



---

# The City Literary Institute

## Report & Financial Statements

### 2019

---

# Contents

Message from the Chair of Governors .....	<b>3</b>
Key Highlights and Achievements 2018/19 .....	<b>4</b>
Introduction from CEO and Principal .....	<b>5</b>
About City Lit .....	<b>11</b>
Operating and Financial Review (including the Strategic Report).....	<b>14</b>
Disclosure of Information to Auditors .....	<b>21</b>
Statement of Corporate Governance and Internal Control .....	<b>22</b>
Governing Body's Statement .....	<b>29</b>
Statement of Responsibilities of City Lit's Governing Body .....	<b>30</b>
Independent Auditor's Report to the members of the City Literary Institute .....	<b>32</b>
Reporting Accountant's Assurance report .....	<b>35</b>
Financial Statements for the Year Ended 31 July 2019 .....	<b>37</b>
Notes to the Financial Statements .....	<b>41</b>

# Message from The Chair of Governors

## Moira Gibb



This centenary year has provided some outstanding opportunities for celebration as well as reminding us of City Lit's deep roots and the hard work of those who went before us. This 100 year milestone underlines not just our responsibilities to our present students but our responsibilities to the City Lit of the future and its students too.

City Lit prides itself not just on the amazingly wide range of high-quality educational opportunities it offers but also on creating opportunities for people to come together to enrich their lives through learning, forming communities and making friends from across this great metropolis. Such opportunities seem particularly important at times of uncertainty and social disquiet.

The Institute brings together people from all backgrounds and abilities. We provide excellent learning opportunities, coupled with unrivalled support for those with additional needs or those undergoing career or life transitions.

This academic year has seen an increase in our student numbers and continuing impressively high satisfaction rates from our learners. But we cannot stand still. Continuing to be relevant requires us to challenge ourselves about quality and to adapt and develop in response to today's and tomorrow's students' needs and wants. We have made ambitious plans for City Lit's future - not least by changing and expanding our physical environment.

We are fortunate to have the support of many outside the Institute who recognise the value of the work we do, and we are particularly grateful to those supporters who become Fellows of the Institute. They take our message to a wider audience and enable us to enrich more lives.

This year we were especially delighted to award Her Royal Highness, The Princess Royal with the City Lit Centenary Fellowship in recognition of her long standing advocacy for lifelong learning. When collecting her award, The Princess Royal commented "If education can be defined as 'training for life', then lifelong learning and its ability to unlock potential throughout people's lives should be accepted as part of life". We couldn't agree more.

We continue to work in partnership with other institutions where possible and are proud in particular of the alliances made to support our flagship annual Mental Wealth Festival, with leading charities and organisations contributing to the events, debates and workshops throughout the week.

Our Centenary year has been an opportunity to celebrate the great work that goes on, year in year out. We look forward to continuing to inspire more people to learn about us and pledge support; engage existing and new students in our courses; and inform policy makers and influencers about the importance of adult education now and for the future.

A handwritten signature in black ink that reads "Moira Gibb".

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

# Key Highlights & Achievements 2018/19

## Term 1

- We commenced our Centenary year with the launch of our new state of the art Digital Lab on the 4th floor.
- Externally we launched a new brand and logo, reflecting our ambitions to remain a hub for all Londoners and giving us a fresh look to mark our second century. Internally, we launched the City Lit Values for all staff and tutors – ambitious, imaginative and open-hearted.
- The #HearMyLips campaign was launched at Parliament, receiving cross-party support. It aims to raise awareness of how widespread hearing loss is and to promote the use of lipreading. Our goal is to train more teachers to teach lipreading nationwide.
- The Mental Wealth Festival 2018 was an incredible success. The two-day festival featured events at City Lit, the National Gallery and the Houses of Parliament and featured artist Grayson Perry CBE, Geoff McDonald and Chris Underhill MBE.
- City Lit's Percussion Orchestra together with the Royal Academy of Music's Open Academy performed their original composition 'Music is a Place' at the Royal Academy of Music.

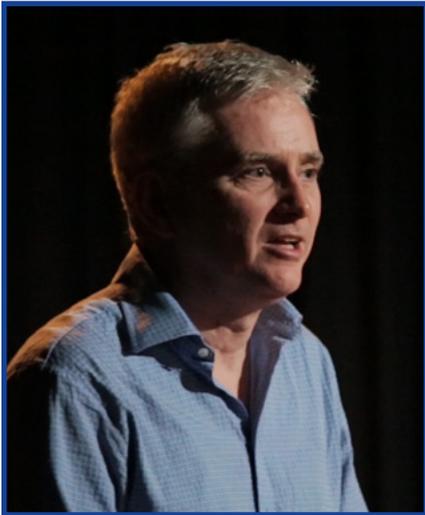
## Term 2

- HRH The Princess Royal received The City Lit Centenary Fellowship in recognition of her commitment to adult education and presented our City Lit Centenary Awards
- We attended the annual FE TES Awards ceremony, where Russell Aldersson was nominated for 'Teacher of the Year' award.
- We were awarded the Festival of Learning President's Award 2019 for our outstanding contribution to adult learning. Fiona Pickett was awarded the Tutor Award which recognises inspirational tutors. Students Sylvia Rowbottom and Dace Miksite were given honourable mentions as Award Finalists.

## Term 3

- By the end of Term 3 we had delivered over 5,700 courses for our students. Our student numbers grew yet again, with over 63,000 enrolments during the year.
- We continued to put the student at the heart of everything we do – expanding our student services provision and creating a one-stop shop for all student services on the Mezzanine level.
- We launched two new events series – City Lit Perspectives and The Ambassadors Series; showcasing local and international thought leaders on a variety of stimulating subjects.
- We continued to build strong relationships with key partners including The British Museum and The National Gallery and leading organisations including Metro Bank, Bupa and Transport for London.

## Introduction from CEO and Principal



To celebrate a centenary is a massive achievement, and I'm incredibly proud to lead this unparalleled institution at the start of our next 100 years. I'm sure it could be said within any era of the last 100 years, but it seems that City Lit is needed in London now more than ever. As the leading adult education institute in Britain - the largest in Europe - we provide an unparalleled number of high quality courses and an outstanding learning experience.

We endeavour to enrich lives of all of those who interact with us. Throughout our 100-year history we have embraced the diversity of London, welcoming everyone, whatever their background or ambition, to learn as equals and being better for it.

### A unique history

Launching our Centenary in Parliament in November 2018, a hundred years after the Armistice, with over two hundred guests and being addressed by the Secretary of State for Education, we paid tribute to part of our original purpose. At its inception The City Literary Institute, to give us our full name, supported those returning from the Great War. Some of our first classes were lip-reading for former soldiers who had suffered hearing loss on the battlefields. However, acquired hearing loss is not a problem consigned to the past. In fact, by 2030, 1 in 6 adults will be living with acquired hearing loss, which is why our Hear My Lips campaign, launched in our centenary year, is so important to us. Although undiagnosed at the time, countless men would have also been suffering with what is now known as PTSD and it's our hope that the little community established all those years ago may have been some comfort to them as they processed what they had seen and adapted to life back home. It's this community, established 100 years ago and evolving ever since, which makes City Lit so special.

### For all Londoners

City Lit is very special for those who are part of our community and we want as many Londoners as possible to have the opportunity to share the experience of learning with us. We know that there are some groups and communities who we are not reaching at the moment and this year we are working hard to change this. We want to meet the educational needs of adults in London and ensure we include disadvantaged and disenfranchised communities. City Lit is much more than a college, we are a charity and our social impact resonates across London and beyond. We are committed to social inclusion and mobility and our bursary scheme ensures Londoners, irrespective of circumstances, can access our provision.

Each year, over 1,000 students receive help with course fees, materials, and assistance with travel and family

**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.

care. But we can always do more. Over the next year we will be re-doubling our efforts to acquire new sources of funding to increase our impact and ensure we are supporting as many people as possible. The diversity of our student body makes us an even stronger Institute, truly reflecting London and the society we live in. Delivering lifelong learning is our true passion and wherever you are in your journey, we can offer something for you.

### **A bright future for lifelong learning**

With approaching devolution and the Mayor of London taking over responsibility for the Adult Education Budget in London, we have continued to work hard with the Mayor and his team at City Hall to ensure there is clear understanding of the vital role that City Lit and lifelong learning plays for London. I am really pleased that this has enabled us to actively contribute to the development of the new Skills for London Strategy.

We have invested the significant funding received from the Mayor of London's Skills for London Capital Investment Fund into new facilities at the Institute. The award of £663k saw us deliver a new state-of-the-art Design and Digital Hub this year and for the anniversary of our opening in September 2019, we had a new gallery and transformed reception space, providing a unique West End showcase for our learners' work. Investment of this level is a huge vote of confidence in City Lit and will help improve critical skills and employability for London's future economic success; particularly vital for sustaining London's pre-eminent position as the leading centre for the creative industries.

The present team at City Lit are very conscious of the heritage of this great institution and the part it has played in so many lives over the last century. It is our wish to deliver it to our successors as a beacon of enlightenment and community, enabling countless more people to benefit from the work we do in the coming years.



Mark Malcomson

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

Ilyaas



2019 City Lit  
Centenary Award  
Winner

“

*City Lit is important; it's well known around the world in the sign language community. It's really open and the potential to find a job in the future is amazing.*

Ilyaas Cader, City Lit deaf student

”

Ilyaas Cader came to Britain as a refugee from war in Sri Lanka following a painful and frightening journey on foot. He studied English, Maths and British Sign Language and is now a Senior Deaf Children's Mental Health Worker in the NHS.

## Frank



2019 City Lit  
Centenary Award  
Winner

“

*City Lit opened the doors to society and welcomed me in. It made me feel included, and prepared me for when I left to build an honest, working future. That was great for my self-confidence and my self-esteem.*

Frank Harris, City Lit student

”

Frank Harris transformed his life through his learning at City Lit. He came to City Lit as part of the 'Move Project', helping learners with a history of homelessness gain stability and skills for employment. Frank was also honoured as a Learning and Work Institute National Adult Learning Ambassador, an award that he received from Her Royal Highness in a ceremony at Buckingham Palace.

**Fiona**

**City Lit Centenary Award  
Winner & 2019 Festival  
of Learning Tutor Award  
Winner**

“

*My teaching is influenced by my own hearing loss and students know straight away that I get it. It's rewarding to see students blossom from their first nervous attendance to becoming confident and assertive.*

Fiona Pickett, City Lit lipreading tutor

”

Fiona Pickett was a trained secondary teacher but losing her hearing meant she couldn't return to a standard classroom. After starting lipreading classes she rekindled her passion for teaching. Fiona has gone on to master the skill, and to help others do the same as an advanced lipreading tutor at City Lit. Fiona Pickett was chosen from more than 200 nominations to win the 2019 Festival of Learning Tutor Award.

## James & Victoria



2019 City Lit  
Centenary Award  
Winners

“

*City Lit has kind of opened up our worlds really, it's made our life much more interesting together. It's expanding my world as well as James's. It's quite a brilliant little thing we've found here.*

Victoria Hicks, City Lit art student

”

Victoria has been coming to City Lit for ten years now, she studied acting and visual arts courses and is James's mother. James's biggest passion in life is music. He is the drummer in the City Lit Percussion Orchestra. They both wanted to be able pursue their own creative interests, and City Lit has provided them with the ability and peace of mind to follow their own pursuits separately, while studying in the same building.

## 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 5,700 courses to over 32,000 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 2019, City Lit did not receive any complaints about its fundraising activities.

## Public Benefit

City Lit is a registered charity (charity number 803007). The members of the Governing Body, who are trustees of the charity, are listed on pages 22 and 23. In setting and reviewing City Lit's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit. In delivering its mission, City Lit provides the following identifiable public benefits through the advancement of adult education: Quality teaching and course offering, inclusive approach to student enrolment, tackling social exclusion and encouraging social participation, providing solutions to education inequality and delivering robust student support programmes.

## Force for good

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

- Adults with learning difficulties
- The deaf community
- Individuals with speech impediments
- Addicts and reformed criminals who are being rehabilitated
- Disadvantaged families
- We adopt the same approach and dedicate the same resources to fulfil the demands of these groups as we would for any other department within the Institute. The number of awards received for our work with these groups evidences this along with our reputation for delivering quality learning and making a real difference to people's lives.
- We are one of the country's leading adult **Deaf Education** facilities. Not only do we **support many deaf students developing skills in English, Maths and Computing**, we also support many of those who work with deaf adults. Our British Sign Language courses are attended by people working in many aspects of London life where deaf awareness helps to support deaf people such as TfL; hospital trusts; schools and universities; and the police. In 2019 we continued our partnership with Metro Bank, providing training to their front line staff.

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

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

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

## Charitable status

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

# Operating and Financial Review

## (including the Strategic Report)

### Performance indicators

City Lit is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA). The Finance Record produces a financial health grading. Our rating for 2018-19 is expected to be 'Requires Improvement' (previously called 'Satisfactory'). We are implementing strategies to increase our grading to 'Good'.

### Treasury policies and objectives

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

All borrowing requires the authorisation of the Governing Body and shall comply with the requirements of the Financial Memorandum previously agreed with the Learning and Skills Council (LSC) and subsequently transferred to the ESFA. Action has been taken to spread the risk of invested funds. A £1m bank overdraft facility (secured against the Keeley Street premises) has been put in place to assist with working capital management. To date the facility has not been used, but we took the decision to increase this to £2m for the next financial year to ensure that we have sufficient reserves to support our growth plans.

### Financial results

	2018-19	2017-18
	£'000	£'000
<b>Income</b>		
Funding bodies	8,062	7,835
Student fees and educational contracts	10,929	10,465
Other income	294	366
	<b>19,285</b>	<b>18,666</b>
<b>Expenditure</b>	<b>19,241</b>	<b>18,415</b>
<b>Surplus (before actuarial pension adjustments)</b>	<b>44</b>	<b>251</b>

City Lit generated a surplus, before actuarial pension adjustments, of £44,000 (2017-18: £251,000). The result for the year, including pension adjustments was a deficit of £1.6m (2017-18: surplus of £1.3m).

## Financial results (continued)

Combined income from student fees and educational contracts increased by 4.4% to over £10.9m (2017-18: increase of 8.5%); a positive result towards our objective to improve our financial sustainability.

City Lit had net assets of £169,000 at 31 July 2019 (2017-18: £1,803,000), after taking into account a pension liability of £11,497,000 (2017-18: liability of £9,827,000). The reduction is due to an increase in the accounting valuation of our pension liability.

## Cash flow

City Lit's cash inflow from operating activities was £701,000 (2017-18: £782,000 inflow) due to changes in working capital.

## Reserves policy

Our sector and its financial model which relies on a significant amount of statutory funding, does not lend itself to the accumulation of free reserves in the short to medium term. However the Governing Body recognises its responsibility to have financial headroom in the event of any financial shock. Such headroom is provided through a £2m bank overdraft facility, the ability to dispose of or obtain secured borrowing against property assets, and management's proven ability to reduce variable expenditure when necessary in a strictly prioritised and controlled manner.

## Payment performance

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

The target set by the Treasury for payment to suppliers within 30 days is 95%.

During the year ended 31 July 2019, City Lit paid 88% of its invoices within 30 days (2017-18: 88%). City Lit incurred no interest charges in respect of late payment to suppliers for this period.

## Employees

City Lit employs:

255 FTE permanent staff (2017-18: 246), of which 182 (2017-18: 173) work in teaching departments. Included within this figure are 1,098 part-time tutors (2017-18: 1,064).

Further details of staff costs are provided in Note 8. There has been an increase in staff costs of 2% from £14.259m (2017-18) to £14.591m in 2018-19.

## Pension liability

At the year end the pension liability had increased from £9.827m (2017-18) to £11.497m (2018-19). As with all other bodies in the Local Government Pension Schemes, the liability has increased significantly in recent years. This is because the discount factor used to calculate it has reduced due to historically low interest rates. Although the liability has significantly reduced the Institute's net assets, it has not changed the employer contribution rates. Following the latest scheme valuation our employee contribution rate is expected to remain unchanged.

## Outlook for 2019-20

Term one enrolments have been promising. As we try to implement our new strategic goal of a 20% growth in student numbers over the next five years, this will require us to take on additional space. This will have an adverse impact on our financial position in the short term as we build up capacity in the new space.

Economic uncertainty, the impact on disposable income and any decisions by Government to change the way that funding is allocated could also have an adverse impact on our financial position. We are looking to diversify our income streams to help mitigate this.

## Principal risks and uncertainties

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

The principal risks and uncertainties for City Lit are:

- **A reduction in Government funding** - City Lit's new strategy is addressing this by continuing to build fee income and by strengthening our relationship with funders.
- **The impact of BREXIT** - BREXIT poses particular concerns for London and London's businesses. We will do all that we can to anticipate any changes that would impact our students and adapt accordingly.
- **Economic uncertainty** - We derive over 50% of our income from students that can afford to pay fees and those fees are used to subsidise other students who qualify for concessionary rates. If the economy worsens, it is possible that our fee paying students will want to protect their income. Our strategy to review our offer and meet the needs of our students should enable us to provide a more flexible curriculum that is affordable in tougher times. Our goal to diversify income streams should enable us to continue offering places to the most vulnerable.
- A reduction in teaching standards has a negative impact on student experience and the Institute's success. This is addressed through a vigorous framework of teaching observations and monitoring and responding to student feedback.

## Our stakeholders

We have a wide range of stakeholders including:

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

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

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

## Equality and diversity

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

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

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

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

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

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

**Bursary Scheme:** The ability of the less well-off to be able to access City Lit courses is an area of growing concern. To try and alleviate this problem City Lit has a bursary scheme (see note 23).

**Designated bursary fund:** This fund was set up in 2011 and comprises amounts set aside out of City Lit general funds. The balance on this fund at 31 July 2019 was £4,000 (nil at 31 July 2018).

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

**Trade union facility time**

The Trade Union (Facility Time Publication Requirements) regulations 2017 require the Institute to publish information on facility time arrangements for trade union officials at the Institute, for the period covering 1 April 2019-31 March 2020.

Number of employees who were trade union representatives: 4 (FTE: 2.5)

Percentage of time	No of employees
0%	-
1-50%	4
51-99%	-
100%	-

Total cost of facility time: £nil

Total pay bill: £13.7million

Percentage of total bill: 0%

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

## Usman

### 2019 City Lit Centenary Award Winner

“

*A stammer is the type of condition that is always there. The minute you have any difficulty in life, your confidence goes and your speech suffers. City Lit is there to get you right back on track, and continue to help me for the rest of my working and even retirement life.*

Usman Choudhry, City Lit speech therapy student

”

Usman Choudhry first attended a City Lit stammering course in 1985. Usman says it was the confidence he gained in courses at City Lit that enabled him to get his first job at The Bank of England. He has continued classes on managing his stammer including a public speaking course. He went on to found a speaking club with a fellow student to help others with public speaking.

## Sylvia



**2019 City Lit Centenary  
Award Winner & Finalist  
at the 2019 Festival of  
Learning Awards**

“

*Studying at City Lit I felt part of me was coming to life. By the time you get to the age of 90, its good to have something to occupy your mind. If your mind is focused on something you care about, you are less likely to become ill. It gives my family peace of mind to know that 'mum's got something to occupy her mind' and it has also given us the opportunity to connect.*

**Sylvia Rowbottom, City Lit poetry student**

”

Despite her age and mobility challenges, Sylvia Rowbottom travels by tube every week to her poetry classes. Sylvia graduated with a first-class degree in humanities when she was 70, and then joined the 'poetry in the making' course at City Lit. Poetry was something she had always wanted to pursue and Sylvia knew it was a road she had to follow.

## 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 3 December 2019 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 2019. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of 'The English Colleges' Code of Good Governance issued by the Association of Colleges in December 2011, which it formally adopted on 6th December 2011.

### Governing Body

The members who served on the Governing Body during the year and up to the date of signature of this report were as listed in the table below. The total number of meetings held in the year were as follows: Governing Body - 5 (plus 1 Strategic Review session); Audit & Risk Committee - 3; Finance & Commercial Committee - 5; Governance and People Committee - 5; Quality Committee - 4; and Remuneration Committee - 1.

Name	No. of Governing Body meetings attended (not inc. Strategy Session)	Date of Appointment/ Re-appointment	Term of Office	Date of resignation	Status of appointment	Committees Served (number in brackets relates to no. of meetings attended in year)
Penny Allen	4	08/05/16	4 years		1	Quality (4), Governance & People (4)
Annita Bennett	4	21/10/16	4 years (plus 3-year extension)	15/10/19	1	
Tim Bolderson	5	24/10/17	4 years		1	Quality (4)
Jane Cooper (Deputy Chair)	5	05/12/17	4 years		1	Audit & Risk (3), Governance & People (5), Remuneration (1)
Joseph Cullen	2 (out of a possible 2)	06/12/16	2 years	14/12/18	3	Quality (1) (out of a possible 1)
Jon Gamble	5	09/12/18	4 years (plus 2nd term of 2 years)		1	Audit & Risk (2)
Dame Moira Gibb (Chair)	5	04/7/17	4 years		1	Governance & People (5), Remuneration (1)
Eric Hadley	3 (out of a possible 4)	04/12/18	2 years		3	Quality (2) (out of a possible 3)

Name	No. of Governing Body meetings attended (inc. Strategy Session)	Date of Appointment/ Re-appointment	Term of Office	Date of resignation	Status of appointment	Committees Served (number in brackets relates to no. of meetings attended in year)
Colin Jones	4 (out of a possible 4)	04/12/18	4 years		1	Finance & Commercial (5)
Mark Malcomson	5	11/06/11	N/A		4	Quality (2), Finance & Commercial (5), Governance & People (5)
Keith Moffitt	5	15/03/16	4 years		1	Quality (3)
Wendy Moss	4	20/10/15	4 years	15/10/19	2	Audit & Risk (3)
Sophie Neary	3 (out of a possible 4)	06/02/18	4 years	15/10/19	1	Finance & Commercial (3)
Raj Parkash	4	16/10/16	4 years		1	Finance & Commercial (5)
Sandy Pfeifer	1 (out of a possible 2)	21/10/14	4 years	04/12/18	1	Finance & Commercial (1) (out of a possible 1), Governance & People (0) (out of a possible 1)
Michael Simmonds	5	15/03/16	4 years		1	Finance & Commercial (5) Governance & People (4), Remuneration (1)
Paula Smith	5	04/07/17	4 years		1	Audit & Risk (3), Governance & People (0)
Jill Westerman	5	09/07/18	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: Finance & Commercial, Remuneration, Governance & People, Quality and Audit & Risk. Full minutes of all meetings, except those deemed to be confidential by the Governing Body, are available on request.

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

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

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

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

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

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

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

### **Co-opted members**

The Institute had one co-opted member of the Audit & Risk Committee, Alan Saffer, who attended three committee meetings during 2018-19. Alan's date of resignation was 31/08/19.

### **Finance & Commercial Committee**

The Finance & Commercial Committee is charged with monitoring the Institute's financial performance, and approving the annual budget. It met five times in 2018-19 and comprises of five members of the Governing Body.

### **Remuneration Committee**

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

Details of remuneration for the year ended 31 July 2019 are set out in note 8 to the financial statements.

### **Governance & People Committee**

The purpose of the Governance and People Committee is to advise the Governing Body on the appointment of new Governors and on the reappointment of existing members. The Committee is also responsible for overseeing the aspects of the College's People resource, and providing general advice to the Board on all governance matters. Currently, the Committee has oversight of the External Engagement function. This Committee meets at least four times a year.

### **Quality Committee**

The Quality Committee met four times throughout 2018-19 and comprises of six members, one of these being the student Governor. The aim of the Committee is to advise the Governing Body on the appropriateness and operation of the Institute's Quality Assurance systems, the quality of the learner experience and performance against key quality targets. It also makes recommendations on quality improvements for the Board's approval.

## Audit & Risk Committee

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

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

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

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

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

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

## Internal Control

City Lit's system of internal financial control includes:

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

## Scope of responsibility

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

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

## The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Institute policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in City Lit for the year ended 31 July 2019 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 2019 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Governing Body.

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

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

## The risk and control framework

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

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

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

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

## Review of effectiveness

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

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

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

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

### Going concern

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

**Approved by the Governing Body on 3 December 2019 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.

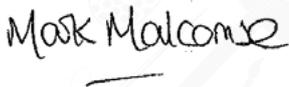
We confirm on behalf of the Governing Body that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the Institute, or material non-compliance with the Education and Skills Funding Agency's terms and conditions of funding under 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 3 December 2019 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 2018-19 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 3 December 2019 and signed on its behalf by:**



*Moira Gibb*

**Dame Moira Gibb DBE  
Chair of Governors**



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

### Opinion

We have audited the financial statements of The City Literary Institute for the year ended 31 July 2019, which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice)

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

In our opinion, the financial statements:

- give a true and fair view of the state of the Institute's affairs as at 31 July 2019 and of its deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Conclusions relating to going concern

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

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

## Other information

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

## Responsibilities of the Governing Body

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

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

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

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

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



### **Shachi Blakemore (Senior Statutory Auditor)**

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

## Reporting accountant's assurance report on regularity

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

In accordance with the terms of our engagement letter and further to the requirements of the financial memorandum with Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by The City Literary Institute during the period 1st August 2018 to 31 July 2019 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 2018 to 31 July 2019 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.

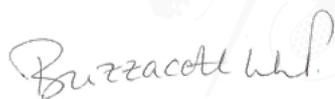
Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the Institute's income and expenditure.

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 2018 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



**Buzzacott LLP, Statutory Auditor**

130 Wood Street  
London  
EC2V 6DL

## Statement of Comprehensive Income for the year ended 31 July 2019

	Notes	2018-2019			2017-2018		
		Before actuarial pension adjustments	Actuarial pension adjustments	After actuarial pension adjustments	Before actuarial pension adjustments	Actuarial pension adjustments	After actuarial pension adjustments
		£'000	£'000	£'000	£'000	£'000	£'000
<b>INCOME</b>							
Funding body grants	2	8,062	-	8,062	7,835	-	7,835
Tuition fees and education contracts	5	10,929	-	10,929	10,465	-	10,465
Other income	6	245	-	245	337	-	337
Investment income	7	9	-	9	6	-	6
Donations	3, 4	40	-	40	23	-	23
<b>Total income</b>		<b>19,285</b>	<b>-</b>	<b>19,285</b>	<b>18,666</b>	<b>-</b>	<b>18,666</b>
<b>EXPENDITURE</b>							
Staff costs	8	13,760	831	14,591	13,236	1,023	14,259
Fundamental restructuring costs	8	148	-	148	257	-	257
Other operating expenses	10	4,341	-	4,341	4,077	-	4,077
Depreciation	12,13	992	-	992	845	-	845
Interest and other finance costs	11	-	255	255	-	289	289
<b>Total expenditure</b>		<b>19,241</b>	<b>1,086</b>	<b>20,327</b>	<b>18,415</b>	<b>1,312</b>	<b>19,727</b>
Surplus/(deficit) for the year		44	(1,086)	(1,042)	251	(1,312)	(1,061)
Actuarial (loss)/gain in respect of pension schemes	18,22	-	(592)	(592)	-	2,328	2,328
<b>Total comprehensive income/(expenditure) for the year</b>		<b>44</b>	<b>(1,678)</b>	<b>(1,634)</b>	<b>251</b>	<b>1,016</b>	<b>1,267</b>
<b>Represented by:</b>							
Unrestricted comprehensive income/(expenditure)		44	(1,678)	(1,634)	251	1,016	1,267
Restricted comprehensive income/(expenditure)		-	-	-	-	-	-
		<b>44</b>	<b>(1,678)</b>	<b>(1,634)</b>	<b>251</b>	<b>1,016</b>	<b>1,267</b>

## Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 31st July 2017	(464)	1,000	536
Deficit from the income and expenditure account	(1,061)	-	(1,061)
Other comprehensive income	2,328	-	2,328
<b>Total comprehensive income for the year</b>	<b>1,267</b>	<b>-</b>	<b>1,267</b>
Balance at 31st July 2018	803	1,000	1,803
Deficit from the income and expenditure account	(1,042)	-	(1,042)
Other comprehensive income	(592)	-	(592)
<b>Total comprehensive income for the year</b>	<b>(1,634)</b>	<b>-</b>	<b>(1,634)</b>
Balance at 31st July 2019	(831)	1,000	169

## Balance Sheet as at 31 July 2019

	Notes	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Tangible fixed assets	12	17,092	16,616
Intangible fixed assets	13	677	668
		<b>17,769</b>	<b>17,284</b>
<b>Current assets</b>			
Trade and other receivables	14	1,363	1,326
Investments	15	-	100
Cash and cash equivalents	19	1,071	1,738
		<b>2,434</b>	<b>3,164</b>
Less: Creditors - amounts falling due within one year	16	(4,049)	(4,460)
<b>Net current liabilities</b>		<b>(1,615)</b>	<b>(1,296)</b>
<b>Total assets less current liabilities</b>		<b>16,154</b>	<b>15,988</b>
Less: Creditors - amounts falling due after more than one year	17	(4,403)	(4,275)
<b>Provisions</b>			
Defined benefit obligations	18, 22	(11,497)	(9,827)
Other provisions	18	(85)	(83)
<b>Total net assets</b>		<b>169</b>	<b>1,803</b>
<b>Funds</b>			
Income and expenditure account	23	(851)	787
Revaluation reserve	23	1,000	1,000
Restricted Bursary Fund	23	4	-
Restricted funds	23	16	16
<b>Total funds</b>		<b>169</b>	<b>1,803</b>

The financial statements on pages 37 to 67 were approved and authorised for issue by the Institute on 3 December 2019 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 2019

	Notes	2018-19 £'000	2017-18 £'000
<b>Cash inflow from operating activities</b>			
Deficit for the year		(1,042)	(1,061)
<b>Adjustment for non cash items</b>			
Depreciation and amortisation	12, 13	992	845
(Increase) in debtors		(37)	(440)
(Decrease) /Increase in creditors due within one year		(411)	217
Increase/(Decrease) in creditors due after one year		128	(78)
Increase/(Decrease) in provisions		2	(5)
Pensions costs less contributions payable		1,078	1,310
<b>Adjustment for investing or financing activities</b>			
Investment income	7	(9)	(6)
<b>Net cash flow from operating activities</b>		<b>701</b>	<b>782</b>
<b>Cash flows from investing activities</b>			
Investment income	7	9	6
Withdrawal of deposits	15	100	-
New deposits	15	-	174
Payments made to acquire tangible fixed assets	12	(1,249)	(411)
Payments made to acquire intangible fixed assets	13	(228)	(245)
		<b>(1,368)</b>	<b>(476)</b>
<b>(Decrease)/increase in cash and cash equivalents in the year</b>		<b>(667)</b>	<b>306</b>
Cash and cash equivalents at beginning of the year	19	1,738	1,432
<b>Cash and cash equivalents at end of the year</b>	<b>19</b>	<b>1,071</b>	<b>1,738</b>

## Notes to the Financial Statements 1

### 1. Statement of accounting policies

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

#### Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2018-19 and in accordance with Financial Reporting Standard 102 - "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The Institute is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

#### Basis of accounting

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

#### Going concern

The financial statements have been prepared on a going concern basis. The going concern nature of the business was assessed by the Governing Body at its meeting in December 2019. The use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that cast significant doubt about the ability of the City Literary Institute to continue as a going concern. We have not received any indication from the Department for Education that funding will be withdrawn. The statement of financial position at 31 July 2019 shows that the City Literary Institute has overall net assets of £169,000. This is after net pension liabilities of £11,497,000.

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

The Institute currently has a £1m unutilised bank overdraft facility available for unconditional drawdown with it all being secured by a fixed and floating charge on Institute assets. To date the facility has not been used, but we have increased this to £2m from the next financial year to ensure we have sufficient funds to support our growth plans. The Institute has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its financial statements.

## Notes to the Financial Statements 1 (continued)

### Recognition of income

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

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

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

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

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

### Post retirement benefits

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

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the Institute in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the Institute is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

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

## Notes to the Financial Statements 1 (continued)

life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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

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

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

### **Equipment**

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

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

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

### **Maintenance of premises**

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

### **Intangible assets**

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

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

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

### **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.

## Notes to the Financial Statements 1 (continued)

### Cash and cash equivalents

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

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

### Financial liabilities

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

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

### 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.

## Notes to the Financial Statements 1 (continued)

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 22, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

### Fund accounting

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

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

### 2. Funding Body grants

	2018-19	2017-18
	£'000	£'000
<b>Recurrent grants</b>		
Education & Skills Funding Agency	7,883	7,718
<b>Specific Grants</b>		
Release of Government capital grants	179	117
<b>Total</b>	<b>8,062</b>	<b>7,835</b>

### 3. Appeal fund donations

	2018-19	2017-18
	£'000	£'000
Release of appeal fund donations	2	2
<b>Total</b>	<b>2</b>	<b>2</b>

### 4. Other donations

	2018-19	2017-18
	£'000	£'000
Bursary donations received	38	1
Legacies	-	20
<b>Total</b>	<b>38</b>	<b>21</b>

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

### 5. Tuition fees and education contracts

	2018-19	2017-18
	£'000	£'000
Gross tuition fees	9,760	9,290
Less: bursaries	(34)	(44)
Fees for FE loan supported courses	381	358
<b>Total tuition fees</b>	<b>10,107</b>	<b>9,604</b>
Centre for deaf contracts	372	509
Community outreach	367	302
Other grants and contracts	83	50
<b>Total education contracts</b>	<b>822</b>	<b>861</b>
<b>Total</b>	<b>10,929</b>	<b>10,465</b>

### 6. Other income

	2018-19	2017-18
	£'000	£'000
Sales relating to courses	13	14
Consultancy	45	63
Other income	187	260
<b>Total</b>	<b>245</b>	<b>337</b>

### 7. Investment income

	2018-19	2017-18
	£'000	£'000
Bank deposit Interest	9	6
<b>Total</b>	<b>9</b>	<b>6</b>

## Notes to the Financial Statements 8

### 8. Staff costs

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

	2018-19	2017-18
	No.	No.
Teaching staff	182	178
Non teaching staff	73	68
<b>Total Staff</b>	<b>255</b>	<b>246</b>

Staff costs for the above persons, analysed by department	2018-19	2017-18
	£'000	£'000
Teaching departments	9,205	8,993
Administration and central services	4,335	3,986
Agency staff	220	257
Actuarial pension adjustment	831	1,023
<b>Total staff costs</b>	<b>14,591</b>	<b>14,259</b>

Restructuring costs	148	257
---------------------	-----	-----

Staff costs, analysed by cost type	2018-19	2017-18
	£'000	£'000
Salaries	11,096	10,664
Social security costs	913	851
Other pension costs (excluding FRS 102 charge of £831,000 (2018 - £1,023,000))	1,531	1,464
Agency staff	220	257
Actuarial pension adjustment	831	1,023
<b>Total staff costs</b>	<b>14,591</b>	<b>14,259</b>

Restructuring costs	148	257
---------------------	-----	-----

Staff costs, analysed by type of contract	2018-19	2017-18
	£'000	£'000
Employment costs for staff on permanent contracts	8,572	8,074
Employment costs for staff on short term and temporary contracts	4,968	4,905
Agency staff	220	257
Actuarial pension adjustment	831	1,023
<b>Total staff costs</b>	<b>14,591</b>	<b>14,259</b>

Restructuring costs	148	257
---------------------	-----	-----



## Notes to the Financial Statements 8 (continued)

Total key management personnel emoluments are detailed below.

Key management personnel emoluments are made up as follows:

	2018-19	2017-18
	£'000	£'000
Salaries	717	851
Employers National Insurance contributions	84	96
Pension contributions	91	101
<b>Total emoluments</b>	<b>892</b>	<b>1,048</b>

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

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

	2018-19	2017-18
	£'000	£'000
Salaries	132	129
Employers National Insurance contributions	17	18
Pension contributions	16	15
<b>Total emoluments</b>	<b>165</b>	<b>162</b>

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

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

Accounting Officer pay and remuneration expressed as a multiple:

	2019	2018
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:

	2018-19	2017-18
	£'000	£'000
Compensation paid to one (2017-18 two) former key management personnel, including contractual and non contractual payments	29	92

The Governors other than the Accounting Officer did not receive any payments from City Lit other than the reimbursement of travel and subsistence expenses in attending Governor meetings and charity events in 2018-19 which totalled £2,015 for two Governors (2017-18: £1,145 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 2018-19 (2017-18: £nil).

### 10. Other operating expenses

	2018-19	2017-18
	£'000	£'000
Teaching purchases	364	311
Exam fees	101	106
<b>Teaching departments</b>	<b>465</b>	<b>417</b>
Learner services	59	75
<b>Teaching and other support services</b>	<b>59</b>	<b>75</b>
Administration purchases	1,150	993
Contracted out IT support	396	370
<b>Administration and central services</b>	<b>1,546</b>	<b>1,363</b>
<b>Marketing expenditure</b>	<b>487</b>	<b>628</b>
Premises running costs	1,408	1,263
Maintenance	77	58
Rent	299	274
<b>Premises</b>	<b>1,784</b>	<b>1,595</b>
<b>Total operating expenses</b>	<b>4,341</b>	<b>4,077</b>

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

	2018-19	2017-18
	£'000	£'000
Total operating expenses includes the following:		
<b>Auditor's remuneration</b>		
Financial statements and regularity audit	23	23
Internal audit charge for the year	29	22
Other services provided by external auditors	-	-
	<b>52</b>	<b>45</b>
<b>Operating leases</b>		
Office Equipment	<b>30</b>	<b>12</b>

### 11. Interest payable

	31 July 2019	31 July 2018
	£'000	£'000
Pension finance costs (note 22)	253	286
Enhanced Pension finance costs (note 22)	2	3
<b>Total interest payable</b>	<b>255</b>	<b>289</b>

## Notes to the Financial Statements 12

### 12. Tangible fixed assets

	Freehold Land and Buildings	Building Refurbishment	Equipment	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2018	19,903	1,534	1,450	22,887
Additions	-	820	429	1,249
<b>At 31 July 2019</b>	<b>19,903</b>	<b>2,354</b>	<b>1,879</b>	<b>24,136</b>
<b>Depreciation</b>				
At 1 August 2018	4,909	311	1,051	6,271
Charge for the year	378	176	219	773
<b>At 31 July 2019</b>	<b>5,287</b>	<b>487</b>	<b>1,270</b>	<b>7,044</b>
<b>Net book value at 31 July 2019</b>	<b>14,616</b>	<b>1,867</b>	<b>609</b>	<b>17,092</b>
<b>Net book value at 31 July 2018</b>	<b>14,994</b>	<b>1,223</b>	<b>399</b>	<b>16,616</b>

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

At 31 July 2019, building and equipment, with a net book value of £4.236m and £0.328m 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 2018

1,125

Additions

228

At 31 July 2019

1,353

#### Amortisation

At 1 August 2018

457

Charge for the year

219

At 31 July 2019

676

Net book value at 31 July 2019

677

Net book value at 31 July 2018

668

### 14. Trade and other receivables

31 July 2019

31 July 2018

£'000

£'000

Trade receivables

777

902

Other receivables

14

77

Prepayments and accrued fee income

572

347

Total Debtors

1,363

1,326

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

### 15. Current investments

	31 July 2019	31 July 2018
	£'000	£'000
Short term deposits	-	100
<b>Total</b>	<b>-</b>	<b>100</b>

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

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

	31 July 2019	31 July 2018
	£'000	£'000
Trade payables	338	406
Other taxation and social security	249	308
Accruals and deferred income	2,820	3,019
Deferred income - Government capital grants	193	119
Deferred income - Government revenue grants	103	241
Other creditors	346	367
<b>Total</b>	<b>4,049</b>	<b>4,460</b>

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

	31 July 2019	31 July 2018
	£'000	£'000
Deferred income - Government capital grants	4,403	4,275
<b>Total</b>	<b>4,403</b>	<b>4,275</b>

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

### 18. Provisions

	Defined benefit obligations	Enhanced pensions	Total
	£'000	£'000	£'000
At 1 August 2018	9,827	83	9,910
Expenditure in the period	(567)	(6)	(573)
Charged to the income and expenditure account	1,651	2	1,653
Actuarial loss	586	6	592
<b>At 31 July 2019</b>	<b>11,497</b>	<b>85</b>	<b>11,582</b>

Defined benefit obligations relate to the liabilities under the Institute's membership of the Local Government Pension Scheme. Further details are given in note 22.

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

The principal assumptions for this calculation are:

	2018-19	2017-18
Price inflation	2.00%	2.30%
Discount rate	2.20%	1.30%

### 19. Cash and cash equivalents

	At 1 August 2018	Cash flows	At 31 July 2019
	£'000	£'000	£'000
Cash and cash equivalents	1,738	(667)	1,071
<b>Total</b>	<b>1,738</b>	<b>(667)</b>	<b>1,071</b>

### 20. Capital commitments

	31 July 2019	31 July 2018
	£'000	£'000
Commitments contracted for at 31 July	373	32

## Notes to the Financial Statements 21

### 21. Lease Obligations

At 31 July 2019 the Institute had minimum lease payments under non-cancellable operating leases as follows:

	31 July 2019	31 July 2018
	£'000	£'000
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	197	173
Later than one year and not later than five years	474	234
Later than five years	63	122
	<b>734</b>	<b>529</b>
<b>Other</b>		
Not later than one year	30	30
	<b>30</b>	<b>30</b>
<b>Total lease payments payable</b>	<b>764</b>	<b>559</b>

## Notes to the Financial Statements 22

### 22. Defined benefit obligations

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

Pension cost for the year	2018-19	2017-18
	£'000	£'000
<b>Teachers Pension Scheme</b>		
Contributions paid (included within the general reserve)	990	944
<b>Local Government Pension Scheme</b>		
Pension costs	1,651	1,834
Contributions paid	(567)	(525)
<b>Total allocated to the pension reserve</b>	<b>1,084</b>	<b>1,309</b>
<b>Enhanced Pension</b>		
Pension costs (allocated to the pension reserve)	2	3
<b>Total pension costs within the pension reserve</b>	<b>1,086</b>	<b>1,312</b>
<b>Total actuarial loss/gain</b>	<b>592</b>	<b>(2,328)</b>

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

Contributions amounting to £198,334 (2018: £201,837) payable to the schemes as at 31 July 2019 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 22 (continued)

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

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

### Valuation of the Teachers' Pension Scheme

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

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

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

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

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

The pension costs paid to TPS in the year amounted to £990,000 (2018: £944,000).

## Notes to the Financial Statements 22 (continued)

### Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by London Pension Fund Authority. The total contribution made for the year ended 31 July 2019 was £841,000 (2017-18: £791,000), of which employer's contributions totalled £567,000 (2017-18: £525,000) and employees' contributions totalled £274,000 (2017-18: £266,000). The agreed contribution rates for future years are 12% 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 2016 updated to 31 July 2019 by a qualified independent actuary.

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	2.35%	2.35%
Future pensions increases	2.35%	2.35%
Discount rate for scheme liabilities	2.15%	2.65%
Inflation assumption (CPI)	2.35%	2.35%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2019	At 31 July 2018
	Years	Years
<b>Retiring today</b>		
Males	20.40	21.40
Females	23.60	24.60
<b>Retiring in 20 years</b>		
Males	22.20	23.70
Females	25.40	26.80

## Notes to the Financial Statements 22 (continued)

### Sensitivity analysis

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

Change in discount rate	+0.1%	0.0%	-0.1%
Present value of defined benefit obligation (£'000)	28,415	29,065	29,730
Projected service cost (£,000)	1,441	1,483	1,526
Change in long term salary increase	+0.1%	0.0%	-0.1%
Present value of defined benefit obligation (£'000)	29,113	29,065	29,018
Projected service cost (£,000)	1,483	1,483	1,431
Change to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of defined benefit obligation (£'000)	29,680	29,065	28,463
Projected service cost (£,000)	1,525	1,483	1,442
Change in life expectancy assumptions	+1 year	None	-1 year
Present value of defined benefit obligation (£'000)	30,080	29,065	28,085
Projected service cost (£,000)	1,530	1,483	1,437

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

	Share of assets 31 July 2019	Fair Value at 31 July 2019 £'000	Share of assets 31 July 2018	Fair Value at 31 July 2018 £'000
Equities	55%	9,572	61%	9,494
Target return portfolio	25%	4,462	22%	3,467
Infrastructure	6%	1,007	5%	779
Property	9%	1,600	7%	1,202
Cash	5%	927	5%	718
<b>Total market value of assets</b>	<b>100%</b>	<b>17,568</b>	<b>100%</b>	<b>15,660</b>

	Long-term rate of return expected at 31 July 2019	Fair Value at 31 July 2019 (£'000)	Long-term rate of return expected at 31 July 2018	Fair Value at 31 July 2018 (£'000)
<b>Total market value of assets</b>		<b>17,568</b>		<b>15,660</b>
Weighted average expected long term rate of return	2.15%		2.65%	
Actual return on plan assets		1,565		881

## Notes to the Financial Statements 22 (continued)

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

	31 July 2019	31 July 2018
	£'000	£'000
Fair value of plan assets	17,568	15,660
Present value of plan liabilities	(29,065)	(25,487)
<b>Net pensions liability</b>	<b>(11,497)</b>	<b>(9,827)</b>

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

	31 July 2019	31 July 2018
	£'000	£'000
<b>Amounts included in staff and investment costs</b>		
Service cost	1,378	1,529
Net interest on the defined liability	253	286
Administration expenses	20	19
<b>Total</b>	<b>1,651</b>	<b>1,834</b>

### Amounts recognised in other comprehensive income

Return on pension plan assets	1,145	488
Changes in assumptions underlying the present value of plan liabilities	(3,215)	1,838
Changes in demographic assumptions	1,484	-

<b>Amount recognised in Other Comprehensive Income</b>	<b>(586)</b>	<b>2,326</b>
--	--------------	--------------

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

	31 July 2019	31 July 2018
	£'000	£'000
Deficit in scheme at 1 August	(9,827)	(10,844)
<b>Movement in year:</b>		
Current service cost	(1,349)	(1,449)
Past service cost	(29)	(80)
Employer contributions	567	525
Net interest on the defined liability	(253)	(286)
Administration expenses	(20)	(19)
Actuarial (loss)/gain	(586)	2,326
<b>Net defined pension liability at 31 July</b>	<b>(11,497)</b>	<b>(9,827)</b>

## Notes to the Financial Statements 22 (continued)

### Asset and liability reconciliation

	31 July 2019	31 July 2018
	£'000	£'000
<b>Changes in the present value of defined benefit obligations</b>		
Defined benefit obligations at start of period	25,487	25,143
Current service cost	1,349	1,449
Interest cost	673	679
Contributions by scheme participants	274	266
Change in financial assumptions	3,215	(1,838)
Change in demographic assumptions	(1,484)	-
Estimated benefits paid	(478)	(292)
Past service costs, including curtailments	29	80
<b>Defined benefit obligations at end of the period</b>	<b>29,065</b>	<b>25,487</b>
<b>Reconciliation of assets</b>		
Fair value of plan assets at start of period	15,660	14,299
Interest on plan assets	420	393
Return on plan assets	1,145	488
Administration expenses	(20)	(19)
Employer contributions	567	525
Contributions by scheme participants	274	266
Estimated benefits paid	(478)	(292)
<b>Assets at end of period</b>	<b>17,568</b>	<b>15,660</b>

## Notes to the Financial Statements 23

### 23. Reserves

	Notes	General Reserve	Pension Reserve	Revaluation Reserve	Restricted Bursary Fund	Restricted Funds	Total
Reserves as at 31 July 2018		10,614	(9,827)	1,000	-	16	1,803
Surplus for the year		44	-	-	-	-	44
Net FRS 102 pension charge		(2)	(1,084)	-	-	-	(1,086)
Actuarial loss in respect of pension scheme		-	(586)	-	-	-	(586)
Actuarial gain in respect of enhanced pension		(6)	-	-	-	-	(6)
Bursary donations received - transfer to restricted fund		(38)	-	-	38	-	-
Bursary resources expended - transfer from restricted fund		34	-	-	(34)	-	-
<b>Reserves as at 31 July 2019</b>		<b>10,646</b>	<b>(11,497)</b>	<b>1,000</b>	<b>4</b>	<b>16</b>	<b>169</b>

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

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

## Notes to the Financial Statements 24

### 24. Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £2,015; two Governors (2017-18: £1,145; two Governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the Institute during the year (2017-18: None).



# CITYLIT