



CITYLIT

INSPIRING PASSIONS · REALISING AMBITIONS

The City Literary Institute

Annual Report 2023

The City Literary Institute, a company limited by guarantee
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Registered Office: 1-10 Keeley Street WC2B 4BA
Registered Charity No.: 803007

Contents

Message from the Chair of Governors	3
Key Highlights and Achievements	5
Message from CEO and Principal	7
About City Lit	13
Operating and Financial Review (including the Strategic Report).....	16
Disclosure of Information to Auditors	24
Statement of Corporate Governance and Internal Control	25
Statement of Regularity, Propriety and Compliance	33
Statement of Responsibilities of City Lit's Governing Body	34
Independent Auditor's Report to the Members of the City Literary Institute	36
Reporting Accountant's Assurance Report on Regularity	40
Financial Statements for the Year Ended 31 July 2023	42
Notes to the Financial Statements	46

Message from The Chair of Governors

Lindsay Nicholson MBE



I was delighted to be appointed as Chair of City Lit by the Governing Body from December 2022. Although I have only been in position as Chair for a short period, I initially joined the organisation in the spring of 2022 as a Board member. Under the guidance of my now predecessor, Dame Moira Gibb, I was able to gain an understanding of the Institute and the considerable challenges that we face whilst seeing the organisation's impressive work under the leadership of our Principal and Chief Executive, Mark Malcolmson.

I would like to take this opportunity to thank Dame Moira for her substantial contribution towards City Lit and for guiding the Institute through some challenging times. I am under no illusion that filling Dame Moira's shoes will be a challenge, but I look forward to building on the firm foundations that she

has helped put in place. It is a privilege to lead such an inspiring organisation.

City Lit, described often as London's hidden gem, is a great place to learn. Walking through the doors of the Institute in Keeley Street you immediately feel the energy, excitement and joy which comes from the quality of teaching and amazing range of courses helping people to come together to enrich their lives through learning. As a Board we are very proud of the work that City Lit does, the diverse communities it serves and the reputation it has earned.

This year the Institute continued to face a number of challenges, not least because of the financial pressures brought about by the Covid-19 pandemic, and the college continued to work closely with the Further Education Commissioner's team. I am pleased to see that significant progress has been made, a testament to the hard work and dedication of all the staff and tutors across the college.

In May 2023, the Institute had its first Ofsted inspection in 8 years. I, and my fellow Board members, were delighted with the outcome. City Lit was graded as an 'Outstanding' college and was graded as 'Outstanding' in every area of assessment. This was a very well-deserved result and was particularly remarkable in the context of the exceptional challenges that the Institute has faced in recent times. This hugely important external validation is something that we can all be genuinely proud of. It has meant that, despite everything we have been through, we have continued to put our students and their learning at the heart of what we do and continued to support them in their education and wellbeing.

The college continues to serve and provide for those with learning disabilities, Deaf and hard of hearing people and those with speech impediments. These communities continue to be a priority for the college. I was especially delighted that our Centre for Learning Disabilities Education was recognised in the first Mayor of London's Adult Learning Awards in City Hall, where we had the honour of receiving the award for Inclusive Provider of Adult Education in the capital.

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

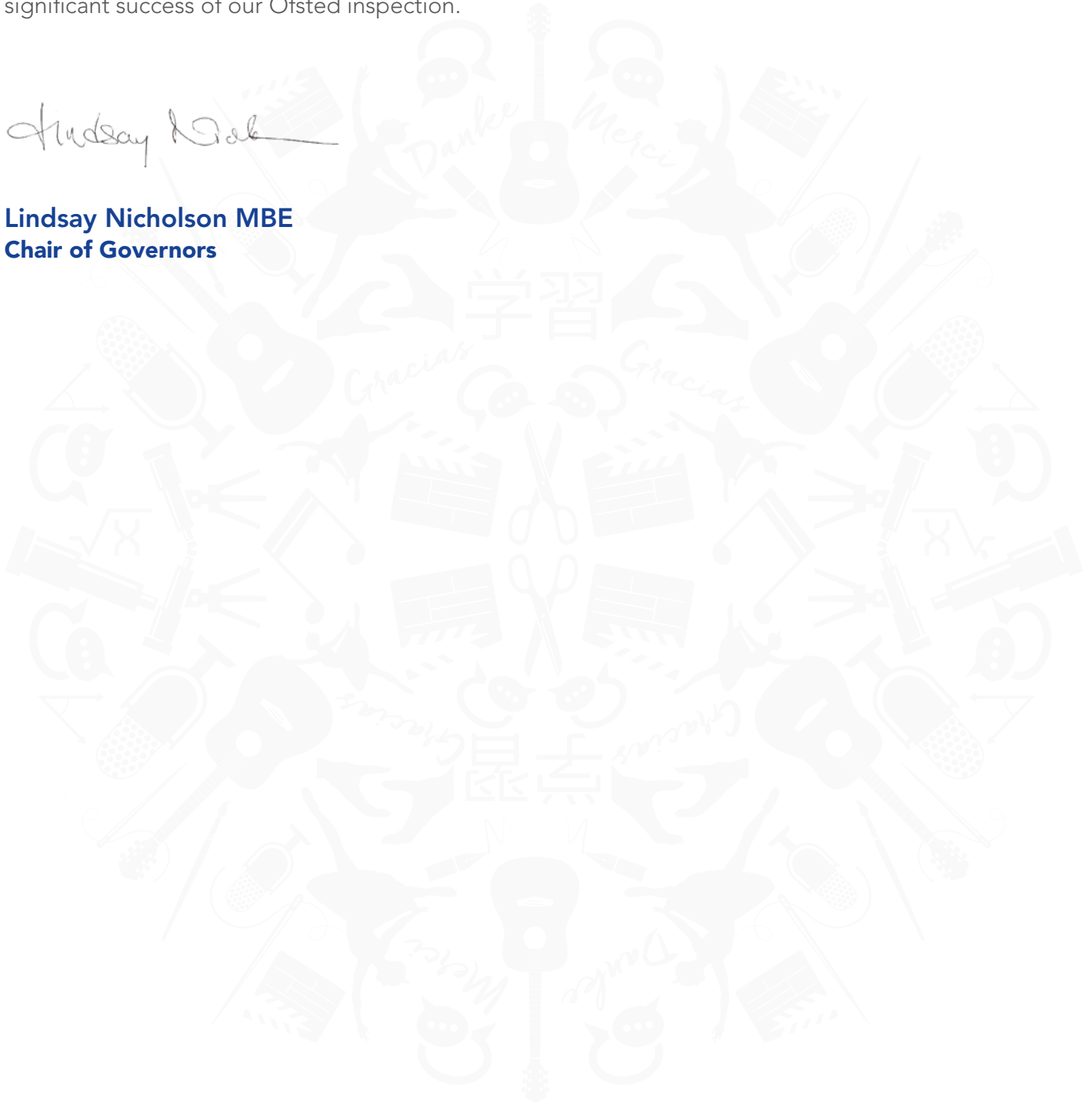
We also have a superb team of staff at the college who work tirelessly to support students and tutors and actively promote the social, mental, and economic benefits of lifelong learning to policy makers and business leaders.

It is an honour and a privilege to be one of the stewards of this great London institution. After a number of challenging years, we are optimistic about the coming year, and are hopeful that we can build on the significant success of our Ofsted inspection.



Lindsay Nicholson

Lindsay Nicholson MBE
Chair of Governors



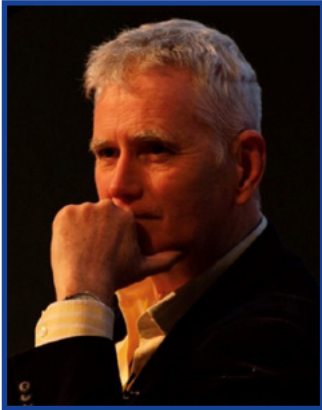
Key Highlights & Achievements

- City Lit had its first Ofsted inspection since 2016 and was judged to be 'Outstanding' in each of the categories used under the current inspection framework and 'Outstanding' overall. We also received the highest designation for our work in Skills, which was considered to be 'Strong.' This hugely important external validation is something that we are extremely proud of.
- We delivered nearly 5,000 courses (60% in person, and 40% online), supporting 25,000 students. Our learners come predominantly from London but due to our online offering we now have a genuinely national reach.
- Over 10,000 student evaluations this year showed that 95% of City Lit students rate our courses 4* or 5* and that 98% of students rate their tutors' knowledge as good or excellent.
- Our Centre for Learning Disabilities Education was recognised in the first Mayor of London's Adult Learning Awards in City Hall, where we had the honour of receiving the award for Inclusive Provider of Adult Education in the capital. Deputy Mayor, Jules Pipe CBE attended a special event at the college to present the award to our staff and students. In addition, one of our students received the award for Student Progression. Fatima, who is Deaf, started her learning journey at City Lit learning BSL and English and she has progressed to our Art Foundation Programme. Peter Brown, who teaches BSL and Deaf History, was Highly Commended in the Tutor category.
- Our work in response to the government led Multiply project, which aims to improve people's ability to understand and use maths, continued to progress, with a number of partnerships, for example with Redemption Roasters (who work with ex-offenders) and Care Trade (who support and prepare autistic people for employment).
- We held our 8th Mental Wealth Festival with the theme being 'Time'. We offered a wide range of inspiring discussions, debates and interactive workshops, with over 50 events reaching over 2,000 attendees. Partners included the National Gallery and the Royal Opera House.
- We held the latest in our Ambassador's Lecture Series, with Tom Fletcher CMG, former foreign policy advisor to Prime Ministers Blair, Brown and Cameron and Ambassador to Lebanon.
- We launched our 4th year of Malorie Blackman 'Unheard Voices' Scholarships, to support students in Creative Writing, with awards to three students.
- This year's Classics Week, in partnership with the British Museum, attracted over 300 participants. The event took inspiration from the museum's exhibition 'Luxury and Power. Persia to Greece'. It featured prominent Classicists Michael Scott, Caroline Vout and City Lit Fellow Bettany Hughes.
- We were awarded the Mayor's Skills Academies Quality Mark for Creative Industries.
- We celebrated our 25th annual Deaf Day - the biggest national event for the Deaf and hard-of-hearing community. It was a huge success with over 3,000 people travelling from all over the country to attend and over 50 partners joining the day.

- The Drama department offered stage productions in our John Lyon's Theatre, starting with an adaptation of Mike Bartlett's Earthquakes in London.
- City Lit's Gallery held over 20 student exhibitions, including those in sculpture, painting, drawing, photography, ceramics, and book illustration. Highlights included the annual Chelsea pensioners Photography collaboration and 'Same/Same' - a live installation project in collaboration with Central St Martins.
- We were delighted to announce three new City Lit Fellows: Historian, author and broadcaster Bettany Hughes OBE; world renowned ceramic artist Dame Magdalene Odundo; and British-American foreign affairs specialist Dr Fiona Hill. In addition, Evelyn Glennie was appointed to be the Patron of our Percussion Orchestra.
- We held a number of Fellowship events, including Lord Puttnam of Queensgate CBE and Booker prize winning former writing student, Anna Burns.
- HRH The Princess Royal visited the college again to celebrate adult education and life-long learning. She met with some of our Deaf students and visited two visual arts classes. She also attended a discussion with Dame Evelyn Glennie and Will Gompertz about the importance of arts in society.
- Our third online annual tutor conference brought together over 500 tutors from across all areas of the college. Attendees participated in a range of training options including promoting inclusive practice in classroom.
- Work to further enhance the student spaces continued across the college. Lighting in the Student Centre and a large number of classrooms will be replaced with energy efficient lighting. This project, funded by the Department for Education, will improve the student experience, and reduce our carbon footprint.
- We achieved accreditation by the UK Living Wage Foundation.

Message from CEO and Principal

Mark Malcomson CBE



Last year was both a positive and challenging time for City Lit.

We had our first Ofsted inspection since 2016. We are extremely proud to have been rated as an 'Outstanding' college overall and in all categories, as well as being given the highest rating for our work on skills. In usual circumstances this would have been a significant achievement, however, in the context of the unprecedented and hugely challenging times that the College has recently been through, this result is truly heroic. Our staff should be hugely proud of the work they do, and this recognition is a wonderful validation. We hope to build on the success of this in the coming years, as we bring people together to enrich their lives through learning.

As London comes back after the pandemic, the college building has a great buzz again with students and visitors at exhibitions, productions and events, as well as attending courses. We have all focused on the college's purpose of serving our students, giving them: high quality education and skills; a sense of community; and, for so many, improving their wellbeing. We have all delivered that in spades during the past year and made many tens of thousands of people's lives better during challenging times.

Here for London... and beyond

City Lit has been delivering learning for over 100 years without a break, including throughout the Second World War and the pandemic. Despite the societal changes brought about by the pandemic, 25,000 students have been part of the City Lit community during the last year, both in-person and online.

The year was relentlessly busy for everyone and, as always, much of the final term was spent planning the new academic year. Ofsted commended the college for creating 'a very well-considered curriculum to meet closely the needs of distinct groups of students and which embodies the concept of lifelong learning'. Continuing to refresh and reinvigorate the curriculum is an ongoing process which our colleagues take huge pride in.

We initially developed our online offer in response to the pandemic. Since then, it has become a significant part of our offer, and we are working on enhancing our delivery in this space, which means we can reach learners across the country where adult education is often in short supply.

Bringing people together to enrich lives through learning

City Lit is not just an adult education college. We serve people by helping them to fulfil an aspiration, which might be to get a better job, or learn a new skill, or satisfy their curiosity. We also improve people's wellbeing, both physical and mental, and provide multiple communities to support our learners in their studies and lives. In serving these different elements, we help people realise their potential and improve their lives and, as a result make a significant contribution to creating a better society.

In the words of the Ofsted inspectors, 'Students thrive by being part of a vibrant college community' and they 'flourish because of the new knowledge and skills they learn, the social networks they develop, and the positive impact attending college has on their well-being'.

College finances

The past few years has placed huge financial strain on the college. This was further complicated this year by the reclassification of colleges from the private to the public sector, by the Office of National Statistics (ONS). As a result of this reclassification the college had to negotiate a long-term loan with the Department for Education, adding an additional strain on already stretched resources. We have continued to work closely with the Further Education Commissioner's (FEC) team to restore the college finances to pre-pandemic levels. We are ahead of achieving the key metrics in our Financial Recovery plan although there still many challenges that lie ahead.

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.

Fellows and friends

One of the highlights of the past year was announcing our new City Lit Fellows: Historian, author, and broadcaster Bettany Hughes OBE; world-renowned ceramic artist Dame Magdalene Odundo; and British-American foreign affairs specialist Dr Fiona Hill. In addition, Dame Evelyn Glennie has agreed to become the Patron of our Percussion Orchestra and we are launching Lulu Performing Arts Scholarships in the new academic year.

All our Fellows provide tireless support for our causes by speaking at events and using their influence to promote our values and the great work done by our tutors. We warmly welcome our three new Fellows and look forward to engaging them.

We were also delighted to hold several Fellowship events. A particular highlight was Lord Puttnam's event where he gave us insight into his life and career.

Support from the Board and Colleagues

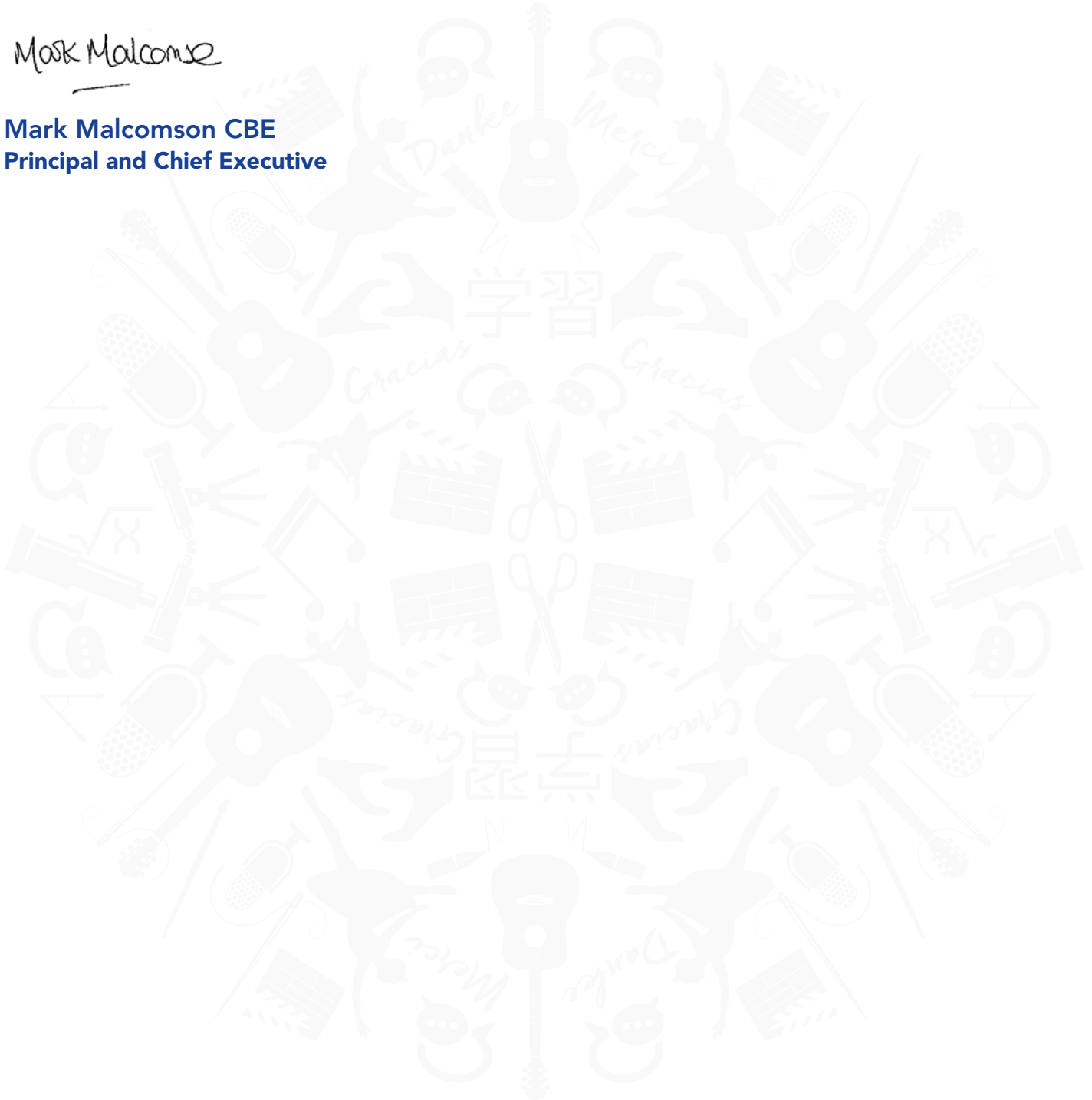
So much has been achieved by the tremendous work of all our amazing staff and tutors. Nothing that has been done this year could have been achieved without their dedication and commitment. It is an honour and a privilege to serve alongside truly inspirational professionals, who have gone the extra mile in ensuring that this great Institution has continued to support students during these turbulent times.

We were delighted to welcome Lindsay Nicholson, MBE, as our new Chair and are excited to have her bring her insight and experience at this crucial juncture. Lindsay brings many forms of expertise to our Board, including having overseen digital transformation in her journalistic and editorial career, as well as her charitable and educational board experience. She joins an exceptional board, who continue to give so much of their time, expertise, and insight.

Finally, and by no means least, we are hugely grateful to Dame Moira Gibb for Chairing the Board of Governors for the past decade. Dame Moira left the Board in December 2022, having agreed to extend her term to help steer us through the pandemic. Dame Moira has been a great supporter and superb advocate for City Lit. From a personal perspective, I could not have wished to work with a more committed public servant and feel honoured that we have partnered together over the last decade in making City Lit a cultural and educational beacon in some of the most difficult of times.

Mark Malcomson

Mark Malcomson CBE
Principal and Chief Executive



Charmaine Watkiss



Visual Arts

“

I came to City Lit because I wanted to develop my artistic practice and City Lit very much helped me with that. Whilst I was on the course, I was freelancing part-time, but it gave me the space to really contemplate what was important to me as an artist. I had a lot of support from the tutors, particularly transitioning from graphic digital design into the realm of fine art. So, the course gave me a really good grounding in artistic practice and generating my own ideas and responding to things that I'm interested in.

”

Kashmini Shah



Creative Writing

“

I entered the “Unheard Voices” scholarship because its message spoke to me - we need to be reading and writing works which reflect the inner lives of all, including those often untold tales - whether that be the stories of women of colour, or of those with mental health conditions. Of course, the name “Malorie Blackman” was another reason I entered, and I’m incredibly grateful to have been selected by such an inspirational writer and figure in the book industry. Creating these spaces is one of the best things an established author can do, and I’m thrilled to have this opportunity.

”

Jethro Woudhuysen



Art class, Centre
for Learning
Disability
Education

“

Coming to City Lit gives me a chance to socialise, it calms me and gives me freedom to choose what I want to do.

”

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 close to 5,000 courses, including 2,000 online courses, to over 25,000 students a year. Our wide range of courses include: visual and performing arts, languages, computing, counselling, health and movement, humanities, deaf education, speech therapy and provision for adults with learning disabilities.



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

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 'Outstanding' 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 2023, City Lit did not receive any complaints about its fundraising activities.

Public Benefit

City Lit is a registered charity (charity number 803007) under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are listed on pages 25 and 26. In setting and reviewing City Lit's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit. In delivering its mission, City Lit provides the following identifiable public benefits through the advancement of adult education: quality teaching and course offering, inclusive approach to student enrolment, tackling social exclusion and encouraging social participation, providing solutions to education inequality and delivering robust student support programmes.

Force for good

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

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

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

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

Our approach to [Speech Therapy](#) has gained national and international recognition as a centre of excellence. Our tutors have published the methodology that we use and they are widely cited throughout the world with many professionals believing that ours is the most effective way to help people with stammers. As well as specialising in therapy for people who stammer we also work with people who have suffered from speech impairment as a result of a head injury or stroke. Our

methodology and therapy helps improve speech, builds confidence and enables people to contribute more positively in all aspects of their lives, particularly at work.

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

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

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

Charitable status

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

Operating and Financial Review

(including the Strategic Report)

Performance indicators

City Lit is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA). The Finance Record produces a financial health grading. The Institute was severely impacted, financially, by the pandemic which resulted in our rating falling to 'Inadequate'. Our financial health score for the 2021-22 financial year increased to 'Requires Improvement', two years earlier than anticipated. This was achieved through targeted cost savings. Our financial health score for 2022-23 is also 'Requires Improvement'. We continue to work with the Further Education Commissioners team to restore our financial health to pre-pandemic levels. Trading conditions remain challenging against the backdrop of the current economic climate, however we are seeing some signs of recovery. Our financial result for this year has exceeded our budgeted expectations.

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.

Following the reclassification of colleges to Central Government sector in November 2022, all borrowing now requires the permission of the Department for Education. As a result, we negotiated a long-term loan from the Department for Education in order to repay our commercial overdraft and secure future working capital. We received a loan of £2.85m on 31 July 2023. The loan is repayable over 17 years at the Public Works Loan Board (PWLB) standard rate, which is currently 4.97%.

Financial results

	2022-23	2021-22
	£'000	£'000
Income		
Funding body grants	9,756	9,444
Student fees and educational contracts	8,118	8,428
Other income	300	228
	18,174	18,100
Expenditure	(18,335)	(18,306)
Deficit (before actuarial pension & other adjustments)	(161)	(206)

Financial results (continued)

During the financial year, the Institute's IT systems were subject to a cyber-attack, which led to the IT systems being shut down for a number of weeks. The timing of the incident, just before the December break, allowed sufficient recovery time so that education for learners in Term 2 was undisrupted. With the assistance of an external cyber security company, the systems were fully restored and measures taken to further enhance the security of the IT system. The Institute reported this matter to The Information Commissioner's Office, Charity Commission and Police. Communications have been issued on a company wide basis, and where required, data subjects will be informed and provided with advice and assistance on how to ensure their identities are protected.

As disclosed in the Statement of Comprehensive Income, the Institute incurred exceptional costs of £864,000 as a result of the cyber attack. Despite receiving a financial demand, no ransom was paid.

Income from student fee income was £8,097,000, a small decrease of 1% on the last financial year and 20% lower than the pre-pandemic level in 2018-19. The result was in line with our year-end projections. We continued to see students returning in higher numbers to attend classes in person in curriculum areas that were not able to offer a full provision during the pandemic, in particular the School of Performing Arts and some areas of the School of Visual Arts. However, our enrolments are below pre-pandemic levels across the college, impacted by the changing working patterns of learners.

Our total income was higher than the last financial year as we received a 3.5% uplift in our funding from the GLA. The increase in funding enabled us to award a 3% pay increase to all staff, and a 5% increase for lower paid staff.

Overall the Institute ended the year with a deficit, before actuarial pension adjustments and exceptional costs of £161,000 (2021-22: deficit of £206,000). The result for the year including pension adjustments and exceptional costs was a surplus of £6,065,000 (2021-22: surplus of £14,105,000). At 31 July 2023, City Lit had net assets of £7,715,000 (2021-22: net assets of £8,636,000, excluding the pension liability of £6,986,000).

Pension liability

At the year end the defined benefit pension had an accounting surplus of £3,071,000 (2021-22: pension liability of £6,986,000). In accordance with our post retirements benefits accounting policy we have not recognised the surplus in the financial statements. The pension valuation for 2022-23 is £nil (2021-22: pension liability of £6,986,000). The improvement in the accounting valuation is as a result of the significant increases in the interest rate over the last year. The discount factor used to calculate the pension valuation has increased from 3.40% to 5.15%.

This valuation is purely for the purposes of the financial statements, under the FRS102 accounting standards. The nil value recognised on the balance sheet differs from the last actuarial scheme valuation at 31 March 2022 which shows that we have a funding surplus of £3,480,000 and are 118.5% fully funded, compared to a surplus of £120,000 (100.8% fully funded) at the previous valuation on 31 March 2019. Following the last valuation our employer contribution rate increased from 12.9% to 13.6% from 1 April 2023.

Cash flow

City Lit's cash inflow from operating activities was £468,000 (2021-22: £875,000 inflow). There was an overall improvement in the Institute's cash position as a result of the loan received at the year end.

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. Following the reclassification of colleges to the public sector, the Institute can no longer utilise a bank overdraft facility to provide such headroom. The Institute negotiated a long-term loan with the Department for Education to repay the overdraft and fund future working capital requirements. Going forward, such headroom is now only available from management's proven ability to reduce variable expenditure when necessary in a strictly prioritised and controlled manner. Our net current liability at 31 July 2023 was £1,952,000 (2022: £4,536,000).

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 2023, City Lit paid 87% of its invoices within 30 days (2021-22: 92%).

Streamlined energy and carbon reporting

The College's greenhouse gas emissions and energy use for the period are set out below:

UK Greenhouse gas emissions and energy use data for the period	1 August 2022 to 31 July 2023	1 August 2021 to 31 July 2022
Energy consumption used to calculate emissions (kWh)	1,242,090	1,388,864
Scope 1 emissions in metric tonnes CO ₂ e		
Gas consumption	83.92	92.81
Scope 2 emissions in metric tonnes CO ₂ e		
Purchased electricity	151.29	187.31
Scope 3 emissions in metric tonnes CO ₂ e		
Business travel in employee owned vehicles	-	-
Total gross emissions in metric tonnes CO₂e	235.21	280.62
Intensity ratio		
Metric tonnes CO ₂ e per student	0.01	0.01

Qualification and reporting methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol - Corporate Standard and have used the 2021 UK Government's Conversion Factors for Company Reporting.

Intensity ratio

The chosen intensity measurement ratio is Metric tonnes CO₂e per student.

Employees

During the year City Lit employed an average of 1,221 employees (2021-22: 1,253). Included in this figure are 1,010 part-time tutors (2021-22: 1,059). The staff numbers in Note 7 only include employees that worked for City Lit in the year.

Our staff costs (excluding restructure and pension costs) remained at a similar level to last year at £12,469,000. We awarded a 3% pay increase to all employees from 1 January 2023 following an uplift in funding from the GLA. Our overall costs remain unchanged, despite this, as total sessional pay costs were lower this financial year as departments reverted back to pre-pandemic policy of cancelling courses with low enrolments, to preserve overall contribution. Further details of staff costs are provided in Note 7.

Outlook for 2023-24

In 2023-24 we will continue to provide a mix of online and face to face learning, which we will adapt according to the perceived demand from our students. We expect the upcoming year to be another challenging year from a financial perspective, given the current economic climate and the pressures on our students' disposable income. Our key objective continues to be to grow fee income back and restore course profitability towards pre-pandemic levels, and build our cash reserves.

Principal risks and uncertainties

City Lit has several embedded internal controls to manage and mitigate risk including a Risk Management Group who update and maintain the risk register. The risk register is reviewed termly by the Audit & Risk Committee, as well as a Board Assurance Framework which is a wide-reaching governance tool that informs the Governors of progress against strategic direction including risk management. Risk Management processes are designed to protect its assets, reputation and financial stability. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce or mitigate the risks.

The principal risks and uncertainties for City Lit are:

- **A reduction in Government funding or a change in the funding rules** - City Lit's strategy is to continue to build fee income and strengthen our relationship with our funders.
- **The impact of the current economic climate on our ability to attract students** - Pre-pandemic, we derived over 50% of our income from students. The impact of the pandemic has significantly reduced our fee income. With the resulting economic uncertainty, it is possible that our fee paying students will want to protect their income and reduce the number of courses they purchase. Our strategy to review our offer and meet the needs of our students should enable us to provide a more flexible curriculum that is affordable in tougher times. Our goal to diversify income streams should enable us to continue offering places to the most vulnerable.
- **A reduction in teaching standards** has a negative impact on student experience and the Institute's success. This is addressed through a vigorous framework of teaching observations and monitoring and responding to student feedback. Our recent Ofsted Inspection, where the Institute was graded as Outstanding, demonstrates the effectiveness of this framework.
- **Failure of or disruption to our IT systems, impacting our students and the wider business operations.** Across both public and private sectors, cyber security continues to be a significant concern, with healthcare and education being common targets. We are committed to ensuring that we meet the required standards with respect to cyber security.

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 & Skills Funding Agency (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 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 fulfil 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 will continue to strive to improve the quality of our teaching by implementing and embedding excellent diversity practices.

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

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

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

Bursary scheme: The ability of the less well-off to be able to access City Lit courses is an area of growing concern. To try and alleviate this problem City Lit setup a bursary scheme in 2011 (see note 22). This fund comprises amounts set aside out of City Lit general funds. This year we received £43,000 in donations and the balance on the fund at 31 July 2023 was £133,000 (31 July 2022: £118,000).

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

Trade union facility time

The Trade Union (Facility Time Publication Requirements) regulations 2018 require the Institute to publish information on facility time arrangements for trade union officials at the Institute, for the period covering 1 April 2022-31 March 2023.

Number of employees who were trade union representatives: 6 (FTE 2.8)

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

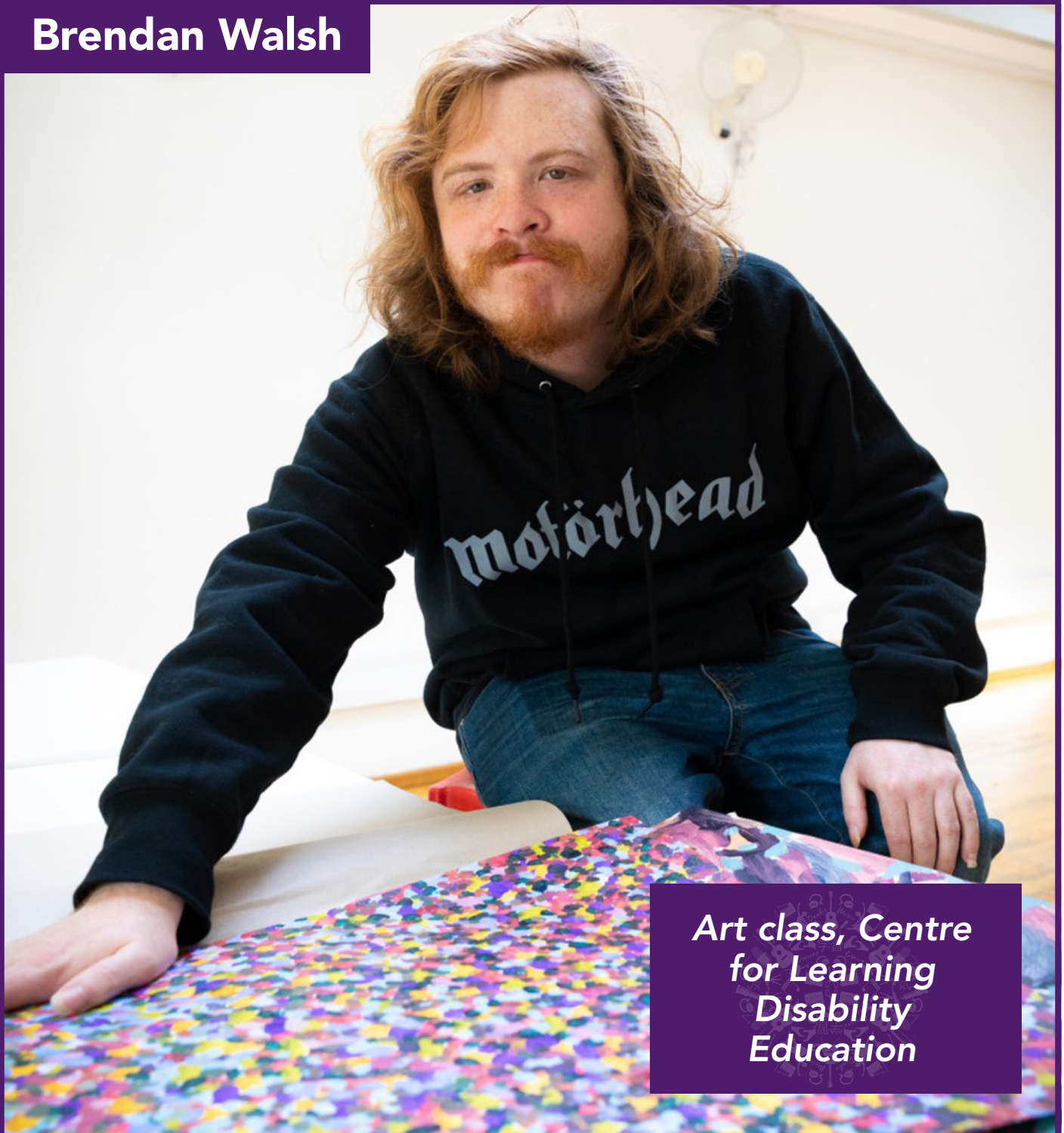
Total cost of facility time: £nil

Total pay bill: £12.8 million

Percentage of total bill: 0%

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

Brendan Walsh



Art class, Centre
for Learning
Disability
Education

“

City Lit is a great learning experience for me, everybody there is really helpful and supportive and give me constructive feedback. I can ask any staff for help. I'm taken seriously at City Lit and City Lit doesn't label me as a person.

”

Victoria Selman



Creative Writing

“

Studying at City Lit was the first stepping stone towards achieving my dream of being a bestselling author. I really enjoyed the critiquing sessions with my peers and was able to develop the skills I knew I already had and see my confidence blossom. My advice to budding writers is to read, read, read – the more you consume, the more you'll learn and, if you're passionate about something, you will succeed.

”

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 5 December 2023 and signed on its behalf by:



Lindsay Nicholson MBE
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 Code of Good Governance for English Colleges (the Foundation Code)
- And having due regard to the UK Corporate Governance Code (the Code) insofar as it is applicable to the College. Although the College has not adopted this Code it draws upon best governance practices available, including the aspects of the Code that are considered to be appropriate.

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 2023. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges 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 2022-23 are listed in the table below:

The total number of meetings held in the year were as follows: Governing Body - 7 (plus 1 day Strategic Review session not included in the figures); Audit & Risk Committee - 3; Finance & Commercial Committee - 4; Governance & People Committee - 5; Quality Committee - 3; and Remuneration Committee - 1.

The Governing Body met for two additional meetings outside the 2022-23 cycle of business due to the cyber attack and the impact of the ONS reclassification. These meetings have been reflected in the figures.

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)
Lucy Arnold-Courtney	6	11/5/21	4 years		1	Audit & Risk - 1 (out of a possible 1); Quality - 1
Donna Birkett Baida	6	19/10/21	4 years		1	Finance & Commercial - 4
Edward Breen (Staff Governor)	5	14/10/19	4 years		2	Quality - 2
Jane Cooper (Deputy Chair)	2 (out of a possible 2)	7/7/20	2nd term extended to 7/12/22*	7/12/22	1	Quality - 1 (out of a possible 1); Governance & People - 1 (out of a possible 1)
Jon Gamble	7	8/3/22	2nd term extended to 11/7/23*	5/7/23	1	Audit & Risk - 3
Clancy Gebler Davies (Student Governor)	7	2/12/21	2 years (plus 1 extended year)*		3	Quality - 3

Name	No. of Governing Body meetings attended	Date of appointment/re-appointment	Term of office	Date of resignation	Status of appointment	Committee(s) served and attendance
Dame Moira Gibb (Chair)	2 (out of a possible 2)	8/3/22	2nd term extended to 7/12/22*	7/12/22	1	Governance & People - 1 (out of a possible 1)
Colin Jones	7	6/12/22	4 years		1	Finance & Commercial - 4; Governance & People - 5
Simon Judge	7	13/10/20	4 years		1	Audit & Risk - 3; Governance & People - 4
Christine Kinnear	7	1/12/20	4 years		1	Finance & Commercial - 4
Mark Lever	7	14/7/22	4 years		1	Finance & Commercial - 4
Mark Malcomson (Principal)	7	11/6/11	N/A		4	Finance & Commercial - 4; Governance & People - 4; Quality - 3
Lindsay Nicholson (Chair)	7	9/5/22	4 years		1	Finance & Commercial - 3; Governance & People - 4
Alison Pike	6	19/10/21	4 years		1	Quality - 2
Jill Westerman (Deputy Chair)	6	14/7/22	4 years		1	Quality - 3; Governance & People - 5
Hayley White	7	14/7/22	4 years		1	Audit & Risk - 3

Co-opted member: Krys Rapier was re-appointed to the Audit & Risk Committee on 05/12/2023 for a term of one year.

Status of appointment: 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 = Appointed from the student community; 4 = The Principal.

* Extension in terms of office were approved by the Governing Body for continuity and stability purposes as a result of the Covid-19 pandemic.

It is the Governing Body's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The Governing Body is provided with regular and timely information on the overall financial performance of City Lit together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Governing Body meets at least once a term.

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

The Clerk to the Governors 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 is committed to the training and development of both the Governors and the Clerk, and ensured that they received appropriate training and development throughout the year. For Governors this included: the Education & Training Foundation (ETF) Chairs' Leadership programme, safeguarding & prevent modules; AoC new Governor induction sessions; inhouse induction and buddying programme for new Governors; external auditor training in accounting for non-accountants, and ONS reclassification and impact sessions; self-assessment moderation; department presentations; AoC governance conferences; City Lit staff and tutor conference; AoC finance masterclasses; ETF/ Institute of Directors; Governance & Leadership - The Future of Work & Learning; and Introduction into British Sign Language.

The Clerk to the Governors is experienced in the role and is supported by the Governing Body in her continuing training and development. She is a member of the FE Governance Professionals network, attends the annual AoC Governance Professionals conference, and undertakes a range of professional development courses to stay appraised of the latest good governance practices. She has also completed the qualification from the Education & Training Foundation/Institute of Leadership & Management: 'The technical aspects of being a Governance Professional - Intermediate level programme' and gained an Award for Further Education Governance Professionals (FEGP Award) from the Institute of Directors.

Currently, the Board undertakes an annual self-assessment of governance practices and produces an associated action plan. However, the Governing Body has considered DfE guidance on board reviews carefully and, as such, intends to commission an external review in 2023-24. During this financial year the internal auditor undertook a governance review and gave substantial assurance over the Governance function of the Institute.

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 & 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. Governors are eligible for re-appointment and, unless otherwise agreed by the Governing Body, do not serve for more than two terms.

Finance & Commercial Committee

The Finance & Commercial Committee is charged with monitoring the Institute's financial performance and approving the annual budget. It met four times in 2022-23 and comprises four members of the Governing Body including the former Chair of Governors, who joined the Committee temporarily during the Covid-19 pandemic, and latterly the current Chair of Governors.

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 2023 are set out in note 7 to the financial statements.

Governance & People Committee

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

Quality Committee

The Quality Committee met three times throughout 2022-23 and comprises six members, including the Student and Staff Governors. The aim of the Committee is to advise the Governing Body on the appropriateness and operation of the Institute's Quality Assurance systems, the quality of the learner experience and performance against key quality targets. It also makes recommendations on quality improvements for the Board's approval.

Audit & Risk Committee

The Audit & Risk Committee comprises of at least two members of the Governing Body and one co-opted member. Membership does not include the Accounting Officer, Chair or members of the Finance & Commercial Committee. Its purpose is to advise the Governing Body on the adequacy and effectiveness of City Lit's systems of internal control and its arrangements for risk management, control and governance processes.

The Audit & Risk Committee 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 and Board Assurance Framework.

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

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

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

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

Internal Control

City Lit's system of internal financial control includes:

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

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Institute policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in City Lit for the year ended 31 July 2023 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 2023 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Governing Body.

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

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

The risk and control framework

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

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

As a result of the introduction of the Post 16 Audit Code of Practice, the Institute is no longer required to have an internal audit function. The Audit & Risk Committee appointed BDO LLP during 2015 to provide internal audit services and this contract came to end during 2023. The Audit & Risk Committee has decided not to appoint new internal auditors. Instead, the Institute will undertake reviews using the services of individual specialists, to provide assurance in high risk areas.

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 useful tool for Boards and brings together the relevant information about the risks to the Board's strategic objectives. It aims to cover all the areas of City Lit's operations and informs Governors on how the Institute is working according to the strategic direction set. It also sets out what specific parts Governors play in doing this, as a Governing Body, and through the various Committees. The framework acts as an overarching control document to help see

that City Lit's strategy is being executed. One aspect of that is checking that mechanisms are in place should things go wrong, which is a central part of the risk management process. The framework also acts to focus the work of internal audit.

Review of effectiveness

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

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

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

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

Going concern

The Institute incurred an operating deficit of £161,000 during the year (2021-22: deficit of £206,000), against an original budget deficit of £615,000. Tuition fee income remained broadly in line with last year at £8,097,000 (2021-22: £8,156,000).

At 31 July 2023, the Institute had net current liabilities of £1,952,000 (2022: £4,536,000). Following the reclassification of colleges from private to Central Government sector, we successfully negotiated a long term loan of £2.85m to enable us to repay our overdraft and provide us with future working capital.

Overall, the Institute has a net asset balance of £7,715,000 (2022: net assets of £1,650,000). This year there is no pension liability included (2022: pension liability of £6,986,000) in relation to the Local Government Pension Scheme. The FRS102 valuation produced a surplus for the year ended 31 July 2023 and this has not been recognised in the financial statements as the Institute does not expect to benefit from it. At the last reported triennial valuation, the scheme was fully funded.

Our budget for the financial year ending 31 July 2024 anticipates a positive EBITDA and a deficit of £243,000. The budget is based on the key assumptions that a certain level of tuition fees will be achieved and the Institute will deliver its adult education funding budget in full.

Our challenge in the next few years will be to bring our student fee income back to pre-pandemic levels, together with pressures on our cost base. Given the current economic climate and potential impact of the cost of living on students' disposable income, the upcoming year will be another challenging year from a financial perspective. However, the following factors provide the Board with assurance that the Institute remains a going concern:


- The Department for Education provided the Institute with a loan of £2.85m on 31 July 2023 and has committed to providing capital grants totalling £1.1m to support the upgrade of essential infrastructure. We have also received significant amounts of capital grants from both the GLA and the ESFA over the last few years. This shows that our funders have confidence in the key role of the Institute and its long term viability.
- Funding body grants from both the ESFA and GLA have been confirmed for the year to July 2024.
- The Institute owns the freehold of its main campus in Covent Garden. The net book value of the freehold land and buildings in the financial statements at 31 July 2023 was £13.1m. However, the market value (last revalued March 2019) was significantly higher at £67m.
- The Institute has developed a sustainable complementary income stream, providing online courses alongside in person classes. Performance in Term 1 is encouraging and, whilst down from pre-pandemic levels indicates that there is still demand from our students for courses.
- Cash flows are reviewed and reforecast on a regular basis and based on key assumptions outlined above, indicate that whilst working capital management will need ongoing careful planning and monitoring given the challenging climate, we should have sufficient cash reserves from 12 months from the date the Board signs the financial statements.
- The Institute continues to work closely with the Further Education Commissioner. We have a detailed Financial Recovery Plan in place, and are ahead on achieving some of the key milestones within it. We received positive feedback on how the Institute is handling its finances as we continue our recovery from the pandemic.

Taking all the above into consideration, the Institute has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, has therefore prepared the financial statements on a going concern basis.

Approved by the Governing Body on 5 December 2023 and signed on its behalf by:



Lindsay Nicholson MBE
Chair of Governors



Mark Malcomson CBE
Accounting Officer

Statement of Regularity, Propriety and Compliance

Statement of the Accounting Officer

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

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

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



Mark Malcomson CBE

Accounting Officer
5 December 2023

Statement of the Chair of Governors

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



Lindsay Nicholson MBE

Chair of Governors
5 December 2023

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 Institute's grant funding agreements and contracts with the Education and Skills Funding Agency (ESFA) and the Greater London Authority (GLA), the Institute is required to prepare financial statements which give a true and fair view of the financial performance and position of the Institute for the relevant period. The Institute must also prepare a strategic report which includes an operating and financial review for the year.

The bases for the preparation of the financial statements and strategic report are the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's College Accounts Direction and the UK's Generally Accepted Accounting Practice.

In preparing the financial statements, the Institute is required to:

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

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

The Institute is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Institute and which enable it to ensure that the financial statements are prepared in accordance with relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

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

The Governing Body of the Institute is responsible for ensuring that expenditure and income are applied for the purposes intended and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the ESFA, and any other public funds, are used only in accordance with the ESFA's grant funding agreements and contracts and

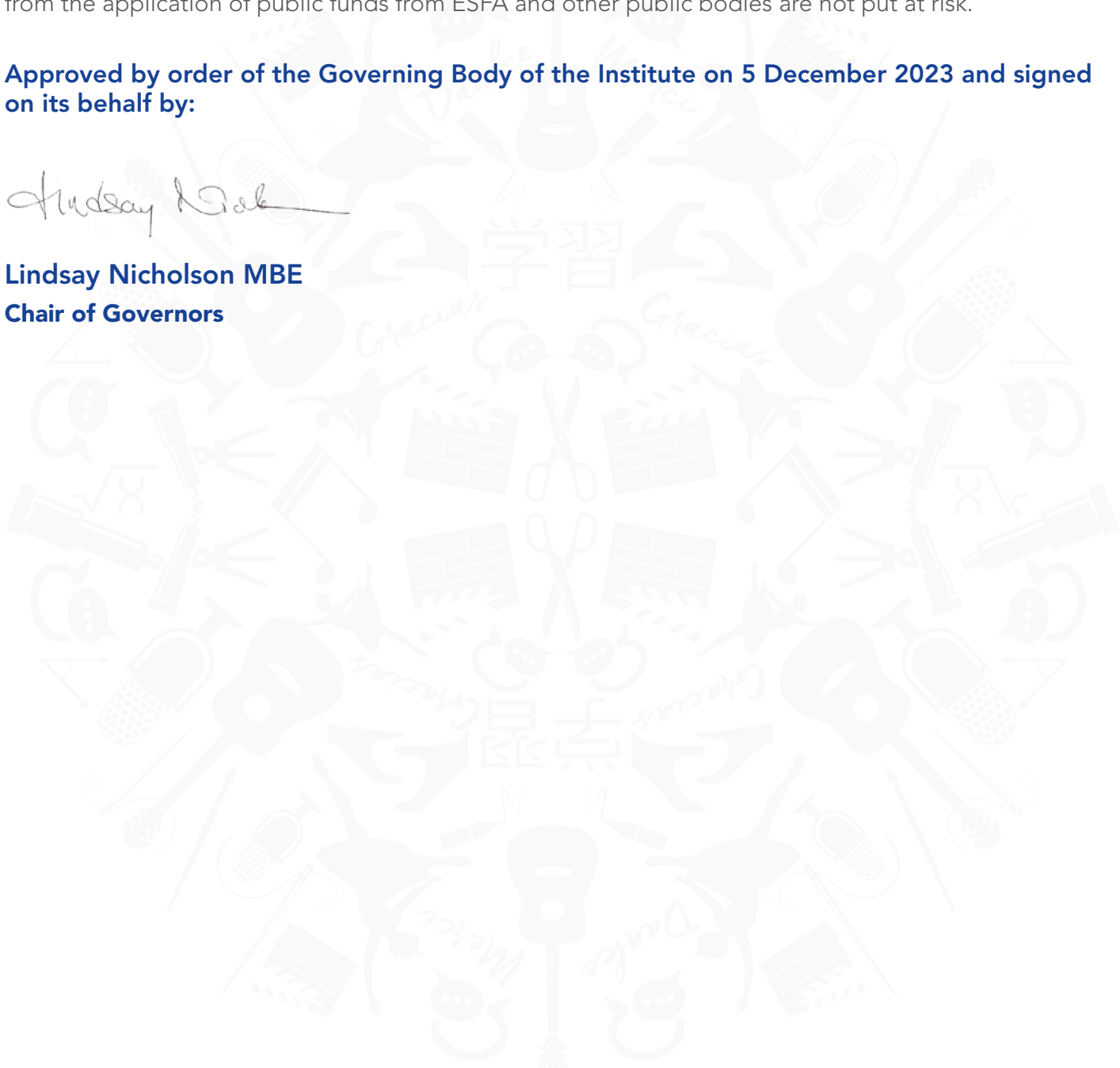
any other conditions, that may be prescribed from time to time by ESFA, or any other public funder, including that any transactions entered into by the Institute are within the delegated authorities set out in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides.

The Governing Body of the Institute 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 of the Institute is responsible for securing economic, 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 ESFA and other public bodies are not put at risk.

Approved by order of the Governing Body of the Institute on 5 December 2023 and signed on its behalf by:



Lindsay Nicholson MBE
Chair of Governors



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

Opinion

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

In our opinion, the financial statements:

- give a true and fair view of the state of the Institute's affairs as at 31 July 2022 and of its income under expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Assessment of going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of the Governing Body

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of the Governing Body meetings;
- enquiring of management as to actual and potential litigation and claims; and

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

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

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

Use of our report

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



Shachi Blakemore (Senior Statutory Auditor)

For and on behalf of Buzzacott LLP

Statutory Auditor

130 Wood Street

London

EC2V 6DL

Date: 18 December 2023

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 for Education ("the Department")

In accordance with the terms of our engagement letter and further to the requirements of the financial memorandum with Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by The City Literary Institute during the period 1 August 2022 to 31 July 2023 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post 16 Audit Code of Practice ("the Code") issued by the 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 2021 to 31 July 2022 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 2022 to 31 July 2023 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Buzzacott LLP, Statutory Auditor

130 Wood Street

London

EC2V 6DL

Date: 18 December 2023

Statement of Comprehensive Income for the year ended 31 July 2023

	Notes	2022-2023			2021-2022		
		Before actuarial pension & other adjustments	Actuarial pension (LGPS) & other adjustments	After actuarial pension & other adjustments	Before actuarial pension & other adjustments	Actuarial pension (LGPS) & other adjustments	After actuarial pension & other adjustments
		£'000	£'000	£'000	£'000	£'000	£'000
INCOME							
Funding body grants	2	9,756	-	9,756	9,444	-	9,444
Tuition fees and education contracts	5	8,118	-	8,118	8,428	-	8,428
Other income	6	254	100	354	166	-	166
Donations	3,4	46	-	46	62	-	62
Total income		18,174	100	18,274	18,100	-	18,100
EXPENDITURE							
Staff costs	7	12,469	645	13,114	12,596	1,742	14,338
Fundamental restructuring costs	7	21	-	21	237	-	237
Other operating expenses	9	4,526	864	5,390	4,126	-	4,126
Depreciation & amortisation	11,12	1,280	-	1,280	1,317	-	1,317
Interest and other finance costs	10	39	229	268	30	337	367
Total expenditure		18,335	1,738	20,073	18,306	2,079	20,385
Deficit for the year		(161)	(1,638)	(1,799)	(206)	(2,079)	(2,285)
Actuarial gain in respect of pension schemes	17,21	4	7,860	7,864	5	16,385	16,390
Total comprehensive income/(expenditure) for the year		(157)	6,222	6,065	(201)	14,306	14,105
Represented by:							
Unrestricted comprehensive income/(expenditure)		(173)	6,222	6,049	(233)	14,306	14,073
Restricted comprehensive income	22	16	-	16	32	-	32
		(157)	6,222	6,065	(201)	16,015	14,105

Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 31st July 2021	(13,455)	1,000	(12,455)
Deficit from the income and expenditure account	(2,285)	-	(2,285)
Other comprehensive expenditure	16,390	-	16,390
Total comprehensive expenditure for the year	14,105	-	14,105
Balance at 31st July 2022	650	1,000	1,650
Deficit from the income and expenditure account	(1,799)	-	(1,799)
Other comprehensive income	7,864	-	7,864
Total comprehensive income for the year	6,065	-	6,065
Balance at 31st July 2023	6,715	1,000	7,715

A breakdown of the funds within the income and expenditure account is provided on the Balance Sheet.

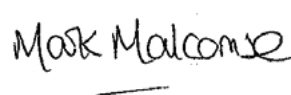
Balance Sheet as at 31 July 2023

	Notes	2023 £'000	2022 £'000
Fixed assets			
Tangible fixed assets	11	17,369	17,872
Intangible fixed assets	12	400	380
		17,769	18,252
Current assets			
Trade and other receivables	13	1,509	805
Cash and cash equivalents	18	1,265	-
		2,774	805
Less: Creditors - amounts falling due within one year	14	(4,726)	(5,341)
Net current liabilities		(1,952)	(4,536)
Total assets less current liabilities		15,817	13,716
Less: Creditors - amounts falling due after more than one year	15	(8,053)	(5,022)
Provisions			
Defined benefit obligations	17, 21	-	(6,986)
Other provisions	17	(49)	(58)
Total net assets		7,715	1,650
Funds			
Income and expenditure account	22	6,566	517
Revaluation reserve	22	1,000	1,000
Restricted Bursary Fund	22	133	117
Restricted funds	22	16	16
Total funds		7,715	1,650

The financial statements on pages 42 to 73 were approved and authorised for issue by the Institute on 5 December 2023 and were signed on its behalf on that date by:



Lindsay Nicholson MBE, Chair



Mark Malcomson CBE, Accounting Officer

Statement of Cash Flows as at 31 July 2023

	Notes	2022-23 £'000	2021-22 £'000
Cash inflow from operating activities			
Deficit for the year		(1,799)	(2,285)
Adjustment for non cash items			
Depreciation and amortisation	11, 12	1,280	1,317
Increase in debtors	13	(704)	(27)
Increase/(decrease) in creditors due within one year	14	473	(168)
Increase/(decrease) in creditors due after one year	15	349	(36)
Decrease in provisions		(5)	(5)
Pensions costs less contributions payable	21	874	2,079
Net cash flow from operating activities		468	875
Cash flows from investing activities			
Payments made to acquire tangible fixed assets	11	(606)	(665)
Payments made to acquire intangible fixed assets	12	(191)	(20)
		(797)	(685)
Cash flows from financing activities			
Loan received	16	2,850	-
		2,850	-
Increase in cash and cash equivalents in the year		2,521	190
Cash and cash equivalents at beginning of the year	18	(1,256)	(1,446)
Cash and cash equivalents at end of the year	18	1,265	(1,256)

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 2022-23 and in accordance with Financial Reporting Standard 102 - "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The Institute is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

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

Going concern

The Institute incurred an operating deficit of £161,000 during the year (2021-22: deficit of £206,000), against an original budget deficit of £615,000. Tuition fee income remained broadly in line with last year at £8,097,000 (2021-22: £8,156,000).

At 31 July 2023, the Institute had net current liabilities of £1,952,000 (2022: £4,536,000). Following the reclassification of colleges from private to Central Government sector, we successfully negotiated a long term loan of £2.85m to enable us to repay our overdraft and provide us with future working capital.

Overall, the Institute has a net asset balance of £7,715,000 (2022: net assets of £1,650,000). This year there is no pension liability included (2022: pension liability of £6,896,000) in relation to the Local Government Pension Scheme. The FRS102 valuation produced a surplus for the year ended 31 July 2023 and this has not been recognised in the financial statements as the Institute does not expect to benefit from it. At the last reported triennial valuation, the scheme was fully funded.

Our budget for the financial year ending 31 July 2024 anticipates a positive EBITDA and a deficit of £243,000. The budget is based on the key assumptions that a certain level of tuition fees will be achieved and the Institute will deliver its adult education funding budget in full.

Our challenge in the next few years will be to bring our student fee income back to pre-pandemic levels, together with pressures on our cost base. Given the current economic climate and potential impact of the cost of living on students' disposable income, the upcoming year will be another challenging year from a financial perspective. However, the following factors provide the Board with assurance that the Institute remains a going concern:

- The Department for Education provided the Institute with a loan of £2.85m on 31 July 2023 and has committed to providing capital grants totalling £1.1m to support the upgrade of essential

infrastructure. We have also received significant amounts of capital grants from both the GLA and the ESFA over the last few years. This shows that our funders have confidence in the key role of the Institute and its long term viability.

- Funding body grants from both the ESFA and GLA have been confirmed for the year to July 2024.
- The Institute owns the freehold of its main campus in Covent Garden. The net book value of the freehold land and buildings in the financial statements at 31 July 2023 was £13.1m. However, the market value (last revalued March 2019) was significantly higher at £67m.
- The Institute has developed a sustainable complementary income stream, providing online courses alongside in person classes. Performance in Term 1 is encouraging and, whilst down from pre-pandemic levels indicates that there is still demand from our students for courses.
- Cash flows are reviewed and reforecast on a regular basis and based on key assumptions outlined above, indicate that whilst working capital management will need ongoing careful planning and monitoring given the challenging climate, we should have sufficient cash reserves from 12 months from the date the Board signs the financial statements.
- The Institute continues to work closely with the Further Education Commissioner. We have a detailed Financial Recovery Plan in place, and are ahead on achieving some of the key milestones within it. We received positive feedback on how the Institute is handling its finances as we continue our recovery from the pandemic.

Taking all the above into consideration, the Institute has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, has therefore prepared the financial statements on a going concern basis.

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.

Notes to the Financial Statements 1 (continued)

Post retirement benefits

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

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

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

They are included as part of staff costs as incurred. Net interest on the net defined benefit liability is also recognised in the statement of comprehensive income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses. Actuarial gains and losses are recognised immediately in other recognised gains and losses.

If the present value of the defined benefit obligation at the balance sheet date is less than the fair value of the scheme's assets at that date, the scheme is in surplus. The Institute only recognises a scheme surplus as a defined benefit asset only to the extent that it is able to recover the surplus either through defined contributions in the future or through refunds from the scheme.

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.

Notes to the Financial Statements 1 (continued)

Tangible fixed assets

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

Land and buildings

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

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

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

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

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

Subsequent expenditure on existing fixed assets

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

Equipment

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

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.

Notes to the Financial Statements 1 (continued)

Intangible assets

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

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

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

Leased assets

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

Cash and cash equivalents

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

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

Financial liabilities

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

Short term deposits and loans 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 material 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.

Notes to the Financial Statements 1 (continued)

The Institute receives no similar exemption in respect of Value Added Tax (VAT). For this reason City Lit is generally unable to recover input VAT it suffers on goods and services purchased. VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Provisions and contingent liabilities

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

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

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

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty:

- **Tangible fixed assets**

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

- **Local Government Pension Scheme**

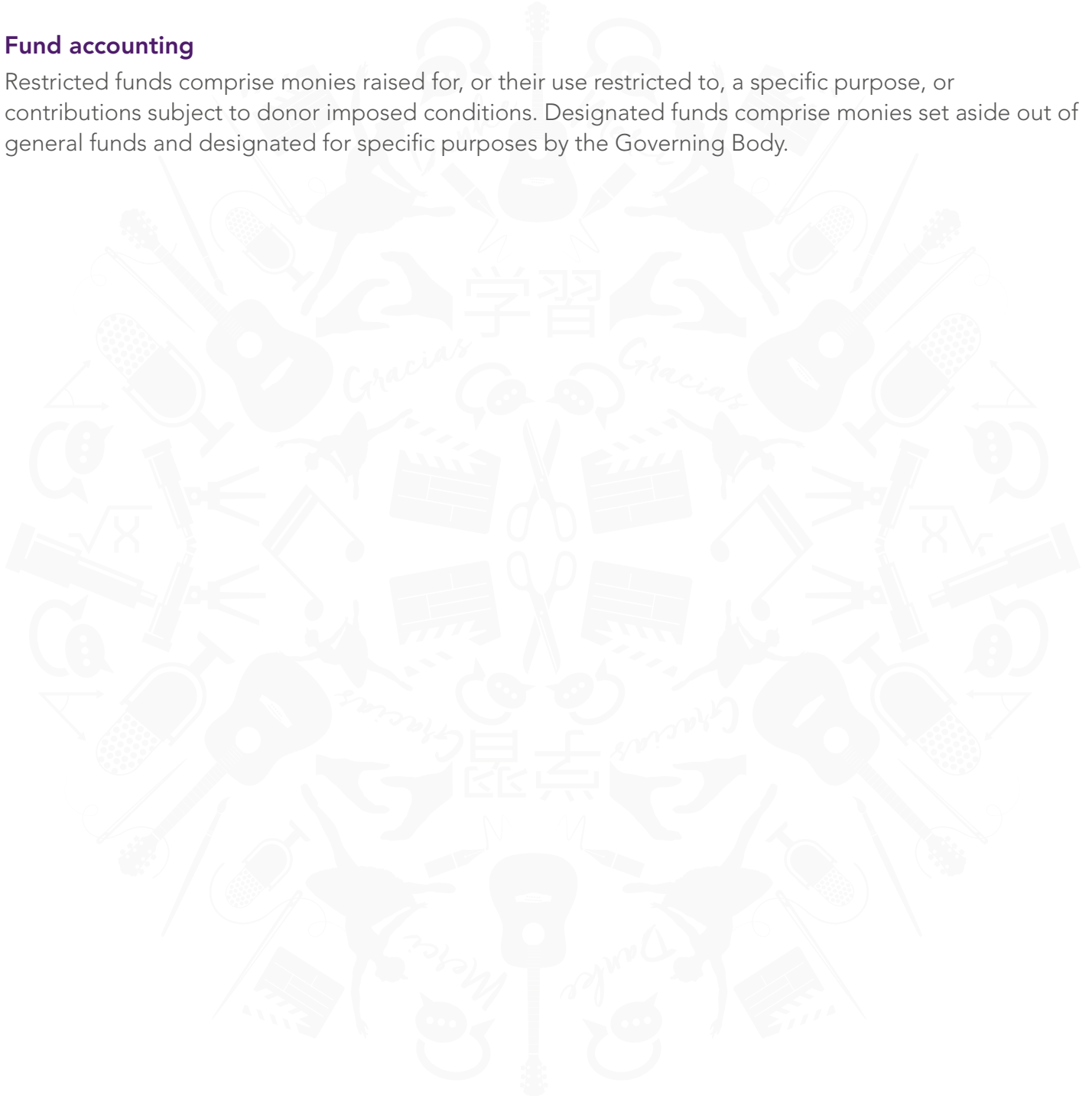
The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of

Notes to the Financial Statements 1 (continued)

the pension liability. Furthermore a roll forward approach, which projects results from the latest full actuarial valuation performed at 31 March 2022, has been used by the actuary in valuing the pensions liability at 31 July 2023. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

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

	2022-23	2021-22
	£'000	£'000
Recurrent grants		
Education & Skills Funding Agency	8,623	8,429
Specific Grants		
Release of Government capital grants	510	512
Teachers Pension Scheme contribution grant	623	493
Other government grants	-	10
Total	9,756	9,444

3. Appeal fund donations

	2022-23	2021-22
	£'000	£'000
Release of appeal fund donations	2	2
Total	2	2

4. Other donations

	2022-23	2021-22
	£'000	£'000
Bursary donations received	43	48
Legacies	-	2
General Donations	1	10
Total	44	60

Notes to the Financial Statements 5 & 6

5. Tuition fees and education contracts

	2022-23	2021-22
	£'000	£'000
Gross tuition fees	7,953	7,954
Less: bursaries	(27)	(16)
Fees for FE loan supported courses	171	218
Total tuition fees	8,097	8,156
Community Outreach	-	204
Other grants and contracts	21	46
Coronavirus Job Retention Scheme grant	-	22
Total education contracts	21	272
Total	8,118	8,428

In 2021-22 we closed our Community Outreach service.

6. Other income

	2022-23	2021-22
	£'000	£'000
Sales relating to courses	12	16
Consultancy	68	50
Other income	274	100
Total	354	166

Notes to the Financial Statements 7

7. Staff costs

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

	2022-23	2021-22
	No.	No.
Teaching staff	534	570
Non teaching staff	68	63
Total Staff	602	633

Staff costs for the above persons, analysed by department	2022-23	2021-22
	£'000	£'000
Teaching departments	8,388	8,992
Administration and central services	3,742	3,468
Agency staff	339	136
Actuarial pension adjustment	645	1,742
Total staff costs	13,114	14,338

Restructuring costs	21	237
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Staff costs, analysed by cost type	2022-23	2021-22
	£'000	£'000
Salaries	9,584	9,880
Social security costs	788	808
Other pension costs (excluding FRS 102 charge)	1,758	1,772
Agency staff	339	136
Actuarial pension adjustment	645	1,742
Total staff costs	13,114	14,338

Restructuring costs	21	237
---------------------	----	-----

Staff costs, analysed by type of contract	2022-23	2021-22
	£'000	£'000
Employment costs for staff on permanent contracts	7,808	7,832
Employment costs for staff on short term and temporary contracts	4,322	4,628
Agency staff	339	136
Actuarial pension adjustment	645	1,742
Total staff costs	13,114	14,338

Restructuring costs	21	237
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Notes to the Financial Statements 7 (continued)

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

The Executive Team comprises of the Principal, the Chief Financial Officer, the Vice Principal and the Executive Director of Human Resources.

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

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

	2022-23	2021-22
	No.	No.
The number of key management personnel at the end of the year was:	5	5

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

	Key Management Personnel		Other	
	2022-23	2021-22	2022-23	2021-22
	No.	No.	No.	No.
£60,001 to £65,000	1	1	1	4
£65,001 to £70,000*	-	-	2	2
£70,001 to £75,000	-	-	2	1
£75,001 to £80,000*	-	1	-	-
£80,001 to £85,000	-	-	1	-
£90,001 to £95,000	-	3	-	-
£100,001 to £105,000	-	-	1	1
£105,001 to £110,000	3	-	-	-
£130,001 to £135,000	1	1	-	-
	5	6**	7	8

Notes to the Financial Statements 7 (continued)

* These bands include one off compensation payments as detailed on page 58.

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

The table includes part time workers' earnings grossed up to full time equivalent earnings. This also includes staff on maternity, paternity or sickness leave.

Total key management personnel emoluments are detailed below.

Key management personnel emoluments are made up as follows:

	2022-23	2021-22
	£'000	£'000
Salaries	494	535
Employers National Insurance contributions	63	66
Pension contributions	76	75
Total emoluments	633	676

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:

	2022-23	2021-22
	£'000	£'000
Salaries	134	132
Employers National Insurance contributions	18	17
Pension contributions	18	17
Total emoluments	170	166

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.

Notes to the Financial Statements 7 (continued)

Accounting Officer pay and remuneration expressed as a multiple:

	2022-23	2021-22
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	2.3	2.3

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

	2022-23	2021-22
	£'000	£'000
Compensation paid to former key management personnel, including contractual and non contractual payments: (2021-22: one payment made)	-	19

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 2022-23, which totalled £2,054 for three Governors (2021-22: £905 for one Governor).

Notes to the Financial Statements 8 & 9

8. 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 2022-23 (2021-22: £nil).

9. Other operating expenses

	2022-23	2021-22
	£'000	£'000
Teaching purchases	282	265
Exam fees	95	88
Teaching departments	377	353
Learner services	45	41
Teaching and other support services	45	41
Administration purchases	1,040	1,086
Administration and central services	1,040	1,086
Marketing expenditure	818	743
Premises running costs	1,743	1,553
Maintenance	216	98
Rent	287	252
Premises	2,246	1,903
Exceptional Costs (as detailed on page 17)	864	-
Total operating expenses	5,390	4,126

Notes to the Financial Statements 9 (continued) &10

	2022-23	2021-22
	£'000	£'000
Total operating expenses includes the following:		
Auditor's remuneration		
Financial statements and regularity audit	35	26
Internal audit charge for the year	30	37
	65	63
Operating leases		
Office Equipment	21	23
10. Interest payable		
	2022-23	2021-22
	£'000	£'000
Interest Payable on overdraft	37	29
Pension finance costs (note 21)	229	337
Enhanced Pension finance costs (note 21)	2	1
Total interest payable	268	367

Notes to the Financial Statements 11

11. Tangible fixed assets

	Freehold Land and Buildings	Building Refurbishment	Equipment	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2022	19,903	4,690	3,042	27,635
Additions	-	446	160	606
Disposals	-	(20)	(10)	(30)
At 31 July 2023	19,903	5,116	3,192	28,211
Depreciation				
At 1 August 2022	6,420	1,260	2,083	9,763
Charge for the year	379	366	364	1,109
Elimination in respect of disposals	-	(20)	(10)	(30)
At 31 July 2023	6,799	1,606	2,437	10,842
Net book value at 31 July 2023	13,104	3,510	755	17,369
Net book value at 31 July 2022	13,483	3,430	959	17,872

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 2023, freehold land & buildings, building refurbishment and equipment with respective net book values of £3.8m, £1.8m and £0.5m have been financed by government grants. 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 12 & 13

12. Intangible fixed assets

	Software Licences & Information Technology Development
	£'000
Cost or valuation	
At 1 August 2022	1,178
Additions	191
Disposals	(273)
At 31 July 2023	1,096
Amortisation	
At 1 August 2022	798
Charge for the year	171
Elimination in respect of disposals	(273)
At 31 July 2023	696
Net book value at 31 July 2023	400
Net book value at 31 July 2022	380

13. Trade and other receivables

	31 July 2023	31 July 2022
	£'000	£'000
Trade receivables	723	557
Other receivables	380	-
Prepayments and accrued fee income	406	248
Total Debtors	1,509	805

Notes to the Financial Statements 14 & 16

14. Creditors: amounts falling due within one year

	31 July 2023	31 July 2022
	£'000	£'000
Loans and bank overdraft	168	1,256
Trade payables	668	343
Other taxation and social security	217	221
Accruals and deferred income	2,317	2,183
Deferred income - Government capital grants	526	531
Deferred income - Government revenue grants	276	254
Other creditors	554	553
Total	4,726	5,341

15. Creditors: amounts falling due after one year

	31 July 2023	31 July 2022
	£'000	£'000
Loans	2,682	-
Deferred income - Government capital grants	5,371	5,022
Total	8,053	5,022

16. Maturity of debt:

	31 July 2023	31 July 2022
	£'000	£'000
Bank loans and overdraft are repayable as follows:		
In one year or less	168	1,256
Between one and two years	168	-
Between two and five years	504	-
In five years or more	2,010	-
Total	2,850	1,256

The Institute received a loan of £2.85m from the Department for Education repayable over 17 years at the Public Works Loan Board (PWLB) standard rate, which is currently 4.97%.

Notes to the Financial Statements 17 & 18

17. Provisions

	Defined benefit obligations	Enhanced pensions	Total
	£'000	£'000	£'000
At 1 August 2022	6,986	58	7,044
Expenditure in the period	(523)	(7)	(530)
Charged to the income and expenditure account	1,397	2	1,399
Actuarial gain	(7,860)	(4)	(7,864)
At 31 July 2023	-	49	49

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

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

The principal assumptions for this calculation are:

	2022-23	2021-22
Price inflation	2.80%	2.90%
Discount rate	5.15%	3.40%

18. Cash and cash equivalents

	At 1 August 2022	Cash flows	At 31 July 2023
	£'000	£'000	£'000
Cash and cash equivalents	-	1,265	1,265
Overdraft facility	(1,256)	1,256	-
Total	(1,256)	2,521	1,265

Analysis of changes in net debt

		£'000	£'000
Cash in hand and at bank	(1,256)	2,521	1,265
Loans	-	(2,850)	(2,850)
	(1,256)	(329)	(1,585)

Following the reclassification of colleges from private to Central Government sector, the Institute negotiated a long-term loan from the Department for Education, which enabled the overdraft to be repaid.

Notes to the Financial Statements 19 & 20

19. Capital commitments

	31 July 2023	31 July 2022
	£'000	£'000
Commitments contracted for at 31 July	1,068	-

20. Lease Obligations

At 31 July 2022 the Institute had minimum lease payments under non-cancellable operating leases as follows:

	31 July 2023	31 July 2022
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	238	224
Later than one year and not later than five years	739	782
Later than five years	254	419
	1,231	1,425
Other		
Not later than one year	21	21
	21	21
Total lease payments payable	1,252	1,446

Notes to the Financial Statements 21

21. Defined benefit obligations

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

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 2020 and of the LGPS as at 31 March 2022.

Pension costs for the year	2022-23		2021-22	
	£'000		£'000	
Teachers Pension Scheme				
Contributions paid (included within the general reserve)	1,284		1,354	
Local Government Pension Scheme				
Pension costs	1,397	2,536		
Contributions paid	(523)	(457)		
Total allocated to the pension reserve	874		2,079	
Enhanced Pension				
Pension costs (allocated to the general reserve)	2		1	
Total pension costs	2,160		3,434	
Total actuarial gain	(7,860)		(16,385)	

Contributions amounting to £198,350 (2022: £192,049) payable to the schemes as at 31 July 2023 are included in creditors.

Teachers' Pension Scheme

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

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

Notes to the Financial Statements 21 (continued)

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

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

Valuation of the Teachers' Pension Scheme

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

The latest actuarial review of the TPS was carried out as at 31 March 2020. The valuation report was published by the Department for Education in October 2023. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £262 billion, and notional assets of (estimated future contributions together with the notional investments held at the valuation date) of £222 billion giving a notional past service deficit of £40 billion.

As a result of the valuation, employer contribution rates were set at 28.68% of pensionable pay from 1 April 2024 onwards (compared to the current rate of 23.68%). The Department for Education has agreed to pay a teacher pension employer contribution grant to cover the additional costs until at least March 2025, with future funding reviewed as part of subsequent spending review rounds.

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

The pension costs paid to TPS in the year amounted to £1,284,000 (2021-22: £1,354,000).

Notes to the Financial Statements 21 (continued)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by London Pension Fund Authority. The total contribution made for the year ended 31 July 2023 was £789,000 (2021-22: £715,000), of which employer's contributions totalled £523,000 (2021-22: £457,000) and employees' contributions totalled £266,000 (2021-22: £258,000). The contribution rates were 12.9% to 31 March 2023 and 13.6% thereafter for employers and ranged 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 2022 updated to 31 July 2023 by a qualified independent actuary.

	At 31 July 2023	At 31 July 2022
Rate of increase in salaries	2.80%	2.75%
Future pensions increases	2.80%	2.75%
Discount rate for scheme liabilities	5.15%	3.40%
Inflation assumption (CPI)	2.80%	2.75%
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 from age 65, weighted by liability, are:

	At 31 July 2023	At 31 July 2022
	Years	Years
Retiring today		
Males	20.70	21.80
Females	23.60	24.30
Retiring in 20 years		
Males	22.00	23.50
Females	24.90	25.90

Notes to the Financial Statements 21 (continued)

Sensitivity analysis

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

Change in discount rate	+0.5%	+0.1%	0.0%	-0.1%	-0.5%
Present value of defined benefit obligation (£'000)	19,771	21,244	21,638	22,043	23,784
Projected service cost (£,000)	469	549	570	592	690
Change in long term salary increase	+0.5%	+0.1%	0.0%	-0.1%	-0.5%
Present value of defined benefit obligation (£'000)	21,686	21,647	21,638	21,629	21,593
Projected service cost (£,000)	572	571	570	570	568
Change to pension increases and deferred revaluation	+0.5%	+0.1%	0.0%	-0.1%	-0.5%
Present value of defined benefit obligation (£'000)	23,778	22,043	21,638	21,244	19,768
Projected service cost (£,000)	693	593	570	548	466
Change in life expectancy assumptions	+1 year	None	-1 year		
Present value of defined benefit obligation (£'000)	23,353	21,638	20,949		
Projected service cost (£,000)	591	570	550		

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

	Share of assets 31 July 2023	Fair Value at 31 July 2023 £'000	Share of assets 31 July 2022	Fair Value at 31 July 2022 £'000
Equities	57%	14,049	57%	13,087
Target return portfolio	19%	4,648	22%	5,007
Infrastructure	12%	3,047	10%	2,426
Property	9%	2,298	10%	2,264
Cash	3%	667	1%	277
Total market value of assets	100%	24,709	100%	23,061

	Long-term rate of return expected at 31 July 2023	Fair Value at 31 July 2023 (£'000)	Long-term rate of return expected at 31 July 2022	Fair Value at 31 July 2022 (£'000)
Total market value of assets				23,061
Weighted average expected long term rate of return	4.64%		3.40%	
Actual return on plan assets		1,076		1,712

Notes to the Financial Statements 21 (continued)

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

	31 July 2023	31 July 2022
	£'000	£'000
Fair value of plan assets	24,709	23,061
Present value of plan liabilities	(21,638)	(30,047)
Adjustments to remove scheme surplus	(3,071)	-
Net pension asset/(liability)	-	(6,986)

The pension scheme asset has not been recognised in the financial statements. The total actuarial gains for the year amounted to £10.9m, of which £7.8m has been recognised in the statement of comprehensive income.

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

	31 July 2023	31 July 2022
	£'000	£'000
Amounts included in staff and investment costs		
Service cost	1,156	2,172
Net interest on the defined liability	229	337
Administration expenses	12	27
Total	1,397	2,536

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	288	1,372
Other actuarial gains	330	-
Changes in financial assumptions	10,428	17,826
Changes in demographic assumptions	1,606	-
Experience gain on defined benefit obligation	(1,721)	(2,813)
Adjustment to remove scheme surplus	(3,071)	-
Amount recognised in Other Comprehensive Income	7,860	16,385

Movement in net defined benefit liability during the year

	31 July 2023	31 July 2022
	£'000	£'000
Deficit in scheme at 1 August	(6,986)	(21,292)
Movement in year:		
Current service cost	(1,152)	(2,096)
Employer contributions	523	457
Past service cost, including curtailments	(4)	(76)
Net interest on the defined liability	(229)	(337)
Administration expenses	(12)	(27)
Actuarial gain	10,931	16,385
Net defined pension asset/(liability) at 31 July	3,071	(6,986)

Notes to the Financial Statements 21 (continued)

Asset and liability reconciliation

	31 July 2023	31 July 2022
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	30,047	42,374
Current service cost	1,152	2,096
Interest cost	1,017	677
Contributions by scheme participants	266	258
Experience loss/(gain) on defined benefit obligations	1,721	2,813
Change in financial assumptions	(10,428)	(17,826)
Change in demographic assumptions	(1,606)	-
Estimated benefits paid	(535)	(421)
Past service cost, including curtailments	4	76
Defined benefit obligations at end of the period	21,638	30,047
Reconciliation of assets		
Fair value of plan assets at start of period	23,061	21,082
Interest on plan assets	788	340
Return on plan assets less interest	288	1,372
Other actuarial gains	330	-
Administration expenses	(12)	(27)
Employer contributions	523	457
Contributions by scheme participants	266	258
Estimated benefits paid	(535)	(421)
Assets at end of the period	24,709	23,061

Notes to the Financial Statements 22

22. Reserves

	Notes	General Reserve	Pension Reserve	Revaluation Reserve	Restricted Bursary Fund	Restricted Funds	Total
Reserves as at 31 July 2022		7,503	(6,986)	1,000	117	16	1,650
Deficit for the year		(161)	-	-	-	-	(222)
Exceptional costs (net)		(764)	-	-	-	-	(864)
Net FRS 102 pension charge		-	(874)	-	-	-	(874)
Actuarial gain in respect of pension scheme		-	7,860	-	-	-	7,860
Actuarial gain in respect of enhanced pension		4	-	-	-	-	4
Bursary donations received - transfer to restricted fund		(43)	-	-	43	-	-
Bursary resources expended - transfer from restricted fund		27	-	-	(27)	-	-
Reserves as at 31 July 2023		6,566	-	1,000	133	16	7,715

An explanation of exceptional costs is provided on page 17.

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

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

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

Notes to the Financial Statements 23

23. Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £2,054 for three Governors; (2021-22: £905 for one Governor). 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 (2021-22: None).

24. Events after the reporting period

There were no significant events after the reporting period that would necessitate revision of these financial statements.

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