formal degree programme), in Psychology and Counselling and much more. This meant that our student numbers grew yet again, attracting over 50,000 enrolments.
2. Our first Student Open days were held in September and April, offering taster courses from across the Institute's portfolio. These attracted many people to City Lit for the first time, with the overwhelming majority deciding to enrol courses as a result.
3. We continue to develop our partnership with the British Museum: building on the huge success of Classics Day, which has been running for over a decade and was again a sell-out this year. Over 300 people attended 'Faith, Belief and Religion in the Classical World'. With the lecture hall buzzing and at full capacity, the audience were treated to fantastic lectures from experts in the field, illuminating such topics as the 'Cult of Divine Heroes', 'Rituals and Places of Worship', and 'The Spread of Different Faiths Across the Ancient Empire'. We also worked with them on their blockbuster Rodin exhibition producing a new course held at the Museum, and have numerous other initiatives in the pipeline.
4. We held a full programme of student art exhibitions including: Fine Art and Advanced Textiles shows at Espacio Gallery; Jewellery show at Red Gallery; Printmaking, Drawing and Professional Practice shows at RK Burt Gallery; and City Lit Flicks film and animation festival at Cinema Museum.
5. We celebrated our rich and diverse community through many great events this year including Deaf Day, The City Lit Awards, Watch Your Language conference, Festival of Writing and various plays and performances in our John Lyon's Theatre including "Welcome to Thebes", "Her Naked Skin", "So U Think I'm Crazy" and "Unspoken" – a play about stammering.
6. City Lit's Percussion Orchestra together with the Royal Academy of Music's Open Academy performed this year for the first time at the Royal Academy of Music. Our partnership provides a fantastic opportunity for students from both organisations to experience working creatively and collaboratively in ways that enable each person to grow and develop.
7. Results in our Basic Skills programmes are improving. The department undertook a curriculum review at the end of 2016-17 which resulted in the development of a new non-accredited programme for students on English and Maths courses. This is having a positive impact on the department with many more students staying to the end of their programme. Performance of our ESOL programme continues to be strong with the majority of learners completing their studies and passing their exams.
8. Our unique accredited and non-accredited English and Maths programme for Deaf people continues to provide Deaf students with the skills and confidence in English and Maths they need to progress in life and work. This year, more students than ever are completing their studies. The Deaf English and Maths team have been nominated for an award by the awarding body Signature in recognition of the Deaf student community that has been built at City Lit and that is so highly valued by our students.

9. In advance of full devolution of the Adult Education Budget, we have worked closely with the Mayor of London's team on a number of issues. City Lit was awarded a sizeable grant from the Skills for London Capital Investment Fund for our ambitious project to build a new state-of-the-art Design and Digital Hub, which opens in September 2018, and to create a new gallery in a transformed lobby.
10. The Mental Wealth Festival 2017, in partnership with Beyond Words, was a resounding success. The two day event was opened by Sir Vince Cable and we hosted over 100 events at City Lit, Parliament and, for the first time, The National Gallery. Inspirational speakers included, Ed Balls, Bryony Gordon and award-winning mental health campaigners Jonny Benjamin MBE and Neil Laybourn. We developed strong relationships with leading organisations including The National Gallery, Bupa, Rethink Mental Illness, Mind, Head Talks and MQ: Transforming Mental Health.
11. We created three new City Lit Lifetime Fellows: the highly respected London Member of Parliament, David Lammy; internationally acclaimed performer, Lulu; and the Chief Executive of Learning Disability England, Gary Bourlet.

## Introduction from CEO and Principal



Last year was a positive and eventful time for City Lit with several significant highlights.

With our population growing at a faster rate than ever; people living longer and staying healthy for longer; and people working for longer, changing jobs and careers more frequently, the place of learning, to improve skills, has never been more important. City Lit continues to provide the opportunity to access learning and development opportunities that work for individuals and fit with their busy working lives.

We know this is true, as we welcomed more students to City Lit this year than ever before, which in my view, demonstrates the significant relevance of our offering. If you consider how we maintained

impressively high satisfaction rates and exceeded our financial aspirations, this year has clearly been one of our most successful in the 99 years since we were established.

The award of £663k funding from The Mayor of London's Skills for London Capital Investment Fund for our ambitious project to build a new state-of-the-art Design and Digital Hub in 2018 and create a new gallery in a transformed lobby in 2019, is a huge vote of confidence in City Lit. We have also engaged in The Mayor's consultation on the Skills for London Strategy and established a positive relationship with key GLA staff, with City Lit now seen as a critical friend.

This investment will help improve much needed skills and employability for London's future economic success, particularly vital for sustaining London's pre-eminent position as the leading centre for the creative industries.

By bringing digital and design courses together in a multifunctional space, it also aims to improve well-being, deliver a greater sense of purpose and develop multi-disciplinary skills. In addition, the new gallery will provide a unique West End showcase for our learners' work and a welcoming, flexible space for performances and events.

This development highlights the critical role we continue to play in London's growth and development. With over 5,000 courses delivered last year, City Lit continues to be enormously popular, attracting people from across the London boroughs and beyond, contributing value to individuals, their companies and their communities. In addition, our work in areas like Speech Therapy and Deaf Education have a major impact on those in need across the country and internationally.

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

Our three year strategy comprises three core goals:

1. We will listen to the needs of our diverse audiences and design our programmes and services around them.
2. We will ensure our charitable/social expertise has maximum impact.
3. We will work with all of our stakeholders to have the greatest influence and financial security to continue to deliver our purpose.

We celebrated fantastic, high-profile events including our annual Mental Wealth Festival, Deaf Day and our Open Days. We celebrated the outstanding work and achievements of our tutors across the Institute during several events throughout the year including the City Lit Awards; where tutors Chika Nakagawa, Karen Betley and Martin Wimpres were awarded for their marvellous contributions to the Institute.

We continued to build strong relationships with key partners including The British Museum and The National Gallery and leading organisations including Metro Bank, Bupa and Transport for London.

### **Open to all**

City Lit is a microcosm of our hugely diverse city and we continue to be accessible, inclusive, and culturally diverse. Many students are new to Britain, including immigrants and refugees; we offer them an introduction to English language, new skills and opportunities, as well as sharing London's amazing culture with them. We teach adults who, later in life, still have the desire to learn and develop themselves.

For me, it is important that City Lit is not only the best place in London for our students to develop new skills to adapt to the changing pace of employment, but that we are also a great place to work. That is why we introduced our new Employee Assistance Programme this year, as well as new staff benefits including discounted gym membership, the cycle to work scheme, a NUS discount card and introduced Mental Health First Aid training by Rethink Mental Illness for front line staff for the first time - building on partnerships forged through the Mental Wealth Festival.

At City Lit, we take enormous pride in the diversity of our staff. People who come from different backgrounds hugely enhance who we are and the experience we give to our students. Education, at its best, is about inclusivity and open-mindedness and we are so much stronger because of that diversity. In 2018, the Government announced that there will be a scheme for EU residents in the UK to apply for residency and we will support our hugely valued EU staff by reimbursing their application fees.

### **A century old, a century young...**

With a century of commitment to London, we have always adapted and innovated to meet the capital's changing needs. We have always been committed to enriching people's lives in our fantastic city. It was important when we were founded in the aftermath of World War I and it remains our central purpose today.

September 2019 marks 100 years since we opened our doors, and throughout 2019, we'll host special events, both at City Lit and across the city to celebrate our centenary. The preparations are already in full swing and we are very much looking forward to celebrating with our community of students, staff and friends throughout the year.

**Mark Malcomson CBE**  
**Principal & CEO City Lit**



## David



*It was just nice to communicate at length and feel comfortable.*

“

**Stammering classes gave me the confidence to make my wedding speech**

I have lived with a stammer since childhood, but it was only after completing a stammering course at City Lit that I managed to build confidence speaking in public situations.

I got married last year and this course allowed me to give my wedding speech with confidence. My wife was really proud, and it was just nice to communicate at length and feel comfortable, it just gave me a much greater sense of confidence.

Seeing people that had different levels of severity in their stammer but having that sense of unity because all of us had this shared challenge, from the first week just felt so comfortable. The way I think that barriers were broken, it really is a special place.

”



## Russell

*I've also undertaken courses at City Lit so I have been a student, tutor and interpreter.*



Russell interpreting at The National Gallery into English for hearing non-signers who were attending an art lecture given by a deaf art historian.

“

My connection with City Lit goes back three decades. It started when I moved to London in 1989 aged 19 to study British Sign Language on a one-year full time course at City Lit. That served as a stepping stone to becoming a fully qualified Sign Language interpreter.

Whilst I still practice as an interpreter I also embarked on a teaching career and taught a number of professional development courses for working and aspiring interpreters including the City Lit interpreting diploma. I've also undertaken courses at City Lit so I have been a student, tutor and interpreter.

I am currently undertaking my doctoral research with the Institute of Education exploring 'translanguaging' (a pedagogical approach that focuses on the strategic use of one language to make meaning in another) and the role of BSL in the teaching of English to deaf adults.

”

## Farrah



*That first course  
ignited a passion for  
adult lifelong learning.*

“

In 2010, I found myself on a cusp of personal change. I was working for a Local Authority as a Domestic Violence Advocate and my father had died not so long before that. The council was offering voluntary redundancy to staff and I went for it. I had always wanted to re train as a massage therapist as I had always had an interest in complementary therapies. I took redundancy and embarked on for first massage course! I originally trained in Thai Yoga massage and completed my Anatomy and Physiology course at City Lit.

That first course ignited a passion for adult lifelong learning and over the years I continued to complete further professional and non-vocational training at City Lit. It really has been a transformative journey for me, both professionally and personally. And now I teach at City Lit too! I feel I have come full circle.

”

## Marley

*City Lit is a great place to learn and build relationships - I enjoyed the momentum that came with each course as it allowed me to challenge myself as an actor and collaborator.*



“

I was working for the Royal Mail as a postman and decided I wanted to study drama in my spare time because that was the subject that had always interested me in school and I heard about City Lit through a friend.

I first came to City Lit attending an introduction to acting course; I was then encouraged to audition for the one year Drama Foundation course and then continued with the Access Drama course.

City Lit is a great place to learn and build relationships - I enjoyed the momentum that came with each course as it allowed me to challenge myself as an actor and collaborator.

”



## 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 almost 5,000 courses to approximately 30,000 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 2018, 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 25 and 26. 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. In 2018 we formed a new partnership with Metro Bank and delivered deaf awareness courses to their front line staff and provided 'Mystery Shopper' visits and reports.



- 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).
- 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. Given our financial results in 2017-18, we expect our rating to increase from 'Satisfactory' to 'Good'.

### 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. A £1m bank overdraft facility (secured against the Keeley Street premises) has been put in place to assist with working capital management. To date the facility has not been used.

### Financial results

	2017-18	2016-17
	£'000	£'000
<b>Income</b>		
Funding bodies	7,835	7,608
Student fees and educational contracts	10,465	9,640
Other income	366	695
	<b>18,666</b>	<b>17,943</b>
<b>Expenditure</b>	<b>18,415</b>	<b>17,899</b>
<b>Surplus (before actuarial pension adjustments)</b>	<b>251</b>	<b>44</b>

City Lit generated a surplus, before actuarial pension adjustments, of £251,000 (2016-17: £44,000). This was driven by an increase in student fees from £8.8m to £9.6m and additional funding received during the year (£256k for over-provision in 2016-17 and £155k for over-provision for 2017-18). The surplus will be re-invested into the Institute, to enable us to continue to provide opportunities for life long learning.

## Financial results (continued)

Combined income from student fees and educational contracts increased by 8.5% to over £10m (2016-17: increase of 3.6%); an exceptional result towards our objective to improve our financial sustainability.

City Lit had net assets of £1,803,000 at 31 July 2018 (2016-17: £536,000), after taking into account a pension liability of £9,827,000 (2016-17: liability of £10,844,000).

### Cash flow

City Lit's cash inflow from operating activities was £782,000 (2016-17: £846,000 inflow) due to changes in working capital.

### 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 £1m 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.

### 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 2018, City Lit paid 88% of its invoices within 30 days (2016-17: 85%). City Lit incurred no interest charges in respect of late payment to suppliers for this period.

### Employees

City Lit employs:

298 FTE permanent staff (2016-17: 290), of which 230 (2016-17: 230) work in teaching departments.

1,064 part-time tutors (2016-17: 1,023) which equates to 136 Full Time Equivalents (2016-17: 126).

Further details of staff costs are provided in Note 8. There has been an increase in staff costs from £13.409m (2016-17) to £14.259m in 2017-18, in order to continue to invest in eCommerce and digitisation of our services; to explore ways to diversify our income streams and to ensure we have an appropriate level of governance in place.

## Pension liability

At the year end the pension liability had decreased from £10.844m (2016-17) to £9.827m (2017-18). Whilst the liability has decreased this year, as with all other bodies in the Local Government Pension Schemes, it has increased significantly in recent years. This is because the discount factor used to calculate it has reduced due to historically low interest rates. Although the liability has significantly reduced the Institute's net assets, it has not significantly changed the employer contribution rates. The contribution rates are determined at the triennial scheme valuation, which was last undertaken in 2016. This resulted in a reduction in the employer contribution rate.

## Outlook for 2018-19

Term one enrolments have been promising and as our strategic goals change the way we create and market our courses we believe that 2018-19 will show a strong financial performance for the Institute.

Economic uncertainty, the impact on disposable income and any decisions by Government to change the way that funding is allocated could have an adverse effect on our financial position but we have anticipated this in our strategy and expect to see funding from more diverse sources starting to come through in 2018-19.

## 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 establishing fund raising capability within the Institute to diversify streams of income.
- **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.
- **Economic uncertainty** - We derive almost 50% of our income from students that can afford to pay fees and those fees are used to subsidise other students who qualify for concessionary rates. If the economy worsens, it is possible that our fee paying students will want to protect their income. 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 Greater London Authority 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 has a bursary scheme (see note 23).

**Designated bursary fund:** This fund was set up in 2011 and comprises amounts set aside out of City Lit general funds. The balance on this fund at 31 July 2018 was nil (£30,000 at 31 July 2017). City Lit remains committed to providing financial assistance to students, and £35,000 will be allocated to the designated fund in 2018-19.

**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 2017 require the Institute to publish information on facility time arrangements for trade union officials at the Institute, for the period covering 1 April 2017- 31 March 2018.

Number of employees who were trade union representatives: 4 (FTE: 2.4)

Percentage of time	No of employees	Total cost of facility time: £nil
0%	-	Total pay bill: £13million
1-50%	4	Percentage of total bill: 0%
51-99%	-	Time spend on paid trade union activities as a percentage of total paid facility time: None
100%	-	

## Annemarie



*Coming to City Lit was life changing. It opened up a world of materials, skills, techniques and a community that I couldn't have accessed anywhere else in Britain.*

Annemarie's work has been featured in The New York Times, Country Living, Fabrica and the Irish Times.

“

I joined City Lit in 2006. I signed up for a basketry course which seemed like a ridiculously indulgent thing at the time, as I had no free time and money was very tight, but I had been quietly obsessing about baskets for a couple of years and couldn't find anyone to learn from near where I lived.

Coming to City Lit was life changing. It opened up a world of materials, skills, techniques and a community that I couldn't have accessed anywhere else in Britain.

Nowhere else in the country can you find such a rich mix of basketry courses: willow, coiling, cane, plaiting rush, knotting and netting, to name just a few.

I now work full time as a basket maker making a range of small scale domestic work through to large scale installations and sculptural work. I also regularly teach basketry courses at City Lit.

”



## Lucy & Dave



*We have now decided that we will be marking our anniversary each year by trying a new course - as you never know what might happen!*

“

We met at a photography taster course at the City Lit Visual Arts Open Day in 2017. We were two young Londoners who arrived ready to learn a few new camera tricks on a cold January morning. We started chatting during the class and by the end of the day we had arranged a date.

A few months later, we got married at the Mayfair Library and went to Paris for our honeymoon. Just before our wedding we found out that we were having a baby and our son, Gene Gabriel was born in late autumn.

We have now decided that we will be marking our anniversary each year by trying a new course - as you never know what might happen!

”

## 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 4 December 2018 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 2018. 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 - 5 (and also 1 Strategic Review session); Audit & Risk Committee - 3; Finance & Commercial Committee - 5; Governance and People Committee - 4; Quality Committee - 3; and Remuneration Committee - 1.

Name	No. of Governing Body meetings attended (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	3	08/05/16	4 years		1	Quality (3) Governance & People (3)
Annita Bennett	5	21/10/16	4 years		1	
Tim Bolderson	6	24/10/17	4 years		1	Quality (3)
Jane Cooper (Deputy Chair)	6	05/12/17	4 years		1	Audit & Risk (3), Governance & People (4) Remuneration (1)
Joseph Cullen	4	06/12/16	2 years		3	Quality (3)
Jonathan Flowers	2 (out of a possible 3)	23/3/14	4 years	14/03/18	1	Finance & Commercial (4) Governance & People (3)
Jon Gamble	5	09/12/14	4 years		1	Audit & Risk (2)
Dame Moira Gibb (Chair)	6	04/7/17	4 years		1	Governance & People (4) Remuneration (1)



Name	No. of Governing Body meetings attended (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)
Fiona Larden	0 - Leave of absence granted	17/03/15	4 years	14/03/17	1	Quality (0) Leave of absence
Mark Malcomson	6	11/06/11	N/A		4	Quality (3), Finance & Commercial (4), Governance & People (4)
Keith Moffitt	5	15/03/16	4 years		1	Quality (2)
Wendy Moss	5	20/10/15	4 years		2	Audit & Risk (3)
Sophie Neary	3 (out of a possible 4)	06/2/18	4 years		1	Finance & Commercial (1) (out of 2)
Raj Parkash	5	16/10/16	4 years		1	Finance & Commercial (5)
Sandy Pfeifer	3	21/10/14	4 years		1	Audit & Risk (3), Governance & People (4)
Paula Smith	5	04/07/17	4 years		1	Finance & Commercial (2)
Michael Simmonds	6	15/03/16	4 years		1	Finance & Commercial (5) Governance & People (4); Remuneration (1)
Jill Westerman	1	09/7/18	4 years		1	Quality (1)

**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.

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.

### **Co-opted members**

The Institute currently has one co-opted member of the Audit & Risk Committee, Alan Saffer, who attended three committee meetings during 2017-18.

### **Finance & Commercial Committee**

The Finance & Commercial Committee is charged with monitoring the Institute's financial performance, and approving the annual budget. It met five times in 2017-18 and comprises of five members of the Governing Body.

### **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 2018 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. Currently, the Committee has oversight of the External Engagement function. This Committee meets at least four times a year.

### **Quality Committee**

The Quality Committee met four times throughout 2017-18 and comprises of six members, one of these being the student Governor. 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 five members of the Governing Body (which does not include the Accounting Officer, Chair or members of the Finance & Commercial Committee) and one co-opted member. 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.

## Internal Control

City Lit's system of internal financial control includes:

- Clear definitions of the responsibilities and the authority delegated to, faculty 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 2018 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 2018 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

After making appropriate enquiries, the Governing Body considers that City Lit has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

**Approved by the Governing Body on 4 December 2018 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 4 December 2018 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 2017-18 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.

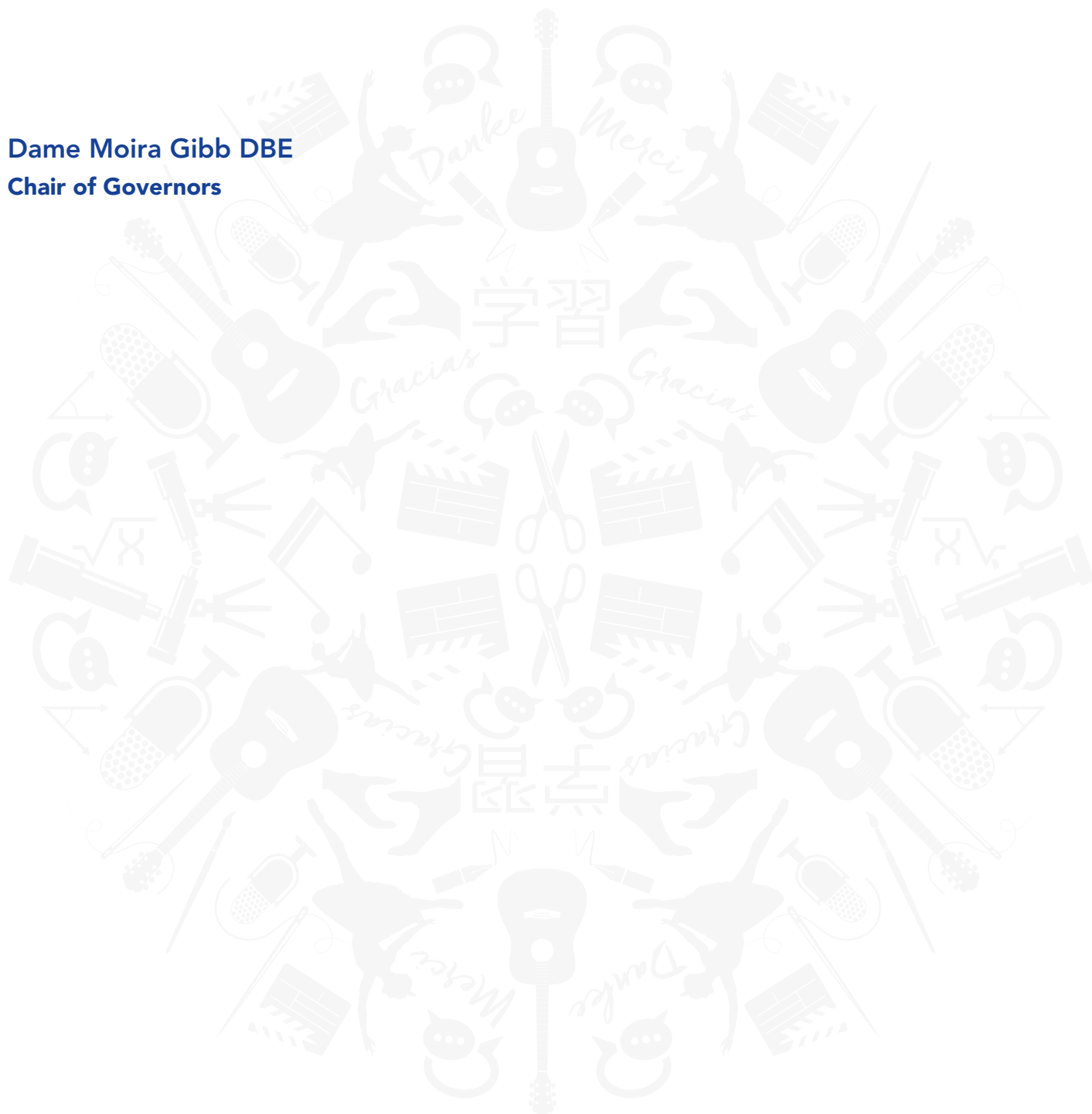
The work carried out by the auditor does not involve consideration of the maintenance and integrity of the Institute's website and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. 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 4 December 2018 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 2018, 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 2018 and of its surplus 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.

### 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.

### **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 1st August 2017 to 31 July 2018 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 2017 to 31 July 2018 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 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

### Buzzacott LLP, Statutory Auditor

130 Wood Street  
London  
EC2V 6DL

## Statement of Comprehensive Income for the year ended 31 July 2018

	Notes	2017-2018			2016-2017		
		Before actuarial pension adjustments	Actuarial pension adjustments	After actuarial pension adjustments	Before actuarial pension adjustments	Actuarial pension adjustments	After actuarial pension adjustments
		£'000	£'000	£'000	£'000	£'000	£'000
<b>INCOME</b>							
Funding body grants	2	7,835	-	7,835	7,608	-	7,608
Tuition fees and education contracts	5	10,465	-	10,465	9,640	-	9,640
Other income	6	337	-	337	219	-	219
Investment income	7	6	-	6	12	-	12
Donations	3, 4	23	-	23	464	-	464
<b>Total income</b>		<b>18,666</b>	<b>-</b>	<b>18,666</b>	<b>17,943</b>	<b>-</b>	<b>17,943</b>
<b>EXPENDITURE</b>							
Staff costs	8	13,236	1,023	14,259	12,773	636	13,409
Fundamental restructuring costs	8	257	-	257	182	-	182
Other operating expenses	10	4,077	-	4,077	4,148	-	4,148
Depreciation	12, 13	845	-	845	796	-	796
Interest and other finance costs	11	-	289	289	-	291	291
<b>Total expenditure</b>		<b>18,415</b>	<b>1,312</b>	<b>19,727</b>	<b>17,899</b>	<b>927</b>	<b>18,826</b>
Surplus/(deficit) for the year		251	(1,312)	(1,061)	44	(927)	(883)
Actuarial gain in respect of pension schemes	18, 22	-	2,328	2,328	-	1,393	1,393
<b>Total comprehensive income for the year</b>		<b>251</b>	<b>1,016</b>	<b>1,267</b>	<b>44</b>	<b>466</b>	<b>510</b>
<b>Represented by:</b>							
Unrestricted comprehensive income		251	1,016	1,267	53	466	519
Restricted comprehensive expenditure		-	-	-	(9)	-	(9)
		<b>251</b>	<b>1,016</b>	<b>1,267</b>	<b>44</b>	<b>466</b>	<b>510</b>



## Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 31st July 2017	(464)	1,000	536
Deficit from the income and expenditure account	(1,061)	-	(1,061)
Other comprehensive income	2,328	-	2,328
<b>Total comprehensive income for the year</b>	<b>1,267</b>	<b>-</b>	<b>1,267</b>
<b>Balance at 31st July 2018</b>	<b>803</b>	<b>1,000</b>	<b>1,803</b>

## Balance Sheet as at 31 July 2018

	Notes	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Tangible fixed assets	12	16,616	16,881
Intangible fixed assets	13	668	592
		<b>17,284</b>	<b>17,473</b>
<b>Current assets</b>			
Trade and other receivables	14	1,326	886
Investments	15	100	274
Cash and cash equivalents	19	1,738	1,432
		<b>3,164</b>	<b>2,592</b>
Less: Creditors - amounts falling due within one year	16	(4,460)	(4,243)
<b>Net current liabilities</b>		<b>(1,296)</b>	<b>(1,651)</b>
<b>Total assets less current liabilities</b>		<b>15,988</b>	<b>15,822</b>
Less: Creditors - amounts falling due after more than one year	17	(4,275)	(4,354)
<b>Provisions</b>			
Defined benefit obligations	18, 22	(9,827)	(10,844)
Other provisions	18	(83)	(88)
<b>Total net assets</b>		<b>1,803</b>	<b>536</b>
<b>Funds</b>			
Income and expenditure account	23	787	(510)
Revaluation reserve	23	1,000	1,000
Designated funds - Bursary Fund	23	-	30
Restricted funds	23	16	16
<b>Total funds</b>		<b>1,803</b>	<b>536</b>

The financial statements on pages 40 to 69 were approved and authorised for issue by the Institute on 4 December 2018 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 2018

	Notes	2017-18 £'000	2016-17 £'000
<b>Cash inflow from operating activities</b>			
Deficit for the year		(1,061)	(883)
<b>Adjustment for non cash items</b>			
Depreciation and amortisation	12,13	845	796
(Increase) in debtors		(440)	(263)
Increase in creditors due within one year		217	402
(Decrease) in creditors due after one year		(78)	(118)
Increase in provisions		807	785
Pensions costs less contributions payable		498	136
<b>Adjustment for investing or financing activities</b>			
Investment income	7	(6)	(12)
Loss on disposal of tangible fixed assets		-	3
<b>Net cash flow from operating activities</b>		<b>782</b>	<b>846</b>
<b>Cash flows from investing activities</b>			
Investment income	7	6	12
New deposits	15	174	650
Payments made to acquire tangible fixed assets	12	(411)	(898)
Payments made to acquire intangible fixed assets	13	(245)	(275)
		<b>(476)</b>	<b>(511)</b>
<b>(Decrease)/increase in cash and cash equivalents in the year</b>		<b>306</b>	<b>335</b>
Cash and cash equivalents at beginning of the year	19	1,432	1,097
<b>Cash and cash equivalents at end of the year</b>	<b>19</b>	<b>1,738</b>	<b>1,432</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 2017-18 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 financial statements have been prepared on a going concern basis. The going concern nature of the business was assessed by the Governing Body at its meeting in December 2018. The use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that cast significant doubt about the ability of the City Literary Institute to continue as a going concern. We have not received any indication from the Department for Education that funding will be withdrawn. The statement of financial position at 31 July 2018 shows that the City Literary Institute has overall net assets of £1,803,000. This is after net pension liabilities of £9,827,000.

Even though the pension liability has decreased in the year, it remains high because of the low discount factor which results in higher pension liabilities. Discussions with the actuaries have confirmed that there are no requirements to increase the employer contributions at this point in time. The activities of the Institute, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the Institute, its cash flow, liquidity and borrowings are presented in the financial statements and accompanying notes.

The Institute currently has a £1m unutilised bank overdraft facility available for unconditional drawdown with it all being secured by a fixed and floating charge on Institute assets. The terms of the existing agreement are renewed annually. The Institute’s forecasts and financial projections indicate that it will be able to operate without the need to utilise this facility for the foreseeable future. Accordingly the Institute has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its financial statements.

## Notes to the Financial Statements 1 (continued)

### 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.

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,



## Notes to the Financial Statements 1 (continued)

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.

### 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,

## Notes to the Financial Statements 1 (continued)

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.

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.

### **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.

## Notes to the Financial Statements 1 (continued)

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.

### 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.

## Notes to the Financial Statements 1 (continued)

### Agency arrangements

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

### 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 22, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. 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.

### 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

	2017-18	2016-17
	£'000	£'000
<b>Recurrent grants</b>		
Education & Skills Funding Agency	7,718	7,491
<b>Specific Grants</b>		
Release of Government capital grants	117	117
<b>Total</b>	<b>7,835</b>	<b>7,608</b>

### 3. Appeal fund donations

	2017-18	2016-17
	£'000	£'000
Release of appeal fund donations	2	2
<b>Total</b>	<b>2</b>	<b>2</b>

### 4. Other donations

	2017-18	2016-17
	£'000	£'000
Bursary donations received	1	8
Legacies	20	254
Grant from the John Lyon's Charity	-	200
<b>Total</b>	<b>21</b>	<b>462</b>



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

### 5. Tuition fees and education contracts

	2017-18	2016-17
	£'000	£'000
Gross tuition fees	9,290	8,485
Less: bursaries	(44)	(22)
Fees for FE loan supported courses	358	368
<b>Total tuition fees</b>	<b>9,604</b>	<b>8,831</b>
Centre for deaf contracts	509	442
Community outreach	302	331
Other grants and contracts	50	36
<b>Total education contracts</b>	<b>861</b>	<b>809</b>
<b>Total</b>	<b>10,465</b>	<b>9,640</b>

### 6. Other income

	2017-18	2016-17
	£'000	£'000
Sales relating to courses	14	12
Consultancy	63	81
Other income	260	126
<b>Total</b>	<b>337</b>	<b>219</b>

### 7. Investment income

	2017-18	2016-17
	£'000	£'000
Bank deposit Interest	6	12
<b>Total</b>	<b>6</b>	<b>12</b>

## Notes to the Financial Statements 8

### 8. Staff costs

The average number of persons (including senior post-holders) employed during the year, expressed as full-time equivalents, was:

	2017-18	2016-17
	No.	No.
Teaching staff	230	230
Non teaching staff	68	60
<b>Total Staff</b>	<b>298</b>	<b>290</b>

Staff costs for the above persons, analysed by department	2017-18	2016-17
	£'000	£'000
Teaching departments	8,993	8,958
Administration and central services	3,986	3,444
Agency staff	257	371
Actuarial pension adjustment	1,023	636
<b>Total staff costs</b>	<b>14,259</b>	<b>13,409</b>

Restructuring costs	257	182
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Staff costs, analysed by cost type	2017-18	2016-17
	£'000	£'000
Salaries	10,664	10,281
Social security costs	851	815
Other pension costs (excluding FRS 102 charge of £1,023,000 (2017 - £636,000))	1,464	1,306
Agency staff	257	371
Actuarial pension adjustment	1,023	636
<b>Total staff costs</b>	<b>14,259</b>	<b>13,409</b>

Restructuring costs	257	182
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Staff costs, analysed by type of contract	2017-18	2016-17
	£'000	£'000
Employment costs for staff on permanent contracts	8,074	7,884
Employment costs for staff on short term and temporary contracts	4,905	4,518
Agency staff	257	371
Actuarial pension adjustment	1,023	636
<b>Total staff costs</b>	<b>14,259</b>	<b>13,409</b>

Restructuring costs	257	182
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## 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 comprised of the Principal, the Chief Financial Officer, the Vice Principal, the Executive Director of External Engagement, the Executive Director of Human Resources and two Assistant Principals. During the year, the positions of Deputy Principal and Vice Principal (Standards) were made redundant. Key areas of responsibility were passed to other members of the Executive Team.

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

	2017-18		2016-17	
	No.		No.	
The number of key management personnel at the end of the year was:	8		10	
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	
	2017-18	2016-17	2017-18	2016-17
	No.	No.	No.	No.
£30,001 to £40,000	1	2	-	-
£60,001 to £70,000	2	3	4	-
£70,001 to £80,000	1	1	-	-
£80,001 to £90,000	3	3	1	-
£90,001 to £100,000*	1	3	-	-
£120,001 to £130,000	1	1	-	-
£130,001 to £140,000*	1	-	-	-
	10**	13**	5	-

\* These bands include one off compensation payments as detailed on page 54.

\*\* 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.

Total emoluments of posts in the new management structure were £815,124 (2016-17: £833, 266) which is comparable to prior years.

Key management personnel emoluments are made up as follows:

	2017-18	2016-17
	£'000	£'000
Salaries	851	881
Employers National Insurance contributions	96	96
Pension contributions	101	108
<b>Total emoluments</b>	<b>1,048</b>	<b>1,085</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:

	2017-18	2016-17
	£'000	£'000
Salaries	129	128
Employers National Insurance contributions	18	18
Pension contributions	15	15
<b>Total emoluments</b>	<b>162</b>	<b>161</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 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 2017-18 which totalled £1,145, two Governors (2016-17: £3,033 two Governors).

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

	2017-18	2016-17
	£'000	£'000
Compensation paid to two former key management personnel, including contractual and non contractual payments	92	90

The compensation payment was approved by the Institute's remuneration committee.

## 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 2017-18 (2016-17: £nil).

### 10. Other operating expenses

	2017-18	2016-17
	£'000	£'000
Teaching purchases	311	349
Exam fees	106	98
<b>Teaching departments</b>	<b>417</b>	<b>447</b>
Learner services	74	75
<b>Teaching and other support services</b>	<b>74</b>	<b>75</b>
Administration purchases	993	942
Contracted out IT support	370	367
<b>Administration and central services</b>	<b>1,363</b>	<b>1,309</b>
<b>Marketing expenditure</b>	<b>628</b>	<b>737</b>
Premises running costs	1,263	1,242
Maintenance	58	64
Rent	274	274
<b>Premises</b>	<b>1,595</b>	<b>1,580</b>
<b>Total operating expenses</b>	<b>4,077</b>	<b>4,148</b>



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

	2017-18	2016-17
	£'000	£'000
Total operating expenses includes the following:		
<b>Auditor's remuneration</b>		
Financial statements and regularity audit	23	21
Internal audit charge for the year	22	29
Other services provided by external auditors	-	3
	<b>45</b>	<b>53</b>
<b>Operating leases</b>		
Office Equipment	<b>12</b>	<b>18</b>

### 11. Interest payable

	31 July 2018	31 July 2017
	£'000	£'000
Pension finance costs (note 22)	286	288
Enhanced Pension finance costs (note 22)	3	3
<b>Total interest payable</b>	<b>289</b>	<b>291</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 2017	19,903	1,240	1,333	22,476
Additions	-	294	117	411
<b>At 31 July 2018</b>	<b>19,903</b>	<b>1,534</b>	<b>1,450</b>	<b>22,887</b>
<b>Depreciation</b>				
At 1 August 2017	4,531	172	892	5,595
Charge for the year	378	139	159	676
<b>At 31 July 2018</b>	<b>4,909</b>	<b>311</b>	<b>1,051</b>	<b>6,271</b>
<b>Net book value at 31 July 2018</b>	<b>14,994</b>	<b>1,223</b>	<b>399</b>	<b>16,616</b>
<b>Net book value at 31 July 2017</b>	<b>15,372</b>	<b>1,068</b>	<b>441</b>	<b>16,881</b>

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 2018, building and equipment, with a net book value of £4.352m have been financed by the ESFA. 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 2017

880

Additions

245

At 31 July 2018

1,125

#### Amortisation

At 1 August 2017

288

Charge for the year

169

At 31 July 2018

457

Net book value at 31 July 2018

668

Net book value at 31 July 2017

592

### 14. Trade and other receivables

31 July 2018

31 July 2017

£'000

£'000

Trade receivables

902

545

Other receivables

77

73

Prepayments and accrued fee income

347

268

Total Debtors

1,326

886

## Notes to the Financial Statements 15, 16 & 17

### 15. Current investments

	31 July 2018	31 July 2017
	£'000	£'000
Short term deposits	100	274
<b>Total</b>	<b>100</b>	<b>274</b>

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with more than three months maturity at the date of acquisition. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

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

	31 July 2018	31 July 2017
	£'000	£'000
Trade payables	406	474
Other taxation and social security	308	224
Accruals and deferred income	3,019	2,857
Deferred income - Government capital grants	119	119
Deferred income - Government revenue grants	241	334
Other creditors	367	235
<b>Total</b>	<b>4,460</b>	<b>4,243</b>

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

	31 July 2018	31 July 2017
	£'000	£'000
Deferred income - Government capital grants	4,275	4,354
<b>Total</b>	<b>4,275</b>	<b>4,354</b>

## Notes to the Financial Statements 18, 19 & 20

### 18. Provisions

	Defined benefit obligations	Enhanced pensions	Total
	£'000	£'000	£'000
At 1 August 2017	10,844	88	10,932
Expenditure in the period	(525)	(6)	(531)
Charged to the income and expenditure account	1,834	3	1,837
Actuarial gain	(2,326)	(2)	(2,328)
<b>At 31 July 2018</b>	<b>9,827</b>	<b>83</b>	<b>9,910</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 22.

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:

	2017-18	2016-17
Price inflation	2.30%	2.30%
Discount rate	1.30%	1.30%

### 19. Cash and cash equivalents

	At 1 August 2017	Cash flows	At 31 July 2018
	£'000	£'000	£'000
Cash and cash equivalents	1,432	306	1,738
<b>Total</b>	<b>1,432</b>	<b>306</b>	<b>1,738</b>

### 20. Capital commitments

	31 July 2018	31 July 2017
	£'000	£'000
Commitments contracted for at 31 July	32	128



## Notes to the Financial Statements 21

### 21. Lease Obligations

At 31 July 2018 the Institute had minimum lease payments under non-cancellable operating leases as follows:

	31 July 2018	31 July 2017
	£'000	£'000
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	173	173
Later than one year and not later than five years	234	330
Later than five years	122	180
	<b>529</b>	<b>683</b>
<b>Other</b>		
Not later than one year	30	30
	<b>30</b>	<b>30</b>
<b>Total lease payments payable</b>	<b>559</b>	<b>713</b>

## Notes to the Financial Statements 22

### 22. 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.

Total pension cost for the year	2017-18	2016-17
	£'000	£'000
Teachers Pension Scheme: contributions paid	944	910
Local Government Pension Scheme:		
Contributions paid	525	500
FRS 102 (28) charge	1,023	636
Charge to the Statement of Comprehensive Income	1,548	1,136
Enhanced pension charge to Statement of Comprehensive Income	3	3
<b>Total pension cost for year</b>	<b>2,495</b>	<b>2,049</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 2012 and of the LGPS as at 31 March 2016.

Contributions amounting to £201,837 (2017: £184,456) payable to the schemes as at 31 July 2018 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.

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.

## Notes to the Financial Statements 22 (continued)

### 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 2012. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- new employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191.5 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176.6 billion giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

The key assumptions used in the report are:

- an assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings.
- the rate of real earnings growth is assumed to be 2.75%.
- an assumed nominal rate of return is 5.06%.

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable some point in 2019.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

The pension costs paid to TPS in the year amounted to £944,000 (2017: £910,000).

## 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 2018 was £791,000

(2016-17: £728,000), of which employer's contributions totalled £525,000 (2016-17: £500,000) and employees' contributions totalled £266,000 (2016-17: £228,000). The agreed contribution rates for future years are 12% for employers and range from 5.5% to 11.4% for employees, depending on salary.

### Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2018 by a qualified independent actuary.

	At 31 July 2018	At 31 July 2017
Rate of increase in salaries	2.35%	2.70%
Future pensions increases	2.35%	2.70%
Discount rate for scheme liabilities	2.65%	2.70%
Inflation assumption (CPI)	2.35%	2.70%
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:

	At 31 July 2018	At 31 July 2017
	Years	Years
<b>Retiring today</b>		
Males	21.40	21.30
Females	24.60	24.50
<b>Retiring in 20 years</b>		
Males	23.70	23.60
Females	26.80	26.70

## Notes to the Financial Statements 22 (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)	24,920	25,487	26,067
Projected service cost (£,000)	1,272	1,309	1,347
Change in long term salary increase	+0.1%	0.0%	-0.1%
Present value of defined benefit obligation (£'000)	25,529	25,487	25,445
Projected service cost (£,000)	1,309	1,309	1,309
Change to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of defined benefit obligation (£'000)	26,062	25,487	24,960
Projected service cost (£,000)	1,347	1,309	1,272
Change in life expectancy assumptions	+1 year	None	-1 year
Present value of defined benefit obligation (£'000)	26,386	25,487	24,629
Projected service cost (£,000)	1,351	1,309	1,269

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

	Long-term rate of return expected at 31 July 2018	Fair Value at 31 July 2018	Long-term rate of return expected at 31 July 2017	Fair Value at 31 July 2017
		£'000		£'000
Equities	61%	9,494	61%	8,767
Target return portfolio	22%	3,467	21%	2,966
Infrastructure	5%	779	5%	644
Property	7%	1,202	7%	931
Cash	5%	718	6%	991
<b>Total market value of assets</b>	<b>100%</b>	<b>15,660</b>	<b>100%</b>	<b>14,299</b>
	Long-term rate of return expected at 31 July 2018	Fair Value at 31 July 2018	Long-term rate of return expected at 31 July 2017	Fair Value at 31 July 2017
<b>Total market value of assets</b>		<b>15,660</b>		<b>14,299</b>
Weighted average expected long term rate of return	2.65%		2.7%	
Actual return on plan assets		881		1,871



## Notes to the Financial Statements 22 (continued)

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

	31 July 2018	31 July 2017
	£'000	£'000
Fair value of plan assets	15,660	14,299
Present value of plan liabilities	(25,487)	(25,143)
<b>Net pensions liability</b>	<b>(9,827)</b>	<b>(10,844)</b>

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

	31 July 2018	31 July 2017
	£'000	£'000
<b>Amounts included in staff and investment costs</b>		
Service cost	1,529	1,120
Net interest on the defined liability	286	288
Administration expenses	19	16
<b>Total</b>	<b>1,834</b>	<b>1,424</b>

### Amounts recognised in other comprehensive income

Return on pension plan assets	488	1,550
Changes in assumptions underlying the present value of plan liabilities	1,838	(1,516)
Changes in demographic assumptions	-	450
Experience gain on defined benefit obligation	-	882
Other actuarial gains on assets	-	25
<b>Amount recognised in Other Comprehensive Income</b>	<b>2,326</b>	<b>1,391</b>

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

	31 July 2018	31 July 2017
	£'000	£'000
Deficit in scheme at 1 August	(10,844)	(11,311)
<b>Movement in year:</b>		
Service cost	(1,529)	(1,120)
Employer contributions	525	500
Net interest on the defined liability	(286)	(288)
Administration expenses	(19)	(16)
Actuarial gain	2,326	1,391
<b>Net defined pension liability at 31 July</b>	<b>(9,827)</b>	<b>(10,844)</b>

## Notes to the Financial Statements 22 (continued)

### Asset and liability reconciliation

	31 July 2018	31 July 2017
	£'000	£'000
<b>Changes in the present value of defined benefit obligations</b>		
Defined benefit obligations at start of period	25,143	23,553
Current service cost	1,449	1,076
Interest cost	679	609
Contributions by scheme participants	266	228
Experience (gain) and losses on defined benefit obligations	-	(882)
Change in financial assumptions	(1,838)	1,516
Change in demographic assumptions	-	(450)
Estimated benefits paid	(292)	(551)
Curtailments and settlements	80	44
<b>Defined benefit obligations at end of the period</b>	<b>25,487</b>	<b>25,143</b>
<b>Reconciliation of assets</b>		
Fair value of plan assets at start of period	14,299	12,242
Interest on plan assets	393	321
Return on plan assets	488	1,550
Administration expenses	(19)	(16)
Employer contributions	525	500
Contributions by scheme participants	266	228
Estimated benefits paid	(292)	(551)
Other actuarial gain	-	25
<b>Assets at end of period</b>	<b>15,660</b>	<b>14,299</b>

## Notes to the Financial Statements 23

### 23. Reserves

	Notes	General Reserve	Pension Reserve	Revaluation Reserve	Designated Funds	Restricted Funds	Total
Reserves as at 31 July 2017		10,334	(10,844)	1,000	30	16	536
Surplus for the year		248	-	-	-	-	248
FRS 102 (28) pension charge	22	-	(1,039)	-	-	-	(1,039)
Actuarial gain in respect of pension scheme	18	-	2,326	-	-	-	2,326
Actuarial gain in respect of enhanced pension	18	2	-	-	-	-	2
Bursary donations received - transfer to designated fund	4	(1)	-	-	1	-	-
Bursary resources expended - transfer from designated fund	5	31	-	-	(31)	-	-
<b>Reserves as at 31 July 2018</b>		<b>10,614</b>	<b>(9,827)</b>	<b>1,000</b>	<b>-</b>	<b>16</b>	<b>1,803</b>

A designated 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. A further £35,000 will be allocated to the fund for 2018-19.

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 24

### 24. 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 £1,145; two Governors (2016-17: £3,033; 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 (2016-17: None).





# The City Literary Institute

**Post Audit Report**

**Year ended 31 July 2018**

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# Executive summary

## Purpose of the external audit

Our work during the audit was performed with a view to expressing an opinion on the financial statements of The City Literary Institute (the Institute) for the year ended 31 July 2018 and to issue a regularity assurance conclusion.

Our audit work included consideration of the internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

This report brings to your attention certain matters which arose during the course of our work. The matters being reported are limited to those that were identified during the audit and that we conclude are of sufficient importance to merit being reported to those charged with governance. We have not reported on matters covered by internal audit reports.

We appreciate that you will already be aware of some of the matters contained in this report. However, in accordance with the Education and Skills Funding Agency (ESFA) requirements and International Standards on Auditing (UK) (ISAs) we are communicating them to you formally.

This report and its contents were submitted in draft form to Paul Evans and Anjalie Flora for comment prior to finalisation.

## Audit progress

We are pleased to report the audit, from our perspective, went well and that the timetable for the overall completion of the audit has been met.

We would like to take this opportunity to thank all those with whom we dealt during the audit for their assistance and co-operation, in particular Anjalie Flora and Yanyan Zhang.

## Expected opinions

Subject to the satisfactory receipt of the outstanding items and confirmations noted below, we intend to issue the following opinions:

### Financial statements opinion:

We expect to express our judgement that the financial statements give a true and fair view of the Institute's surplus for the year, and have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

## Expected opinions (continued)

### Regularity assurance conclusion:

The Governing Body, in the annual report, needs to make a statement about the appropriate arrangements for governance, risk management and internal financial control at the Institute. The Corporation currently obtains this assurance via the work of the internal auditors and from other consultants on specific areas to satisfy itself that the Institute has appropriate arrangements in these and other areas. We also wish to draw to your attention that the ESFA, in the Post 16 Audit Code of Practice published in March 2018, give examples of scenarios in relation to regularity where concerns may arise. In advance of providing the statement in the annual report, we recommend that the Audit Committee, in conjunction with management, reviews these examples within the Post 16 Audit Code of Practice to inform their assessment of the Institute's arrangements for governance, risk management and internal control.

We intend to state that in the course of our work, nothing has come to our attention which suggests that in all material aspects the expenditure disbursed and income received during the year ended 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Our conclusion is based on discussions with management, substantive testing of expenditure and procurement processes and a review of meeting minutes, correspondence with the ESFA, reports from internal auditors and/or other consultants and policies and procedures during the year.

## Outstanding items

At 16 October 2018, our work is complete, with the exception of the following items:

- Final ESFA funding reconciliation confirming income due to the Institute from the ESFA for the year ended 31 July 2018. The statement is expected to be issued in late November.
- Receipt of the letter of representation for the Institute. This asks the Governors to confirm to us general and specific matters relating to the financial statements in line with International Standards on Auditing; and
- Confirmation immediately prior to the financial statements being signed that no significant events have taken place since the time of our audit that would impact on the financial statements.

We will require the information above before we are able to finalise our audit.

# Financial performance, position and going concern

## Audited results

Based on the audited financial statements, **the total reserves of the Institute have increased by £1,266,000** (2017 – increase of £510,000) during the year, providing net assets of £1,803,000 at the balance sheet date (2017 – £536,000).

Excluding movements on the defined benefit pension liability, and other non-recurring items, the **“operational” surplus for the year was £250,000** (2017 – £44,000), as reconciled below.

	2018 £'000	2017 £'000
<b>Total comprehensive income for the year</b>	<b>1,266</b>	<b>510</b>
Add: LGPS actuarial gain (note 1)	(2,328)	(1,393)
Add: LGPS service cost adjustment (note 1)	1,023	636
Add: LGPS interest cost adjustment (note 1)	286	288
Enhanced pension costs	3	3
<b>Operational surplus for the year</b>	<b>250</b>	<b>44</b>

### Note 1

The Institute is one of several employing bodies included within the London Pension Fund Authority Pension Scheme.

The scheme's actuaries, Barnett Waddingham, have prepared a valuation of the assets and liabilities which are specific to The City Literary Institute.

The pension deficit has been included on the balance sheet in order to comply with FRS 102 and is consistent with the treatment adopted in last year's financial statements.

We have set out below a comparison of the Institute's LGPS FRS 102 assumptions and results against those of other further education organisations.

Assumptions	2018 Sector average*	2018 The City Literary Institute
Price increases	2.36%	2.35%
Salary increases	2.93%	2.35%
Pension increases	2.33%	2.35%
Discount rate	2.72%	2.65%
% decrease in pension liability	11.6%	9.4%
Deficit as % of income	55.32%	52.6%

\* Based on approximately 30 FE Institutions in the South East of England and Greater London.

## Comparison of key financial ratios

For your information, we have included at Appendix 3 to this report a comparison of the Institute's key financial ratios for 2017 and 2018, and also the sector average.



# Key audit findings

## Accounts format and compliance

The financial statements follow the principles and format prescribed by the ESFA in the Accounts Direction Handbook 2017/18. The Institute's financial statements follow this Accounts Direction and the pro-forma financial statements issued by the ESFA.

There are only minor changes to the Accounts Direction which have been reflected in the financial statements of the Institute for the year ended 31 July 2018.

## Accounting policies, estimates, and disclosures

Our work included a review of the adequacy of disclosures included in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the Institute. We believe that the disclosed accounting policies, significant accounting estimates and the overall disclosure and presentation to be appropriate for the Institute and in compliance with the Accounts Direction.

## Audit adjustments and unadjusted items

Under Auditing Standards, we are required to provide you with details of any adjustments identified during the course of our audit work which have been made to the figures presented to us for audit.

### Adjustments:

Other than presentational amendments which have no impact on the

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reported results for the year, there were no adjustments made to the figures presented to us for audit.

### Unadjusted items

We enclose a list of unadjusted items found during our audit in Appendix 1. We shall obtain written representations from you, as the Governing Body that these are not to be adjusted, due to their lack of significance to the overall result portrayed by the financial statements.

## Audit observations and recommendations

Our detailed observations made concerning weaknesses in the Institute's accounting and internal control systems, along with our recommendations have been listed at Appendix 2 and the table below summarises these. Observations included in the "A" grade banding indicate that, in our opinion, immediate action is required. Conversely, observations included in the "C" grade banding indicates that the matter, although important, does not warrant urgent attention.

Priority	Relating to
A C B	<ul style="list-style-type: none"><li>Debtors ledger and aged debtor listings*</li><li>Debtor control account reconciliation (EBS v Dimensions)*</li><li>Credit card expenditure</li></ul>

Items marked with an asterisk are observations made in the prior year and which remain unresolved.

## Key audit risks and outcomes

As part of our pre-audit planning process, we identified those areas where we believe there is a higher possibility that a material error may appear in the financial statements. In the pages which follow we have provided a brief summary of the outcome of our audit work in relation to those higher risk areas.

Area	Issue and response
Income recognition	<p><b>Risk:</b> The Institute's adult funding is subject to its post year-end submission to the ESFA confirming actual delivery against target. The Institute expected once again to over deliver in relation to the adult provision and had, at the time of the audit planning meeting, secured additional funding of c£154,000 and was expecting further additional funding from the ESFA in relation to 2017/18.</p> <p>The risk is that any material additional funding relating to 2017/18 awarded after the year-end is not recognised in the year ended 31 July 2018 financial statements.</p> <p>Reconciliation statements from the ESFA confirming income allocation for the year are expected to be finalised in early December 2018.</p> <p><b>Results:</b> We have reviewed the Institute's income against remittances, allocations received from the funding bodies, and the R14 Individualised Learner Record. No significant issues arose during our sample based checks including on our work on non-ESFA income. We will also review the final ESFA reconciliation statement for 2017/18 to ensure funding income from the ESFA has been correctly accounted for within the 2017/18 financial statements.</p> <p><i>We observed that additional funding is potentially due to the Institute based on our audit work, however, no adjustment has been made to the 2017/18 financial statements. The decision to recognise any material additional funding, if awarded, will be made following receipt of the reconciliation statement issued by the ESFA in November 2018 confirming the final income allocation for 2017/18.</i></p>

### Key audit risks and outcomes (continued)

Area	Issue and response
<b>Staff restructuring</b>	<p><b>Risk:</b> We understand that a restructuring process took place in the financial year which impacted on the key management team. Given that restructuring costs are material by their nature, the risk was that any related disclosures in the Institute's financial statements were not complete or correct.</p> <p><b>Results:</b> A review of redundancy agreements, meeting minutes and pre and post-year end bank statements confirmed that restructuring costs have been included in the correct accounting period. We also have reviewed the disclosures included in the financial statements and deem these to be compliant with Accounts Direction requirements.</p>
<b>Management override of controls</b>	<p><b>Risk:</b> There is an inherent risk in all organisations that management may be in a position to override any controls in place to manipulate results or conceal unauthorised or inappropriate transactions.</p> <p><b>Results:</b> Journal entries were reviewed, particularly those surrounding the year-end and explanations were sought for any large or unusual items. All items tested and discussed with management were deemed appropriate. The results of our sample checks of manual adjustments were satisfactory.</p>

## Key audit risks and outcomes (continued)

Area	Issue and response
<b>Accounting estimates</b>	<p><b>Risk:</b> There is a greater risk of misstatement in financial statements, where the value of items is estimated by management. The assumptions and methods chosen in making significant estimates for example, the useful lives of fixed assets for depreciation purposes and provisions, have a potentially material impact on the reported results and financial position of the Institute.</p> <p><b>Results:</b> Based on audit work, the depreciation and amortisation policies appear to be materially correct. We also reviewed managements rationale behind estimates applied to provisions for impairment against receivables and those relating to contractual creditor obligations. We noted again this year that the Institute's provision for bad and doubtful debts remained unchanged from prior years at £90,000, of which £80,000 is specifically against the historic Blackheath debt. We considered the estimates to be material correct.</p> <p>Our audit work on the LGPS actuarial pension valuation found that all assumptions, with the exception of salary increase (which was changed last financial year), were changed during 2017/18 in the calculation of the Institute's valuation at 31 July 2018. This led to a 9.4% reduction in the pension liability (2017: 4.10%) resulting in an actuarial gain of £2.4m (2017: £1.4m). The actuary's report was satisfied with the change and application of assumptions used in the valuation at 31 July 2018.</p>
<b>Related party transactions</b>	<p><b>Risk:</b> In all organisations, there is an inherent risk that transactions with related parties could be undertaken on terms that benefit those who control the entity at the expense of other stakeholders or the entity itself. For this reason, UK GAAP requires transparent disclosure of any significant transactions and balances arising between the Institute and its related parties.</p> <p>There is a risk that related party transactions may not be identified or disclosed adequately in the financial statements.</p> <p><b>Results:</b> The Institute's procedures for identifying related parties and associated transactions were reviewed. This includes the requirement for each of the Governors and member of the Senior Management Team to update their declaration of interests annually, and to declare any interests they have at the commencement of committee meetings. Based on the work undertaken, we have no concerns over the completeness of related party transaction disclosures. We will obtain written representations for you also, asking the Board and management to confirm their satisfaction with the completeness of the disclosures made.</p>



## Key audit risks and outcomes (continued)

Area	Issue and response
<b>Capital projects</b>	<p><b>Risk:</b> The Institute in 2017/18 commenced a number of capital projects, part funded by Skills for London, which are anticipated to run to 2020/21. Costs were incurred and funding grants received in the year to 31 July 2018 and, given the longer term nature of the projects, the risk was that costs may not be included in the correct accounting period, including the recognition of any retentions. Furthermore, additions that are revenue in nature may be incorrectly capitalised resulting in expenditure being understated.</p> <p><b>Results:</b> Lifts refurbishment and the implementation of new online payroll/HR system were the only significant capital projects undertaken during 2017/18. We reviewed these additions to fixed assets and the found these costs to be correctly capitalised. We reviewed the repairs and maintenance accounts and found that capital amounts were not incorrectly expensed.</p> <p>As part of our cut off audit procedures, we looked at deferred grant income treatment and found it to be consistent with prior year and released in line with the related depreciation charge relating to the year to 31 July 2018.</p> <p>Our audit work found that the capital projects commenced post year-end in August 2018 with immaterial expenditure incurred in 2017/18 had been correctly expensed. Our accruals work found no unrecorded liabilities with regard to such capital projects.</p>

## Other information

### Integrity, objectivity and independence

As required by our Institute's Ethical Guidelines, whenever non-audit services are provided to the College, we will ensure that threats to our objectivity and independence as auditor is reduced to an acceptable level by the application of appropriate safeguards.

We confirm that there are no significant facts or matters that impact upon our independence as auditor that we should draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and, hence, can confirm that we are independent and are able to express an objective opinion on the financial statements.

### Internal auditors

We have reviewed the overall scope of BDO LLP's work and the audit findings as set out in the reports issued during the year.

### Other work undertaken as part of the 2017/18 audit cycle

As set out in our External Audit Strategy to you we have also been engaged to provide you with the following services:

#### Teachers' Pension End of Year Certificate (EOYC) assurance

We can confirm that we have concluded our work on this area. Our assurance report was issued to Teachers' Pensions along with the final End of Year Certificate. Our work did not raise any significant concerns which need to be drawn to your attention.

### Use of this report

This report has been prepared for the Institute's private use only. It has been prepared on the understanding that it will not be shared to any third party, other than the ESFA, or quoted or referred to, without our prior written consent and we can therefore assume no responsibility to any other party.

**Buzzacott LLP**

# Appendix 1: Unadjusted audit adjustments

## Unadjusted items

Description		Statement of comprehensive income and expenditure		Balance sheet	
		Debit (£'000s)	Credit (£'000s)	Debit (£'000s)	Credit (£'000s)
1	Dr Bank and cash Cr Trade receivables Being credit/debit card payments for student courses received through EBS before the 31 July 2018 but not recorded on financial system (Dimensions) until after the year-end. Dr Other operating expenses Cr Accruals Being Stripe card charges for the above payments	13,893		250,186	250,186  13,893
2	Dr Trade receivables Cr Income Being difference between student debtors recorded by EBS and that recorded on the financial system (Dimensions)		87,530	87,530	
3	<i>Dr Receivables – accrued fee income</i> <i>Cr Income</i> <i>Dr Net assets</i> <i>Being additional fee income from over delivery 2017/18 net of additional income awarded for 2016/17 (subject to ESFA reconciliation statements received in November 2018 to confirm whether the net amount is material)</i>		[TBC]	[TBC]	
4	Dr Trade receivables Cr Other debtors Being partial reallocation of bad debt provision against Blackheath debt			60,000	60,000

The above adjustments increased the Institute's reported surplus and total fund balances by £73,637

## Appendix 2: Audit observations and recommendations

	Observation	Implication	Recommendation	Management comment
<b>A</b>	<p><b>Student debtors control account reconciliation (EBS v Dimensions)</b></p> <p>We noted differences between the value of student debtors recorded in EBS at 31 July 2018 and that recognised by the financial system, Dimensions (which provides the financial information for the statutory accounts).</p> <p>Part of the difference is due to timing differences between the recognition of cash payments in EBS and in Dimensions. This amounted to c£250,000.</p> <p>Allowing for the above timing difference on cash, there remained a difference of c£88,000 that was unexplained and is currently being investigated by the Institute's finance team.</p>	<p>There is a risk that income and debtors may be materially misstated if significant differences between the two systems are not periodically reconciled.</p>	<p>Significant differences between the two systems should be monitored on a monthly basis and further investigated and reconciled should they increase/decrease beyond an agreed level.</p>	<p>The difference will be monitored and investigated further if material.</p>
<b>C</b>	<p><b>Debtors ledger and aged debtor listings</b></p> <p>Our review of the debtors listing identified a number of key accounts with unallocated cash receipts, specifically Transport for London and Access to Work.</p>	<p>Unallocated cash receipts may indicate errors in the posting of cash receipts and/or fee invoices.</p>	<p>We recommend that debtors listing are reviewed periodically and explanations sought for cash not allocated. Where unallocated cash is in excess of £10,000, we recommend that a process of reviewing the transactions is undertaken and cash appropriate matching against fee invoices is made.</p>	<p>The finance team is aware of the unallocated cash and together with IT Support is investigating the accounts affected.</p>

	Observation	Implication	Recommendation	Management comment
<b>B</b>	<p><b>Purchase ledger: unallocated payments</b> Our review of the creditors listing identified unallocated payments on the Barclaycard account of c£23,000.</p> <p>We understand that delays in matching payments against credit card statements are due to delays in employees providing receipts/invoices in a timely manner.</p>	<p>The allocation of payments against invoices provides a check/internal financial control to ensure that payments are made for legitimate expenses.</p> <p>Without the allocation there is a risk that payments are inappropriately made.</p>	<p>All employees should provide receipts/invoices in a timely manner to allow payments to be allocated against credit card statements.</p>	<p>The finance team is aware of the unallocated cash and together with IT Support is investigating the way in which payments are allocated against invoices.</p>



## Appendix 3: Comparison of financial ratios

Ratio	Parameters used	The City Literary Institute		2017 Benchmark* Designated Colleges
		2018	2017	
1. Current ratio	Current assets ÷ Current liabilities	0.78	0.63	2.19
2. Payroll ÷ Total income	Total payroll (excluding restructuring) ÷ Total income	71%	71%	67.3%
3. EBITDA as a percentage of income	EBITDA ÷ Total income	5.87%	4.71%	0.5%
4. Diversity of total income	Total income less funding body income ÷ Total income	58%	58%	30.4%
5. Cash days in hand	Cash and cash equivalent x 365 ÷ Annual income	34	29	79

Based on the ESFA financial health model, the statutory financial statements indicate that the College would be graded as **good**.

\*The designated college benchmarking information has been taken from the Financial Benchmarking Tool for Colleges published by the ESFA on 26 April 2018. The group included seven designated colleges in London and the South East of England.

## Explanatory notes on the above ratios

1. **Current Ratio:** The current ratio is a measure of the college's solvency. It compares the amount of cash and other assets (excluding fixed assets held for sale and proceeds from sale of assets held for reinvestment) with the level of current liabilities (excluding holiday pay accrual and deferred capital grants held as liabilities). The funding body has advised colleges that they should aim for a ratio in the range of 1.5:1 to 2.5:1. A ratio of 1.5:1 will provide a margin of security to a college in meeting liabilities as they fall due. A ratio higher than 2.5:1 may mean funds are being set aside unnecessarily rather than being used to further the work of the college.
2. **Payroll / Total Income:** This ratio measures the proportion of income which is expended on staff costs. The higher the percentage, the lower the 'staff cost margin' and the fewer funds available for spending on other items e.g. teaching expenses, improving facilities, research and saving for major projects.
3. **EBITDA / income:** This ratio compares the college's earnings before interest, tax, depreciation and amortisation to its total income. EBITDA also excludes movements in the LGPS pension scheme, capital grant income not held within deferred income, other comprehensive income and any exceptional financial support and restructuring costs. Unlike commercial organisations, the aim of a further education college is not to generate profits on trading or capital gains but to provide quality education and fully utilise its resources in doing so. This ratio will therefore approximate to zero unless specific reasons exist for significant deficits or surpluses occurring (e.g. building up reserves after a period of deficits or utilising resources on a new project). Reasons behind an unusual ratio should therefore be fully understood.
4. **Diversity of income:** This measures the college's ability to generate income from sources other than the funding body. The lower the percentage, the higher the degree of reliance on funding council income. Sixth form colleges would be expected to have a higher dependency on income than, say, general or agricultural colleges.
5. **Cash days in hand:** This gives a measure of the solvency of the college. Annual income is deemed to be the recurrent funding for the college - i.e. total income per the statutory accounts less earmarked project funding.

## Appendix 4: Sector developments

The summary below provides an update of some of the recent and on-going sector developments since those provided as part of our Audit Strategy document provided to the Members of the Governing Body in Summer 2018. These updates should therefore be read in conjunction with those included within our Audit Strategy document.

### Funding

#### Funding review

A recent review by the Institute for Fiscal Studies has revealed that the funding allocation for 16 to 18 year olds has dropped by 8% since the 2010-11 academic year. Further Education colleges offering courses for over 19 year olds have been left further exposed due to the reduced uptake in such courses due to there being a shift towards apprenticeships in this group.

Whilst the Government has promised additional spending to fund the introduction of T-levels from 2019-20, this is expected to entirely offset funding cuts to other areas in the FE budget, meaning that spend per learner across the sector is unlikely to increase.

#### Apprenticeship register

Whilst the Register of Apprenticeship Training Providers is to reopen in April 2019, over 1,500 training providers will not have direct access to funding for small employers until at least one year later. Organisations which are designated as “small employers” on the government’s register will only be able to subcontract from the 683 providers with a small employer allocation. The ESFA has said that it will work with employers and training providers to plan a gradual transition to the new system.

### Policy and strategy

#### Senior staff pay code

The Association of Colleges has published a new senior staff pay code for college leaders in line with the registration requirements of the Office for Students. A consultation for the new code was launched on 14 September 2018 and will end on 23 November 2018 covering the following key areas:

1. Senior staff should only receive pay increases at the same time as other staff;
2. The Remuneration Committee needs to be fully independent as no individual should be involved in determining their own remuneration;
3. Principal salaries to be published separately in a “readily accessible annual statement, based on an annual report to its governing body” for senior pay. The statement should include:
  - a list of senior post holders within the remit of the Remuneration Committee and its policy on the remuneration for these post holders;
  - its choice of comparator college(s)/organisation(s);
  - its policy on income derived from external activities;
  - the pay multiple of the Principal and the median earnings of the institution’s whole workforce, illustrating how that multiple has changed over time and, if it is significantly above average, an explanation of why; and
  - an explanation of any significant changes.

4. Bonus and severance payments should be fair, reasonable and justifiable; and
5. The college needs to be able to justify any income generated by an individual from external bodies in a personal capacity.

### The devolution revolution

Phased implementation of the Treasury's proposal to hold Local Authorities more accountable for how the Adult Education Budget is spent is due to commence from 2019. The 72-person team responsible for managing the fund in the Greater London Authority is expected to increase which has prompted critics to argue that the additional cost of managing the fund is taking away funds for the provision of education, in a funding environment which is already under financial pressure.

## Governance

### GDPR update

Supported by a wave of publicity, the new Data Protection Act 2018, incorporating the General Data Protection Regulation (GDPR) came into force on 25 May 2018. The Regulations increase the powers of the Information Commissioner's Office (ICO), as well as allowing individuals greater scope to assert their rights on the use of personal data, whether as a customer or employee of the organisation. The ICO continues to release new guidance on the Regulations, as well as highlighting its enforcement efforts.

One of the key elements for institutions to prove their compliance efforts is by ensuring that all employees are trained to understand how they need to fulfil their GDPR responsibilities effectively.

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### Cyber Security

The National Cyber Security Centre (NCSC) has published a charity-specific guide on how charities can reduce their exposure to cyber attacks and how best to minimise the damage and disruption they can cause. The guide covers five key areas for charities to consider and offers practical low-cost tips on best practice implementation:

- Data back-up procedures;
- Ensuring antivirus software is up to date;
- Keeping smartphones and tablets safe;
- Password etiquette; and
- How best to avoid phishing attacks.

The user friendly guide is available at: [www.ncsc.gov.uk/guidance/cyber-security-small-charity-guide-pdf-download](http://www.ncsc.gov.uk/guidance/cyber-security-small-charity-guide-pdf-download)

## Compliance and reporting

### Accounts submission

College corporations must submit their audited accounts (including that of any subsidiary) our final management letter and the Excel finance record workbook complete with the declaration made by the accounting officer by 31 December via email to [PRA.Financialhealth@education.gov.uk](mailto:PRA.Financialhealth@education.gov.uk). Further details on the process are detailed in the Accounts Direction.

### Accounts Directions in future years

For periods commencing 1 August 2019 and beyond, colleges will need to comply with the Office for Students Accounts Direction which has been designed to align the reporting requirements for both Further and Higher Education institutions. Some of the key requirements include:

- The requirement to follow the FE/HE Statement of Recommended Practice;
- Disclosures regarding adoption of the Higher Education Code of Governance;
- Details of higher paid employee disclosure, including the relationship between the head of provider's remuneration in comparison to all other employees, expressed as a pay multiple; and
- The requirement for remuneration committees to have regard to the Office for Students' guidance on severance pay and remuneration of senior staff.

It is expected that some of the above will be brought forward into the 2018/19 College Accounts Direction and further guidance on this is due to be released in early 2019.

### Office for Students

The Office for Students maintains a register of all higher education providers and applications by eligible providers should be made in line with the student recruitment cycle for each academic year. Applications have been open since April 2018 and the register intends to provide a single reference point

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about an institution's regulatory status. Detailed guidance on the registration process can be found at:

<https://www.officeforstudents.org.uk/advice-and-guidance/regulation/how-to-register/>

At the end of September 2018, nearly 90 Higher Education providers had been registered and the Office for Students has confirmed that they have received a significant number of applications since opening which they are in the process of reviewing.

### Employment Case Law

Some important employment law principles continue to go through the courts, in particular decisions concerning employment status and the rights of workers, and the definition of holiday pay to include regular overtime.

There has been much publicity in recent months about harassment in the work-place and how it has often been ignored in the past, or accepted as part of the business culture. Figures show that the number of complaints about harassment has increased in recent months, leading to changes in policies on harassment. There will continue to be consultations on harassment policies, linked to work on changing the culture within a business. It is important to review your policies on harassment as well as the training of managers on how to manage harassment issues at work.

### Itemised pay statements

Changes to the Employment Rights Act 1996 from April 2019 will provide all workers (not just employees) with the right to receive an itemised pay statements. Failure to provide itemised pay statements to the correct people could lead to an employment tribunal claim, so it will be important to assess an individual's working status correctly. Charities will need to be clear on the



employment status of those working in the charity. There are three categories of employment status.

- Employee – is subject to an employment contract, is required to work a minimum number of hours, cannot send someone else to do their work, is subject to the business' disciplinary and grievance procedures, and is entitled to paid holiday and statutory payments, or
- Worker – has a contract to do work or services but has a limited right to send someone else to do the work, has basic employment rights such as being entitled to the National Minimum Wage, statutory minimum level of holiday pay, but is not able to claim unfair dismissal, request flexible working, or be paid statutory redundancy pay, or
- Self-employed – run their own business, can choose how and when they work, are able to send someone else to do the work, provide their own tools and equipment, can agree a price for the work, and can work for more than one client.

It is important you (or Buzzacott HR Consultancy on your behalf) review the working relationship and contractual arrangements with any self-employed contractors to ensure they are given the correct employment status. As organisations have found over the last 12 months, there have been a number of high profile cases where individuals, considered as self-employed, have now been designated as workers by the Courts and therefore entitled to greater rights under employment legislation.

## Payroll and taxation

### Teachers' Pensions

Draft directions published by Her Majesty's Treasury on 6 September 2018 suggest that the amount employers pay towards the Scheme will need to increase. The Teachers' Pensions Scheme is valued every four years and any increase will come into effect from April 2019. The underlying reason for the proposed change is due to alternative assumptions being used to estimate pension discount rates. However, at this stage it is too early to estimate what the new rates could be but analysts anticipate an additional £100 million a year being spent by employers from April 2019.

### VAT on subcontracting services

In light of the HMRC investigation into whether the lead provider should be liable for VAT in respect of the use of subcontractors, the ESFA is to publish guidance for management fees charged by the lead provider to a subcontractor. However, it is unlikely that a strict cap on the percentage that can be claimed will be enforced, although guidance is not expected to be released until at least the end of 2018.