



# CITYLIT

INSPIRING PASSIONS · REALISING AMBITIONS

## The City Literary Institute

### Annual Report 2025

The City Literary Institute, a company limited by guarantee  
Registered in England & Wales, Company No.: 02471686  
Registered Office: 1-10 Keeley Street WC2B 4BA  
Registered Charity No.: 803007

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# Message from The Chair of Governors

## Lindsay Nicholson MBE



As I conclude my third year as Chair of Governors at City Lit, I am grateful for the opportunity to work with committed staff and governors, and to see the value of lifelong learning firsthand.

City Lit is recognised as London's leading adult education college, offering high-quality courses, career support, and an open, engaging environment reflective of the city itself.

Over the past year, we experienced 5% growth in enrolments and expanded our skills based courses. City Lit maintained high standards, as shown by an outstanding Ofsted inspection in May 2023 recognising our exceptional performance in all assessment areas.

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

- The **first** is quality. Teaching and learning standards are consistently high, with Ofsted rating the College Outstanding in all areas. Tutors are highly qualified and passionate, students benefit from excellent facilities and resources, and they take pride in their achievements and work.
- Our **second** focus is social impact. We stand out through comprehensive support for disenfranchised groups, including deaf students, people with speech impairments, adults with learning difficulties, and those who struggled in education. Ofsted's 2023 report highlighted students' growth through diverse courses, enrichment activities, and the positive effects on their well-being.
- The **third** priority is financial sustainability. Despite challenges from the pandemic and recent reclassification into the public sector, the College increased fee income by over £940k (10%) last year. However, government funding has stagnated and finances remain tight. Growing student numbers remains essential for both our mission and financial stability.

Looking to next year, City Lit is optimistic about the future, although there are significant challenges ahead, given the cuts in Government funding for the Adult Education sector.

We appreciate the support of our partners and stakeholders and look forward to advancing adult education together.

The Board will continue to participate in the College's progress by providing support and oversight in equal measures.

A handwritten signature in black ink, appearing to read 'Lindsay Nicholson', written in a cursive style.

**Lindsay Nicholson MBE**  
**Chair of Governors**



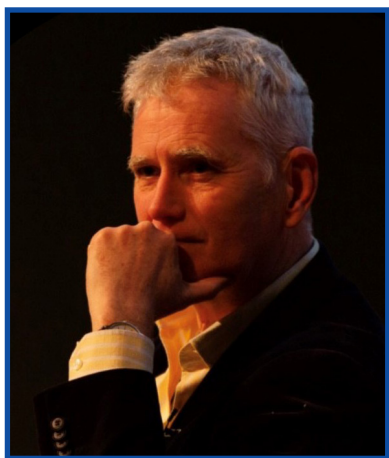
## Key Highlights & Achievements 2024-25

- We grew our enrolments by 5%, delivering over 5,500 courses (69% in person, and 31% online), supporting over 27,500 students.
- Our student evaluations 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 10th Mental Wealth Festival offered a huge selection of talks, panels, workshops and performances, all in the name of restoring, supporting, and enhancing mental health. Partners included Beyond Words, Royal Opera House, National Gallery, British Library, Lord Mayors Appeal, Frazzled Café and Age UK and Sir Grayson Perry delivered the keynote lecture which raised funds for our Bursary.
- City Lit's Gallery held over 25 student exhibitions, including those in sculpture, painting, drawing, photography, ceramics, and book illustration. Highlights included an exhibition curated for Pride Month by Russell Tovey and 'Home' which brought together works from across the City Lit Art School incorporating many diverse art disciplines.
- The sixth year of Malorie Blackman 'Unheard Voices' Scholarships, supported new student voices in Creative Writing.
- We welcome four new Fellows: Tom Fletcher, UN Under-Secretary-General for Humanitarian Affairs; Kerry Godliman, comedian, actress, and writer known for her roles in "Derek" and "After Life"; Dr Janina Ramirez, art historian, author and broadcaster; and Professor Andrew Scott, Director of Economics at the Ellison Institute of Technology Oxford and Professor at London Business School.
- Our work in response to the government led Multiply project concluded with a celebration event, with maths students, teachers and our partners invited to the college to award them for their hard work. As a college, we're so proud of their learning journeys and they serve as an inspiration for other adults struggling with maths.
- This year's Classics Week, in partnership with the British Museum, attracted over 300 participants. Bettany Hughes was the star attraction, drawing on her best seller "Seven Wonders of the Ancient World".
- For the second year, we hosted the UK Massage Championships. The event was a huge success with over 200 participants, open to national and international therapists, and delivered two days of skilful demonstrations, workshops, and fierce competition.
- Our staff tutor conference brought together over 500 members of staff from across all areas of the college. City Lit fellow and former BBC Arts Editor, Will Gompertz, joined as a guest speaker, giving an insightful talk on lifelong learning and the importance of creativity.

- To mark Refugee Week we presented a programme of events and courses that celebrate the resilience, creativity, and contributions of refugees. A highlight was 11 Deaf refugee and migrant students taking to the stage at the Royal Opera House, delivering a moving performance blending ballet, traditional dance, and the sign languages of their home countries.
- We celebrated our 27th 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 60 partners joining the day.
- The Drama department staged a number of exceptional productions in our John Lyon's Theatre, including "A Vampire Story" and "Metamorphoses".
- We continue to enhance our student spaces across the college. We delivered two successful projects funded through the London Mayor's office, that have enhanced the learner experience in both our digital and creative courses.

# Message from CEO and Principal

## Mark Malcomson CBE



Last year was a positive and eventful time for City Lit with several significant highlights. We continue to build on the success of our Ofsted inspection in 2023, where the college was rated 'Outstanding' across all areas.

We have seen our enrolments increase by 5%, enabling us to deliver our purpose of 'Bringing people together to enrich lives through learning' to more Londoners and nationally. Over 27,500 people were part of the City Lit community during the last year, both in-person and online, attending over 5,500 courses.

Lifelong learning has been under-valued and neglected nationally in recent decades. City Lit is committed to reversing that trend and our students have continued to benefit from our extensive offer, and we believe that many more should do so.

We will continue to passionately advocate for lifelong learning and how individuals and society benefit from it. As the leading adult education college in Britain - and the largest in Europe - we provide an unparalleled number of high-quality courses and an outstanding learning experience, which improves and enhances the lives of so many.

Our five-year Strategy, launched in 2024, has placed a particular emphasis in expanding our skills-based provision, in support of the London Mayor and Department for Education priorities. Drawing on funds specifically targeted at those students seeking out new skills in the furtherance of their careers, this has supported free places for students in a wide range of areas including universal skills, digital skills, counselling and health.

### Bringing people together to enrich lives through learning

City Lit enriches the lives of individuals and communities in London and beyond. The highest quality learning is the core of what we do, but we deliver more than just knowledge and skills, we also build communities and enhance physical and mental wellbeing.

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.

### College finances

The events of the past five years have placed huge financial strain on the college. The pandemic meant that we lost over £10m in student fee income and the finances were further complicated by the reclassification of colleges from the private to the public sector in 2022, 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, and the positive news was that the Department for Education closed the financial notice to improve and moved the college out of formal financial intervention in February 2025.

Our student fee income grew by over 10% last year, which is an exceptional achievement. However, it was also hugely disappointing to learn that Government funding and grants for adult colleges are being reduced in 2025-26 and no additional money provided for pay increases - yet again. This is in stark contrast to the additional money given to schools and general further education colleges and puts the future of adult education at risk. For City Lit, this means that we will have to find an additional £600k in 2025-26 just to replicate this year. We are deeply disappointed with the approach of the Government and the value it places on the work of adult education institutions.

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

Our strategy comprises three core goals:

1. We put our students at the heart of everything we do
2. We have a commitment to excellence
3. We deliver social and community value

## Fellows and friends

This year, we were thrilled to welcome four incredibly talented and highly committed Fellows: Tom Fletcher, UN Under-Secretary-General for Humanitarian Affairs and Emergency Relief Coordinator; Kerry Godliman, comedian, actress, and writer known for her roles in "Derek" and "After Life"; Dr Janina Ramirez, art historian, author and broadcaster; and Professor Andrew Scott, Director of Economics at the Ellison Institute of Technology Oxford and Professor at London Business School.

City Lit Fellowships were established by the Board of Governors in 2015. City Lit Fellowships are awarded to individuals who have shown a significant commitment to adult education in the United Kingdom and who have provided support and inspiration to City Lit and our students.

All our Fellows provide tireless support free of charge for our causes by speaking at events and using their influence to promote our values. Sir Grayson Perry, Malorie Blackman, Dame Evelyn Glennie, Ed Balls and Will Gompertz were all active members of the City Lit community during the year supporting our endeavours. A particular highlight was 'An Evening with Sir Grayson Perry' which raised funds for the City Lit bursary.

## Support from the Board and Colleagues

Our achievements this year reflect the dedication and hard work of our staff and tutors, whose commitment makes everything possible. It's a privilege to work with such inspiring professionals.

We are grateful for the talented Board of Governors, led by Lindsay Nicholson, MBE, who became Chair in late 2022. Her leadership has been invaluable, and I am honoured to partner with her in maintaining City Lit's role as a cultural and educational beacon.



**Mark Malcomson CBE**  
Principal and Chief Executive



## Simbareshe Ngwarati



“

*Simba always loved music but wanted a way to focus his passion. City Lit's Learning Disabilities Percussion Orchestra helped him grow as a musician, perform in front of packed audiences, and meet his heroes.*

*"I joined the Percussion Orchestra because of my love for music. Being part of it made me feel like a professional musician. Collaborating with the Royal Academy of Music and learning from their guidance gave me confidence and helped me grow as a person. One of the proudest moments of my life was performing with Dame Evelyn Glennie. Last year, she presented me with an award at the City Lit Awards - an unforgettable experience. Sometimes, when I think back on it, I get emotional, knowing it was a once-in-a-lifetime moment."*

”



## Alix Baptiste



“

*Alix struggled with numbers at school because of her dyscalculia. But needing a maths qualification to pursue her dream course at university, she overcame her fears and enrolled at City Lit, where she learned to trust in her abilities.*

*“Maths terrified me. With dyscalculia, even the idea of numbers felt overwhelming. But at City Lit, I found a space where I wasn’t judged - where I could ask for help and actually be heard. The support I received gave me the confidence to push through the fear and pass both my Level 1 and 2 Functional Skills Maths. Now, I’m on my way to studying Languages and Linguistics at Birkbeck. It’s proof that no dream is too big, even when the odds feel stacked against you.”*

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## Hossein Khamseh

### British Sign Language and Deaf English

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Hossein Khamseh, a Deaf refugee from Iran, found a new voice at City Lit through British Sign Language and Deaf English courses. His joyful learning experience has inspired him to pursue a future as an interpreter for refugees, turning his journey into one of hope and empowerment.

“Coming to City Lit has been a very positive experience. I enjoy myself, I have fun, and I’m learning both British Sign Language and English for Deaf people. Life feels easier now. I’m learning BSL because I hope to become an interpreter for refugees from Iran and other countries. It won’t happen overnight, it will take time, but it’s a hope I’m holding onto for the future.”

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## About City Lit

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

Established in 1919 to improve post-war literacy, the Institute today offers over 5,500 courses, including 1,700 online courses, to over 27,500 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 2025, 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 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 Department for Education (DfE) 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.

## Prashant Kansara



“

Prashant rediscovered his childhood love for art through City Lit's Developing Art Practice course. It gave him the freedom to express himself, leading to powerful pieces about inequality and social injustice. His work earned him funding, exhibitions, and commissions.

“My experience on City Lit's Developing Art Practice course has been truly transformative. It has given me the confidence and insight to pursue a professional career in the arts, along with the practical skills needed to apply for commissions, exhibition opportunities, and Arts Council DYCP funding. During my time on the course, I was awarded the Arts Council's DYCP grant, completed a public commission for Culture Space in Coventry, and exhibited in group shows including at Standpoint Gallery in London and Kunstraum Kreuzberg in Berlin. These milestones have marked a major turning point in my artistic journey.”

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## Sabrina Rodrigues



“

*Sabrina Rodrigues always loved art but struggled to balance her creative passion with a full-time career. City Lit's Fine Art Course gave her the structure, flexibility, and community she needed to grow as an artist while thriving professionally.*

*“City Lit helped me reconnect with my creativity in a way that fit around my busy life. The tutors were inspiring, the classes were flexible, and the support from fellow students was incredible. Joining an art collective and exhibiting my work has been life changing. I've grown so much, both personally and professionally.”*

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## Peter Hodson



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*As a child, Peter struggled with certain words and often avoided situations where he might have to speak. Discovering he had an interiorised stammer, he turned to City Lit for support. He learned to accept his stammer and found the confidence to use his voice without fear.*

*"Before City Lit, I spent my life avoiding words, situations, even opportunities. Anything that might reveal my stammer. The Interiorised Stammering course didn't just help me find my voice; it helped me accept it. For the first time, I felt understood. Now, I'm no longer holding back. Whether it's applying for a job, ordering what I want in a restaurant, or simply speaking freely. It's been life changing."*

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# Operating and Financial Review

## (including the Strategic Report)

### Performance indicators

City Lit is required to complete the annual Finance Record for the Department for Education (DfE). 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'.

Since then, we have worked with the Further Education Commissioner's team to restore our financial health to pre-pandemic levels and restore our financial health grade to 'Requires Improvement'. As a result, during the year we were formally taken out of financial intervention and moved into the Post-Intervention Monitoring and Support (PIMS) programme. Our financial health grade remains 'Requires Improvement'.

Our fee income has continued to grow and reached £9.98m, a 10% increase on last year. This is a positive result towards our ongoing financial recovery. However, our overall result was impacted by the changes to the National Insurance rate and threshold, the increased costs of which are not fully covered by the DfE grant. As we look to the next year, with Government funding cuts of £600k, our finances will remain stretched.

### 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. In 2022-23 we negotiated a long-term loan of £2.85m from the Department for Education in order to repay our commercial overdraft and secure future working capital.

However, servicing the loan placed an additional strain on our finances. In order to reduce the burden that the loan placed on the college, we negotiated new terms with the DfE in July 2024. These consisted of an interest payment holiday for the financial year 2024-2025 and capital repayment holiday until financial year 2027-2028. The rate of interest remains at the rate of the Public Works Loan Board (PWLb) standard rate, which decreased from 5.60% to 5.02% on 1 April 2025. The term of the loan has increased to 20 years, however there be a review of the loan and the agreed terms prior to October 2027.



## Financial results

	2024-25	2023-24
	£'000	£'000
<b>Income</b>		
Funding body grants	10,662	10,298
Student fees and educational contracts	10,079	9,051
Other income	378	335
	<b>21,119</b>	<b>19,684</b>
<b>Expenditure</b>	<b>(21,318)</b>	<b>(19,941)</b>
Loss on disposal of assets	-	(38)
<b>Deficit (before actuarial pension &amp; other adjustments)</b>	<b>(199)</b>	<b>(295)</b>

We generated just under £10m of Income from student fees during this financial year, a 10% increase on the prior year and building back up to pre-pandemic levels in 2018-19. We experienced record levels of sales in Term 1, reaching over £4m the highest level recorded for a single term. Our Term 2 sales also exceeded budget. Our average enrolments have increased from 10 to 10.2 over the last year as we have continued to see students returning in higher numbers to attend classes in person.

Our core funding from the DfE and GLA has remained static, however we have accrued £227,000, for additional funding we expect to receive from the GLA after the year end. This is based on the growth in learner hours we have seen this year and the over delivery of provision achieved.

Overall the Institute ended the year with a deficit, before actuarial pension adjustments and exceptional costs of £199,000 (2023-24: deficit of £295,000). The result for the year including pension adjustments and exceptional costs was a deficit of £202,000 (2023-24: deficit of £328,000). At 31 July 2025, City Lit had net assets of £7,185,000 (2023-24: net assets of £7,387,000).

### Pension liability

At the year end the defined benefit pension had an accounting surplus of £6,967,000 (2023-24: pension surplus of £2,868,000). In accordance with our post retirements benefits accounting policy we have not recognised the surplus in the financial statements. The improvement in the accounting valuation is due to an increase discount factor from 5.05% to 5.80% and a reduction in the inflation rates.

This valuation is purely for the purposes of the financial statements, under the FRS102 accounting standards. The 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 £3.48m and are 118.5% fully funded. Our employer contribution rate is 13.6%. An actuarial valuation was carried out in 2025, however the results of these were not available at the time of the audit.

## Cash flow

City Lit's cash inflow from operating activities was £793,000 (2023-24: £1,092,000 inflow). The receipt of the FE allocation condition capital grant in June 2025 contributed to the increase in cash held 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 liabilities at 31 July 2025 were £1,536,000 (2024: £1,839,000).

## 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 2024, City Lit paid 92% of its invoices within 30 days (2023-24: 90%).

## 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 2024 to 31 July 2025	1 August 2023 to 31 July 2024
Energy consumption used to calculate emissions (kWh)	1,402,494	1,300,362
Scope 1 emissions in metric tonnes CO <sub>2</sub> e		
Gas consumption	108.29	91.50
Scope 2 emissions in metric tonnes CO <sub>2</sub> e		
Purchased electricity	143.48	165.48
Scope 3 emissions in metric tonnes CO <sub>2</sub> e		
Business travel in employee owned vehicles	-	-
Total gross emissions in metric tonnes CO <sub>2</sub> e	251.77	256.98
Intensity ratio		
Metric tonnes CO <sub>2</sub> e per student	0.01	0.01

## Qualification and reporting methodology

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

## Intensity ratio

The chosen intensity measurement ratio is Metric tonnes CO<sub>2</sub>e per student.

## Employees

During the year City Lit employed an average of 1,243 employees (2023-24: 1,192). Included in this figure are 1,003 part-time tutors (2023-24: 969). Due to the nature of our provision, each year there are hourly paid staff that do not teach or provide support in the year, but remain part of our talent bank and held on our payroll.

In Note 8, the staff numbers only include hourly paid staff that worked for us and were therefore paid for their services during the year. The average number of these employees is 662 (2023-24: 614).

Our staff costs (excluding restructure and pension costs) have increased to £14,765,000 (2023-24: £13,416,000). We awarded employees an increase of 2% from 1 August 2024. We delivered more learner hours which also translates to higher staff costs. We also transferred our facilities management function in-house from 1 May, which increased staff costs. The increase in employers' National Insurance rates and the reduction of the threshold at which it is applied also contributed to our increased costs.

Further details of staff costs are provided in Note 8.

## Outlook for 2025-26

In 2025-26 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 and the direction of government funding.

We expect the upcoming year to be a particularly challenging one from a financial perspective, given the cuts to our funding and grants from Government. This coupled with the ongoing economic uncertainty and pressures on our students' disposable income will mean that our finances remain stretched.

Our key objective continues to be to grow fee income back and restore course profitability towards pre-pandemic levels, and to 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:

- **Further reductions in Government funding or a change in the funding rules** - City Lit's strategy is to continue to build fee income and strengthening our relationship with 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 meeting the required standards with regards 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
- FE Commissioner
- Business LDN
- Grow London Local
- Employers who sponsor learners or contract directly for provision
- 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 21). This fund comprises amounts set aside out of City Lit general funds. This year we received £53,000 in donations and the balance on the fund at 31 July 2025 was £202,000 (31 July 2024: £162,000).

**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.

**Student support and admissions:** 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 2024-31 March 2025.

Number of employees who were trade union representatives: 8 (FTE 4.0)

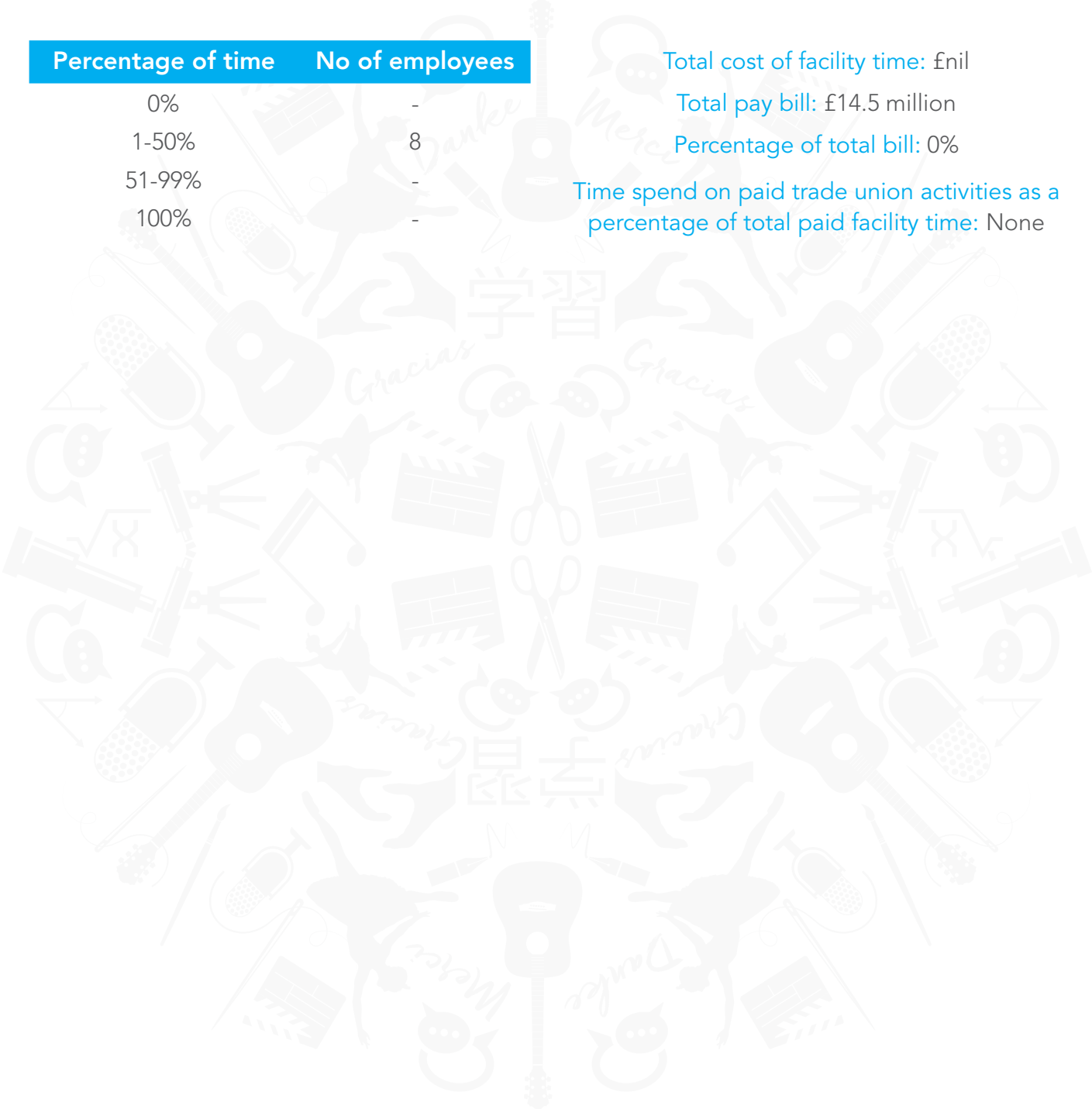
Percentage of time	No of employees
0%	-
1-50%	8
51-99%	-
100%	-

Total cost of facility time: £nil

Total pay bill: £14.5 million

Percentage of total bill: 0%

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





## 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 9 December 2025 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 - Director of Governance

### Financial statement and regularity auditors:

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

### 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 FE Code of Good Governance (the Foundation Code)
- 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 the provisions of the Code, and it has complied throughout the year ended 31 July 2025. This opinion is based on an External Board Review (July 2024) and the annual internal review of compliance.

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 2023, which it formally adopted on 9 July 2024.

## Governing Body and committee meetings

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

## Members of the Institute

The members who served on City Lit’s Governing Body during the 2024-25 academic year and up to the date of signature of this report were as listed in the table below. The statistics provided correspond to the 2024-25 period.

Name	Date of appointment/ re-appointment	Term of office	Date of resignation	Status of appointment	Committees served	Board attendance
Lucy Arnold-Courtney	13/5/25	4 years		1	Quality	3/5
Donna Birkett Baida	19/10/21	4 years	13/10/25	1	Finance & Commercial	4/5
Edward Breen (Staff Governor)	17/10/23	4 years		2	Quality	5/5
Chris Dearnley	14/5/25	4 years		1	Audit & Risk	1/1
Paula Franklin	13/5/25	4 years		1	Finance & Commercial	2/2
Clancy Gebler Davies (Student Governor)	5/12/23	2 years		3	Quality	5/5

Name	Date of appointment/ re-appointment	Term of office	Date of resignation	Status of appointment	Committees served	Board attendance
Colin Jones	6/12/22	4 years		1	Finance & Commercial; Governance & People	5/5
Simon Judge	13/10/20	4 years	3/12/24	1	Audit & Risk; Governance & People	2/2
Christine Kinnear	3/12/24	4 years		1	Finance & Commercial	5/5
Mark Lever, OBE	14/7/22	4 years		1	Finance & Commercial until 3/12/24, and then Audit & Risk thereafter; Governance & People	4/5
Mark Malcomson, CBE (Principal)	11/6/11	N/A		4	Finance & Commercial; Governance & People; Quality	5/5
Gabriel MacGregor	5/12/23	4 years		1	Audit & Risk	5/5
Lindsay Nicholson, MBE (Chair)	9/5/22	4 years		1	Finance & Commercial until 5/2/25; Governance & People	5/5
Alison Pike	14/10/25	4 years		1	Quality	4/5
Paul Redmond	14/10/25	4 years		1	Quality	
Jill Westerman, CBE (Deputy Chair)	14/7/22	4 years		1	Governance & People; Quality	5/5
Hayley White	14/7/22	4 years		1	Audit & Risk	4/5

**Co-opted member:** Krys Rapier was re-appointed to the Audit & Risk Committee on 05/12/23 for a term of two years.

**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.

It is the Governing Body's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Governing Body is provided with regular and timely information on the overall financial performance of City Lit together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Governing Body meets at least once a term.

The Governing Body conducts its business through a number of Committees. Each committee has terms of reference, which have been approved by the Governing Body. These Committees are: Audit & Risk, Finance & Commercial, Governance & People and Quality. The Remuneration Committee has been subsumed into the Governance & People Committee as recommended in the External Board Review actions. Full minutes of all meetings, except those deemed to be confidential by the Governing Body, are available on the College's website ([www.citylit.ac.uk](http://www.citylit.ac.uk)) or from the Director of Governance at: [Katrina.Osullivan@citylit.ac.uk](mailto:Katrina.Osullivan@citylit.ac.uk) or the College's registered address.



The Director of Governance 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 Director of Governance, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Director of Governance 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 ensures that it receives appropriate training and development throughout the year including attendance at relevant governance conferences and network events. During 2024-25 this included the 'Education and Training Foundation (ETF) Managing Public Money' training for leaders and governors; Association of Colleges (AoC) Masterclass sessions in both Finance and Audit Committee; ETF Governance Development modules; Safeguarding & Prevent training; Equity, Diversity & Inclusion training; the AoC Governors' Summit conference; the AoC Annual Conference; inhouse induction and buddying programme for new governors; external speakers such as Learning and working across generations; department information presentations; City Lit staff and tutor conference; and various webinars topical legal/financial issues.

The Director of Governance is qualified and experienced in the role and is supported by the Governing Body in continued professional development. She holds the governance qualification: Award for Further Education Governance Professionals (FEGP Award) from the Institute of Directors and is a member of the FE Governance Professionals network. The Governing Body ensures that the postholder continues to develop in the role.

This year the Director of Governance has attended: AoC Governance Professionals Annual Conference; the FE Commissioner's 'Just One Thing' sharing best practice events; AoC Governors' Summit Conference; Information Security training; external speakers; departmental information sessions; City Lit Annual Staff Conference and various information webinars on topical legal/financial issues.

The Governing Body undertakes an annual self-assessment of governance practices and produces an associated action plan. In accordance with Department for Education requirements, the Governing Body commissioned an independent External Board Review of governance, undertaken by Rob Lawson OBE of the Association of Colleges between May and July 2024. The review found that City Lit's Governing Body demonstrates strong and effective governance, with a broad range of skills and experience, good diversity, and a culture of constructive challenge and collaboration. It confirmed that governors are engaged, well-informed, and make a positive impact on college strategy and outcomes. A small number of areas for further enhancement were identified. An action plan, agreed with the reviewer, has been implemented and progress is monitored by the Governance & People Committee and reported to the Governing Body. The summary of findings has been agreed with the reviewer and is available on the college website.

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 consisting of five members, which is responsible for the selection and nomination of any new member for the Governing Body's consideration. The Governing Body is responsible for ensuring that appropriate training is provided as required.

Members of the Governing Body are appointed for a term of office not exceeding four years and are able to undertake two terms subject to a reappointment process. Additional terms of office are subject to recommendation to the Governing Body by the Governance & People Committee and based on the Governance need.

## 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 2024-25 and comprises of five members of the Governing Body.

## Remuneration Committee

It was recommended during the External Board Review that this committee be subsumed into the Governance & People Committee, and this action was agreed by the Governing Body.

## 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 discussing governance matters for information or recommendation to the Board.

Its additional remit this year has been remuneration and its 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 2025 are set out in note 8 to the financial statements. The Deputy Chair chairs items of senior post-holder remuneration. The Committee met four times during the year and comprises of five members.

## Quality Committee

The Quality Committee met three times throughout 2024-25 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 four members of the Governing Body and one Coopted 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.

The Committee agrees the College's Independent Assurance Programme which includes reviews of internal control systems, risk management controls and governance processes and receives the independent reports.

Management is responsible for the implementation of agreed audit recommendations and the Committee 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.

Following the ONS reclassification of colleges to public sector entities, the Institute's related policies and procedures were updated to ensure compliance with the new requirements. This included ensuring that transactions that require DfE or HM Treasury approval are identified and treated appropriately.

The system of internal control has been in place in City Lit for the year ended 31 July 2025 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 2025 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.

The Institute is not required to have an internal audit function. When the contract with BDO LLP to provide internal audit services came to an end during 2023, the Governing Body agreed an Independent Assurance framework whereby the Institute undertakes reviews using the services of external independent specialists to provide assurance in high risk and business as usual areas that the Audit & Risk Committee deem useful for assurance. During the year five reviews were commissioned in the following areas: Cyber security health check follow up, Recognising and Recording Progress and Achievement (RARPA), IT asset management, and Core financial controls.

As per good governance practice, the Institute has 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, Head of Data Compliance & Risk Management, and the Governance Professional. 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 the independent assurance programme.

## 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 reviews undertaken as part of the independent assurance programme.

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 £199,000 during the year (2023-24: deficit of £295,000), against an original budget deficit of £190,000. Tuition fee income grew by over 10% compared to last year £9,982,000 (2023-24: £9,038,000).

At 31 July 2025, the Institute had net current liabilities of £1,536,000 (2024: £1,839,000). The Institute has a long-term loan from the Department for Education, which was put in place following the reclassification by the ONS of colleges into the public sector. To improve the Institute's cash position,

we negotiated an interest and capital repayment holiday during 2024-25, with the interest accrued added to the loan balance. Under the revised loan terms, we will recommence interest payments in October 2025 and capital repayments in October 2027, prior to which there will be an opportunity to review the loan terms.

Overall, the Institute has a net asset balance of £7,185,000 (2023-24: £7,387,000). There was no pension liability in relation to the Local Government Pension Scheme as at 31 July 2025. The FRS102 valuation produced a surplus for the year ended 31 July 2025 and this has not been recognised in the financial statements as the Institute does not expect to benefit from it. At the last triennial valuation, the scheme was fully funded.

Our budget for the financial year ending 31 July 2026 anticipates a positive EBITDA and a deficit of £143,000. The budget is based on key assumptions that a certain level of tuition fees will be achieved, and the Institute will be able to deliver its adult education funding budget in full.

Our challenge next year and beyond will be to grow our student fee income to cover both increasing pressures on our cost base and reduced Government funding. We also face challenges with staff retention, as we have been unable to award pay rises in line with general further education colleges, who have received additional government support to cover the costs of pay increases.

Despite the financial challenges we face next year, the following factors have provided the Board with assurance that the Institute remains a going concern:

- Funding body grants from both the DfE and GLA have been confirmed for the year to July 2026.
- The Institute owns the freehold of its main campus in Covent Garden. The net book value of this freehold land and buildings in the financial statements at 31 July 2025 was £12.3m. However, the market value (last valued in 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 positive and is ahead of both the prior year and pre-pandemic levels, indicating that there is still demand from our students for our 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, 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 FE Commissioner. During the year we were moved out of financial intervention and have developed a five-year financial plan supporting our ongoing recovery.

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 9 December 2025 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 of The City Literary Institute, I confirm that I have had due regard to the framework of authorities governing regularity, propriety and compliance, including the Institute's accountability agreement with DfE, and the requirements of the College Financial Handbook. I have also considered my responsibility to notify the Institute's Board of Governors and DfE of material irregularity, impropriety and non-compliance with terms and conditions of all funding.

I confirm that I, and the Board of Governors, are able to identify any material irregular or improper use of all funds by the Institute, or material non-compliance with the framework of authorities.

I confirm that no instances of material irregularity, impropriety or non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the Board of Governors and the DfE.



**Mark Malcomson CBE**

**Accounting Officer**  
**9 December 2025**

## 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 accountability agreement, funding agreements and contracts with the Department of Education (DFE), 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, DfE'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), and
- 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 DfE, and any other public funds, are used only in accordance with the accountability agreement, funding agreements and

contracts and any other conditions, that may be prescribed from time to time by DfE, or any other public funder, including that any transactions entered into by the Institute are within the delegated authorities set out in the College Financial Handbook. On behalf of the Institute, the Chair of the Board of Governors is responsible for discussing the Accounting Officer's Statement of Regularity, Propriety and Compliance with the Accounting Officer.

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 DfE and other public bodies are not put at risk.

**Approved by order of the Governing Body of the Institute on 9 December 2025 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 2025 which comprise the statement of comprehensive income and expenditure, the statement of changes in reserves and 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) and the College Accounts Direction 2024 to 2025 issued by the Department for Education (DfE).

In our opinion, the financial statements:

- give a true and fair view of the state of the Institute's affairs as at 31 July 2025 and of its financial performance and cash flows for the year then ended;
- have been prepared in accordance with UK Generally Accepted Accounting Practice, the Statement of Recommended Practice: Accounting for Further and Higher Education and the College Accounts Direction 2024 to 2025 issued by the DfE;
- have been prepared in accordance with the requirements of the Companies Act 2006;

### Basis for opinion

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

### Conclusions relating to going concern

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, including the Governors' report, other than the financial statements and our auditor's report thereon. The members of 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 annual report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Framework and guide for external auditors and reporting accountants of colleges issued by the DfE requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us;
- the financial statements are not in agreement with the accounting records and returns; or
- all the information and explanations required for the audit were not received; or
- certain disclosures of members' remuneration specified by law are not made.

## Responsibilities of the Governing Body

As explained more fully in the statement of responsibilities of members of the Governing Body on page 34, the members of 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 it 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.

### **The extent to which the audit was considered capable of detecting irregularities, including fraud**

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 Further Education 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 College Accounts Direction 2024 to 2025 issued by the DfE, the Further and Higher Education Act 1992, funding agreements with the DfE and associated funding rules, DfE 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
- reviewing any available correspondence with HMRC and the Institute's legal advisors (although none was noted as being received by the Institute).

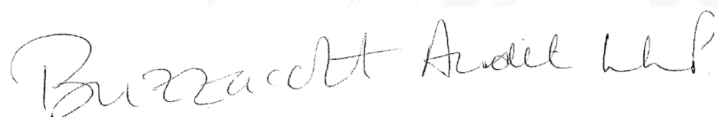
There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance 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](http://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 members of the Institute, as a body, in accordance with the 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 Audit LLP, Statutory Auditor

130 Wood Street

London

EC2V 6DL

Date: 11 December 2025

## Reporting accountant's assurance report on regularity

### The Governing Body of The City Literary Institute and the Secretary of State for Education

In accordance with the terms of our engagement letter dated 9 June 2025 and further to the requirements of Department for Education (DfE) as included in the extant Framework and Guide for External Auditors and Reporting Accountants of Colleges, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by The City Literary Institute during the period 1 August 2024 to 31 July 2025 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

This report is made solely to the Governing Body of The City Literary Institute and the Secretary of State for Education in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Governing Body of The City Literary Institute and the Secretary of State 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 Secretary of State for our work, for this report, or for the conclusion we have formed.

### Respective responsibilities of the Accounting Officer of The City Literary Institute and the reporting accountant

The Accounting Officer is responsible, under the requirements of the Institute's accountability agreement with the Secretary of State for Education and the College Financial Handbook, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament, and that 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 extant Framework and Guide for External Auditors and Reporting Accountants of Colleges. 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 2024 to 31 July 2025 have not been applied for the 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 Framework and Guide for External Auditors and Reporting Accountants of Colleges issued by DfE, which requires a limited assurance engagement, as set out in our engagement letter.

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 and propriety 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 the areas identified through the risk assessment 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 conclusion.

### 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 2024 to 31 July 2025 has not been applied to purposes intended by Parliament, and the financial transactions do not conform to the authorities that govern them.



**Buzzacott Audit LLP, Statutory Auditor**  
**130 Wood Street**  
**London**  
**EC2V 6DL**

**Date:** 11 December 2025

## Statement of Comprehensive Income for the year ended 31 July 2025

	Notes	2024-2025			2023-2024		
		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
<b>INCOME</b>							
Funding body grants	2	10,662	-	10,662	10,298	-	10,298
Tuition fees and education contracts	5	10,079	-	10,079	9,051	-	9,051
Other income	6	265	-	265	256	25	281
Investment income	7	20	155	175	32	172	204
Donations	3,4	93	-	93	47	-	47
<b>Total income</b>		<b>21,119</b>	<b>155</b>	<b>21,274</b>	<b>19,684</b>	<b>197</b>	<b>19,881</b>
<b>EXPENDITURE</b>							
Staff costs	8	14,765	145	14,910	13,416	88	13,504
Restructuring costs	8	3	-	3	116	-	116
Other operating expenses	10	5,062	-	5,062	4,960	53	5,013
Depreciation & amortisation	12,13	1,338	-	1,338	1,303	-	1,303
Interest and other finance costs	11	150	-	150	146	-	146
<b>Total expenditure</b>		<b>21,318</b>	<b>145</b>	<b>21,463</b>	<b>19,941</b>	<b>141</b>	<b>20,082</b>
Loss on disposal of assets	-	-	-	-	(38)	-	(38)
<b>(Deficit)/Surplus for the year</b>		<b>(199)</b>	<b>10</b>	<b>(189)</b>	<b>(295)</b>	<b>56</b>	<b>(239)</b>
Actuarial loss in respect of pension schemes	18	(3)	(10)	(13)	(5)	(84)	(89)
<b>Total comprehensive expenditure for the year</b>		<b>(202)</b>	<b>-</b>	<b>(202)</b>	<b>(300)</b>	<b>(28)</b>	<b>(328)</b>
<b>Represented by:</b>							
Unrestricted comprehensive expenditure	23	(242)	-	(242)	(329)	(28)	(357)
Restricted comprehensive income	23	40	-	40	29	-	29
		<b>(202)</b>	<b>-</b>	<b>(202)</b>	<b>(300)</b>	<b>(28)</b>	<b>(328)</b>

## Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 31st July 2023	6,715	1,000	7,715
Deficit from the income and expenditure account	(239)	-	(239)
Other comprehensive income	(89)	-	(89)
<b>Total comprehensive expenditure for the year</b>	<b>(328)</b>	<b>-</b>	<b>(328)</b>
Balance at 31st July 2024	6,387	1,000	7,387
Deficit from the income and expenditure account	(189)	-	(189)
Other comprehensive expenditure	(13)	-	(13)
<b>Total comprehensive expenditure for the year</b>	<b>(202)</b>	<b>-</b>	<b>(202)</b>
Balance at 31st July 2025	6,185	1,000	7,185

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

## Balance Sheet as at 31 July 2025

	Notes	2025 £'000	2024 £'000
<b>Fixed assets</b>			
Tangible fixed assets	12	16,912	16,969
Intangible fixed assets	13	594	378
		<b>17,506</b>	<b>17,347</b>
<b>Current assets</b>			
Trade and other receivables	14	1,610	1,622
Cash and cash equivalents	19	1,951	1,158
		<b>3,561</b>	<b>2,780</b>
Less: Creditors - amounts falling due within one year	15	(5,097)	(4,619)
<b>Net current liabilities</b>		<b>(1,536)</b>	<b>(1,839)</b>
<b>Total assets less current liabilities</b>		<b>15,970</b>	<b>15,508</b>
Less: Creditors - amounts falling due after more than one year	16	(8,739)	(8,072)
<b>Provisions</b>			
Defined benefit obligations	18, 22	-	-
Other provisions	18	(46)	(49)
<b>Total net assets</b>		<b>7,185</b>	<b>7,387</b>
<b>Funds</b>			
Income and expenditure account	23	5,967	6,209
Revaluation reserve	23	1,000	1,000
Restricted Bursary Fund	23	202	162
Restricted funds	23	16	16
<b>Total funds</b>		<b>7,185</b>	<b>7,387</b>

The financial statements on pages 42 to 73 were approved and authorised for issue by the Institute on 9 December 2025 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 2025

	Notes	2024-25	2023-24
		£'000	£'000
<b>Cash outflow from operating activities</b>			
Deficit for the year after loss on disposal of fixed assets		(189)	(239)
<b>Adjustment for non cash items</b>			
Depreciation and amortisation	12,13	1,338	1,303
Decrease/(Increase) in debtors	14	12	(113)
Increase in creditors due within one year	15	478	61
Increase in creditors due after one year	16	514	19
(Decrease) in provisions	18	(6)	(5)
Pensions costs less contributions payable	22	(10)	(84)
<b>Adjustment for investing or financing activities</b>			
Investment income	7	(20)	(32)
Interest payable	11	148	144
Loss on disposal of fixed assets		-	38
<b>Net cash flow from operating activities</b>		<b>2,265</b>	<b>1,092</b>
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets		-	23
Investment income	7	20	32
Payments made to acquire tangible fixed assets	12	(1,110)	(801)
Payments made to acquire intangible fixed assets	13	(387)	(141)
		<b>(1,477)</b>	<b>(887)</b>
<b>Cash flows from financing activities</b>			
Loan movement	16	153	-
Interest accrued	11	(148)	(144)
Repayments of amounts borrowed	15	-	(168)
		<b>5</b>	<b>(312)</b>
<b>Increase in cash and cash equivalents in the year</b>		<b>793</b>	<b>(107)</b>
Cash and cash equivalents at beginning of the year	19	1,158	1,265
<b>Cash and cash equivalents at end of the year</b>	<b>19</b>	<b>1,951</b>	<b>1,158</b>

# Notes to the Financial Statements 1

## 1. Statement of accounting policies

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

### Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2024-25 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 £199,000 during the year (2023-24: deficit of £295,000), against an original budget deficit of £190,000. Tuition fee income grew by over 10% compared to last year £9,982,000 (2023-24: £9,038,000).

At 31 July 2025, the Institute had net current liabilities of £1,536,000 (2024: £1,839,000). The Institute has a long-term loan from the Department for Education, which was put in place following the reclassification by the ONS of colleges into the public sector. To improve the Institute's cash position, we negotiated an interest and capital repayment holiday during 2024-25, with the interest accrued added to the loan balance. Under the revised loan terms, we will recommence interest payments in October 2025 and capital repayments in October 2027, prior to which there will be an opportunity to review the loan terms.

Overall, the Institute has a net asset balance of £7,185,000 (2023-24: £7,387,000). There was no pension liability in relation to the Local Government Pension Scheme as at 31 July 2025. The FRS102 valuation produced a surplus for the year ended 31 July 2025 and this has not been recognised in the financial statements as the Institute does not expect to benefit from it. At the last triennial valuation, the scheme was fully funded.

Our budget for the financial year ending 31 July 2026 anticipates a positive EBITDA and a deficit of £143,000. The budget is based on key assumptions that a certain level of tuition fees will be achieved, and the Institute will be able to deliver its adult education funding budget in full.

Our challenge next year and beyond will be to grow our student fee income to cover both increasing pressures on our cost base and reduced Government funding. We also face challenges with staff retention, as we have been unable to award pay rises in line with general further education colleges, who have received additional government support to cover the costs of pay increases.

Despite the financial challenges we face next year, the following factors have provided the Board with assurance that the Institute remains a going concern:

- Funding body grants from both the DfE and GLA have been confirmed for the year to July 2026.
- The Institute owns the freehold of its main campus in Covent Garden. The net book value of this freehold land and buildings in the financial statements at 31 July 2025 was £12.3m. However, the market value (last valued in 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 positive and is ahead of both the prior year and pre-pandemic levels, indicating that there is still demand from our students for our 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, 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 FE Commissioner. During the year we were moved out of financial intervention and have developed a five-year financial plan supporting our ongoing recovery.

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.

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 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.

## Notes to the Financial Statements 1 (continued)

### Taxation

The Institute is considered to have passed the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Institute is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The Institute receives no similar exemption in respect of Value Added Tax (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.

## Notes to the Financial Statements 1 (continued)

Other key sources of estimation uncertainty:

- **Tangible fixed assets**

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

- **Local Government Pension Scheme**

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, will impact the carrying amount of the pension liability. Furthermore a roll forward approach, which projects results from the latest full actuarial valuation performed at 31 March 2022, has been used by the actuary in valuing the pensions liability at 31 July 2025. 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

	2024-25	2023-24
	£'000	£'000
<b>Recurrent grants</b>		
Greater London Authority	8,099	8,088
Department for Education (Previously Education & Skills Funding Agency)	998	924
<b>Specific Grants</b>		
Release of Government capital grants	648	586
Teachers Pension Scheme contribution grant	833	700
National Insurance Grant	84	-
<b>Total</b>	<b>10,662</b>	<b>10,298</b>

### 3. Appeal fund donations

	2024-25	2023-24
	£'000	£'000
Release of appeal fund donations	1	2
<b>Total</b>	<b>1</b>	<b>2</b>

### 4. Other donations

	2024-25	2023-24
	£'000	£'000
Bursary donations received	53	45
Legacies Received	39	-
<b>Total</b>	<b>92</b>	<b>45</b>

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

### 5. Tuition fees and education contracts

	2024-25	2023-24
	£'000	£'000
Gross tuition fees	9,852	8,929
Less: bursaries	(13)	(16)
Fees for FE loan supported courses	143	125
<b>Total tuition fees</b>	<b>9,982</b>	<b>9,038</b>
Other grants and contracts	97	13
<b>Total education contracts</b>	<b>97</b>	<b>13</b>
<b>Total</b>	<b>10,079</b>	<b>9,051</b>

### 6. Other income

	2024-25	2023-24
	£'000	£'000
Sales relating to courses	10	12
Consultancy	55	70
Other income	200	199
<b>Total</b>	<b>265</b>	<b>281</b>

### 7. Investment Income

	2024-25	2023-24
	£'000	£'000
Bank deposit interest	20	32
Net interest from pension asset	155	172
<b>Total</b>	<b>175</b>	<b>204</b>

## Notes to the Financial Statements 8

### 8. Staff costs

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

	2024-25	2023-24
	No.	No.
Teaching staff	581	539
Non teaching staff	81	75
<b>Total Staff</b>	<b>662</b>	<b>614</b>

Staff costs for the above persons, analysed by department	2024-25	2023-24
	£'000	£'000
Teaching departments	10,068	8,980
Administration and central services	4,622	4,258
Agency staff	75	178
Actuarial pension adjustment	145	88
<b>Total staff costs</b>	<b>14,910</b>	<b>13,504</b>

Restructuring costs	3	116
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Staff costs, analysed by cost type	2024-25	2023-24
	£'000	£'000
Salaries	11,303	10,402
Social security costs	1,047	845
Other pension costs (excluding FRS 102 charge)	2,340	1,991
Agency staff	75	178
Actuarial pension adjustment	145	88
<b>Total staff costs</b>	<b>14,910</b>	<b>13,504</b>

Restructuring costs	3	116
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Staff costs, analysed by type of contract	2024-25	2023-24
	£'000	£'000
Employment costs for staff on permanent contracts	9,364	8,619
Employment costs for staff on short term and temporary contracts	5,326	4,619
Agency staff	75	178
Actuarial pension adjustment	145	88
<b>Total staff costs</b>	<b>14,910</b>	<b>13,504</b>

Restructuring costs	3	116
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## Notes to the Financial Statements 8 (continued)

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

The Executive Team comprises of the Principal, the Chief Financial Officer, the Vice Principal and the Executive Director of Human Resources. The Director of Governance is also included within key management personnel.

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

	2024-25	2023-24
	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	
	2024-25	2023-24	2024-25	2023-24
	No.	No.	No.	No.
£60,001 to £65,000	1	1	5	1
£65,001 to £70,000	-	-	1	1
£70,001 to £75,000*	-	-	3	2
£75,001 to £80,000	-	-	-	2
£80,001 to £85,000	-	-	2	-
£95,001 to £100,000	-	-	-	1
£100,001 to £105,000	-	-	1	-
£105,001 to £110,000	-	3	1	1
£110,001 to £115,000	3	-	-	-
£135,000 to £140,000	1	1	-	-
	5	5	13	8

\* This band included a one-off redundancy payment in 2023-24

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



## Notes to the Financial Statements 8 (continued)

Total key management personnel emoluments are detailed below.

Key management personnel emoluments are made up as follows:

	2024-25	2023-24
	£'000	£'000
Salaries	516	503
Employers National Insurance contributions	68	63
Pension contributions	87	81
<b>Total emoluments</b>	<b>671</b>	<b>647</b>

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

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

	2024-25	2023-24
	£'000	£'000
Salaries	140	136
Employers National Insurance contributions	19	18
Pension contributions	19	19
<b>Total emoluments</b>	<b>178</b>	<b>173</b>

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

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

## Notes to the Financial Statements 8 (continued)

Accounting Officer pay and remuneration expressed as a multiple:

	2024-25	2023-24
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	2.1	2.2

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 2024-25, which totalled £656 for three Governors (2023-24: £1,175 for four Governors).

### Staff Restructuring Costs

Staff restructuring costs comprise:

	2024-25	2023-24
	£'000	£'000
Redundancy payments	3	45
Pension strain costs	-	71
Total restructuring costs	3	116

There were three redundancy payments made during the year disclosed in the following banding:

	2024-25	2023-24
£0 to £25,000	3	3
£25,001 to £50,000	-	1
	3	4

## Notes to the Financial Statements 9 & 10

### 9. Taxation

City Lit is a charity with no additional trading activities. The Governing Body do not believe that any corporation tax liability was incurred in 2024-25 (2023-24: £nil).

### 10. Other operating expenses

	2024-25	2023-24
	£'000	£'000
Teaching purchases	294	288
Exam fees	116	104
<b>Teaching departments</b>	<b>410</b>	<b>392</b>
Learner services	71	57
<b>Teaching and other support services</b>	<b>71</b>	<b>57</b>
Administration purchases	1,041	913
IT support	383	394
<b>Administration and central services</b>	<b>1,424</b>	<b>1,307</b>
<b>Marketing expenditure</b>	<b>957</b>	<b>851</b>
Premises running costs	1,869	2,015
Maintenance	49	69
Rent	282	269
<b>Premises</b>	<b>2,200</b>	<b>2,353</b>
<b>Exceptional Costs</b>	<b>-</b>	<b>53</b>
<b>Total operating expenses</b>	<b>5,062</b>	<b>5,013</b>

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

	2024-25	2023-24
	£'000	£'000
Total operating expenses includes the following:		
<b>External auditors fees</b>		
Buzzacott Audit LLP	38	37
<b>Other assurance fees</b>		
Internal assurance work	55	13
Other services provided by the external auditors	4	-
Total audit assurance fees	97	50
<b>Operating leases</b>		
Office Equipment	21	21

### 11. Interest payable

	2024-25	2023-24
	£'000	£'000
Interest Payable on loan	148	144
Enhanced Pension finance costs (note 22)	2	2
<b>Total interest payable</b>	<b>150</b>	<b>146</b>



## Notes to the Financial Statements 12

### 12. Tangible fixed assets

	Freehold Land and Buildings	Building Refurbishment	Equipment	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2024	19,903	5,713	3,213	28,829
Additions	-	689	421	1,110
Disposals	-	-	(382)	(382)
<b>At 31 July 2025</b>	<b>19,903</b>	<b>6,402</b>	<b>3,252</b>	<b>29,557</b>
<b>Depreciation</b>				
At 1 August 2024	7,177	1,945	2,738	11,860
Charge for the year	378	500	289	1,167
Elimination in respect of disposals	-	-	(382)	(382)
<b>At 31 July 2025</b>	<b>7,555</b>	<b>2,445</b>	<b>2,645</b>	<b>12,645</b>
<b>Net book value at 31 July 2025</b>	<b>12,348</b>	<b>3,957</b>	<b>607</b>	<b>16,912</b>
<b>Net book value at 31 July 2024</b>	<b>12,726</b>	<b>3,768</b>	<b>475</b>	<b>16,969</b>

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

At 31 July 2025, freehold land & buildings, building refurbishment and equipment with respective net book values of £3.5m, £3.4m and £0.6m 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 13 & 14

### 13. Intangible fixed assets

	Software Licences & Information Technology Development
	£'000
<b>Cost or valuation</b>	
At 1 August 2024	1,050
Additions	387
Disposals	(150)
<b>At 31 July 2025</b>	<b>1,287</b>
<b>Amortisation</b>	
At 1 August 2024	672
Charge for the year	171
Elimination in respect of disposals	(150)
<b>At 31 July 2025</b>	<b>693</b>
<b>Net book value at 31 July 2025</b>	<b>594</b>
<b>Net book value at 31 July 2024</b>	<b>378</b>

### 14. Trade and other receivables

	31 July 2025	31 July 2024
	£'000	£'000
Trade receivables	806	813
Other receivables	-	154
Prepayments and accrued income	804	655
<b>Total Debtors</b>	<b>1,610</b>	<b>1,622</b>

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

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

	31 July 2025	31 July 2024
	£'000	£'000
Trade payables	272	456
Other taxation and social security	263	205
Accruals and deferred income	3,159	2,589
Holiday pay accrual	182	161
Deferred income - Government capital grants	642	584
Deferred income - Government revenue grants	17	90
Other creditors	562	534
<b>Total</b>	<b>5,097</b>	<b>4,619</b>

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

	31 July 2025	31 July 2024
	£'000	£'000
Loans	2,835	2,682
Deferred income - Government capital grants	5,904	5,390
<b>Total</b>	<b>8,739</b>	<b>8,072</b>

Included within Government capital grants is the FE condition allocation grant of £820,000

### 17. Maturity of debt:

	31 July 2025	31 July 2024
	£'000	£'000
<b>Bank loans and overdraft are repayable as follows:</b>		
Between two and five years	504	336
In five years or more	2,331	2,346
<b>Total</b>	<b>2,835</b>	<b>2,682</b>

The Institute has a balance of £2.835m outstanding on a loan from the Department for Education. The loan is repayable over 20 years at the Public Works Loan Board (PWLb) standard rate, which is currently 5.02%.

## Notes to the Financial Statements 18 & 19

### 18. Provisions

	Defined benefit obligations	Enhanced pensions	Total
	£'000	£'000	£'000
At 1 August 2024	-	49	49
Expenditure in the period	(639)	(8)	(647)
Charged to the income and expenditure account	629	2	631
Actuarial loss	10	3	13
<b>At 31 July 2025</b>	<b>-</b>	<b>46</b>	<b>46</b>

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

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

The principal assumptions for this calculation are:

	2024-25	2023-24
Price inflation	2.70%	2.80%
Discount rate	5.50%	4.80%

### 19. Cash and cash equivalents

	At 1 August 2024	Cash flows	At 31 July 2025
	£'000	£'000	£'000
Cash and cash equivalents	1,158	793	1,951
<b>Total</b>	<b>1,158</b>	<b>793</b>	<b>1,951</b>
	£'000	£'000	£'000
Cash in hand and at bank	1,158	793	1,951
Loans	(2,682)	(153)	(2,835)
<b>Total</b>	<b>(1,524)</b>	<b>640</b>	<b>(884)</b>

Following the reclassification of colleges from private to public sector, the Institute negotiated a long-term loan from the Department for Education.



## Notes to the Financial Statements 20 & 21

### 20. Capital commitments

	31 July 2025	31 July 2024
	£'000	£'000
Commitments contracted for at 31 July	-	342

### 21. Lease Obligations

At 31 July 2025 the Institute had minimum lease payments under non-cancellable operating leases as follows:

	31 July 2025	31 July 2024
	£'000	£'000
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	170	238
Later than one year and not later than five years	654	666
Later than five years	750	89
	<b>1,574</b>	<b>993</b>
<b>Other</b>		
Not later than one year	25	25
Later than one year and not later than five years	76	76
	<b>101</b>	<b>101</b>
<b>Total lease payments payable</b>	<b>1,675</b>	<b>1,094</b>

## Notes to the Financial Statements 22

### 22. Defined benefit obligations

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

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 2025.

Pension costs for the year	2024-25	2023-24
	£'000	£'000
<b>Teachers Pension Scheme</b>		
Contributions paid (included within the general reserve)	1,769	1,444
<b>Local Government Pension Scheme</b>		
Net pension costs	629	459
Contributions paid	(639)	(543)
<b>Total allocated to the pension reserve</b>	<b>(10)</b>	<b>(84)</b>
<b>Enhanced Pension</b>		
Pension costs (allocated to the general reserve)	2	2
<b>Total pension costs</b>	<b>1,761</b>	<b>1,362</b>
<b>Total actuarial gain/(loss)</b>	<b>4,089</b>	<b>(84)</b>

Contributions amounting to £268,000 (2024: £231,000) payable to the schemes as at 31 July 2025 are included in creditors.

#### Teachers' Pension Scheme

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

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

## Notes to the Financial Statements 22 (continued)

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

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

### Valuation of the Teachers' Pension Scheme

The Government Actuary's Department conducts a formal review of the TPS every four years. The aim of the review is to ensure scheme costs are recognised and managed appropriately and the review specifies the level of future contributions.

As a result of the last scheme valuation, based on 2020 data, employers' contributions were increased in April 2024 from a rate of 23.6% to 28.6%. Employers also pay a charge equivalent to 0.08% of pensionable salary costs to cover administration expenses.

A copy of the latest valuation report can be found by following this link [Valuation result | 10 | 2023 \(teacherspensions.co.uk\)](https://www.teacherspensions.co.uk/valuation-result-10-2023). The next valuation, based on 2024 data, is expected to take effect in 2027.

The pension costs paid to TPS in the year amounted to £1,769,000 (2023-24: £1,444,000).

## Notes to the Financial Statements 22 (continued)

### Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by London Pension Fund Authority. The total contribution made for the year ended 31 July 2025 was £939,000 (2023-24 £834,000), of which employer’s contributions totalled £639,000 (2023-24: £543,000) and employee’s contributions totalled £300,000 (2023-24: £291,000). The contribution rate was 13.6% 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 2025 by a qualified independent actuary.

	At 31 July 2025	At 31 July 2024
Rate of increase in salaries	2.85%	2.90%
Future pensions increases	2.85%	2.90%
Discount rate for scheme liabilities	5.80%	5.05%
Inflation assumption (CPI)	2.85%	2.90%
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 2025	At 31 July 2024
	Years	Years
<b>Retiring today</b>		
Males	21.0	20.70
Females	23.8	23.70
<b>Retiring in 20 years</b>		
Males	22.3	22.00
Females	25.0	24.90



## Notes to the Financial Statements 22 (continued)

### Sensitivity analysis

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

Change in discount rate	+0.5%	+0.1%	0.0%	-0.1%	-0.5%
Present value of defined benefit obligation (£'000)	20,023	21,430	21,805	22,191	23,843
Projected service cost (£,000)	410	483	503	523	613
Change in long term salary increase	+0.5%	+0.1%	0.0%	-0.1%	-0.5%
Present value of defined benefit obligation (£'000)	21,845	21,813	21,805	21,797	21,767
Projected service cost (£,000)	503	503	503	503	503
Change to pension increases and deferred revaluation	+0.5%	+0.1%	0.0%	-0.1%	-0.5%
Present value of defined benefit obligation (£'000)	23,855	22,194	21,805	21,426	20,005
Projected service cost (£,000)	617	524	503	482	406
Change in life expectancy assumptions	+1 year	None	-1 year		
Present value of defined benefit obligation (£'000)	22,437	21,805	21,193		
Projected service cost (£,000)	521	503	485		

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

	Share of assets 31 July 2025	Fair Value at 31 July 2025	Share of assets 31 July 2024	Fair Value at 31 July 2024
		£'000		£'000
Equities	57%	16,447	61%	16,010
Target return portfolio	19%	5,364	16%	4,185
Infrastructure	11%	3,268	11%	2,864
Property	9%	2,550	9%	2,367
Cash	4%	1,143	3%	944
<b>Total market value of assets</b>	<b>100%</b>	<b>28,772</b>	<b>100%</b>	<b>26,370</b>
	Long-term rate of return expected at 31 July 2025	Fair Value at 31 July 2025 (£'000)	Long-term rate of return expected at 31 July 2024	Fair Value at 31 July 2024 (£'000)
<b>Total market value of assets</b>		<b>28,772</b>		<b>26,370</b>
Weighted average expected long term rate of return	8.26%		5.27%	
Actual return on plan assets		2,187		1,310

## Notes to the Financial Statements 22 (continued)

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

	31 July 2025	31 July 2024
	£'000	£'000
Fair value of plan assets	28,772	26,370
Present value of plan liabilities	(21,805)	(23,502)
Adjustments to remove scheme surplus	(6,967)	(2,868)
<b>Net pension asset/(liability)</b>	<b>-</b>	<b>-</b>

The pension scheme asset has not been recognised in the financial statements. The total actuarial gain for the year amounted to £4,089,000. However, once we have adjusted the surplus down to £nil, an actuarial loss of £10,000 has been recognised in Other Comprehensive Income, as detailed in the table below.

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

	31 July 2025	31 July 2024
	£'000	£'000
<b>Amounts included in staff and investment costs</b>		
Service cost	776	624
Net interest on the defined benefit asset	(155)	(172)
Administration expenses	8	7
<b>Total</b>	<b>629</b>	<b>459</b>
<b>Amounts recognised in Other Comprehensive Income</b>		
Return on pension plan assets	850	28
Changes in financial assumptions	3,588	(862)
Changes in demographic assumptions	(118)	284
Experience gain on defined benefit obligation	(231)	263
Adjustment to remove scheme surplus	(4,099)	203
<b>Amount recognised in Other Comprehensive Income</b>	<b>(10)</b>	<b>(84)</b>

### Movement in the defined benefit plan during the year

	31 July 2025	31 July 2024
	£'000	£'000
Surplus/(deficit) in scheme at 1 August	2,868	3,071
<b>Movement in year:</b>		
Current service cost	(685)	(624)
Employer contributions	639	543
Past service cost, including curtailments	(91)	-
Net interest on the pension asset	155	172
Administration expenses	(8)	(7)
Actuarial gain/(loss)	4,089	(287)
<b>Net defined benefit pension asset at 31 July</b>	<b>6,967</b>	<b>2,868</b>

## Notes to the Financial Statements 22 (continued)

### Asset and liability reconciliation

	31 July 2025	31 July 2024
	£'000	£'000
<b>Changes in the present value of defined benefit obligations</b>		
Defined benefit obligations at start of period	23,502	21,638
Current service cost	685	624
Interest cost	1,182	1,110
Contributions by scheme participants	300	291
Experience loss/(gain) on defined benefit obligations	231	(263)
Change in financial assumptions	(3,588)	862
Change in demographic assumptions	118	(284)
Estimated benefits paid	(716)	(476)
Past service cost, including curtailments	91	-
<b>Defined benefit obligations at end of the period</b>	<b>21,805</b>	<b>23,502</b>
<b>Reconciliation of assets</b>		
Fair value of plan assets at start of period	26,370	24,709
Interest on plan assets	1,337	1,282
Return on plan assets less interest	850	28
Administration expenses	(8)	(7)
Employer contributions	639	543
Contributions by scheme participants	300	291
Estimated benefits paid	(716)	(476)
<b>Assets at end of the period</b>	<b>28,772</b>	<b>26,370</b>

## Notes to the Financial Statements 23

### 23. Reserves

	Notes	General Reserve	Pension Reserve	Revaluation Reserve	Restricted Bursary Fund	Restricted Funds	Total
Reserves as at 31 July 2024		6,209	-	1,000	162	16	7,387
Deficit for the year		(199)	-	-	-	-	(199)
Net FRS 102 pension charge		-	10	-	-	-	10
Actuarial loss in respect of pension scheme		-	(10)	-	-	-	(10)
Actuarial loss in respect of enhanced pension		(3)	-	-	-	-	(3)
Bursary donations received - transfer to restricted fund		(53)	-	-	53	-	-
Bursary resources expended - transfer from restricted fund		13	-	-	(13)	-	-
<b>Reserves as at 31 July 2025</b>		<b>5,967</b>	<b>-</b>	<b>1,000</b>	<b>202</b>	<b>16</b>	<b>7,185</b>

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 24 & 25

### 24. Related party transactions

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

The total expenses paid to or on behalf of Governors during the year was £656 for three Governors; (2023-24: £1,775 for four Governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

The Institute also pays for Governors' Liability Insurance as part of a combined business policy. The notional cost of this was £1,267.

No Governor has received any remuneration or waived payments from the Institute during the year (2023-24: None).

### 25. 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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