



The City Literary Institute

Report & Financial Statements

2021

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Message from The Chair of Governors

Dame Moira Gibb



I had hoped that in this, my last introduction to these Reports and Accounts, I would have the opportunity to paint an overwhelmingly positive picture. Sadly, as we all know the Covid pandemic has continued to take its toll on society and individuals and to make for very challenging times for City Lit.

I am delighted though at how the college has responded to those challenges; at the way staff, tutors and students have responded to lockdowns and social restrictions to deliver a rich and diverse curriculum of courses, not just to Londoners but across the country.

While more than half the academic year was spent in lockdown, the college managed to build on the success of the previous year and deliver over 5,100 courses online.

I've been enormously impressed at the agility that's been shown and the sheer hard work that colleagues have put into responding to changing government guidelines to make it possible to offer so many courses. I've no doubt that the experience of the pandemic, whilst unwelcome, will make the college stronger and more resilient in the longer term.

The events of the past 18 months have served to underline the importance of lifelong learning. Access to learning has helped to combat isolation and loneliness during lockdowns. It has helped people to re-train who have lost their jobs as a result of the pandemic. And it is learning that can help stimulate the economy as new interests and skills drive spending and job creation.

City Lit, as well as adapting to a digital offer for as many courses as possible, has continued to serve and provide for those with learning disabilities, deaf and hard of hearing people and those with speech impediments. These communities continue to be a priority for the college and it is no coincidence that it is the provision for these groups which has been prioritised for return to college first, once the rules allowed.

It goes without saying that City Lit is nothing without our tutors and we are fortunate to have over 1,000 of them who are experts in their field and who design the most engaging and interesting courses for our students.

We also have a superb team of staff at the college who work tirelessly to support students and tutors, raise funds to invest in new facilities, and actively promote the social, mental and economic benefits of lifelong learning to policy makers and business leaders.

It is a privilege and a pleasure to be one of the stewards of this great London institution and I am confident that it will rebound quickly from the events of the past 18 months and will continue to bring people together through learning and enrich many lives.



Dame Moira Gibb DBE
Chair of Governors

Key Highlights & Achievements 2020/21

- In response to the national pandemic lockdowns, we delivered 5,100 courses online, supporting over 25,000 learners from London and beyond.
- Our destination survey of 2,600 students found that completing a City Lit course resulted in positive changes in 84% of our students' lives, with positive outcomes such as higher-level study, new employment and work promotion.
- Our first online annual tutor conference brought together over 400 tutors, with key note speaker Dr Srin Pillay, live from Boston, giving a powerful lecture on increasing productivity and combatting stress.
- We held our 6th Mental Wealth Festival with the theme being 'Recovery'. We offered a wide range of inspiring discussions, debates and interactive workshops focussing on the journey of recovery, resilience and healing. Participants included: Ruby Wax; Paul Farmer - CEO of Mind; Baroness Sheila Hollins; and Dr Uma Naidoo of Harvard Medical School.
- Almost 20,000 student evaluations this year showed that 93% of students rate our courses 4* or 5*, 68% of students maintained or improved their skills on their courses, and 43% improved their well-being.
- 900 tutors attended our central tutor development programme, focusing on delivering courses online.
- We had a successful Ofsted interim visit. The Inspectors' report was positive, and they were impressed with our response to the pandemic, ensuring the college continued to provide an exceptional curriculum and support to students.
- We launched our second year of Malorie Blackman 'Unheard Voices' Scholarships, to support students in Creative Writing, with awards to four students.
- Universal Skills completed the GLA funded ESOL Plus Arts project, "A Mile in My Shoes", a collaboration with Empathy Museum and a professional storyteller.
- This year's Classics Week, in partnership with the British Museum, attracted over 600 participants. The theme was Power: Lesson's from Ancient Rome, taking inspiration from the British Museum's Nero exhibition. Speakers from around the world took part including Dame Mary Beard, Tom Holland, Professor Ian Morris and Bonnie Greer.
- We were delighted to announce four new City Lit Fellows: Dame Esther Rantzen, Francesca Martinez, Sir Ken Olisa OBE and the Rt Hon Damian Hinds MP.
- As part of national Lifelong Learning Week, we hosted a special City Lit Perspectives event with 1,000 people joining from around the country – 'How Classical Cultures Speak to us Today' with City Lit Fellow Dame Mary Beard.
- Lulu CBE has become Patron of the School of Performing Arts, a worthy successor to City Lit Fellow Sir Jonathan Miller.
- We undertook a number of large-scale building refurbishment projects, generously funded by the Mayor's Office, and the Department for Education. This included the refurbishment of our performing arts studios and the creation of a new lecture theatre – 'CulturePlex'.

Message from CEO and Principal

Mark Malcomson CBE



As an educational community, we have learned three important lessons this past year, that:

1. We must never under-estimate the deep-rooted sense of purpose and personal motivation that comes with learning
2. Education delivered online can be done really well with the right course design and committed tutors
3. Adult education in all its forms, has never been more important to society and economic recovery

Keeping calm and carrying on

City Lit has been delivering learning for over 100 years without a break, including throughout the Second World War. We don't need to tell you what the past year has been like because you've lived through it. What we can tell you is that despite the relentless uncertainty we have delivered 5,100 courses online, were commended by the FE Commissioner for our proactive and speedy response to lockdowns and praised by Ofsted for the quality of online delivery and collaboration of tutors in transitioning to online teaching. We also raised and invested £1.3 million into college facilities and have carefully planned a diverse and exciting curriculum for the new term.

The whole year was relentlessly busy for everyone and, as always, much of the final term was spent planning the new academic year. As with the whole pandemic period, we have had to make the best decisions we can, based on the data and information available at the time. This means there will be a gradual return of students back to the college throughout the 2021/22 academic year, as we move to a blended learning offer that will now include a significant number of permanent online courses.

Bringing people together to enrich lives through learning

City Lit is not just an adult education college. We serve people by helping them to fulfil an aspiration, which might be to get a better job, or learn a new skill, or satisfy their curiosity. In serving these different aspirations we help people to feel better about themselves and therefore we create a better society.

The function that we perform and the service we provide has never been more visible and tangible than during this appalling pandemic.

The toll on mental health has been widely publicised and the impacts of isolation are only just beginning to be understood. For many of our students, the

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

Our strategy comprises three core goals:

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

continuation of courses online has been a vital lifeline during the various lockdowns, providing purpose and the ability to connect with others.

We also know that many jobs have been lost during lockdowns, particularly in the unskilled and semi-skilled sectors. At City Lit we can see those people working hard to learn new skills and improve their chances of employment.

What we have also witnessed during the past year is people turning to education providers that they can trust, who have a history of delivering quality education, and we expect this to continue as we come out of lockdown and confidence starts to grow again.

Fellows and friends

One of the highlights of the past year was announcing our new City Lit Fellows: Dame Esther Rantzen, Francesca Martinez, Sir Ken Olisa OBE and the Rt Hon Damian Hinds MP. All of our Fellows provide tireless support for our causes by speaking at virtual events and using their influence to promote our values and the great work done by our tutors. We warmly welcome our four new Fellows and look forward to engaging them.

We were also delighted that Lulu CBE, agreed to become the new Patron of our School of Performing Arts, following in the footsteps of the late Sir Jonathan Miller. We will also be launching the Lulu Performing Arts Scholarships next year. We hope that these scholarships will be as successful as the Malorie Blackman "Unheard Voices" Scholarships in Creative Writing, which have enabled a new generation of writers develop their craft.

These are important moments for staff, tutors and students because it demonstrates the respect and trust that our Fellows and other friends have in the work we do and service we provide.

Strategic review

Like many organisations, during lockdown we have had to review our existing strategy and priorities, which were created for a bricks and mortar college offer. The success of online courses, including the geographical reach, has meant that online delivery will now form part of our on-going curriculum. We will stay true to our Purpose but are developing a new strategy to take into account the changed world we now inhabit.

We have conducted reviews for the Centre for Learning Disabilities, Speech Therapy and Centre for Deaf Education. For each, we have identified new ways to grow our offer, support employability and influence policy decisions, which will enable us to reach more people and provide new curricula designed to support progression.

Colleagues and support from the Board

Nothing that has been done this year could have been achieved without the dedication and commitment of my amazing colleagues. Reinventing a hundred-year-old institution in a matter of weeks is no small achievement, and that is what they did during the first few weeks of the lockdown. That was a metaphorical sprint in those early days but for the last 18 months there has been much more of a marathon, learning, iterating and reimagining. It is an honour and a privilege to serve alongside truly inspirational professionals.

We are hugely grateful to Dame Moira Gibb for Chairing the Board of Governors these past eight years. Dame Moira was intending to step down at the end of the last academic year but had no hesitation in staying for one final year to help steer us through the pandemic.

She has been a great supporter, a superb advocate, and a regular contributor to City Lit events.

Dame Moira has worked with an exceptional board, who have given so much of their time, expertise and insight throughout the pandemic.

We are hugely indebted to all of the Board for their support and commitment.



Mark Malcomson

Mark Malcomson CBE
Principal and Chief Executive

Saraswathi Sukumar



Student Malorie
Blackman 'Unheard Voices'
Scholarship Recipient

Creative Writing Student

“

I am immensely grateful to Malorie Blackman and the City Lit Writing Team for giving me this incredible opportunity and I am excited to embark on this next part of my writing journey. I look forward to immersing myself in the world of creative writing, to learning and applying new writing techniques to my work, and finally I look forward to meeting other writers and being a part of this wonderful community.”

Saraswathi Sukumar

”

Saraswathi Sukumar is one of the recipients of the 2021-22 Malorie Blackman scholarship for 'Unheard Voices'. The scholarship seeks to support and encourage the creative and professional development of 'unheard voices', and can be used to fund courses within the City Lit Creative Writing department.

Hilary Thomas



Student Malorie
Blackman 'Unheard Voices'
Scholarship Recipient

Creative Writing Student

“

City Lit is so accessible, in so many ways. It's welcoming and attracts people from all walks of life; I feel comfortable here. Plus it has hugely skilled, supportive and professional tutors, who know their stuff and seem to enjoy what they do. It's like a community learning hub where everyone really is welcome. And I had such a wide range of courses to choose from.

Hilary Thomas

”

Hilary Thomas is one of the recipients of the 2021-22 Malorie Blackman scholarship for 'Unheard Voices'. The scholarship seeks to support and encourage the creative and professional development of 'unheard voices', and can be used to fund courses within the City Lit Creative Writing department.

Eveline Reynolds-Boisson

A black and white portrait of Eveline Reynolds-Boisson, a Black woman with her hair pulled back, wearing a dark turtleneck and hoop earrings. She is looking directly at the camera with a slight smile. Her hands are clasped in front of her.

Drama Student

“

Having just completed a few student film projects, the City Lit Theatre Company's "Red Flag, Blue Beard" production directed by Deirdre Strath Clyde, really interested me. The course has been exciting, particularly as the cast have been involved in devising the play. I have loved every minute of it.

Eveline Reynolds-Boisson

”

Eveline Reynolds-Boisson completed the Acting Diploma at City Lit in July 2020. After completing a few student film projects, Eveline joined the City Lit Theatre Company and was part of this year's "Red Flag, Blue Beard" production held in the John Lyon's Theatre at City Lit.

About City Lit

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

Established in 1919 to improve post-war literacy, the Institute today offers more than 5,900 courses, including 5,100 online courses, to over 25,000 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 2021, City Lit did not receive any complaints about its fundraising activities.

Public Benefit

City Lit is a registered charity (charity number 803007) under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are listed on pages 23 and 24. In setting and reviewing City Lit's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit. In delivering its mission, City Lit provides the following identifiable public benefits through the advancement of adult education: quality teaching and course offering, inclusive approach to student enrolment, tackling social exclusion and encouraging social participation, providing solutions to education inequality and delivering robust student support programmes.

Force for good

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

- Adults with learning difficulties
- The deaf community
- Individuals with speech impediments
- Addicts and reformed criminals who are being rehabilitated
- Disadvantaged families

We adopt the same approach and dedicate the same resources to fulfil the demands of these groups as we would for any other department within the Institute. The number of awards received for our work with these groups evidences this along with our reputation for delivering quality learning and making a real difference to people's lives.

We are one of the country's leading adult [Deaf Education](#) facilities. Not only do we [support many deaf students developing skills in English, Maths and Computing](#), we also support many of those who work with deaf adults. Our British Sign Language courses are attended by people working in many aspects of London life where deaf awareness helps to support deaf people such as TfL; hospital trusts; schools and universities; and the police.

Our approach to [Speech Therapy](#) has gained national and international recognition as a centre of excellence. Our tutors have published the methodology that we use and they are widely cited throughout the world with many professionals believing that ours is the most effective way to help

people with stammers. As well as specialising in therapy for people who stammer we also work with people who have suffered from speech impairment as a result of a head injury or stroke. Our methodology and therapy helps improve speech, builds confidence and enables people to contribute more positively in all aspects of their lives, particularly at work.

We believe that everyone is entitled to a second chance at education. We know much more now about learning difficulties than we did 20 years ago when children would usually have slipped through the traditional education system with little or no support. Students with [learning difficulties](#) at City Lit have opportunities to learn skills in a safe and encouraging environment, which builds confidence, pride and often leads to employment or further education. Our team works hard to ensure that the participants' positive learning experience continues outside of the classroom, including [pathways into work](#).

We take City Lit into the [community](#) through a range of projects, including [regeneration projects](#), [family learning](#), and working with [potentially challenging individuals](#) who are looking to make a fresh start.

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

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

Charitable status

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

Operating and Financial Review

(including the Strategic Report)

Performance indicators

City Lit is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA). The Finance Record produces a financial health grading. Prior to the Covid pandemic we had been on a trajectory to achieve a grading of 'Good', following a sustained effort to increase our rating from 'Requires Improvement'. However, the Institute has been severely impacted financially and this is further reflected in our expected rating of 'Inadequate' for 2020-21.

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.

During the year, we continued to feel the impact of the pandemic on our liquidity and had in place an overdraft facility of £5m. The peak overdraft during the year was £1.45m. As a result of savings of £1m against budget in our non-pay costs, and income received via the government's coronavirus job retention (furlough) scheme, we ended the year with an overdraft balance of £1.446m, significantly less than the £5m facility. As a result we reduced the facility to £3.5m at the June 2021 review. This facility has been agreed for a period of twelve months, to 30 June 2022.

Financial results

| | 2020-21 | 2019-20 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Income | | |
| Funding body grants | 8,945 | 8,881 |
| Student fees and educational contracts | 9,386 | 9,331 |
| Other income | 389 | 278 |
| | 18,720 | 18,490 |
| Expenditure | 19,796 | 20,249 |
| Surplus (before actuarial pension adjustments) | (1,076) | (1,759) |

Financial results (continued)

The results of the financial year ended 31 July 2021 continued to be impacted by the Covid pandemic.

Income from student fee income was £7.4m, 27% lower than the pre-pandemic level in 2018-19. We transitioned the majority of our provision to be delivered online. For in person courses, we had to implement social distancing measures, meaning that we had to reduce the number of students on these course, impacting on income. As a consequence of the second national lockdown, the Institute once again closed for in person teaching from January 2021, for the duration of Term 2.

The shortfall in student income has been mitigated to some extent by income from the government's coronavirus job retention ('furlough') scheme. We received £1.266m under this scheme. We also received £250,000 from our insurance company, in relation to a business interruption claim, because of the impact of the pandemic. Furthermore, a reduction in our operating expenses from £4.5m to £3.9m also enabled us to improve on our prior year result.

Overall City Lit ended the year with a deficit, before actuarial pension adjustments, of £1.076m (2019-20: deficit of £1.759m). The result for the year, including pension adjustments was a deficit of £3.3m (2019-20: deficit of £9.3m).

City Lit had net liabilities of £12.5m at 31 July 2021 (2019-20: net liabilities of £9.2m), after taking into account a pension liability of £21.3m (2019-20: liability of £19.1m). Without the pension liability, the Institute would have net assets of £8.8m (2019-20: net assets of £9.9m)

Pension liability

At the year end the pension liability had increased from £19.1m (2019-20) to £21.3m (2020-21). As with all other bodies in the Local Government Pension Schemes, the liability has increased significantly in recent years. This is largely because the discount factor used to calculate it has reduced due to low interest rates. The liability recognised on the balance sheet differs significantly from the last scheme valuation at 31 March 2019, which shows that we had a funding surplus of £140,000 and were 100.9% fully funded compared to a previous funding deficit of £528,000 (95.6% funded) at 31 March 2016. Our employee contribution rate increased from 12% to 12.9% from 1 April 2020, however we are no longer paying deficit contributions that previously totalled £93,000 a year, so the amount we are paying overall has remained stable.

Cash flow

City Lit's cash outflow from operating activities was £0.5m (2019-20: £1.3m inflow) primarily as a result of a decrease in creditors as we cleared our deferred payments to HMRC and the Teachers Pension Scheme.

Reserves policy

Our sector and its financial model which relies on a significant amount of statutory funding, does not lend itself to the accumulation of free reserves in the short to medium term. However the Governing Body recognises its responsibility to have financial headroom in the event of any financial shock. Such headroom is provided through a bank overdraft facility, the ability to dispose of or obtain secured borrowing against property assets, and management's proven ability to reduce variable expenditure when necessary in a strictly prioritised and controlled manner. Our net current liability at 31 July 2021 was £4.9m (2020: £4.3m). During the year the overdraft was reduced from £5m to £3.5m to reflect our

improved cash flow forecasts and will be reviewed on an annual basis. Once we return to profitability we will look to convert the facility into a long term loan and start capital repayments.

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 2021, City Lit paid 91% of its invoices within 30 days (2019-20: 90%).

Employees

City Lit employs:

During the year City Lit employed an average of 748 employees (2019-20: 709). Included in this figure are 544 part-time tutors (2019-20: 487). Our staff costs (excluding restructure and pension costs) decreased from £14.6m to £14.4m. During the year a number of staff opted to take voluntary redundancy, reduced their working hours on a temporary basis or were placed on furlough. Recruitment for vacant posts was also held.

We continued to support our hourly paid tutors by paying them throughout periods of college closure, the additional cost of which was covered in part by funding from the government's coronavirus job retention scheme. In total we received £1.266m of funding which helped to cover the costs of c300 employees that, on average, were furloughed each month. As a result our average headcount increased from the prior year.

Further details of staff costs are provided in Note 8.

Outlook for 2021-22

2021-22 will be the start of our recovery phase. We are continuing to hold a significant proportion of our provision online as we are able to reach a wider audience and acknowledge that some of our students may be hesitant to travel into the college. However our courses with significant practical elements are planned to be held in person and we look forward to welcoming our students back to the College.

We expect the upcoming year to be another challenging year from a financial perspective. Our key objective is to grow fee income back towards pre-pandemic levels and achieve a cash neutral position for the year. We aim to break-even in 2022-23, after which we would look to convert our overdraft into a long term loan and begin capital repayments.

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. Risk Management processes are designed to protect its assets, reputation and financial stability. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the college and the actions being taken to reduce or mitigate the risks.

The principal risks and uncertainties for City Lit are:

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

Our stakeholders

We have a wide range of stakeholders including:

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

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

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

Equality and diversity

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

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

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

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

We also have one of the largest centres for the education and training of deaf people and we employ a significant number of staff with severe hearing impairments.

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

Bursary scheme: The ability of the less well-off to be able to access City Lit courses is an area of growing concern. To try and alleviate this problem City Lit setup a bursary scheme in 2011 (see note 22). This fund comprises amounts set aside out of City Lit general funds. This year we received £72,000 in donations and the balance on the fund at 31 July 2021 was £85,000 (31 July 2020: £32,000).

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

and/or disabilities. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for such students. Counselling services are available to staff and students and are described in the Institute Student Handbook, which is available to all students.

Trade union facility time

The Trade Union (Facility Time Publication Requirements) regulations 2018 require the Institute to publish information on facility time arrangements for trade union officials at the Institute, for the period covering 1 April 2020-31 March 2021.

Number of employees who were trade union representatives: 6 (FTE 3.6)

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

Total cost of facility time: £nil

Total pay bill: £14.5 million

Percentage of total bill: 0%

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

Joe Beecroft

Drama Student



“

I initially chose City lit for my diploma in 2019/2020 because the course was part time so it was ideal to combine with working full time, plus City Lit had been recommended by other actors I know. So, when this opportunity came up to return with Deirdre leading the course, I knew it would be a rewarding and fun project and so far, it's been exactly that.

Joe Beecroft

”

Joe Beecroft completed the Acting Diploma at City Lit in July 2020. After completing a few student film projects, Joe joined the City Lit Theatre Company and was part of this year's "Red Flag, Blue Beard" production held in the John Lyon's Theatre at City Lit.

Kate Rossini



Foundation Art & Design Student

“

It's been the best thing I've ever done. The course has been eye-opening and enriching in equal measure. Importantly the experience has given me permission to allow myself to fail, to be curious and break the rules and accept that feeling lost is often the beginning of the creative process.

Kate Rossini

”

Kate Rossini practised law for over 25 years, and art always had a prominent place in her life as a way to decompress and recalibrate. She started dabbling a bit in adult education - painting and pottery before deciding to 'go for it'. She got accepted on City Lit's Foundation Art and Design Diploma course. The course gave her the opportunity to explore a wide range of new skills – textiles, print, moving image, photography, and develop areas such as sculpture, fine art and ceramics.

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 7 December 2021 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 2021. 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 financial year were as follows: Governing Body - 5 (plus 1 day Strategic Review session not included in the figures); Audit & Risk Committee - 3; Finance & Commercial Committee - 6; Governance & People Committee - 5; Quality Committee - 4; and Remuneration Committee - 0.

| Name | No. of Governing Body meetings attended (not inc. Strategy Session) | Date of appointment/ re-appointment | Term of office | Date of resignation | Status of appointment | Committees Served (number in brackets relates to no. of meetings attended in year) |
|-------------------------------|--|--|-----------------------------------|---------------------|-----------------------|---|
| Penny Allen | 5 | 19/5/20 | 1 year | 14/7/21 | 1 | Quality - 4; |
| Lucy Arnold-Courtney | 2 (out of a possible 2) | 11/5/21 | 4 years | | 1 | Audit & Risk - 1 (out of a possible 1) |
| Donna Birkett Baida | | Appointed 19/10/21 | 4 years | | 1 | Finance & Commercial |
| Tim Bolderson | 5 | 24/10/17 | 4 years | 14/7/21 | 1 | Quality - 4 Governance & People - 4 |
| Edward Breen | 5 | 14/10/19 | 4 years | | 2 | Quality - 4 |
| Jane Cooper (Deputy Chair) | 5 | 9/12/17 | 4 years (plus 1 extended year) | | 1 | Audit & Risk - 3; Governance & People - 5 |
| Jon Gamble | 5 | 9/12/18 | 4 years | | 1 | Audit & Risk - 3 |

| Name | No. of Governing Body meetings attended (not inc. Strategy Session) | Date of appointment/ re-appointment | Term of office | Date of resignation | Status of appointment | Committees Served (number in brackets relates to no. of meetings attended in year) |
|----------------------------|--|--|-----------------------------------|---------------------|-----------------------|---|
| Clancy Gebler Davies | 3 (out of a possible 3) | 2/12/21 | 2 years | | 3 | Quality - 3 (out of a possible 3) |
| Dame Moira Gibb (Chair) | 5 | 4/7/17 | 4 years (plus 1 extended year) | | 1 | Governance & People - 5; Finance & Commercial - 6 |
| Eric Hadley | 2 (out of a possible 2) | 4/12/18 | 2 years | 1/12/21 | 3 | Quality - 1 (out of a possible 1) |
| Colin Jones | 5 | 4/12/18 | 4 years | | 1 | Finance & Commercial - 6 Governance & People - (1 out of a possible 1) |
| Simon Judge | 5 | 13/10/21 | 4 years | | 1 | Finance & Commercial - 5 (out of a possible 5) |
| Christine Kinnear | 4 (out of a possible 4) | 1/12/21 | 4 years | | 1 | Finance & Commercial - 4 (out of a possible 4) |
| Mark Malcomson | 5 | 11/6/11 | N/A | | 4 | Finance & Commercial - 6; Governance & People - 5; Quality - 4 |
| Raj Parkash | 2 (out of a possible 2) | 16/10/16 | 4 years | 31/12/20 | 1 | Finance & Commercial - 2 (out of a possible 2) |
| Alison Pike | | Appointed 19/10/21 | 4 years | | 1 | Quality |
| Michael Simmonds | 5 | 10/03/20 | 4 years | 14/7/21 | 1 | Finance & Commercial - 6; Governance & People - (4 out of a possible 4) |
| Paula Smith | 5 | 4/7/17 | 4 years (plus 1 extended year) | | 1 | Audit & Risk - 3; Governance & People - 2 |
| Jill Westerman | 5 | 9/7/18 | 4 years | | 1 | Quality - 4 |

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: Audit & Risk, Finance & Commercial, Governance & People and Remuneration. Full minutes of all meetings, except those deemed to be confidential by the Governing Body, are available on request.

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

All Governors are able to obtain independent professional advice in furtherance of their duties at City Lit's expense and have access to the Clerk to the Governing Body, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Governing Body as a whole. Formal agendas, papers and reports are supplied to Governors in a timely manner, prior to Board meetings. Briefings are also provided on an ad hoc basis.

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

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

Appointments to the Governing Body

Any new appointments to the Governing Body are a matter for consideration of the Governing Body as a whole. The Governing Body has a Governance and People Committee comprised of six Governors, which is responsible for the selection and nomination of any new member for the Governing Body's consideration. The Governing Body is responsible for ensuring that appropriate training is provided as required.

Members of the Governing Body are appointed for a term of office not exceeding four years and can be reappointed for a second term.

Finance & Commercial Committee

The Finance & Commercial Committee is charged with monitoring the Institute's financial performance, and approving the annual budget. It met six times in 2020-21 and comprises of five members of the Governing Body which has latterly included the Chair of Governors, who has joined the Committee temporarily during the Covid-19 pandemic.

Remuneration Committee

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

Details of remuneration for the year ended 31 July 2021 are set out in note 8 to the financial statements.

Governance & People Committee

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

Quality Committee

The Quality Committee met four times throughout 2020-21 and comprises of six members, including the student and staff governors. The aim of the Committee is to advise the Governing Body on the appropriateness and operation of the Institute's Quality Assurance systems, the quality of the learner experience and performance against key quality targets. It also makes recommendations on quality improvements for the Board's approval.

Audit & Risk Committee

The Audit & Risk Committee comprises three members of the Governing Body (which does not include the Accounting Officer, Chair or members of the Finance & Commercial Committee). 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 external auditors and without staff members present. The Committee met three times this year.

Internal Control

City Lit's system of internal financial control includes:

- Clear definitions of the responsibilities, and the authority delegated to, schools and service managers.
- A comprehensive medium and short-term planning process, supplemented by detailed annual budgets.
- Regular reviews of key performance indicators and business risks and the management thereof.

- Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approved levels set by the Governing Body.
- Comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Governing Body.

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 2021 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 2021 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 Post 16 Audit Code of Practice, the Institute is no longer required to have an internal audit function. The Audit & Risk 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 framework acts as an overarching control document to help see that City Lit's strategy is being executed. One aspect of that is checking that mechanisms are in place should things go wrong, which is a central part of the risk management process. The framework also acts to focus the work of internal audit.

Review of effectiveness

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

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

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

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

Going concern

The Institute incurred an operating deficit of £1.076m during the year (2019-20: deficit of £1.759m) against an original budgeted deficit of £1.934m. This is our second consecutive year reporting a significant deficit and is a result of the pandemic and consequent impact on tuition fees. Prior to the pandemic, the Institute reported an operating surplus for five consecutive years. The Institute has been successful in transitioning part of its provision online and embarked on a cost reduction programme during the year, resulting in the improvement on the budgeted deficit. This was despite closing for face-to-face teaching in Term 2, following the second national lockdown. This, together with the need to implement social distancing measures in classroom based learning by limiting student numbers, impacted overall student fee income generated in the year.

At 31 July 2021, the Institute had net current liabilities of £4.9m (2020: £4.3m) and an overdrawn balance of £1.4m (2020: cash balance of £0.4m). The year-end overdraft balance, which was also the peak balance during the year, was also significantly less than budgeted expectations. The Institute has an overall net liability balance of £12.5m (2020: net liability of £9.2m) at 31 July 2021. This included a net pension liability of £21.3m (2020: £19.2m) in regards to the Local Government Pension Scheme. Without the pension liability, the Institute would have net assets of £8.8m (2020: net assets of £9.9m). The pension liability has increased in the year and remains high because of the low discount factor and increase in inflation. However, the triennial valuation by the actuary as at 31 March 2019 confirmed that the scheme was fully funded.

A £5m overdraft facility with Barclays Bank (to help with working capital) was in place during the year. This facility has been extended to 30 June 2022, at a reduced level of £3.5m, reflecting the improvement in our cash flow projections. Given the continued economic uncertainty following the outbreak of the pandemic, 2021-22 is likely to be another challenging year financially and current forecasts predict a similar level of deficit to the current year. This is based on a number of key assumptions including:

- Certain level of tuition fees.
- Delivery of full adult education budget.
- Renewal of bank overdraft facility that provides the necessary cash flow support. Ongoing discussions with the bank are positive and they have given no indication that the facility will be withdrawn in June 2022 when it is up for referral.

There are inherently material uncertainties within the above assumptions. Whilst recognising these are as a result of the Covid pandemic, the Board considers that the use of the going concern basis of accounting is appropriate following assessment at its meeting in December 2021. The following factors provide the Board assurance that the Institute remains a going concern, albeit with recognition that there are material uncertainties:

- Funding body grants from both the ESFA and GLA have been confirmed for the year to 31 July 2022.
- The Institute owns the freehold of its main campus in Covent Garden. The net book value of freehold land and buildings in the financial statements at 31 July 2021 was £13.9m. However, their market value (last revalued in March 2019) was significantly higher at £67m.
- The Institute has been awarded significant amounts of additional capital grants following the lockdown from both the GLA and ESFA, supporting that the funders have confidence in the key role of the Institute and its long term viability.

- The Institute continues to run courses online generating income along side in person classes. Performance in Term 1 has been encouraging and, whilst down from pre-pandemic levels, indicates that there is still demand from our students for courses.
- Cash flows are reviewed and reforecast on a regular basis and based on key assumptions outlined above, indicate that whilst working capital management will need ongoing careful planning and monitoring given the challenging climate, we will aim to remain within the overdraft facility from 12 months from the date the Board signs the financial statements.
- We are in continued dialogue with the Education & Skills Funding Agency and GLA, and will seek emergency funding in the event that cash flows are not in line with projections;
- The Governing Body will continue to take steps to ensure that the Institute's income and expenditure are brought back to balance.
- During the year the Institute had two visits from the Further Education Commissioner, with positive feedback in relation to how the Institute has handled its finances since the start of the pandemic, the cost reduction programme it has implemented and the current financial position and future forecasts.

Approved by the Governing Body on 7 December 2021 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 7 December 2021 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 2020-21 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.

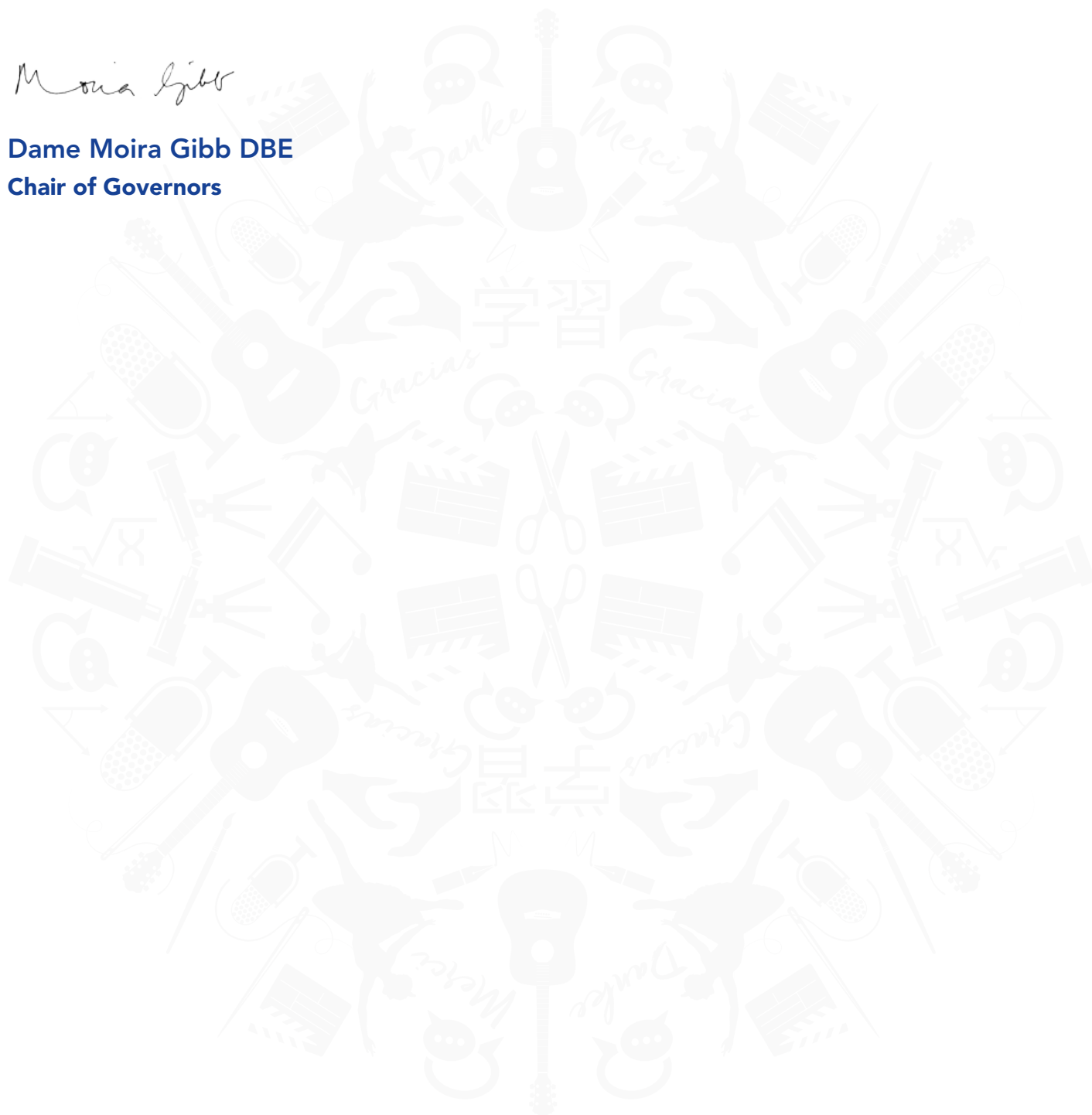
The Governing Body is responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Education and Skills Funding 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 7 December 2021 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 (the "Institute") for the year ended 31 July 2021 which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet, the statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Institute's affairs as at 31 July 2021 and of its deficit of income under expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to the information contained in the Governors report on pages 29 and 30 and to note 1, "going concern" on pages 44 and 45 in the financial statements, which indicates that material uncertainties exist related to going concern. Our opinion is not modified in respect of this matter.

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of the Governing Body

As explained more fully in the statement of responsibilities of the Governing Body, the Governing Body are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members of 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 members of 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 members of 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.

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

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

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Institute through discussions with management, and from our knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Institute, including the Further and Higher Education Act 1992, Companies Act 2006, funding agreements with the ESFA and associated funding rules, ESFA regulations, data protection legislation, anti-bribery, safeguarding, employment, health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

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

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.
- To address the risk of fraud through management bias and override of controls, we:
- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions; and
- assessed whether judgements and assumptions made in determining the accounting estimates set out in the accounting policies were indicative of potential bias;

- In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:
- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of the Governing Body meetings;
- enquiring of management as to actual and potential litigation and claims; and

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

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

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

Use of our report

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



Shachi Blakemore (Senior Statutory Auditor)

For and on behalf of Buzzacott LLP

Statutory Auditor

130 Wood Street

London

EC2V 6DL

Date: 15 December 2021

Reporting accountant's assurance report on regularity

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

In accordance with the terms of our engagement letter and further to the requirements of the financial memorandum with Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by The City Literary Institute during the period 1 August 2020 to 31 July 2021 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post 16 Audit Code of Practice ("the Code") issued by the Department. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Department has other assurance arrangements in place.

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

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

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2019 to 31 July 2021 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.

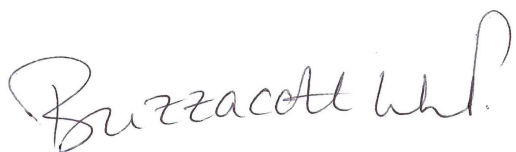
Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the Institute's income and expenditure.

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 2020 to 31 July 2021 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

Date: 15 December 2021

Statement of Comprehensive Income for the year ended 31 July 2021

| | Notes | 2020-2021 | | | 2019-2020 | | |
|--|--------|--------------------------------------|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------|-------------------------------------|
| | | Before actuarial pension adjustments | Actuarial pension adjustments (LGPS) | After actuarial pension adjustments | Before actuarial pension adjustments | Actuarial pension adjustments | After actuarial pension adjustments |
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| INCOME | | | | | | | |
| Funding body grants | 2 | 8,945 | - | 8,945 | 8,881 | - | 8,881 |
| Tuition fees and education contracts | 5 | 9,386 | - | 9,386 | 9,331 | - | 9,331 |
| Other income | 6 | 315 | - | 315 | 193 | - | 193 |
| Investment income | 7 | - | - | - | 4 | - | 4 |
| Donations | 3, 4 | 74 | - | 74 | 81 | - | 81 |
| Total income | | 18,720 | - | 18,720 | 18,490 | - | 18,490 |
| EXPENDITURE | | | | | | | |
| Staff costs | 8 | 14,426 | 1,506 | 15,932 | 14,611 | 1,092 | 15,703 |
| Fundamental restructuring costs | 8 | 317 | - | 317 | 89 | - | 89 |
| Other operating expenses | 10 | 3,882 | - | 3,882 | 4,487 | - | 4,487 |
| Depreciation & amortisation | 12, 13 | 1,157 | - | 1,157 | 1,062 | - | 1,062 |
| Interest and other finance costs | 11 | 14 | 264 | 278 | - | 243 | 243 |
| Total expenditure | | 19,796 | 1,770 | 21,566 | 20,249 | 1,335 | 21,584 |
| Deficit for the year | | (1,076) | (1,770) | (2,846) | (1,759) | (1,335) | (3,094) |
| Actuarial gain/(loss) in respect of pension schemes | 17 | 15 | (449) | (434) | - | (6,250) | (6,250) |
| Total comprehensive (expenditure)/income for the year | | (1,061) | (2,219) | (3,280) | (1,759) | (7,585) | (9,344) |
| Represented by: | | | | | | | |
| Unrestricted comprehensive (expenditure)/income | | (1,114) | (2,219) | (3,333) | (1,787) | (7,585) | (9,372) |
| Restricted comprehensive income | 22 | 53 | - | 53 | 28 | - | 28 |
| | | (1,061) | (2,219) | (3,280) | (1,759) | (7,585) | (9,344) |

Statement of Changes in Reserves

| | Income and Expenditure account | Revaluation reserve | Total |
|---|--------------------------------------|------------------------|----------------|
| | £'000 | £'000 | £'000 |
| Balance at 31st July 2019 | (831) | 1,000 | 169 |
| Deficit from the income and expenditure account | (3,094) | - | (3,094) |
| Other comprehensive expenditure | (6,250) | - | (6,250) |
| Total comprehensive expenditure for the year | (9,344) | - | (9,344) |
| Balance at 31st July 2020 | (10,175) | 1,000 | (9,175) |
| Deficit from the income and expenditure account | (2,846) | - | (2,846) |
| Other comprehensive expenditure | (434) | - | (434) |
| Total comprehensive expenditure for the year | (3,280) | - | (3,280) |
| Balance at 31st July 2021 | (13,455) | 1,000 | (12,455) |

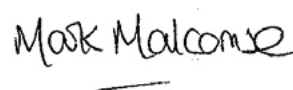
Balance Sheet as at 31 July 2021

| | Notes | 2021 £'000 | 2020 £'000 |
|--|--------|-----------------|----------------|
| Fixed assets | | | |
| Tangible fixed assets | 12 | 18,330 | 17,977 |
| Intangible fixed assets | 13 | 554 | 652 |
| | | 18,884 | 18,629 |
| Current assets | | | |
| Trade and other receivables | 14 | 778 | 1,052 |
| Cash and cash equivalents | 18 | - | 428 |
| | | 778 | 1,480 |
| Less: Creditors - amounts falling due within one year | 15 | (5,699) | (5,826) |
| Net current liabilities | | (4,921) | (4,346) |
| Total assets less current liabilities | | 13,963 | 14,283 |
| Less: Creditors - amounts falling due after more than one year | 16 | (5,058) | (4,297) |
| Provisions | | | |
| Defined benefit obligations | 17, 21 | (21,292) | (19,073) |
| Other provisions | 17 | (68) | (88) |
| Total net assets | | (12,455) | (9,175) |
| Funds | | | |
| Income and expenditure account | 21 | (13,556) | (10,223) |
| Revaluation reserve | 22 | 1,000 | 1,000 |
| Restricted Bursary Fund | 22 | 85 | 32 |
| Restricted funds | 22 | 16 | 16 |
| Total funds | | (12,455) | (9,175) |

The financial statements on pages 40 to 71 were approved and authorised for issue by the Institute on 7 December 2021 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 2021

| | Notes | 2020-21 £'000 | 2019-20 £'000 |
|--|-----------|------------------|------------------|
| Cash inflow from operating activities | | | |
| Deficit for the year | | (2,846) | (3,094) |
| Adjustment for non cash items | | | |
| Depreciation and amortisation | 12, 13 | 1,157 | 1,062 |
| Decrease/(Increase) in debtors | 14 | 274 | 311 |
| Increase/(Decrease) in creditors due within one year | 15 | (1,573) | 1,777 |
| (Decrease)/Increase in creditors due after one year | 16 | 760 | (106) |
| Increase in provisions | 17 | 1 | 2 |
| Pensions costs less contributions payable | | 1,765 | 1,357 |
| Adjustment for investing or financing activities | | | |
| Investment income | 7 | - | (4) |
| Net cash flow from operating activities | | (462) | 1,305 |
| Cash flows from investing activities | | | |
| Investment income | 7 | - | 4 |
| Payments made to acquire tangible fixed assets | 12 | (1,298) | (1,784) |
| Payments made to acquire intangible fixed assets | 13 | (114) | (168) |
| | | (1,412) | (1,948) |
| Decrease in cash and cash equivalents in the year | | (1,874) | (643) |
| Cash and cash equivalents at beginning of the year | 18 | 428 | 1,071 |
| Cash and cash equivalents at end of the year | 18 | (1,446) | 428 |

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 2020-21 and in accordance with Financial Reporting Standard 102 - "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The Institute is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

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

Going concern

The Institute incurred an operating deficit of £1.076m during the year (2019-20: deficit of £1.759m) against an original budgeted deficit of £1.934m. This is our second consecutive year reporting a significant deficit and is a result of the pandemic and consequent impact on tuition fees. Prior to the pandemic, the Institute reported an operating surplus for five consecutive years. The Institute has been successful in transitioning part of its provision online and embarked on a cost reduction programme during the year, resulting in the improvement on the budgeted deficit. This was despite closing for face-to-face teaching in Term 2, following the second national lockdown. This, together with the need to implement social distancing measures in classroom based learning by limiting student numbers, impacted overall student fee income generated in the year.

At 31 July 2021, the Institute had net current liabilities of £4.9m (2020: £4.3m) and an overdrawn balance of £1.4m (2020: cash balance of £0.4m). The year-end overdraft balance, which was also the peak balance during the year, was also significantly less than budgeted expectations. The Institute has an overall net liability balance of £12.5m (2020: net liability of £9.2m) at 31 July 2021. This included a net pension liability of £21.3m (2020: £19.2m) in regards to the Local Government Pension Scheme. Without the pension liability, the Institute would have net assets of £8.8m (2020: net assets of £9.9m). The pension liability has increased in the year and remains high because of the low discount factor and increase in inflation. However, the triennial valuation by the actuary as at 31 March 2019 confirmed that the scheme was fully funded.

A £5m overdraft facility with Barclays Bank (to help with working capital) was in place during the year. This facility has been extended to 30 June 2022, at a reduced level of £3.5m, reflecting the improvement in our cash flow projections. Given the continued economic uncertainty following the

Notes to the Financial Statements 1 (continued)

outbreak of the pandemic, 2021-22 is likely to be another challenging year financially and current forecasts predict a similar level of deficit to the current year. This is based on a number of key assumptions including:

- Certain level of tuition fees.
- Delivery of full adult education budget.
- Renewal of bank overdraft facility that provides the necessary cash flow support. Ongoing discussions with the bank are positive and they have given no indication that the facility will be withdrawn in June 2022 when it is up for referral.

There are inherently material uncertainties within the above assumptions. Whilst recognising these are as a result of the Covid pandemic, the Board considers that the use of the going concern basis of accounting is appropriate following assessment at its meeting in December 2021. The following factors provide the Board assurance that the Institute remains a going concern, albeit with recognition that there are material uncertainties:

- Funding body grants from both the ESFA and GLA have been confirmed for the year to 31 July 2022.
- The Institute owns the freehold of its main campus in Covent Garden. The net book value of freehold land and buildings in the financial statements at 31 July 2021 was £13.9m. However, their market value (last revalued in March 2019) was significantly higher at £67m.
- The Institute has been awarded significant amounts of additional capital grants following the lockdown from both the GLA and ESFA, supporting that the funders have confidence in the key role of the Institute and its long term viability.
- The Institute continues to run courses online generating income along side in person classes. Performance in Term 1 has been encouraging and, whilst down from pre-pandemic levels, indicates that there is still demand from our students for courses.
- Cash flows are reviewed and reforecast on a regular basis and based on key assumptions outlined above, indicate that whilst working capital management will need ongoing careful planning and monitoring given the challenging climate, we will aim to remain within the overdraft facility from 12 months from the date the Board signs the financial statements.
- We are in continued dialogue with the Education & Skills Funding Agency and GLA, and will seek emergency funding in the event that cash flows are not in line with projections;
- The Governing Body will continue to take steps to ensure that the Institute's income and expenditure are brought back to balance.
- During the year the Institute had two visits from the Further Education Commissioner, with positive feedback in relation to how the Institute has handled its finances since the start of the pandemic, the cost reduction programme it has implemented and the current financial position and future forecasts.

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, benefit changes, settlements and curtailments.

Notes to the Financial Statements 1 (continued)

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, 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.

Notes to the Financial Statements 1 (continued)

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.

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1 August 2014 are spread over the minimum lease term where material.

Cash and cash equivalents

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

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.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether there are indicators of impairment of the tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty:

- **Tangible fixed assets**

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

- **Local Government Pension Scheme**

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore a roll forward approach, which projects results from the latest full actuarial valuation performed at 31 March 2019, has been used by the actuary in valuing the pensions liability at 31 July 2021. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

- **Impact of Covid-19**

Management have estimated the impact of the ongoing Covid-19 pandemic on the Institute's finances for the purpose of preparing budgets and cash flow forecasts for the years ended 31 July 2022 and 2023. These have been used to assist in the assessment of Institute's going concern. Confirmed income from funding and expenditure have been included where known and estimates have been used for student fees and related costs based on certain assumptions. In addition to the above, the full impact of the global coronavirus pandemic is still unknown. It is therefore not currently possible to evaluate all the potential implications for the Institute's activities, beneficiaries, funders, suppliers and the wider economy.

Fund accounting

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

Notes to the Financial Statements 2, 3 & 4

2. Funding Body grants

| | 2020-21 | 2019-20 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Recurrent grants | | |
| Education & Skills Funding Agency | 8,023 | 8,185 |
| Specific Grants | | |
| Release of Government capital grants | 410 | 256 |
| Teachers Pension Scheme contribution grant | 512 | 440 |
| Total | 8,945 | 8,881 |

3. Appeal fund donations

| | 2020-21 | 2019-20 |
|----------------------------------|----------|----------|
| | £'000 | £'000 |
| Release of appeal fund donations | 2 | 2 |
| Total | 2 | 2 |

4. Other donations

| | 2020-21 | 2019-20 |
|----------------------------|-----------|-----------|
| | £'000 | £'000 |
| Bursary donations received | 72 | 47 |
| Legacies | - | 10 |
| General Donations | - | 22 |
| Total | 72 | 79 |

Notes to the Financial Statements 5, 6 & 7

5. Tuition fees and education contracts

| | 2020-21 | 2019-20 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Gross tuition fees | 7,183 | 7,879 |
| Less: bursaries | (19) | (19) |
| Fees for FE loan supported courses | 239 | 179 |
| Total tuition fees | 7,403 | 8,039 |
| Centre for deaf contracts | 272 | 332 |
| Community outreach | 389 | 351 |
| Other grants and contracts | 56 | 44 |
| Coronavirus Job Retention Scheme grant | 1,266 | 565 |
| Total education contracts | 1,983 | 1,292 |
| Total | 9,386 | 9,331 |

The Institute continued to place staff who were not able to perform their duties on furlough under the government's Coronavirus Job Retention Scheme. The £1,266,000 funding received relates to staff costs which are included within the staff costs disclosed in note 8.

6. Other income

| | 2020-21 | 2019-20 |
|---------------------------|------------|------------|
| | £'000 | £'000 |
| Sales relating to courses | 6 | 9 |
| Consultancy | 24 | 30 |
| Other income | 285 | 154 |
| Total | 315 | 193 |

7. Investment income

| | 2020-21 | 2019-20 |
|-----------------------|----------|----------|
| | £'000 | £'000 |
| Bank deposit Interest | - | 4 |
| Total | - | 4 |

Notes to the Financial Statements 8

8. Staff costs

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

| | 2020-21 | 2019-20 |
|--------------------|------------|------------|
| | No. | No. |
| Teaching staff | 679 | 630 |
| Non teaching staff | 69 | 79 |
| Total Staff | 748 | 709 |

| Staff costs for the above persons, analysed by department | 2020-21 | 2019-20 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Teaching departments | 9,623 | 9,812 |
| Administration and central services | 4,753 | 4,671 |
| Agency staff | 50 | 128 |
| Actuarial pension adjustment | 1,506 | 1,092 |
| Total staff costs | 15,932 | 15,703 |

| | | |
|---------------------|-----|----|
| Restructuring costs | 317 | 89 |
|---------------------|-----|----|

| Staff costs, analysed by cost type | 2020-21 | 2019-20 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Salaries | 11,388 | 11,547 |
| Social security costs | 913 | 906 |
| Other pension costs (excluding FRS 102 charge) | 2,075 | 2,030 |
| Agency staff | 50 | 128 |
| Actuarial pension adjustment | 1,506 | 1,092 |
| Total staff costs | 15,932 | 15,703 |

| | | |
|---------------------|-----|----|
| Restructuring costs | 317 | 89 |
|---------------------|-----|----|

| Staff costs, analysed by type of contract | 2020-21 | 2019-20 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Employment costs for staff on permanent contracts | 8,310 | 8,919 |
| Employment costs for staff on short term and temporary contracts | 6,066 | 5,564 |
| Agency staff | 50 | 128 |
| Actuarial pension adjustment | 1,506 | 1,092 |
| Total staff costs | 15,932 | 15,703 |

| | | |
|---------------------|-----|----|
| Restructuring costs | 317 | 89 |
|---------------------|-----|----|

Notes to the Financial Statements 8 (continued)

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

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

The Clerk to the Governors is also included within key management personnel. Staff costs include compensation paid to key management personnel for loss of office.

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

| | 2020-21 | 2019-20 |
|--|---------|---------|
| | No. | No. |

The number of key management personnel at the end of the year was:

6

7

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 | |
|----------------------|--------------------------|---------|---------|---------|
| | 2020-21 | 2019-20 | 2020-21 | 2019-20 |
| | No. | No. | No. | No. |
| £35,001 to £40,000 | - | - | - | - |
| £40,001 to £45,000 | 1 | 1 | - | - |
| £60,001 to £65,000 | - | - | 5 | 5 |
| £65,001 to £70,000* | 1 | 2 | - | 3 |
| £70,001 to £75,000 | - | - | 1 | 1 |
| £90,001 to £95,000 | 4 | 4 | - | - |
| £125,001 to £130,000 | 1 | - | - | - |
| £130,001 to £135,000 | - | 1 | - | - |
| | 7** | 8** | 6 | 9** |

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

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

Including part time workers grossed up to full time equivalent and staff maternity paternity or sickness leave at their usual rate of pay. 1 member of other staff was paid in the £60,000 to £65,000 banding in 2020-21 (2019-2020: None).

Notes to the Financial Statements 8 (continued)

Total key management personnel emoluments are detailed below.

Key management personnel emoluments are made up as follows:

| | 2020-21 | 2019-20 |
|--|------------|------------|
| | £'000 | £'000 |
| Salaries | 606 | 682 |
| Employers National Insurance contributions | 72 | 83 |
| Pension contributions | 83 | 98 |
| Total emoluments | 761 | 863 |

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:

| | 2020-21 | 2019-20 |
|--|------------|------------|
| | £'000 | £'000 |
| Salaries | 129 | 132 |
| Employers National Insurance contributions | 16 | 17 |
| Pension contributions | 16 | 16 |
| Total emoluments | 161 | 165 |

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

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

Accounting Officer pay and remuneration expressed as a multiple:

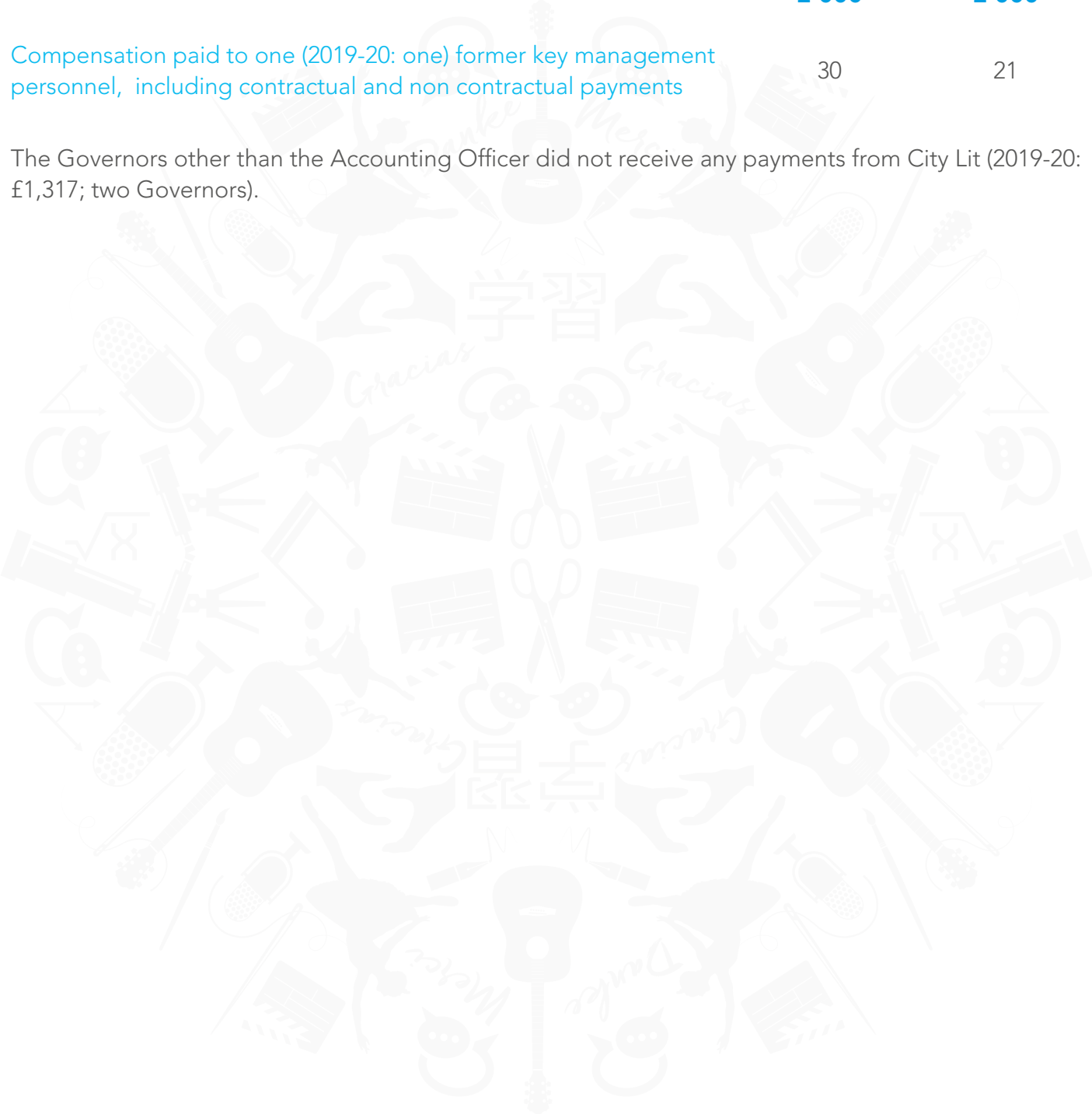
| | 2020-21 | 2019-20 |
|--|---------|---------|
| Accounting Officer's basic salary as a multiple of the median of all staff | 2.4 | 2.4 |
| Accounting Officer's total remuneration as a multiple of the median of all staff | 2.4 | 2.4 |

Notes to the Financial Statements 8 (continued)

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

| | 2020-21 | 2019-20 |
|---|---------|---------|
| | £'000 | £'000 |
| Compensation paid to one (2019-20: one) former key management personnel, including contractual and non contractual payments | 30 | 21 |

The Governors other than the Accounting Officer did not receive any payments from City Lit (2019-20: £1,317; two Governors).



Notes to the Financial Statements 9 & 10

9. Taxation

City Lit is a charity with no additional trading activities. The Governing Body do not believe that any corporation tax liability was incurred in 2020-21 (2019-20: £nil).

10. Other operating expenses

| | 2020-21 | 2019-20 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Teaching purchases | 182 | 268 |
| Exam fees | 72 | 96 |
| Teaching departments | 254 | 364 |
| Learner services | 70 | 50 |
| Teaching and other support services | 70 | 50 |
| Administration purchases | 744 | 1,238 |
| Contracted out IT support | 442 | 445 |
| Administration and central services | 1,186 | 1,683 |
| Marketing expenditure | 636 | 543 |
| Premises running costs | 1,363 | 1,357 |
| Maintenance | 38 | 202 |
| Rent | 335 | 288 |
| Premises | 1,736 | 1,847 |
| Total operating expenses | 3,882 | 4,487 |

Notes to the Financial Statements 10 (continued) & 11

| | 2020-21 | 2019-20 |
|--|-----------|-----------|
| | £'000 | £'000 |
| Total operating expenses includes the following: | | |
| Auditor's remuneration | | |
| Financial statements and regularity audit | 26 | 24 |
| Internal audit charge for the year | 23 | 15 |
| Other services provided by external auditors | - | 3 |
| | 49 | 42 |
| Operating leases | | |
| Office Equipment | 28 | 30 |
| Loss on disposal of fixed assets | - | 43 |

11. Interest payable

| | 2020-21 | 2019-20 |
|--|------------|------------|
| | £'000 | £'000 |
| Interest Payable on overdraft | 13 | - |
| Pension finance costs (note 21) | 264 | 241 |
| Enhanced Pension finance costs (note 21) | 1 | 2 |
| Total interest payable | 278 | 243 |

Notes to the Financial Statements 12

12. Tangible fixed assets

| | Freehold Land and Buildings | Building Refurbishment | Equipment | Total |
|---------------------------------------|--------------------------------|---------------------------|--------------|---------------|
| | £'000 | £'000 | £'000 | £'000 |
| Cost or valuation | | | | |
| At 1 August 2020 | 19,903 | 3,554 | 2,347 | 25,804 |
| Additions | - | 700 | 598 | 1,298 |
| Disposals | - | - | - | - |
| At 31 July 2021 | 19,903 | 4,254 | 2,945 | 27,102 |
| Depreciation | | | | |
| At 1 August 2020 | 5,665 | 674 | 1,488 | 7,827 |
| Charge for the year | 378 | 259 | 308 | 945 |
| Elimination in respect of disposals | - | - | - | - |
| At 31 July 2021 | 6,043 | 933 | 1,796 | 8,772 |
| Net book value at 31 July 2021 | 13,860 | 3,321 | 1,149 | 18,330 |
| Net book value at 31 July 2020 | 14,238 | 2,880 | 859 | 17,977 |

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 2021, building and equipment, with a net book value of £4m and £1.8m have been financed by the ESFA and the GLA respectively. Should these assets be sold, the Institute may be required, under the terms of the funding agreement, to surrender the proceeds.

Notes to the Financial Statements 13 & 14

13. Intangible fixed assets

Software Licences & Information Technology Development

£'000

Cost or valuation

| | |
|------------------|-------|
| At 1 August 2020 | 1,118 |
| Additions | 114 |
| Disposals | (66) |

| | |
|-----------------|-------|
| At 31 July 2021 | 1,166 |
|-----------------|-------|

Amortisation

| | |
|-------------------------------------|------|
| At 1 August 2020 | 466 |
| Charge for the year | 212 |
| Elimination in respect of disposals | (66) |

| | |
|-----------------|-----|
| At 31 July 2021 | 612 |
|-----------------|-----|

| | |
|--------------------------------|-----|
| Net book value at 31 July 2021 | 554 |
|--------------------------------|-----|

| | |
|--------------------------------|-----|
| Net book value at 31 July 2020 | 652 |
|--------------------------------|-----|

14. Trade and other receivables

31 July 2021

31 July 2020

£'000

£'000

| | | |
|------------------------------------|-----|-----|
| Trade receivables | 323 | 613 |
| Other receivables | 1 | 8 |
| Prepayments and accrued fee income | 454 | 431 |

| | | |
|---------------|-----|-------|
| Total Debtors | 778 | 1,052 |
|---------------|-----|-------|

Notes to the Financial Statements 15 & 16

15. Creditors: amounts falling due within one year

| | 31 July 2021 | 31 July 2020 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Bank overdraft | 1,446 | - |
| Trade payables | 187 | 368 |
| Other taxation and social security | 267 | 1,216 |
| Accruals and deferred income | 2,034 | 2,137 |
| Deferred income - Government capital grants | 441 | 282 |
| Deferred income - Government revenue grants | 376 | 207 |
| Other creditors | 948 | 1,616 |
| Total | 5,699 | 5,826 |

16. Creditors: amounts falling due after one year

| | 31 July 2021 | 31 July 2020 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Deferred income - Government capital grants | 5,057 | 4,297 |
| Total | 5,057 | 4,297 |

Notes to the Financial Statements 17 & 18

17. Provisions

| | Defined benefit obligations | Enhanced pensions | Total |
|---|-----------------------------|-------------------|---------------|
| | £'000 | £'000 | £'000 |
| At 1 August 2020 | 19,073 | 88 | 19,161 |
| Expenditure in the period | (487) | (6) | (493) |
| Charged to the income and expenditure account | 2,257 | 1 | 2,258 |
| Actuarial loss/(gain) | 449 | (15) | 434 |
| At 31 July 2021 | 21,292 | 68 | 21,360 |

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

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

The principal assumptions for this calculation are:

| | 2020-21 | 2019-20 |
|-----------------|---------|---------|
| Price inflation | 2.60% | 2.20% |
| Discount rate | 1.60% | 1.30% |

18. Cash and cash equivalents

| | At 1 August 2020 | Cash flows | At 31 July 2021 |
|--------------------|------------------|----------------|-----------------|
| | £'000 | £'000 | £'000 |
| Cash in bank | 428 | (428) | - |
| Overdraft facility | - | (1,446) | (1,446) |
| Total | 428 | (1,874) | (1,446) |

During the year, our overdraft facility was reduced from £5m to £3.5m. Ongoing discussions with the bank are positive and they have given no indication that the facility will be withdrawn in June 2022 when it is up for renewal. Interest is being charged at 2.35% (2.25% plus Bank of England Rate). The overdraft will be converted to a long term loan once we return to profitability.

Notes to the Financial Statements 19 & 20

19. Capital commitments

| | 31 July 2021 | 31 July 2020 |
|---------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Commitments contracted for at 31 July | 496 | 139 |

20. Lease Obligations

At 31 July 2021 the Institute had minimum lease payments under non-cancellable operating leases as follows:

| | 31 July 2021 | 31 July 2020 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Future minimum lease payments due | | |
| Land and buildings | | |
| Not later than one year | 224 | 343 |
| Later than one year and not later than five years | 840 | 1,014 |
| Later than five years | 584 | 753 |
| | 1,648 | 2,111 |
| Other | | |
| Not later than one year | 23 | 27 |
| | 23 | 27 |
| Total lease payments payable | 1,671 | 2,137 |

Notes to the Financial Statements 21

21. Defined benefit obligations

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

| Pension cost for the year | 2020-21 | 2019-20 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Teachers Pension Scheme | | |
| Contributions paid (included within the general reserve) | 1,562 | 1,473 |
| Local Government Pension Scheme | | |
| Pension costs | 2,257 | 1,900 |
| Contributions paid | (487) | (567) |
| Total allocated to the pension reserve | 1,770 | 1,333 |
| Enhanced Pension | | |
| Pension costs (allocated to the general reserve) | 1 | 2 |
| Total pension costs | 1,771 | 1,335 |
| Total actuarial loss | 434 | 6,250 |

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

Contributions amounting to £295,015 (2020: £803,270) payable to the schemes as at 31 July 2021 are included in creditors.

Teachers' Pension Scheme

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

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

Notes to the Financial Statements 21 (continued)

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

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

Valuation of the Teachers' Pension Scheme

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

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

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

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2020 onwards (compared to 16.48% during 2019/20). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2020-21 academic year.

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

The pension costs paid to TPS in the year amounted to £1,562,000 (2019-20: £1,473,000).

Notes to the Financial Statements 21 (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 2021 was £764,000 (2019-20: £871,000), of which employer's contributions totalled £487,000 (2019-20: £567,000) and employees' contributions totalled £277,000 (2019-20: £304,000). The agreed contribution rates for future years are 12.9% for employers and range from 5.5% to 12.5% for employees, depending on salary.

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2021 by a qualified independent actuary.

| | At 31 July 2021 | At 31 July 2020 |
|--------------------------------------|-----------------|-----------------|
| Rate of increase in salaries | 2.80% | 2.20% |
| Future pensions increases | 2.80% | 2.20% |
| Discount rate for scheme liabilities | 1.60% | 1.40% |
| Inflation assumption (CPI) | 2.80% | 2.20% |
| Commutation of pensions to lump sums | 50% | 50% |

The mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI_2020, which was released in March 2021. The new CMI_2020 Model introduces a "2020 weight parameter" for the mortality data in 2020, so that the exceptional mortality experienced due to the coronavirus pandemic can be incorporated without having a disproportionate impact on results. The effect on the assumed life expectancies is demonstrated in the table below. The assumed life expectations from age 65, weighted by liability, are:

| | At 31 July 2021 | At 31 July 2021 | At 31 July 2020 |
|-----------------------------|----------------------------------|-----------------------------------|-----------------|
| | Years (after CMI_2020 update) | Years (before CMI_2020 update) | Years |
| Retiring today | | | |
| Males | 21.80 | 22.10 | 22.00 |
| Females | 24.20 | 24.40 | 24.30 |
| Retiring in 20 years | | | |
| Males | 23.40 | 23.80 | 23.70 |
| Females | 25.80 | 25.90 | 25.90 |

Notes to the Financial Statements 21 (continued)

Sensitivity analysis

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

| Change in discount rate | +0.1% | 0.0% | -0.1% |
|--|---------|--------|---------|
| Present value of defined benefit obligation (£'000) | 41,357 | 42,374 | 43,417 |
| Projected service cost (£,000) | 2,150 | 2,234 | 2,321 |
| Change in long term salary increase | +0.1% | 0.0% | -0.1% |
| Present value of defined benefit obligation (£'000) | 42,420 | 42,374 | 42,328 |
| Projected service cost (£,000) | 2,235 | 2,234 | 2,232 |
| Change to pension increases and deferred revaluation | +0.1% | 0.0% | -0.1% |
| Present value of defined benefit obligation (£'000) | 43,357 | 42,374 | 41,414 |
| Projected service cost (£,000) | 2,320 | 2,234 | 2,151 |
| Change in life expectancy assumptions | +1 year | None | -1 year |
| Present value of defined benefit obligation (£'000) | 44,244 | 42,374 | 40,585 |
| Projected service cost (£,000) | 2,335 | 2,234 | 2,136 |

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

| | Share of assets 31 July 2021 | Fair Value at 31 July 2021 £'000 | Share of assets 31 July 2020 | Fair Value at 31 July 2020 £'000 |
|-------------------------------------|---------------------------------|--|---------------------------------|--|
| Equities | 56% | 11,906 | 55% | 10,336 |
| Target return portfolio | 22% | 4,644 | 23% | 4,282 |
| Infrastructure | 9% | 1,903 | 7% | 1,301 |
| Property | 9% | 1,792 | 9% | 1,745 |
| Cash | 4% | 837 | 6% | 1,156 |
| Total market value of assets | 100% | 21,082 | 100% | 18,820 |

| | Long-term rate of return expected at 31 July 2021 | Fair Value at 31 July 2021 (£'000) | Long-term rate of return expected at 31 July 2020 | Fair Value at 31 July 2020 (£'000) |
|--|--|--|--|--|
| Total market value of assets | | 21,082 | | 18,820 |
| Weighted average expected long term rate of return | 1.60% | | 1.40% | |
| Actual return on plan assets | | 2,212 | | 946 |

Notes to the Financial Statements 21 (continued)

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

| | 31 July 2021 | 31 July 2020 |
|-----------------------------------|-----------------|-----------------|
| | £'000 | £'000 |
| Fair value of plan assets | 21,082 | 18,820 |
| Present value of plan liabilities | (42,374) | (37,893) |
| Net pensions liability | (21,292) | (19,073) |

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

| | 31 July 2021 | 31 July 2020 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Amounts included in staff and investment costs | | |
| Service cost | 1,969 | 1,636 |
| Net interest on the defined liability | 264 | 241 |
| Administration expenses | 24 | 23 |
| Total | 2,257 | 1,900 |

Amounts recognised in other comprehensive income

| | | |
|---|--------------|----------------|
| Return on pension plan assets | 1,948 | 563 |
| Other actuarial loss on assets | - | (138) |
| Changes in assumptions underlying the present value of plan liabilities | (3,642) | (5,271) |
| Changes in demographic assumptions | 462 | (145) |
| Experience loss on defined benefit obligation | 783 | (1,252) |
| Amount recognised in Other Comprehensive Income | (449) | (6,243) |

Movement in net defined benefit liability during the year

| | 31 July 2021 | 31 July 2020 |
|---|-----------------|-----------------|
| | £'000 | £'000 |
| Deficit in scheme at 1 August | (19,073) | (11,497) |
| Movement in year: | | |
| Current service cost | (1,969) | (1,636) |
| Employer contributions | 487 | 567 |
| Net interest on the defined liability | (264) | (241) |
| Administration expenses | (24) | (23) |
| Actuarial loss | (449) | (6,243) |
| Net defined pension liability at 31 July | (21,292) | (19,073) |

Notes to the Financial Statements 21 (continued)

Asset and liability reconciliation

| | 31 July 2021 | 31 July 2020 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Changes in the present value of defined benefit obligations | | |
| Defined benefit obligations at start of period | 37,893 | 29,065 |
| Current service cost | 1,969 | 1,636 |
| Interest cost | 528 | 624 |
| Contributions by scheme participants | 277 | 304 |
| Experience loss on defined benefit obligations | (783) | 1,252 |
| Change in financial assumptions | 3,642 | 5,271 |
| Change in demographic assumptions | (462) | 145 |
| Estimated benefits paid | (690) | (404) |
| Defined benefit obligations at end of the period | 42,374 | 37,893 |
| Reconciliation of assets | | |
| Fair value of plan assets at start of period | 18,820 | 17,568 |
| Interest on plan assets | 264 | 383 |
| Return on plan assets | 1,948 | 563 |
| Administration expenses | (24) | (23) |
| Employer contributions | 487 | 567 |
| Contributions by scheme participants | 277 | 304 |
| Estimated benefits paid | (690) | (404) |
| Other actuarial loss | - | (138) |
| Assets at end of period | 21,082 | 18,820 |

Notes to the Financial Statements 22

22. Reserves

| | Notes | General Reserve | Pension Reserve | Revaluation Reserve | Restricted Bursary Fund | Restricted Funds | Total |
|--|-------|-----------------|-----------------|---------------------|-------------------------|------------------|-----------------|
| Reserves as at 31 July 2020 | | 8,850 | (19,073) | 1,000 | 32 | 16 | (9,175) |
| Deficit for the year | | (1,076) | - | - | - | - | (1,076) |
| Net FRS 102 pension charge | 21 | - | (1,770) | - | - | - | (1,770) |
| Actuarial (loss) in respect of pension scheme | 17 | - | (449) | - | - | - | (449) |
| Actuarial gain in respect of enhanced pension | 17 | 15 | - | - | - | - | 15 |
| Bursary donations received - transfer to restricted fund | 4 | (72) | - | - | 72 | - | - |
| Bursary resources expended - transfer from restricted fund | 5 | 19 | - | - | (19) | - | - |
| Reserves as at 31 July 2021 | | 7,736 | (21,292) | 1,000 | 85 | 16 | (12,455) |

The pension reserve represents the liability under FRS102 for the Local Government Pension Scheme.

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.

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

Notes to the Financial Statements 23

23. Related party transactions

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

No expenses were paid to or on behalf of the Governors during the year (2019-20: £1,317; two Governors). In 2019-20 this represented 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 (2019-20: None).

